

Section II: Performance Information

How to Use this Section

This section of HUD's FY 2007 Performance and Accountability Report discusses the Department's progress in meeting the annual target set for each performance indicator.¹ The Department's performance indicators reflect short-term progress toward the Department's Strategic Goals and Objectives outlined in the Department's six-year Strategic Plan.²

HUD's performance indicators are divided among six strategic objectives and twenty-five strategic goals. The Strategic Framework on page seven shows the organization of these goals and objectives.

Strategic Goals are the highest level of organization. They reflect the major focus areas within the Department's mission and are long-term outcomes. Strategic Objectives, which support each Strategic Goal, provide more specific, shorter-term outcomes. For each Strategic Goal, the following information is provided:

- The **public benefit** from the goal.
- **Resources** contributing to the achievement of the goal.

Strategic Indicators capture the outputs and outcomes of the Department's activities over the course of the fiscal year. Detailed information is included about each of the indicators in the format outlined below:

- **Background** contains indicator impact, justification, origin and program website, where applicable.
- **Results, impact, and analysis** discusses the year's results in the context of prior year trends and includes a forecast for next year's results. This section provides details on accomplishments.
- **Reasons for shortfall/Performance Improvement Plans** are provided for those goals that were not met.
- **Resources and performance link** provides information on the resources supporting the goal.
- **Data discussion** includes information on the data collection system and the method by which data were calculated.
- A **line graph** depicting the data trend over the last four years is included where prior year data are available.

Use of Evaluations to Improve Strategies

Performance indicators face inherent limitations because their focused nature often prevents them from effectively addressing 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

¹ The Department's FY 2007 Annual Performance Plan is available at <http://www.hud.gov/offices/cfo/reports/pdfs/app2007.pdf>. Appendix B of HUD's FY 2008 Annual Performance Plan identifies revisions to a limited number of performance indicators or targets; www.hud.gov/offices/cfo/reports/pdf/app2008.pdf

² Available at www.hud.gov/offices/cfo/stratplan.cfm

factors, caused the results. In areas where externalities are significant, the most that can be done with performance measures is to plausibly attribute the outcome to the program by demonstrating a logical connection between the efforts and the results of HUD's activities.

To address the attribution problem, the Department also relies on program evaluations. Evaluations are studies that assess program impacts, sometimes by using control groups, random assignment, econometric modeling, and other methodologies to exclude the effects of external forces. Evaluations also support a longer-term assessment of program performance that annual performance measures cannot capture.

The Performance and Accountability Report also continues to include an Appendix that systematically summarizes FY 2007 research efforts and findings.

Summary of HUD's Performance Activities

The following is a summary of HUD's performance activities under each of the Department's six Strategic Goals. This summary provides a short explanation of what the public benefits are, the key activities and measures that HUD is pursuing, and the resource levels and types involved under each goal's major activities.

This summary is designed to give the reader a sense of the overall plan and impact of HUD's program efforts. More specific information for each performance indicator is provided in greater detail following this summary.

In addition, immediately following this summary is a list of the key program indicators and relevant page numbers where they are fully discussed. This list also serves as a quick summary of the Department's key efforts. The reader can locate the entire complement of write-ups in the indicator section of Section 2.

GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

Homeownership has always been a vital part of the "American Dream." HUD programs and employees are helping more Americans realize that dream, while protecting them from housing discrimination and predatory lending practices.

PUBLIC BENEFIT

Opening doors to homeownership is a core aspect of HUD's mission, originating when Congress created the Federal Housing Administration in 1934. Homeownership allows an individual or family to make an investment for the future. A home is an asset that can grow in value and provide capital to finance future needs of a family, such as college education or retirement. Homeownership helps stabilize neighborhoods, strengthen families and communities, and stimulate economic growth.

RESOURCE INVESTMENT

Although the portion of HUD's budget authority of \$3.1 billion for this Goal represents only eight percent of the Department's total budget authority, there are very large mortgage guarantee amounts that provide a significant contribution to the National homeownership rate. The FHA single family program is a major contributor to homeownership with 532,494 mortgages endorsed this fiscal year, of which 79.5 percent were for first-time homebuyers. In addition, the share of first-time minority FHA homebuyers was 33 percent in FY 2007. FHA is an important contributor to the President's goal of adding 5.5 million new minority homeowners over a 10-year period. This goal recognizes the significant, near 25 percent, homeownership gap between minority and non-minority households. Through the third quarter of FY 2007, there has been a net increase of 3.19 million minority homeowners and a gross increase of 3.74 million, representing 58 percent of the goal set by the President. The FHA single family program had an overall commitment ceiling of \$185 billion and actual commitments were \$84 billion.

The Department has proposed significant reform of the FHA program that will provide substantially expanded help to targeted populations. In August 2007, the Department initiated the FHA “Secure” program that will provide key assistance to a segment of homeowners facing default and foreclosure pressures and is projected to help approximately 240,000 families next year.

HUD’s housing counseling program makes a significant contribution to this goal, leveraging non-federal sources of funds to assist approximately one million persons a year (39 percent minorities). This program is particularly important given the current problems in the subprime market and the increased risks of defaults and foreclosures.

Other significant contributions to this goal include the Ginnie Mae, HOME Investment Partnership Program Block Grant, Community Development Block Grants, Self-help Homeownership Opportunity Program, voucher homeownership programs, and HUD’s regulation of Fannie Mae and Freddie Mac loan securitization.

- The HOME program assisted 34,985 new homebuyer units, of which the American Dream Downpayment Initiative contributed 6,094 of this total.
- The Community Development Block Grant Program assisted 6,919 homeownership units and 117,830 involving rehabilitation of owner-occupied units.
- Ginnie Mae securitized 93 percent of FHA single family loans; 92 percent of single family fixed rate VA loans; and 26 percent of all single family pools were in Targeted Lending Initiative neighborhoods.
- The Self-help Homeownership Opportunity program assisted 1,887 new homeowner units.
- Fannie Mae and Freddie Mac targets for low- and moderate-income mortgage purchases and for special affordable housing were met.
- Several thousand new homeowners were assisted through HUD’s voucher and HOPE VI programs.

GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

PUBLIC BENEFIT

Making quality affordable housing opportunities available to targeted income populations has been a significant goal since the Great Depression. The latest available data show that in calendar year 2005, 2.32 million families with children had worst cases housing needs, and 1.29 million elderly households and 511 thousand households with disabilities also had worst case housing needs. Worst case housing needs reflect rents that are more than 50 percent of available income or housing of poor physical quality. There is a general recognition that there is a lack of affordable housing, with only 76.8 rental units affordable and available for every 100 very low-income renter households and only 67.9 units available when physical conditions are also reflected.

The Department's affordable rental programs serve 4.8 million families on an income targeted basis and prevent large numbers of families from being added to the worst case housing caseload.

RESOURCE INVESTMENT

This Strategic Goal reflects the largest budget authority, at \$25.4 billion or 66 percent, of the total \$38.3 billion net discretionary Departmental total. The largest portion of affordable housing resources is used to maintain the 2.1 million households tenant-based voucher assistance; 1.3 million project-based assistance and 1.15 million public housing residents (total of 4.55 million Section 8 assisted households). The voucher program budget authority resources total \$21.9 billion, of which \$15.9 billion is for tenant based vouchers and \$6.0 billion is for project based vouchers. An additional \$6.3 billion in non-voucher rental support is for public housing, of which \$2.4 billion is for the Capital Fund and \$3.9 billion for the Operating fund.

Other key contributors to advancing affordable housing are as follows:

- Housing choice voucher utilization increased from 90 percent to 93 percent with projected increases over the next several years.
- The Community Development Block Grant, HOME Investment Partnership block grant, Housing Opportunities for Persons with AIDS, Indian Housing Block Grant and Native Hawaiian Housing Block Grant assisted 141,787 income targeted households with affordable housing.
- FHA endorsed 881 risk sharing multi-family loans.
- Ginnie Mae securitized 98 percent of eligible FHA multifamily mortgages.
- HUD completed 92 percent of Mark-to-Market mortgages restructurings in order to preserve existing affordable housing.
- HUD continued to regulate Fannie Mae and Freddie Mac's performance in meeting HUD-defined targets for special affordable multifamily mortgage insurance (collectively \$27 billion).
- Public Housing exceeded the physical quality goal of 85 percent with 85.7 percent. Further improvement is projected in the next several years as part of a total new paradigm based on project-based asset management. Thirty percent of public housing authorities transitioned to asset-based accounting in FY 2007, exceeding the goal of 20 percent.
- HUD continued to work on increasing the proportion of households who transition from HUD's public housing and voucher program and reducing the proportion of households who have very lengthy stays in HUD's housing assistance. Lengthy stays were reduced but the interim target for transitioning households was not met.
- Public Housing also reduced the number of units in "troubled" status by 33 percent.
- The availability of affordable housing for the elderly and persons with disabilities was increased by bringing 245 projects to initial closing, exceeding the goal of 200.

GOAL C: STRENGTHEN COMMUNITIES

PUBLIC BENEFIT

Providing communities throughout the entire Nation with resources and tools to promote economic development and community vitality is a key component of HUD's mission. The hallmark of this effort is flexible program designs that enable localities and States to design local solutions to local problems while targeting the majority of the efforts to low- and moderate-income groups and communities.

Other key contributors to strengthening communities are as follows:

- The share of FHA multifamily properties in underserved communities was 46 percent, exceeding the goal of 33 percent; and 42 percent of single-family mortgages were in underserved communities exceeding the goal of 35 percent.
- The National Community Development Initiative leveraged \$1.8 billion with the \$29 million in federal resources, a ratio of 63:1. This far exceeds the goal of 10:1.
- Homeless funding of \$1.3 billion, or 90 percent of total homeless funding. The program exceeded its target for establishing Homeless Management Information Systems, for housing homeless in HUD permanent housing, and moving homeless from HUD transitional to permanent housing. The goal for attaining employment was exceeded, and HUD achieved 97 percent of the goal of creating 4,000 new permanent housing beds for the chronically homeless.
- Overcrowding in Indian Country was also significantly reduced by more than the one percent target.
- Housing conditions that effect health were vastly improved with targets met for lead abatement and the program on track to meet the aggressive and top priority goal of elimination of lead hazards for children by 2010.
- Expanded efforts and results were also recorded in the \$10 million Healthy Homes program focused on reduction of allergen levels and other health and safety conditions.

RESOURCE INVESTMENT

Approximately 12 percent of total net discretionary budget authority is for this goal, or \$4.7 billion compared to the total of \$38.3 billion. In FY 2006 the total resources were \$21.5 billion, a total which reflected the enactment of \$16.7 billion of supplemental Community Development Block Grant (CDBG) funding to assist the Gulf Coast communities impacted by Hurricanes Katrina, Wilma, and Rita. The scope of this supplemental funding reflected the need and the effectiveness and flexibility of the CDBG program.

The CDBG program is 54 percent or \$2.6 billion of the overall \$4.7 billion resources devoted to this strategic goal. Three indicators track the progress in assistance to the Gulf Coast Region including homeowner and infrastructure assistance. CDBG assistance is also tracked in terms of jobs created and percentage that is targeted to low and moderate income groups and, at approximately 95 percent, vastly exceeded the statutory requirement of 70 percent. This Performance and Accountability Report represents the first time that indicators are being reported that begin to capture the outcomes of CDBG on neighborhoods with high

unemployment and improved real estate results as well as significant elimination of vacant, boarded up properties that blight neighborhoods.

GOAL D: ENSURE EQUAL OPPORTUNITY IN HOUSING

PUBLIC BENEFIT

Providing our citizens equal opportunity free from discrimination is a value that permeates the entire policy and program effort of the Department. The Department enforces a body of civil rights and fair housing laws that protect all of our citizens, and both the Fair Housing Assistance Program component and Fair Housing Initiatives Program component have strong enforcement activities as well as education efforts. These initiatives significantly expand homeownership and affordable housing opportunities to all citizens, while strengthening families and communities.

RESOURCE INVESTMENT

The FY 2007 funding for the Fair Housing Equal Opportunity program is \$46 million, the same as in FY 2006. The Fair Housing Assistance Program was funded at \$25.7 million and performance was measured in terms of reducing aged caseloads by both HUD and efforts of the 109 Fair Housing Equivalent Agencies across the country. The Fair Housing Initiatives Program was funded at \$19.8 million and focused on both enforcement activities as well as education and outreach activities. All of these efforts were aided by the continued activities of the Fair Housing Training Academy, which is in the early years of its existence. Education and outreach was accomplished by 1,486 public events that helped reach 247,000 people involved in grassroots and faith based efforts, as well as public service outreach that potentially informed millions of our citizens of their rights and responsibilities. The Fair Housing and Equal Opportunity office also worked with all other HUD program offices to ensure that all HUD programs complied with relevant civil rights and fair housing laws and standards.

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

PUBLIC BENEFIT

The Department has a significant array of housing, community development, fair housing, and related programs that assist families and communities across the entire nation. The Department is the public steward of \$38.3 billion, and this strategic goal reports on our efforts to improve management and operational activities in all areas so as to provide even more effective and efficient results. Improvements are particularly focused on developing an enriched, more effective workforce and investing in, and updating, our information technology and financial systems.

The Department has achieved notable successes in the following areas:

- Removal of HUD from the watch list of high-risk government programs by the Government Accountability Office.
- Receipt of a “green” rating for financial performance by OMB.

- Receipt of an unqualified financial audit opinion for the eighth consecutive year.
- Recognition of HUD's leadership in expanding E-government, receipt of an A+ on the Federal Information Security Management Act report
- Reduction of improper payments in full compliance with the Improper Payments Information Act of 2002.

RESOURCE INVESTMENT

This Strategic Goal includes \$4.9 billion, or 13 percent of the \$38.3 billion, in total discretionary resources. The larger investments include administrative costs for most HUD programs, including \$1.8 billion for the rental assistance programs that represent over 60 percent of total HUD resources and Public Housing Operating Resources of \$2.4 billion that protect an investment valued at \$90 billion.

For Community Development programs, \$264 million is associated with the administration, operation, and monitoring of the CDBG program; \$175 million for the same purposes for the HOME program; \$148 million for the Homeless Assistance program; and \$17 million for the Housing Opportunities for Persons with AIDS program.

For FHA programs, \$170 million was provided for administration, operations, and management.

For the Office of Policy Development and Research, \$6.3 million of data collection and research spending was associated with management and accountability efforts.

This Strategic Goal, in large part, focuses on progress being made with advancing the skills of our workforce through training, recruitment, and retention. The Department is making incremental progress with a multiyear effort to reduce managers and general workforce skill gaps, as well as recruiting new talent for the Department, significantly through several intern programs. The Department has also had significant success in exceeding our 80 percent intern retention goal.

The Department continues to achieve success in the financial area with continued clean audits, elimination of non-compliant financial systems, and the initial contract stage for the overhaul of the Department's core financial systems with a target completion date of FY 2013.

The Department is also accomplishing further progress in our information technology investments and operations with improvement in our Enterprise Architecture program, modernization of our information technology systems, and improved business functions under our Vision 2010 multiyear program for strategic information technology investment. In addition, the Department has successfully moved to electronic grants management for 100 percent of eligible competitive grant programs.

This strategic goal also includes a number of milestone goals, spanning HUD's program areas to gauge whether programs are being operated effectively. These goals include all Community Development and Policy programs, FHA Mutual Mortgage Insurance, PHA related programs, the Departmental Enforcement Center, and Policy Development and Research programs.

The Department is a leader across the government in reducing improper payments, with reduced improper rental payments by 58 percent between 2000 and 2006, resulting in a net overpayment reduction of \$1.52 billion.

The Department also periodically examines the satisfaction of both our business partners and our staff with HUD's performance, and uses this information to guide appropriate policy and operational changes.

GOAL F: PROMOTE PARTICIPATION OF FAITH-BASED AND COMMUNITY ORGANIZATIONS

PUBLIC BENEFIT AND RESOURCES

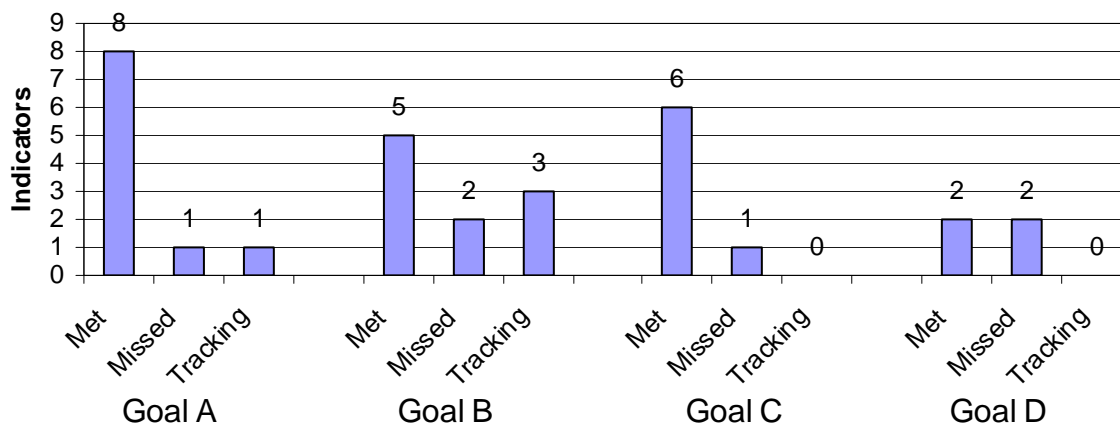
This Strategic Goal is not a resource issue but permeates the funding and operational issues involving all of HUD's programs. The President issued an Executive Order in FY 2004 that created the White House Office of Faith-Based and Community Initiatives and provided that the Department would be one of several leaders in the federal government to increase opportunities for Faith Based and other Community Development Organizations in order to utilize their special talents and skills.

In the first phases of this effort, barriers to participation for these organizations were removed. In FY 2006 and 2007 and ongoing, the focus has been toward developing the skill base for these groups, expanding opportunities to participate in HUD's programs, providing comprehensive outreach and technical assistance, and conducting pilot programs that capture the promise of this overall effort. Measurements in this area track the outreach, training, and technical assistance efforts, all of which have been met or exceeded. Measurements also follow the pilot programs and measure the level of participation in HUD's competitive programs.

Key Indicators

The Department selected a number of key indicators that reflect the Department's programmatic accomplishments. These indicators are listed below with page numbers where detailed information on each can be found.

Key Indicator Results



Key Indicators include:

- A1.3 The number of FHA single family mortgage insurance endorsements nationwide. page 123
- A1.4 The share of first time homebuyers among FHA home-purchase endorsements is 71 percent. page 124
- A1.5 Ginnie Mae securitizes at least 93 percent of eligible single family fixed rate FHA loans. page 125
- A1.6 Ginnie Mae securitizes at least 83 percent of VA single family loans. page 126
- A1.8 At least 30 percent of clients receiving pre-purchase counseling who purchase a home or become mortgage-ready within 90 days. page 127
- A1.9 The number of homebuyers who have been assisted with the HOME Investment Partnerships program is maximized. page 128
- A2.5 The share of first time minority homebuyers among FHA first time home purchase endorsements is 35 percent. page 145
- A2.9 Section 184 mortgage financing of \$197.25 million is guaranteed for Native American homeowners during FY 2007. page 150
- A5.1 Increase the cumulative homeownership closings under the homeownership option of the Housing Choice Voucher/Housing Certificate Fund to 8,000 by the end of FY 2007. page 154

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- A6.2 More than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure. page 157
- B1.3 The number of rental assisted households and rental housing units with CDBG, HOME, Housing Opportunities for Persons With AIDS, Indian Housing Block Grant and Native Hawaiian Housing Block Grant. page 166
- B1.4 FHA endorses at least 1,000 multifamily mortgages. page 170
- B1.5 Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages. page 172
- B1.10 Improve the utilization rate of Housing Choice Voucher funding to 97 percent by FY 2011. page 179
- B2.2 The share of public housing units that meet HUD established physical inspection standards will be 85 percent. page 182
- B2.3 The share of assisted and insured privately-owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent. page 183
- B2.5 For households living in assisted and insured privately-owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent. page 186
- B2.6 The percent of public housing units under management of troubled housing agencies. page 188
- B2.7 The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies. page 189
- B3.1 Increase the availability of affordable housing for the elderly and persons with disabilities by brining 200 projects to initial closing under Sections 202 and 811. page 196
- C2.3 The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent. page 212
- C3.2 The share of multifamily properties in underserved areas insured by FHA is maintained at 33 percent of initial endorsements. page 222
- C4.3 The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 61.5 percent. page 232
- C4.5 Create 4,000 new permanent housing beds for chronically homeless persons. page 234
- C5.2 The number of children under the age of six who have elevated blood lead levels will be less than 240,000 in FY 2007. page 240
- C5.3 As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 10,500 units lead safe in FY 2007. page 241
- C5.5 As part of a 10-year effort to eradicate lead hazards, at least 8,800 units will be made lead-safe pursuant to enforcement of the Department's lead safety regulations in FY 2007. page 244

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KEY INDICATORS

- D1.1 Increase the percentage of fair housing complaints closed in 100 days to 65 percent, excluding recommended cause, pattern and practice, and systemic complaints. page 249
- D1.2 Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 53 percent, excluding recommended cause and systemic complaints. page 250
- D2.1 Recipients of Fair Housing Initiatives Program education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people. page 254

RESOURCES SUPPORTING HUD'S MISSION

Summary of Resources By Strategic Goal

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

	2006 Actual	2007 Approp.	2008 Request
Strategic Goal A: Increase Homeownership Opportunities			
Discretionary BA	\$3,184,087	\$3,119,769	\$3,125,948
FTE	1,142	1,189	1,200
S&E Cost	\$124,503	\$130,065	\$138,130
Strategic Goal B: Promote Decent Affordable Housing			
Discretionary BA	\$24,449,640	\$25,430,726	\$24,704,572
FTE	2,948	2,888	2,779
S&E Cost	\$317,726	\$315,636	\$323,972
Strategic Goal C: Strengthen Communities			
Discretionary BA	\$21,490,254	\$4,734,080	\$4,254,608
FTE	795	797	815
S&E Cost	\$79,631	\$87,505	\$94,261
Strategic Goal D: Ensure Equal Opportunity in Housing			
Discretionary BA	\$46,040	\$46,040	\$45,500
FTE	565	559	570
S&E Cost	\$60,201	\$59,777	\$66,319
Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability			
Discretionary BA	\$4,729,209	\$4,947,580	\$4,983,105
FTE	3,306	3,275	3,508
S&E Cost	\$773,491	\$846,566	\$897,182
Strategic Goal F: Promote Participation of Faith-Based and Community Organizations			
FTE	8	8	8
S&E Cost	\$1,725	\$1,508	\$1,865
Total Resources			
Total BA	\$53,899,230	\$38,278,195	\$37,113,733
FTE	8,764	8,716	8,880
S&E Cost	\$1,357,277	\$1,441,057	\$1,521,729

Fiscal Year 2006 Discretionary BA includes supplemental disaster funding totaling \$17,063,300. FTEs and S&E are not included in the Total Resources for the Inspector General's office and the Office of Federal Housing Enterprise Oversight because each has independent budget presentations. S&E and FTEs for the Working Capital Fund are reflected as part of the overall resources.

The FY 2007 Discretionary BA does not reflect proposed rescissions and is net of S&E BA.

The FY 2008 Discretionary BA reflects the proposed \$99 million HOPE VI rescission of FY 2007 resources and is net of S&E BA.

Strategic Goal A: Increase Homeownership Opportunities.

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
Office of Public and Indian Housing				
Tenant-Based Rental Assistance				
Discretionary BA	\$1,580,822	\$1,592,000	\$1,600,000	\$8,000
FTE	79	78	48	-30
S&E Cost	\$9,035	\$9,058	\$6,016	-\$3,042
Project-Based Rental Assistance				
Discretionary BA	\$20,313	\$20,313	\$16,671	-\$3,642
Native American Housing Block Grants				
Discretionary BA	\$280,665	\$280,665	\$282,134	\$1,469
FTE	62	62	61	-1
S&E Cost	\$7,080	\$7,305	\$7,505	\$200
Indian Housing Loan Guarantee Fund				
Discretionary BA	\$3,960	\$6,000	\$7,450	\$1,450
FTE	24	24	23	-1
S&E Cost	\$2,786	\$2,862	\$2,918	\$56
Native Hawaiian Loan Guarantee Fund				
Discretionary BA	\$891	\$891	\$1,044	\$153
FTE	1	1	1	0
S&E Cost	\$52	\$62	\$58	-\$4
Native Hawaiian Housing Block Grant				
Discretionary BA	\$8,727	\$8,727	\$5,940	-\$2,787
FTE	1	1	1	0
S&E Cost	\$30	\$37	\$31	-\$6
Revitalization of Severely Distressed Public Housing				
Discretionary BA	\$29,700	\$29,700	-\$29,700	-\$59,400
FTE	23	24	23	-1
S&E Cost	\$2,659	\$2,757	\$2,913	\$156
PIH TOTAL				
Discretionary BA	\$1,925,078	\$1,938,296	\$1,883,539	-\$54,757
FTE	189	189	156	-33
S&E Cost	\$21,612	\$22,044	\$19,410	-\$2,634

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	\$417,780	\$377,199	\$303,657	-\$73,542
FTE	30	29	28	-1
S&E Cost	\$4,481	\$3,191	\$3,266	\$75
HOME Investment Partnership Program				
Discretionary BA	\$456,885	\$456,885	\$511,326	\$54,441
FTE	36	37	38	1
S&E Cost	\$5,358	\$4,067	\$4,397	\$330
Self-Help Homeownership Opportunity Program				
Discretionary BA	\$60,390	\$19,800	\$39,700	\$19,900
FTE	5	5	5	0
S&E Cost	\$744	\$550	\$583	\$33
CPD TOTAL				
Discretionary BA	\$935,055	\$853,884	\$854,683	\$799
FTE	71	71	71	0
S&E Cost	\$10,583	\$7,808	\$8,246	\$438
OFFICE OF HOUSING				
FHA-GI/SRI				
Discretionary BA	\$20,184	\$20,068	\$20,942	\$874
FTE	72	70	75	5
S&E Cost	\$7,584	\$7,424	\$8,305	\$881
FHA-MMI/CHMI				
Discretionary BA	\$276,751	\$277,985	\$292,393	\$14,408
FTE	650	665	679	14
S&E Cost	\$66,528	\$70,254	\$75,143	\$4,889
Housing Counseling Assistance				
Discretionary BA	[\$31,421]	[\$31,715]	\$39,381	\$39,381
FTE	71	77	89	12
S&E Cost	\$7,141	\$7,974	\$9,817	\$1,843
Interstate Land Sales (and RESPA)				
FTE	25	33	43	10
S&E Cost	\$3,289	\$4,086	\$5,547	\$1,461
HOUSING TOTAL				
Discretionary BA	\$296,935	\$298,053	\$352,716	\$54,663
FTE	818	845	886	41
S&E Cost	\$84,542	\$89,738	\$98,812	\$9,074

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
GNMA				
Mortgage-Backed Securities				
Discretionary BA	\$5,297	\$8,474	\$8,560	\$86
FTE	33	54	57	3
S&E Cost	\$3,973	\$6,518	\$7,622	\$1,103
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Discretionary BA	\$21,722	\$21,062	\$26,450	\$5,388
FTE	31	30	30	0
S&E Cost	\$3,793	\$3,957	\$4,040	\$83
Total for Strategic Goal A				
Discretionary BA	\$3,184,087	\$3,119,769	\$3,125,948	\$6,179
FTE	1,142	1,189	1,200	11
S&E Cost	\$124,503	\$130,065	\$138,130	\$8,065
OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT				
FTE	226	256	259	+3
S&E Cost	\$60,000	\$62,000	\$66,000	+\$4,000

Strategic Goal B: Promote Decent Affordable Housing.

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
OFFICE OF PUBLIC AND INDIAN HOUSING				
Tenant-Based Rental Assistance				
Discretionary BA	\$12,646,575	\$12,743,000	\$12,800,000	\$57,000
FTE	553	546	310	-236
S&E Cost	\$63,244	\$63,408	\$42,110	-\$21,298
Project-Based Rental Assistance				
Discretionary BA	\$162,502	\$162,502	\$133,370	-\$29,132
Native American Housing Block Grants				
Discretionary BA	\$280,665	\$280,665	\$282,134	\$1,469
FTE	62	62	61	-1
S&E Cost	\$7,080	\$7,305	\$7,505	\$200
Public Housing Operating Fund				
Discretionary BA	\$1,426,000	\$1,546,000	\$1,600,000	\$54,000
FTE	54	55	223	168
S&E Cost	\$6,152	\$6,318	\$27,975	\$21,657
Public Housing Capital Fund				
Discretionary BA	\$2,438,964	\$2,438,964	\$2,024,000	-\$414,964
FTE	352	356	244	-112
S&E Cost	\$40,567	\$41,559	\$30,474	-\$11,085
Revitalization of Severely Distressed Public Housing				
Discretionary BA	\$69,300	\$69,300	-\$69,300	-\$138,600
FTE	54	55	55	0
S&E Cost	\$6,204	\$6,433	\$6,797	\$364
PIH TOTAL				
Discretionary BA	\$17,024,006	\$17,240,431	\$16,770,204	-\$470,227
FTE	1,076	1,075	894	-181
S&E Cost	\$123,277	\$125,060	\$114,892	-\$10,168

SECTION II: PERFORMANCE INFORMATION
RESOURCES SUPPORTING HUD'S MISSION

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

**2006
Actual 2007
Approp. 2008
Request 2007
vs. 2008**

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Community Development Block Grants

Discretionary BA	\$626,670	\$565,785	\$455,486	-\$110,299
FTE	45	44	43	-1
S&E Cost	\$5,501	\$4,814	\$5,015	\$201

HOME Investment Partnerships Program

Discretionary BA	\$1,124,640	\$1,124,640	\$1,258,650	\$134,010
FTE	90	93	93	0
S&E Cost	\$10,966	\$10,176	\$10,823	\$647

Housing Opportunities for Persons With AIDS

Discretionary BA	\$231,177	\$231,177	\$242,481	11,304
FTE	36	37	40	3
S&E Cost	\$4,430	\$4,045	\$4,712	\$667

Rural Housing and Economic Development

Discretionary BA	\$16,830	\$16,830	0	-\$16,830
FTE	15	15	14	-1
S&E Cost	\$1,828	\$1,641	\$1,633	-\$8

CPD TOTAL

Discretionary BA	\$1,999,317	\$1,938,432	\$1,956,617	\$18,185
FTE	187	189	190	1
S&E Cost	\$22,725	\$20,676	\$22,183	\$1,507

OFFICE OF HOUSING

Section 202, Housing for the Elderly

Discretionary BA	\$668,265	\$668,511	\$524,663	-\$143,848
FTE	272	263	271	8
S&E Cost	\$27,283	\$27,050	\$29,632	\$2,582

Section 811, Housing for the Disabled

Discretionary BA	\$223,270	\$222,784	\$117,958	-\$104,826
FTE	134	129	134	5
S&E Cost	\$13,510	\$13,303	\$14,661	\$1,358

FHA-GI/SRI

Discretionary BA	\$216,700	\$215,300	\$214,722	-\$578
FTE	773	751	769	18
S&E Cost	\$78,514	\$78,437	\$84,463	\$6,026
FTE	6	6	6	0
S&E Cost	\$594	\$609	\$655	\$46

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
Rent Supplement Program				
Discretionary BA	\$7,500	\$7,500	\$7,900	\$400
FTE	5	5	5	0
S&E Cost	\$507	\$521	\$549	\$28
Rental Housing Assistance Program (Section 236)				
Discretionary BA	\$18,600	\$18,600	\$19,700	\$1,100
FTE	26	26	26	0
S&E Cost	\$2,585	\$2,655	\$2,837	\$182
Project-Based Rental Assistance				
Discretionary BA	\$4,281,185	\$5,116,159	\$5,077,959	-\$38,200
FTE	358	352	393	41
S&E Cost	\$36,011	\$36,588	\$43,095	\$6,507
Housing Counseling Assistance				
Discretionary BA	[\$10,179]	[\$9,885]	\$10,619	\$10,619
FTE	23	24	24	0
S&E Cost	\$2,319	\$2,485	\$2,645	\$160
HOUSING TOTAL				
Discretionary BA	\$5,415,520	\$6,248,854	\$5,973,521	-\$275,333
FTE	1,597	1,556	1,628	72
S&E Cost	\$161,323	\$161,648	\$178,537	\$16,889
GINNIE MAE				
Mortgage Backed Securities				
Discretionary BA	\$5,297	\$2,119	\$2,140	\$21
FTE	33	13	14	1
S&E Cost	\$3,973	\$1,630	\$1,905	\$275
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	\$5,500	\$890	\$2,090	\$1,200
FTE	55	55	53	-2
S&E Cost	\$6,428	\$6,622	\$6,455	-\$167
Total for Strategic Goal B				
Discretionary BA	\$24,449,640	\$25,430,726	\$24,704,572	-\$726,154
FTE	2,948	2,888	2,779	-109
S&E Cost	\$317,726	\$315,636	\$323,972	\$8,336

Strategic Goal C: Strengthen Communities.

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA (1)	\$19,517,604	\$2,568,593	\$2,064,868	-\$503,725
FTE	205	194	192	-2
S&E Cost	\$19,771	\$21,246	\$22,390	\$1,144
Homeless Assistance Grants				
Discretionary BA	\$1,189,960	\$1,293,115	\$1,422,633	\$129,518
FTE	244	254	266	12
S&E Cost	\$23,566	\$27,805	\$30,967	\$3,162
Housing Opportunities for Persons With AIDS				
Discretionary BA	\$37,480	\$37,480	\$39,313	\$1,833
FTE	6	6	7	1
S&E Cost	\$569	\$660	\$764	\$104
Brownfields Redevelopment Program				
Discretionary BA	\$9,900	\$9,900	0	-9,900
FTE	7	7	7	0
S&E Cost	\$676	\$767	\$816	\$49
Section 4				
Discretionary BA	0	\$29,590	\$30,000	\$410
FTE	0	3	2	-1
S&E Cost	0	\$329	\$233	-\$96
Community Renewals				
Discretionary BA	0	0	0	0
FTE	18	19	15	-4
S&E Cost	\$1,739	\$2,081	\$1,749	-\$332
CPD TOTAL				
Discretionary BA	\$20,754,944	\$3,938,678	\$3,556,814	-\$381,864
FTE	480	483	488	5
S&E Cost	\$46,321	\$52,888	\$56,920	\$4,032

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
OFFICE OF HOUSING				
Section 202, Housing for the Elderly				
Discretionary BA	\$66,335	\$66,089	\$50,337	-\$15,752
FTE	27	26	26	0
S&E Cost	\$2,722	\$2,669	\$2,837	\$168
Section 811, Housing for the Disabled				
Discretionary BA	\$13,330	\$13,816	\$7,042	-\$6,774
FTE	8	8	8	0
S&E Cost	\$828	\$826	\$875	\$49
FHA-GI/SRI				
Discretionary BA	\$44,293	\$44,436	\$44,676	\$240
FTE	158	155	160	5
S&E Cost	\$16,059	\$16,055	\$17,519	\$1,464
FHA-MMI/CHMI				
Discretionary BA	\$2,555	\$2,508	\$2,584	\$76
FTE	6	6	6	0
S&E Cost	\$843	\$664	\$674	\$10
Manufactured Home Inspection and Monitor Program				
Discretionary BA	\$13,000	\$12,900	\$16,000	\$3,100
FTE	11	11	11	0
S&E Cost	\$1,228	\$1,233	\$1,344	\$111
Project-Based Rental Assistance				
Discretionary BA	\$361,596	\$421,509	\$372,458	-\$49,051
FTE	29	28	28	0
S&E Cost	\$2,904	\$2,884	\$3,060	\$176
HOUSING TOTAL				
Discretionary BA	\$501,109	\$561,258	\$493,097	-\$68,161
FTE	239	234	239	5
S&E Cost	\$24,584	\$24,331	\$26,309	\$1,978
OFFICE OF PUBLIC AND INDIAN HOUSING				
Native American Housing Block Grants				
Discretionary BA	\$62,370	\$62,370	\$62,697	\$327
FTE	13	15	12	-3
S&E Cost	\$1,574	\$1,623	\$1,667	\$44

SECTION II: PERFORMANCE INFORMATION
RESOURCES SUPPORTING HUD'S MISSION

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

**2006
Actual** **2007
Approp.** **2008
Request** **2007
vs. 2008**

OFFICE OF POLICY DEVELOPMENT AND RESEARCH

Research and Technology

Discretionary BA	\$21,351	\$21,294	\$26,000	\$4,706
FTE	19	18	18	0
S&E Cost	\$2,325	\$2,374	\$2,424	\$50

OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY

Other FHEO Programs

FTE	NA	5	7	2
S&E Cost	NA	\$569	\$796	\$227

LEAD HAZARD CONTROL

Discretionary BA	\$150,480	\$150,480	\$116,000	-\$34,480
FTE	44	42	51	9
S&E Cost	\$4,827	\$5,720	\$6,145	\$425

Total for Strategic Goal C

Discretionary BA	\$21,490,254	\$4,734,080	\$4,254,608	-\$479,472
FTE	795	797	815	18
S&E Cost	\$79,631	\$87,505	\$94,261	\$6,756

(1) The amount for fiscal year 2006 Community Development Block Grants discretionary BA includes \$16,673,000 in supplemental funding for hurricane disaster recovery.

Strategic Goal D: Ensure Equal Opportunity in Housing.

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

2006 **2007** **2008** **2007**
Actual **Approp.** **Request** **vs. 2008**

OFFICE OF POLICY DEVELOPMENT AND RESEARCH

Research and Technology

Discretionary BA	\$500	\$500	\$500	0
FTE	2	2	2	0
S&E Cost	\$245	\$264	\$269	\$5

FAIR HOUSING AND EQUAL OPPORTUNITY

Fair Housing Initiatives Program

Discretionary BA	\$19,800	\$19,800	\$20,180	\$380
FTE	23	23	23	0
S&E Cost	\$2,435	\$2,523	\$2,661	\$138

Fair Housing Assistance Program

Discretionary BA	\$25,740	\$25,740	\$24,820	-\$920
FTE	25	25	25	0
S&E Cost	\$2,630	\$2,724	\$2,876	\$152

Other FHEO Programs

FTE	515	509	520	11
S&E Cost	\$54,891	\$54,266	\$60,513	\$6,247

FHEO TOTAL

Discretionary BA	\$45,540	\$45,540	\$45,000	-\$540
FTE	563	557	568	11
S&E Cost	\$59,956	\$59,513	\$66,050	\$6,537

Total for Strategic Goal D

Discretionary BA	\$46,040	\$46,040	\$45,500	-\$540
FTE	565	559	570	11
S&E Cost	\$60,201	\$59,777	\$66,319	\$6,542

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

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
OFFICE OF PUBLIC AND INDIAN HOUSING				
Tenant-Based Rental Assistance				
Discretionary BA	\$1,580,822	\$1,592,000	1,600,000	\$8,000
FTE	154	153	123	-30
S&E Cost	\$18,070	\$18,116	\$12,031	-\$6,085
Project-Based Rental Assistance				
Discretionary BA	\$20,313	\$20,313	\$16,671	-\$3,642
Public Housing Operating Fund				
Discretionary BA	\$2,138,000	\$2,318,000	\$2,400,000	\$82,000
FTE	79	81	336	255
S&E Cost	\$9,228	\$9,477	\$41,962	\$32,485
PIH TOTAL				
Discretionary BA	\$3,739,135	\$3,930,313	\$4,016,671	\$86,358
FTE	233	234	459	225
S&E Cost	\$27,298	\$27,593	\$53,993	\$26,400
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	\$292,446	\$264,033	\$212,560	-\$51,473
FTE	21	21	20	-1
S&E Cost	\$2,276	\$2,269	\$2,333	\$64
HOME Investment Partnerships Program				
Discretionary BA	\$175,725	\$175,725	\$196,664	\$20,939
FTE	14	15	15	0
S&E Cost	\$1,513	\$1,625	\$1,691	\$66
Homeless Assistance Grants				
Discretionary BA	\$136,640	\$148,485	\$163,357	\$14,872
FTE	28	29	30	1
S&E Cost	\$3,027	\$3,145	\$3,556	\$411
Housing Opportunities for Persons With AIDS				
Discretionary BA	\$17,453	\$17,453	\$18,306	\$853
FTE	3	3	3	0
S&E Cost	\$297	\$326	\$356	\$30

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
CPD TOTAL				
Discretionary BA	\$622,264	\$605,696	\$590,887	-\$14,809
FTE	66	68	68	0
S&E Cost	\$7,113	\$7,365	\$7,935	\$570
OFFICE OF HOUSING				
FHA-GI/SRI				
Discretionary BA	\$35,322	\$36,696	\$35,461	-\$1,235
FTE	126	128	127	-1
S&E Cost	\$13,503	\$14,246	\$14,224	-22
FHA-MM/CHMI				
Discretionary BA	\$134,118	\$132,931	\$133,924	\$993
FTE	315	318	311	-7
S&E Cost	\$34,004	\$35,578	\$35,303	-\$275
Project-Based Rental Assistance				
Discretionary BA	\$191,657	\$235,603	\$196,162	-\$39,441
FTE	17	17	16	-1
S&E Cost	\$1,753	\$1,802	\$1,790	-\$12
HOUSING TOTAL				
Discretionary BA	\$361,097	\$405,230	\$365,547	-\$39,683
FTE	458	463	454	-9
S&E Cost	\$49,260	\$51,626	\$51,317	-\$309
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	\$6,713	\$6,341	\$10,000	\$3,659
FTE	38	37	38	1
S&E Cost	\$7,025	\$6,950	\$7,696	\$746
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY				
Other FHEO Programs				
FTE	34	33	34	1
S&E Cost	\$3,746	\$4,031	\$4,031	0
DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY				
FTE	26	26	26	0
S&E Cost	\$3,048	\$3,069	\$3,437	\$368
DEPARTMENTAL MANAGEMENT				
FTE	176	170	171	1
S&E Cost	\$22,233	\$22,203	23,742	\$1,539

SECTION II: PERFORMANCE INFORMATION
RESOURCES SUPPORTING HUD'S MISSION

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
CHIEF FINANCIAL OFFICER				
FTE	214	215	211	-4
S&E Cost	\$39,211	\$39,666	\$43,747	\$4,081
GENERAL COUNSEL				
FTE	672	652	661	9
S&E Cost	\$81,142	\$82,497	\$86,823	\$4,326
ADMINISTRATION AND STAFF SERVICES				
FTE	577	537	604	67
S&E Cost	\$250,912	\$238,238	\$253,493	\$15,255
CHIEF PROCUREMENT OFFICER				
FTE	49	114	119	5
S&E Cost	\$5,407	\$11,940	\$13,504	\$1,564
FIELD POLICY AND MANAGEMENT				
FTE	455	412	383	-29
S&E Cost	\$52,205	\$51,754	\$47,734	-\$10,020
WORKING CAPITAL FUND				
FTE	308	314	280	-34
S&E Cost	\$224,891	\$299,634	\$299,730	\$96
Total for Strategic Goal E				
Discretionary BA	\$4,729,209	\$4,947,580	\$4,983,105	\$35,525
FTE	3,306	3,275	3,508	233
S&E Cost	\$773,491	\$846,566	\$897,182	\$50,616
OFFICE OF INSPECTOR GENERAL				
FTE	646	634	650	+16
S&E Cost	\$113,940	\$105,600	\$112,000	+\$6,400

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

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

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
CENTER FOR FAITH-BASED AND COMMUNITY INITIATIVES				
FTE	8	8	8	0
S&E Cost	\$1,725	\$1,508	\$1,865	\$357
Total for Strategic Goal F				
FTE	8	8	8	0
S&E Cost	\$1,725	\$1,508	\$1,865	\$357

Goal A: Increase Homeownership Opportunities

Strategic Objectives:

- A1 Expand national homeownership opportunities.**
- A2 Increase minority homeownership.**
- A3 Make the homebuying process less complicated and less expensive**
- A4 Fight practices that permit predatory lending.**
- A5 Help HUD-assisted renters become homeowners.**
- A6 Keep existing homeowners from losing their homes.**

PERFORMANCE REPORT CARD – GOAL A

Performance Indicators		2004 Actual	2005 Actual	2006 Actual	2007 Actual	2007 Target	Met	Notes
A1	Expand national homeownership opportunities.							
A1.1	Improve national homeownership opportunities.	69.0%	68.8%	69.0%	68.2%	N/A	N/A	c,d
A1.2	The share of all homebuyers who are first-time homebuyers.	N/A	38.1%	N/A	N/A	N/A	N/A	c,e
A1.3	The number of FHA single family mortgage insurance endorsements nationwide.	997	556	502	532	N/A	N/A	c,j
A1.4	The share of first time homebuyers among FHA home-purchase endorsements is 71 percent.	72.8%	79.3%	79.3%	79.5%	71.0%	✓	
A1.5	Ginnie Mae securitizes at least 93 percent of eligible single family fixed rate FHA loans.	87.3%	92.7%	91.4%	93%	93%	✓	
A1.6	Ginnie Mae securitizes at least 83 percent of VA single family loans				92%	83%	✓	
A1.7	At least 28 percent of all Ginnie Mae single family pools issued in FY 2007 are Targeted Lending Initiative Pools.	16.3%	25.9%	26.3%	26%	28%	✗	
A1.8	At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.	42.0%	37.1%	42.7%	53%	30%	✓	d
A1.9	The number of homebuyers who have been assisted with the HOME Investment Partnerships program is maximized.	30,780	32,307	55,652	34,985	30,221	✓	
A1.10	The share of FHA-insurable real-estate-owned properties that are sold to owner-occupants is 90 percent.	98.4%	85.1%	89.8%	93%	90%	✓	

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PERFORMANCE REPORT CARD – GOAL A

	Performance Indicators	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2007 Target	Met	Notes
A1.11	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for low- and-moderate income mortgage purchases.							
	Fannie Mae	52.3%	53.4%	55.1%	56.9%	53%	✓	f
	Freddie Mac	51.2%	52.5%	54.0%	55.9%	53%	✓	f
A1.12	The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant, the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.	121,763	139,115	145,530	129,614	140,414	✗	
A1.13	The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 1,500.	1,735	2,277	1,868	1,887	1,500	✓	m
A1.14	The Self-help Homeownership Opportunity Program will maintain a default rate that is lower than that under the comparable US Department of Agriculture 502 loan program.			1.40%	1.15%	3.23%	✓	
A1.15	Create net household equity of \$37.5 million through the Self-help Homeownership Opportunity Program.	\$38.4	\$54.3	\$54.3	\$53.4	\$37.5	✓	k
A1.16	Through the HOPE VI Community and Supportive Services program, 133 public housing residents will become homeowners.				394	133	✓	m
A1.17	The HOPE VI program will create 800 new homeownership units.	1,239	1,284	718	1,841	800	✓	m
A2	Increase minority homeownership.							
A2.1	The homeownership rate among targeted households.							
	Homeownership among minority households	50.9%	51.2%	51.7%	51.0%	N/A	N/A	c,d
	Households with income less than median family income	52.7%	52.8%	53.0%	53.0%	N/A	N/A	c,d
	Homeownership among central city households	53.2%	54.0%	54.6%	53.5%	N/A	N/A	c,d
A2.2	Increase the number of minority homeowners by 5.5 million between 2002 and 2010.				3.19	N/A	N/A	c,d,k
A2.3	The gap in homeownership rates of minority and non-minority households.	25.0%	24.6%	24.6%	24.3%	N/A	N/A	c,d
A2.4	The mortgage disapproval rates of minority applicants.	15.4%	16.5%	18.4%	22.0%	N/A	N/A	c
A2.5	The share of first time minority homebuyers among FHA first time home purchase endorsements is 35 percent.	37.2%	34.4%	31.7%	33%	35%	✗	

SECTION II: PERFORMANCE INFORMATION
GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

PERFORMANCE REPORT CARD – GOAL A

		2004 Actual	2005 Actual	2006 Actual	2007 Actual	2007 Target	Met	Notes
A2.6	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.							
	Fannie Mae	21.2%	23.6%	26.3%	27.8%	23.0%	✓	f
	Freddie Mac	21.4%	23.0%	24.3%	26.4%	23.0%	✓	f
A2.7	Minority clients are at least 50 percent of total clients receiving HUD-funded housing counseling in FY 2007.	49.6%	58.4%	47.3%	42.7%	50.0%	✗	d
A2.8	Section 184A mortgage financing of \$12.8 million is guaranteed for Native Hawaiian homeowners during FY 2007.	N/A	\$1.7	\$0.2	\$0	\$12.8	✗	k
A2.9	Section 184 mortgage financing of \$197.25 million is guaranteed for Native American homeowners during FY 2007.	\$62.3	\$76.8	\$172.2	\$223.9	\$197.3	✓	k
A3	Make the homebuying process less complicated and less expensive							
A3.1	Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.	1,244	1,245	1,355	6,622	3,000	✓	
A4	Fight practices that permit predatory lending.							
A4.1	FHA increases the percentage of at-risk loans that substantially comply with FHA program requirements.	88%	90%	95%	96.8%	85%	✓	
A5	Help HUD-assisted renters become homeowners.							
A5.1	Increase the cumulative homeownership closings under the homeownership option of the Housing Choice Voucher, Family Self-Sufficiency, and Moving to Work programs to 8,000 by the end of FY 2007.	2,052	5,121	7,528	10,429	8,000	✓	
A5.2	HUD works to expand public housing agencies' use of the Section 32 homeownership program, resulting in the submission of 12 proposals in FY 2007	N/A	N/A	16	27	12	✓	
A6	Keep existing homeowners from losing their homes.							
A6.1	Loss mitigation claims are 55 percent of total claims on FHA-insured single family mortgages.	54.2%	59.1%	61.0%	64.6%	55.0%	✓	
A6.2	More than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure.	90.8%	96.7% %	92.5%	94.7%	80.0%	✓	d

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.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

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.
m For one year period ending June 30, 2007

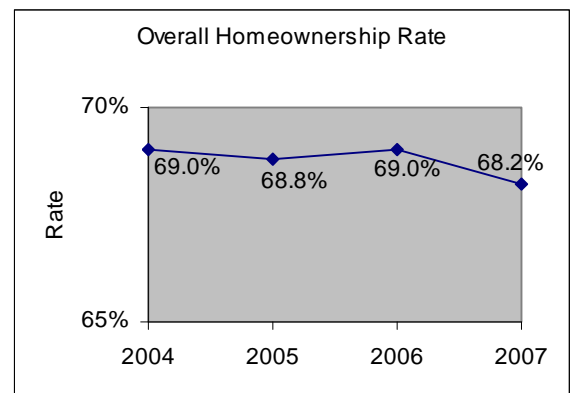
A1 Expand national homeownership opportunities.

A1.1: Improve national homeownership opportunities.

Background. The overall homeownership rate represents the share of the nation's households that have achieved the "American dream" outcome—homeownership. Providing expanded opportunities for homeownership to all Americans is a key component of HUD's mission. Emphasis is placed on minority families and other disadvantaged groups, as a Presidential priority recognizing the large unmet needs for these groups. Homeownership is recognized for building wealth and encouraging commitment to communities and good citizenship. A significant number of HUD's programs support increases in the homeownership rate. However, as in past years, a performance target was not established for this tracking indicator because of the substantial limits in HUD's span of control relative to economic factors.

Program website. <http://www.huduser.org/periodicals/ushmc.html>

Results, impact, and analysis. The national homeownership rate for all households in the third quarter of calendar year 2007 was 68.2 percent, down 0.8 percentage points from the same quarter in 2006. The decline, which is broadly based across diverse market segments, reflects the softening market for existing and new homes. Adjustable rate mortgages are beginning to reset at higher interest rates, thus forcing a number of recent homebuyers to sell or default, especially when soft home prices and tighter credit requirements can make plans for refinancing more difficult.



The median price of a new home sold in September 2007, at \$238,000, was up 5.0 percent from a year earlier. The median price of an existing home sold in September, at \$211,700, was down 4.2 percent from September 2006, in part due to a 16.3 percent increase in the number of existing homes for sale. The composite housing affordability index worsened by 4.0 percent in July 2007 compared with a year earlier, reflecting a smaller cushion between the median family income and the qualifying income for purchasing the median-priced home.

Resources and performance link. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new homeowners (if total households remain constant). Such results are well within the scope of HUD program impacts reported through a number of performance indicators. For example, FHA insured over 532,000 single family mortgages in FY 2007, of which 79.5 percent were to first-time homebuyers (see indicator A1.4). Proposed legislation to modernize FHA will allow greater assist low- and moderate-income borrowers as well as many with financially troubled mortgages and further influence the national homeownership rate.

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

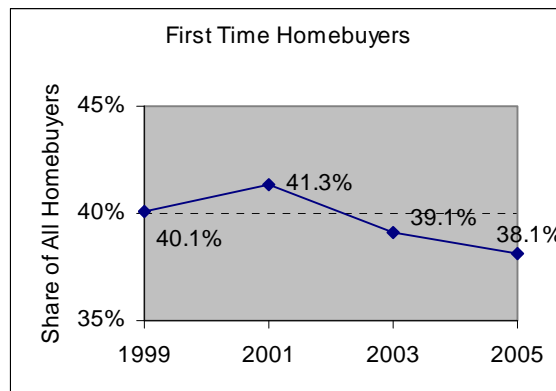
free of limitations affecting the measure's reliability. Changes in estimated rates that exceed 0.25 percentage point are statistically significant with 90 percent confidence.

A1.2: The share of all homebuyers who are first time homebuyers.

Background. Sustaining the rate of first time home purchases among homebuyers is a key to increasing homeownership rates. As in past years, this is a tracking indicator with no numeric target reflecting the dominant impact of the macro-economy compared with HUD's limited control over the outcome.

Results, impact, and analysis. The most recent available data show that during calendar year 2005, 38.1 percent of homebuyers were first time homebuyers. This reflects a decrease of 1.0 percentage point from the proportion observed in 2003, and a further decline from 2001 results.

The outcome is consistent with the rapid home price appreciation and resulting deterioration of affordability observed during the 2001–2005 period. The composite affordability index declined from 128.1 in 2001 to 114.6 in 2005, even while mortgage interest rates bottomed out in mid-2005. The decline in the index implies a smaller cushion between the median family income and the qualifying income needed to purchase the median-priced home. More recently, the index fell substantially more, to 103.6 as of July 2007.



Resources and performance link. HUD programs continue to play an important role in mitigating the difficulties of purchasing a first home. Homeownership vouchers and the American Dream Downpayment Initiative, in particular, help households overcome their lack of savings for a down payment. In FY 2007, FHA endorsed 532,494 single family mortgages for insurance, and the value of FHA's single-family programs to the national economy was brought into sharper focus by the escalating delinquencies of borrowers who sought riskier mortgage products and changes in FHA policies that can assist many of their borrowers. In addition, proposed legislation to modernize FHA will allow expanded assistance to low and moderate-income borrowers. The FHA insurance programs are measured in terms of insurance in force rather than program budget authority. In FY 2007, the Mutual Mortgage Insurance Fund endorsed approximately \$84 billion of mortgages.

Data discussion. This measure uses data from the biennial American Housing Survey. Calendar year 2007 data will be published during 2008. The data represent homeowners who reported, during the (odd) years shown, that they moved during the previous (even) years. This offset allows the data to represent a complete year and avoids seasonal distortions, because odd-year homebuyers who moved after they were surveyed would not be represented. Information on first-time status was missing for 4.4 percent of homebuyers surveyed in 2003, so those households are excluded. During 2002, HUD contractors completed a study that verified and validated the American Housing Survey for purposes of mortgage market and housing finance analysis. Researchers assessed the replicability, internal consistency, and reliability of AHS estimates and found the data generally reliable.

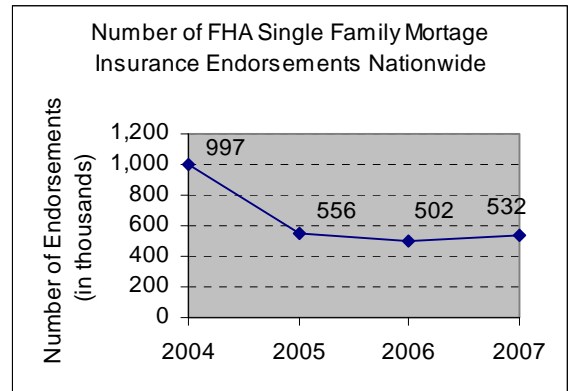
A1.3: The number of FHA single-family mortgage insurance endorsements nationwide.

Background. This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital to increase homeownership opportunities. This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured single family mortgage loans. It is a key component of the Department's priority outcome of improving the national homeownership rate and fulfilling the President's and Secretary's commitment to create 5.5 million new minority homeowners by 2010. This indicator has important implications for first-time and minority homeownership in addition to overall homeownership because a significant proportion of FHA participants are first time minority homeowners (see indicators A1.4 and A2.5).

While the number of FHA single family mortgage endorsements is a key measure of HUD's contribution to homeownership, the actual endorsement rates are achieved during FY 2007 continued to be affected by market forces outside of HUD's control. Balancing the importance of reporting this key measure of HUD's 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 2007.

Program website. <http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>

Results, impact, and analysis. During FY 2007, FHA endorsed 532,494 single family mortgages for insurance. Although no goal had been established for FY 2007, this result represents a six percent increase from the level of endorsement activity that took place during FY 2006 (502,049 mortgage insurance endorsements). The increase in single family endorsement levels from FY 2006 to FY 2007 was largely attributable to increasing mortgage interest rates and collapse of the subprime lending market and reverse mortgage activity. FHA also focused its efforts



on process improvements in order to make the program more compatible with the rest of the industry. These changes have been well received by lenders and real estate professionals, and as a result, more low- and moderate-income homebuyers are benefiting from FHA financing. FHA modernization legislation has been approved by the House of Representatives and is awaiting full Senate approval. Passage of this legislation will reduce statutory barriers and increase FHA's flexibility to respond to changes in the marketplace. As a result, FHA will be able to reach more prospective homebuyers to provide an alternative to subprime loans with high interest rates and closing costs, as well as expensive repayment penalties.

Resources and performance link. FHA and the Office of Single Family Housing administer the 203(b), 234(c) and Home Equity Conversion Mortgage loan products without receiving an appropriation from Congress. In FY 2007, FHA increased the number of endorsements from the previous fiscal year, reversing a trend that had seen endorsement total decrease in previous years. This trend is likely to continue, particularly if FHA Modernization is approved.

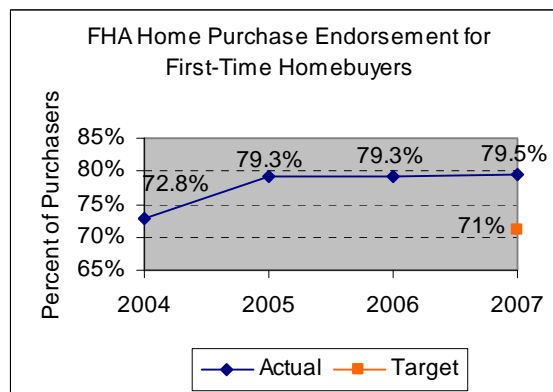
Data discussion. Data for this indicator are drawn from FHA's Single Family Data Warehouse, based on the Computerized Homes Underwriting Management System (CHUMS). There are no data deficiencies affecting this measure. Direct-endorsement lenders enter FHA data into the Computerized Homes Underwriting Management System with monitoring by FHA.

A1.4: The share of first-time homebuyers among FHA home purchase endorsements is 71 percent.

Background. FHA is a major source of mortgage financing for first time buyers as well as for minority and lower income buyers. To help increase the number of families able to secure financing for their first home, FHA established a target of 71 percent for its Homeownership Centers for single family home purchase mortgage endorsements to first-time homebuyers. In FY 2007, 79.5 percent of FHA-insured single family home purchase mortgages were to first-time homebuyers, compared with the target of 71 percent and the 79.3 percent achieved in FY 2006. The consistency in the share of home purchase mortgages endorsed to first-time homebuyers for FY 2007 (79.5 percent) may be attributable to FHA's continued commitment to reaching 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.

Program website. <http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>

Results, impact, and analysis. During FY 2007, 79.5 percent of home purchase endorsements were made to first time homebuyers, exceeding the FY 2007 goal of 71 percent. FHA continues to concentrate business efforts towards first time homebuyers, enabling FHA to meet this goal. FHA will continue its efforts to reach prospective first time homebuyers through participation in conferences, seminars, outreach events, and by working with other organizations within HUD to support the use of Community Development and HOME Investment Partnerships block grant funding for homeownership activities.



Resources and performance link. In FY 2007, the share of endorsements to first-time homebuyers continued to trend upwards. This is indicative of HUD's commitment to assist people towards achieving the dream of homeownership. The FHA insurance programs are measured in terms of insurance in force rather than program budget authority. In FY 2007, the Mutual Mortgage Insurance Fund endorsed approximately \$84 billion of mortgages.

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

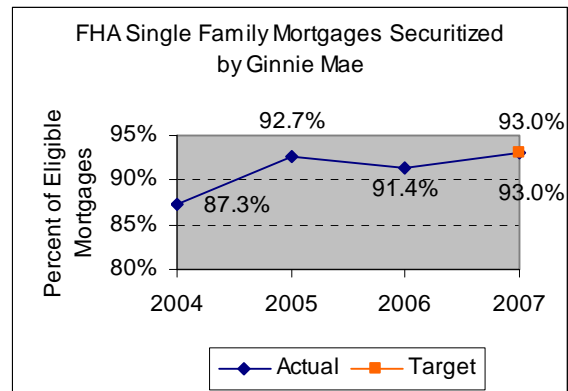
A1.5: Ginnie Mae securitizes at least 93 percent of eligible single-family fixed rate FHA loans.

Background. This indicator measures Ginnie Mae’s share of the residential mortgage loans insured or guaranteed by the Federal Housing Administration. As articulated in Title III of the National Housing Act, Ginnie Mae’s purpose is “to establish secondary market facilities for residential mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible”, and to conduct certain other secondary market functions consistent with this purpose. Ginnie Mae was authorized to guarantee securities backed by government guaranteed or insured loans when it was established as a government corporation on September 1, 1968. Since 1970, when it pioneered the mortgage-backed pass-through security, Ginnie Mae has guaranteed over \$2.6 trillion in securities.

Ginnie Mae continues to address the specific need of promoting liquidity and the flow of investment capital for FHA mortgages. The total amount of Ginnie Mae securities outstanding have increased every month since mid-2006. At the end of FY 2007, the amount of Ginnie Mae securities outstanding was approximately \$427.6 billion, of which single-family program securities were \$389.1 billion.

Program website: <http://www.ginniemae.gov>

Results, impact, and analysis. The target of 93 percent was met. As of the end of FY 2007, Ginnie Mae securitized 93 percent of eligible single-family fixed rate FHA loans. This result is a 1.6 percentage point increase over last year’s result of 91.4 percent. Single-family securities outstanding increased from \$372 billion in FY 2006 to \$389.1 billion in FY 2007.



Ginnie Mae was able to meet its goal by guaranteeing securities that provide the best execution from a pricing standpoint. Also important were Ginnie Mae’s continued success in reducing issuers’ back-end processing costs and improving security disclosures.

Resources and performance link. Commitment Authority is used by Ginnie Mae to guarantee securities backed by government guaranteed or insured loans. In FY 2007, Ginnie Mae commitment authority was \$200 billion in new commitment authority and \$200 billion commitment authority carried forward from FY 2006. In FY 2007, Ginnie Mae approved \$99.8 billion of this commitment authority, and issued \$85.1 billion in securities. Of the \$99.8 billion in commitment authority approved, \$95.7 billion was used and \$81.3 billion in securities were issued in the single-family program.

Data discussion. Data for this indicator are based on FHA-insured loan level data of monthly endorsements collected by Ginnie Mae in its Mortgage-Backed Security Information System (MBSIS). The data that populate Ginnie Mae’s MBSIS reflect the most recent data of insured or guaranteed loans. The Office of Inspector General oversees Ginnie Mae’s annual financial statements audit, which includes auditing Ginnie Mae’s data systems each year; Ginnie Mae has

consistently received an unqualified, or clean opinion in prior fiscal years, and again received a clean opinion for the FY 2007 audit.

A1.6: Ginnie Mae securitizes at least 83 percent of VA single-family fixed rate loans.

Background. This indicator measures Ginnie Mae's share of the residential mortgage loans guaranteed by the Department of Veterans Affairs (VA). By supporting an efficient secondary market for these loans, Ginnie Mae helps to increase the availability and improve the pricing of mortgage credit for veterans and their families.

Program website. <http://www.ginniemae.gov>

Results, impact, and analysis. The target goal of 83 percent was exceeded. As of the end of FY 2007, Ginnie Mae securitized 92 percent of eligible single-family fixed rate VA loans. This result is nine percentage points above the target of 83 percent. Ginnie Mae was able to meet its goal by guaranteeing securities that provide the best execution from a pricing standpoint. Also important was Ginnie Mae's continued success in reducing issuers' back-end processing costs and improving security disclosures.

Resources and performance link. This goal was implemented in FY 2007, and it accounts for approximately one third of Ginnie Mae's portfolio. Funding provided through Commitment Authority is used by Ginnie Mae to guarantee securities backed by government guaranteed or insured loans.

Data discussion. Data for this indicator are based on monthly loan level data from the VA and collected by Ginnie Mae in its Mortgage-Backed Security Information System (MBSIS). The data that populate Ginnie Mae's MBSIS reflect the most recent data of insured or guaranteed loans. The Office of Inspector General oversees Ginnie Mae's annual financial statements audit, which includes auditing Ginnie Mae's data systems each year; Ginnie Mae has consistently received an unqualified, or clean, opinion in prior fiscal years, and again received a clean opinion for the FY 2007 audit.

A1.7: At least 28 percent of all Ginnie Mae single family pools issued in FY 2007 are Targeted Lending Initiative pools.

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

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

SECTION II: PERFORMANCE INFORMATION

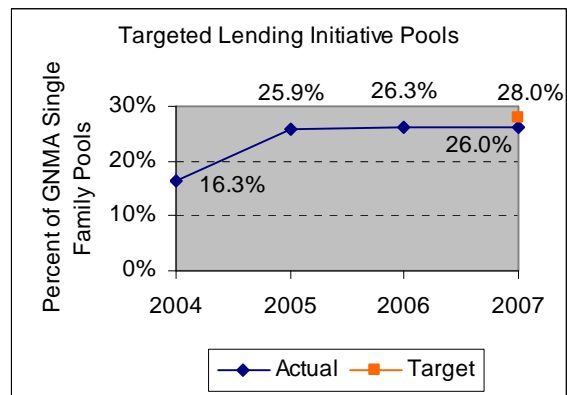
GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

Program website. <http://www.ginniemae.gov>

Results, impact, and analysis. The target was not met. As of the end of FY 2007, 26 percent of all single-family pools issued received Targeted Lending Initiative credit. This result is two percentage points below the target of 28 percent.

Resources and performance link. This goal was implemented in FY 2007. Funding provided through Commitment Authority is used by Ginnie Mae to guarantee securities backed by government guaranteed or insured loans.

Reasons for shortfall/Plans and schedule to meet the goal. In FY 2007, fewer issuers formed Targeted Lending Initiative pools than in FY 2006. This may be due, in part, to the market difficulties faced by many in the mortgage industry, particularly during the second half of the year. Ginnie Mae plans to contact its issuers in FY 2008, particularly any previously active Targeted Lending Initiative issuers who were not active in FY 2007, to encourage participation in the initiative.



Data discussion. Monthly Master Pool files detailing characteristics of pools securitized by Ginnie Mae. No data limitations are known to affect this indicator. Ginnie Mae and FHA commitment authority is subject to annual financial audits because they represent an obligation on the part of the United States.

A1.8: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

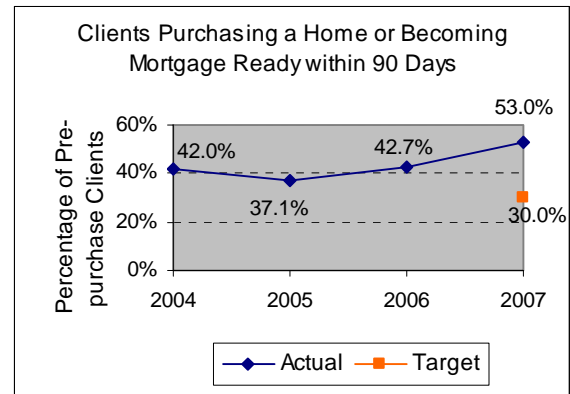
Background. The Department continues to emphasize the critical role of counseling in the home buying process. Clients tracked through this indicator include those receiving housing counseling for pre-purchase reasons, including clients who are preparing to purchase a home or working to become mortgage-ready. The FY 2007 goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling achieve the outcome goal of purchasing a home or becoming mortgage-ready within 90 days. Depending on the state of the economy and the housing market, demand for various types of counseling rises and falls, and may vary for reasons outside of HUD's control. The Department is confident, however, that HUD approved agencies are providing quality counseling services that will help clients resolve their housing problems regardless of how many clients are served in a given year. As a result, HUD revised this indicator to focus on outcomes associated with clients receiving pre-purchase counseling rather than the number of clients served.

Program website. www.fha.gov/sf/counseling/index.cfm

Results, impact, and analysis. Although final results are not yet available, reporting results from the first three quarters of calendar year 2007 indicate 23,770 clients out of 44,823 receiving pre-purchase counseling from HUD approved agencies purchased a home or become mortgage-ready within 90 days. The calendar year 2007 third quarter results of 53 percent would exceed the FY 2007 goal of 30 percent. With increased training and outreach and continuous efforts to

improve efficiency and effectiveness there is no reason to anticipate a decrease in program performance in calendar year 2007 fourth quarter reporting. The final housing counseling activity data needed to report this measure will become available early in FY 2008. HUD approved housing counseling agencies are given 90 days following the end of a calendar year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided.

Resources and performance link. FHA and the Office of Single Family Housing sponsor 2,300 approved housing counseling agencies throughout the country that can provide advice on buying a home, renting, defaults, foreclosures, credit issues and reverse mortgages to clients at a low or minimal cost. Funding in FY 2007 of \$41.6 million was provided to 2,300 approved housing counseling agencies to provide counseling services. Funding has continually increased in recent years. In the wake of the sub prime market collapse and record setting foreclosures, the housing market is as complex and dynamic as ever. People more than ever need housing counseling services to appropriately resolve housing situations and have a trusted source whom they can approach with housing related questions.



Data discussion. HUD collects data on clients receiving pre-purchase counseling through the Housing Counseling System (HCS – F11). The data include the total number of clients, the type of counseling they received, and the results of the counseling. An independent assessment in 2005 showed that the Housing Counseling System performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. 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 may vary significantly. To improve the quality of housing counseling information that is used by HUD, the Department implemented a new automated data collection instrument that will enable it to collect client-level data beginning in FY 2008.

A1.9: The number of homebuyers who have been assisted with the HOME Investment Partnerships program is maximized.

Background. 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 the 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.

The American Dream Downpayment Initiative component of the HOME Investment Partnerships program provides downpayment assistance to expand homeownership.

SECTION II: PERFORMANCE INFORMATION
GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

Program website. <http://www.hud.gov/homeprogram/>

Results, impact, and analysis. During FY 2007, the goal was met as participating jurisdictions used HOME funds to complete 34,985 new homebuyer units and/or directly assist homebuyer households, exceeding the goal of 30,221 by 15.7 percent. The American Dream Downpayment Initiative component contributed 6,094 homebuyer units, which is approximately 22 percent more than the target.

While these results reflect a reduction of 20,667 units completed from the historic high of 55,652 households assisted in FY 2006, it represents an eight percent increase from the FY 2005 level of 32,307 units. FY 2006 production levels were much higher than normal as a result of grantees improved performance report.

The number of minority households assisted met 87 percent of the FY 2007 goal of 14,506 households, with 12,691 minority households becoming homeowners through HOME assistance in FY 2007.

HOUSEHOLDS ASSISTED THROUGH HOME	FY 2004	FY 2005	FY 2006	FY 2007 actual	FY 2007 goal
New Homebuyers, not Downpayment Initiative	28,517	23,413	46,556	28,891	25,221
New Homebuyers, Downpayment Initiative	2,263	8,894	9,096	6,094	5,000
Minority Homebuyers Assisted	14,774	15,507	25,622	12,691	14,506
Existing-homeowner rehabilitation	10,112	14,832	16,821	11,221	8,943

Participating jurisdictions disbursed a total of \$468.7 million on homebuyer units completed during FY 2007. The per-unit HOME cost of providing a homebuyer unit (\$11,478) increased compared to FY 2006 by \$419 or 3.7 percent

Also, during FY 2007, participating jurisdictions used HOME funds to complete 11,221 existing homeowner rehabilitation units. This exceeds the FY 2007 goal of 8,943 units by 25 percent or 2,278 units. It also represents a reduction of 5,600 units completed compared to the FY 2006 level of 16,821 units.

The FY 2007 goals for new homebuyers assisted and existing homeowner rehabilitation were exceeded due to the continued efforts by HUD Headquarters and field offices to improve the performance reporting of participating jurisdictions by working directly with participating jurisdictions that were shown to be lagging in performance or the reporting of their performance to HUD. At least ten on-site one-on-one trainings were conducted with HOME participating jurisdictions and field offices.

HUD issues monthly production reports and a quarterly HOME Program Performance SNAPSHOT to identify these poorly performing participating jurisdictions. The SNAPSHOT compares the performance of HOME participating jurisdictions to each other for eight factors and assigns a performance ranking. The SNAPSHOT has succeeded in focusing attention on production and the completion of units. The “Open Activities Report,” as the name indicates, directs participating jurisdictions to their open activities and assists them in completing them. The HOME *Dashboard* is directed at state and local elected officials and is intended to focus

their attention on the use of HOME funds in the production of affordable housing in their jurisdictions. The HOME *Vacant Units Report* was published during the third quarter of FY 2007. This report identifies the HOME units marked as vacant, so that the participating jurisdictions can update occupancy data of these units as needed.

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME 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.

Resources and performance link. The FY 2007 goals within this indicator reflect a decrease or leveling off from the FY 2006 levels due to the effects of inflation on housing production – calculated at three percent annually – together with the reduction in HOME Investment Partnerships program funding in recent years.

The FY 2007 Annual Performance Plan goal for the American Dream Downpayment Initiative is lower than previous years due to the steady decrease in funding since its inception.

Data discussion. Data for the HOME Investment Partnerships program are reported in HUD's Integrated Disbursement and Information System. For FY 2007 participating jurisdictions were required to enter the outcome performance measures data into HUD's Integrated Disbursement and Information System. Data entered by participating jurisdictions are used to track quarterly performance.

A1.10: The share of FHA-insurable real estate owned (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 is a measure of the Department's success in achieving the outcomes of 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. The FY 2007 goal was to ensure that 90 percent of FHA-insurable real estate owned property sales are to owner-occupants.

Program website. www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

Results, impact, and analysis. During FY 2007, 93 percent (2,735 of 2,954) of FHA-insurable real estate owned single family properties were sold to owner-occupants. The result exceeds the goal of 90 percent and represents an increase from the 90 percent (2,378 out of 2,648) of FHA-insurable properties sold to owner occupants during FY 2006.

The increase in real estate owned sales to owner occupants from FY 2006 levels may be attributable to a performance goal related to sales to owner occupants in FHA's new Management and Marketing contracts, which provided an opportunity to expand home ownership opportunities. Increased sales of real estate owned properties to owner occupants may also have been a result of fewer investors in the national housing market for the past year as

interest rates have risen. Furthermore, efforts to increase FHA program participation through legislation have helped promote property sales to prospective owner-occupant purchasers.

Resources and performance link. In FY 2007, FHA insurable real estate-owned single family properties sales to owner-occupants, continued to trend upwards from 85.1 percent in FY 2005 and 90 percent in FY 2006 to 93 percent in FY 2007. The measure shows gains in efficiency to increase homeownership opportunities for low-income homebuyers through sales of FHA properties. It also indicates FHA's continued commitment to reaching first-time homebuyers, revitalizing and stabilizing neighborhoods.

Data discussion. The data for this indicator are from FHA's Single Family Acquired Asset Management System. The data is used as a part of the overall monitoring of FHA's portfolio and as a component of the internal controls of FHA. This performance indicator considers only properties that are in physical condition acceptable to qualify for FHA insurance at the time of sale. HUD regulations require that properties be sold as-is without repairs. By excluding sales of properties that, on the basis of their physical condition, are not appropriate for owner-occupant purchasers, FHA is able to measure the expansion of homeownership opportunities to this segment of the homebuyer more effectively. The data for Real Estate owned properties are included in the audit overseen by the Inspector General.

A1.11: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

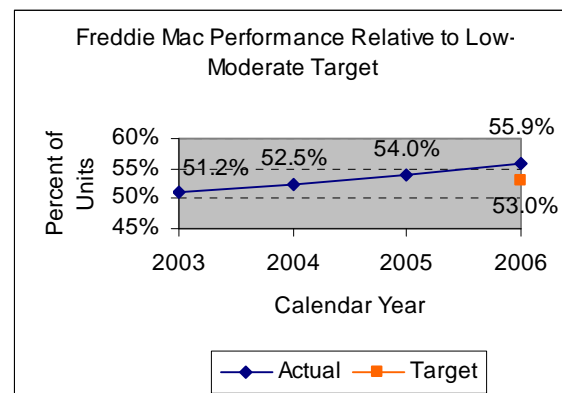
Background. Congress mandated that, as Government-Sponsored Enterprises, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) must achieve a number of public purpose goals, one of which is to expand homeownership opportunities for persons 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—or mortgages purchased by the Government-Sponsored Enterprises that serve these families, who earn incomes at or below area median income.

Beginning in calendar year 2006, HUD increased the low- and moderate-income goal from 52 percent to 53 percent. The low- and moderate-income goal increases to 55 percent in calendar year 2007 and to 56 percent in calendar year 2008. The low- and moderate-income Home Purchase Mortgage subgoal for calendar year 2006 was 46 percent. It increases to 47 percent in calendar years 2007 and 2008.

Program website.

<http://www.hud.gov/offices/hsg/gse/gse.cfm>

Results, impact, and analysis. In calendar year 2006, both Fannie Mae and Freddie Mac surpassed HUD's target of 53 percent for low- and moderate-income mortgage purchases as a percentage of all mortgage purchases. Fannie Mae achieved 56.9 percent and Freddie Mac achieved 55.9 percent. Fannie Mae and Freddie Mac surpassed the subgoal of 46 percent with Fannie Mae reaching 46.9 percent



and Freddie Mac reaching 47.0 percent.

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 2006 shows that 786,000 dwelling units, or 64.0 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 650,000 low-income dwelling units, or 61.8 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, 16.9 percent of all single family dwelling units that qualified under Freddie Mac's Low- and Moderate-Income goal were for minority borrowers, including 13.5 percent that were for African-American and Hispanic borrowers. The corresponding percentages for Fannie Mae were 20.8 percent minority and 17.6 percent African-American and Hispanic.

Resources and performance link. There are no direct resources or linkages to any outputs associated with this monitoring function.

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. In addition, because the Government-Sponsored Enterprises' quarterly data is confidential and proprietary, the Department is unable to provide estimates of Fannie Mae's and Freddie Mac's goal performance for the current calendar year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. The Department 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. The Department has determined that the data is complete and reliable as required by OMB Circular A-136.

A1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant (CDBG), the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.

Background. *Community Development Block Grant* The CDBG program is a flexible block grant program that provides grantees wide discretion in their use of funds, yet the use of CDBG funds for the rehabilitation of owner-occupied housing units continues to be one of the primary activities assisted by grantees. Such rehabilitation, along with the use of CDBG to assist low- and moderate-income persons to become homeowners, helps to maintain and expand existing housing stock and reduce demand for rental housing. For FY 2007, HUD had two separate goals under this category: owner-occupied units rehabilitated 127,563, and assistance directly contributing to homeownership, 7,400. The CDBG goals are based on historical

accomplishments reported by grantees, the actual FY 2007 appropriations, estimated spend-out rates, and a three percent reduction due to the affect of inflation.

Indian Housing Block Grant and Native Hawaiian Housing Block Grant The measures for the Indian Housing Block Grant and the Native Hawaiian Housing Block Grant track the number of affordable homeownership units built, acquired, and rehabilitated each year. These two programs address the severe shortages of decent, affordable housing in Indian Country and in Hawaii. The programs' activities support the President's and the Department's goal to increase minority homeownership.

Program websites.

Community Development Block Grant

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Indian Housing Block Grant <http://www.hud.gov/offices/pih/ih/grants/ihbg.cfm>

Native Hawaiian Housing Block Grant

<http://www.hud.gov/offices/pih/ih/codetalk/onap/nhhbgprogram.cfm>

Results, impact, and analysis. *Community Development Block Grants* The CDBG targets were not met. With regard to the owner-occupied units rehabilitated, grantees reported that 117,830 units were assisted through the CDBG program. This represents a shortfall of 9,733 units against the FY 2007 goal of 127,563 units. While the FY 2007 target was set slightly below the FY 2006 actual level of 131,508 owner-occupied units to be rehabilitated, the FY 2006 level likely reflected a higher level of project completions than could be sustained due to a significant effort by HUD and grantees to close out and report on older activities by the end of FY 2006.

With regard to homeownership assistance, CDBG funds were used to assist 6,919 units, a shortfall of 481 units against the goal of 7,400 units. This is in comparison to the FY 2006 actual level of 7,628 homeownership units assisted. The data reflect activities reported upon during FY 2007.

Indian Housing Block Grant The goal to build, acquire, or rehabilitate 5,350 homeownership units was not met. The actual accomplishment, 4,800 units, falls more than 10 percent short of the goal and is more than 19 percent less than what was reported at the same time one year ago for FY 2006.

Each year, the Performance Tracking Database is updated to correct errors and to add data from grantees who submitted late reports. This annual Performance and Accountability Report must be revised each year as well, to reflect the updated database. Revised accomplishments, as of October 2007 are as follows: In FY 2004, 5,478 homeownership units were built, acquired, or rehabilitated. In FY 2005, the total was 6,969; in FY 2006, 6,371. It is likely that the FY 2007 accomplishment (4,800) will also be subject to change once corrections and late submissions are reported. Accomplishments vary because each grantee, not HUD, identifies the activities it will carry out with its block grant funds.

Grantees must report annually, no later than 90 days after their program year ends.

With ever-rising construction costs and the level of program funding remaining relatively flat for the last 3 years, HUD does not anticipate increased production for this indicator.

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Native Hawaiian Housing Block Grant The goal to build, acquire, or rehabilitate 101 units was not met. The actual FY 2007 accomplishment, 65 units, fell short of the goal by about 35 percent. The FY 2007 production exceeded the FY 2006 level by 183 percent, since in FY 2006 there were 23 units built.

The sole recipient, the Department of Hawaiian Home Lands, ends its fiscal year on June 30. The data being reported is from the grantee's annual Performance Report for the period July 1, 2006, through June 30, 2007.

Homeownership/Home Rehabilitation Assistance	2004	2005	2006	2007 actual	2007 goal
CDBG (homeownership assistance)	NA	7,530	7,628	6,919	7,400
CDBG (owner-occupied rehabilitation)	116,285	124,544	131,508	117,830	127,563
Indian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	5,478*	6,969*	6,371*	4,800	5,350
Native Hawaiian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	NA	72	23	65	101

*These figures have been revised from those reported in the Performance and Accountability Report and Annual Performance Plan due to subsequent adjustments to the database.

Resources and performance link. Community Development Block Grant Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of units assisted is primarily a function of grantee funding decisions and local level implementation. In FY 2007, CDBG grantees expended \$582.3 million on single unit residential rehabilitation, which represents 12.75 percent of all disbursements during the fiscal year. This represents the largest single use of CDBG funds but represents a \$2 million reduction from the FY 2006 level for the same activity.

Native Hawaiian Housing Block Grant and Native Hawaiian Housing Block Grant For the Department of Hawaiian Home Lands, as for many American Indian tribes and Alaska Native villages, the Block Grant program is the sole source or the main source of funding for affordable housing. However, affordable housing projects in Indian Country tend to be long-term, and HUD has not observed performance levels immediately corresponding to changes in funding levels. Nevertheless, such corresponding changes would be inevitable over a course of several years. Small tribes in remote locations often stretch construction and rehabilitation projects over several funding years, and only report on accomplishments in the year that projects are completed. In addition to providing or rehabilitating homes, recipients can offer other housing services to their low-income beneficiaries. Transitional housing, crime prevention and safety activities, housing management services, and counseling also consume program funds, and grantees have the flexibility to use grant funds for whichever eligible activity is currently needed in their community. Therefore, it has proven difficult to predict the number of units that will be built, acquired, and rehabilitated in any given year. However, this measure is a primary indicator of program output. Targets have been based on relatively flat funding and annual trend data.

Reasons for shortfall/Plans and schedule to meet the goal. Community Development Block Grant There is no evident reason as to the shortfall in the number of units assisted in FY 2007 and a thorough analysis will likely take several months. Potential contributing factors may

include increased per unit costs, possibly reflecting significant materials and labor cost increases, initiation of fewer owner-occupied rehabilitation activities by grantees, and lack of complete reporting by grantees. Further, FY 2006 accomplishment levels were likely elevated by joint HUD and grantee efforts to close out older activities in advance of full implementation of performance measurement framework on October 1, 2006. The Office of Block Grant Assistance's plan of action will be guided by the data analysis and discussions with grantees.

Indian Housing Block Grant HUD sets the targets based on past performance; however, grantees are not obligated to pursue those targets. Each grantee determines the eligible activities it will carry out each year, based on local needs. Although the target was reached in fiscal years 2004 through 2006, funding in those years was relatively flat. In fact, funding is currently below the FY 2003 levels and after falling from 2003 levels, but construction and management costs have continued to rise.

Native Hawaiian Housing Block Grant The shortfall was due to uncontrollable factors such as building permit delays, lack of availability of rehabilitation contractors, necessary extensive homebuyer counseling, and unanticipated environmental review delays. The grantee will continue to develop planned subdivision communities and enhance its Homeownership Assistance Program to better prepare families for home purchase and ownership. In October 2007, approximately 200 units had started construction or rehabilitation activities, of which 110 are forecast for completion in FY 2008 compared to 101 in FY 2007.

Data discussion. *Community Development Block Grants* The program values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to the system that, along with data clean-up efforts, have resulted in a continuous improvement in data quality but further improvement is necessary. CPD field staff often verifies program data when monitoring grantees.

Indian Housing Block Grant data come from more than 500 recipients through Annual Performance Reports. The data are captured in the Performance Tracking Databases of each Area Office of Native American Programs and then aggregated into a national database at headquarters. Because Indian Housing Block Grant recipients have 90 days after their fiscal year ends to report, recipients whose fiscal years end after June 30 report in the next federal fiscal year. Accomplishments of the Indian Housing Block Grant program that are reported in this document will likely require future revisions because it is expected that some grantees will report late and because some adjustments are typically made later in the year to correct previous submissions. The Office of Native American Programs continually monitors the functionality of the database and has emphasized to grantees the importance of correct and timely reporting.

The Native Hawaiian Housing Block Grant The sole recipient, the Department of Hawaiian Home Lands, ends its fiscal year on June 30. The data being reported is from the grantee's Annual Performance Report for the period July 1, 2006, through June 30, 2007.

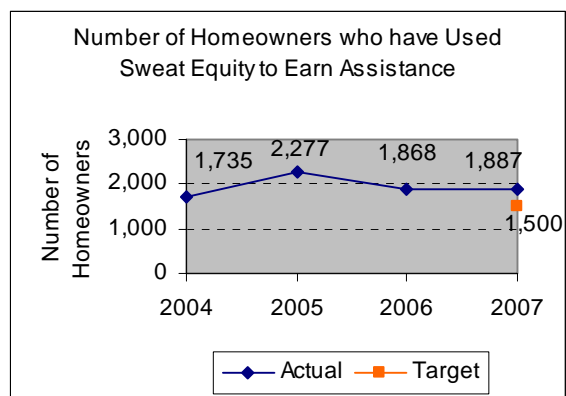
A1.13: The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 1,500.

Background. This indicator tracks the number of housing units completed during the period from July 1, 2006, to June 30, 2007, by national and regional nonprofit organizations and consortia receiving Self-help Homeownership Opportunity Program funds. Accomplishments

for the fourth quarter of FY 2007 were not available in time for publication of this report. 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

Results, impact, and analysis. During the one year period ending June 30, 2007, Self-help Homeownership Opportunity Program grantees completed 1,887 units, surpassing the program goal of 1,500 units by 387 or 25.8 percent, and exceeding the 2006 level of 1,868 by 19 units. 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.



Resources and performance link. The full effect of the FY 2004 increase from \$10,000 to \$15,000 in the program’s allowable average assistance level per unit will continue to be felt. Consequently, the FY 2008 assistance goal is maintained at 1,500 households. The doubling in program funding requested in FY 2008, compared to the FY 2007 appropriation level, will begin to affect results in FY 2009, as FY 2008 funds will be awarded on a competitive basis during the fourth quarter of FY 2008.

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.

A1.14: The Self-help Homeownership Opportunity Program will maintain a default rate that is lower than that under the comparable U.S. Department of Agriculture 502 loan program.

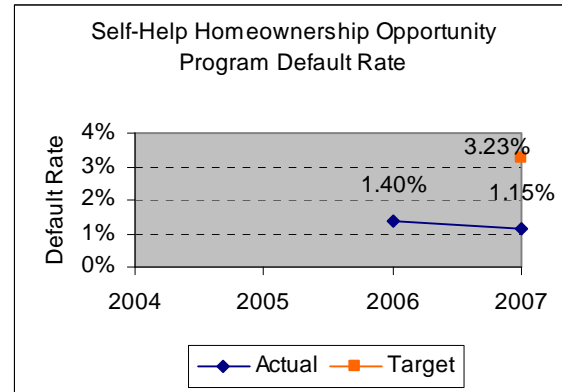
Background. This indicator measures the stability of homeownership both for the new owners and as an addition to the total national homeownership housing stock. The current U.S. Department of Agriculture 502 default rate, net of recoveries, is 3.23 percent. Given the fact that loan qualification criteria for low-income homebuyers of units assisted by the Self-help Homeownership Opportunity Program, such as credit history, are applied more liberally than is the case with federal insured loan programs, such as the U.S. Department of Agriculture 502 loan program, the target for maintaining a lower default rate is ambitious. This is especially true considering that almost 80 percent of homebuyers of the Self-help Homeownership Opportunity Program assisted units have incomes under 50 percent of median for their area.

Program website. www.hud.gov/offices/cpd/affordablehousing/programs/shop/index.cfm

SECTION II: PERFORMANCE INFORMATION

GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

Results, impact, and analysis. The FY 2007 goal was greatly exceeded with a default rate of 1.15 percent. This compared to 3.23 percent for the USDA Single Family Program, which includes the Section 502 Direct Loan Program. The FY 2007 default rate is 17 percent lower than the FY 2006 default rate of 1.40 percent. The lower default rate is likely due to on-going housing counseling efforts by local affiliates to keep homeowners from losing their homes.



Resources and performance link. There is no direct correlation between the \$20 million Self-help Homeownership Opportunity Program funds provided and the default rate. The Department recognizes the success of this program and requested a doubling of this program in FY 2008.

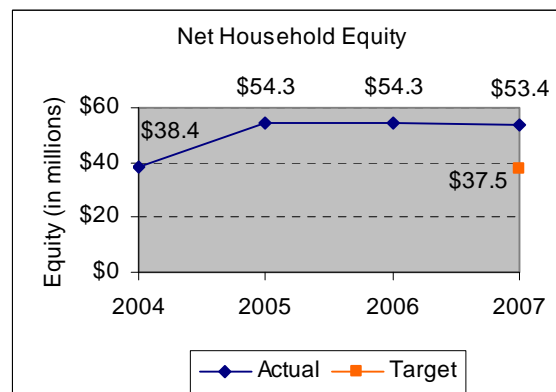
Data discussion. Data are from progress reports submitted by grantees. HUD Headquarters staff monitors grantees to ensure that accomplishments are accurate.

A1.15: Create net household equity of \$37.5 million through the Self-help Homeownership Opportunity Program.

Background. This outcome indicator measures the extent of which assisted households that were otherwise unable to afford their own home but for the Self-help Homeownership Opportunity Program become homeowners and accumulate equity in their home. A minimum of \$37.5 million in home equity that was projected to be created annually for low-income homebuyers assisted by this program through 2011 is premised on an average of \$25,000 per household, to be achieved largely through the sweat equity contributions of the households themselves and community volunteer labor. By any measure, this is a significant amount of wealth created within a relatively short period of time, and an ambitious target for any housing assistance program at any level of government, especially considering the relatively low level of federal assistance per unit. Approximately two dollars of household equity would be created for each one dollar of program funds invested.

Program website. www.hud.gov/offices/cpd/affordablehousing/programs/shop/index.cfm

Results, impact, and analysis. The target was met with over \$53.4 million in household equity created with the assistance of Self-help Homeownership Opportunity Program funds in FY 2007—\$16 million, or 43 percent, above the \$37.5 million target. This compares to the \$54.3 million created in FY 2006, a decrease of one percent year-over-year. This modest decrease is likely a consequence of the current turmoil in the national housing market. Approximately \$2.70 of household equity was created for every one dollar of Self-help Homeownership Opportunity Program funds invested in FY 2007. Since FY 2003, over \$241 million in household



equity has been created through the assistance of the Self-help Homeownership Opportunity Program.

Resources and performance link. The amount of household equity produced is a direct consequence of the units produced. Since Self-help Homeownership Opportunity Program funding has decreased in the last several years, the amount of sweat equity created will be reduced going forward.

Data discussion. Self-help Homeownership Opportunity Program data are from progress reports submitted by grantees. HUD Headquarters staff monitor grantees to ensure that accomplishments are accurate. Actual equity is measured via appraisals effectuated by the grantees.

A1.16: Through the HOPE VI Community and Supportive Services program, 133 public housing residents will become homeowners.

Background. The Community and Supportive Services component of the HOPE VI program encompasses all activities that are designed to promote upward mobility, housing self-sufficiency and improved quality of life for the residents of the public housing project involved. Many of these activities assist public housing residents in becoming homeowners, which is a key indicator of housing self-sufficiency. The Strategic Plan's outcome goal is that between FY 2006 and FY 2011, 800 public housing families will become homeowners through this program component. In some areas, the housing market has slowed (increased interest rates, etc.) and is not able to absorb the homeownership units created in the time frame originally planned by the grantees, including assisting public housing individuals become homeowners. Accordingly, the FY 2007 goal was changed from 156 families to 133 residents to reflect these factors. Additionally, HUD has changed the terminology from "families" to "residents" to more accurately reflect the method of data collection.

Program website: <http://www.hud.gov/offices/pih/programs/ph/hope6/>

Results, impact, and analysis. The goal was exceeded by 196 percent, from July 1, 2006 through June 30, 2007, 394 public housing residents became homeowners through the HOPE VI Community and Supportive Services program, exceeding the goal of 133. Cumulatively, as of June 30, 2007, approximately 3,024 public housing residents had purchased homes in connection with this program. The FY 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the Public Housing Agencies' on-going efforts to meet the commitments of their revitalization plans. Additionally, the absence of the HOPE VI progress reporting system (see data discussion below) made goal setting and progress evaluation difficult, which translates into the higher margin of achievement seen here. The Department anticipates that public housing residents will continue to become homeowners through HOPE VI Community and Supportive Services. The goal for FY 2008 is 117 residents, a reduction of the goal from FY 2007 to reflect a decrease in activities as grants near completion.

Resources and performance link. This program is subject to the availability of appropriations by Congress. The Congress appropriated \$99 million to continue a modest HOPE VI program in FY 2007. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current

projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department proposes in the FY 2008 budget to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Accordingly, future activity related to this goal would be met with available prior year funds.

Data discussion. This goal is based on HOPE VI plans submitted by PHAs. Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. As of October 2007, the program office has secured a new contract. In the intervening time, the program office manually collected data submitted by grantees for the quarters missed. Data in are judged to be reliable for this measure. However, the data collected through the manual process that was needed until the new contract was in place may require future adjustments. Submitted data are reviewed by HUD staff and verified through grant management activities (for example, phone, email and written communications) and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff.

A1.17: The HOPE VI Program will create 800 new homeownership units.

Background. Many families are prevented from purchasing a home due to some combination of low income, low savings, poor credit history, and lack of awareness of opportunities. The Department addresses these issues, in part, through its Strategic Plan outcome measure to create 10,000 new homeownership units through the HOPE VI Revitalization program between FY 2006 and FY 2011. This goal will be achieved through a variety of means, including construction, rehabilitation, lease-purchase, Section 32 (selling existing public housing rental units or acquired units), and provision of direct financing to purchasers (e.g., down payment or closing cost assistance, or subordinate mortgages). The target for the number of new homeownership units to be created during FY 2007 was reduced from 1,500 to 800 units because some HOPE VI homeownership programs have experienced delays in their completion dates. In some areas, the housing market has slowed (increased interest rates, etc.) and is not able to absorb the homeownership units created in the time frame originally planned by the grantees.

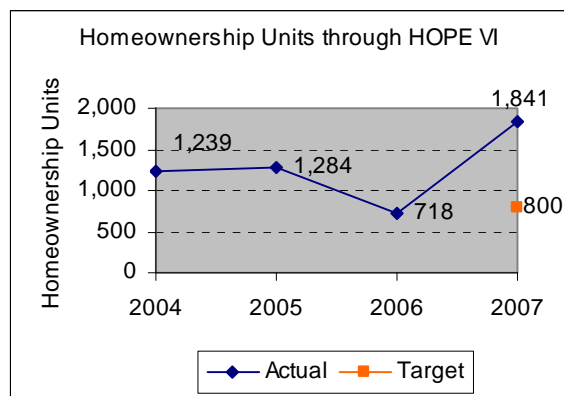
Program website: <http://www.hud.gov/offices/pih/programs/ph/hope6/>

Results, impact, and analysis. The goal was exceeded by 130 percent. From July 1, 2006 through June 30, 2007, the HOPE VI program created 1,841 homeownership units. Cumulatively, as of June 30, 2007, approximately 8,629 homeownership units had been produced through the program. FY 2007 is the first year this goal is being tracked in the Annual Performance Plan and Performance and Accountability Report.

The FY 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs on-going efforts to meet the commitments of their revitalization plans. Additionally, the absence of the HOPE VI progress reporting system (see data discussion below) made goal setting and progress evaluation difficult, which translates into the higher margin of achievement seen here. The Department

anticipates grantees' continued production in homeownership options. The Department has set a target of 800 additional units for FY 2008.

Resources and performance link. This program is subject to the availability of appropriations by Congress. The Congress appropriated \$99 million to continue a modest HOPE VI program in FY 2007. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department proposes in the budget to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Accordingly, future activity related to this goal would be met with available prior year funds.



Data discussion. This goal is based on HOPE VI plans submitted by PHAs. Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. As of October 2007, the program office has secured a new contract. In the interim, the program office manually collected data submitted by grantees for the quarters missed. Data in are judged to be reliable for this measure. However, the data collected through the manual process that was needed until the new contract was in place may require future adjustments. Submitted data are reviewed by HUD staff and verified through grant management activities (e.g., phone, email and written communications) and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff.

A2 Increase minority homeownership.

A2.1: The homeownership rate among targeted households.

Background. Three tracking indicators help HUD understand the degree of progress in promoting homeownership among underserved populations. These are measures of homeownership among racial and ethnic minority households, households with incomes below the area median income, and households in central cities. FY 2007 targets were not established for these indicators because of the current dominant impact of the macro-economy.

Program website. <http://www.huduser.org/periodicals/ushmc.html>

Results, impact, and analysis. The homeownership rate for all minorities combined was 51.0 percent in the third quarter of 2007, a statistically significant decrease of 0.7 percentage

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GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

point from the third quarter of 2006. There were 16,510,000 minority homeowners in the third quarter of 2007, an increase in 241,000 from a year earlier.

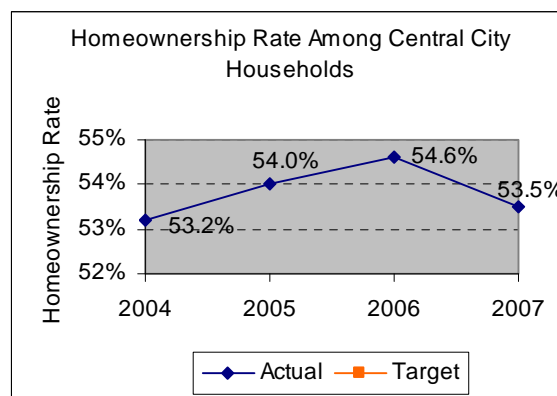
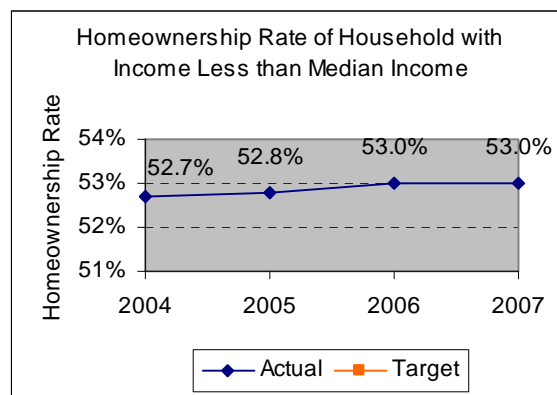
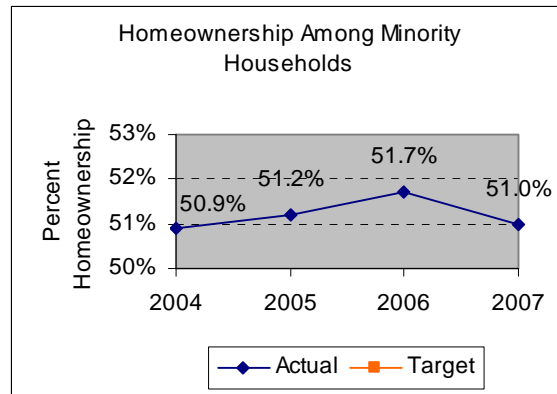
The decrease in minority homeownership reflecting the generalized decrease in homeownership during challenging market conditions during FY 2007. Another indicator of homeownership among HUD's target populations is for households with incomes below the national median income. These households remained at 53.0 percent in the third quarter, the same as the third quarter of 2006. The homeownership rate in central cities, at 53.5 percent, was down 1.1 percentage points from the third quarter of 2006.

Resources and performance link.

Homeownership rates had increased recently for each of these populations during the extended period of low mortgage interest rates and innovative mortgage products. Despite negative macroeconomic factors, HUD's programs continue to play a significant supporting role. Minority households represented 33 percent of FHA-insured first-time homebuyers in FY 2007. HUD's strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing.

HUD's housing counseling program helps members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership. HUD's largest block grant programs, CDBG and HOME, each have a sizable homeownership component. The HOME program, for example, assisted nearly 35,000 homeowners during FY 2007.

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.



A2.2: Increase the number of minority homeowners by 5.5 million between 2002 and 2010.

Background. This indicator supports the goal of the President's Minority Homeownership Initiative of adding 5.5 million minority homeowners by the end of the decade (that is, the last quarter of 2010 compared with the second quarter of 2002). This presidential priority is an important theme and outcome goal in HUD's Strategic Plan and supports the Department's long-term objectives to expand national homeownership opportunities and increase minority homeownership.

Results, impact, and analysis. Between the beginning of the President's Initiative and the third quarter of 2007, there has been a net increase of 3.19 million minority homeowners, achieving 58 percent of the goal while 62 percent of the time has elapsed. Gross additions to the ranks of minority homeowners are estimated at 3.74 million. The gross measure is not influenced by households that leave homeownership each year as part of the typical course of life, such as frail elderly people moving into assisted living, couples divorcing, or young families choosing to rent while settling in new regions.

Minority homeowners increased by 241,000 during the year ending with the third quarter, raising their total to 16,510,000. Despite the increase, the minority homeownership rate slipped to 51.0 percent because of proportionally greater growth in minority households. During FY 2007, shifting economic factors held back progress on the President's goal. Changes in macro-economic conditions as well as turmoil in the subprime mortgage market has made homeownership less affordable and stable for new purchasers and has begun to force an increased number of defaults among recent purchasers with adjustable rate and other specialty mortgages. In addition, tightening credit markets can serve to limit the number of new homebuyers approved for mortgages.

Resources and performance link. An important component of the long-term success of this goal is to maintain first-time minority homebuyers as a substantial proportion of FHA's mortgage insurance business. In part, this will occur by implementing FHA modernization to make affordable financing available to more households, so that they need not rely unnecessarily on subprime lenders. The above distinction between gross and net additions to minority homeownership highlights the importance of HUD's major programmatic efforts to ensure that homeownership gains are sustainable, including pre- and post-purchase housing counseling, funded at \$41.6 million in FY 2007, and FHA's loss mitigation and foreclosure prevention programs. HUD also is pursuing administrative changes through "FHA Secure" to help more families stay in their homes by refinancing existing non-FHA mortgages.

Sustainable homeownership opportunities are also provided by grant programs such as HOME Investment Partnerships, CDBG, and the sweat-equity model of the Self-help Opportunity Program. Also, strong fair housing efforts, reflecting \$45.5 million of budget authority in FY 2007, are key to maximizing homeownership opportunities and preventing predatory lending.

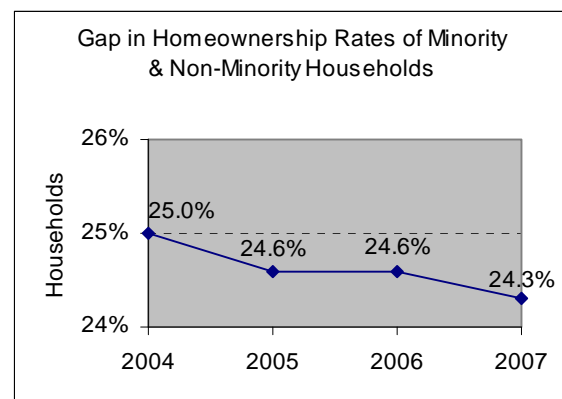
Data discussion. This indicator is based on third-quarter calendar year estimates from the Current Population Survey, conducted monthly by the Bureau of Census. This corresponds to the final quarter of the fiscal year. Gross change estimates are made using the American Housing Survey.

A2.3: The gap in homeownership rates of minority and non-minority households.

Background. This tracking indicator assesses progress for one of HUD’s central objectives, removing homeownership barriers and increasing homeownership among minorities. In 2002, President Bush launched an initiative to add 5.5 million minority homeowners by 2010. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator measures the difference in percentage points between the homeownership rate of households who are “non-Hispanic white alone” and the homeownership rate of minority households. No numeric target is established because of the current dominant impact of the macroeconomy.

Program website. <http://www.huduser.org/periodicals/ushmc.html>

Results, impact, and analysis. During the third quarter of calendar year 2007, the minority homeownership gap was 24.3 percentage points. This gap is the same as the record low quarterly gap of 24.3 percentage points recorded in the third quarter of 2006. The gap measure remained stable because the decrease in minority homeownership rates was matched proportionally by decreases for non-minority households, reflecting the widespread nature of financial stresses currently faced by homeowners with sub-prime mortgages and reduced house values.



Resources and performance link. FHA is a major source of mortgage financing for minority homebuyers. During FY 2007, 33 percent of FHA home purchase endorsements were for first-time minority homebuyers. FHA efforts to modernize programs will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate.

Data discussion. This indicator is based on fiscal-year averages of quarterly estimates from the Current Population Survey. The survey data have the advantage of being nationally representative, reliable, and widely recognized. This indicator replaces an indicator based on the biennial American Housing Survey, thus allowing timelier and more frequent reporting and greater consistency with HUD’s other homeownership indicators.

A2.4: 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. As in past years, a FY 2007 performance goal was not established because of HUD’s limited span of control relative to external factors.

Denial Rates* for Mortgage Applications by Race and Ethnicity

Race/Ethnicity of Primary Borrower	2004	2005	2006
Hispanic/Latino	16.3%	18.0%	21.9%
Native American/Alaska Native alone	15.8%	16.9%	19.3%
Asian alone	11.7%	13.7%	14.7%
Black/African American alone	19.6%	21.4%	25.3%
Native Hawaiian/Pacific Islander alone	13.9%	15.2%	18.4%
White alone	9.5%	10.5%	11.2%
Two or more races	12.4%	14.7%	14.7%
Other/Unknown/Missing	17.3%	16.9%	18.2%
Average	12.5%	13.8%	15.9%
All minority**	16.5%	18.4%	22.0%

* Excludes denials at the preapproval stage.

** Includes "two or more races," but excludes "other/unknown/missing."

Results, impact, and analysis. The most recent data show that during calendar year 2006, the rate at which mortgage applications were denied continued to turn sharply upward, and especially for minorities. Minority households continued to be denied mortgages at higher rates than for white alone households. Minority groups experienced denial rates ranging from 14.7 percent to 25.3 percent, and averaged 22.0 percent, compared with 11.2 percent for white alone.

Mortgage applications continued at high volumes, as the 7.25 million applications were down only 2.8 percent from the record volume of 2005. Home loans became harder to obtain as lenders increased the overall denial rate by 2.1 percentage points from 2005 levels to 15.9 percent in 2006. Yet even the tighter credit affected minorities disproportionately, as the overall minority denial rate increased 3.6 percentage points, compared with 0.7 point for white alone.

An important factor contributing to increasing denials for minorities has been the rapid increase in the number of applications. There were 2.63 million minority loan applications in 2006, up six percent compared with 2005, and fully 39 percent compared with 2004. With so many households seeking loans, it is probable that a significant proportion were not fully prepared. The primary causes of disparities in mortgage denial rates among race and ethnic groups are differences in their average disposable income and creditworthiness. In some cases lenders have been shown to discriminate against minority applicants by disapproving their mortgages while approving non-minorities who were less creditworthy or had less income. In such cases HUD can take fair housing enforcement actions. HUD's Office of Fair Housing and Equal Opportunity is focusing increased attention on addressing the role of discrimination in contributing to mortgage approval disparities.

Resources and performance link. A primary strategy for addressing the long-standing disparity in mortgage denial rates is to use housing counseling, funded at \$41.6 million in FY 2007, to help potential homebuyers understand their income eligibility and improve their creditworthiness. Homeownership counseling is targeted to groups who are disadvantaged in their familiarity with the homebuying and financing process, thus reducing disparities. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae

and Freddie Mac, also encourage increased lending to minorities. In addition, FHA has a focus on and products that encourage increased lending to minorities. Ginnie Mae also supports this effort through its Targeted Lending Initiative focused on underserved areas.

Data discussion. This indicator uses Home Mortgage Disclosure Act data, which are collected from lenders on a calendar-year basis. Calendar year 2007 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. 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. The data present a generally reliable picture of mortgage denial disparities, although the 18.2 percent denial rate shown for borrowers with missing race/ethnicity data exceeds the rate overall as well as for white alone, suggesting that such borrowers disproportionately are minority households.

A2.5: The share of first-time minority homebuyers among FHA home purchase-endorsements is 35 percent.

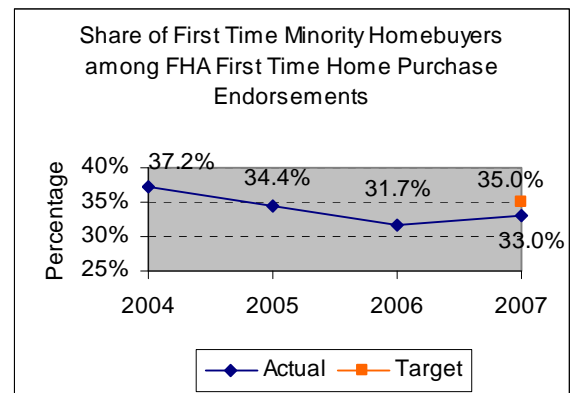
Background. FHA is a major source of mortgage financing for minority as well as low-income buyers. Increasing the number of FHA endorsements for minority homebuyers will help achieve the outcome of reducing the homeownership gap between whites and minorities as well as increase the overall homeownership rate. Additionally, this performance indicator directly supports the President and Secretary's commitment to add 5.5 million minority homebuyers by 2010.

Program website. <http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>

Results, impact, and analysis. During FY 2007, 33 percent of FHA endorsed loans were to first-time minority homebuyers. This result falls short of meeting the established aggressive goal of 35 percent but represents a 1.3 percentage point increase from the 31.7 percent of first-time minority endorsements during FY 2006.

Since FY 2001, FHA has seen first-time minority endorsements decrease from 39.7 percent to 33 percent in FY 2007. While FHA market has diminished, there has been a significant increase in minority borrowing nationwide. Current statutory constraints of FHA products and traditional barriers to minority homeownership (down payment challenges, lack of counseling, and others) limit FHA to effectively serve this portion of the market and likely attributed to the shortfall.

FHA has pending legislation that will increase its programs flexibility to reach more prospective homebuyers and to increase first-time minority market. The FHA Modernization legislation has been approved by the House of Representatives and is awaiting Senate approval. Passage of this legislation will reduce statutory barriers and increase FHA's flexibility to respond to changes in the marketplace. As a result, FHA will be able to serve more prospective homebuyers by



providing an alternative to subprime loans with high or adjusting interest rates and closing costs, as well as expensive pre-payment penalties. This legislation is important because studies have shown that minority borrowers are more susceptible to being placed with higher cost loans by aggressive lenders who target minorities. With FHA currently restricted in its ability to offer and price products comparable to other lenders, a significant portion of the minority homebuyer market has often fallen prey to higher cost loans that jeopardize the most common form of wealth building in this country, which is homeownership.

Resources and performance link. The FHA insurance programs are measured in terms of insurance in force rather than program budget authority. In FY 2007, the Mutual Mortgage Insurance Fund endorsed approximately \$84 billion of mortgages. In FY 2007, the share of endorsements to minority first-time homebuyers increased incrementally upwards. Results of this indicator are beyond the ability of HUD to control. The nationwide mortgage credit-crunch has disproportionately affected minorities who may believe that they are no longer able to obtain mortgage financing. Thus, it is possible that FHA's share of minority first-time homebuyers may reduce slightly.

Reasons for shortfall/plans and schedule to meet the goal. Despite unfavorable market conditions, FHA made substantial progress toward meeting its 35 percent goal. Barriers affecting the successful completion of this goal primarily lie outside of the control of HUD. During the first half of FY 2007, first time minority homebuyers opted for subprime and non-conventional loan products. The proliferation of non-traditional loan products provided prospective homebuyers with a variety of products that appeared attractive on the surface, but contained features detrimental to the long-term financial health of the homebuyer. Conversely, the second half of the fiscal year many potential homebuyers realized the uncertainty/dangers of certain subprime products ultimately leading to the collapse of the non-prime market and the beginning of an overall real estate market downturn. FHA aims to increase its first-time minority endorsements through continued marketing and counseling efforts and the aforementioned legislation that will allow FHA to more effectively compete in the first-time minority homebuyer market. If approved, modernization will reduce the statutory three percent minimum down payment, create a new risk based insurance premium structure that would match premium amounts with the credit profile of the borrower, and increase loan amounts. These changes will assist not only FHA in effectively meeting the President's goal of increasing minority homeownership.

Data discussion. The data source for this performance indicator originates in the Computerized Homes Underwriting Management System, based on data submitted by direct endorsement lenders, and for convenience is reported from FHA's Single Family Housing Enterprise Data Warehouse. The data are judged to be reliable for this measure. FHA data are entered by direct-endorsement lenders with monitoring by FHA.

A2.6: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.

Background. HUD defines performance targets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises) in several areas, including mortgage purchases for special affordable housing. This target is intended to achieve increased purchases by Fannie Mae and

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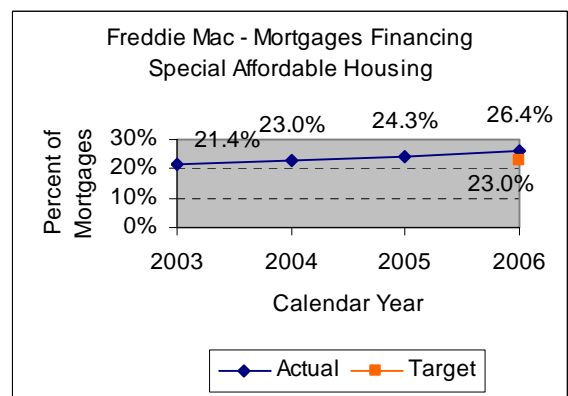
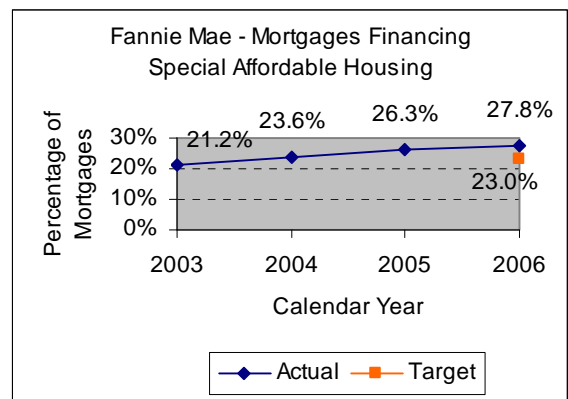
Freddie Mac of mortgages on rental housing and owner-occupied housing that address the unmet needs of very low- and low-income families. As such, the Special Affordable Housing goal supports HUD's national objectives for expanding both affordable homeownership and the availability of affordable rental 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 calendar year 2006, HUD increased the Special Affordable Housing goal from 22 percent to 23 percent. The Special Affordable Housing goal increases to 25 percent in 2007 and to 27 percent in 2008. The Special Affordable Home Purchase Mortgage subgoal for calendar year 2006 was 17 percent. The sub goal target increases to 18 percent in calendar years 2007 and 2008.

Program website. <http://www.hud.gov/offices/hsg/gse/gse.cfm>

Results, impact, and analysis. In calendar year 2006, Fannie Mae and Freddie Mac both surpassed the 23 percent target. Fannie Mae achieved 27.8 percent, and Freddie Mac achieved 26.4 percent. Fannie Mae surpassed the subgoal of 17 percent by almost a full percentage point while Freddie Mac exceeded the sub goal by only four one-thousandths of a percent.

An analysis of the composition of units qualifying under the Special Affordable Housing goal in 2006 shows that, of all the dwelling units that qualified for this goal in 2006 for Fannie Mae, 48.6 percent were one-unit owner-occupied properties (including condominium and cooperative units), 1.1 percent were owner-occupied units in two to four-unit properties, 16.2 percent were rental units in single family (one to four-unit) properties, and 34.1 percent were multifamily rental units. For Freddie Mac the corresponding percentages in 2006 were 47.1 percent one-unit owner-occupied properties, 1.2 percent owner-occupied units in two to four-unit properties, 9.9 percent rental units in single-family properties, and 41.8 percent multifamily rental units.



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. In addition, because the Government-Sponsored Enterprises' quarterly data is confidential and proprietary, the Department is unable to provide

estimates of Fannie Mae's and Freddie Mac's goal performance for the current calendar year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. The Department 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. The Department has determined that the data is complete and reliable as required by OMB Circular A-136.

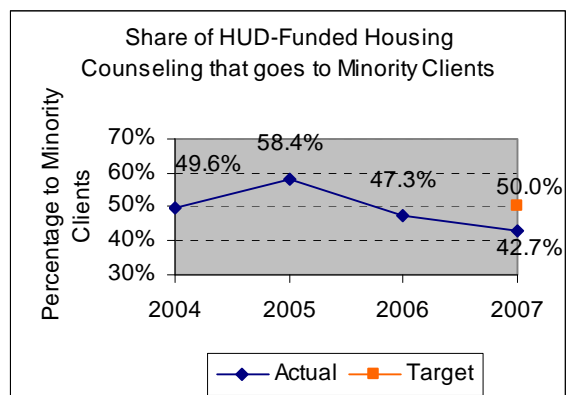
A2.7: Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2007.

Background. The housing counseling assistance program is an integral part of achieving the outcome of helping to increase the minority homeownership rate. It supports the President and Secretary's commitment to add 5.5 million homebuyers by 2010. In order to specifically target and increase the overall amount of funding benefiting the minority community, the Department set 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 including; homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. Depending on the state of the economy and the housing market, demand for various types of counseling rises and falls, and may vary for reasons outside of HUD's control. The Department is confident, however, that HUD-approved agencies are providing quality counseling services that will help clients receiving rental or homeless counseling rather than the number of clients served in a given year. As a result, HUD revised this indicator in FY 2006 to focus on ensuring that minorities represent a proportion (at least 50 percent) of families and individuals receiving housing counseling from HUD-approved housing counseling agencies, rather than on targeting a specific number of clients.

Program website.

www.fha.gov/sf/counseling/index.cfm

Results, impact, and analysis. HUD does not expect to meet this goal, although final results for clients counseled in FY 2007 could not be fully assessed by the date of this publication. Reporting results from calendar year 2007, third quarter, indicate that 85,712 of the 200,567 clients receiving HUD-funded housing counseling to be minorities. This calendar year 2007, third quarter, result of 42.7 percent indicates that the established FY 2007 minimum goal of 50 percent will not be achieved. Final housing counseling data will become available early in FY 2008. HUD approved counseling agencies are given 90 days after the end of the 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.



Resources and performance link. FHA and the Office of Single Family Housing sponsor 2,300 approved housing counseling agencies throughout the country that can provide advice on

buying a home, renting, defaults, foreclosures, credit issues and reverse mortgages to clients at a low or minimal cost. Funding in FY 2007 of \$41.6 million was provided to housing counseling agencies to provide counseling services. The FY 2007 appropriations, which were the same as the FY 2006 appropriations, come to the President's FY 2008 budget request of \$50 million. In the wake of the subprime market collapse and record setting foreclosures, the housing market is as complex and dynamic as ever. People more than ever need housing counseling services to appropriately resolve housing situations and have a trusted source that they can approach with housing related questions.

Reason for shortfall/Plans and schedule to meet this goal. HUD's inability to meet this goal is due to reasons beyond HUD's control. However, housing counseling is readily available for anyone who desires to receive it, although, HUD cannot predict those who will actually seek housing counseling services.

Data discussion. The data source for this performance indicator is the Housing Counseling System (HCS –F11) based on information submitted through Housing Counseling Agency Fiscal Year Activity Reports. The data include total number of clients, the type of counseling received, and the results of the counseling. An independent assessment in 2005 showed that the Housing Counseling System performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. 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.

A2.8: Section 184A mortgage financing of \$12.8 million is guaranteed for Native Hawaiian homeowners during FY 2007.

Background. This indicator tracks the annual dollar amount of loans guaranteed using the Section 184A Native Hawaiian loan guarantee program. The program will serve a population that, in 2007, had 18,000 families on the waiting list for affordable homes. The program is for families and individuals eligible to reside on Hawaiian Home Lands—land which is held in trust by the State of Hawaii. Lenders have been hesitant to assume the risk of financing homes on trust land, which cannot be used as collateral. The guarantee alleviates this concern and enables eligible families to more easily obtain mortgage financing to purchase a home. This program's activities support the President's and the Department's goal to increase minority homeownership.

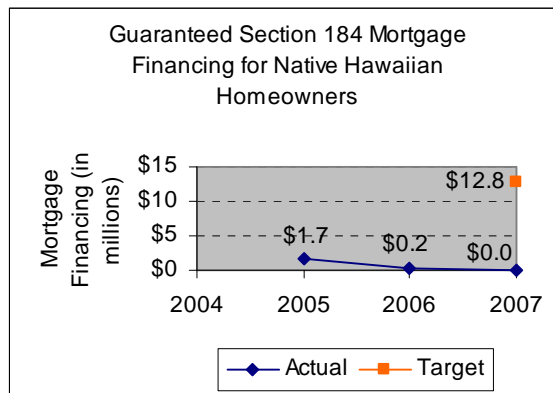
Program website. <http://www.hud.gov/offices/pih/ih/codetalk/onap/program184a.cfm>

Results, impact, and analysis. The target was not met, as the program had no activity in FY 2007. In FY 2006 one loan and in FY 2005 10 loans were guaranteed. The reporting period is FY 2007. The Department has established an aggressive FY 2008 goal, which is to guarantee 120 loans, totaling at least \$19.2 million.

Resources and performance link. This is a fairly new program, and the program structure is being changed. The program did not utilize resources in FY 2007, but it is projected to involve 120 loans and \$19.2 million in loan commitment authority for FY 2008, which is a very substantial performance increase.

Reasons for shortfall/Plans and schedule to meet the goal.

The program guaranteed no loans in FY 2007. The program had been set up in FY 2005 for the Department of Hawaiian Home Lands to be the sole institutional borrower; however, this process proved to be too complex and costly. To address the poor performance in FY 2006 and FY 2007, the program was re-engineered during FY 2007 to serve individual homebuyers. Program guidelines for loans to individual native Hawaiians were developed. Lender approval and quality control mechanisms were established. Underwriting and lending criteria that meet the requirements of the Hawaiian Homes Commission Act and Hawaiian Homestead policies were finalized in August 2007. The transition to guaranteeing individual loans was a necessary step to fully and successfully implement the program.



HUD has begun issuing approval letters to eligible lenders in Hawaii. In spite of guaranteeing no loans in FY 2007, the Department's FY 2008 goal is realistic and achievable, because procedures are now in place to serve individual home buyers. The Department of Hawaiian Home Lands expects about 400 new sites to be available for home construction during FY 2008.

Data discussion. The Office of Loan Guarantee compiles data on the dollar amount and the number of loan guarantee certificates issued. The Director of the Office of Loan Guarantee and the PIH Budget Office both validate the data on a monthly basis.

A2.9: Section 184 mortgage financing of \$197.3 million is guaranteed for Native American homeowners during FY 2007.

Background. This indicator tracks the annual volume of homeownership loans for Native Americans guaranteed under the Indian Housing Loan Guarantee program, also known as the Section 184 program. Homeownership rates on reservations have been historically low. Because of the unique legal status of reservation lands, lenders have been hesitant to assume the risk of providing mortgage financing for property that cannot be used as collateral. The Indian Housing Loan Guarantee fund provides credit subsidies that support loan guarantees to address this issue. The guaranteed loans can be used to purchase, construct, refinance, or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas. The program's activities support the President's and the Department's goal to increase minority homeownership.

In March 2007, the Annual Performance Plan was amended to increase the goal from \$159.6 million to \$197.3 million. This increase was due to aggressive marketing and robust program activity.

Program website. <http://www.hud.gov/offices/pih/ih/homeownership/184>

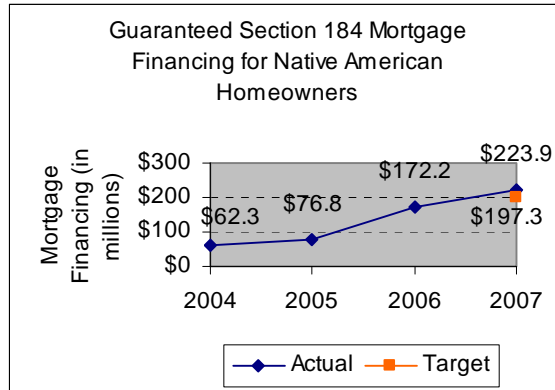
Results, impact, and analysis. The program guaranteed \$223.9 million in loans, exceeding the amended target of \$197.3 million by more than 13.5 percent, and exceeding the FY 2006 total by almost 30 percent. Program activity and loan volume have increased every year since FY 2002.

The reporting period is the federal FY 2007.

The program has successfully used a team approach to educate tribes and individual Native Americans about the benefits of homeownership. HUD relies on a network of approved lenders to finance mortgage transactions through a public/private partnership. HUD underwrites most of the files, accounting for the consistent performance of the loan portfolio.

The program's goal for FY 2008, is to guarantee 1,500 loans totaling \$247.5 million, and maintain a foreclosure rate below one percent.

Resources and performance link. The loan guarantee portfolio has grown from \$190 million at the close of FY 2004 to \$664.3 million in FY 2007. The program is expending credit subsidy dollars at a record pace each year.



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 and the PIH Budget Office validate the data on a monthly basis. For the purposes of this indicator, the guarantees are counted when the loans are closed and not when they are approved.

A3 Make the homebuying process less complicated and less expensive

A3.1: Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the home buying and mortgage loan process.

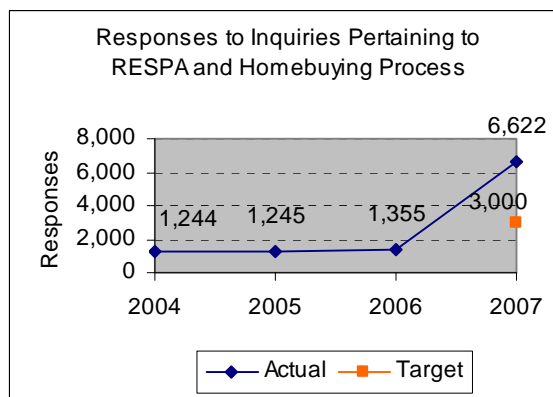
Background. The Real Estate Settlement Procedures Act (RESPA) is a consumer protection statute enforced by HUD involving all mortgage activity. This Act helps consumers be better shoppers in the home buying and mortgage loan process by requiring that consumers receive disclosures at various times in 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. The FY 2007 goal was to respond to 3,000 of these inquiries and complaints. The Department's responses to the inquiries and complaints received are a measure of its public assistance and enforcement activities.

Program website. <http://www.hud.gov/respa>

Results, impact, and analysis. The Office of Real Estate Settlement Procedures Act and Interstate Land Sales responded to 6,622 inquiries and complaints during FY 2007. This number exceeds the goal by 121 percent. 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 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 increased public awareness 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.

Resources and performance link. The Office of Real Estate Settlement Procedures Act and Interstate Land Sales responded to 6,622 complaints and inquiries regarding the home buying and mortgage process. These included questions and complaints from industry, consumer, and state and federal regulators regarding practices that violate RESPA. Consumer redress cases returned



over one million dollars to consumers who complained about unearned fees, misapplied loan payments, unpaid property taxes, and unpaid insurance premiums. The Office closed twelve formal executed settlement agreements resulting in payments of over five million dollars. Additionally, two agreements were coordinated with state regulatory agencies. In one case, the Department of Justice filed a federal lawsuit on behalf of HUD for violations of the Real Estate Settlement Procedures Act. The Office also was involved in public affairs and outreach by providing training to state and federal regulatory agencies, speaking at industry conferences such as the Real Estate Services Providers Council, Inc. (RESPRO) Conference, the American Association of Residential Mortgage Regulators (AARMR), National Land Council, American Land Title Association (ALTA), American Bankers Association as well as providing information to various news agencies including the Wall Street Journal, the New York Times, Bloomberg News, Chicago Tribune, Washington Post, USA Today, and Salt Lake City Tribune to help increase consumer awareness.

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 the Real Estate Settlement Procedures Act e-mail box. Management reviews this tracking system and e-mail on an ongoing basis.

A4 Fight practices that permit predatory lending.

A4.1: FHA increases the percentage of at-risk loans that substantively comply with FHA program requirements.

Background. This indicator tracks efforts to reduce fraud and compliance problems in FHA relative to the number of single family loans reviewed that have material findings. A material finding is defined as a failure to adhere to FHA program requirements pertaining to the origination and/or servicing of mortgage loans that resulted in the indemnification of the loan. 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 material findings. Quality Assurance Division reviews of FHA-approved

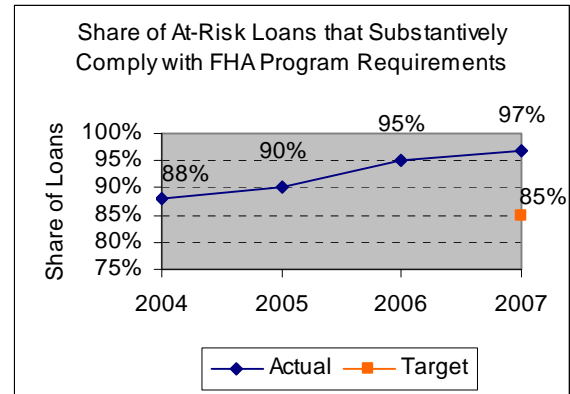
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lenders provide the means of data collection for this performance measure. Due to the oversight and enforcement oriented function performed by the Quality Assurance Division, and the need to maintain objectivity in the Quality Assurance Division review process, a numeric target cannot be established for this performance measure. FHA has therefore elected to track the number of loans reviewed that have material findings as a ratio of loans reviewed as the denominator and loans without material findings as the numerator. The program goal is to have a ratio that exceeds 85 percent.

Program website. www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

Results, impact, and analysis. Of the 12,813 loans reviewed originated by FHA-approved lenders in FY 2007, 12,406 or 96.8 percent, were determined to have no material findings. The comparison ratio of 96.8 far exceeds the program goal of 85 percent. This outcome indicates that lender monitoring reviews conducted by Quality Assurance Division successfully focuses its monitoring efforts 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.



Proportion of FHA “At Risk” Loans Found in Compliance

	FY 2004	FY 2005	FY 2006	FY 2007
At-Risk Loans Reviewed	21,442	18,451	15,724	12,813
Loans without Material Findings	18,866	16,565	14,866	12,406
Proportion Complying	0.88	0.90	0.95	0.97

Resources and performance link. FHA and the Office of Single Family Housing administer the 203(b), 234(c) and Home Equity Conversion Mortgage loan products without receiving an appropriation from Congress. The trend for the review of FHA mortgage lenders to ensure accountability and transparency of their lending practices continued to exceed the percentage goal. FHA monitoring and compliance standards continued to reduce fraud and predatory lending practices, which in turn keeps FHA lending funds fiscally sound enabling FHA to serve more people.

Data discussion. Loan review and findings data are drawn from the Approval, Review, Recertification Tracking System (AARTS-F51A). 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. An independent assessment in FY 2005 showed that the Approval, Review, Recertification Tracking System performance indicator data passed four-sigma quality tests for validity, completeness, and consistency.

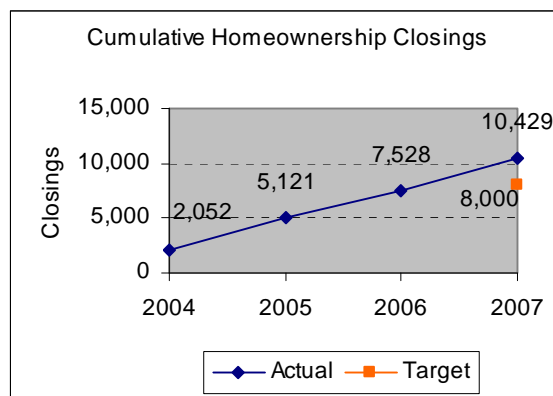
A5 Help HUD-assisted renters become homeowners.

A5.1: Increase the cumulative public and assisted housing homeownership closings under the homeownership option of the Housing Choice Voucher, Family Self Sufficiency, and Moving to Work homeownership programs to 8,000 by the end of FY 2007.

Background. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives. The outcomes associated with this effort are increased homeownership closings and increased resident mobility from rental assistance to homeownership. The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving to Work homeownership programs helps accomplish this objective by allowing PHAs to provide assistance to low-income first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments. This indicator tracks the annual number of homeowners assisted. The FY 2007 goal is to increase the cumulative number of homeownership closings to 8,000 households from the FY 2006 goal of 6,000.

Program website. <http://www.hud.gov/offices/pih/programs/hcv/homeownership/index.cfm>

Results, impact, and analysis. The Department significantly exceeded its goal by helping a cumulative 10,429 households become homeowners through the Housing Choice Voucher, Family Self-Sufficiency and Moving to Work homeownership programs. This is an increase of 2,901 homeownership closings from FY 2006. The success of the homeownership programs is based on an existing administrative fee incentive as well as homeownership program technical assistance designed to provide homeownership program training to PHAs in all of HUD's ten regions. The Department plans to continue its important efforts in this area and expect another significant increase in homeownership closings in FY 2008.



Resources and performance link. The Department works toward this goal through an administrative fee incentive and by providing direct technical assistance to PHAs that are interested in exercising a homeownership option or by accelerating the number of homeownership closings under an existing PHA homeownership program. The actual increase achieved in FY 2008 will be affected by several other factors, including PHA capacity building, availability of financing for first-time low- and moderate-income homebuyers, congressional appropriation of administrative fee funds, market forces, and interest rates.

Data discussion. The data is from the Public and Indian Housing Information Center–50058 module, consisting of household data reported by PHAs. The status of household homeownership closings is a relatively straightforward and easily verifiable statistic. Unfortunately, the long-term success of households to remain homeowners cannot be captured by this measure, nor can it capture mortgage default or property foreclosure data. This would require extensive modifications to the 50058 module.

A5.2: HUD works to expand public housing agencies' use of the Section 32 homeownership program, resulting in the submission of 12 proposals in FY 2007.

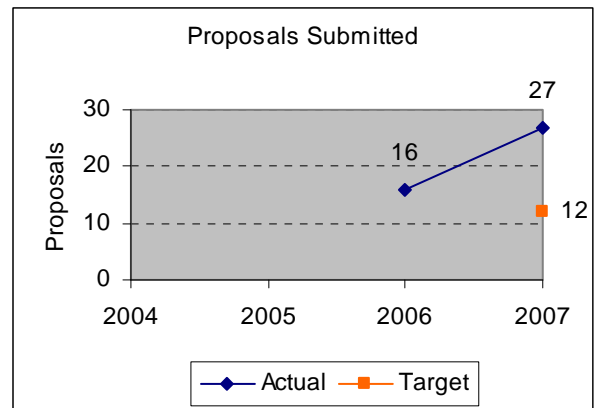
Background. The Quality Housing and Work Responsibility Act permits PHAs, through Section 32 of the U.S. Housing Act of 1937, to make public housing dwelling units and other units available for purchase by low-income families as their principal residence. This indicator tracks HUD's efforts to expand the use of the Section 32 homeownership program and, thereby, the homeownership opportunities available to public housing residents and other low-income individuals. Under Section 32, a PHA may do the following:

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

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

Program website: <http://www.hud.gov/offices/pih/centers/sac/homeownership/>

Results, impact, and analysis. For FY 2007, the Department surpassed its goal by receiving 27 Section 32 homeownership program proposals, 125 percent more than the goal of 12 proposals. This demonstrates PHAs' expanded use of the program and, as a result, an increase in homeownership opportunities. This year's result is an increase from the 16 proposals received in FY 2006 (FY 2006 was the first year this goal was tracked). The fact that the FY 2007 goal was exceeded and there was a significant increase over FY 2006 reflects the popularity of the program and the efforts of HUD staff to raise awareness of and provide technical assistance for the program.



Resources and performance link. The Section 32 homeownership program is not separately funded by appropriations, but permits PHAs, subject to HUD approval, to use their Capital Funds for the homeownership activities described above. Accordingly, the program enables PHAs to make optimal use of their Capital Funds for homeownership purposes.

Data discussion. The data are judged to be reliable for this measure. The data sources are the Inventory Management System and records of the Office of Public Housing Investments,

including specifically the Special Applications Center's Assignment Planning System. Special Applications Center staff review and verify data in the Assignment Planning System. Section 32 homeownership proposals are submitted to Office of Public Housing Investments for review and approval. Activities under the program are monitored and verified by the HUD field offices and through the use of the Management Inventory System.

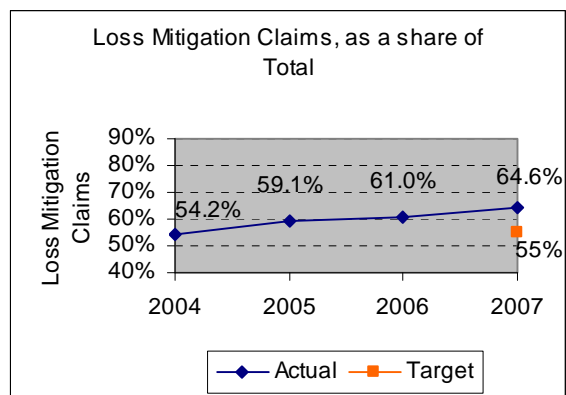
A6 Keep existing homeowners from losing their homes.

A6.1: Loss mitigation claims are 55 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. 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. Improved 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 assist more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate. The FY 2007 goal is to ensure that at least 55 percent of claims are resolved through loss mitigation.

Program website. www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

Results, impact, and analysis. The goal was exceeded. In FY 2007, 64.6 percent (91,051 out of 140,849 defaults resolved) of FHA mortgage defaults were resolved through loss mitigation alternatives to foreclosure, exceeding the goal of 55 percent and the performance level of 61 percent achieved in FY 2006. This four percent increase from FY 2006 represents a continuation of increased success. The data used for this calculation were the most recent data available. Loss mitigation does not permanently stabilize many borrowers' financial status.



However, about 60 percent of borrowers who received the benefits of loss mitigation actions remain current on their mortgage for at least a 12 month period. This reduction in foreclosure claim expense is a key component of Departmental budget estimates for FY 2007. 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.

Resources and performance link. FHA and the Office of Single Family Housing track this goal without a direct appropriation from Congress. This goal seeks alternative actions to foreclosures in the event of borrower default on a loan. Loss mitigation tools seek the best alternative for the homeowner to prevent foreclosure on the property. Loss mitigation techniques limits losses to the FHA fund which in turn enables FHA to assist additional people. Default

rates for mortgage loans continued to rise due to rising interest rates and slowing housing market. During FY 2007 FHA continued the trend to increase the proportion of mortgagors with troubled mortgages who were able to resolve their mortgage defaults rather than going through foreclosure. Through techniques, such as home retention tools, pre-foreclosure sales, deeds-in-lieu, and housing counseling services more defaults were resolved and fewer homeowners lost their homes.

Data discussion: The data originate in the Single Family Insurance, CLAIMS subsystem (CLAIMS A43C), and for convenience are reported from FHA's Single Family Enterprise Data Warehouse Loss Mitigation table. The resolutions that are counted as loss mitigation are forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, and deeds-in-lieu of foreclosure. Total claims comprise loss mitigation claims plus conveyance claims. No data limitations are known to affect this indicator. An independent assessment in 2004 showed that CLAIMS performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. 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 2007. FHA now collects 30 and 60 day default data, which provides better information about typical default patterns and insight towards improving loss mitigation efforts.

A6.2: More than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure.

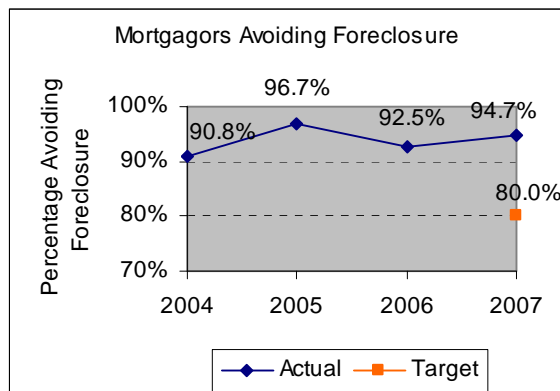
Background. The FY 2007 performance goal is to ensure that more than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency successfully avoid foreclosure. Clients tracked through this indicator include homeowners with mortgages who are at risk of default or have already defaulted, and are seeking assistance in order to remain in their home and meet the responsibilities of homeownership. This target was revised in the FY 2008 APP, Appendix A, to incorporate a new methodology for calculating fiscal year performance. Under the new methodology, clients previously counted as "currently receiving counseling" are now excluded. Removing these cases will provide more accurate results on the success of the clients in preventing mortgage delinquency. By offering alternatives to delinquency and foreclosure, default counseling is a cost-effective way to reduce HUD's exposure to risk while contributing to the important outcome of aiding growth and stability of families and communities across the country. Moreover, default counseling is increasingly important when targeted towards areas with higher unemployment or markets experiencing changing home prices and other market dislocations.

Program website. www.fha.gov/sf/counseling/index.cfm

Results, impact, and analysis. HUD expects to exceed this goal, although final results for clients counseled in FY 2007 could not be fully assessed by the date of this publication. However, reporting results from the first three quarters of calendar year 2007 indicate that 94.7 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will have successfully avoided foreclosure. This calendar year 2007, third quarter reporting represents results of 12,024 out of 12,690 mortgagors receiving assistance. These results indicate that HUD is ahead of the target to reach the FY 2007 goal of 80 percent in default counseling and loss mitigation tools and techniques, and the increased training of counselors

from HUD approved agencies. HUD approved counseling agencies are given 90 days after the end of the calendar year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided.

Resources and performance link. FHA and the Office of Single Family Housing sponsor 2,300 approved housing counseling agencies throughout the country that can provide advice on buying a home, renting, defaults, foreclosures, credit issues, and reverse mortgages to clients at a low or minimal cost. Funding in FY 2007 of \$41.6 million was provided to housing counseling agencies to provide counseling services. The FY 2007 appropriation, which was the same as the FY 2006 appropriation compares to the President's FY 2008 budget request of \$50 million. In the wake of the sub prime market collapse and record setting foreclosures the housing market is as complex and dynamic as ever. People more than ever need housing counseling services to appropriately resolve housing situations and have a trusted source that they can approach with housing related questions.







Data discussion. The data source for this performance indicator is the Housing Counseling System (HCS –F11) based on information submitted through Housing Counseling Agency Fiscal Year Activity Reports. The data include total number of clients, the type of counseling received, and the results of the counseling. An independent assessment in 2005 showed that the Housing Counseling System performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. 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. 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 implemented an automated data collection instrument that will enable it to collect client-level information beginning in FY 2008.

Goal B: Promote Decent Affordable Housing








Strategic Objectives:

- B1 Expand access to affordable rental housing.**
- B2 Improve the physical quality and management accountability of public and assisted housing.**
- B3 Increase housing opportunities for the elderly and persons with disabilities.**
- B4 Transition families from HUD-assisted housing to self sufficiency.**
- B5 Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.**

PERFORMANCE REPORT CARD – GOAL B							
		2004	2005	2006	2007	2007	
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met Notes
B1	Expand access to affordable rental housing.						
B1.1	The number of households with worst case housing needs among families with children, the elderly, and non-elderly person with disabilities.						a,b,c
	Families with children	N/A	2,324	N/A	N/A	N/A	N/A j
	Elderly	N/A	1,291	N/A	N/A	N/A	N/A j
	Persons with disabilities	N/A	542	N/A	N/A	N/A	N/A j
B1.2	The net number of years of affordability remaining for all HOME Investment Partnership Program assisted units is maximized.	64	980	1,063	1,244	1,150	 j
B1.3	The number of rental assisted households and rental housing units with CDBG, HOME, Housing Opportunities for Persons With AIDS, Indian Housing Block Grant and Native Hawaiian Housing Block Grant.	143,424	157,733	177,757	141,787	135,929	
B1.4	FHA endorses at least 1,000 multifamily mortgages.	1,497	1,017	1,016	881	1,000	
B1.5	Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages.	92.4%	91.1%	96.9%	98%	95%	








DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE REPORT CARD – GOAL B

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
B1.6	HUD will complete 80 percent of the initial FY 2007 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.	72%	82%	86%	92%	80%		
B1.7	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.							
	Fannie Mae	\$12.23	\$7.32	\$10.39	\$13.31	\$5.49		f,l
	Freddie Mac	\$8.79	\$7.77	\$12.35	\$13.58	\$3.92		f,l
B1.8	At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.	72.9%	75.0%	71.5%	70.1%	70.0%		d,i
B1.9	Reduce energy costs in building or operating HUD-financed, assisted, or insured housing.				\$33	N/A	N/A	c
B1.10	Improve the utilization rate of Housing Choice Voucher funding to 97 percent by FY 2011.	100%	97%	90%	93%	N/A	N/A	c, n
B2	Improve the physical quality and management accountability of public and assisted housing.							
B2.1	Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 10 percent.			7.6	3.2	6.84		
B2.2	The share of public housing units that meet HUD established physical inspection standards will be 85 percent	85.0%	85.1%	85.8%	85.7%	85%		
B2.3	The share of assisted and insured privately-owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.	94.4%	96.0%	95.0%	93.8%	95.0%		

SECTION II: PERFORMANCE INFORMATION
GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

PERFORMANCE REPORT CARD – GOAL B

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
B2.4	Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designed as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.							
	Unit weighted average score	86.9%	85.8%	85.0%	85.2%	N/A	N/A	c
	Observed exigent deficiencies per property			54%	58%	N/A	N/A	c
	Share of units with functioning smoke detectors	92.8%	92.9%	93.6%	93.4%	N/A	N/A	c
B2.5	For households living in assisted and insured privately-owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent	98%	98%	98%	99%	98%		
B2.6	The percent of public housing units under management of troubled housing agencies.	43.5%	33.0%	31.0%	33.9%	N/A	N/A	c,g
B2.7	The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.			6.1%	4.5%	N/A	N/A	c,g
B2.8	The HOPE VI Revitalization program for public housing relocates 1,378 households, demolishes 4,209 units, completes 8,745 new and rehabilitated units, and occupies 8,293 units.							
	Households relocated	4,618	4,702	4,049	3,685	1,378		m
	Units demolished	4,919	8,765	5,034	6,601	4,209		m
	Units constructed or rehabilitated	4,132	9,632	9,389	8,436	8,745		m
	Units occupied	4,210	8,467	10,995	7,793	8,293		m
B2.9	Ensure the unit production of HOPE VI projects is completed within 7.75 years from the grant agreement execution, and unit production will be completed for 75 HOPE VI grants awarded from FY 1993 through FY 2004							
	Completion years.				7.31	7.75		
	Grants for which unit production is completed				76	75		



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE REPORT CARD – GOAL B

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
B2.10	The HOPE VI program will leverage \$650 million of other financing.	\$878	\$945	\$862	\$669	\$650		k
B2.11	Approve \$50 million of leveraged funds through the Capital Fund Financing program.				\$191	\$50		k
B2.12	In FY 2007, HUD will award 35 grants to establish new, or expand existing, Public Housing Neighborhood Networks centers.				54	35		
B3	Increase housing opportunities for the elderly and persons with disabilities.							
B3.1	Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 200 projects to initial closing under Sections 202 and 811.	305	302	315	245	200		
B3.2	The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2006 level.				352.8	139.1		j,g
B4	Transition families from HUD-assisted housing to self sufficiency.							
B4.1	By FY 2008, increase the proportion of those who transition from HUD's public housing and Housing Choice Voucher programs by 20 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent.							
	Proportion of participants who transition from program	N/A	12.8%	12.6%	14.2%	12.9%		g
	Proportion of participants in program for 10 years or more	N/A	19.2%	20.9%	21.2%	19.0%		g
B4.2	The number of residents counseled through the Resident Opportunity and Self Sufficiency (ROSS) program in homeownership readiness will increase by 295, and the number of counseled residents who purchased homes will increase by 26 during FY 2007.							
	Residents counseled through ROSS in homeownership readiness				2,586	295		
	Residents counseled through ROSS who purchase homes				286	26		

SECTION II: PERFORMANCE INFORMATION
GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

PERFORMANCE REPORT CARD – GOAL B

Performance Indicators	2004	2005	2006	2007	2007		
	Actual	Actual	Actual	Actual	Target	Met	Notes
B5 Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.							
B5.1 Complete analysis of Section 8 and public housing assessment programs and develop a more accurate and efficient assessment tool.				Complete	Complete		
B5.2 Asset-based accounting will be implemented in 20 percent of PHAs by FY 2007				30%	20%		

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.
- m For one year period ending June 30, 2007
- n First half of calendar year
- o One-year lag in data

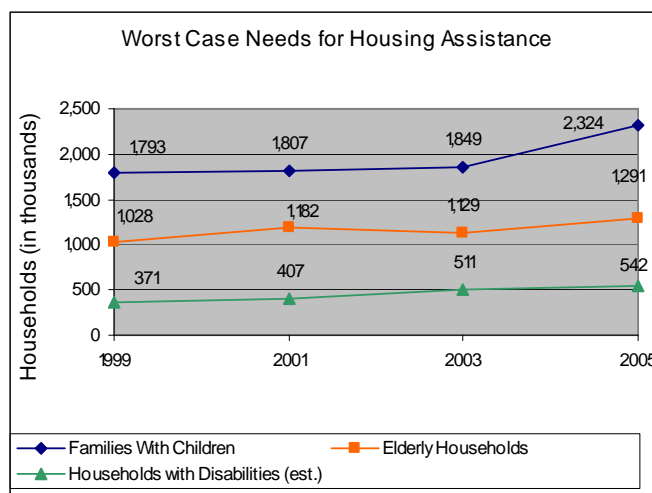
B1 Expand access to affordable rental housing.

B1.1: The number of households with worst case housing needs among families with children, the elderly, and non-elderly persons with disabilities.

Background. This tracking indicator is a key measure of whether HUD’s array of targeted housing programs and the nation are advancing or losing ground in the fight to ensure decent, safe, and affordable housing for America’s families. The indicator focuses on the elderly, non-elderly disabled persons, and families with children because they are particularly susceptible to housing problems and are targeted by HUD housing programs. Worst case needs are defined as unassisted renters with very low incomes (that is, not more than 50 percent of area median income) and a priority housing problem—either severely inadequate housing or, more commonly, severe housing cost burden, meaning total costs exceed 50 percent of monthly income.

Program website. The 2005 results are reported in “Affordable Housing Needs 2005: Report to Congress,” available at <http://www.huduser.org/publications/affhsg/affhsgneeds.html>.

Results, impact, and analysis. The most recent published tracking data show that in calendar year 2005, 2.32 million families with children had worst case housing needs and 1.29 million elderly households had worst case needs. These estimates reflect statistically significant and substantial increases of 26 percent and 14 percent from 2003 levels. For households with disabilities, the data do not support precise estimates, but the estimate shows an insignificant increase from 0.51 million households in 2003 to 0.54 million households in 2005. The estimate for households with disabilities is known to under-represent the true figure.



National and regional economic conditions affect worst case needs by changing the number of very low-income renters (that is, households eligible for worst case status if unassisted) and the availability of affordable private-market rental units. Between 2003 and 2005, the number of very low-income renters increased by 2.6 percent, from 15.7 million to 16.1 million. However, the subset of these renters who have extremely low-incomes increased by 6.6 percent, from 9.1 million to 9.7 million. There was a net decrease in renters with incomes of 30 to 50 percent of area median, caused primarily by moves to lower or higher income categories, as well as home purchases by a small fraction.

Lack of affordable housing units relative to the growing number of units demanded by very low- and extremely low-income households is a central aspect of the problem: for every 100 very low-income renter households in 2005, there were only 76.8 rental units that were affordable and available. When adequate, physical quality is added to the affordable and available dimensions only 67.9 units were available per 100 households.

Resources and performance link. The largest portion of HUD's budget, estimated at \$25.43 billion in FY 2007, program funds (66 percent of the total budget), helps program partners meet the affordable housing needs of very low-income renters. Contributing programs include vouchers, project-based Section 8, public housing, HOME Investment Partnerships program, CDBG, Housing Opportunities for Persons With AIDS, homeless programs, multifamily mortgage insurance, and capital advances for supportive housing under Sections 202 and 811. HUD has multiple programs that provide affordable housing opportunities for targeted income groups and subpopulation including elderly, disabled, and homeless. Although recent funding levels for these programs have not supported expanded coverage, collectively they produce a critical outcome; keeping many of the nearly five million households served out of worst case status (see the table "Units/Households Receiving HUD Assistance" in Section 4 of this report and resource discussion below).

Data discussion. The data for this indicator come from the national American Housing Survey, conducted for HUD by the Census Bureau on a biennial basis. Calendar year 2007 data will be published during 2008. Estimates of households containing non-elderly persons with disabilities are based on HUD's tabulation of households that reported receiving Supplemental Security Income. Analysts currently are reviewing the potential of supplemental data sources to provide more accurate estimates of worst case needs among households with disabilities.

In preparing the 2003 report, the Office of Policy Development and Research verified estimates of worst case needs overall through comparisons with the American Community Survey and the Survey of Income and Program Participation. Estimates of very low-income renters with severe rent burdens produced with the 2001 Survey of Income and Program Participation data showed 37 percent fewer elderly households, 11 percent fewer families with children, and two percent more households with disabilities than did the 2001 American Housing Survey. The 2003 and 2005 reports also present preliminary research about the duration of severe rent burdens from year to year.

B1.2: The net number of years of affordability remaining for all HOME Investment Partnerships program-assisted units is maximized.

Background. This outcome indicator tracks the net number of years of affordability produced for low income households residing in units developed through the investment of the HOME funds. Rental and homebuyer units produced with HOME funds must remain affordable to low-income households for a minimum of five and for as many as 20 years – depending upon the amount of the HOME investment. These restrictions are imposed through covenants running with the land, deed, rent, and other restrictions that HUD may agree to. The net number of years of affordability remaining at any point in time is calculated by multiplying the number of units assisted by the remaining number of years of affordability attached to those units. The greater the number of years a unit remains affordable, the greater the rent stability for low-income households and, as a consequence, the greater the likelihood that their disposable income for non-rent expenses will increase.

Program website. <http://www.hud.gov/homeprogram/>

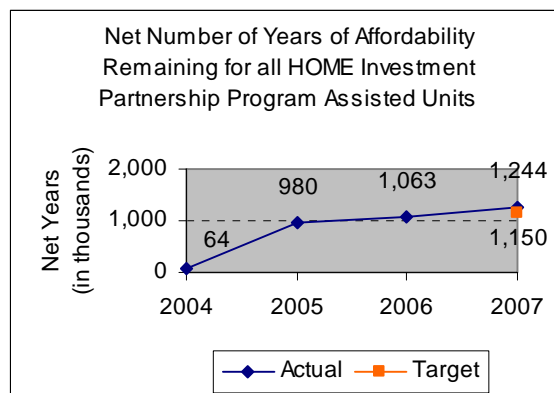
Results, impact, and analysis. At the end of FY 2007, the goal was met, with the net number of years of affordability remaining for all HOME-assisted units reaching 1,243,613, exceeding the

goal of 1.15 million by 93,613 or eight percent. This also exceeds the net 1,062,775 unit years of affordability achieved by HOME in FY 2006 by 180,838 or 17 percent.

The improvement in FY 2007 was a direct function of the large number of HOME-assisted units, both homebuyer and rental, that were placed under HOME affordability restrictions this year.

Resources and performance link. The years of affordability is a direct consequence of the amount of HOME funding appropriated. The decrease in HOME Investment Partnerships program funding in recent years has an overall effect of less affordable housing units being produced.

However, during FY 2006 and FY 2007, grantees entered more unit completion data to meet the performance measurement requirements that went into effect October 1, 2006.



Data discussion. Data for the HOME Investment Partnerships program are reported in HUD's Integrated Disbursement and Information System. As of FY 2007, the Department required new outcome performance measures in the system, including several new measures for HOME. Data entered by participating jurisdictions in HUD's Integrated Disbursement and Information System are used to track quarterly performance.

B1.3: The number of rental households and rental housing units assisted with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants.

Background. This indicator tracks rental housing assistance—including rehabilitation of rental housing units—provided through the CDBG, HOME Investment Partnerships, Housing Opportunities for Persons with AIDS, and the Indian Housing Block Grant program. 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). Because of shortages of affordable rental housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including through rental housing production. The level of these housing outputs is subject to appropriations as well as economic conditions and local discretion

CDBG program grantees conduct housing rehabilitation projects of all sizes, ranging from small weatherization improvements and emergency repairs to the rehabilitation of major household systems, such as roofing, heating, and siding.

The HOME Investment Partnerships program is one of HUD's major affordable housing production programs. This 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 Housing Opportunities for Persons With AIDS program provides local and state government and nonprofit organizations with the resources and incentives to develop long-term

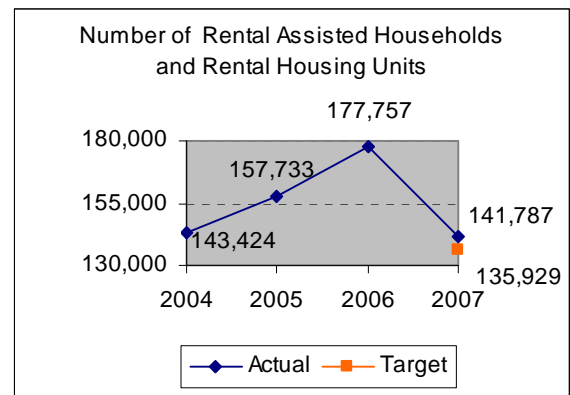
comprehensive housing strategies for meeting the housing and related supportive service needs of low-income persons living with HIV/AIDS and their families. The program supports the goals of increasing the availability of decent, safe, and affordable housing in America's communities by providing permanent housing with coordinated supportive services through tenant-based rental assistance, short-term rent, mortgage or utility payments that help maintain the current residence of beneficiaries, and support for community facilities that provide residential care and other needed support.

The Indian Housing Block Grant program provides formula-based grants to federally recognized Indian tribes, or their tribally designated housing entities. This indicator tracks the number of affordable rental units that were built, acquired, or rehabilitated with grant funds. These activities support the Department's strategic objective of expanding access to and availability of decent, affordable rental housing.

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>
<http://www.hud.gov/homeprogram/>
<http://www.hud.gov/offices/cpd/aidshousing/index.cfm>
<http://www.hud.gov/offices/pih/ih/grants/ihbg.cfm>

Results, impact, and analysis. The FY 2007 goals were exceeded for the HOME Investment Partnerships and Housing Opportunities for Persons With AIDS, but were not met for CDBG or the Indian Housing Block Grant programs.

CDBG The FY 2007 goal for CDBG was 37,032 units of renter-occupied housing assistance while the actual number of units assisted was 26,358. The shortfall was 10,674 units. The FY 2006 actual level was 38,172 units assisted.



HOME Investment Partnerships Program

exceeded its goals for both rental housing production and tenant-based rental assistance in FY 2007. HOME participating jurisdictions completed 28,039 rental housing units in FY 2007, exceeding the goal of 20,698 units by 7,341 units or 35 percent. The FY 2007 performance represents a decrease of 19,559 units from the 47,598 units completed in FY 2006, which is explained in part by updated data reporting in FY 2006.

The 18,172 households assisted with HOME-funded tenant-based rental assistance in FY 2007 exceeded the goal of 9,779 by 8,393 households or 86 percent. The anticipated decline in the number of households receiving Tenant Based Rental Assistance through HOME did not materialize. However, this represents a decrease of 5,153 households from the FY 2006 result. (For a discussion of HOME assistance to homebuyers and existing homeowners in FY 2007, see Indicator A1.9.) FY 2006 production levels were much higher than normal as a result of grantees rushing to enter completion data prior to start of the FY 2007 fiscal year in order to avoid the data entry requirements associated with the new performance measurement requirements that went into effect on October 1, 2006.

Housing Opportunities for Persons With AIDS The FY 2007 target for the Housing Opportunities for Persons With AIDS program was 67,000 households assisted. For this

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performance year, Housing Opportunities for Persons With AIDS provided support to 67,850 households, exceeding the goal by 850 households. The program has shown significant results through housing support that improves the client's stable or temporary arrangements that provide a base to access and consistently participate in health care and other support, as needed. HUD has compiled Housing Opportunities for Persons With AIDS performance data from all grantees. The data indicate that 67,850 households were assisted with housing assistance that improved the affordability of their housing arrangements or were provided appropriate care in residence in housing facilities. This is consistent with HOPWA's performance goal of increasing housing stability coupled with grantees placing greater emphasis on permanent housing and assessing short-term housing intervention to determine long-term client outcomes. During the past year, all Housing Opportunities for Persons With AIDS grantees have begun reporting on client outcomes through the revised annual performance reporting requirements. Grantees have implemented the housing stability performance outcome measure. Significant progress has been made on data verification to ensure that grantees are providing quantitative data that effectively reports on client outcomes.

Indian Housing Block Grant. The goal to build, acquire, or rehabilitate 1,420 rental units was not met. The actual accomplishment, 1,368, is about 3.5 percent short of the goal, and about two percent less than what was reported at the same time one year ago for FY 2006.

Each year, the Performance Tracking Database is updated to correct errors and to add data from grantees who submitted late reports. The results reported in the annual Performance and Accountability Report must be revised each year as well, to reflect the most current data. Revised accomplishments, as of October 2007, are as follows: In FY 2004, 2,222 rental units were built, acquired, or rehabilitated. In FY 2005, the total was 1,637; in FY 2006, 1,656. It is likely that the FY 2007 accomplishment (1,368), will also be subject to change once corrections and late submissions are reported. Accomplishments vary because each grantee, not HUD, identifies the activities it will carry out with its block grant funds.

Grantees must report annually, no later than 90 days after their program year ends. The results reported herein include the most recent grantee fiscal year report received.

With ever-rising construction costs and the level of program funding remaining relatively flat for the last three years, HUD cannot anticipate increased production for this indicator.

Rental Households/Rental Units Receiving Assistance	2004	2005	2006	2007	2007 goal
CDBG (rental units rehabilitated)	31,186	34,918	38,178	26,358	37,032
HOME (tenant-based assistance)	15,479	20,554	23,325	18,172	9,779
HOME (rental units completed)	23,392	33,612	47,598	28,039	20,698
Housing Opportunities for Persons With AIDS	71,145	67,012	67,000	67,850	67,000
Indian Housing Block Grant	2,222*	1,637*	1,656*	1,368	1,420

* These figures previously reported in the Performance and Accountability Report have changed due to subsequent adjustments to the database.

Resources and performance link. **CDBG** Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The

number of units assisted is primarily a function of grantee funding decisions and local level implementation. CDBG expenditure data as reported in the Integrated Disbursement and Information System indicates that grantees expended approximately \$89 million annually on multi-unit rehabilitation in FY 2007 and FY 2006, down from \$102 million on multi-unit rehabilitation in FY 2005.

HOME Investment Partnerships Program The FY 2007 goals within this indicator reflect a decrease from the FY 2006 levels due to the effects of inflation on housing production—calculated at three percent annually—together with the reduction in HOME Investment Partnerships program funding in recent years.

Based on completions, the average per-unit HOME cost of producing a rental unit in FY 2007 increased by \$836 to \$23,672, or 3.7 percent, compared to FY 2006, while the annual cost of providing tenant-based rental assistance to a household increased to \$2,895 in FY 2007, an increase of \$31 or one percent. Participating jurisdictions disbursed approximately \$896 million in HOME funds on completed rental projects and committed \$56.9 million to tenant-based rental assistance during FY 2007.

The Housing Opportunities for Persons With AIDS program is achieving its goals, including meeting the Housing Opportunities for Persons With AIDS share of the target for housing outputs in providing support to 67,850 households in this performance year. The program has shown significant results through housing support that improves the client's stable or temporary arrangements that provide a base to access and consistently participate in health care and other support, as needed. HUD has compiled Housing Opportunities for Persons With AIDS performance data from all grantees. The data indicate that 67,850 households were assisted with housing assistance that improved the affordability of their housing arrangements or provided appropriate care in residence in housing facilities. Housing Opportunities for Persons With AIDS efforts continue to show cost effectiveness with average costs per household, at \$4,320 annually, below costs for other types of housing assistance efforts.

Indian Housing Block Grant For many American Indian tribes and Alaska Native villages, the Block Grant program is the sole source or the main source of funding for affordable housing. However, affordable housing projects in Indian Country tend to be long-term, and HUD has not observed performance levels immediately corresponding to changes in funding levels. Nevertheless, such corresponding changes would be inevitable over a course of several years. Small tribes in remote locations often stretch construction and rehabilitation projects over several funding years, and only report on accomplishments in the year that projects are completed. In addition to providing or rehabilitating homes, recipients can offer other housing services to their low-income beneficiaries. Transitional housing, crime prevention and safety activities, housing management services, and counseling also consume program funds, and grantees have the flexibility to use grant funds for whichever eligible activity is currently needed in their community. Therefore, it has proven difficult to predict the number of rental units that will be built, acquired, and rehabilitated in any given year. However, this measure is a primary indicator of program output. Targets have been based on relatively flat funding and annual trend data.

Reasons for shortfall/Plans and schedule to meet the goal. ***CDBG*** There is no evident reason for the shortfall in the number of CDBG-assisted units in FY 2007, and a thorough analysis will likely take several months. Potential contributing factors may include increased per unit costs, initiation of fewer multi-unit rehabilitation activities by grantees, and lack of complete reporting

by grantees. Further, FY 2006 accomplishment levels were likely elevated by joint HUD and grantee effort to close out older activities in advance of full implementation of performance measurement framework on October 1, 2006. The Office of Block Grant Assistance's plan of action will be guided by the data analysis and discussions with grantees.

Indian Housing Block Grant. The shortfall for this indicator was relatively minor.

Data Discussion. *CDBG* values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to the systems that, along with data clean-up efforts, have resulted in a continuous improvement in data quality. CPD field staff often verify program data when monitoring grantees.

Data for the *HOME Investment Partnerships program* are reported in HUD's Integrated Disbursement and Information System. For FY 2007 participating jurisdictions were required to enter the outcome performance measures data into HUD's Integrated Disbursement and Information System. Data entered by participating jurisdictions are used to track quarterly performance.

Housing Opportunities for Persons With AIDS data verification is an ongoing effort to supplement performance data available through Integrated Disbursement and Information System, which, pending enhancements and improved functionality, remains characterized by incomplete or inaccurate data, requiring further validation. Technical support continues to be provided for data verification, including identification of corrections and training on other program elements to improve completeness and accuracy, and significant progress is being demonstrated by grantees in data verification. Clearance of edits to reporting forms, and pending enhancements in Integrated Disbursement and Information System, are expected to be implemented in 2008 that will further enhance reporting and demonstrate achievements.

Indian Housing Block Grant Indian Housing Block Grant data come from more than 500 recipients through Annual Performance Reports. The data are captured in the Performance Tracking Databases of each area Office of Native American Programs and then aggregated into a national database at Headquarters. Because Indian Housing Block Grant recipients have 90 days after their fiscal year ends to report, recipients whose fiscal years end after June 30 report in the next federal fiscal year. Accomplishments of the Indian Housing Block Grant program that are reported in this document will likely require future revisions because it is expected that some grantees will report late and because some adjustments are typically made later in the year to correct previous submissions. The Office of Native American Programs continually monitors the functionality of the database and has emphasized to grantees the importance of correct and timely reporting.

B1.4: FHA endorses at least 1,000 multifamily mortgages.

Background. Maintaining FHA multifamily volume will help fulfill the outcome goal of making more decent rental housing available to consumers at a modest cost. This indicator measures FHA's annual output of initial multifamily endorsements.

FHA brings stability to the mortgage market for multifamily housing and is especially important for a number of crucial but higher-risk entities, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA's unique and valuable products include

SECTION II: PERFORMANCE INFORMATION

GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle to help lenders obtain the benefits of Ginnie Mae securitization.

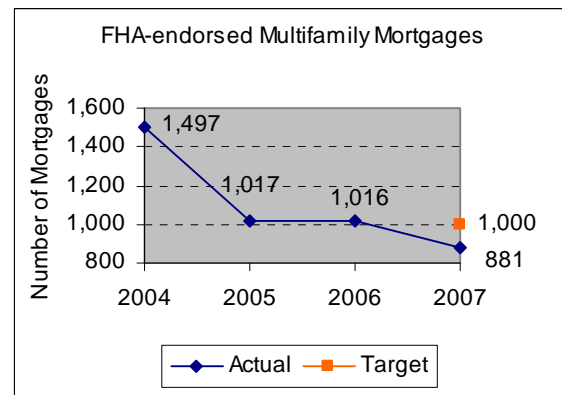
Many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully amortizing multifamily loans, which can help in the provision of affordable rental housing.

In FY 2008, the Department will maintain its FY 2007 goal level of 1,000 initial endorsements.

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. The target was not met. During FY 2007, Multifamily Development initially endorsed 881 FHA and Risk Sharing loans—only 88 percent of the FY 2007 goal of 1,000 loans. While production fell slightly short of the 1,000 loan goal, the 881 loans still represent a significant achievement in the face of a very weak housing market.

The result of 881 is 13 percent less than both the 1,016 loans endorsed in FY 2006 and the 1,017 loans endorsed in FY 2005. The 881 loans provided 90,614 units/beds in 48 states, the District of Columbia and Puerto Rico and three FHA programs remained strong or increased. FHA endorsed 104 loans for new construction/ substantial rehab of apartments – the same number FHA endorsed in FY 2006. Construction of assisted living facilities tripled, jumping from five loans in FY 2006 to 16 loans in FY 2007. And, 223f loans for purchase/refinancing of apartments remained our largest program as FHA endorsed 355 loans, just slightly less than FY 2006's 365 loans.



In FY 2008, this goal will remain at 1,000 endorsements. Endorsing 1,000 loans will be difficult, but Development will strive towards it. FHA loan volumes could improve if recent efforts to control interest rates continue and if the general housing market recovers.

Resources and performance link. The FHA insurance programs are measured in terms of insurance rather than program budget authority. In FY 2007, the Office of Multifamily Housing had endorsements of \$4.9 billion and insurance-in-force totaling \$56.3 billion. Multifamily mortgage insurance endorsements are inherently unpredictable and hinged on the confluence of myriad uncontrollable economic factors.

While Development's overall FY 2007 staff levels were about the same as in FY 2006, and production fell primarily because of the market conditions noted below, spot shortages of technical skills (e.g., appraisal, mortgage credit, etc) essential to efficient underwriting are appearing as Development staff retire and these shortages could cause processing delays and discourage borrowers from choosing FHA. To avoid such delays, Development is encouraging work sharing across geographically linked offices. Development is also exploring options for centralizing some programs (e.g., health care loans) within selected geographically linked

offices. Multifamily Housing is focused on these staff shortages and is working to address critical vacancies.

Reasons for shortfall/ Plans and schedule to meet goal. Because HUD's FHA and Risk Sharing programs offer only market-rate loans, FHA production levels are determined primarily by market forces (interest rates, demographics, construction, land, and operating costs). Initial Endorsements were down because heavy refinancing activity in FY 2005 and FY 2006 reduced the number of loans available for refinancing and increases in market interest rates reduced demand for additional refinancing and for nursing home construction loans. To attract more borrowers and lenders in this soft market, development will work with industry and field staff to identify ways in which FHA and risk sharing programs can be streamlined and made even more attractive than they already are. While market forces will still be the main determinants of volume, efficient processing and streamlined application requirements could bring HUD an increased portion of the reduced market demand.

Data discussion. As Development's field staff close loans, those staff record the closing (endorsement) in the Development Application Processing (DAP) system and Development Application Processing generates a hard copy closing memo for the Multifamily Insurance system. Multifamily Insurance system staff manually enter the endorsement data into the Multifamily Insurance system, and it electronically sends data to both Real Estate Management System and Development Application Processing (DAP) nightly. Development Application Processing compares DAP and Multifamily Insurance system data on key data fields and flags any cases where the Multifamily Insurance system has manually entered data different than in Development Application Processing. Development and Multifamily Insurance system staff check the loan closing files and make any necessary corrections so that both systems agree.

B1.5: Ginnie Mae securitizes at least 95 percent of eligible FHA Multifamily mortgages.

Background. This indicator measures Ginnie Mae's share of the residential mortgage loans insured or guaranteed by the Federal Housing Administration. As articulated in Title III of the National Housing Act, Ginnie Mae's purpose is "to establish secondary market facilities for residential mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible," and to conduct certain other secondary market functions consistent with this purpose. Ginnie Mae was authorized to guarantee securities backed by government insured loans when it was established as a government corporation on September 1, 1968. Since 1970, when it pioneered the mortgage-backed pass-through security, Ginnie Mae has guaranteed over \$2.6 trillion in securities.

Ginnie Mae continues to address the specific need of promoting liquidity and the flow of investment capital for FHA multifamily mortgages. The total amount of Ginnie Mae securities outstanding have increased every month since mid-2006. At the end of FY 2007, the amount of Ginnie Mae securities outstanding was approximately \$427.6 billion, of which multifamily program securities outstanding were \$38.4 billion.

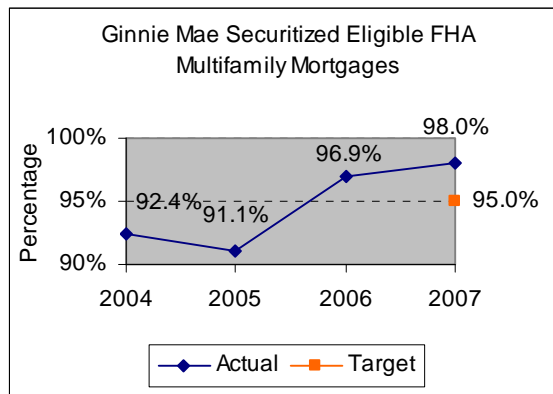
Program website. <http://www.ginniemae.gov>

Results, impact, and analysis. The target was exceeded. As of the end of FY 2007, Ginnie Mae securitized 98 percent of eligible multifamily FHA loans. This result is a 1.1 percentage point increase over last year's result, 96.9 percent, and three percentage points above this year's

target. Multifamily securities outstanding increased from \$37.8 billion in FY 2006 to \$38.4 billion in FY 2007. Ginnie Mae strives to maintain a strong supply of decent, affordable rental housing; financing affordable multifamily housing units including apartment buildings, nursing homes and assisted-living facilities. Ginnie Mae has continued to streamline the multifamily program, enhancing its efficiency as a securitization vehicle and making the program more attractive to investors. By promoting access to mortgage credit and enhancing the liquidity of mortgage investment, Ginnie Mae has increased the availability of affordable rental housing for millions of Americans.

Resources and performance link. Funding provided through Commitment Authority is used by Ginnie Mae to guarantee securities backed by government guaranteed or insured loans. Commitment authority approved in FY 2007 was \$99.8 billion and securities issued were \$85.1 billion. Of the \$99.8 billion, multifamily used \$3.4 billion in commitment authority and issued \$3.8 billion in securities.

Data discussion. Data for this indicator are based on FHA-insured loan level data of monthly endorsements collected by Ginnie Mae in its Mortgage-Backed Security Information System (MBSIS). The data that populate Ginnie Mae's MBSIS reflect the most recent data for insured or guaranteed loans. The Office of Inspector General



oversees Ginnie Mae's annual financial statements audit, which includes auditing Ginnie Mae's data systems each year; and, not only had Ginnie Mae consistently received an unqualified, or clean, opinion in prior fiscal years, it again receives a clean opinion for the FY 2007 audit.

B1.6: HUD will complete 80 percent of the initial FY 2007 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.

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. Preservation of affordable housing is a top priority because demand significantly exceeds supply. This issue is more fully discussed in indicator B1.1. 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.

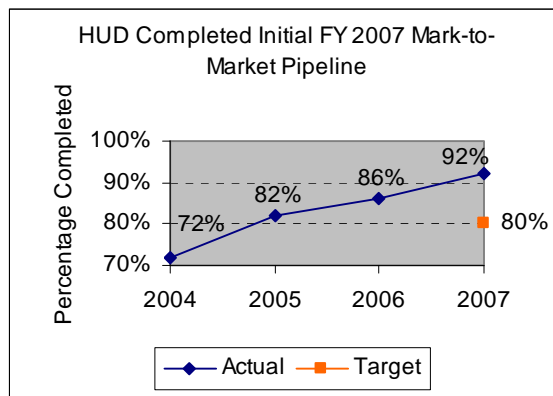
Program website. <http://www.hud.gov/offices/hsg/omhar/index.cfm>

Results, impact, and analysis. The Department met the goal by completing 92 percent of the initial FY 2007 pipeline. In FY 2007, the Office of Affordable Housing Preservation completed/closed 220 properties under the Mark-to-Market program, resulting in annual

Section 8 savings (non-incurrence of cost) of more than \$30 million. The Office of Affordable Housing Preservation's initial active pipeline on October 1, 2006, was 238 assets.

Throughout FY 2007, 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, 48 new referrals were received into the Mark-to-Market program and 21 properties re-entered the Mark-to-Market program, for a total of 69 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.



Resources and performance link. Utilizing partial insurance claims against the FHA fund as its funding mechanism, Mark to Market in FY 2007 rehabilitated, preserved, and restructured debt on properties with nearly 10,000 units of affordable housing nationwide. This included over \$50 million in physical improvements to properties in the Section 8 portfolio. Overall, an average of nearly 20 projects per month were completed/closed and an average of six new referrals were received per month. Over 3,000 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.

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 2007, 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. The Mark-to-Market system is primarily used to track the milestones completed and final rent

determinations for each Mark-to-Market property, enabling the Office of Affordable Housing Preservation to measure performance, estimate savings, and provide budget projections.

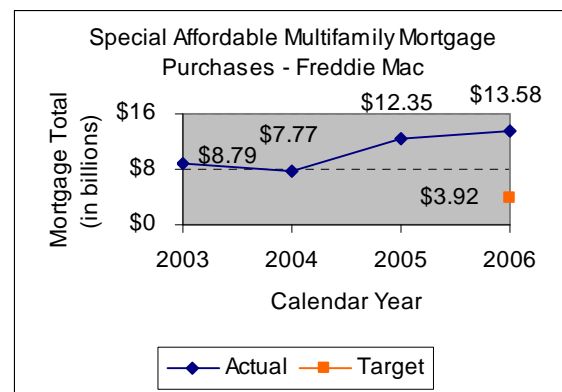
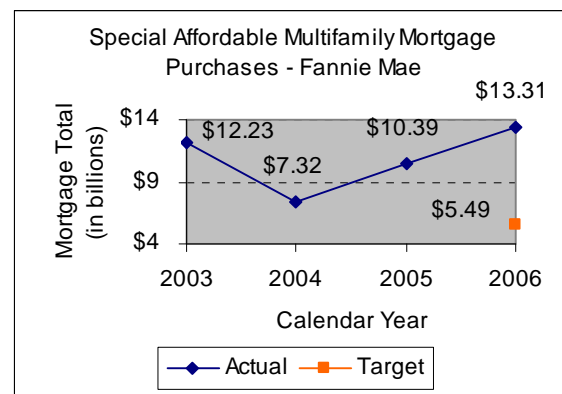
B1.7: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.

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 who are living in low-income areas. For calendar year 2006, the Special Affordable Multifamily goal for Freddie Mac was \$3.92 billion and \$5.49 billion for Fannie Mae.

Program website. <http://www.hud.gov/offices/hsg/gse/gse.cfm>

Results, impact, and analysis. In calendar year 2006, both Government-Sponsored Enterprises exceeded the Special Affordable Multifamily goal. Fannie Mae purchased \$13.31 billion of qualifying multifamily mortgages, while Freddie Mac purchased \$13.58 billion.

Small (5 to 50 unit) multifamily properties are an important share of the Government-Sponsored Enterprises' purchases because these properties typically serve lower-income families. In 2006, Fannie Mae's percentage of small multifamily properties that qualified as Special Affordable was 13.1 percent in terms of dollars purchased and 10.7 percent in terms of all multifamily units financed. This compares to 18.0 percent in terms of dollars and 15.0 percent in term of units for 2005. In 2005 Freddie Mac's qualifying Special Affordable small multifamily purchases were 4.3 percent in terms of dollar purchases and 3.6 percent in terms of all units financed. In 2006,



these percentages increased to 6.7 percent in terms of dollar purchases and 6.4 percent in terms of units financed.

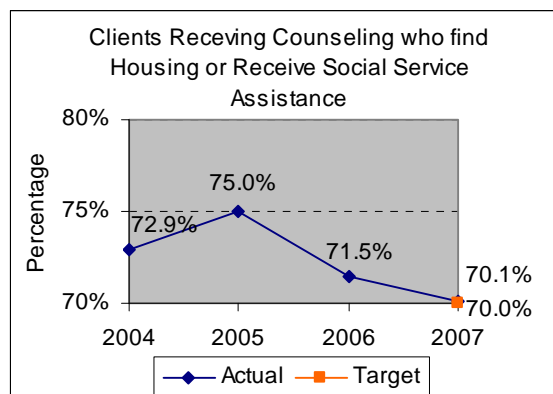
Data discussion: The data reported under this goal are based on calendar year performance. There is a one-year reporting lag because the Government-Sponsored Enterprises report to HUD in the year following the performance year. In addition, because the Government-Sponsored Enterprises' quarterly data is confidential and proprietary, the Department is unable to provide estimates of Fannie Mae's and Freddie Mac's goal performance for the current calendar year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. The Department 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. The Department has determined that the data is complete and reliable as required by OMB Circular A-136.

B1.8: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.

Background: The Department continues to place emphasis on housing counseling, including counseling for homeless clients and families seeking affordable rental housing. Depending on the state of the economy and the housing market, demand for various types of counseling changes may vary for reasons outside of HUD's control. The Department is confident, however, that HUD-approved agencies are providing quality counseling services that will help clients successfully resolve their housing problems regardless of how many clients are served in a given year. As a result, HUD revised this indicator in FY 2006 to focus on outcomes associated with clients receiving rental or homeless counseling rather than the number of clients served. The FY 2007 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation by the end of the fiscal year.

Program website. www.fha.gov/sf/counseling/index.cfm

Results, impact, and analysis. This goal has been met, although final results are not yet available. Reporting results from the first three quarters of calendar year 2007 indicate that 28,776 out of 41,062 clients (70 percent) receiving rental or homeless counseling have either found suitable housing or received social service assistance to improve their housing situation. HUD anticipates that the level of performance will continue as FY 2007 data are finalized and efforts to improve program efficiency and effectiveness continue to be made. Actual FY 2007 outcome data will become available early in FY 2008. 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.



Resources and performance link. FHA and the Office of Single Family Housing sponsor 2,300 approved housing counseling agencies throughout the country that can provide advice on buying a home, renting, defaults, foreclosures, credit issues, and reverse mortgages to clients at a low or minimal cost. Funding in FY 2007 of \$41.6 million was provided to housing counseling agencies to provide counseling services. The FY 2007 appropriations, which was the same as the FY 2006 appropriations, compares to the President's FY 2008 request of \$50 million. In the wake of the subprime market collapse and record setting foreclosures, among other things, the housing market is as complex and dynamic as ever. People more than ever need housing counseling services to appropriately resolve housing situations and have a trusted source that they can approach with housing related questions.

Data discussion. HUD collects data on renters and homeless clients counseled through the Housing Counseling System (HCS-F11). The data include the total number of clients, the type of counseling received and the results of the counseling. An independent assessment in 2005 showed that the Housing Counseling System performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. However, a major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client, as the quality and level of counseling provided to each client may vary significantly. To improve the quality of housing counseling data, HUD implemented a new automated data collection instrument that will enable it to collect client-level data beginning in FY 2008.

B1.9: Reduce energy costs in building or operating HUD-financed, assisted, or insured housing.

Background. Energy savings continue to be a key policy concern for the Department because of the significant annual expenditure—more than \$4 billion—on this single budget item. Savings will help reduce budget costs and keep the inventory of HUD-assisted and public housing affordable. In FY 2002, HUD adopted a 21-point, Department-wide Energy Action Plan in support of the President's National Energy Policy. HUD successfully completed implementation of its Energy Action Plan in 2006.

In August 2006 HUD submitted a Report to Congress, which, pursuant to Section 154 of the Energy Policy Act of 2005 (P.L. 109-58), describes a strategy (Phase II) for energy efficiency in public and assisted housing, as well as housing funded through HUD's formula and competitive grant programs.¹ HUD began implementation of the actions described in the Report to Congress in FY 2007 and will submit a two-year progress report to Congress in FY 2008.² HUD also continues to implement a Memorandum of Understanding with the Environmental Protection Agency and the Department of Energy to promote the use of Energy Star products and appliances through HUD programs, and participates in the Partnership for Home Energy

¹ Section 154 states that "(t)he Secretary of Housing and Urban Development shall develop and implement an integrated strategy to reduce utility expenses through cost-effective energy conservation and efficiency measures and energy efficient design and construction of public and assisted housing. The energy strategy shall include the development of energy reduction goals and incentives for public housing agencies. The Secretary shall submit a report to Congress, not later than 1 year after the date of the enactment of this Act, on the energy strategy and the actions taken by the Department of Housing and Urban Development to monitor the energy usage of public housing agencies and shall submit an update every 2 years thereafter on progress in implementing the strategy."

² See Report to Congress at www.hud.gov/energy.

Efficiency with these agencies to reduce utility consumption in existing housing by 10 percent by 2010.

HUD's Phase II Energy Action Plan is aimed at upgrading the energy efficiency of existing (as well as new) HUD-assisted and HUD-financed housing, using an established inventory of proven energy-efficient products and appliances, with a strong emphasis on expanding the use of the Energy Star label for both products and new homes.

Program website. www.hud.gov/energy

Results, impact, and analysis. An estimated \$33 million in documented energy savings in FY 2007 were reported by program offices in four program areas: HOME, CDBG, energy performance contracting in public housing, and through Energy Efficient Mortgages insured by FHA.

- A total of 32 new performance contracts for public housing agencies were reported in FY 2007, involving a capital investment of \$141.3 million and an estimated annual savings of \$32.2 million.
- A total of 4,259 units of HOME-funded new construction projects were reported as having achieved the Energy Star label for new homes (15 percent over the 2004 Internal Residential Code), for an estimated savings of \$1.2 million.
- A total of 1,118 Energy Efficient Mortgages were reported insured by FHA, for an estimated savings of \$390,000.
- A total of 125 units of CDBG-funded projects were reported as having achieved the Energy Star label, for an estimated savings of \$36,875.

HUD initiated implementation of the 25-point Phase II Energy Plan in FY 2007. A detailed implementation plan was prepared in March 2007 which describes the specific activities to be undertaken in FY 2007 and FY 2008. Activities undertaken in FY 2007 included the following.

- The Office of Policy Development and Research convened a four-part energy training series for HUD employees, grantees, and partners, which drew more than 2,000 registrants. The training was provided via satellite broadcast and webcast.
- The Department continued to make energy a policy priority in discretionary grant programs through HUD's Super Notice of Funding Availability, and the Department conducted the second annual webcast/satellite broadcast on the points awarded for energy to grant applicants.
- Community Planning and Development reported for the first time on Energy Star-certified units funded through the HOME or CDBG programs in the Integrated Disbursement and Information System.
- Public and Indian Housing provided technical support to PHAs to implement energy performance contracts, continued to develop a utility benchmarking tool that will assist PHAs in managing energy, and operated a Public Housing Energy Conservation Clearinghouse. HUD's ten Regional Energy Coordinators continued to play a prominent

role in leveraging resources for HUD customers and partners, and in working with field offices in conducting training and outreach.

- The Region IX Regional Energy Coordinator was instrumental in developing a bulk purchasing tool for Energy Star products and appliances (at www.quantityquotes.com). The Offices of Policy Development and Research, CPD, Field Policy Management, PIH, and FHA multifamily staff participated in several workshops or served on panels that provided information to customers or grantees, or field offices on the Energy Action Plan, performance contracting in public housing, and energy management in multifamily housing.

Data discussion. Significant progress was made in reporting energy savings projects from four sources: energy performance contracts in public housing, HOME, CDBG and Energy Efficient Mortgages. In general, however, HUD's ability to measure, track, or report energy savings achieved as a result of its energy initiatives remains limited. Apart from savings achieved through energy performance contracts, a tool that is available to a limited number of housing authorities, there are no mechanisms in place to document energy savings in public housing through means other than energy performance contracts. Similarly, no mechanisms are in place to measure or report on energy savings in HUD's assisted or insured multifamily portfolio. No data are available on energy savings achieved in HOPE VI new construction projects, or in Section 202 or 811 new construction or housing rehabilitation. The Office of Policy Development and Research will continue to work with program offices to put in place sampling or other methodologies to track and/or report energy savings in FY 2008.

B1.10: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by FY 2011.

Background. The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers is effectively used. The Housing Choice Voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. While most of the Housing Choice Voucher program annual budget authority is currently being used to assist low-income families, some PHAs are not fully using all the budget authority allocated to them. Maximizing the amount of appropriated Housing Choice Voucher funds (Tenant-Based Rental Assistance) used by PHAs is a key HUD priority. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

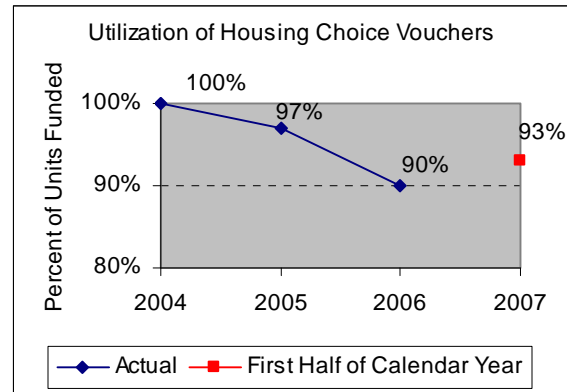
Program website. <http://www.hud.gov/offices/pih/programs/hcv/>

Results, impact, and analysis. For the six months ended June 30, 2007, PHAs had a projected utilization rate of 93 percent. This is an increase from calendar year 2006—when PHAs used 90 percent of their funding. Although this is an improvement, HUD still expects much greater utilization of these funds. To achieve improved utilization, HUD plans to continue outreach to PHAs and to link future administrative fee payments to PHA leasing levels.

Resources and performance link. For 2007, Congress provided over \$13 billion for Housing Assistance Payment funding (Tenant-Based Rental Assistance – Contract Renewals). Housing

Assistance Payment funding was allocated to PHAs based upon pro-rata share of their inflated 2006 Housing Assistance Payment expenditures. From year to year Congress may change the manner in which PHAs are to be funded. For example for 2005, the Voucher Management System data from May to July 2004 was used to allocate funding. In 2006, PHAs received a pro-rata share based on their 2005 funding. HUD expects that future appropriations will allocate funds based on a consistent and predictable methodology so that PHAs can adjust and improve their utilization rates.

Data discussion. On a quarterly basis, the Financial Management Center will compare year-to-date funding with Housing Assistance Payment expenditures as reported in the Voucher Management System. As PHAs are identified for over-utilization and significant under-utilization, HUD staff will contact the PHA to confirm the use of funds and identify potential problems. Problems and issues will be referred to local PIH field offices to provide technical assistance. The local PIH field office will provide quarterly updates on the technical assistance efforts to Program Office and Assistant Secretary.



Additionally, the Real Estate Assessment Center's Financial Assessment System audit submission now requires PHAs to report the amount of excess Housing Assistance Payment funding as part of the equity breakout. The equity breakout is being reviewed as part of the Financial Assessment System review. Those PHAs with negative or large balances are being referred to the local field office and Financial Management Center for follow-up.

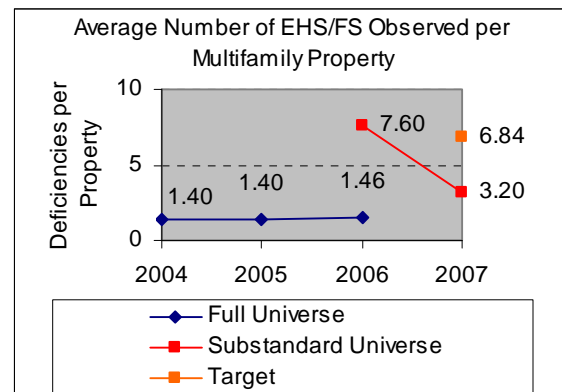
B2 Improve the physical quality and management accountability of public and assisted housing.

B2.1: Reduce the average number of observed exigent deficiencies per property for substandard multifamily properties by 10 percent.

Background. HUD's Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. Exigent health and safety hazards include: 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include: 1) window security bars preventing egress and 2) fire extinguishers expired. (Smoke detectors are excluded from exigent health and safety or fire safety for this measure because they are covered in Indicator C5.1.). In prior years the Department focused on the reductions in exigent health and safety or fire safety deficiencies on an overall basis. From FY 2001 to FY 2006, the average number of exigent health and safety or fire safety deficiencies observed per property was reduced from 1.81 to 1.46 for multifamily housing. Due to scarce monitoring resources, the Department shifted and targeted its focus to the reduction of deficiencies at the worst properties in FY 2007. The goal for FY 2008 will be to continue to reduce the average exigent defects per property for substandard properties with a Physical Assessment Subsystem score of less than 60 by 5 percent.

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. HUD exceeded its goal for the reduction in the number of exigent health and safety hazards for privately-owned multifamily properties with a Physical Assessment Subsystem score of less than 60. For FY 2007, there were 1,043 substandard properties with an average of 3.2 exigent deficiencies, a 43 percent improvement in exigent health and safety hazards for HUD's privately-owned properties with Physical Assessment Subsystem scores of less than 60. During FY 2006, there were 810 substandard properties with an average of 7.6 exigent deficiencies. As noted above the methodology for measuring this goal was revised in FY 2007. In 2007 the goal measures the average exigent deficiencies against properties that are classified as substandard. When the data from 2006 were reanalyzed to take into account only substandard properties, the result was an average of 7.6 deficiencies per substandard property, significantly higher than the reported 1.46 number of deficiencies for the entire inspection universe.



This is a very difficult goal to forecast or control, as the worst properties will have the highest likelihood of exigent deficiencies. However taking prompt action to require correction, and with the Department focusing on reducing substandard housing, trends should be evident in future years showing a reduction in average exigent deficiencies.

Resources and performance link. Funding for physical inspections of HUD involved privately-owned multifamily housing is provided through one of six possible sources (five Departmental and the mortgagee) depending upon the characteristics of the project.

For projects that are insured with or without subsidy, the cost of routine inspections under HUD's Uniform Physical Inspection Standards is borne by the mortgagee under its contract of insurance. Special and follow up inspections of properties scoring below standard are funded through the General Insurance Fund. For uninsured projects with project based Section 8, funding is provided through the Project Based Rental Assistance Account. For Section 202 direct loan projects with Section 8 and pre-1987 Section 202 projects, funds are from the Section 202/8 allocation. For Section 202 Capital Advance and Section 811 projects, funding is provided from those allocations. In FY 2007, the Department funded 7,225 inspections at an average cost of \$324 for a total of \$2.3 million. That compares to FY 2006, when the Department funded 9,080 inspections at an average cost of \$397 for a total of \$3.6 million. Through the implementation of its Uniform Physical Inspection Standards providing for timely, consistent, objective inspections, the Department insures the quality and improvement in the HUD involved housing.

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

inspected under what is commonly referred to as the “3-2-1 rule.” The rule stipulates that inspections of multifamily developments occur at intervals of one, two, or three years depending on the Physical Assessment Subsystem inspection score that the property receives. As a result, not every property in the portfolio and the units associated with those properties are reflected in the Exigent Health and Safety or Fire Safety percentages. There may also be a distortion of the data since many of the properties that receive a Physical Assessment Subsystem score of less than 60 may be inspected more than once annually. Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, the Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance.

B2.2: The share of public housing units that meet HUD established physical inspection standards is maintained at 85 percent.

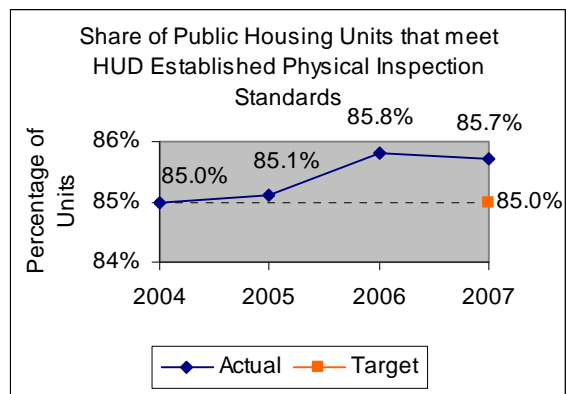
Background. HUD requires PHAs to inspect and maintain public housing to ensure compliance with HUD-established standards for physical condition, or with local codes if they are more stringent. This indicator tracks the proportion of units in public housing facilities that meet these physical standards, helping the Department to monitor its success in improving the physical conditions in public housing. This reflects the commitment in the President’s Management Agenda to steadily improve the physical quality of public housing, for which HUD’s strategic Plan established a goal of 87.5 percent by FY 2011.

The Department revised the FY 2007 target to 85.0 to reflect actual resources available for improvements and maintenance, and the multi-year effort to convert the PHAs to project based asset management by FY 2011. Implementation of asset management will lead to better management and oversight of public housing by providing greater information about the operating costs and performance levels of each public housing project.

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

Results, impact, and analysis. The target was exceeded when compared to the revised goal for FY 2007. In FY 2007, 85.7 percent of public housing units met or exceeded HUD’s physical condition standards, which is not statistically different from 85.8 percent in FY 2006. This performance was achieved in spite of delay in the commencement of inspection activities caused by delays in the federal budget.

Resources and performance link. Adequate resources are required for meeting this goal, particularly during the transition to asset management. The two main budgetary resources come from the Public Housing Operating Fund and Capital Fund programs. In FY 2007, the funding for PIH Capital Fund was \$2.4 billion, a decrease from \$2.7 billion in FY 2003 and 2004. The Operating fund was \$3.9 billion in FY 2007, an increase from \$3.5 billion in previous years. The combined operating and capital assistance of \$6.3 billion represented 17.5 percent of HUD’s discretionary budget authority of



\$37.5 billion in FY 2007, and reflected the priority and significant amount of resources allocated to this effort.

However, it is important to note that although there was an overall increase in appropriations for the Operating Fund, the increase was not enough to maintain the same level of prorated funding for FY 2007, which was 83.4 percent of eligibility determined by the funding formula, as compared to a proration of 86.0 percent in FY 2006. The real reduction in the Capital Fund, coupled with the reduced proration in the Operating Fund, had an adverse affect on the PHAs' ability to maintain the physical standards of the properties.

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.

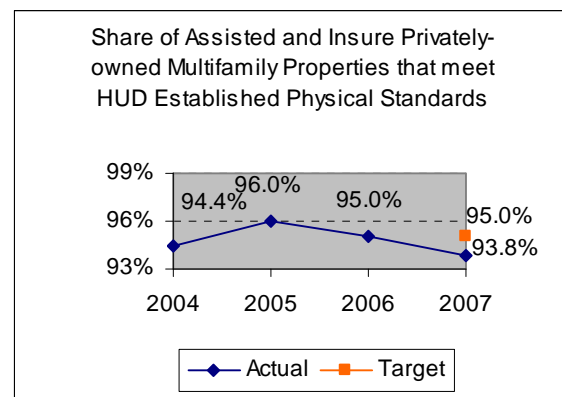
B2.3: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.

Background. Nearly four million American families live in rental housing that is owned, insured, or subsidized by HUD. Well-maintained projects are central to HUD's mission of providing decent, safe, and sanitary housing.

HUD's Real Estate Assessment Center conducts physical inspections that identify property deficiencies. Properties that receive a score of 60 or more (out of 100) are deemed meeting the established physical standards. This performance goal builds on recent successes and exceeds the benchmark established in the President's Management Agenda, setting a goal that at least 95 percent of assisted multifamily properties will continue to meet HUD's standards for physical condition. This is a very high performance rate and reflects the important outcome goal of providing healthy, quality, and safe housing for HUD's multifamily inventory.

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. The goal of 95 percent was missed. In FY 2007, as of the fourth quarter ending September 30, 2007, 28,294 of 30,173 properties in Multifamily Housing's portfolio (93.8 percent) were found to have acceptable physical condition, thereby modestly missing the goal. This result was affected in part by the number and timing of inspections and the schedule for properties with different degrees of past performance. The multifamily program is on a "3-2-1" inspection schedule, so that the higher performing properties are not re-inspected every year like troubled properties. High scoring properties' scores carry forward until a new inspection is conducted.



For properties that fail to meet physical condition standards, HUD's Asset Management division 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 is flagged for non-compliance in HUD's Active Partners Performance System and referred to the Departmental Enforcement Center. The Departmental Enforcement 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 re-inspection 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, or to sever HUD's association with the property by abating any subsidies, and/or directing acceleration and foreclosure for insured properties.

Resources and performance link. Funding for physical inspections of HUD involved privately-owned multifamily housing is provided through one of six possible sources (five Departmental and the mortgagee) depending upon the characteristics of the project.

For projects that are insured with or without subsidy, the cost of routine inspections under HUD's Uniform Physical Inspection Standards is borne by the mortgagee under its contract of insurance. Special and follow-up inspections of properties scoring below standard are funded through the General Insurance Fund. For uninsured projects with project based section 8, funding is provided through the Project Based Rental Assistance Account. For Section 202 direct loan projects with Section 8 and Pre-1987 Section 202 projects, funds are from the Section 202/8 allocation. For Section 202 Capital Advance and Section 811 projects, funding is provided from those allocations. In FY 2007, the Department funded 7,225 inspections at an average cost of \$324 for a total of \$2.3 million. That compares to FY 2006, when the Department funded 9,080 inspections at an average cost of \$397 for a total of \$3.6 million. Through the implementation of its Uniform Physical Inspection Standards providing for timely, consistent, objective inspections, the Department insures the quality and improvement in the HUD involved housing.

Data discussion. The Real Estate Assessment Center's Physical Assessment Subsystem consists of electronically coded and transmitted results of physical inspections of units, buildings, and sites, and is stored in the National Inspection Contract – Central Integrated Data Repository. The Physical Assessment Subsystem is a component of the overall Public Housing Assessment System, and is used separately for private-owned multifamily housing. Inspections are conducted independently and are statistically representative of assisted private multifamily housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to the Physical Assessment Subsystem may alter slightly the selection and weighting of individual inspection items from year to year.

Under the "3-2-1 Rule" that took effect in August 2000, inspections of some multifamily developments occur at longer intervals of two or three years if their scores are high enough in the first year. Because some multifamily scores accordingly carry over from previous years, the average score will change about 40 percent less than it would if the measure were limited to projects that were present in both samples. As reported to Congress in the March 1, 2001,

Conferee Report titled *PHAS-Physical Inspection System*, the Real Estate Assessment Center's physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, which were validated by an independent engineering firm as reflected in the subject report.

B2.4: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.

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. These three key measures (unit-weighted average score, reductions in exigent health and safety or fire safety deficiencies, and share of unit with functional smoke detection systems) track HUD's progress toward increasing the capability and accountability of PHA partners and increasing the safety and satisfaction of residents. By closely monitoring these indicators, HUD is working to further its commitment in the President's Management Agenda to steadily improve the quality of public housing.

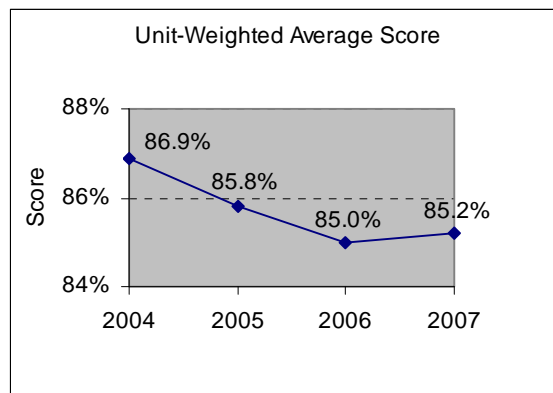
The Public Housing Assessment System assesses the performance of PHAs based on their physical and financial condition and their management quality (30 points each), as well as on resident satisfaction (10 points), for a total score of up to 100 points. Housing agencies with composite scores below 60 points or scores below 18 points for any one component are classified as "troubled" agencies.

The Department is in the process of the redesigning and implementing changes in the assessment systems for both its public housing and voucher programs during the next few years. During this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment system is functional, the Department will develop new performance goals which will support PHA operations under asset management. Until such time as asset management and the new assessment system are implemented, the Department will report this measure as a tracking indicator.

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

Results, impact, and analysis. There was a positive trend in two of the three measures for FY 2007. The unit-weighted average Public Housing Assessment System score was 85.2 percent, compared to 85.0 percent in FY 2006. The average exigent health and safety defects per property assessed (for properties with a physical assessment score of less than 60) dropped from 11.70 defects noted in their previous inspection to 4.89 defects noted in their FY 2007 inspection; this was a reduction of 58 percent, compared to a 54 percent reduction in FY 2006 on a similar

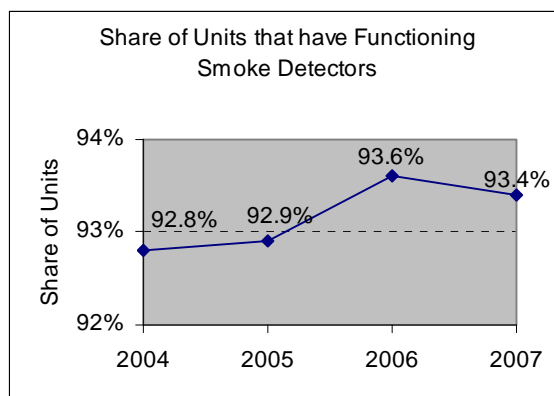
basis. For the last subgoal, 93.4 percent of public housing units had functioning smoke detectors



and were in buildings with functioning smoke detection systems, compared to 93.6 percent in FY 2006.

Resources and performance link. Adequate resources are required for good results under these indicators, particularly during the transition to asset management. The two main budgetary resources come from the Public Housing Operating Fund and Capital Fund programs. In FY 2007, the funding for PIH Capital Fund was \$2.4 billion, a decrease from \$2.7 billion in FY 2003 and 2004. The Operating fund was \$3.9 billion in FY 2007, an increase from \$3.5 billion in previous years. The combined operating and capital assistance of \$6.3 billion represented 17.5 percent of HUD's net discretionary budget authority of \$37.5 billion in FY 2007 and reflected the priority and significant amount of resources allocated to this effort.

However, it is important to note that although there was an overall increase in appropriations for the Operating Fund, the increase was not enough to maintain the same level of prorated funding for FY 2007, which was 83.4 percent of eligibility determined by the Operating Fund formula, as compared to a proration of 86.0 percent in FY 2006. The real reduction in the Capital Fund coupled with the reduced proration in the Operating Fund had an adverse affect on the PHAs' ability to maintain the physical standards of the properties.



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."

All the goals related to the Public Housing Assessment System are predicated on the timely release of scores by the Real Estate Assessment Center. In the event that the Real Estate Assessment Center experiences a significant delay in the issuance of Public Housing Assessment System scores in a particular year, this could affect the outcome and may represent a skewed assessment of the performance trends within a reporting period.

B2.5: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.

Background. The goal is to maintain high compliance and successful resolutions so that at least 98 percent of the properties submitting audited financial statements either have no compliance issues or audit findings, or have such issues or findings closed (resolved) by the end of each fiscal year. Financial reporting has the important outcome of protecting FHA funds and supports both the quantity and quality of the affordable housing inventory.

Property owners must submit annual financial statements so the Department can ensure that project owners are in compliance with their business agreements, i.e., the regulatory agreement, mortgage and note, and any subsidy contracts. These compliance factors are used in the evaluation of project operations and guide business and operating decisions and have the important outcome of protecting subsidy and FHA funds.

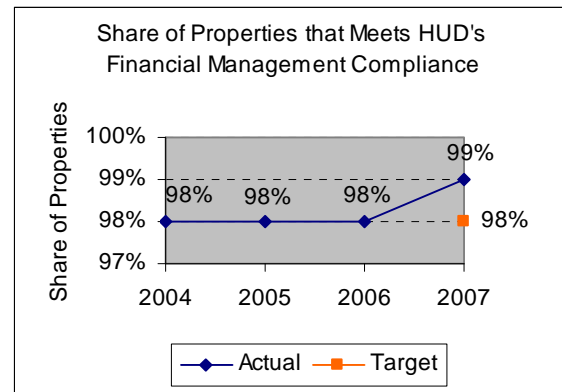
SECTION II: PERFORMANCE INFORMATION

GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by HUD's Real Estate Assessment Center, to achieve the outcome of ensuring that there is the necessary financial information to make business and operating decisions. Owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center. HUD's Real Estate Assessment Center evaluates the financial management of both public housing agencies and privately-owned multifamily properties based on generally accepted accounting principles.

Program website: <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. The target was met for FY 2007 with 98.69 percent of financial reviews having no conditions or conditions closed. This goal was achieved with only 251 compliance findings remaining open at year end, out a total reviewed portfolio of 18,588 properties. To meet this goal the Real Estate Assessment Center's Financial Assessment Subsystem reviews electronically submitted financial statements for indicators of non-compliance. In addition, field office staff in the Office of Multifamily Housing review all financial statements and follow-up on issues of non-compliance to ensure the goal is met. Should a property's financial statement identify an issue of non-compliance, the Department obtains owner compliance or pursues appropriate enforcement action.



Resources and performance link. The collection and system analysis of annual financial statement is through the Financial Assessment Subsystem operated by the Department's Real Estate Assessment Center. In FY 2007, Multifamily Housing's funding for the operations of the system totaled \$324,000, compared with \$457,000 in FY 2006. The system electronically collected assessed over 19,000 financial statements in FY 2007 and 18,000 in FY 2006. The collection and assessment of annual financial statements is crucial to the Department's oversight of the HUD involved properties and the owners' compliance with their business agreements and programmatic requirements. The assessment also provides early warning of financial difficulties improving the Department's ability to forestall or mitigate loss.

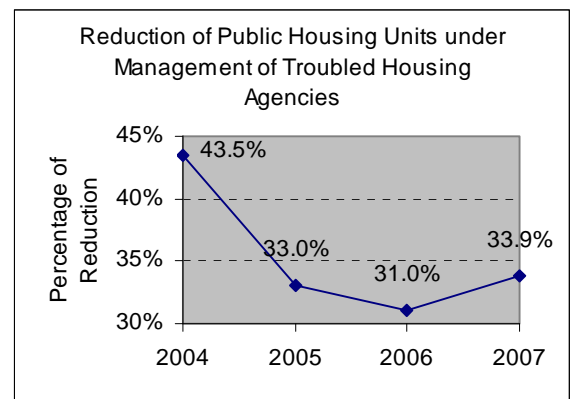
Data discussion. The data come from the Office of Housing's Real Estate Management System and the Real Estate Assessment Center's Financial Assessment Subsystem. The submission of financial statements is a process in accordance with standards established by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures. The Real Estate Assessment Center performs quality assurance reviews of the audited financial statements of multifamily property owners submitted by independent public accountants. The quality assurance review provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. The Financial Assessment Subsystem incorporates extensive data checks and both targeted and random review by independent auditors.

B2.6: The percent of public housing units under management of troubled housing agencies.

Background. PIH and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent, 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” agencies at the beginning of the fiscal year that successfully return to “standard” status by the end of the fiscal year due to intervention by the Department.

The Department is in the process of the redesigning and implementing changes in the assessment systems for both its public housing and voucher programs during the FY 2007 to FY 2009 timeframe. During this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment system is functional, the Department will develop new performance goals which will support PHA operations under asset management. Until such time as asset management and the new assessment system are implemented, the Department will report this measure as a tracking indicator.

Results, impact, and analysis. There was an improvement in this indicator during FY 2007. During FY 2007, the number of units managed by “troubled” PHAs was reduced by 33.9 percent versus 31.0 percent in FY 2006. The number of troubled PHAs as of October 1, 2006 totaled 197 with 71, 391 low-rent units. Seventy-three PHAs from this list were no longer “troubled” by September 30, 2007 after receiving assistance from the PIH field offices and the Recovery and Prevention Corps. The number of units associated with those 73 PHAs totaled 24,166.



Resources and performance link. Adequate resources are required for meeting this goal, particularly during the transition to asset management. The two main budgetary resources come from the Public Housing Operating Fund and Capital Fund programs. In FY 2007, the funding for PIH Capital Fund was \$2.4 billion, a decrease from \$2.7 billion in FY 2003 and 2004. The Operating fund was \$3.9 billion in FY 2007, an increase from \$3.5 billion in previous years. The combined operating and capital assistance of \$6.3 billion represented 17.5 percent of HUD’s discretionary budget authority of \$37.5 billion in FY 2007 and reflected the priority and significant amount of resources allocated to this effort.

However, it is important to note that although there was an overall increase in appropriations for the Operating Fund, the increase was not enough to maintain the same level of prorated funding for FY 2007, which was 83.4 percent of eligibility determined by the funding formula, as compared to a proration of 86.0 percent in FY 2006. The real reduction in the Capital Fund coupled with the reduced proration in the Operating Fund had an adverse affect on the PHAs’ ability to maintain the physical standards of the properties.

Data discussion. To calculate the percent of troubled housing units that are no longer managed by troubled agencies, the Department collects and analyzes the September 2006 and September 2007 troubled lists. The Troubled list is a monthly document that reports the status of troubled PHAs. Public housing agencies will remain on the Troubled list until the housing authority receives a passing Public Housing Assessment System score—i.e., recovered. For purposes of this analysis the Department only examines data related to low-rent units.

To identify changes to the number of low rent units under the management of troubled PHAs, the September 2006 Troubled list served as the control group for measuring variation in the Troubled portfolio. Because Public Housing Assessment System scores are released on a daily basis it is necessary to establish a control group to assess changes in the scores/designations. To determine the rate at which field offices were recovering troubled agencies for FY 2007, the Department tracked the number of PHAs that were added or removed from the troubled list. The Department then compared the number of PHAs that were listed on the September 2006 report to the number of PHAs that are shown on the September 30, 2007, list. Those PHAs that were not reported on the September 30, 2007, 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 2006 Troubled List) and the PHAs that were deemed troubled as of September 30, 2007.

B2.7: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.

Background. This indicator tracks the portion of the Housing Choice Voucher Program managed by “troubled” agencies. It is an important indicator since troubled agencies do not efficiently handle the funding provided and thus serve fewer recipients than do well managed agencies.

During FY 2006 and FY 2007, HUD developed the methodology for assessing whether a PHA is troubled. During FY 2008 a new assessment system will be implemented. HUD will determine the baseline percentage of Housing Choice Voucher Program funding that is administered by PHAs that are determined to be troubled under this new performance assessment system. At that point, the Department will implement Annual Performance Plan goals to manage PHA performance. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

Program website. <http://www.hud.gov/offices/pih/programs/hcv/>

Results, impact, and analysis. There has been a substantial improvement in this indicator. For 2007, there were 152 troubled agencies, with Housing Assistance Payment funding of \$644.6 million (4.5 percent the total Housing Assistance Payment funding). For 2006, there were 168 agencies that received \$862.3 million (6.1 percent of the total Housing Assistance

Payments funding). This represents a decrease of 25.2 percent in the funding that those agencies administered and a 9.5 percent reduction in the number of troubled PHAs.

Resources and performance link. The funding for the overall voucher program includes \$14.4 billion in Housing Assistance Payments and \$1.3 billion in Administrative Fees and represents approximately 40 percent of the Department budget.

Data discussion. The “troubled” agency inventory is based on the most recent assessment for each PHA at the end of the year. For example, if an agency was troubled in 2006 and has not yet been assessed for 2007, that agency is considered troubled for purposes of this analysis. Note that this inventory differs from those used for the prior year data because for the prior years all assessments were completed. Hence, for 2006, the troubled agency inventory consists of all agencies deemed “troubled” via the Section Eight Management Assessment Program as of September 30, 2006. For 2007, the troubled agency inventory consists of all agencies deemed “troubled” via the Section Eight Management Assessment Program for each agency’s most recent assessment (2006 or 2007). Accordingly, the trends noted above may not be indicative of the actual trend for the year. In future years, when the assessments are brought current, the Department will restate the FY 2007 results to their actual levels.

B2.8: The HOPE VI Revitalization program for public housing relocates 1,378 households, demolishes 4,209 units, completes 8,745 new and rehabilitated units, and occupies 8,293 units.

Background. HOPE VI is HUD’s primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. However, because of the extensive planning and partnering involved, PHAs have been slower in implementing HOPE VI revitalization plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI revitalization plans that are being implemented in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied.

Program website: <http://www.hud.gov/offices/pih/programs/ph/hope6/>

Results, impact, and analysis. From July 1, 2006 through June 30, 2007, the HOPE VI Revitalization program successfully accomplished two of the four program output goals. Grantees relocated 3,685 households to permit redevelopment, approximately 167 percent above the goal of 1,378 relocations. Grantees demolished 6,601 units, exceeding the goal of 4,209 units by 57 percent. Completions of new or rehabilitated units totaled 8,436, reaching 97 percent of the 8,745-unit goal. Families occupied 7,793 units, approximately six percent less than the goal of 8,293 occupied units. The FY 2007 achievement is attributable to HUD’s continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs on-going efforts to meet the commitments of their revitalization plans. The Department anticipates grantees’ continued production in homeownership options.

SECTION II: PERFORMANCE INFORMATION
GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

HOPE VI Achievements	FY 2004*	FY 2005**	FY 2006***	FY 2007	FY 2007 goal
Households relocated	4,618	4,702	4,049	3,685	1,378
Units demolished	4,919	8,765	5,034	6,601	4,209
Units constructed or rehabilitated	4,132	9,632	9,389	8,436	8,745
Units occupied	4,210	8,467	10,995	7,793	8,293

* For the nine months ended June 30, 2004.

** For the 12 months ended June 30, 2005.

*** For the 12 months ended June 30, 2006.

This chart revises the achievements reported in the FY 2006 Performance and Accountability Report to include the fourth quarter of data then unavailable. This demonstrates that the demolition goal was exceeded.

Since program inception a cumulative total of 68,657 households had been relocated, 87,445 units had been demolished, 61,222 units (new and rehabilitated) had been completed, and 58,719 completed units had been occupied. With approximately \$1.37 billion in HOPE VI funds awarded but not yet expended, HUD continues to work closely with grantees to implement the grants in a timely manner and to positively affect the affected communities. The goals for FY 2008 (300 households relocated; 980 units demolished; 4,979 units completed and 4,562 units occupied) are lower than FY 2007 to reflect a decrease in activities as grants near completion.

Resources and performance link. This program is subject to the availability of appropriations by Congress. The Congress appropriated \$99 million to continue a modest HOPE VI program in FY 2007. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department proposes in the FY 2008 budget to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Accordingly, future activity related to this goal would be met with available prior year funds.

Reasons for shortfall/Plans and schedule to meet the goal. Unit completion and occupancy activities generally require more time to complete, as opposed to relocation and demolition activities. As a result, relocation and demolition goals are achieved more quickly than the unit completion and occupancy goals. The HOPE VI program is a highly complex and ambitious program. Much of the program's success originates from the use of a mixed finance approach to development, though this approach can be a challenge for PHAs to coordinate. The PHAs and program office have always striven to project the best possible performance estimates available at the time of request. Because the projected performance goals are determined two years in advance, the projections would not reflect any significant changes or set-backs experienced by a PHA in the intervening years, such as unanticipated delays in the extensive planning and

partnering process, unforeseen environmental conditions, and lawsuits. Such influencing factors can contribute to a delay in the number of demolitions completed. Despite these challenges, the PHAs' and program office's ability to manage and monitor these projects has improved continuously over the life of the program.

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 program and policy guidance.

Data discussion. This goal is based on HOPE VI plans submitted by PHAs. Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. As of October 2007, the program office has secured a new contract. In the intervening time, the program office manually collected data submitted by grantees for the quarters missed. Data submitted are judged to be reliable for this measure. However, the data collected through the manual data collection process may necessitate future adjustments to the data. Submitted data are reviewed by HUD staff and verified through grant management activities (e.g., phone, email and written communications) and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers.

B2.9: The average length of time for completion of all units in HOPE VI projects will be 7.75 years from the date of the Grant Agreement execution, and 75 HOPE VI grants awarded from FY 1993 through FY 2004 will have completed all unit production.

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

The Strategic Plan establishes a target of seven years from the execution of the Grant Agreement as the average length of time for completion of all units in HOPE VI projects. In the FY 2008 Annual Performance Plan Appendix A, the average length of time for completion was increased from seven to 7.75 years and the number of completed HOPE VI grants was reduced from 85 to 75 grants. The hurricanes in the Gulf Coast area continue to have a significant negative affect on the construction industry, including HOPE VI grantees in the affected areas and beyond. The cost of construction has greatly increased and there is a shortage of resources in general, as priority is given often to the Gulf Coast area and its immense construction needs. These

increased costs and resource shortages affect the housing industry in general, including grantees outside the Gulf Coast area. Some PHAs have experienced difficulties in obtaining the necessary financing (for example, tax credits, conventional financing) to meet the time frame for which they originally planned.

Program website: <http://www.hud.gov/offices/pih/programs/ph/hope6/>

Results, impact, and analysis. From July 1, 2006, through June 30, 2007, the average length of time for completion of all units in HOPE VI projects was 7.31 years, surpassing the goal of 7.75 years by more than five months. Additionally, a total of 76 HOPE VI grants awarded from FY 1993 through FY 2004 completed all unit production, exceeding the goal by one. FY 2007 was the first year this goal was tracked in the Annual Performance Plan and Performance and Accountability Report. The FY 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs on-going efforts to meet the commitments of their revitalization plans. The Department's goals for FY 2008 are to achieve an average length of time for completion of 7.6 years and the completion of all unit production for 89 projects.

Resources and performance link. This program is subject to the availability of appropriations by Congress. The Congress appropriated \$99 million to continue a modest HOPE VI program in FY 2007. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department proposes in the budget to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Accordingly, future activity related to this goal would be met with available prior year funds.

Data discussion. This goal is based on HOPE VI plans submitted by PHAs. Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. As of October 2007, the program office has secured a new contract. In the intervening time, the program office manually collected data submitted by grantees for the quarters missed. Data in are judged to be reliable for this measure. However, the data collected through the manual process that was needed until the new contract was in place may require future adjustments. Submitted data are reviewed by HUD staff and verified through grant management activities (e.g., phone, email and written communications) and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff.

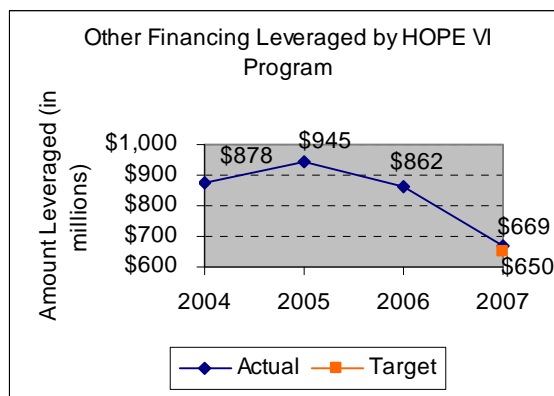
B2.10: The HOPE VI Program will leverage \$650 million of other financing.

Background. The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of new public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and

private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-income communities with a wide range of family incomes. Such financing will help ensure the realization of HOPE VI goals and their contribution toward the Department's strategic goals for homeownership and affordable housing. In the FY 2008 Annual Performance Plan appendix, the FY 2007 goal was reduced from \$800 million to \$650 million because some project activity is delayed due to increased costs and resource shortages in the housing industry, effecting finalization of financing in some cases.

Program website. <http://www.hud.gov/offices/pih/programs/ph/hope6/>

Results, impact, and analysis. From July 1, 2006, through June 30, 2007, the HOPE VI program leveraged \$669 million dollars in other financing, surpassing the goal by three percent. FY 2007 was the first year this goal was tracked in the Annual Performance Plan and Performance and Accountability Report. The FY 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHA's on-going efforts to meet the commitments of their revitalization plans. The Department anticipates grantees to continue to leverage other financing options in connection with their HOPE VI grants and has set a goal of \$650 million for FY 2008.



Resources and performance link. This program is subject to the availability of appropriations by Congress. The Congress appropriated \$99 million to continue a modest HOPE VI program in FY 2007. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department proposes in the budget to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Accordingly, future activity related to this goal would be met with available prior year funds.

Data discussion. This goal is based on HOPE VI plans submitted by PHAs. Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. As of October 2007, the program office has secured a new contract. In the intervening time, the program office manually collected data submitted by grantees for the quarters missed. Data in are judged to be reliable for this measure. However, the data collected through the manual process that was needed until the new contract was in place may require future adjustments. Submitted data are reviewed by HUD staff and verified through grant management activities (for example, phone, email, and written communications) and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff.

B2.11: Approve \$50 million of leveraged funds through the Capital Fund Financing Program.

Background. The Capital Fund Financing Program is an appropriations-based financing program that makes financing available to PHAs. This indicator reflects the importance of leveraging private sector resources in order to develop and preserve scarce decent, affordable housing. The agencies borrow funds from the private markets, pledge their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds. Proceeds from Capital Fund Financing Program transactions are used for modernization and development of public housing, thus protecting and enhancing the affordable housing stock. This goal measures the dollar amount of Capital Fund Financing Program transactions approved by the Office of Capital Improvements.

Program website. <http://www.hud.gov/offices/pih/programs/ph/capfund/cffp.cfm>

Results, impact, and analysis. During FY 2007 the Office of Capital Improvements approved \$191 million of leveraged funds through the Capital Fund Financing Program, thus exceeding the \$50 million goal by 282 percent. FY 2007 was the first year the goal was tracked in the Annual Performance Plan and Performance and Accountability Report. The fact that the goal was exceeded demonstrates the PHAs' success in using alternative financing mechanisms to fund their capital needs and increase the value of the public housing stock. Leveraging also proves invaluable to those PHAs that do not have enough funds in a single year to make all necessary improvements to their public housing and those that wish to develop new public housing. Additionally, HUD Headquarters and field office staff have worked diligently to raise awareness of and provide technical assistance on the program. The Department has hosted several conferences across the country aimed at providing PHAs with the tools necessary to successfully start and complete Capital Fund Financing Program transactions. The Department anticipates use of the program to grow. However, it should be noted that increased use of the program does not necessarily mean an increase in the average amount of leveraged funds. Because the dollar amount of transactions and the timing of submissions and approvals can vary widely, it is difficult to set precise goals for this program.

Resources and performance link. The PHA obligation is subject to the availability of appropriations by Congress and compliance with statutory and regulatory requirements. In FY 2007, the funding for PIH Capital Fund was \$2.4 billion, a decrease from \$2.7 billion in FY 2003 and 2004.

Data discussion. The data are collected by HUD and based on the Capital Fund Financing Program proposals received from PHAs. Data are judged to be reliable for this measure. The measure focuses on the key element of the program, which is the amount of funds leveraged through the program.

B2.12: In FY 2007, HUD will award 35 grants to establish new, or expand existing, Public Housing Neighborhood Networks centers.

Background. This funding program provides grants to PHAs to establish, expand, and/or update community technology centers. Neighborhood Networks centers provide access to computers, computer training, and the Internet. Neighborhood Networks centers also can provide a wide range of services to help residents achieve long-term economic self-sufficiency. PHAs may use grant funds for activities such as hiring of a project coordinator to manage and oversee center

activities, purchase of computer equipment, Internet connection, physical improvements, computer training, college preparatory classes, job training, and literacy training. Since FY 2002, 265 Public Housing Neighborhood Networks grants have been awarded.

Program website. <http://www.hud.gov/offices/pih/programs/ph/ross/aboutnn.cfm> or <http://www.hud.gov/offices/hsg/mfh/nnw/aboutphnn.cfm>

Results, impact, and analysis. The goal was exceeded by 54 percent. In FY 2007, the Department awarded 54 Public Housing Neighborhood Networks grants using prior year funds, thus exceeding the goal of 35 grants. Of the 54 grants awarded, 25 were for new centers and 29 for expansion of existing ones. The fact that the goal was exceeded demonstrates the popularity and success of the program among PHAs. These grants were essential in providing funding for the services described above. Additionally, HUD put in place in 2007 a contract to provide centers with a wide-range of technical assistance services. These services include personalized guidance available through email or a toll-free number; weekly email announcements of federal and nonfederal funding opportunities; business-planning software and a website creation tool which will allow centers to create their own individual websites will be available to centers soon. These services combined will help centers plan for long-term sustainability. Funding is not proposed for this program for FY 2008 as these activities can be accomplished through the Capital Fund account without a specific set aside.

Resources and performance link. This program is subject to the availability of appropriations by Congress. The 54 grants awarded in FY 2007 totaled \$14.1 million.

Data discussion. Data are judged to be reliable for this measure. The number of grants awarded is determined from the application review process conducted by PIH's Grants Management Center. The application review process involves many levels of quality review in order to ensure awards are made in accordance with the criteria of the Notice of Funding Availability.

B3 Increase housing opportunities for the elderly and persons with disabilities.

B3.1: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 200 projects to initial closing under Sections 202 and 811.

Background. The Section 202 and Section 811 programs provide capital advances for multifamily housing for elderly and disabled households, respectively. The outcome of this funding is the expansion of affordable rental housing for very low-income elderly persons and persons with disabilities.

Section 202 and 811 projects can be a challenge to bring to closing. Sponsors are usually required to find other sources of funding to pay for costs that exceed the amount of those that can be covered by the Section 202 or Section 811 funds, and for project features that are not able to be funded by the programs. In addition, neighborhoods sometimes oppose the developments.

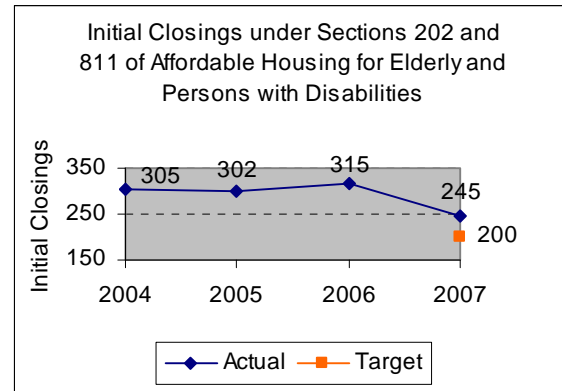
This indicator measures the number of projects that reach the initial closing stage (when the project design has been approved and all of the local community requirements have been met, and the sponsor is ready to start construction).

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

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GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

Results, impact, and analysis. The goal was exceeded. During FY 2007, HUD reached initial closing on 245 Section 202 and 811 projects, resulting in an additional 5,590 Section 202 units and 1,123 Section 811 units. In FY 2006, the Department reached initial closing on 315 Section 202 and 811 projects; exceeding the target goal of 250 projects by 26 percent. The decline in part reflects the level funding of the programs over the past few years.



In FY 2008, the goal will continue to be to close 200 projects. However, the goal will be modified to reflect the number of units that will be generated by 100 initially closed Section 202 and 100 Section 811 projects in FY 2008. The overall goal will be 5,100 units (4,000 units for the elderly and 1,100 units for persons with disabilities, respectively).

Resources and performance link. The expansion of affordable rental housing for very low-income elderly persons and persons with disabilities is linked to the fiscal year's appropriation. As more and more of the project rental assistance contracts expire, more of the funds appropriated will go towards extending those contracts, leaving fewer dollars for the development of new units in the future. However, with more emphasis being placed on the development of additional affordable units through the use of low income housing tax credits, it is anticipated that the number of affordable rental housing units will at least be maintained at the current level if not increased. In FY 2007, \$639 million was appropriated for Section 202 capital advance, and \$159 million for Section 811.

Data discussion. The data are captured in the Office of Housing Development Application Processing system and the Housing Enterprise Real Estate Management System. The indicators of project status during the development process stage consist of straightforward and easily verifiable counts. The data are judged to be reliable for this measure. Historical data are currently unavailable to provide context and a performance baseline. Submitted data are reviewed, verified, and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

B3.2: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2006 level.

Background. This indicator tracks the number of Section 202 projects that receive funding for the employment of service coordinators at elderly assisted housing developments. A service coordinator is a staff person who is hired or contracted for by the development's owner for the purpose of helping elderly residents, especially those who are frail and at risk, obtain needed supportive services that will further enable independent living and aging in place. The original baseline, established at 131,600 units, has been updated to be 352,765.

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. The Department successfully accomplished the FY 2007 goal by maintaining the number of units covered by service coordinators in FY 2006. In addition, HUD

awarded 21 new grants to provide service coordinators to 22 additional projects. These projects provide affordable housing to 2,228 elderly households.

During the year, OMB requested that HUD establish baseline information on the number of households living in private assisted housing developments served by a service coordinator. In the fourth quarter of FY 2007, to obtain baseline information, Headquarters asked field staff to determine and indicate in the Real Estate Management System whether or not elderly and disabled multifamily assisted housing projects had service coordinators. The survey determined that 352,765 households were living in 38,000 private assisted housing developments served by a service coordinator.

To maintain the number of units served by a service coordinator, previously funded service coordinator grants are either extended through appropriated funds or the expenses associated with the service coordinators are incorporated under the project's regular operating budget. The combination of the existing service coordinator programs and the new grants awarded in FY 2007 ensured that the number of elderly households living in private assisted housing developments served by a service coordinator was maintained at the FY 2006 level. In fact, it increased by over 2,000 households. The ability to maintain the number of units served by a service coordinator in the future will depend upon adequate appropriated funds.

Resources and performance link. 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, unless there is a significant increase in appropriated funds. However, HUD will continue to encourage owners to use operating fund residual receipts and excess income to leverage federal resources in order to increase the number of service-enhanced units. The 2007 appropriation for Service Coordinators was \$51 million, and \$71 million is requested for FY 2008.

Data discussion. The data were captured in the Real Estate Management System and through surveys and management reviews during FY 2007. Activities for FY 2008 and future fiscal year performance targets will be measured against that established baseline. Tabulations will be reviewed and any problems or discrepancies will be reported.

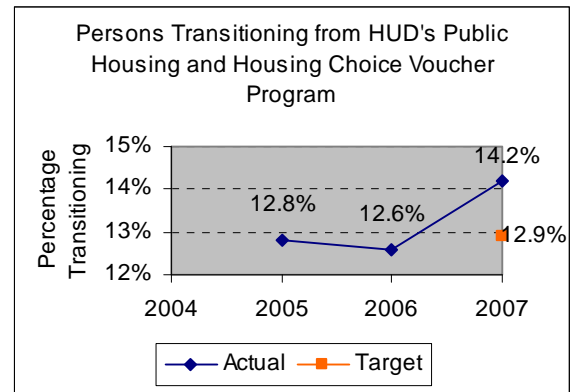
B4 Transition families from HUD-assisted housing to self sufficiency.

B4.1: By FY 2008, increase the proportion of those who transition from HUD's public housing and Housing Choice Voucher programs by 20 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent.

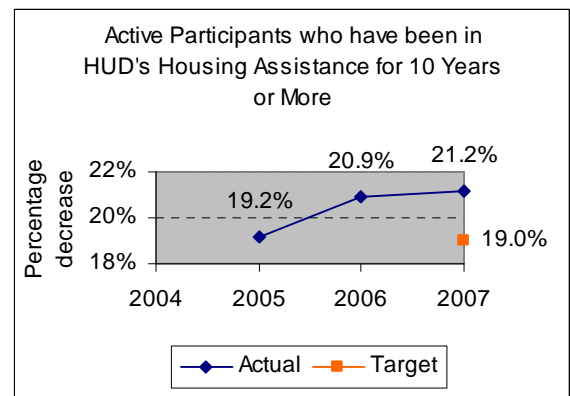
Background. To support the Department's Strategic Goal of promoting decent affordable housing, HUD's public and assisted housing programs provide low-income families with transitional housing that affords an opportunity for families to build towards self-sufficiency. This indicator emphasizes the movement of families to adequate housing of their own, which in turn allows HUD to serve more families in need of housing assistance. The objective of this indicator is to improve, by FY 2008, the annual transition proportion from the FY 2003 baseline of 11.1 percent to 13.3 percent and reduce the proportion of households who have been in HUD's public housing and Housing Voucher Program for 10 years or more from 20.6 percent in FY 2003 to 18.5 percent.

Program website. <http://www.hud.gov/offices/pih/programs/ph/index.cfm>

Results, impact, and analysis. In FY 2007, 14.2 percent of program participants were able to leave subsidized rental housing. This figure exceeds the FY 2007 interim target of 12.9 percent and the overall FY 2008 target of 13.3 percent. This figure greatly improves upon last year's transition rate of 12.6 percent. The increase in those who "graduated" from housing assistance may be attributed to success of the programs promoting job training, an increase in available affordable private market rental units, a "softer" real estate market, and favorable changes in income and household composition making transition out of housing assistance more feasible.



Conversely, during the same period, HUD found that 21.2 percent of active program participants have been in housing assistance programs in excess of 10 years. This figure fails to meet the interim FY 2007 target of 19.0 percent, which represented a slight improvement from the FY 2006 rate of 20.9 percent. For the second consecutive year, HUD encountered a setback towards accomplishing this goal. HUD remains committed to reducing lengths of stay and meeting the FY 2008 target of reducing the population of those receiving over 10 years of housing assistance to 18.5 percent.



Resources and performance link. Although performance is heavily influenced by the external factors described below, HUD appropriations play a role in our performance toward this goal. In FY 2007, PIH had a \$10 million incentive program for Agencies that met the vacancy and long term tenure goals. While we do not believe the funding was sufficient to establish programs that might encourage reductions in long-term stays, we do believe that the incentives may have encouraged more accurate reporting of vacancy figures and were helpful in focusing attention on an important HUD policy. Furthermore, the Family Self Sufficiency set-aside within the Tenant-Based Rental Assistance allocation funds coordinators at the local level who help tenants achieve self-sufficiency. In FY 2007, \$47.5 million was appropriated for these coordinators. Proposed legislative reforms will also contribute to greater client self-sufficiency and mobility.

Reasons for shortfall/Plans and schedule to meet the goal. While the Department was successful overall in transitioning program participants towards self-sufficiency, the transitioning of those receiving housing assistance for extended time periods lagged. The percentage of those who have received assistance for 10 years or more is trending negatively. This trend may be attributed to the macro/micro economic and other factors beyond HUD's ability to control. For instance, participants who continue to receive assistance for longer periods of time are more likely to be elderly or disabled, or need extensive job training and other human capital

investment to ensure successful transition to the labor market. In addition, the scarcity of affordable housing units in the private market may play a role for some tenants. Lastly, research on those who transition out of housing assistance show that this occurs in the earliest years of assistance (fewer than five years). When participants receive assistance in excess of five years the notion of ‘duration dependence’ may occur. This idea suggests that the longer someone receives assistance the more they become accustomed to receiving such and therefore become dependent upon the assistance to make ends meet. HUD is working to develop program improvements to address these issues.

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 or Housing Choice Voucher programs during the fiscal year and left rental assistance (without reappearance) at any point during the year. For the Voucher program, participants who enter Homeownership are counted as graduating from the rental assistance program.

Resident length of stay is determined by 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 participants who transfer between programs because their length of stay at the “new” unit resets at zero.

The Inventory Management System is the most complete data source available on low-income assisted households. However, the data are susceptible to 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. PHAs that participate in the Moving To Work Demonstration project have not been required to submit household data into the Public and Indian Housing Inventory Management System and are not represented by these data.

B4.2: The number of residents counseled through the Resident Opportunity and Self Sufficiency program in homeownership readiness will increase by 295, and the number of counseled residents who purchased homes will increase by 26 during FY 2007.

Background. The Resident Opportunity and 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 grant assistance is designed to build upon other self-sufficiency efforts by providing participating residents with the supportive services they need in order to move from rental housing to homeownership. This indicator measures the amount of homeownership counseling received by residents and the number of counseled residents that purchase homes in connection with this program.

Program website. <http://www.hud.gov/offices/pih/programs/ph/ross/about.cfm>

Results, impact, and analysis. In FY 2007, the Department exceeded both components of this goal. A total of 2,586 residents received counseling through the program, exceeding the goal of 295 by over seven times. Further, a total of 286 counseled residents purchased homes,

surpassing the goal of 26 by more than ten times. This is a decrease from amounts achieved in FY 2006 because the grants are nearing completion of activities and thus the potential achievements are also decreased. The fact that the goal was exceeded by such a margin demonstrates the significant impact of the grant dollars. These are pre-2006 grantees who will have completed the terms of their grants in FY 2008. As a result, the Department anticipates the trend of decreasing achievements will continue, as grantees will be closing out their programs.

	Residents counseled	Increase	Residents who purchased homes	Increase
FY 2005 (baseline)	3363		298	
FY 2006	6319	2956	633	335
FY 2007	8905	2586	919	286

Resources and performance link. This program is subject to the availability of appropriations by Congress. The results reported in FY 2007 are based on 47 grantee awards from previous years, that total \$13.9 million.

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. In the future, the Department plans to have grantees report through an Internet-based logic model system. Until such a system is fully implemented (it is in process currently), the program office will continue to collect data independently from grantees in order to track this goal. Data verification is addressed as a function of field office monitoring and program office analysis. As this is a newer indicator, there has not been an independent evaluation to verify data. The goal may need recalibration once the Internet-based reporting system is operational.

B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.

B5.1: Complete analysis of Section 8 and public housing assessment programs and develop a more accurate and efficient assessment tool.

Background. Currently, Section 8 (Housing Choice Voucher) funding is based on a fixed annual budget, yet the program's underlying law and regulations mandate a restrictive, cumbersome program that makes managing within budget very difficult. The Department would like to move to a flexible program as envisioned by the State and Local Housing Flexibility Act of 2005 to eliminate some of the more cumbersome program requirements, emphasize rent reform, and establish a successful (Housing Choice Voucher) Section 8 Program in a budget based environment. The present program monitoring tool, the Section Eight Management Assessment Program, is based on self-reported management indicators. As envisioned, a Section 8 assessment would be basic and results-oriented. Under the proposed program, PHAs would be measured on four main standards: housing quality, fund utilization, financial condition of the agency, and the accuracy of reports. Similarly the Department plans on implementing a

new assessment system for public housing, which would modify the current Public Housing Assessment System.

Program website. <http://www.hud.gov/offices/reac/products/prodphas.cfm> and www.hud.gov/offices/pih/programs/hcv

Results, impact, and analysis. This goal has been met. The analysis for a revised Public Housing Assessment System has been completed and the proposed rule is being prepared.

The analysis for a revised Section Eight Management Assessment Program has been completed after extensive discussions and an industry forum on potential changes to Section 982 and 985 of HUD's regulations. Despite the fact that neither the State and Local Housing Flexibility Act, nor legislation recently introduced in 2007 to reform the Housing Choice Voucher program passed in Congress, the Department completed the development of new regulations revamping the assessment of Housing Choice Voucher agencies from a self-reported inefficient assessment to an independently verified assessment process. The draft regulatory changes were completed prior to September 30, 2007.

The goal for FY 2008 will be to implement the regulatory changes by September 30, 2008, after OMB and Congressional review, as well as industry comments to the proposed rule.

Resource and performance link. The resources that will be needed in order to establish these new performance measurement standards are as follows:

- 1) Technical Assistance funds to contract out inspections of Housing Choice Voucher units using a statistical random sample of units using a sampling methodology established by Real Estate Assessment Center.
- 2) Technical Assistance funds to develop the scoring and sampling methodology.
- 3) Travel funds for field staff to validate some of the performance measures for PHAs
- 4) Information Technology funds in order to develop a new Section Eight Management Assessment Program scoring module in Public Information Center, along with funds to maintain existing systems Public and Indian Housing Information Center, Voucher Management System and Financial Assessment Subsystem.
- 5) Sufficient Full Time Employees or contract resources to administer the independent verification of the performance measures which include substantial number of on-site PHA reviews.

The ability to provide PHAS scores is dependent upon timely Congressional appropriations to be able to contract for completion of the physical inspections as well as ensuring timely and adequate funding of the working capital fund to maintain the automated systems that enable the receipt and processing of the financial submissions, management operations certifications and resident satisfaction surveys. PHAs may not be able to submit their financial and management operations information, physical inspections will not be conducted in a timely manner and overall PHAS scores may not be issued.

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

B5.2: Asset-based accounting will be implemented in 20 percent of PHAs by FY 2007.

Background. Congress has mandated the transition to asset-based budgeting and accounting for all Public Housing Agencies (PHAs) that operate federal public housing. Under the final rule on the Operating Fund Program, published September 19, 2005, PHAs with fiscal years beginning July 1, 2007, must begin their fiscal years with project-based budgets and are required to submit to HUD a certification of compliance. At year-end, they must include project-level financial statements along with their Financial Data Schedule submission to the Real Estate Assessment Center's Public Housing Financial Assessment Subsystem (i.e., project-based accounting). Unaudited statements are due within two months and audited statements within nine months after close of the fiscal year. The establishment of asset based accounting will help to insure the efficient and timely delivery of the operating subsidy.

Program website: <http://www.hud.gov/offices/pih/programs/ph/am/>

Results, impact, and analysis. The target was met. As of the end of FY 2007, approximately 30 percent of the PHAs with public housing programs have July fiscal years. As a result, since there was only nominal non-compliance, the goal of 20 percent was met. The result of the PHA's compliance is the knowledge gained by HUD of the operating costs and performance levels of each public housing project in the PHA's low-rent portfolio. FY 2007 is the first year of the transition to asset-based accounting; therefore, no baseline data are available. By April 1, 2008, an additional 75 percent (cumulatively, approximately 100 percent) of PHAs will have implemented project-based budgeting and accounting.

Resources and performance link. Funding provided through the Operating Fund Program is used by PHAs to assist in funding the operating and maintenance expenses of their own dwellings, in accordance with Section 9 of the U.S. Housing Act of 1937, as amended. For FY 2007, the Public Housing Operating Fund Program provided \$3.8 billion of operating subsidy.

This funding, which is based on the appropriation from Congress, represents 84.0 percent of the PHA's operating subsidy eligibility. The proration of funding given to the PHAs is below the average of recent years. The implementation of asset management, which will lead to better management and oversight of public housing, should somewhat offset this unfavorable trend.

Data discussion. Data for this indicator are from the Real Estate Assessment Center's Public Housing Financial Assessment Subsystem. At year-end, PHAs must include project-level financial statements along with their FDS submission to the Real Estate Assessment Center's Public Housing Financial Assessment Subsystem. Un-audited statements are due within two months after close of the fiscal year and audited statements within nine months.






The audited statements are submitted by an independent auditor who must be in compliance with OMB A-133, Generally Accepted Government Auditing Standards, Generally Accepted Auditing Standards, and Generally Accepted Accounting Principles. HUD staff reviews the un-audited and audited statements to ensure they meet the above standards. In addition, data will be analyzed by senior staff within the Real Estate Assessment Center and verified by reports and submissions from the field offices and PHAs.

Goal C: Strengthen Communities

Strategic Objectives:









- C1 Assist disaster recovery in the Gulf Coast region.**
- C2 Enhance sustainability of communities by expanding economic opportunities.**
- C3 Foster a suitable living environment in communities by improving physical conditions and quality of life.**
- C4 End chronic homelessness and move homeless families and individuals to permanent housing.**
- C5 Address housing conditions that threaten health.**

PERFORMANCE REPORT CARD - GOAL C

		2004	2005	2006	2007	2007		
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met	Notes
C1	Assist disaster recovery in the Gulf Coast region.							
C1.1	Assist disaster recover in the Gulf Coast region.				\$16.673 obligated	\$16.673 obligated		1
C1.2	CDBG disaster recovery funds will be used to make homeowner compensation payments to 130,000 households in Louisiana and Mississippi by September 2008.				74,566	63,750		
C1.3	Facilitate the restoration and enhancement of infrastructure throughout the Gulf Coast region.				Goals established	Goals established		
C2	Enhance sustainability of communities by expanding economic opportunities.							
C2.1	A total of 59,787 jobs will be created or retained through CDBG and Section 108.	78,800	91,300	56,000	43,231	59,787		
C2.2	Increase economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate.	N/A	N/A	N/A	294	baseline	N/A	g,h
C2.3	The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.	94.9%	95.3%	95.1%	94.8%	92.0%		

SECTION II: PERFORMANCE INFORMATION
GOAL C: STRENGTHEN COMMUNITIES

PERFORMANCE REPORT CARD - GOAL C

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
C2.4	The share of state CDBG funds for activities that benefit low- and moderate-income persons remains at or exceeds 96 percent.	96.4%	96.8%	96.8%	96.4%	96.0%		
C2.5	Propose CDBG reform legislation on formula and authorization of bonus funds. Implement the transition and operation of the proposed reforms.				Legislation proposed	Legislation proposed		
C2.6	Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress.							
	Commercial Revitalization Deductions	\$209	\$219	\$259	\$252	\$252		f,k
	Empowerment Zones and Renewal Communities employment credits	\$83.45	\$105.18	\$128	\$155	\$151		f,k
	Certifications filed by employers to claim Work Opportunity Tax credits	35,077	76,144	30,708	N/A	92,134	N/A	f,a
C2.7	Facilitate the transfer of the Youthbuild program to the Department of Labor.	N/A	N/A	N/A	Program Transferred	Program Transferred		
C2.8	Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.	66	22	50	31	20		
C2.9	HUD will monitor recipients' efforts to create Section 3 training, employment, and contracting opportunities and Section 3 covered projects for qualifying low- and very low-income residents and Section 3 businesses by increasing HUD 60002 submissions by 10 percentage points.				29	10		
C2.10	A total of 2,600 jobs and 1,000 housing units will be created through the Rural Housing and Economic Development program.							
	Jobs created				855	2,600		
	Housing units				784	1,000		
C3	Foster a suitable living environment in communities by improving physical conditions and quality of life.							
C3.1	At least 35 percent of single-family mortgages endorsed for insurance by FHA are in underserved communities.	39.4%	41.3%	40.2%	42%	35%		









DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE REPORT CARD - GOAL C

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
C3.2	The share of multifamily properties in underserved areas insured by FHA is maintained at 33 percent of initial endorsements.	34%	43%	41%	46%	33%	✓	
C3.3	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.							
	Fannie Mae	32.1%	33.5%	41.4%	43.6%	38.0%	✓	f
	Freddie Mac	32.7%	32.3%	42.3%	42.7%	38.0%	✓	f
C3.4	Median loan amounts as reported in Home Mortgage Disclosure Act data will increase in 10 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments.	N/A	N/A	N/A	N/A	baseline	N/A	h
C3.5	Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2007.				5,900	5,000	✓	
C3.6	FHA mortgage insurance enables at least four hospitals to obtain affordable financing for construction or modernization projects.	12	9	9	9	4	✓	
C3.7	Stimulate community development activity totaling 10 times the Section 4 program investment.				63:1	10:1	✓	
C4	End chronic homelessness and move homeless families and individuals to permanent housing.							
C4.1	At least 410 functioning Continuum of Care communities will have a functional Homeless Management Information System by FY 2007.	288	387	408	444	410	✓	
C4.2	The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 71 percent.	70%	70%	69%	74.9%	71%	✓	
C4.3	The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 61.5 percent.	59.4%	60.0%	62.4%	68.9%	61.5%	✓	
C4.4	The employment rate of persons exiting HUD homeless assistance projects will be at least 18 percent.	N/A	17%	17%	22.8%	18%	✓	

SECTION II: PERFORMANCE INFORMATION
GOAL C: STRENGTHEN COMMUNITIES

PERFORMANCE REPORT CARD - GOAL C

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
C4.5	Create 4,000 new permanent housing beds for chronically homeless persons.	N/A	N/A	4,397	3,865	4,000		
C4.6	The percentage of HOPWA clients who maintain housing stability, avoid homelessness, and access care will reach 80 percent by 2008.	N/A	N/A	N/A	93%	N/A	N/A	b,g
C4.7	Overcrowded households in Indian country shall be reduced by one percent.	2,139	1,959	2,059	1,865	472		
C5 Address housing conditions that threaten health.								
C5.1	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 multifamily housing.	93.4%	94.0%	93.8%	93.5%	92.8%		
C5.2	The number of children under the age of six who have elevated blood lead levels will be less than 240,000 in FY 2007.	N/A	N/A	270,000	235,000	240,000		i
C5.3	As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 10,500 units lead safe in FY 2007.	8,811	7,500	9,638	10,602	10,500		i
C5.4	At least 696 housing units will have a reduction in allergen levels in FY 2007 through interventions using Healthy Homes principles.	N/A	N/A	1,759	975	696		
C5.5	As part of a 10-year effort to eradicate lead hazards, 8,800 units will be made lead safe pursuant to enforcement of the Department's lead safety regulations in FY 2007.	14,867	7,576	6,037	9,696	8,800		
C5.6	HUD will fully implement the dispute resolution and installation programs in HUD-administered states.	N/A	N/A	Did not completely establish	Did not fully implement	2 new programs		

Notes:

a	Data not available.	g	Result too complex to summarize. See indicator.
b	No performance goal for this fiscal year.	h	Baseline newly established.
c	Tracking indicator.	i	Result is estimated.
d	Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).	j	Number is in thousands.
e	Calendar year beginning during the fiscal year shown.	k	Number reported in millions.
f	Calendar year ending during the fiscal year shown.	l	Number reported in billions.
		m	For one year period ending June 30, 2007
		n	First half of calendar year
		o	One-year lag in data.

C1 Assist disaster recovery in the Gulf Coast region.

C1.1: Assist disaster recovery in the Gulf Coast region

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

The statute provides that quarterly progress reports be submitted to the Congress and HUD. The statute also maintains broad flexibility in activities authorized under the CDBG program and maintains local discretion on the use of funds via the plans submitted through the states with local collaboration. As expected, housing and infrastructure activities predominate the rebuilding effort as well as economic development and other related activities. Initial performance goals have been established for most of these activities, but in anticipation of pending significant re-programming, baseline targets have not been established.

Program websites.

<http://www.doa.louisiana.gov/cdbg/dractionplans.htm> (Louisiana)

<http://www.mississippi.org/content.aspx?url=/page/3538&> (Mississippi)

<http://www.tdhca.state.tx.us/cdbg/index.htm> (Texas)

<http://www.floridacommunitydevelopment.org/disasterrecovery.cfm> (Florida)

<http://www.adeca.alabama.gov/C8/FY2005%20Application%20Manual/default.aspx> (Alabama)

Results, impact, and analysis. During FY 2007, HUD awarded and obligated all remaining supplemental CDBG recovery funds, thereby completing distribution of \$16.673 billion to the five states. HUD approved six major waiver packages during FY 2007 to provide maximum flexibility to the states with regard to program design and implementation issues. HUD also approved all outstanding action plans describing state-proposed recovery programs and processed multiple action plan amendments to complete program designs. Given the nature of the program to address disaster needs through local allocations based on locally-set goals, ongoing national annual goals have not been established beyond homeowner compensation and restoration of infrastructure.

Resources and performance link. As of September 30, 2007, \$6.2 billion has been disbursed for approved program activities, with the majority of these funds having been disbursed for homeowner compensation programs in Louisiana and Mississippi (described more fully in C1.2.). Of the initial \$11.5 billion allocation, \$11.1 billion has been budgeted within the Disaster Recovery Grant Reporting system, representing 948 separate activities based on state and/or local plans. States continue to work on budgeting the remainder of the funds, although Louisiana has already drawn substantial amounts under the second supplemental appropriation for its homeowner compensation program. Each activity type has different sets of preferred measures, and goals are set at the local level for each funded activity after funds are allocated.

Data discussion. Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System. CPD staff in Headquarters and the Field Offices review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

C1.2. CDBG disaster recovery funds will be used to make homeowner compensation payments to 130,000 households in Louisiana and Mississippi by September 2008.

Background. The states of Louisiana and Mississippi requested eligibility waivers to allow them to use their CDBG disaster recovery funds for homeowner compensation and incentive programs. HUD granted these statutory and regulatory waivers in 2006, after which the states launched homeowner compensation programs.

These are innovative programs operating in complex and unstable economic environments. HUD is establishing this measure to underscore and acknowledge the importance of carrying out these programs in a timely manner and will encourage these grantees to continue striving to exceed these timing goals.

Program website. See C1.1

Results, impact, and analysis. As of September 30, 2007, 74,566 homeowner grants have already been assisted, of which 59,037 were from Louisiana and 15,529 were from Mississippi, and this result exceeds the three quarter prorated target of 63,750. HUD estimates that 85,000 households will receive payments by the end of calendar year 2007, as reported in the indicator write-up for the FY 2008 Annual Performance Plan.

The states estimated in their Action Plans for Disaster Recovery that, combined, they would provide compensation to approximately 130,000 households by the end of FY 2008. It should be noted that the goal of 130,000 households assisted may need to be reduced as the state of Louisiana has found that actual average compensation grant amounts have been larger than anticipated.

Resources and performance link. The grants paid to date represent a disbursement of over \$4.7 billion in grants to homeowners and nearly 30 percent of the overall \$16.7 billion supplemental CDBG funds appropriated by the Congress. These funds highlight both the degree of devastation resulting from Hurricanes Katrina, Wilma, and Rita and the priority of rebuilding housing resources to restore stability and activity in the hardest hit hurricane locations.

Data discussion. Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System. In addition, HUD receives more frequent updates from Louisiana. CPD staff in Headquarters and the Field Offices review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

C1.3: Facilitate the restoration and enhancement of infrastructure through the Gulf Coast.

Background. This indicator establishes a goal to restore and improve infrastructure in the Gulf Coast jurisdictions most affected by the hurricanes of 2005. HUD's Community Development Block Grant disaster recovery program creates the foundation for sustained long-term disaster

recovery, including recovery of housing and jobs in low-income communities, through restoration of damaged infrastructure, often in ways that influence future development.

The five Gulf States will use CDBG disaster recovery funds to reconstruct and construct streets, water lines, sewer systems, critical government buildings, and other public facilities to support relief, recovery, and revitalization of the most affected areas. The use of CDBG funds for infrastructure restoration and enhancement activities is one of many choices available to grantees under this flexible disaster recovery grant program. Each state coordinates its own process for soliciting and/or developing projects within its impacted areas. Of public facilities, public improvements, and infrastructure projects in HUD reporting systems to date, Alabama has identified 70 projects, Florida has identified 56 projects, and Texas had identified 378 projects.

Program website. See C1.1

Results, impact, and analysis. Initial performance goals have been established for most of these activities at the local level, but in anticipation of pending significant re-programming, baseline targets have not been established at the national level.

Resources and performance link. Of the \$11.5 billion under the first allocation, approximately \$4.6 billion has been allocated to infrastructure, public improvements and public facilities. This represents 511 of 948 activities detailed in the reporting systems.

Data discussion. Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System. CPD staff in Headquarters and the Field review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

C2 Enhance sustainability of communities by expanding economic opportunities.

C2.1: A total of 59,787 jobs will be created or retained through CDBG and Section 108.

Background. CDBG grantees have the option to establish CDBG-assisted economic development programs that focus on providing financial assistance to businesses that will create or retain jobs, including assistance to microenterprises. Overall CDBG amounts disbursed for economic development activities have been declining slowly over the past several years, reaching a low of \$380 million of all disbursements in FY 2006.

The Section 108 loan guarantee program provides an additional source of economic development financing for CDBG grantees. However, loan guarantee authority levels under Section 108 have been reduced from a historic high of two billion dollars in the mid-1990s to approximately \$270 million in FY 2005 and \$135 million for FY 2006 and FY 2007, respectively. As a result, fewer financial resources are available for CDBG grantees to undertake major economic development activities and the Administration's FY 2008 budget does not request any additional guarantee authority for the Section 108 program.

As a result of the disbursement and financing trends noted above, CPD reduced its estimate of jobs to be created or retained as a result of CDBG and Section 108 assistance for FY 2007 and FY 2008. The FY 2007 revised goals for jobs created or retained as a result of CDBG and Section 108 assistance, respectively, is 54,287, a decrease from 77,284 jobs, and 5,500 jobs, an

increase from zero jobs. The FY 2008 estimates are 52,409 jobs for the CDBG program and zero jobs for Section 108 as the Administration is not requesting any additional loan guarantee authority for the program.

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. In FY 2007, grantees reported that CDBG assistance assisted in the creation or retention of 39,123 jobs, a shortfall of 15,164 jobs in comparison to the FY 2007 goal of 54,287 jobs. For the Section 108 loan guarantee program, approved applications reflect that 4,108 jobs will be created as a result of Section 108 loan guarantee assistance, a shortfall of 1,392 jobs. The total number of jobs to be created or retained as a result of assistance through these two programs is 43,231. CDBG grantees reported \$378 million in disbursements for economic development activities in FY 2007, a slight reduction of two million dollars against FY 2006 economic development activity disbursement levels. Section 108 loan guarantee commitments in FY 2007 were \$210,718,000.

Resources and performance link. Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of jobs created or retained as a result of CDBG assistance is primarily a function of grantee funding decisions and local level implementation. Section 108 loan guarantees are available to local governments receiving CDBG funds either directly from HUD or through State CDBG programs. Local governments submit applications to HUD for loan guarantee assistance, and commitments are approved as long as proposed projects meet basic qualifying criteria and HUD has available loan guarantee authority. Again, projects are developed and implemented by grantees.

Reasons for shortfall/Plans and schedule to meet the goal. There is no evident reason as to the shortfall in the number of jobs created or retained with CDBG and Section 108 assistance in FY 2007, and a thorough analysis will likely take several months. The Office of Block Grant Assistance also notes that job totals have been declining over the past several years. Potential contributing factors may include increased project costs and lack of complete reporting by grantees. The Office of Block Grant Assistance's plan of action will be guided by the data analysis and discussions with grantees.

Data discussion. Estimates for CDBG goals are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System on jobs created and/or retained, the actual CDBG appropriation and Section 108 guarantee authority level for FY 2007, estimated spend-out rates, and a three percent adjustment for inflation. CDBG accomplishment data come from grantees through the Integrated Disbursement and Information System. Section 108 program data are derived from applications approved during FY 2007.

C2.2: Increase economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate.

Background. This new indicator establishes a goal to improve unemployment conditions in those jurisdictions where the unemployment rate is significantly more severe than that faced by the nation as a whole. Unemployment is one indicator of cities or suburbs that are not sharing in national economic growth. HUD's Community Development Block Grant program may be used to create jobs in low-income communities and help families make progress toward self-

sufficiency, all of which contribute to reducing concentrations of unemployment. While grantees have wide discretion in their use of funds, Community Planning and Development will encourage grantees with unemployment rates exceeding the national average to use their CDBG funds to create communities of opportunity and choice for lower income residents.

Entitlement communities use CDBG funds for physical development projects, such as roads, sewers, public facilities, and other infrastructure that make them more attractive locations for business investment. CDBG funds for education, job-training, and other services that support the workforce in low-income communities also make them more attractive to prospective employers. The use of CDBG funds for economic development activities is one of many choices available to grantees under this flexible block grant program. For FY 2008, the goal is that at least half of the entitlement communities with unemployment rates above the national average will use CDBG funds for economic development activities and other activities that promote economic opportunity. Development of a baseline began in FY 2007.

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. Although the goal is not effective until FY 2008, CPD's analysis of FY 2007 data indicates that 337 CDBG entitlement grantees had local unemployment rates (as measured by Bureau of Labor Statistics) in excess of the 4.4 percent national unemployment rate, using October 2006 data. Of those 337 grantees, Integrated Disbursement and Information System data indicate that 294 of those grantees were implementing activities that increased economic opportunity during FY 2007. This analysis establishes the necessary baseline for FY 2008 performance on this goal.

Resources and performance link. Local governments receive formula CDBG funds either directly from HUD or through states. In FY 2007, HUD awarded more than \$3.7 billion in CDBG funding to those grantees. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of activities initiated to promote economic opportunity is primarily a function of grantee funding decisions and local level implementation.

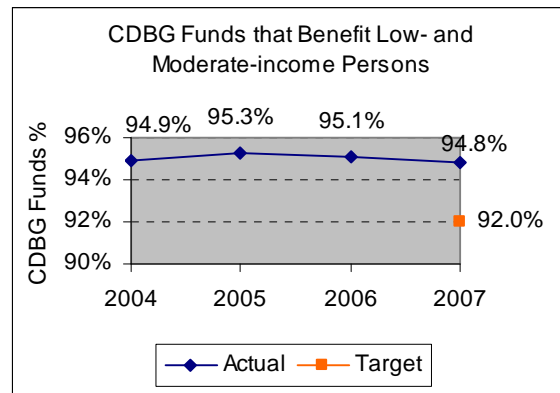
Data discussion. HUD will use Bureau of Labor Statistics data to identify the number of entitlement grantees for which the unemployment rate is above the national average. Bureau of Labor Statistics can provide unemployment data for only 923 of the 1,133 entitlement communities in the CDBG program in FY 2007. HUD will review information reported by these grantees in the Integrated Disbursement and Information System on their use of CDBG for activities that increase economic opportunities to establish a baseline for further measurement, including the number of jobs created and retained, number of jobs with health benefits, and the number of businesses assisted. The Bureau of Labor Statistics data used to identify employment and unemployment rates are the best available. Information on activities that increase economic opportunities is dependent on the redevelopment of the Integrated Disbursement and Information System reporting for the CDBG program. The Bureau of Labor Statistics employs rigorous data quality standards, and it is not feasible for HUD to verify the Bureau of Labor Statistics data independently. HUD continues its collaborations with grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal.

C2.3: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.

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

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. CDBG entitlement grantees report that 94.83 percent of CDBG funds expended in FY 2007 were for activities that primarily benefit low- and moderate-income persons, thus exceeding the goal of 92 percent. This outcome is consistent with historical performance, as the FY 2006 level of low- and moderate-income benefit was 95.1 percent. The FY 2008 goal will retain the low- and moderate-income benefit goal at 92 percent of CDBG entitlement funds expended.



Resources and performance link. Local governments receive formula CDBG funds either directly from HUD or through states with an allocation of \$2.6 billion for entitlement communities in FY 2007. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The percentage of funds expended for activities is primarily a function of grantee funding decisions and local level implementation.

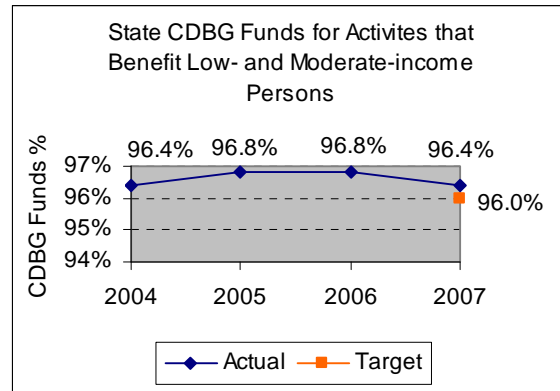
Data discussion. Information reported by grantees on their use of CDBG funds in the Integrated Disbursement and Information System is compiled to report on this goal. CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the grantee) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income. CPD field staff verifies program data when monitoring grantees.

C2.4: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent.

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

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. State CDBG grantees report that 96.41 percent of CDBG funds expended in FY 2007 were for activities that primarily benefit low- and moderate-income persons, thus exceeding the goal of 96 percent. This outcome is consistent with historical performance as the FY 2006 level of low and moderate income benefit was 96.77 percent. The FY 2008 goal will retain the low and moderate income benefit goal at 96 percent of State CDBG funds expended.



Resources and performance link. Non-entitled local governments receive formula CDBG funds through states, which were allocated \$1.1 billion in FY 2007. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The percentage of funds expended for activities is primarily a function of grantee funding decisions and local level implementation.

Data discussion. Information reported by grantees on their use of CDBG funds in the Integrated Disbursement and Information System is compiled to report on this goal. CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the state grant recipient) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income. CPD field staff verifies program data when monitoring grantees. HUD implemented changes to the Integrated Disbursement and Information System to improve the information that CDBG grantees report on targeting.

C2.5: Propose CDBG reform legislation on formula and authorization of bonus funds. Implement the transition and operation of the proposed reforms.

Background. Community Planning and Development has developed and submitted to Congress a legislative proposal to reform the CDBG program consistent with the initiatives described in the Administration's FY 2007 and FY 2008 budgets. These initiatives include:

- CDBG formula reform intended to target funding to the nation's neediest communities;
- Challenge grant funds will be awarded to communities that show the greatest improvements in measures of community livability and investment; and
- Performance measurement provisions to hold grantees more accountable for meeting their own goals.

The CDBG program remains the largest flexible development program available to communities all across the nation. The Department continues to believe that more effective targeting through CDBG formula reform is essential to meeting the needs of the communities.

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. The CDBG Reform Act of 2007 legislative package was forwarded to Congress by Secretary Jackson on June 5, 2007. No member of Congress has introduced the legislation and there were no hearings related to the proposal during FY 2007.

HUD may revise the CDBG reform proposal as part of the FY 2009 budget cycle. Congressional action is required to alter the CDBG formula. Implementation would follow upon enactment of the reform proposal.

Resources and performance link. Enactment of the Department's proposal would significantly improve targeting of CDBG resources to the nation's neediest communities. In addition, the enhanced performance accountability provisions would assist HUD in holding grantees accountable for achieving self-defined results. The program was funded at \$3.7 billion in FY 2007.

Data discussion. HUD continues to monitor congressional consideration of the reform proposal.

C2.6: Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress.

Background. The Office of Community Renewal uses three performance measures to determine how the Empowerment Zones and Renewal Communities are progressing in meeting their established goals. These include:

1. the annual dollar value of employment credits that sole proprietors claim while operating in Renewal Communities and Empowerment Zones;
2. the volume of Commercial Revitalization Deduction allocations that states allocate each year to businesses located in the Renewal Communities; and
3. the number of certificates that employers file annually to claim work opportunity tax credits for hiring 18-39 year-old residents of Renewal Communities and Empowerment Zones.

The economic foundation of communities grows stronger as more businesses claim these incentives since the incentives help the businesses save money and encourage the hiring of local residents. This helps businesses to stay viable and expand in distressed areas and helps to maintain and increase employment options for residents of these communities. As businesses claim these tax incentives in increasing rates, communities get stronger. These performance measurements are considered intermediate outcomes because implementation of the Renewal Communities and Empowerment Zones programs focuses strongly on making economic development professionals and the owners and tax preparers for small- and medium-sized businesses aware of the tax incentives.

The Renewal Community and Empowerment Zone employment credits and work opportunity tax credits offer financial incentives to employers to hire residents of Renewal Communities and Empowerment Zones. Employers who use these credits regularly save a great deal at tax time, which helps them to retain current employees and make additional hires.

The Office of Community Renewal obtains data from the Internal Revenue Service and the U.S. Department of Labor, respectively, on employment credit and work opportunity tax credit claims among business owners in Renewal Communities & Empowerment Zone areas. The data have helped HUD to see that these credits are becoming more popular and are contributing to increased employment for residents of these distressed communities.

Communities are also strengthened when entrepreneurs construct new commercial properties and substantially rehabilitate existing properties. Businesses in Renewal Communities that construct

or substantially rehabilitate commercial properties are eligible to apply for allocations of commercial revitalization deductions, which help the business owners to depreciate their construction costs in far less time than businesses outside Renewal Communities (for example, 10 years compared to 39 years). The Office of Community Renewal tracks the volume of commercial revitalization deduction allocations that businesses in all 40 Renewal Communities claim each year. The high volume of these allocations over the past several years indicates that this tax incentive is contributing to increased commercial business activity in the Renewal Communities.

The Office of Community Renewal decided not to report in FY 2007 on three impact measures adopted for the first time in the FY 2007 Annual Performance Plan.

- (1) The total number of businesses relied upon listings compiled by Dun & Bradstreet, which changed its criteria for including a business in the listings during 2005 and refused to assure HUD that additional changes in its methodology are not forthcoming;
- (2) The earned income tax credit data are compiled only by ZIP Codes, and accurately tying them to the designated Renewal Communities and Empowerment Zones areas (denominated mostly in 1990 Census tracts) is problematic; and
- (3) The number of addresses vacant at least 90 days is a new metric that became available from the U.S. Postal Service beginning October 2006. HUD's experience using it as a performance measurement indicates that its validity depends on including other factors for which a formula is not yet developed.

Program website. www.hud.gov/cr

Results, impact, and analysis. The goal for Commercial Revitalization Deduction allocations was met (\$251.8 million) and achieved the target of \$252 million when adjusted for rounding. These competitive allocations are made by state government agencies to businesses in Renewal Communities that want to accelerate the rate of depreciation of costs to construct or substantially rehabilitate commercial buildings.

The Office of Community Renewal selected \$252 million as the target for FY 2007 Commercial Revitalization Deduction allocations because this was the approximate amount allocated to businesses in Renewal Communities in FY 2006. There was a rapid increase in Commercial Revitalization Deduction allocations to businesses among the 40 Renewal Communities in previous years, following HUD's designation of these Renewal Communities at the end of 2001.

Given the finite number of Renewal Community designations (40) and the finite volume of Commercial Revitalization Deduction allocations available annually for each Renewal Community (\$12 million), the Office of Community Renewal anticipated that the volume of Commercial Revitalization Deduction allocation would stabilize. We expect the Commercial Revitalization Deduction allocations for FY 2008 to be similar to the results for FY 2007. We will continue to educate Renewal Community administrators aggressively on this valuable tax incentive so they continue to help businesses claim this incentive.

SECTION II: PERFORMANCE INFORMATION
GOAL C: STRENGTHEN COMMUNITIES

PERFORMANCE MEASURES	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2007 Goal
Amount of Commercial Revitalization Deductions allocated in Renewal Communities (Current Year ending during the FY)	\$209 million	\$219 million	\$259 million	\$252 million	\$252 million
Amount of Renewal Community and Empowerment Zone employment credits claimed by sole proprietors (Current Year ending during the FY)	\$83.45 million	\$105.18 million	\$128 million	\$155 million	\$151 million
Number of certificates filed by employers with state governments to claim Work Opportunity Tax Credits for hiring eligible Renewal Communities/Empowerment Zones residents ¹	35,077	76,144	30,708	N/A	92,134

¹One certificate is filed for each planned or recent hire. Eligible Renewal Community and Empowerment Zone residents must be 18-24 years old and summer hires must be 16-17 years old.

The \$151 million FY 2007 goal for Renewal Community and Empowerment Zone employment credits claimed by sole proprietors was surpassed by the calculated forecast figure of \$155 million. This forecast figure is submitted as an actual figure based on using a mathematical forecast methodology used by IRS research analysts whom the Office of Community Renewal consults for tax return data. The \$155 million figure was forecast from the actual FY 2006 figure published on IRS's website using the same statistical increase that exists between the FY 2005 and FY 2006 published figures.

The Office of Community Renewal selected \$151 million as the FY 2007 goal because this was the total after increasing the number of actual claims from FY 2005 (\$105.2 million) by 20 percent for two consecutive years. The increase from FY 2004 to FY 2005 was even greater than 20 percent, but the Office of Community Renewal was not convinced that the volume of claims would continue to increase by a percentage greater than 20 percent.

The Office of Community Renewal established a target also for the number of certifications filed by employers to claim Work Opportunity Tax credits for hiring 18-39 year-old residents of the Renewal Communities and Empowerment Zones. At this time, the Office of Community Renewal has only incomplete data for FY 2007. The U.S. Department of Labor (DOL) provides these data to HUD but DOL is only able to provide the full set of data approximately 18-24 months after the end of each fiscal year. HUD will revisit this performance measurement during 2008 in light of the inability to obtain timely data.

The actual figure for FY 2006 was 30,708. This drop-off from the 76,144 figure for 2005 was due to legislative inaction. Congress must extend the work opportunity tax credit when it expires so that employers can use it. The work opportunity tax credit expired at the end of 2004 and Congress did not take action to extend it retroactively to January 2005 until the Summer of 2005. Many employers probably did not learn about this extension until the Fall of 2005. This means that this incentive probably went unused for one-half to two-thirds for 2005, which explains the very low total because FY 2006 reflects calendar year 2005 data. Employers must file paperwork with a state government agency within 28 days of a hire to claim the work opportunity tax credit, so employers who made hires of eligible Renewal Community and

Empowerment Zone residents in January to February of 2005, for example, could not file paperwork in July or August 2005 to claim these credits. During 2007 Congress extended the work opportunity tax credit through the end of 2011.

Resources and performance link. Congress has allocated approximately \$11 billion in tax incentives to businesses in the designated Renewal Communities and Empowerment Zones through calendar year 2009 to encourage businesses to sustain and expand their activities in these areas and to hire local residents.

The Office of Community Renewal provides ongoing technical assistance to tax practitioners, business owners, and to the administrators of the 70 Renewal Communities and Empowerment Zones that HUD has designated to help business owners in these areas claim these tax incentives. The increases in employment credit claims among sole proprietors in Renewal Communities and Empowerment Zones and the increasing yearly claims of certificates filed by business owners to claim work opportunity tax credits for hiring designated residents of the Renewal Communities and Empowerment Zones provides evidence that the Office of Community Renewal's aggressive marketing efforts have been successful.

There is a cap on the volume of Commercial Revitalization Deduction allocations made in the 40 Renewal Communities (\$480 million), thus HUD does not expect to see ever-increasing levels of Commercial Revitalization Deduction allocations made to businesses in the Renewal Communities. We expect to see the volume of allocations stay at approximately \$250 million per year through FY 2010 after increasing by approximately 5-10 percent annually from FY 2004 to FY 2006. The Renewal Communities and Round III Empowerment Zones do not receive grant funding. The most recent grant funding for the Round II Empowerment Zones was appropriated and awarded in FY 2005.

Data discussion. The Office of Community Renewal obtains data on the volume of Commercial Revitalization Deduction allocations from each of the 40 Renewal Community Directors. These Directors provide these data by e-mail and report the data in the Office of Community Renewal's data reporting system, Performance Measurement System (PERMS). The Office of Community Renewal makes every effort to collect these data from persons who participate in awarding Commercial Revitalization Deduction allocations to local businesses, thus we are confident each year that the data that we receive are accurate.

The Office of Community Renewal obtains data on the volume of employment credits claimed from a division of the Internal Revenue Service. The Office of Community Renewal obtains data on the number of certificates that businesses file to claim work opportunity tax credits from a representative of the U.S. Department of Labor. We consider the data that we receive from Internal Revenue Service and the U.S. Department of Labor to be accurate.

C2.7: Facilitate the transfer of the Youthbuild program to the Department of Labor.

Background. The FY 2007 budget proposed to transfer the Youthbuild program from HUD to the U.S. Department of Labor's Employment and Training Administration, as recommended by the White House Task Force on Disadvantaged Youth, to allow for greater coordination of the program with Job Corps and other employment and training programs.

Program website.

www.HUD.gov/offices/cpd/economicdevelopment/programs/youthbuild/index.cfm

Results, impact, and analysis. On September 22, 2006, the Youthbuild Transfer Act was enacted, Public Law 109-281, transferring the Youthbuild program to the Department of Labor, effective FY 2007. HUD staff met with the U.S. Department of Labor during FY 2007 to discuss the implementation of the Youthbuild program and the transition. HUD also participated in a webcast put on by the U.S. Department of Labor. A Community Planning and Development Presidential Management Fellow also did a rotation to the U.S. Department of Labor to help with the transition. Finally, HUD provided technical assistance through its contractor to help with the transition.

C2.8: 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 and its implementing regulations requires that recipients of most types of HUD federal financial assistance, including their contractors and sub-contractors, provide training, employment, and contracting opportunities to low- and very-low-income persons and business concerns, as defined in the regulation. HUD contributes substantial amounts of funding annually to support the building, development, and improvement of distressed neighborhoods. The goal of Section 3 is to enhance the sustainability of these communities while empowering Section 3 residents and business concerns in economically distressed neighborhoods through employment, training, and business contracting opportunities.

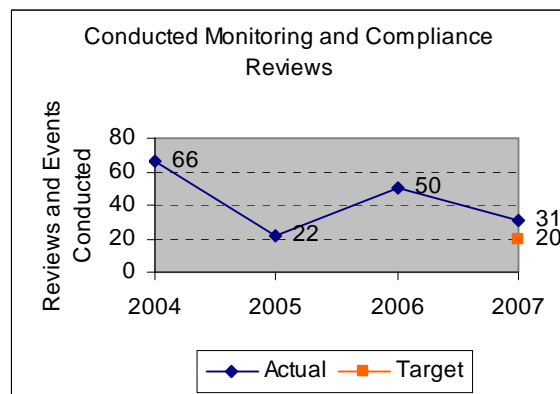
From this integral foundation, coupled with other resources through other federal, state, and local programs, advocacy groups, and community and faith-based organizations, the desired outcome of Section 3 is to support opportunities for economic advancement and self-sufficiency, which can also be a catalyst to homeownership. Once a Section 3 resident has obtained employment or contracting opportunities, they have increased self-sufficiency and economic stability, which will enhance sustainable communities. The Office of Fair Housing and Equal Opportunity provides technical assistance to Section 3 recipients to develop and implement strategies to ensure that Section 3 goals are achieved. Compliance reviews are conducted to not only monitor recipients' compliance with the legislative mandates but also to ensure compliance with the intent of the regulation.

Program website.

<http://www.hud.gov/offices/fheo/section3/section3.cfm>

Results, impact, and analysis. The target was met for FY 2007. The Office of Fair Housing and Equal Opportunity's Office of Economic Opportunity exceeded the target for FY 2007. The Office conducted a total of 31 compliance reviews and technical assistance events, which exceeded the FY 2007 goal by 55 percent.

Specifically, the Office conducted 17 compliance reviews and held 14 technical assistance events. Technical assistance events were held in collaboration with HUD's Office of Public and Indian Housing, the Office of Community Planning, and Development and the Office of Field



Policy and Management. It is expected that the number of compliance reviews and technical assistance events will continue to increase in the future as the Office of Fair Housing and Equal Opportunity continues to collaborate with other HUD program areas.

Resources and performance link. HUD's Office of Economic Opportunity within the Office of Fair Housing and Equal Opportunity provides technical assistance and conducts compliance reviews through both on-site and remote monitoring. The limitation of resources for on-site monitoring affected the number of those reviews that could be conducted; however, collaboration with other program area offices was a successful strategy in providing technical assistance events for recipients. HUD conducted 50 compliance reviews and technical assistance events in FY 2006 and 22 in FY 2005.

Data discussion. Records of compliance reviews and technical assistance are maintained in the Office of Office of Fair Housing and Equal Opportunity's Office of Economic Opportunity. Recipients undergoing reviews or receiving technical assistance receive reports and correspondence as follow-up to on-site visits or remote monitoring. Data are recorded in the HUD Integrated Performance Reporting System and monitored by the Office of Fair Housing and Equal Opportunity's Office of Management Planning and Budget.

C2.9: HUD will monitor recipients' efforts to create Section 3 training, employment and contracting opportunities at Section 3 covered projects for qualifying low- and very low-income residents and Section businesses by increasing HUD 60002 submissions by 10 percentage points.

Background. This goal measures recipient compliance with Section 3 reporting requirements through submission of HUD 60002 annual reports. The goal of Section 3 is to enhance the sustainability of these communities by empowering Section 3 residents and business concerns in economically distressed neighborhoods through employment, training, and business contracting opportunities. HUD form 60002 is a summary of Section 3 compliance regarding training, employment, and contracting opportunities. Compliance requirements are found at 24 CFR Part 135. Data contained in HUD form 60002 are used by the Department to monitor program recipients' compliance with Section 3, to assess the results of the Department's efforts to meet the statutory objectives of Section 3, to prepare reports to Congress, and are used by recipients as a self-monitoring tool.

Program website. <http://www.hud.gov/offices/fheo/section3/section3.cfm>

Results, impact, and analysis. The target was met. In FY 2007 The Office of Fair Housing and Equal Opportunity's Office of Economic Opportunity monitored recipient reporting compliance and received 1,625 HUD 60002 reports out of a universe of 5,000 Section 3 recipients, which is 19 percentage points over the target. This result corresponds to a 29 percentage point increase over the baseline reporting rate of 4 percent, exceeding the goal of a 10 percentage point increase. Submission of HUD 60002 can be completed online or by hard copy and is required no later than the tenth business day of January for the preceding fiscal year. Due to the lag in the report submission date, the period that is being reported will be for the fiscal year previous to one being currently reported.

Resources and performance link. The Department held a number of education and outreach activities for Section 3 recipients. Outreach activities were conducted collaboratively with HUD's Office of Public and Indian Housing, the Office of Community Development and

Planning, and the Office of Field Policy and Management. Outreach activities increased recipients' knowledge of Section 3 and increased awareness of reporting requirements, which has led to increased rates of compliance.

In the Department's FY 2007 Notice of Funding Availability for competing grant programs, a new rating factor for Section 3 compliance was added for each program area where Section 3 applies. Two evaluative points were added for Section 3 compliance to ensure that applicants include economic opportunities for low- and very low-income residents in their respective applications. It is anticipated that with increased emphasis on Section 3 and awareness by the public and by recipients that the benefits of Section 3 will expand as will compliance with reporting requirements.

Data discussion. Recipients fulfill HUD form 60002 reporting compliance either through an online system or by completing hard copy forms that are mailed to the Office of Fair Housing and Equal Opportunity Office of Economic Opportunity Division. Headquarters staff administers the HUD form 60002 reporting system to track outcomes. Improvements are underway to the online data system to ensure the validity of the data submitted. Enhancements are also being made to internal data systems so that online and manually submitted data are complied complete with built-in checks for accuracy.

C2.10: A total of 2,600 jobs and 1,000 housing units will be created through the Rural Housing and Economic Development program.

Background. The purpose of the Rural Housing and Economic Development Program is to support capacity building at the state and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas. Funds made available under this program are awarded competitively on an annual basis through a selection process conducted by HUD.

The FY 2008 Annual Performance Plan (see Appendix A) revised the FY 2007 Annual Performance Plan to include this indicator. HUD did not originally include an indicator for this program because no funding was requested for FY 2007. The Congress appropriated \$16.8 million for the program; therefore, HUD amended the FY 2007 Annual Performance Plan to reflect this action.

Program website.

<http://www.hud.gov/offices/cpd/economicdevelopment/programs/rhed/index.cfm>

Results, impact, and analysis. The goals were not met for the indicators as a result of decreased funding. As a result of data collected for the period of October 1, 2006, to September 30, 2007, 855 jobs were created, 1,745 less than the target of 2,600. Additionally, a total of 784 housing units were created, 216 less than the goal of 1,000 units. Of the housing units created, 370 units were new construction and 414 were rehabilitated units.

Resources and performance link. The FY 2007 appropriation was \$16.8 million, although no funds were requested. On September 10, 2007, the Secretary announced 58 new grants. Grant recipients have 36 months from the date of the executed grant agreement to complete all project activities. Therefore, the data reported between October 1, 2006, and September 30, 2007, covers awards funded from the FY 2003, FY 2004, and FY 2005 appropriations. From FY 2003

to FY 2005, the appropriation for the Rural Housing and Economic Development program has declined by 32 percent from \$24.8 million to \$16.8 million.

Reasons for shortfall/Plans and schedule to meet the goal. It is difficult to estimate how many jobs and housing units are ultimately created because grantees have latitude in expending their funds within programmatic guidelines. An application will contain planned activities, but once a program is up and running, circumstances may have changed resulting in different outcomes. Also, as the level of appropriated funds continues to decline, fewer applications are received for review, thereby resulting in fewer qualified awards being made. The Office of Rural Housing and Economic Development will continue to monitor grantees.

Data discussion. The data collection process is conducted through the CPD Field Office. The Office of Rural Housing and Economic Development, HUD Headquarters, analyze and report on collected data.

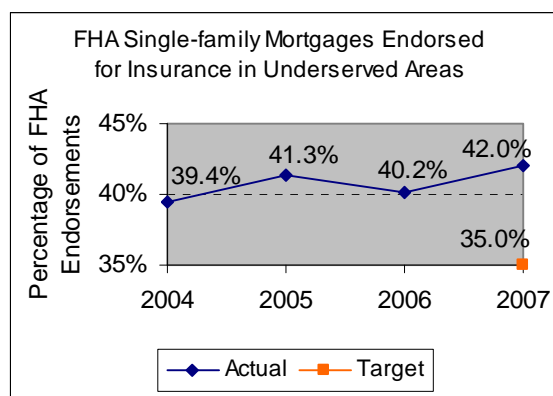
C3 Foster a suitable living environment in communities by improving physical conditions and quality of life.

C3.1: 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 opportunities 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 and contributes to the economic and social capital of the community. To strengthen this indicator's focus on outcomes despite variations in the volume of single family endorsements, it was revised to ensure that at least 35 percent of all single family mortgages endorsed for insurance by FHA are in underserved areas. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts. Historically, the non-FHA mortgage market, as demonstrated by high mortgage denial rates and low mortgage origination rates, has under served these neighborhoods.

Program website. <http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>

Results, impact, and analysis. The goal was exceeded by seven percentage points. During FY 2007, 42 percent (218,640 out of 519,350) of single family mortgages endorsed for insurance by FHA were in underserved communities. This result greatly exceeds the target of 35 percent and illustrates FHA's continued success in expanding homeownership opportunities, including in historically underserved communities. The high degree of success in providing service to



underserved areas continues to show strong improvement, as evidenced by the increase from 34.7 percent in FY 2003 to the achievement of 42 percent in FY 2007. This continued success is attributable to marketing and outreach activities in underserved communities. FHA will continue its efforts to provide safe and affordable home financing options in underserved communities through participation in conferences, seminars, and other outreach events.

Resources and performance link. The FHA insurance programs are measured in terms of insurance rather than program budget authority. In FY 2007, the Mutual Mortgage Insurance Fund endorsed approximately \$84 billion of mortgages. FHA and the Office of Single Family Housing administer the 203(b), 234(c), and Home Equity Conversion Mortgage loan products without receiving an appropriation from Congress. In FY 2007, the Office of Single Family endorsed a record percentage of endorsements in underserved areas. A trend of increasing endorsements in underserved areas has emerged over the past few years. HUD's commitment towards promoting endorsements in underserved communities results in not only homeownership, but also can promote neighborhood stability and revitalization.

Data discussion. This measure uses data from FHA's Consolidated Single Family Statistical System (F42). 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. An independent assessment completed in 2004 showed that Consolidated Single Family Statistical System performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.

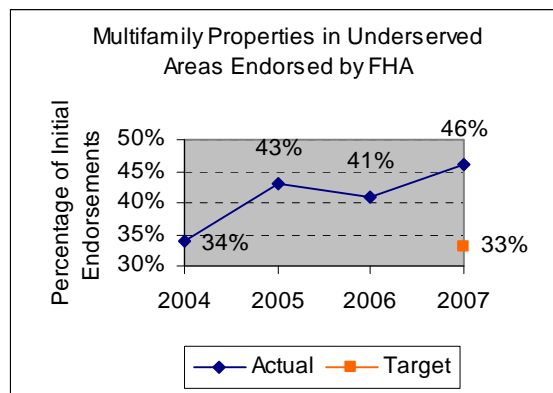
C3.2: The share of multifamily properties in underserved areas insured by FHA is maintained at 33 percent of initial endorsements.

Background. FHA multifamily insurance is an important contributor to strengthening the social and economic fabric in underserved communities by providing affordable housing, which is in critical short supply. FHA programs include those that insure loans for new construction and substantial rehabilitation of multifamily rental units (Sections 221(d)(3), 221(d)(4), 223(a)(7) refinancings, and 220, and risk-sharing under 542(b) and (c)), as well as Section 223(f), which insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of repairs may be included in the mortgage. These programs improve the quality and affordability of rental housing, increase their availability in underserved neighborhoods, and promote revitalization of those neighborhoods.

This indicator measures the proportion of multifamily properties in "underserved" neighborhoods, as a percentage of all multifamily properties that receive FHA mortgage endorsements. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. The target was exceeded. During FY 2007, Multifamily Development initially endorsed 881 FHA and Risk Sharing loans. 404 (46 percent) of those properties were located in underserved areas. HUD's Multifamily programs exceeded the 33 percent goal by 39 percent. While Multifamily exceeded the goal, FY 2007's 404 loan count was less than the 420 loans in underserved areas in FY 2006; the percent of business in underserved areas was higher in 2007 than in 2006 because FY 2007's total production (881 endorsements) was less than FY 2006's total of 1,016 initial endorsements.



The 404 properties provided 41,221 units/beds in a variety of shelter options (apartments, co-ops, assisted living facilities, and nursing homes). Of these 404 properties, 85 involved new construction or substantial rehab, and 319 involved refinancing and repairs that improved affordability and physical conditions of housing units.

In FY 2008 this goal will remain 33 percent. Continuing to achieve the goal will be more difficult than it has been in past years, but Multifamily expects to meet the goal.

Resources and performance link. While the Department's overall FY 2007 staff levels were about the same as in FY 2006 and production fell primarily because of weaknesses in the overall housing market, spot shortages of technical skills (e.g., appraisal, mortgage, credit, etc) essential to efficient underwriting are appearing as development staff retire, and these shortages could cause processing delays and discourage borrowers from choosing FHA. To avoid such delays, development is encouraging work sharing across offices with a geographically linked offices. Development is also exploring options for centralizing some programs (e.g., health care loans) within selected Hubs. The Multifamily Housing Office is focused on these staff shortages and is working to address critical vacancies.

Data discussion. Endorsements are the loan closings recorded in the Development Application Processing system and Multifamily Insurance system F47, as described in a detail under B1.4. Project locations (county, census tracts, etc) are taken from FHA's Real Estate Management System (REMS). The Office of Policy Development and Research determines which census tracts meet the definition of "underserved" for HUD's role in oversight of Freddie Mac and Fannie Mae, using poverty rates and minority population counts from the decennial Census of Population, updated with the American Community Survey. The Census data used to define underserved areas are the best available. An independent assessment in 2006 showed that the Real Estate Management System performance indicator data passed six-sigma quality tests (reflecting fewer than 3.4 errors per million) for validity, completeness, and consistency. The Census Bureau has rigorous data quality standards, and it is not feasible for HUD to verify Census or American Community Survey data independently.

C3.3: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.

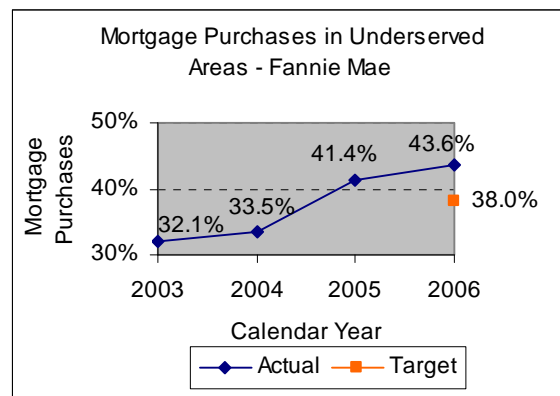
Background. One of the four defined targets that HUD sets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises) is intended to increase their purchases of mortgages on housing located in central cities, rural areas, and other areas underserved in terms of mortgage credit. This 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 calendar year 2005, HUD increased the Underserved Areas goal from 31 percent to 37 percent. The Underserved Areas goal increased to 38 percent for calendar years 2006 and 2007 and will rise to 39 percent for calendar year 2008. The Underserved Areas Home Purchase Mortgage subgoal will remain 33 percent in 2006 and 2007, and increases to 34 percent in calendar year 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 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.

Program website. <http://www.hud.gov/offices/hsg/gse/gse.cfm>

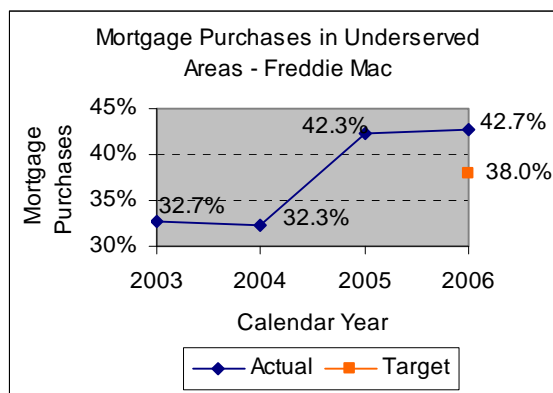
Results, impact, and analysis. In calendar year 2006, Fannie Mae and Freddie Mac surpassed HUD's target of 38 percent for mortgage purchases in underserved areas. Fannie Mae achieved a performance of 43.6 percent, while Freddie Mac's performance was 42.7 percent. Both Government-Sponsored Enterprises also surpassed the subgoal of 33 percent for underserved areas home purchase mortgages, with Freddie Mac achieving 33.6 percent and Fannie Mae achieving 34.5 percent.



An analysis of the composition of units that qualified to count toward the Underserved Areas goal in 2006 shows 1.14 million dwelling units, or 72.1 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 941,406 dwelling units in high-minority census tracts, or 71.3 percent of Freddie Mac's qualifying purchases serving this

market. For both Government-Sponsored Enterprises, these percentages show a small increase from the 2005 figures that were 71.1 percent for Fannie Mae and 71.3 percent for Freddie Mac.

With regard to the percentage of owner-occupied 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 decreased from 44.6 percent in 2005 to 36.2 percent in 2006, and Fannie Mae's purchases decreased from 48.1 percent in 2005 to 38.0 percent in 2006.



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. In addition, because the Government-Sponsored Enterprises' quarterly data is confidential and proprietary, the Department is unable to provide estimates of Fannie Mae's and Freddie Mac's goal performance for the current calendar year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. The Department 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 will be verified by independent audits. The Department has determined that the data are complete and reliable as required by OMB Circular A-136.

C3.4: Median loan amounts as reported in Home Mortgage Disclosure Act data will increase in 10 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments.

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

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. In FY 2007 the Department looked at available historic data to develop a baseline to begin measuring the impact of NRSAs on median loan amounts as reported in HMDA. In reviewing data between 2004 and 2005, there is evidence indicating that median home loan value increased in at least 10 percent of NRSAs. In FY 2006 and by FY 2007, the Department collected baseline data for this indicator. Beginning in FY 2008, the Department will commence reporting on the results.

Resources and performance link. CDBG entitlement grantees receive formula CDBG funds directly from HUD and develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The decision to utilize NRSA designations in support of targeted community development efforts is at the discretion of the entitlement grantee as is the level of financial resources directed toward NRSAs.

Data discussion. The Home Mortgage Disclosure Act (HMDA), enacted by Congress in 1975 and implemented by the Federal Reserve Board's Regulation C, requires lending institutions to report public loan data. Institutions report on the value of the mortgage, the ethnicity, race and gender of the borrower, and the census tract in which the property is located. In partnership with the Office of Policy Development and Research, HMDA data were queried to gather a median loan amount for each census tract in an NRSA for each year in which the data were available and consistent.

C3.5: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2007.

Background. This new initiative is projected in HUD's FY 2006-2011 Strategic Plan to encompass the elimination of 25,000 vacant or boarded up properties by FY 2011. This initiative is expected to make a measurable contribution to the priority outcome of restoring and strengthening neighborhood communities by improving the quality of residents' lives because vacant, abandoned, or boarded up properties are associated with neighborhood decline. The removal or improvement of these properties is a promising indicator of neighborhood improvement. CPD is working with the Office of Policy Development and Research to best define and track this indicator, and to identify reliable data sources.

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. The goal was met. CPD used the most recent data available from the Integrated Disbursement and Information System to identify grantees that used CDBG funds for FY 2007 activities involving demolition or clearance. According to a review of this data CDBG funds contributed to the clearance or demolition of at least 5,900 structures. The Department reviewed quarterly extracts of United States Postal Service administrative data on vacant addresses to explore their potential utility for tracking neighborhood change on a quarterly basis. A preliminary review of the data indicates that in distressed areas, a reduction in total addresses from quarter-to-quarter appears to be a strong indicator of where demolition is occurring. The Department is exploring whether combining this U.S. postal data with other measures of census tract distress will allow HUD to construct a statistical definition of "vacant and abandoned" that can be tracked over time.

Resources and performance link. Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of

structures addressed is primarily a function of grantee funding decisions and local level implementation.

Data discussion. It is important to keep in mind that this is a new and relatively untested data collection effort. HUD is making these data available for researchers and practitioners to explore their potential utility for tracking neighborhood change on a quarterly basis. In addition to the total counts, the U.S. Postal Service is reporting the number of days an address has been in each category to HUD, such that vacancy is defined based on the number of days that delivered mail has remained uncollected at an address. Because U.S. Postal Service did not start counting days in each category until after entering into this agreement with HUD, the starting point for counting days in each category was November 18, 2005.

C3.6: FHA mortgage insurance enables at least four hospitals to obtain affordable financing for construction or modernization projects.

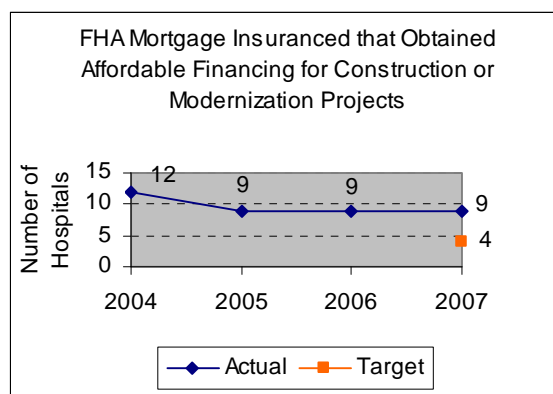
Background. This indicator measures the number of hospital mortgage insurance commitments issued through Section 242 and 241 of the National Housing Act. FHA Section 242 mortgage insurance enables hospitals to access the capital they need in order to renovate, expand, or replace facilities to better serve their communities. FHA mortgage insurance enables hospitals to obtain a credit rating of AA for their projects. This credit enhancement significantly reduces borrowing costs for hospitals, making critical construction projects possible.

Hospitals and their construction projects help strengthen communities by contributing to local economies and the quality of life of community members. The number of employees, the total dollar amount of payroll, and the high average wage rate paid by hospitals represent a very positive, direct economic affect on the hospital's service area and community. A December 2006 study issued by the Metropolitan Chicago Healthcare Council on the city's hospitals documented an employment multiplier effect of 2.45. That is, for every new job created in the hospital sector, 1.45 jobs are created in other businesses in the greater metropolitan area.

Program website. <http://www.fha.gov/healthcare/index.cfm>

Results, impact, and analysis. The target was exceeded. Nine commitments for hospital mortgage insurance were issued during FY 2007, compared to a revised goal of four. This exceeded the revised goal by 125 percent. The result matched the FY 2006 level of nine commitments.

The office's original goal for FY 2007 was seven commitments. The goal was revised downward after a long-standing contract between HUD and the U.S. Department of Health and Human Services (HHS) ended. Under the arrangement, which ended in mid-FY 2007, HHS provided a critical number of underwriting, architectural/engineering, and support staff to the Section 242 Program. As a result of the contract's conclusion, the program lost about one-third of its 40 employees.



Despite the loss, staff members were able to perform the necessary reviews to issue six commitments in the last quarter of FY 2007, an unexpected success owing to the dedication of the office's staff members, as well as cooperation and support from HUD's field offices, which complete environmental and previous participation reviews.

FHA's commitments result in significantly reduced borrowing costs for hospitals. Mortgage bankers representing the nine hospitals that received commitments in FY 2007 estimate that FHA insurance will save these facilities approximately \$150 million in interest expense over the lives of these loans. The hospitals and their construction managers estimated that over 1,350 full-time and part-time construction jobs will be created by these projects.

Resources and performance link. FHA and the Office of Insured Health Care Facilities direct the Section 242 Program, a loan guarantee program with a negative-credit subsidy receiving no appropriation from Congress. In FY 2007, the Program office issued nine commitments for rural, suburban, and urban hospitals ranging from a tiny critical access hospital in Colorado to a nationally recognized 2,242-bed health system in New York City.

One of the commitments was issued for Delta Regional Medical Center (DRMC) in Greenville, Mississippi. DRMC, a 398-bed hospital, is located in one of the most medically underserved areas in the nation. The hospital's primary and secondary service areas have the highest disease incidence in the nation of diabetes, hypertension, and cardiac disease. FHA's commitment to the hospital will allow it to refinance debt and make critical infrastructure improvements that will bring enhanced health care services to the region's residents. Due to the location of the facility and the characteristics of the service area, it is unlikely that the hospital would have been able to make these needed improvements, including a major upgrade of the hospital's emergency department, without the commitment from FHA.

Data discussion. There are no complex data requirements to measure this result. The period of the data (number of commitments issued) is FY 2007. The data are complete, valid, and reliable.

C3.7: 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, financial institutions, and HUD. This initiative is now known as the Living Cities/National Community Development Initiative and the program works through the two largest intermediaries serving the nonprofit community development industry, the Enterprise Community Partners, Inc., 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 2007 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, impact, and analysis. In FY 2007, Enterprise Community Partners and Local Initiatives Support Corporation were paid \$29 million in vouchers by HUD, which stimulated community development totaling \$1.8 billion in the areas where Section 4 was implemented. This equates to a 63:1 investment ratio, greatly exceeding the goal of a 10:1 ratio. This ratio is probably not sustainable for FY 2008, as the program is undergoing an important change. It is being run as a competitive program for the first time in FY 2007 among the four eligible applicants: Enterprise, Local Initiatives Support Corporation, Habitat for Humanity, and YouthBuild USA. As such, Section 4 awards will not be made until 2008.

Resources and performance link. Funding for this initiative has been stable at approximately \$30 million in recent years. Significant results are accomplished as the program has been highly effective in exceeding its leveraged resource target.

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.

C4 End chronic homelessness and move homeless families and individuals to permanent housing.

C4.1: At least 410 functioning Continuum of Care communities will have a functional Homeless Management Information System by FY 2007.

Background. This indicator measures the number of Continuum of Care communities that have implemented a Homeless Management Information System. Congress has directed HUD on the need for data and analysis to measure the extent of homelessness and the effectiveness of the McKinney-Vento Homeless Assistance Act programs. HUD directed Continuum of Care communities to implement Homeless Management Information Systems, in order to achieve the outcome of improving our understanding of the nature and the extent of homelessness at national and local levels by providing community-level, aggregate information to HUD. The Congressional 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 ensure that all Continuum of Care communities successfully implement a Homeless Management Information System, HUD has undertaken an extensive training and technical assistance initiative. Between 2001 and 2006, HUD's Homeless Management Information System Technical Assistance aimed to increase the number of Continuum of Care communities with a functioning system by focusing resources and efforts on planning, implementation, and system operation and management. Because so many communities have begun implementing Homeless Management Information Systems, in 2007, the focus of technical assistance has shifted to ensuring data quality and completeness in existing systems. In addition to collecting data for other reports, such as the Annual Progress Report, the Continuum of Care can use the data to inform local policy decisions, measure performance, and prioritize resource allocation.

Program website. <http://www.hud.gov/offices/cpd/homeless/hmis/> and <http://www.hmis.info>

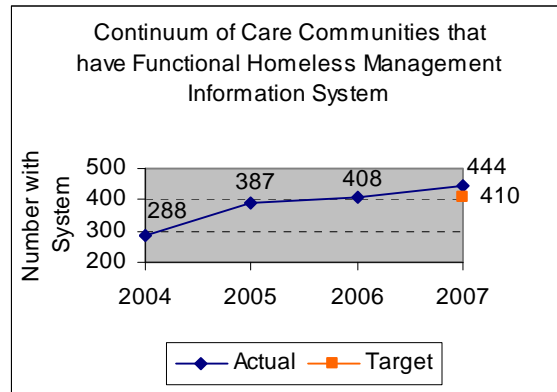
Results, impact, and analysis. HUD exceeded this goal. Based on reporting in the 2007 Continuum of Care Homeless Assistance Programs competition, 444 Continuum of Care

communities, or 96 percent, reported that they were entering data in the community's Homeless Management Information System as of September 2007. This result exceeded the goal for FY 2007 of 410 Continuum of Care communities with a functioning Homeless Management Information System, which was revised upwards from 395. It further represents an increase over the result reported in FY 2006 of 408 Continuum of Care communities with a functioning Homeless Management Information System. HUD is working toward capturing more standardized bed coverage information in addition to increasing the number of Continuum of Care communities with a functioning system. HUD will be changing this indicator in the future to reflect this increasing focus on data quality.

Resources and performance link.

Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. In FY 2007, \$3.5 million in technical assistance funds was available to help communities implement Homeless Management Information Systems.

Consistent funding for the Homeless Management Information Systems technical assistance initiative ensures that important resources are available for helping homeless providers across the nation as they implement Homeless Management Information Systems, improve data quality in existing systems, and work to measure the extent of homelessness in their communities. The result is an increase in the number of Continuums of Care that are able to implement Homeless Management Information Systems.



Data discussion. Rated questions on the FY 2007 McKinney-Vento Homeless Assistance Grants application ask for information about Homeless Management Information Systems. This is the sixth time HUD has collected data on local Homeless Management Information Systems and the fifth time scoring points have been awarded based on progress in implementing local systems. In conjunction with this reporting, HUD has undertaken technical assistance activities that have provided confidence in the validity of the data.

Privacy, confidentiality, and security are significant issues that Continuum of Care communities must overcome when implementing a Homeless Management Information System at the local level. These challenges have been further compounded by the passage of the 2005 Violence Against Women Act, which restricts participation in Homeless Management Information Systems for HUD McKinney-Vento funded domestic violence providers.

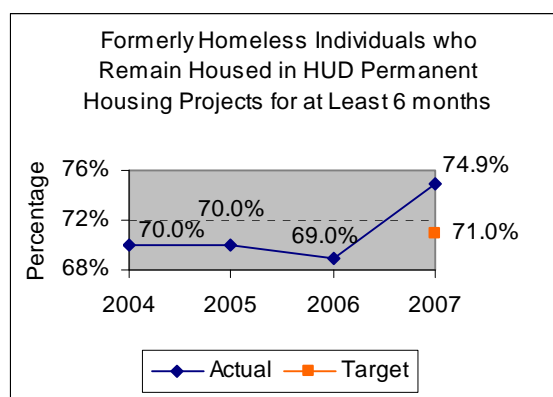
C4.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing for at least six months will be at least 71 percent.

Background. The ultimate goal of homeless assistance is to help homeless families and individuals achieve the outcome of staying in permanent housing and obtaining 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.

Congress requires that 30 percent of HUD's homeless assistance funding is allocated to permanent housing, and HUD's programs and policies support this requirement. One of HUD's programs, Shelter Plus Care, provides permanent housing assistance while communities secure an equal level of funding for a variety of supportive services from other sources. 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 include the Supportive Housing Program and the Moderate Rehabilitation/Single Room Occupancy program, which help meet other needs related to homelessness. Many communities are increasing their permanent housing stock as a direct result of the statutory requirement and HUD's emphasis on permanent housing. This increases the number of available housing units and allows communities to house more homeless persons.

Program website. <http://www.hud.gov/offices/cpd/homeless/programs/index.cfm>

Results, impact, and analysis. In FY 2007, HUD exceeded this goal with 74.9 percent of formerly homeless persons remaining in permanent housing for at least six months. This is an increase from the result reported in FY 2006 of 73.5 percent. 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 creating new permanent housing in national broadcasts, the Notices of Funding Availability, and the Homeless Assistance Grant application. Since 2006, HUD has published this goal in its annual Homeless Assistance Grant application, and required communities to report on the steps they are taking to achieve this goal at the local level.



Resources and performance link. The FY 2007 funding was \$1.442 billion compared to \$1.340 billion in FY 2006. The FY 2008 requests would provide \$1.586 billion, an increase of \$144 million over FY 2007. Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. The increases in funding ensure that existing permanent housing programs, as well as transitional housing programs that prepare homeless persons for permanent housing, will be able to continue operating, while new programs can be added in communities with remaining need. Further, the Congressional directive requiring that 30 percent of annual homeless assistance funding be allocated to permanent housing ensures a significant level of resources devoted to the development and maintenance of permanent housing. HUD's Samaritan Bonus initiative increases the link between funding levels and new permanent housing. This initiative provides communities with "bonus" funding, above their regular allocations, in order to develop new permanent housing units.

Data discussion. Data for this indicator are collected from HUD's Annual Progress Report, which each homeless assistance project submits at the end of the operating year. This report represents a means of reporting on the outcomes of HUD-funded homeless assistance projects. Field staff monitors grantees on a sample basis to assess quality of data in grantee reports. HUD

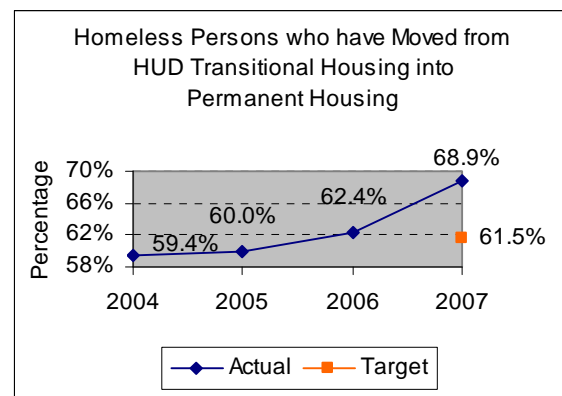
intends to improve reliability of this measure by developing an electronic Annual Progress Report that can be generated by the local Homeless Management Information System. This will eliminate transaction lag of the paper-based reporting system and increase response rates. Because projects begin annual operations at different times, the data reflect projects that ended their operational year in 2007 and whose Annual Progress Reports were entered in HUD's database by September 30, 2007. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent at least 38 percent of all projects operating in 2007. An independent assessment in 2004 showed the Office of Community Planning and Development Annual Progress Report performance indicator data passed quality tests for validity, completeness, and consistency.

C4.3: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 61.5 percent.

Background. The ultimate objective of homeless assistance is to help homeless families and individuals achieve the outcome of obtaining permanent housing and self-sufficiency. An important stepping stone toward permanent housing for many homeless persons is the availability of transitional housing with supportive services to help them achieve self-sufficiency. This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing or other supportive housing. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal services is adequate.

Program website. <http://www.hud.gov/offices/cpd/homeless/programs/index.cfm>

Results, impact, and analysis. In FY 2007, HUD exceeded this goal of 61.5 percent, with 68.9 percent of homeless persons moving from transitional housing into permanent housing. This is an increase from the result reported in FY 2006 of 62.4 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. Since 2006, HUD has published this goal in its annual Homeless Assistance Grant application and required communities to report on the steps they are taking to achieve this goal at the local level.



Resources and performance link. The FY 2007 funding was \$1.442 billion compared to \$1.340 billion in FY 2006. The FY 2008 requests would provide \$1.586 billion, an increase of \$144 million over FY 2007. Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. The increases in funding ensure that existing transitional housing programs can continue offering quality services to persons who need the support in order to increase their skills and employment,

and move to permanent housing. At the same time, increases in funding allow new programs to be added in communities with remaining need.

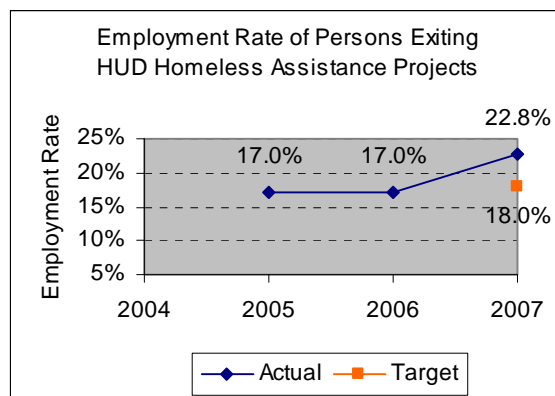
Data discussion. Data for this indicator are collected from HUD's Annual Progress Report, which each homeless assistance project submits at the end of the operating year. This report represents a means of reporting on the outcomes of HUD-funded homeless assistance projects. Field staff monitors grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve the reliability of this measure by developing an electronic Annual Progress Report that can be generated by the local Homeless Management Information System. This will eliminate transaction lag of the paper-based reporting system and increase response rates. Because projects begin annual operations at different times, the data reflect projects that ended their operational year in 2007 and whose Annual Progress Reports were entered in HUD's database by September 30, 2007. Due to the varied operation dates for projects the data for all Annual Progress Report-based indicators represent at least 38 percent of all projects operating in 2007. An independent assessment in 2004 showed that the Office of Community Planning and Development Annual Progress Report performance indicator data passed quality tests for validity, completeness, and consistency.

C4.4: The employment rate of persons exiting HUD homeless assistance projects will be at least 18 percent.

Background. Stable employment is a critical step for homeless persons in achieving the outcome of greater self-sufficiency. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families, which can include employment training and job search assistance. This indicator tracks the number of adult clients who are employed upon exit from HUD-funded homeless assistance projects. For example, under the Supportive Housing Program, employment assistance combined with case management has allowed many communities to focus their services efforts on achieving improved employment outcomes. This measure helps HUD gauge progress toward the goal of improved employment for homeless persons.

Program website. <http://www.hud.gov/offices/cpd/homeless/index.cfm>

Results, impact, and analysis. In FY 2007, HUD exceeded this goal, as the number of homeless persons receiving employment income upon exit was 22.8 percent. This result is an increase over the result reported in FY 2006 of 17 percent. 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 Care communities that create housing and seek services such as employment training from mainstream service providers. Since 2006, HUD has published this goal in its annual Homeless Assistance Grant application



and required communities to report on the steps they are taking to achieve this goal at the local level.

Resources and performance link. The FY 2007 funding was \$1.442 billion compared to \$1.340 billion in FY 2006. The FY 2008 requests would provide \$1.586 billion, an increase of \$144 million over FY 2007. Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. The increases in funding ensure that existing programs that provide homeless persons with employment training and increased skills for self-sufficiency will be able to continue offering quality services, while new programs can be added to help more homeless persons gain skills to become employed. In this way, increases in funding enable more communities and HUD to achieve this goal.

Data discussion. Data for this indicator are collected from HUD's Annual Progress Report, which each homeless assistance project submits at the end of the operating year. This report represents a means of reporting on the outcomes of HUD-funded homeless assistance projects. Field staff monitors 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 can be generated by the local Homeless Management Information System. This will eliminate transaction lag of the paper-based reporting system and increase response rates. Because projects begin annual operations at different times, the data reflect projects that ended their operational year in 2007 and whose Annual Progress Reports were entered in HUD's database by September 30, 2007. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent 38 percent of all projects operating in 2007. An independent assessment in 2004 showed that the Office of Community Planning and Development Annual Progress Report performance indicator data passed quality tests for validity, completeness, and consistency.

C4.5: Create 4,000 new permanent housing beds for chronically homeless persons.

Background. The chronically homeless are often the most visible and difficult-to-serve homeless population. The coordination of housing and supportive services is crucial to the outcome of improving self-sufficiency, stability, and ultimately breaking the cycle of chronic homelessness. The creation of new permanent housing units for this population is one of HUD's primary strategies for working toward the goal of ending chronic homelessness. This indicator measures the number of new permanent housing units for this population created with Homeless Assistant Grant funds in 2007.

Congress requires that 30 percent of HUD's homeless assistance funding is allocated to permanent housing, and HUD's programs and policies support this effort. HUD offers "bonus" funding to communities proposing new permanent housing projects that serve chronically homeless persons. Many communities have taken advantage of this incentive to increase the permanent supportive housing stock that is designated for chronically homeless persons. By providing a permanent solution, chronically homeless persons will not need to continue to cycle from the streets to shelters, receiving stop-gap assistance that does not address their primary needs—permanent housing and supportive services.

Program website. <http://www.hud.gov/offices/cpd/homeless/index.cfm>

Results, impact, and analysis. In FY 2007, HUD funds resulted in the funding of 3,865 new permanent housing beds for chronically homeless persons, nearly meeting the goal by creating 96.6 percent of the target number of beds. This is the first year of reporting on this goal in the Performance Accountability Report. However, HUD began tracking this information in FY 2006. Although HUD did not meet this year's goal, combining data from FY 2006 and FY 2007 shows HUD continues to be on track to meet the larger goal of creating 20,000 new permanent housing beds for chronically homeless persons in five years. 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 creating new permanent housing in national broadcasts, the Notices of Funding Availability, the Homeless Assistance Grant application, and the Samaritan Bonus initiative.

Resources and performance link. Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. In FY 2007 funding was \$1.442 billion, compared to \$1.340 billion in FY 2006. The FY 2008 requests would provide \$1.586 billion, an increase of \$144 million over FY 2007. Increased appropriations allow HUD to both renew existing projects and to fund new permanent housing projects for chronically homeless persons, primarily through the Samaritan Bonus initiative. New funding has a direct impact on HUD's ability to create new beds annually. Further, the Congressional directive requiring that 30 percent of annual homeless assistance funding be allocated to permanent housing ensures a significant level of resources devoted to the development and maintenance of permanent housing.

Reasons for shortfall/Plans and schedule to meet the goal. Even with the budget increases that this program has received in the past, it remains a challenge to fund the increasing number of renewal projects that come in for funding each year, as well as enough new permanent housing for chronically homeless persons to meet this goal. Each year of the Continuum of Care competition, the number of eligible renewal projects increases, and these projects must be funded by HUD in order to ensure continuity of service to homeless clients. Along with the increasing renewal demand, the percentage of the Homeless Assistance Grant annual appropriation committed to these projects expands as well. Under the Samaritan Bonus initiative, new permanent housing projects for chronically homeless persons are the priority to receive funding among new projects, and HUD plans to continue this incentive program to encourage communities to continue to serve this difficult population. HUD will also continue to emphasize this goal in the annual Homeless Assistance Grant application, Notice of Funding Availability, and national broadcast. However, additional appropriations are needed to create even more new permanent housing for chronically homeless persons, and to ensure that HUD can meet this goal each year.

Data discussion. Data for this indicator come from HUD's 2006 homeless assistance grant competition that were awarded during FY 2007, and reflect the number of permanent housing beds for chronically homeless persons created using 2006 Continuum of Care awards. Most of the new permanent housing beds created from funds awarded in the 2006 Continuum of Care competition were actually created in 2007.

C4.6: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will reach 80 percent by 2008.

Background. The Department has successfully established a client outcome goal in using targeted federal resources under the Housing Opportunities for Persons With AIDS (HOPWA) program. This goal implemented the use of client outcomes in assessing the status of their housing situations in quantifying the benefits received through the program's assistance. This outcome indicator reflects the Department's priority for providing stable and permanent housing assistance to one of our country's most vulnerable populations—very low-income persons who are living with HIV or AIDS, and face risks of homelessness and other challenges. The housing assistance also serves as a base to access other care and support. HOPWA programs provide housing resources and related support through 120 formula and 103 competitive grants.

Program website. <http://www.hud.gov/offices/cpd/aidshousing/index.cfm>

Results, impact, and analysis. HUD is on track to achieve this FY 2008 goal. Housing Opportunities for Persons With AIDS program project reports indicate that efforts to date are exceeding the goal of achieving housing stability for 80 percent of program beneficiaries. Data collected under the new client outcome focus in the FY 2006 edition of reporting forms is providing significant insight for the results of the programs that provide Housing Opportunities for Persons With AIDS rental assistance and operate community residences. Ninety-five grantees provided relevant data that applied the new Housing Opportunities for Persons With AIDS client outcome assessment to information available from their operating projects. Where known, these grantee reports indicate that 93 percent of clients receiving Housing Opportunities for Persons With AIDS housing support have stable housing arrangements or efforts helped to reduce risks of homelessness. These results demonstrate that grantees are exceeding the national performance goals set to positive results for 80 percent of beneficiaries in demonstrating stable housing arrangements and reduced risks of homelessness.

Throughout FY 2007, Housing Opportunities for Persons With AIDS program grantees implemented the use of the new performance focus on outcomes, including assisting over 850 sponsors collect data on their projects efforts. In February 2007, the program provided guidance and further collaborated on these reporting efforts at the first national grantee training in four years. The training was specifically tailored to enhancing performance reporting and solicited grantee feedback in order to improve grantee understanding of the reporting requirements and to consider edits to the reporting formats. Through this effort, along with solicitation for public comments, the Department has revised the existing reporting requirements to be issued for 2008 (pending OMB clearance). The 2006 edition of the reporting forms and updated releases of the CPD data system incorporated the program's long-term performance focus on client outcomes. This new tool helps to assess Housing Opportunities for Persons With AIDS program accomplishments in assisting clients achieve and maintain housing stability, avoid homelessness, and improve access to HIV treatment and other care. In addition, this new reporting effort enables 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. Once issued, the FY 2008 edition of these forms will further strengthen this focus by clarifying some of the reporting elements. To date, 147 grantees have demonstrated results using

the new format, and others will shortly report having completed a full operating year under the requirements.

Resources and performance link. Housing Opportunities for Persons With AIDS grantees receive funding in formula allocations or by competitive selection. For FY 2007, \$286 million was appropriated for Housing Opportunities for Persons With AIDS activities. These new resources to be used over the next three years become available to communities through the Consolidated Planning process and through competitive grant selection and award procedures. Current year performance reporting covers the use of prior year funding made available through similar means, involving 120 formula and 103 competitive grants that were operating in FY 2007. Assessment of performance is required for both types of grants, as implemented in standard program reporting forms, the Consolidated Annual Performance and Evaluation Report for formula grants along with related data elements in Integrated Disbursement and Information System and an Annual Progress Report for competitive grants. In addition to documents and guidance available on the website, technical assistance is provided to grantees to implement reporting requirements, including data collection and verifications efforts. As a result, the Department has been able to collect a significant new level of information on outcomes for beneficiaries of the Housing Opportunities for Persons With AIDS assistance. This supplements financial and program output information that has been collected from the program's inception in 1992. Along with related research on program results, these data indicate substantial success in grantee reporting compliance and in using program funds with other resources to address needs in the recipient communities.

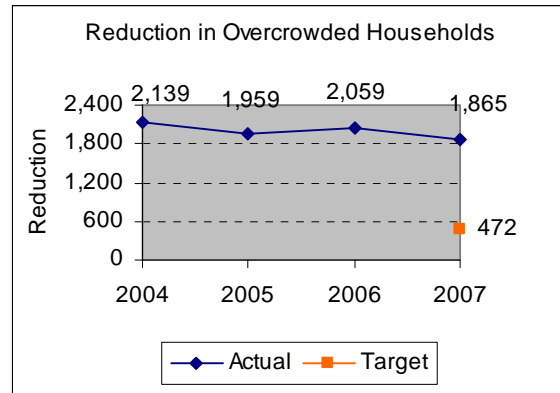
Data discussion. The data for this indicator come from Annual Performance Reports and the Integrated Disbursement and Information System—HOPWA module. A substantial new level of information is now available on program achievements in reporting on outcomes. In addition, as part of collaborations during this first implementation year, grantees tested the new forms for client outcomes, and a number of edits have been proposed to be issued in FY 2008 that will enhance the effectiveness of the reporting. Data collection efforts to be made in FY 2008 will clarify results for short-term project efforts and demonstrate improved access to care results.

C4.7: The number of overcrowded households in Indian Country shall be reduced by an additional one percent of the FY 2003 baseline during FY 2007.

Background. The Department has identified overcrowding in American Indian and Alaska Native households as a national concern. Overcrowding in Indian Country is generally caused by a lack of available affordable housing and can lead to a range of health and social problems. The Indian Housing Block Grant program is designed to provide more housing and thus relieve overcrowding. This supports the Department's strategic goals of providing permanent housing to homeless families and mitigating housing conditions that threaten health. During FY 2003, the Office of Native American Programs and several participating tribes developed an estimate of the extent of overcrowding in Indian Country, based partly on Census data. They concluded that an estimated 47,169 households were overcrowded in 2003. The Department's goal has been to reduce the number of overcrowded households by one percent of this baseline each year.

Program website. <http://www.hud.gov/offices/pih/ih/grants/ihbg.cfm>

Results, impact, and analysis. In FY 2007, the Indian Housing Block Grant program funded the construction of 1,865 new affordable housing units, which significantly exceeds the goal of 472, or one percent of the 2003 baseline. Since HUD's Performance and Accountability Reports were published in FY 2005 and FY 2006, updated information has been aggregated in HUD's database. As of October 2007, the revised accomplishment for FY 2005 is 1,959, and for FY 2006, 2,059. Since FY 2003, the original baseline of 47,169 overcrowded households has been reduced by 9,434 households (20 percent), to 37,735 overcrowded households.



Although targets have been consistently exceeded, there is concern that, until the decennial Census is reported, there is no reliable way to verify that the overall overcrowding situation in Indian Country is improving. Factors such as population growth may be offsetting the gains made by this program to relieve overall levels of overcrowding.

Grantees must report annually, no later than 90 days after their program year ends. The results reported herein include the most recent grantee fiscal year report received.

Resources and performance link. Over the last five years, the average appropriation for this program has been \$633 million, a substantial investment in improving housing in Indian Country. For most of its grantees, the Indian Housing Block Grant is the sole source or the main source of funding for affordable housing. However, affordable housing projects in Indian Country tend to be long-term, and HUD has not observed performance levels immediately corresponding to changes in funding levels. Nevertheless, such corresponding changes would be inevitable over a course of several years. Also, performance levels for this indicator may not closely correspond to funding levels because grantees may choose to spend grant funds on other eligible activities besides new construction.

Data discussion. Data on overcrowding come from the decennial U.S. Census. Data on the number of new housing units built are collected from more than 500 grantees' Annual Performance Reports, captured in the Performance Tracking Databases of each of the six Area Office of Native American Programs, and then aggregated into a national database at headquarters. Accomplishments reported in this document will likely require annual revision as grantees continue reporting and submitting updates to their Annual Performance Reports. Indian Housing Block Grant recipients have 90 days after their fiscal years end to report. Recipients whose fiscal year ends on September 30 report in the next fiscal year.

The current measurement method assumes that each new housing unit constructed relieves overcrowding by one household. HUD recognizes this is an imperfect method to measure overcrowding, but a more precise, cost effective, and feasible measurement tool has not yet been identified. It would be cost prohibitive to conduct an annual census, and so the exact number of the new units that specifically go toward reduction of the overcrowded household percentage cannot be determined. A study was conducted last year to examine the feasibility of alternative measurement methods, and several are being considered. A joint tribal/HUD working group has made recommendations to improve the planning and reporting forms that grantees are required to

submit annually. The improved forms will be streamlined, but will collect more information relevant to overcrowding and other housing conditions.

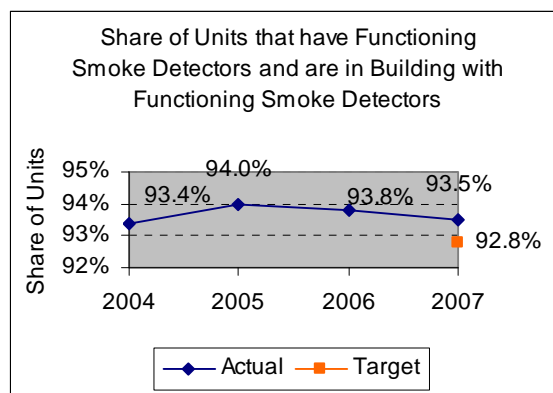
C5 Address housing conditions that threaten health.

C5.1: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.

Background. This indicator measures the share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be present both in the unit as well as the building in which the unit is located. Functional smoke detection systems in common areas of a building are critical to overall fire safety. The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a fire by 40 to 50 percent, about one-quarter of U.S. households lack working smoke alarms. HUD's Real Estate Assessment Center's physical inspections of public and assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas, and utility areas of buildings.

Program website. <http://www.hud.gov/offices/hsg/hsgmulti.cfm>

Results, impact, and analysis. The target was met. As of the end of FY 2007, 93.5 percent of HUD-involved assisted multifamily units (2,646,113 of 2,474,444 are projected to have working smoke detectors based upon statistical sampling) in privately-owned properties had functioning smoke detectors and were in buildings with functioning smoke detection systems. This exceeds the goal of 92.8 percent by 0.7 percentage points.



These results show that the share of HUD-assisted households that are adequately protected with smoke detectors significantly exceeds the three-quarter share of all U.S. households who are protected. The Department's attention to physical conditions in the housing stock is believed to have motivated improvements in management by housing providers. The Department anticipates that it will also meet the FY 2008 target.

Resources and performance link. For multifamily properties, funding is provided through the Project Based Rental Assistance Account. Funding has been on a current services basis in recent years.

For the Department's privately owned multifamily properties, the assessment of fire safety hazards, including the operation of smoke detectors, is part of the physical inspection. In FY 2007, over 12,000 projects were inspected by the Department, or by the mortgagee, at an average cost to the Department of \$324 per inspection, for a total cost of \$2.3 million for 7,225 inspections the Department funded. In FY 2007, the average cost for an inspection fell \$73 to \$324 from \$397 in FY 2006. Through the implementation of its Uniform Physical

Inspection Standards providing for timely, consistent, objective inspections, the Department insures the quality and safety in the HUD involved housing.

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 2007 reflect the most recent inspections available as of September 30, 2007. 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. An independent assessment in 2002 showed that HUD's Physical Assessment Subsystem data passed four-sigma quality tests (reflecting less than 6,210 errors per million) for validity, completeness, and consistency.

C5.2: The number of children under the age of six who have elevated blood lead levels will be less than 240,000 in FY 2007.

Background. This outcome indicator responds to the President and Secretary's priority effort to eliminate lead poisoning in children as a major public health problem by 2010. Lead poisoning is the number one environmental disease affecting children. Elevated blood lead levels defined as being at or above 10 micrograms per deciliter are more common among low-income children, urban children, and those living in older housing (see research study available online at www.cdc.gov/mmwr/preview/mmwrhtml/mm5420a5.htm). These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-documented effect of lead on developing nervous systems. The number of children under the age of six who have elevated blood lead levels will be less than 240,000 in FY 2007.

Program website. www.hud.gov/offices/lead

Results, impact, and analysis. The target was met. Data from the Centers for Disease Control and Prevention's National Health and Nutrition Examination Survey indicate that 235,000 children under the age of six had elevated blood lead levels in the most recent sampling period. This is below the target of 240,000 for such children, and continues the downward trend of previous years. This result, reflecting 2000-2003 data, also compares with the 270,000 reported in 2006, reflecting 1999-2002 data, and demonstrates that HUD is on target to eliminate childhood lead poisoning as a major public health hazard by 2010. This would put a stop to a totally avoidable epidemic—lead poisoning caused by housing—by the decade's end. At that point, a national effort that ensures the integrity of lead-based paint in homes will avoid the potential for a rebound (as happened with tuberculosis) and keep our children lead safe. Between 1991 and 1994 there were 890,000 children under age six with elevated blood lead levels.

HUD's efforts, in partnership with the Centers for Disease Control and Prevention, Environmental Protection Agency, and other agencies, to control lead hazards in housing through grants and enforcement of HUD's lead regulations, expand outreach on this issue, and expand the required public/private infrastructure to implement the program, have achieved this reduction.

Resources and performance link. The results are directly linked to the accomplishments of HUD grantees under its lead grant programs and of HUD's regulatory enforcement program. The grants provide communities with the funding resources and technical information to reach out to property owners and the lead hazard evaluation and control industries to establish and

implement programs that make homes lead safe. The regulatory enforcement program targets violators and reaches agreements with them to control lead hazards in housing in addition to paying fines. Funding for the lead grant programs and the accompanying lead technical contracts has been relatively stable over the past several years, at about \$142 million, after a decrease from \$159 million in FY 2005. The number of housing units that can be made lead safe through both the grant and enforcement programs is a direct function of the funding level.

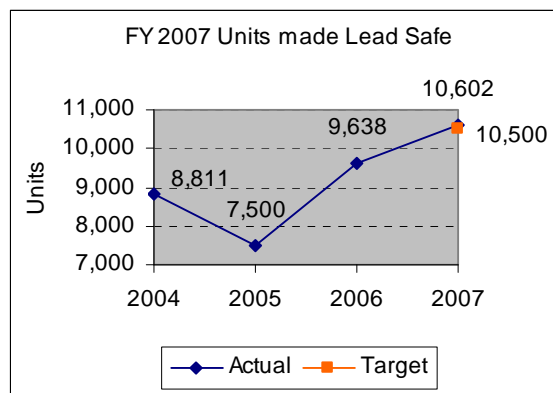
Data discussion. The National Health and Nutrition Examination Survey, conducted by the Centers for Disease Control and Prevention, uses actual physical examinations of a large, nationally representative sample of children to determine blood-lead levels, among other things. This survey, the only national survey of children's blood lead levels, is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures that make it reliable. The Centers for Disease Control and Prevention's long-term quality control data for blood lead tests validate the survey results. The Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts, also includes a validation component (see www.cdc.gov/nceh/lead/surv/surv.htm). HUD does not verify the survey results independently; doing so would unnecessarily duplicate the Centers for Disease Control and Prevention's verification procedures. The survey cannot identify the source of elevated blood lead levels.

C5.3: As part of a 10 year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 10,500 units lead safe in FY 2007.

Background. The Lead Hazard Control Grant program goal for FY 2007 was to make 10,500 housing units lead safe as a result of lead hazard control work as verified by independent clearance examination. Lead hazard control and related treatment efforts are essential components of eradicating lead poisoning of children as a major public health problem by 2010, a Presidential goal. The Office of Healthy Homes and Lead Hazard Control provides grants to state and local government agencies, and to private sector organizations, to control lead and housing-related hazards in privately owned, low-income housing. Lead dust associated with housing 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.

Program website. www.hud.gov/offices/lead

Results, impact, and analysis. The target was met. In FY 2007 the program exceeded its goal of making 10,500 housing units lead-safe by making 10,602 housing units lead-safe. In FY 2006, the program made 9,638 housing units lead safe; the FY 2007 result was 10 percent higher. The program has made a significant contribution toward the Presidential goal to eliminate lead poisoning in children as a major public health problem by 2010; external factors in the housing market (for example, normal rates of renovation) appear to have had a major impact.



The FY 2007 data were for housing units cleared during the fiscal year after lead hazard work had been performed in them. The program has been successful by providing communities with the funding resources and technical information to reach out to the local lead hazard evaluation and control industries and housing owners so they can implement lead hazard control programs. A rigorous scientific evaluation of the program found that the grant program hazard control methods reduce the blood lead levels of children occupying treated units and also significantly reduce lead dust in treated homes.¹ HUD expects the performance of grantees to continue to increase in FY 2008 as a result of increasing contractor and local government experience and technical advances, even with funding in FY 2007 having been the same as in FY 2006.

Resources and performance link. The results are directly linked to the accomplishments of HUD grantees under the lead hazard control grant programs. The grants provide communities with the funding resources and technical information to reach out to the community and the lead hazard evaluation and control industries so they can establish and implement programs that make homes lead safe. Funding for the lead hazard control grant programs has been relatively stable over the past several years, at about \$134 million, after a decrease from \$151 million in FY 2005. The number of housing units that can be made lead safe through the grant programs is a direct function of the funding level, with a lag reflecting the three-year performance period of the grants.

Data discussion. This measure uses the Office of Healthy Homes and Lead Hazard Control administrative data derived from grant agreements, quarterly and final reports collected from grantees by web-based reporting, as well as from monitoring. Reports provide detailed quantitative and qualitative information regarding progress, achievements, and barriers to performance, which are required 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, and quality assurance checks, including reviewing post-hazard control clearance reports for all units, and reviewing invoice documentation in detail for each grantee at least annually (plus as needed on a targeted basis). The data are considered fully reliable and complete. Since the inception of the formalized Quarterly Performance Reporting System, data reporting errors have been negligible. The data are appropriately conservative in that they underreport the 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.

C5.4: At least 696 housing units will have a reduction in allergen levels in FY 2007 through interventions using Healthy Homes principles.

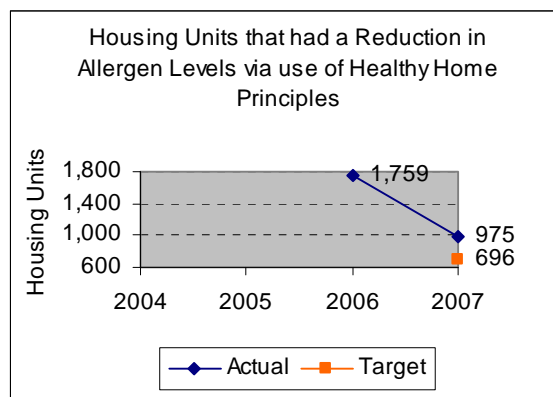
Background. This indicator reflects the Healthy Homes program's emphasis on the mitigation of such asthma triggers as allergens (allergy-inducing substances), which are associated with debris from pets, dust mites, cockroaches, and rodents. The Healthy Homes program contributes to the achievement of HUD's strategic goals by reducing multiple housing-related hazards that result in preventable childhood illnesses and injuries, such as lead poisoning and asthma. This

¹ Dixon, S. et al., "Effectiveness of lead-hazard control interventions on dust lead loadings: findings from the evaluation of the HUD Lead-Based Paint Hazard Control Grant Program," *Environmental Research* 98 (303-314), 2005.

program gives particular emphasis to the mitigation of asthma triggers, such as mold and allergens in the home. The focus on asthma reflects the widespread and increasing occurrence of asthma in children, and the heavy costs associated with this disease to both families and society. The long-term strategic goal is to reduce allergen levels in 5,000 units by 2011. Achievement of this goal will provide models for disseminating information and guidance about allergen mitigation on a national scale.

Program website. www.hud.gov/offices/lead

Results, impact, and analysis. The target was met. In FY 2007 the program exceeded its goal by reducing allergen levels in 975 housing units. The program exceeded its goal by 40 percent. While a principal focus of the Healthy Homes program is the reduction of asthma triggers, the program addresses a broad range of housing-related safety and health problems (such as fire safety, 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 kitchen appliances, and dust control through high efficiency filters and vacuums). As a result, the number of units with allergen reductions varies considerably from year to year, reflective of the variation in Healthy Homes strategies proposed by each year's most competitive grant applicants.



Principal outcomes of the projects undertaken in FY 2007 included increased direct physical interventions in homes; increased public and industry awareness of healthy homes issues obtained through training; preparation and distribution of healthy homes materials to individuals, organizations, and HUD field offices; and developing and publicizing new technologies and protocols for improving housing. HUD expects to meet its FY 2008 target, 787 homes with allergen reductions, an increase of 13 percent from its FY 2007 target.

Resources and performance link. The results are directly linked to the accomplishments of HUD grantees under the healthy homes demonstration grant program. The grants provide communities with the funding resources and technical information to reach out to the community and the housing hazard evaluation and control industries so they can establish and implement programs that make homes safe. One emphasis in the notices of funding availability for this grant program is the reduction in allergen levels in housing, and many grantees include this activity in their scopes of work. Funding for the healthy homes demonstration grants has been stable over the past several years, at about \$5 million. The number of housing units that have reductions in allergen levels is a direct function of the funding level, with a lag reflecting the three-year performance period of the grants.

Data discussion. This measure uses the Office of Healthy Homes and Lead Hazard Control administrative data derived from grant agreements, quarterly and final reports collected from grantees by web-based reporting, as well as from monitoring. Reports provide detailed quantitative and qualitative information regarding progress, achievements, and barriers to performance, which are required 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, and quality assurance checks, including reviewing post-hazard control clearance reports for all units, and reviewing invoice documentation in detail for each grantee at least annually (plus as needed on a targeted basis). The data are considered fully reliable and complete. Since the inception of the formalized Quarterly Performance Reporting System, data reporting errors have been negligible.

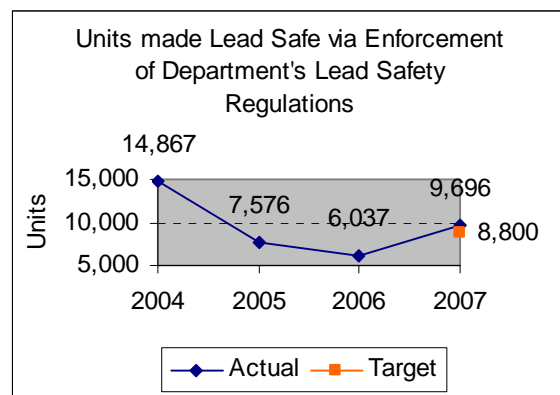
C5.5: As part of a 10-year effort to eradicate lead hazards, at least 8,800 units will be made lead-safe pursuant to enforcement of the Department's lead safety regulations in FY 2007.

Background. Enforcing HUD's lead regulations is an essential component of eradicating lead poisoning of children as a major public health problem by 2010, a Presidential goal. The Department's lead regulations implement three sections of Title X of the Housing and Community Development Act of 1992. These regulations apply to certain "target" housing constructed before 1978.

In FY 2007, the Department obtained commitments by owners/agents to make 9,696 dwelling units lead-safe under Lead Disclosure Rule enforcement settlement agreements and Lead-Safe Housing Rule enforcement actions. The Lead Disclosure Rule (implementing Section 1018 of Title X) requires owners/agents of pre-1978 housing to disclose their knowledge of lead paint and lead paint hazards when leasing or selling target housing. HUD programs providing assistance for target housing are covered by the Lead-Safe Housing Rule (implementing Sections 1012 and 1013). This Rule establishes lead safety requirements for inspecting, maintaining, and renovating target pre-1978 housing, including acceptable methods for performing work that may create or are intended to eliminate lead hazards, and tenant notification of lead evaluation and control activities. Both rules increase the number of lead-safe housing units and, thereby, decrease the number of children under age six with elevated blood lead levels.

Program website. www.hud.gov/offices/lead

Results, impact, and analysis. The target was met. In FY 2007 the program exceeded its goal of making 8,800 housing units lead-safe by making 9,696 housing units lead-safe, which was 10 percent higher than the target. FY 2007 was the first year lead regulatory enforcement was a performance measure, so no comparison against FY 2006 is available. The FY 2007 data reflect cases during the fiscal year. HUD's success in the Lead Disclosure Rule enforcement program reflects its efforts monitoring the Rule's implementation to assure that compliance is the norm rather than the exception. As part of settlement agreements and consent decrees, owners/agents may be required to pay fines, perform lead paint inspections and risk assessments of units, and control any lead hazards identified. HUD's success in enforcing the Lead-Safe Housing Rule also reflects efforts by the HUD Program Offices (Public and Indian Housing, Housing, and Community Planning and Development) to monitor implementation of the Rule as



part of their overall assistance monitoring activities, and their partnering with the Office of Healthy Homes and Lead Hazard Control in taking enforcement actions against Rule violators. HUD expects the number of units made lead safe through regulatory enforcement efforts to continue to increase to meet the increased FY 2008 target of 9,600 housing units.

Resources and performance link. The number of housing units that can be made lead safe through both the regulatory enforcement programs is a direct function of the funding available for staffing and contract support. Staff review tips and complaints from the public, assess housing assistance compliance information from HUD Program Offices, and evaluate health department data provided by the Centers for Disease Control and Prevention on properties with multiple elevated blood lead level cases. They develop regulatory targeting strategies, and then implement the strategies through field site visits, reviews of collected data, and report and enforcement action preparation and processing. Lead technical studies contractors provide such services as conducting field work when staff travel funds and/or time are limited, preparing site visit reports, and organizing enforcement data. Lead technical studies funding has been stable for several years.

Data discussion. The FY 2007 data for the two regulations reflect their distinct regulatory bases. Data for housing units covered by the Lead-Safe Housing Rule are for those cleared for re-occupancy during the fiscal year after lead hazard work had been performed in them, as indicated by clearance reports. Data for housing units covered by the Lead Disclosure Rule are for those for which owners provided written commitments (such as in settlement agreements or consent decrees) during the fiscal year to make the units lead safe at no cost to the federal government. The data are considered fully reliable and complete, because they rely on certified lead professionals (for the Lead-Safe Housing Rule) or on legally binding documents signed by the owners (for the Lead Disclosure Rule).

C5.6: HUD will fully implement the dispute resolution and installation programs in HUD-administered states.

Background. The Manufactured Housing Improvement Act of 2000 (the Act) establishes new responsibilities and procedures for the Department with respect to its role in regulating Manufactured Housing. The Department is to establish installation and dispute resolution programs for manufactured homes within five years of the date of the Act. This will help accomplish the ultimate outcomes of improving the safety and quality of manufactured homes. In FY 2007, the Department will fully implement these programs. HUD's FY 2007 performance goal is to ensure that the two new programs are fully implemented in both the states administering their own programs, and HUD-administered states. In order to meet the Act's milestones, timely review of certifications by the states with their own installation and dispute resolution programs is essential

Program website. <http://www.hud.gov/offices/hsg/sfh/mhs/mhshome.cfm>

Results, impact, and analysis. HUD's FY 2007 performance goal is to ensure that the two new programs are fully implemented in both the states administering their own programs, and HUD-administered states. To meet the Act's milestones, the Department was to provide timely review of certifications by the states with their own installation and dispute resolution programs.

Resources and performance link. The Manufactured Housing Program is funded solely from the income of manufactured housing fees collected on each transportable unit produced during

the fiscal year. With production levels at their lowest point in over twenty years the program collected only \$6.56 million in FY 2006, although Congress authorized an appropriation of \$13 million. This fee income pays for staff salaries, in addition to payments to states and contracting costs. An operational budget of 50 percent of its appropriated amount reduced program capacity significantly, delaying work on all program activity, including publication of rules and establishment of programs.





Reasons for shortfall/Plans and schedule to meet the goal. The Department did not fully meet its goals for FY 2007. The final rule for the Dispute Resolution Program was published on May 14, 2007. The Department delivered the final rule for the Installation Standards to the Federal Register for publication on September 19, 2007, but it was not published until after the end of the fiscal year.

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 D: Ensure Equal Opportunity in Housing

Strategic Objective:

- D1 Ensure access to a fair and efficient administrative process to investigate and resolve complaints of discrimination.**
- D2 Improve public awareness of rights and responsibilities under fair housing laws.**
- D3 Improve housing accessibility for persons with disabilities.**
- D4 Ensure that HUD-funded entities comply with fair housing and other civil rights laws.**

PERFORMANCE REPORT CARD - GOAL D								
		2004	2005	2006	2007	2007		
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met	Notes
D1	Ensure access to a fair and efficient administrative process to investigate and resolve complaints of discrimination.							
D1.1	Increase the percentage of fair housing complaints closed in 100 days to 65 percent, excluding recommended cause, pattern and practice, and systemic complaints.	N/A	77%	73%	63%	65%		
D1.2	Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 53 percent, excluding recommended cause and systemic complaints.	N/A	48%	51%	46%	53%		
D1.3	In order to increase the nation's capacity to provide coordinated enforcement of fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act.	101	103	107	108	108		
D1.4	By the end of FY 2007, at the National Fair Housing Training Academy, a cumulative number of 200 fair housing professionals will have received "five weeks" completion certificates to ensure effective, efficient, and consistent complaint investigations.	N/A	N/A	59	174	200		

SECTION II: PERFORMANCE INFORMATION
GOAL D: ENSURE EQUAL OPPORTUNITY IN HOUSING

PERFORMANCE REPORT CARD - GOAL D

		2004	2005	2006	2007	2007		
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met	Notes
D2	Improve public awareness of rights and responsibilities under fair housing laws.							
D2.1	Recipients of Fair Housing Initiatives Program education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.							
	Public events held		405	697	1,486	300		
	People reached at public events	N/A	519,000	250,799	247,201	180,000		
D3	Improve housing accessibility for persons with disabilities.							
D3.1	HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.	113	80	83	124	80		
D3.2	HUD will verify that HUD-assisted units are made accessible as a result of Voluntary Compliance Agreements. Beginning in FY 2007, develop and maintain a database of the accessible units.				Develop and Maintain database	Develop and Maintain database		
D4	Ensure that HUD-funded entities comply with fair housing and other civil rights laws.							
D4.1	HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to FHEO for review and appropriate action.				13,040	N/A		
D4.2	Conduct 57 compliance reviews or formal monitoring reviews of Voluntary Compliance Agreements, either exclusively or concurrently under Title VI and Section 109, and take appropriate corrective action.	93	69	71	76	57		

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.
- m For one year period ending June 30, 2007
- n First half of calendar year
- o One-year lag in data.

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

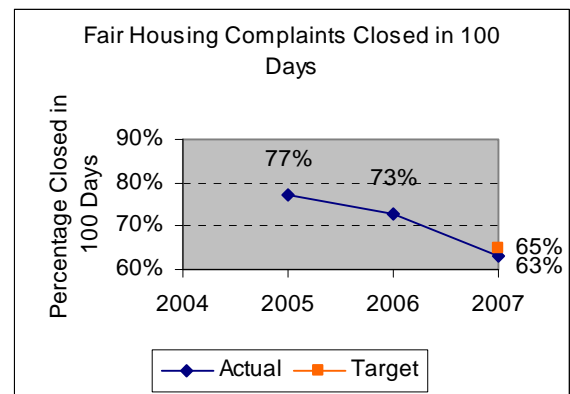
D1.1: Increase the percentage of fair housing complaints closed within 100 days to 65 percent, excluding recommended cause, pattern and practice, and systemic complaints.

Background. The Fair Housing Act (the Act), within limitations of the United States Constitution, prohibits housing discrimination on the bases of race, color, religion, sex, familial status, national origin, or disability. Enforcement of fair housing laws is crucial to enhancing housing opportunities for all of our citizens. It is particularly important for eliminating the gap in minority homeowners and expanding quality, affordable rental options. The ability to provide a fair, effective, and efficient fair housing complaint process is essential to public confidence that victims of housing discrimination will receive relief from discriminatory housing practices and confidence that violators will be punished appropriately. Confidence in the administrative process enhances equal opportunity in housing because both potential complainants and potential respondents believe that the “system” is fair and works.

The Act prescribes that investigations of complaints of housing discrimination be completed within 100 days, unless it is impracticable to do so. The Office of Fair Housing and Equal Opportunity strives to complete all investigations within the prescribed period of 100 days as an efficiency measure with an understanding that, as implied in the Act, some percentage of cases will always require a longer investigation period. It is the goal of the Department to strike the appropriate balance between efficiency and effectiveness in fair housing complaint processing.

Program website. <http://www.hud.gov/offices/fheo/index.cfm>

Results, impact, and analysis. The target was not met. During FY 2007, of a total of 2,531 cases closed, the Office of Fair Housing and Equal Opportunity closed 1,595 cases within 100 days, which is a 63 percent case-closure rate as defined by the measure. The FY 2007 target was an increase of five percentage points over the FY 2006 measure, which called for a 60 percent closure rate. While this year’s accomplishment exceeded the Department’s goal of the previous year, it fell short of this fiscal year’s ambitious goal. This case closure rate was intended to capture efficiency in investigating and resolving the typical fair housing complaint. The rate is determined by dividing the number of cases that are closed within 100 days by the total number of defined cases closed during the fiscal year. All cases open at the end of the fiscal year are carried over into the new fiscal year’s case inventory.



Resources and performance link. Each year the Department strives for greater efficiency in completing fair housing complaint processing within 100 days as prescribed in the Fair Housing Act. Case processing is conducted by the Office of Fair Housing and Equal Opportunity and by

its Fair Housing Assistance Program partners. During FY 2007 more than 10,000 complaints of housing discrimination were received.

Reasons for shortfall/plans and schedule to meet the goal. In FY 2007, FHEO recognized the need to take a more comprehensive approach to its case processing, as it realized its efficiency goal actually creates a disincentive to resolve cases once they have exceeded 100 days processing time. In other words, the goal placed all the emphasis on closing newly-filed cases within 100 days while placing no emphasis on resolving aged cases, those cases over 100 days old. While the current goal does not acknowledge activity on aged cases, FHEO adopted more comprehensive approach in 2007. Consequently, FHEO's effort to address its overall inventory of aged cases resulted in FHEO falling modestly short of resolving 65 percent of its new cases within the first 100 days. FHEO was successful in completing investigations in other categories of cases. There were 56.0 percent more aged cases closed in FY 2007 compared to FY 2006, and 44.5 percent of the more complex cases of systemic discrimination or difficult investigations. An analysis of FHEO's overall efficiency for its entire case inventory reflects that FHEO closed or charged 62.6 percent of all cases that were open at the beginning of the fiscal year by the end of FY 2007, compared to its closure of 53.7 percent of this backlog the previous year. So, whereas the high closure rate among new cases accounted for FHEO's success in meeting its target in FY 2006, work on closing out the backlog of cases from that year resulted in FHEO barely missing its goal for new cases in FY 2007.

The Department also closed more cases in FY 2007 than in FY 2006. So, the greater volume of cases accounts in part for the target shortfall.

FHEO has struggled to develop performance measures that balance timeliness of investigations in its new cases and reducing the backlog of older cases. Measures must also ensure that quality and justice is not sacrificed for timeliness. FHEO is currently developing improved measures that more accurately measure overall case-processing efficiency. These measures would include in their calculation FHEO's processing of aged cases and previously excluded categories of cases. FHEO is also implementing a more regular monitoring mechanism for reports on overall efficiency and will also develop a model that will provide for more sophisticated end-year projections during the course of the year.

Data discussion. Case data are recorded and maintained in the Office of Fair Housing and Equal Opportunity's Title Eight Automated Paperless Office and Tracking System. The data system entries are verified through random checks of physical case files and documentation of case closures.

D1.2: Increase the percentage of Fair Housing Assistance Program complaints closed within 100 days to 53 percent, excluding recommended cause and systemic complaints.

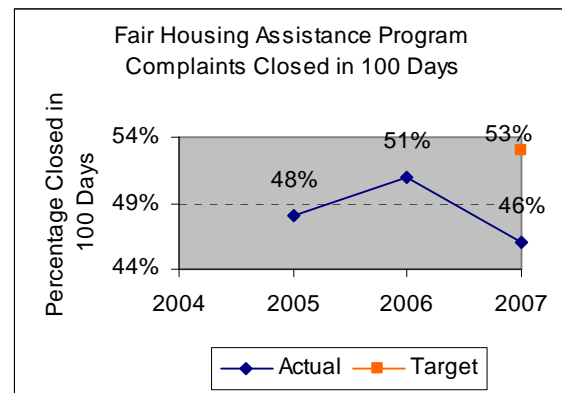
Background. The Fair Housing Act (Act) authorizes HUD to establish the Fair Housing Assistance Program under which state and local jurisdictions whose fair housing laws are deemed substantially equivalent to the Act can be certified for fair housing enforcement. Housing discrimination complaints within a certified agency's jurisdiction are transferred by HUD to the agency for processing. Consequently, Fair Housing Assistance Program agencies case processing efficiency is essential to public confidence in the fair housing administrative process. Confidence in the administrative process enhances equal opportunity in housing

because both potential complainants and potential respondents believe that the process is fair and works.

The Act prescribes that housing discrimination complaint investigations be completed within 100 days, unless it is impractical to do so. The Office of Fair Housing and Equal Opportunity strives to ensure that Fair Housing Assistance Program agencies complete all investigations within the prescribed period of 100 days as an efficiency measure with an understanding that, as implied in the Act, some percentage of cases will always require a longer investigation period. It is the goal of the Department to strike the appropriate balance between efficiency and effectiveness in fair housing complaint processing.

Program website. <http://www.hud.gov/offices/fheo/partners/index.cfm>

Results, impact, and analysis. The target was not met. During FY 2007, Fair Housing Assistance Program partners closed 3,177 cases within 100 days of a total of 6,960 closed cases as defined by the measure. This represented a timely closure rate of 46 percent, short of the goal of 53 percent. The case closure rate represents the overall efficiency in processing fair housing complaints and is calculated by dividing the number of defined cases closed within 100 days by the total number of defined cases closed during the fiscal year. Cases open at the end of the fiscal year are carried over into the following fiscal year case inventory. The FY 2007 target was an increase of three percentage points of the FY 2006 goal of 50 percent when fair housing partners closed 51 percent of cases as defined by the measure.



Resources and performance link. The budget for case processing in FY 2007 was \$17.143 million, an increase of \$143,000 over FY 2006 and 66 percent of the total fiscal budget. Each year the Department supports partner agencies in striving for greater efficiency in completing fair housing complaint processing within 100 days. The Department pays partner agencies for case completions with higher incentives for completing cases within the statutory timeframe. During FY 2007 more than 10,000 complaints of housing discrimination were received. During the same period the Department and partner agencies closed more than 9,400 cases, which included some carry-over cases from prior fiscal years.

Reasons for shortfall/plans and schedule to meet the goal. The FY 2007 indicator excluded from the measurement systemic cases and case investigations resulting in a proposed determination of reasonable cause. Additionally, the agencies placed great focus on closing aged cases, those cases that had been in inventory for more than 100 days. This affected closing newer cases in fewer than 100 days. By the end of FY 2007, Fair Housing Assistance Program partner agencies had reduced the average age of cases in inventory by 23.9 percent. Partner agencies also closed or charged 96.7 percent of their aged cases that had been in inventory at the beginning of the fiscal year. In FY 2005 and 2004, partner agencies closed 83.5 percent and 88.2 percent of its aged case inventory, respectively.

SECTION II: PERFORMANCE INFORMATION
GOAL D: ENSURE EQUAL OPPORTUNITY IN HOUSING

Also, significantly, FHAP agencies made “cause” determinations in a greater percentage of cases this year than in FY 2006. In FY 2007, the agencies found cause in eight percent of the cases compared to six percent in the previous year. So, while the agencies may have not met its goal in processing new cases, it has returned more favorable outcomes for victims of discrimination this year than in the previous year. In fact, this year’s cause rate exceeds the rate for each of the last five years.

The Department is currently developing internal measures and measures for partner agencies that are anticipated to be a more accurate indication of overall case processing efficiency by examining closure rates of the entire inventory of case that will include previously excluded cases and cases that have been in inventory for more than 100 days.

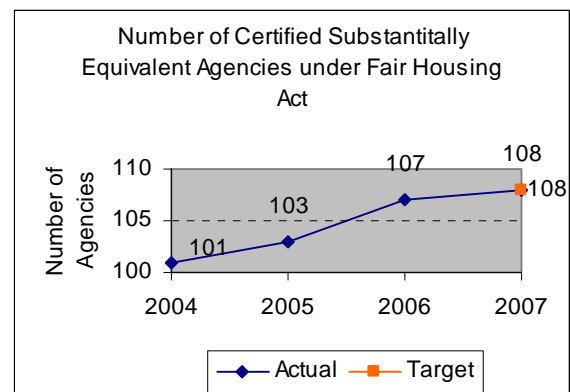
Data discussion. Case data are recorded and maintained in the Office of Fair Housing and Equal Opportunity’s Title Eight Automated Paperless Office and Tracking System. The data system entries are verified through random checks of physical case files and documentation of case closures.

D1.3: In order to increase the nation’s capacity to provide coordinated enforcement for fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act.

Background. HUD provides funding to state and local governmental agencies through the Fair Housing Assistance Program to enforce state or local fair housing laws that have been certified by HUD as substantially equivalent to the federal Fair Housing Act. This assistance includes support for complaint processing, training, technical assistance, data and information systems, and other fair housing projects. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for states and localities to assume a greater share of the responsibility for administering fair housing laws. This indicator tracks the number of state and local government agencies that have been certified as substantially equivalent during the fiscal year.

Program website: <http://www.hud.gov/offices/fheo/partners/FHAP/index.cfm>

Results and analysis. HUD met its FY 2007 goal and certified two new agencies as substantially equivalent. With the addition of the two agencies HUD now has a total of 108 fair housing partners. There were 106 partner agencies because one agency was decertified in FY 2007. The new agencies are Erie County Human Relations Commission (PA) and Westchester County Human Relations Commission (NY). The certification of these new agencies increases HUD’s capacity to provide coordinated enforcement of fair housing laws nationwide.



Resources and performance link. Evaluations of fair housing laws of states and localities for a substantial equivalency determination are conducted by HUD’s Office of General Counsel. Final equivalency approvals are made by the Assistant Secretary for Fair Housing and Equal Opportunity in accordance with the regulations at 24 CFR Part 115.

Data discussion. Fair Housing Assistance Program administrative data are maintained in Headquarters office and each of the field offices. Certified agencies and the Assistant Secretary sign Interim Agreements or Cooperative Agreements, which contractually bind the agencies and the Department. Each agency is monitored annually and performance assessments are completed and documentation maintained in both Headquarters and the field office having jurisdiction over the particular agency. Agencies status and performance data is also tracked in Title Eight Automated Paperless Office Tracking System. This indicator uses a straightforward and easily verifiable count of Fair Housing Assistance Program agencies.

D1.4: By the end of FY 2007, 200 fair housing professionals will receive certificates of completion since the opening of National Fair Housing Training Academy (NFHTA) to ensure effective, efficient, and consistent complaint investigations.

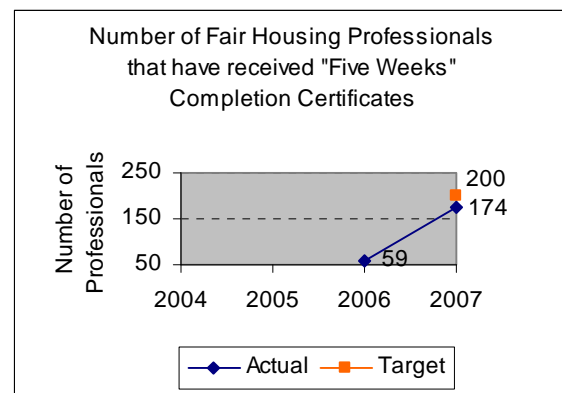
Background. The National Fair Housing Training Academy (Academy) is the educational arm of the Department of Housing and Urban Development's Office of Fair Housing and Equal Opportunity. The concept of the Academy was approved by Congress in FY 2004, when funds were provided through the Fair Housing Assistance Program for the initial formation and coordination of activities necessary to establish the Academy. The curriculum, site, and faculty have been identified in collaboration with HUD and fair housing partner leaders. HUD contracted with the USDA Graduate Schools to manage the day to day operations of the Academy. In addition, in partnership with HUD, the Graduate School developed the curriculum for the Academy.

Currently, trainees who successfully complete the five-week core curriculum of the National Fair Housing Training Academy will receive a certificate which denotes a level of expertise in civil rights enforcement; an embracing of the core values of fairness and equal opportunity; a commitment to excellence; respect for the dignity of all those we serve; fairness; professionalism; and personal and organizational integrity. The FY 2008 Annual Performance Plan (see Appendix A of that plan) revised the FY 2007 indicator to capture the number of fair housing professionals receiving certificates of completion instead of the number of investigators receiving full certification. HUD is working on formal certification of Academy's curriculum to authorize certification of Academy participants.

Program website. <http://www.hud.gov/offices/fheo/nfhta.cfm>

Results, impact and analysis. The target was not met. One-hundred seventy four participants have completed the five week basic coursework since the inception of the Academy. By FY 2006, 796 fair housing professionals enrolled in the Academy and 59 attendees had completed all five modules and received certificates of completion. During FY 2007 the number of completion certificates issued nearly doubled.

Resources and performance link. All state and local fair housing professionals must become more efficient and adept at processing cases. To ensure this, HUD requires fair housing investigators to satisfactorily complete 200 hours of



training in theory and techniques of fair housing investigations. The Academy courses cover such topics as case management, civil rights laws, legal updates, testing, compliance monitoring, investigation, and conciliation. The requirements currently apply to all full-time investigators in Fair Housing Assistance Program agencies.

Reasons for shortfall/plans and schedule to meet the goal. The Academy has only been in existence for three years. In this short time the Academy has evolved with the addition of a fully structured curriculum, professional staff, and the Academy Administrator. Over the course of FY 2007, the Academy encountered severe logistical issues. The original site of the Academy was inaccessible for persons with disabilities and there were problems maintaining the building in a safe and sanitary condition. HUD, the Graduate School and Howard University engaged in a series of conversations which culminated in the decision to move the NFHTA after Howard University determined that it could not adequately address the accessibility and habitability issues. During this timeframe, the FHAP agencies complained of the site conditions and the number of FHAP participants declined. In July 2007, HUD temporarily relocated the NFHTA to the Graduate School campus pending the identification of a permanent home. The NFHTA FHAP constituency has communicated its approval of the new location and we anticipate enrollment will grow. Further, NFHTA is conducting outreach to the Fair Housing community to ensure that the numbers of participants will grow in FY 2008.

Data discussion. Staff tracking and recordation of online registration ensures accurate enrollment census and curriculum completions. Enrollment and completion data is used to measure and verify improvement of investigative skills.

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

D2.1: Recipients of FHIP education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.

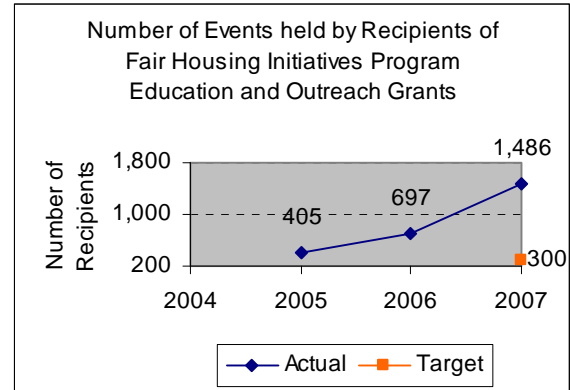
Background. The Fair Housing Initiatives Program provides grants to public, private, and nonprofit groups to conduct education and outreach activities within particular communities. The 2002 HUD study, "How Much Do We Know?" examined the public's awareness of the Fair Housing Act's prohibitions against housing discrimination. In 2006 HUD conducted a follow-up survey to determine whether public awareness had increased. The study found that there was little improvement in knowledge of the Fair Housing Act over four years. The study also found that, as with the earlier study, few people do anything about perceived acts of discrimination. Fair Housing Initiatives Program organizations create greater awareness of housing discrimination, lending discrimination, and predatory lending through the publicity generated by their enforcement efforts and the education they conduct with Education and Outreach Initiative grants.

Program website. <http://www.hud.gov/offices/fheo/partners/FHIP/fhip.cfm>

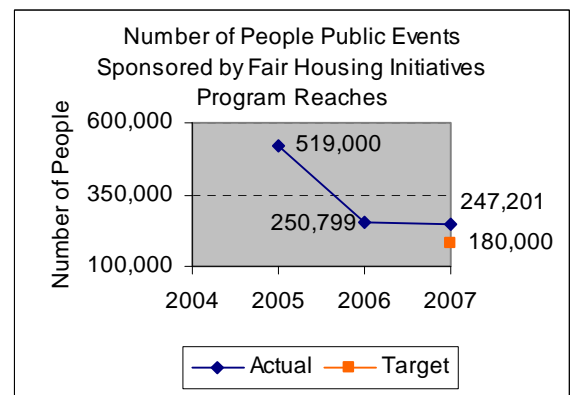
Results, impact, and analysis. The goal was met. Fair Housing Initiative Program grantees held 1,486 education and outreach events, a nearly 400 percent increase over the goal of 300 and more than doubles the 697 events held during FY 2006. Additionally, grantees reached

247,201 persons in holding events exceeding the goal of 180,000 by 67,201, or more than 30 percent.

HUD's education and outreach efforts, particularly those carried out through this program, have led to an increase in public awareness of fair housing laws. For example, tracking surveys conducted by the Ad Council in 2003 and 2004 measured the impact of HUD's Fair Housing Initiative Program-funded fair housing public service announcements finding that: (1) those who saw the public service announcements were more likely to be aware of the Fair Housing Act than those who did not (87 percent versus 70 percent); (2) people who saw at least one of the public service announcements were more likely to be aware of housing discrimination as a problem; and (3) the general public's knowledge of the Fair Housing Act increased from 67 percent to 74 percent.



Resources and performance link. The overall Fair Housing Initiatives Program budget has been relatively stable at approximately \$20 million. The increase in public awareness has likely contributed to the rise in public reports of housing discrimination. Fair Housing Assistance Program agencies received 7,034 complaints in FY 2005, a 7.4 percent increase over FY 2004. In FY 2006 and FY 2007, HUD and partner agencies have received more than 10,000 complaints of housing related discrimination.



Data discussion. HUD requires Fair Housing Initiatives Program recipients to report their education and outreach activities. HUD tracks the total number of events held and persons reached based on data derived from the quarterly and final reports submitted by the grantees. 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. The data are reported in HUD's Integrated Performance Reporting System.

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

D3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.

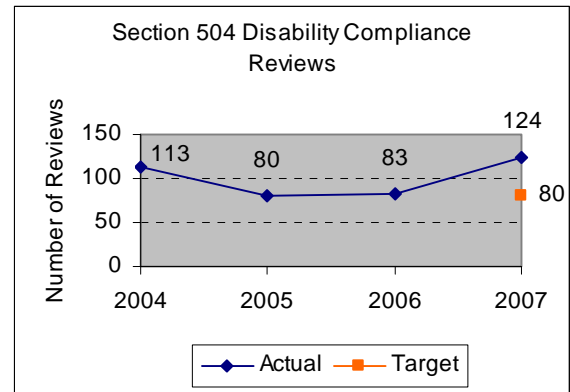
Background. The Office of Fair Housing and Equal Opportunity reviews Public Housing Authorities, providers of HUD-assisted housing, and other HUD grantees for compliance with Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination by recipients of HUD federal financial assistance on the basis of disability.

Recipients undergo compliance reviews to review accessibility of programs and activities the physical accessibility of housing units.

Program website. <http://www.hud.gov/offices/fheo/disabilities/index.cfm>

Results, impact, and analysis. The goal was met. FHEO conducted 124 Section 504 compliance reviews and issued Letters of Findings for each review. The target was exceeded by 55 percent of the 80 reviews that were planned. The total compliance reviews conducted this year exceeded the reviews in the past two fiscal years by more than 50 percent with 83 reviews completed in FY 2006 and 80 in FY 2005.

Resources and performance link. Compliance reviews are essentially staff resources. A Section 504 compliance review is complete when the letter of finding is sent to the recipient. Compliance reviews are conducted either on-site or remotely. HUD completes a compliance review by issuing a letter of finding, containing the findings of fact, a finding of compliance or noncompliance, and a description of an appropriate remedy for each violation identified, if any. Each field office enters compliance review or monitoring data into the Title Eight Automated Paperless Office Tracking System and HUD Integrated Performance Reporting System. Notification letters of all compliance reviews are issued in advance of a review or Voluntary Compliance Review monitoring and on-site reviews are conducted within 60 days of notification letter. Investigative reports are completed within 120 days of notification letters.



Data discussion. Letters of Findings, Letters of Determination, monitoring reports and proposed Voluntary Compliance Agreements are all documented and filed at the regional offices. Dates of each milestone are entered into the Title Eight Automated Paperless Office Tracking System and field offices enter compliance and monitoring data into the HUD Integrated Performance Reporting System. The Office of Fair Housing and Equal Opportunity's Office of Field Oversight monitors field office activities and records are examined during Quality Management Reviews.

D3.2: HUD will verify that HUD-assisted units are made accessible as a result of Voluntary Compliance Agreements. Beginning in FY 2007, develop and maintain a database of the accessible units.

Background. HUD's 2005 study "Discrimination Against Persons with Disabilities: Barriers at Every Step" revealed high levels of discrimination against persons with disabilities. For example, the study revealed that at least one-third of the advertised rental properties in the Chicago area were not accessible to persons in wheelchairs. Additionally, disability related complaints averaged about 40 percent of all fair housing complaints processed from FY 2003 through FY 2006 and represented approximately 43 percent of complaints filed in FY 2007. Through Section 504 Compliance Reviews, HUD ensures that HUD recipients meet the Section 504 accessibility requirements. HUD signs voluntary compliance agreements (VCAs) with HUD recipients that are in noncompliance with Section 504. In the VCAs, they agree to

develop accessible units within a time frame. To ensure that accessibility units are being developed on schedule FHEO monitors the VCAs and tracks these units.

Program website. <http://www.hud.gov/offices/fheo/disabilities/index.cfm>

Results, impact, and analysis. The goal was met. The Office of Fair Housing and Equal Opportunity's Office of Information Services and Communications and the Office of Policy, Legislative Initiatives and Outreach worked together to determine data requirements for the database system. The Office of Information Systems developed the system based on the necessary requirements and ensured that the system was tested and operational.

Resources and performance link. The Office of Policy, Legislative Initiatives and Outreach will now develop reporting criteria for field offices to report and manage data. Criteria will be developed based on data requirements and the Office will work with field offices to develop the appropriate reporting criteria. The Office of Fair Housing and Equal Opportunity will collaborate with HUD's Office of the Chief Information Officer to identify the most effective software system based on the organization's needs.

Data discussion. Managers will provide quality assurance by reviewing the results of fair housing enforcement efforts. Accessible housing units will be verified through onsite inspections conducted by field staff to ensure compliance with applicable fair housing laws and other regulations.

D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.

D4.1: HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to FHEO for review and appropriate action.

Background. This cross-cutting indicator focused on ensuring all HUD-funded programs provided equal opportunity in housing and non-discrimination in programs or activities conducted by recipients. HUD program offices conducted limited civil rights monitoring reviews of HUD-funded entities during regular program monitoring reviews utilizing checklists developed by HUD program offices and the Office of Fair Housing and Equal Opportunity. The program offices referred the checklists to the Office of Fair Housing and Equal Opportunity for review and appropriate action as necessary. The information was used to assess the relative Civil Rights risk of HUD funded recipients. Based on the risk level (low, medium, or high) HUD recipients are then identified for FHEO program monitoring reviews or compliance reviews.

Program website. <http://www.hud.gov/offices/fheo/FHLaws/index.cfm>

Results, impact, and analysis. The goal was met. The Office of Fair Housing and Equal Opportunity's Office of Policy Legislative Initiatives and Outreach received 13,040 front-end civil rights and limited monitoring review checklists and supporting data from a variety of programs implemented by HUD's Office of Public and Indian Housing, Office of Housing and the Office of Community Planning and Development. This inaugural year of such collaboration is expected to continue and to enhance HUD's commitment to provide housing and other HUD programs and activities free of discrimination.

Resources and performance link. The Office of Fair Housing and Equal Opportunity's Office of Policy Legislative Initiatives and Outreach gathered data from other HUD program offices and determined the annual target. The Office will conduct follow-up activities with the various offices to ensure recipient compliance with fair housing and other civil rights laws and conduct formal compliance reviews if information contained in the checklist warrants such action.

Data discussion. The Office of Policy Legislative Initiatives and Outreach receives front-end reviews from other HUD program offices and reports accomplishments to the Office of Fair Housing and Equal Opportunity's Office of Management Planning and budget. Front-end and limited monitoring review checklists are maintained in the FHEO field offices and data is entered into the HUD Integrated Performance Reporting System.

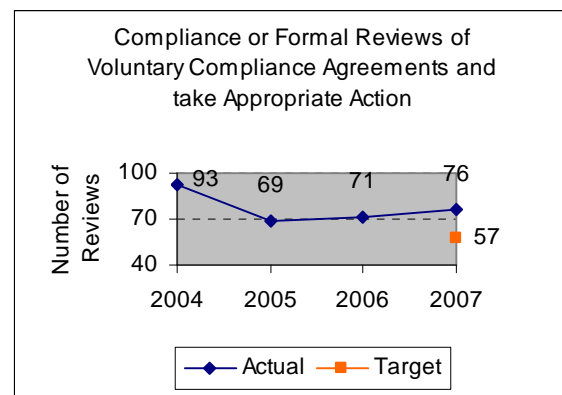
D4.2: Conduct 57 compliance reviews or formal monitoring reviews of Voluntary Compliance Agreements, either exclusively or concurrently under Title VI and Section 109, and take appropriate corrective action.

Background. The Office of Fair Housing and Equal Opportunity reviews Public Housing Authorities, 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. HUD's total net discretionary budget authority is \$37.5 billion for housing and community development programs, and this indicator highlights the Department's commitment to ensuring fair housing compliance in all programs directed by HUD.

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.

Program website. <http://www.hud.gov/offices/fheo/FHLaws/index.cfm>

Results, impact, and analysis. The goal was met. FHEO conducted 76 Section 109 compliance reviews and issued Letters of Findings for each review. The target was exceeded by more than 33 percent of the 57 reviews that were planned. The total compliance reviews conducted this year exceeded the reviews conducted in FY 2006 by eight percent when 71 reviews were completed. In FY 2006, HUD issued letters of findings in 11 Section 109 compliance reviews and 60 Title VI compliance reviews. The Department will continue to review its programs and activities to ensure that they are administered in a non-discriminatory manner.



Resources and performance link. This outcome represents an improvement over last fiscal year despite limited staffing and other resources. Title VI and Section 109 compliance reviews and Voluntary Compliance Agreement monitoring is complete when the letter of finding is sent to the recipient. HUD completes a compliance review by issuing a letter of finding, containing






the findings of fact, a finding of compliance or noncompliance, and a description of an appropriate remedy for each violation identified, if any. Each field office enters compliance review or monitoring data Title Eight Automated Paperless Office Tracking System and HUD Integrated Performance Reporting System. Notification letters of all compliance reviews are issued in advance of a review or VCA monitoring and on-site reviews are conducted within 60 days of notification letter. Investigative reports are completed within 120 days of notification letters.

Data discussion. Letters of Findings, Letters of Determination, monitoring reports and proposed Voluntary Compliance Agreement's are all documented and filed at the regional offices. Dates of each milestone are entered into Title Eight Automated Paperless Office Tracking System and field offices enter compliance and monitoring data into the HUD Integrated Performance Reporting System. The Office of Fair Housing and Equal Opportunity's Office of Field Oversight monitors field office activities and records are examined during Quality Management Reviews.

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










Strategic Objectives:

- E1 Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.**
- E2 Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.**
- E3 Improve accountability, service delivery, and customer service of HUD and its partners.**
- E4 Capitalize on modernized technology to improve the delivery of HUD's core business functions.**

PERFORMANCE REPORT CARD - GOAL E								
		2004	2005	2006	2007	2007		
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met	Notes
E1	Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.							
E1.1	The Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System will complete four milestones in support of strategic human capital management. (specific milestones listed below)	Yes	3	3	3	4	see below	
	On-time budget request using human capital data				Yes	Yes		
	Pilot Total Estimation and Allocation Mechanism in Office of Fair Housing and Equal Opportunity				Yes	Yes		
	Human Capital data used in assessing human resources needs and hiring decisions				Yes	Yes		
	Complete study in Single Family Homeownership Centers and Headquarters				No	Yes		
E1.2	HUD will reduce mission critical general skill gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.	N/A	1	10%	50%	50%		

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE REPORT CARD - GOAL E

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
E1.3	HUD will reduce mission critical skill gaps by 25 percent in the leadership and management competency.				100%	25%		
E1.4	Eighty percent of HUD interns are retained and targeted for mission-critical positions in HUD offices.	N/A	84%	Recruit	98%	80%		
E1.5	HUD employees continue to become increasingly satisfied with the Department's performance and work environment.	12	1%	N/A	61%	100%		
E2	Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.							
E2.1	Sustain progress in eliminating non-compliant financial management systems.	4	2	2	2	2		
E2.2	Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.							
	Management Decisions	100%	99.5%	100%	99.6%	99%		
	Final Actions	33	35	7	1	8		
E2.3	HUD financial statements receive an unqualified audit opinion.	Yes	Yes	Yes	Yes	Yes		
E2.4	HUD will conduct training and exercise the Continuity of Operations Program.	N/A	N/A	Yes	Yes	Yes		
E2.5	The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the Conveyance Program on the sale of single family assets.	76.9%	77.4%	76.0%	72.93%	60.5%		








SECTION II: PERFORMANCE INFORMATION
GOAL E: EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT, AND ACCOUNTABILITY

PERFORMANCE REPORT CARD - GOAL E

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
E2.6	Use the structure established by Vision 2010 to modernize HUD's information technology systems, maintain well-managed information technology investments, and promote collaboration between business functions.							
	Progress in business system modernization				Yes	Yes		
	Coordination of Development, modernization and enhancement spending through Segment Architectures Core IT Services				80%	80%		
	Review of major information technology development investments for specified criteria				100%	100%		
	Evaluation of information technology investments against HUD investment performance indicators				100%	100%		
E2.7	HUD will meet specified information technology-related security requirements.							
	Continue the Certification and Accreditation effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems have been certified and accredited.			100%	100%	100%		
	Prioritize and remedy high priority risks.			49%	100%	100%		
	Ensure 90 percent of HUD employees and contractors will have completed IT Security and Awareness Training.			98%	96%	90%		
E2.8	The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 94 percent.	95.0%	97.3%	96.2%	98.5%	94%		
E2.9	The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.	91%	92%	93%	94%	90%		
E2.10	A minimum of 20 percent of active CPD program grantees will be monitored for compliance with statutory and regulatory requirements.	N/A	21%	23%	22%	20%		
E2.11	The Chief Information Officer will perform quality assessments of data used by HUD's major systems to report on 15 Annual Performance Plan performance indicators not previously assessed.			8	15	15		




DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE REPORT CARD - GOAL E

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
E2.12	Respond to 2,000 inquiries, complaints, and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.				7,609	2,000		
E2.13	By the end of FY 2013, HUD will have an enterprise-wide financial management system that is compliant with all laws and regulations.				Progress toward completion	Progress toward completion		g
E3	Improve accountability, service delivery, and customer service of HUD and its partners.							
E3.1	HUD partners become more satisfied with the Department's performance, operations, and programs	N/A	N/A	N/A	N/A	N/A	N/A	a
E3.2	At least 85 percent of key users (including researchers, state and local government, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.	N/A	87%	94%	N/A	N/A	N/A	a
E3.3	More than 6 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research's website.	5.3	5.9	8.3	7.41	6		k
E3.4	One hundred percent of HUD's competitive grant packages will be available electronically through Grants.gov/Apply for those programs the Grants.gov system can accommodate.			100%	100%	100%		
E3.5	Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements.		100%	100%	100%	100%		
E3.6	The FHA Mutual Mortgage Insurance fund meets Congressionally mandated capital reserve targets.	5.53%	6.02%	6.82%	6.40%	2.0%		
E4	Capitalize on modernized technology to improve the delivery of HUD's core business functions.							
E4.1	The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.	6.9%	5.6%	5.4%	5.5%	5%		

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PERFORMANCE REPORT CARD - GOAL E

		2004	2005	2006	2007	2007		
	Performance Indicators	Actual	Actual	Actual	Actual	Target	Met	Notes
E4.2	PHAs will submit accurate tenant characteristics data on 95 percent of the households in accordance with established timeframes and 95 percent of the required financial statements on a timely basis.							
	Accurate tenant characteristics data			96.8%	97%	95%		
	Timely financial statements			90.6%	96%	95%		
E4.3	By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will assist the Office of Housing maintain the insured and/or assisted multifamily housing properties in physically condition by closing 80 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2006, by September 30, 2007.							
			85%	96.8%	100%	80%		

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.
- m For one year period ending June 30, 2007
- n First half of calendar year
- o One-year lag in data.

E1 Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.

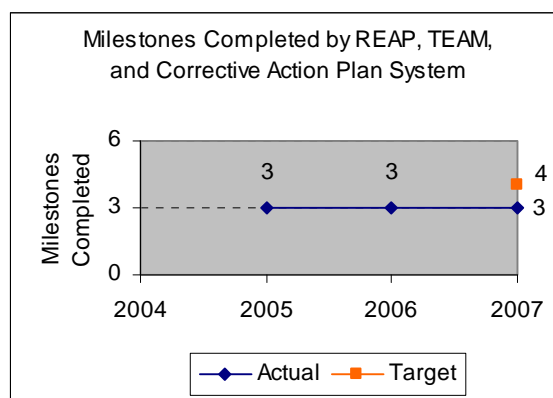
E1.1: Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism and, the Corrective Action Plan System will complete four milestones in support of strategic human capital management.

Background. The Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism (REAP/TEAM) supports the Department's effort to estimate, allocate, and validate resources for effective and efficient program administration and management. It is a tool for assessing whether the Department has the right number of people in the right places. It is also provides a foundation for HUD's long-term human capital strategies, including succession planning.

Program website. <http://hudatwork.hud.gov/po/f/team/reapteam2.cfm>

Results, impact and analysis. Three of four milestones were completed and the fourth milestone was substantially completed during the fiscal year and will be completed in the first quarter of FY 2008.

- The FY 2008 Budget request was submitted to Congress on time with REAP/TEAM/CAPS data used to develop FTE requirements.
- The TEAM Allocation Module was piloted in Fair Housing and Equal Opportunity with positive feedback.
- REAP/TEAM/CAPS data was used in assessing HR needs and making hiring decisions.
- A REAP study of the Single Family Homeownership Centers, covering 734 FTE, was completed.



Resources and performance link. Developed in conjunction with the National Academy of Public Administration, REAP was first implemented by the Department in FY 2001 and is a key tool in allocating staff resources to improve performance. HUD developed TEAM as an automated information system that captures samples of actual workload accomplishments and employee time usage by HUD employees. The Corrective Action Plan System (CAPS) is used to collect payroll information by office in support of Departmental managerial cost accounting/activity based accounting.

Reasons for shortfall/plans and schedule to meet the goal. Completion of the REAP studies of Single Family Headquarters was delayed by the need to try and assess the impact of FHA Secure and pending FHA Reform legislation and will be completed during the first quarter of FY 2008.

Data discussion. Data in the two systems are maintained by the Office of the CFO's Office of Budget. TEAM data is based on random sampling of time usage and actual workload

accomplishments from all program areas. Supervisors validate employee data input. Data are maintained by fiscal year.

E1.2: HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.

Background. As part of HUD's Strategic Plan and its Strategic Human Capital Management Plan, the Department developed workforce plans for each program area to address closing skill gaps in mission critical competencies. Success in these efforts will help ensure qualified staff to carryout HUD's principal mission and program operations in a highly effective and efficient manner.

The Department had expected to reduce, by an additional 15 percent from the expected FY 2006 reduction, its identified mission critical general skill gaps for the four core program offices. Data, however, were not collected in a way to allow aggregate reporting to the program office level. That is, data do not exist that would allow HUD to report on the percentage contribution of each program office's efforts through recruitment and training on the overall departmental reduction of mission critical skill gaps. Therefore, the indicator goal was amended in Appendix A of the FY 2008 Annual Performance Plan. For the revised indicator, each of the core business offices identified a specific mission critical competency, established a baseline of existing skills gaps for that competency, set targets to close those gaps, and proceeded with various activities, including training and recruitment, to reduce the targeted competency gap within each core group by 50 percent.

Program website: <http://www.hud.gov/offices/adm>

Results, impact, and analysis. Each core business office met the established goal of a 50 percent reduction, with PIH, Housing, and CPD exceeding the target. All offices focused on increasing staff skills from the "Beginner level" to the "Advanced level" for the identified mission critical competencies. This approach yielded the dual benefit of strengthening the skills of existing staff in mission critical positions for improved performance, and adding value to outreach and recruitment by helping to identify necessary technical skills among job applicants and prospective hires.

Specific results from the core business offices include:

- *PIH:* The financial analysis training for PIH staff included a review of the basics to support improved asset management. Staff benefited from the introduction to the asset-based funding formula for operating public housing to make it more cost-effective.
- *FHEO:* Staff in FHEO exhibited substantial improvement in written work products pertaining to various aspects of the investigative process (e.g., quality of case determinations; Section 504 compliance reviews, and general investigations).
- *Housing:* The in-house Gateway to Learning Development curriculum covered a variety of HUD programs and topics essential to Multifamily personnel. For example, these topics included government systems, financial management/cost certifications, project management; asset management, and asset development.

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- *CPD*: Training received by CPD staff included a review of Basic CDBG and HOME, with a comprehensive look at the related financial management requirements. Completion of the training resulted in improved regulatory proficiency among the participating staff.

The chart below shows the competencies targeted and the percentage of the gap reduction.

Program Office	Competency	Baseline Skill Level (number of employees)			Current Skill Level (number of employees)			Pct. of Gap Closed
		Advanced	Beginner	Skill Gap	Advanced	Beginner	Remaining Gap	
PIH	Financial analysis	117	49	49	157	9	9	81%
FHEO	Analytical ability and reasoning	145	191	191	242* (trained + new hires)	118	94	50%
Housing	Asset Management	335	94	94	429	0	0	100%
CPD	Finance and statistics	50	25	25	75	0	0	100%

* In addition to conducting training, the Office of Fair Housing and Equal Opportunity augmented its gap closure efforts by hiring 24 new staff, including 12 supervisors. These supervisory hires brought additional technical expertise to support in-house training, as well as developmental support for existing staff and the new staff hired at the intermediate levels.

Data discussion. The Office of Training Services gathered skill gap closure data from each of the program offices. A skill gap is considered reduced either by completing the specified training or through recruitment. Effectiveness of completed training will be assessed in FY 2009. The baseline data represent managers' perceptions of their staff and may be limited by subjectivity. Initially, the data was developed at a strategic level, based on the managers' knowledge of the capability of existing staff and subsequently augmented with employee input during the development of Individual Training Action Plans. The progress of the targeted competency gap closure was monitored quarterly with the Office of Personnel Management oversight partners under the President's Management Agenda human capital scorecard.

E1.3: HUD will reduce mission critical skill gaps by 25 percent in the Leadership and Management competency.

Background. HUD remains committed to having a high quality workforce as it continues to implement both the Department's Strategic Plan and its Strategic Human Capital Management Plan. In FY 2005, in response to the President's Management Agenda, HUD developed a Department-wide Management Competency Plan to ensure that HUD maintains a highly trained and effective corps of supervisors, managers, and executives to lead the Department in accomplishing its current and future mission, goals, and objectives. In August 2006, Secretary Jackson sent a HUD Training Strategy memorandum to all HUD employees stating that "Beginning in FY 2007, the responsibility for promoting continuous training and development of employees will be a mandatory requirement documented in each manager's and supervisor's

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performance plan.” Also, the Department initiated a new requirement that each program organization has in place an Individual Training Action Plan for each employee beginning in FY 2007. Using these Individual Training Action Plans, program organizations developed their Program Training Action Plans, which then were used to create a Departmental-wide Training Action Plan featuring the top ten cross-cutting general and managerial training needs (i.e., competency skill gaps). By the end of FY 2006, HUD had trained all current supervisors, managers, and executives in that years’ identified leadership and management competency, conflict management or alternative dispute resolution. In FY 2007, HUD targeted three additional competencies from the plan and implemented an action plan to reduce those leadership and management competency skill gap by at least 25 percent.

Program website. <http://www.hud.gov/offices/adm>

Results, impact, and analysis. HUD exceeded this goal for all three identified competencies by achieving a 100 percent skill gap reduction. In FY 2007, HUD implemented a competency-based training strategy that incorporated a competency assessment process for identifying the top technical, general and managerial training needs. The chart below shows the competencies targeted and the percentage of the gap reduction:

Competency	Baseline Skill Level (number of non-SES supervisors)			Current Skill Level (number of non-SES supervisors)			Pct. of Gap Closed
	Trained	Not Trained	Skill Gap	Trained	Not Trained	Remaining Gap	
Customer Service	1200	65	65	65	0	0	100%
Developing Others	1200	1200	1200	1200	0	0	100%
Conflict Management	1200	350	350	350	0	0	100%

Additionally, the Department developed and implemented a mandatory training program (New Supervisor Training Program), which provides new supervisors with human resource management procedures, techniques, tools, and contacts that will enable them to effectively perform their supervisory duties consistent with HUD and federal government policies and regulations. In FY 2007, HUD had 93 new supervisors (less than one year), all of whom were targeted for and received training.

Also, HUD began implementing its full service Learning Management System (i.e., the New HUD Virtual University), which, beginning in FY 2008, will house HUD’s competency library. These core competencies will be linked to each series/position title, competency assessments, training plan development and management, training request processing, and training completion reporting functionality and will allow HUD to identify and track closure of skill gaps from a central point.

Resources and performance link. The Department spent \$311,899 for Leadership and Management training during FY 2007, which included travel expenses.

Data discussion. Management skill gaps are measured annually through the Department’s Management Competency Plan. The assessment is based upon managers’ assessments of their

staff. This process is a manual process which increases the risk of introducing errors. However, the data are assessed and validated by the Office of Training Services.

E1.4: Eighty percent of HUD interns are retained and targeted for mission-critical positions in HUD offices.

Background. This indicator is directly linked to the Department's Strategic Plan Strategic Human Capital Management Plan, and the President's Management Agenda. This indicator is a key component of an outcome measure of effective succession planning, which will ensure that the Department's employees have the skills and knowledge they need to achieve HUD's mission and that institutional knowledge is sustained.

HUD's intern programs are used to recruit and develop highly qualified people for mission-critical positions, and to meet future workforce needs. In FY 2007, all HUD intern programs were centralized under the Office of Administration and renamed as the "HUD Fellows" program. This centralization will enable the Department to better accomplish and fulfill its succession planning strategies. HUD is addressing the fact that approximately 49 percent of its workforce is currently eligible to retire and the number increases to 60 percent by FY 2009. The HUD Fellows program offers interns valuable work experiences while providing the training necessary to fill mission-critical skill gaps as employees retire. Key programs used in the succession planning efforts include: a) the Presidential Management Fellow, b) the Federal Career Intern, c) the Legal Honors Intern, and d) the Master's of Business Administration Fellow. The latter program is a recent addition designed to attract recent MBA graduates. The FY 2007 goal was to retain 80 percent of interns that were hired in FY 2006 and prioritize critical occupations for intern placements.

Program website. <http://www.hud.gov/offices/adm>

Results, impact, and analysis. HUD retained 98 percent of all interns recruited in FY 2006, thus exceeding the 80 percent retention target, and placed them in various program offices in mission critical positions. Additionally, during FY 2007, HUD recruited 47 new interns by making selections under the Presidential Management Fellow, the Federal Career Intern and the Master's of Business Administration Fellow programs. HUD identifies target positions for intern hires through workforce analysis data, areas affected by skill gaps, Full Time Equivalency gaps, and losses from retirement projections. In FY 2008, HUD expects to retain at least 80 percent of its highly qualified interns that were hired in FY 2007. HUD will continue to prioritize critical occupations for intern placements, with the emphasis on closing skill gaps and addressing projected losses from retirements.

Resources and performance link. In FY 2007, the Department spent \$107,000 on the HUD Fellows program. This amount includes training and travel expenses. The Department remains committed to retaining interns for mission critical positions.

Data discussion. All performance reports are provided by the program offices and the data are from the National Finance Center. The Office of Administration currently administers the HUD Fellows program and in conjunction with the program offices will provide status reports on intern performance and successful completion of requirements. The Office of Administration is responsible for monitoring and measuring performance against Intern program performance goals.

E1.5: HUD employees continue to become increasingly satisfied with the Department's performance and work environment.

Background. This indicator is directly linked to both the Department's Strategic Plan and its Strategic Human Capital Management Plan, and is tied to the President's Management Agenda. A satisfied workforce translates to a strong workforce and helps to support two of the Department's human capital goals, which are to become a mission-focused agency and to maintain a high-quality, effective, and efficient workforce.

The most recent Organizational Assessment Survey—the tool used by the Department to measure workforce satisfaction—was administered in FY 2005. In response to this survey, in FY 2006, a 2006 Organizational Assessment Survey Action plan was developed in which the Human Capital Steering Committee selected (1) Training and Career Development and (2) Leadership and Quality as the primary areas for Departmental focus to increase employee satisfaction. Subsequently, an Organizational Assessment Survey Project Team, which included representatives from program offices and field training consultants, focused on developing recommendations to improve employee satisfaction for the Training and Career Development dimension. Another team comprising managers developed recommendations to improve employee satisfaction for the Leadership and Quality dimension. Developed recommendations were presented to HUD's Human Capital Steering Committee and approved for implementation.

In FY 2007, HUD expected to implement the recommendations approved by the Human Capital Steering Committee, with preliminary assessment of these implementation activities and results to be used in planning and administering the next Organizational Assessment Survey.

Program website. <http://www.hud.gov/offices/adm>

Results, impact, and analysis. The Department did not fully meet its target in FY 2007. The Department implemented 23 of the 38 (61 percent) Organizational Assessment Survey recommendations. Examples of recommendations implemented include:

- Making a Departmental commitment to training by increasing the budget allocated for training. In FY 2007, the Department set aside two million dollars dedicated to custom designing training solutions that address HUD's top general and managerial training needs. The increased budget allows Training Services to offer more courses to eliminate mission critical skill gaps.
- Providing appropriate staff to Training Services to support the training function. The Department conducted an A-76 Study/Competition of HUD's training support services to create the most efficient organization. The most efficient organization plan was submitted by HUD employees. HUD began implementing the plan by reassigning the field training consultants to Training Services.
- Assessing the Department's succession planning needs to determine where supervisors will be needed in the future. HUD staff conducted an analysis and produced Retirement Eligibility reports that will help determine where supervisory positions are impacted because of imminent retirements.
- Encouraging the use of Individual/ Professional Development Plans as a career and developmental tool. An Individual Development Plan is required for entrance into the Emerging Leaders and the SES Candidate Development Programs. It is also required for the Fellows program participants. In FY 2007, the Department announced the new

training strategy which required all employees have Individual Training Action Plans to document training and development plans each fiscal year.

In August 2006, the Office of Personnel Management administered the Federal Human Capital Survey, of which 29 major federal agencies, including HUD, participated. This survey, like the Organization Assessment Survey, generated results on employee satisfaction. Because of the more recent results provided by the 2006 Federal Human Capital Survey, a working group developed recommendations in the format of a Federal Human Capital Survey action plan to improve employee satisfaction in the areas of Leadership and Communication. The Training and Career Development and Leadership and Quality dimensions identified by the Organizational Assessment Survey are addressed in these two areas. That is, action items necessary to improve Training and Career Development are included in the recommendations recommended in the Federal Human Capital Survey 2006 Action Plan under the two focused areas which are Leadership and Communications.

The survey results from FY 2004 to FY 2006 do not indicate measurable improvements, which supports the decision to focus on the need to address a HUD cultural change. The results indicate that an organization's cultural environment has a sufficient affect on how employees react/respond to surveys because engaged employees are more likely to respond to survey questions based on actuality.

Federal Human Capital Survey Results Trends*			
Survey Question	FY 2002 Baseline	FY 2004	FY 2006 Results
Satisfied with training received for present job	46.5%	44.3%	41.6%
Supervisors/team leaders in my work unit provide employees with the opportunities to demonstrate their leadership skills	55.4%	55.6%	56.0%

* Federal Human Capital Survey Results Trends – 2006 Action Plan authorized July 30, 2007, by the Secretary for implementation

Resources and performance link. Administering another Organizational Assessment Survey would cost the Department approximately \$211,500, whereas the Federal Human Capital Survey is administered at no cost to the Department. HUD will administer the Federal Human Capital Survey in lieu of the Organizational Assessment. Both of these surveys generate results on employee satisfaction, but substantial savings will be realized by this action.

Reasons for shortfall/Plans and schedule to meet the goal. Although only 23 of the 38 recommendations were implemented, additional implementation action is scheduled. The Federal Human Capital Survey working group analyzed 2006 Federal Human Capital Survey results, along with the previous years' survey trends, and developed recommendations in an action plan. This action plan—designed to facilitate the accomplishments of items that can be completed in 2007-2008 to improve employee satisfaction—was approved for implementation by the Secretary on July 30, 2007. The Recommendations include but are not limited to:

- *Train managers in Transformational Leadership.* Provide formal “Transformational Leadership Training” to change the current leadership style. For HUD, the advantage of implementing Transformational Leadership includes opportunities to release the potential of employees to achieve in an atmosphere of support, empowerment, and risk taking. Initial training will be offered to all managers and supervisors. Training will be made available for each new manager and supervisor. Additionally, refresher training will be offered every two years.
- *Create and use peer work groups for managers.* Leadership Peer Groups would be formed to enhance the transfer of transformational leadership skills and ideas and to solidify the learning resulting from the initial training.
- *Use E-Performance SMART Plans.* Measurable performance standards will be written and put in place to support and recognize the effective use of transformational leadership skills and will hold managers/supervisors accountable for demonstrating organizational values, development of team members, and results.

The focus of the Action Plan is to transform HUD’s organizational culture into a “high performance” one through a transformation effort on improving the style and effectiveness of leadership and communication. The next Federal Human Capital Survey is tentatively scheduled to be administered August 2008.

Also, in October 2007, the Annual Employee Survey, which also measures employee satisfaction and is required by law for federal agencies to complete annually by calendar year, was administered to all HUD employees. This Survey concluded on October 19, 2007, and the results will be used to measure the levels of improvement and also to determine any modifications required for the Federal Human Capital Survey action plan.

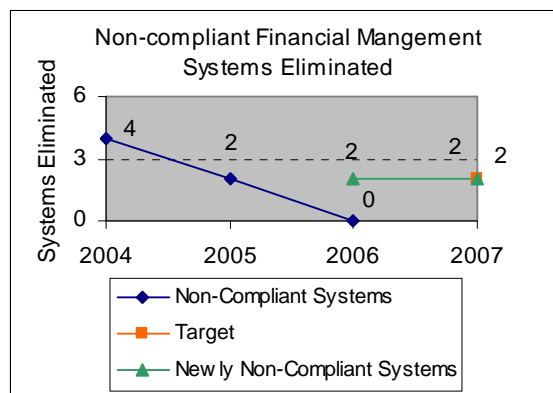
Data discussion. Both the Federal Human Capital Survey and the Annual Employee Survey were conducted by the Office of Personnel Management on an Interagency Agreement with the Department. The Federal Human Capital Survey is a tool that measures employees’ perceptions of whether, and to what extent, conditions that characterize successful organizations are present in their agencies. The survey measures factors that influence employees wanting to come, to stay, and to help the agency meeting its mission. In addition, it allows managers to examine trends to determine accomplishments and to identify areas for improvement.

The survey data are nearly free of sampling error because all employees receive the surveys. Data collected were weighed to produce survey estimates that represent the survey population. The weights developed take into account the variable probabilities of selection across the sample domains, on response, and known demographic characteristics of the survey population. The 2006 response rate was at 49.4 percent. The total employee participation was 4,075 compared to 58.2 percent for 2004 with participation at 5,343 employees. Through focusing on improving leadership and communication, HUD organizational culture can transform to foster an environment of employee engagement. This is “the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment.”

E2.1: Sustain progress in eliminating non-compliant financial management systems.

Background. As a result of the Federal Financial Management Improvement Act of 1996, all financial management systems are subject to annual review to ensure compliance. At the end of FY 2000, HUD had 67 financial management systems, of which 17 failed federal compliance requirements. By the end of FY 2006, the total number of financial management systems had dropped to 41, and all 17 financial systems identified as non-compliant had been brought into compliance. At the beginning of FY 2007 the Office of the Inspector General released a report identifying two systems as non-compliant: the HUD Procurement System, and the Small Purchase System. During FY 2007, the Department implemented a new financial management system, bringing the total number to 42.

Results, impact, and analysis. This performance initiative is met. Remediation plans for the two non-compliant systems were developed at the beginning of the year by the Office of the Chief Procurement Officer, incorporating corrective actions scheduled into FY 2009. The Department has shown sustained progress in achieving the remediation plan targets. The Office of the Chief Financial Officer is also in the process of implementing the HUD Integrated Financial Management Improvement Project which will modernize its financial management systems consistent with modern business practices, customer service, legislation, and technology.



Data discussion. The Office of the Chief Financial Officer maintains the financial management systems inventory. HUD performs financial management systems compliance reviews on a three-year cycle, or in conjunction with major systems changes, and the Office of the Inspector General also verifies compliance of HUD financial systems as part of its annual financial audit.

E2.2: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

Background. The Department's two audit resolution goals for FY 2007 were: (1) to achieve 99 percent of its total management decisions in a timely manner and (2) to end FY 2007 with a 50 percent reduction in final corrective actions that were more than 12 months overdue (designated as significantly overdue).

By meeting these targets HUD is helping to ensure that there is a reduction of fraud, waste, and abuse of public funds, which is a primary HUD objective.

The timely management decisions goal will remain at 99 percent in the FY 2008 APP. The goal for recommendations more than 12 months overdue will be reduced zero.

Program website. <http://www.hud.gov/offices/cfo/finmgmt.cfm>.

Results, impact, and analysis. Both audit resolution targets were met and one was significantly exceeded.

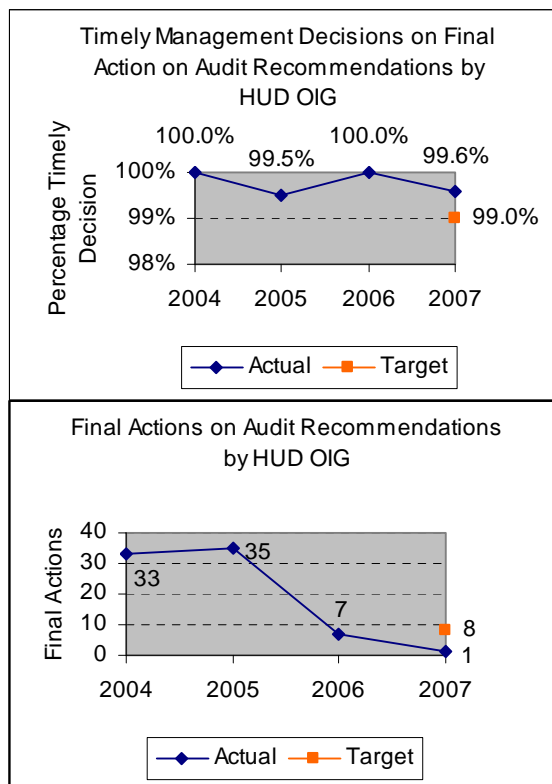
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HUD began FY 2007 with a baseline inventory of 1,314 open recommendations. During the year, 842 recommendations were identified as requiring management decisions. The Department reached timely management decisions on 839 (99.6 percent) of those recommendations, which meets the 99 percent goal.

HUD began the FY 2007 reporting period with seven significantly overdue recommendations. Through the year, 63 recommendations were added that would have become overdue by the end of the year if not settled. The year ended with one significantly overdue recommendation. This is a net annual reduction of six potentially overdue recommendations or 85.7 percent, exceeding the 50 percent reduction goal by 35.7 percent.

Resources and performance link. No attempt is made to link resources and performance for this goal, because the implementation of audit recommendations is a necessary management function. Although the time and efforts of various Departmental action officers and some analysis staff are required, the timely implementation of hundreds of audit recommendations may result in improved program performance, better compliance, and possible savings or added costs, depending on the nature of the decisions involved.

Data discussion. Data is obtained from the Audit Resolution and Corrective Action Tracking System. The data are reliable for these measures, since the HUD Inspector General, and the Office of the Chief Financial Officer reconcile and confirm the accuracy of the data.



E2.3: HUD financial statements receive an unqualified audit opinion.

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 and completeness 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.

HUD received an unqualified audit opinion for seven consecutive fiscal years (2000-2006)—an indicator of financial management discipline and stability. HUD's FY 2007 goals were to: prepare and issue its audited FY 2007 consolidated financial statements by the 45-day deadline of November 15, 2007, with an unqualified audit opinion; continue corrective actions to reduce the number of 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.

Program website: <http://www.hud.gov/offices/cfo/accounting.cfm>

Results, impact and analysis. HUD met its goal of receiving an unqualified audit opinion on its FY 2007 financial statements within 45 days after the end of the fiscal year. The Department has received an unqualified opinion for eight consecutive fiscal years. In addition, all existing material weaknesses and significant deficiencies have been reported.

During FY 2007, HUD also continued to meet its goal for producing 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 will continue to produce the annual and quarterly financial statements within the specified time frames, and take corrective action to strengthen internal controls to eliminate the material weaknesses and significant deficiencies disclosed in the OIG audit of HUD's FY 2007 consolidated financial statements.

Resources and performance link. The financial statements report the cost associated with program delivery. The financial statements identify the major program areas and the budgetary and proprietary resources expended to ensure that HUD met its program goals.

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 significant deficiencies, if applicable, 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.

E2.4: HUD will conduct training and exercise the Continuity of Operations Program.

Background. Federal policy requires federal agencies to maintain a comprehensive and effective continuity capability composed of Continuity of Operations and Continuity of Government programs in order to ensure the preservation of our form of government under the Constitution and the continuing performance of national essential functions under all conditions (See National Security Presidential Directive (NSPD)-51 / Homeland Security Presidential Directive (HSPD)-20, *National Continuity Policy*, dated May 4, 2007). A continuity of operations plan ensures HUD is able to continue performing its essential functions under a broad range of emergency circumstances by defining roles and responsibilities and deploying personnel to emergency relocation sites. The Department's FY 2007 goals were to perform quarterly testing of all Headquarters' office Continuity of Operations notification procedures at a 95 percent success rate, and conduct training of at least 80 percent of the Continuity of Operations program office coordinators.

Results, impact, and analysis. In FY 2007, HUD successfully achieved this goal. HUD achieved this goal by performing quarterly testing of all Headquarter Continuity of Operations notification procedures at a 99.6 percent success rate and conducting a Continuity of Operations training conference, which was attended by 81 percent of the program office Continuity of

Operations Coordinators and 95 percent of the HUD Office Coordinators nationwide. Additionally, HUD participated in Exercise Pinnacle, a federal interagency continuity exercise whereby all Headquarter functions were transferred to a regional office. In FY 2008, HUD will continue to perform quarterly testing of Continuity of Operations notification procedures and conduct annual training for program office contacts.

Resources and performance link. The Department spent \$2.7 million on Continuity of Operations planning during FY 2007, which included salaries, alternate site support, contractor support services, and travel. This spending is comparable to previous years.

Data discussion. The Office of Security and Emergency Planning maintains a database to document the mandatory reporting of the results of testing and training activities. These activities are conducted in accordance with the HUD Continuity of Operations Program Test, Training, and Exercise plan. HUD maintains comprehensive information by office that quarterly notification tests, annual training sessions, as well as other indicators, have been completed. The information is self-reported by the offices and reviewed by the office heads to ensure accuracy. The Office of Security and Emergency Planning performs an initial evaluation of data quality and GAO/IG may perform independent assessments and evaluations. The data are reliable for this measure.

E2.5: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the Conveyance Program on the sale of Single Family assets.

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 goal of the Accelerated Claim and Asset Disposition demonstration program is to ensure the FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single family assets and maximizing the return to FHA Insurance Funds. The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. Three subsequent auctions were held September 2003, June 2004, and May 2005. This indicator tracks the rate of recovery received on the sale of Single Family assets through the Conveyance Program.

Program Website. www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

Results, impact, and analysis. As the Accelerated Claim and Asset Disposition Demonstration matures and final disposition outcomes are made, the Department anticipates that recoveries from the program will continue to exceed Conveyance Recoveries of 60.5 percent, thereby meeting the target. Section 601 recoveries as of August 31, 2007, for the four Single Family Sales Initiatives are as follows:

Section 601 Recoveries Table

Single Family Sales Initiatives	Recoveries Adjusted for Claim Cost as of August 31, 2007
Single Family - Sale I 2002 (assets sold in FY 2003)	71 percent
Single Family - Sale II 2003 (assets sold in FY 2003)	74 percent
Single Family - Sale III 2004 (assets sold in FY 2004)	78 percent
Single Family - Sale IV 2005 (assets sold in FY 2005)	76 percent

The average net recovery rate during FY 2007 was 72.93 percent of Unpaid Principal Balance. An average recovery of 73.8 percent of Unpaid Principal Balance has been achieved across the life of the Demonstration.

Resources and performance link. The required resources for the 601 program are minimal, and the contract support needed to properly conduct sales and monitor outcomes is minimal as well. The Asset Sales Office served as the Transaction Specialist for the Single Family Joint Venture sales of 2004 and 2005, which eliminated a contract requirement from previous sales. The 601 program continues to meet the goals as established by the Department.

The **Section 601 Recoveries Table** (see above) indicated, that the two most recent sales have maintained higher recoveries to the Government than the first two initiatives. This is happening in an environment where the Conveyance Program recoveries continue to shrink and the 601 program has required less contract support.

Data discussion. The data source is the Single Family Insurance System—Claims Subsystem, provides the acquisition cost data for this indicator. FHA’s Single Family Acquired Asset Management System provides the expense detail for the Conveyance Program (Claims subsystem “type 1” transfer claims) rate of net recovery. FHA’s Subsidiary Ledger provides the Accelerated Claim and Asset Disposition recovery rate on sale of assets (Claims subsystem “type 2” claims) through its financial application. For convenience, all data are reported from FHA’s Single Family Housing Enterprise Data Warehouse.

E2.6: Use the structure established by Vision 2010 to modernize HUD’s information technology systems, maintain well-managed information technology investments, and promote collaboration between business functions.

Background. Vision 2010 is a five-year plan to modernize HUD’s business processes and information technology environment, and it represents a significant change in the way HUD designs, invests in, and implements information technology in support of its business. Better information technology can improve service delivery and more effectively carry out HUD’s mission. This plan presents a methodology for designing and implementing its information technology systems modernization by promoting collaboration of business functions, or “Segments,” and on “Core IT Services.” Modernization includes the introduction of shared tools to enhance HUD’s current applications and the disposition of redundant or obsolete systems, which will decrease costs associated with these systems. Vision 2010 will also increase access to relevant business information through simple, self-service utilities and improve the effectiveness of interactions between HUD employees, business partners and citizens. This can result in the significant outcomes of improving data and performance.

Not only does it guide the modernization process, this structure provides a blueprint for HUD to direct its Development, Modernization, and Enhancement investments so that no investment allocation is changed without first considering how it affects the whole system. Ultimately, a Department-wide system that encourages coordination in this way can provide cost savings for HUD. Redirected investment allocations will also result in a more optimized information technology portfolio. The Department has not received the funding requested for the Working Capital Fund and underfunding of this effort will either delay or reduce the intended accomplishments.

Program website. <http://www.hud.gov/offices/cio/ea/newea/index.cfm>

Results, impact, and analysis. The established FY 2007 goals were met. HUD's Enterprise Architecture (EA) has met its target goal to continue significant progress in business system modernization in the areas of Single Family, Multifamily Housing, Rental Housing Assistance, Financial Management, and Grants Management by the following activities:

- Revised EA Transition Strategy (Vision 2010), outlining the continuation of business and IT modernization for enterprise segments, i.e., core mission areas, business services and enterprise services. The revised EA Transition Strategy was reviewed and approved by the Technology Investment Board Working Group (TIBWG) and Technology Investment Board Executive Committee (TIBEC);
- Updated performance architecture for major business and IT modernization initiatives;
- Linking target performance metrics to milestones in the detailed implementation version of the EA Transition Strategy (IT Master Schedule). The IT Master Schedule provides detailed implementation milestones for major modernization initiatives, including single-family housing, multifamily housing, rental housing assistance, financial management, and grants management;
- Developed and implemented segment architecture development guidance and standard decision templates to enhance modernization planning and business decision-making for major modernization initiatives;
- Led facilitation and support efforts for modernization initiatives during each phase of the agency's IT Lifecycle Framework – *architecture, invest and implement* – including modernization planning (segment architecture development), IT investment planning, and program and project management;
- Completed annual Strategic Portfolio Review (SPR), supporting the consolidation of the agency IT investment portfolio and major modernization initiatives around core mission areas, business services and enterprise services. The EA Program Team presented SPR findings to the TIBWG, and conducted one-on-one meetings with business areas to discuss initiative-level and portfolio-level recommendations in advance of the Annual Select;
- Provided consulting services to business areas to support the maintenance and implementation of modernization plans (segment architecture) for major business and IT modernization initiatives. Modernization plans for seven active segments were approved by relevant business owners including Single-Family Housing, Multifamily Housing, Rental Housing Assistance, Financial Management, Human Resources Management, Grants Management, and Enterprise Records Management;
- Completed information flow analysis to develop target data architecture for the Single Family Housing (SFH) core mission area;

- Developed Integrated Project Team (IPT) charter for continuation of Grants Management modernization planning. The EA Program Team is supporting the Grants Management (GM) IPT during development of revised modernization plan;
- Initiated development of a modernization plan for Acquisition Management business services. The EA Program Team is supporting the Acquisition Management IPT during development the modernization plan;
- Implemented a web-based version of HUD's enterprise-wide technical reference model (TRM) and Standards Profile. The TRM and Standards Profile provide guidance for the acquisition, development, integration, deployment, and operation of information systems and infrastructure for modernization initiatives, supporting improvements in enterprise interoperability, asset reuse, and information sharing;
- Aligned major modernization initiatives with cross-agency initiatives described in the Federal Transition Framework including E-Gov initiatives, Line of Business initiatives, and government-wide initiatives, for example, Internet Protocol Version 6;
- Commenced process to update EA Transition Strategy (Vision 21st Century), including collaboration with business areas to revise business performance indicators and measures and define target performance milestones. Collaborated with IT Operations and OSIE staff to verify major implementation milestones and define dependencies to modernization initiatives;

In addition, the following these goals were met by the Office of the Chief Information Officer.

1. 80 percent of Development, Modernization, and Enhancement (non-infrastructure) spending is coordinated through Segment Architectures and Core IT Services.
2. 100 percent of major information technology development investments were reviewed for progress in meeting cost, schedule, risk, and benefit expectations.
3. 100 percent of information technology investments were evaluated against HUD's investment performance indicators.

Resources and performance link. The EA Team spent approximately \$1.8 million in FY 2007 Enterprise Architecture efforts to ensure significant progress in business system modernization continues. For fiscal years 2006 and 2007 the Working Capital Fund has been underfunded by a total of \$108.1 million (President's Budget vs. Appropriation). IT modernization initiatives will be significantly affected if requests continue to be underfunded.

Data Discussion. Enterprise Architecture activities are included in HUD's Information Technology Strategic Plan for FY 2007 to FY 2012. 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.

Information Technology Investment Management activities include the Working Capital Fund Operating Plan dated July 31, 2007. The reliability of the data is maintained by a close working relationship between the Office of the Chief Information Officer and Office of the Chief Financial Officer to authorize and verify that funds are available before Office of the Chief Procurement Officer initiates contract actions.

In addition, Project managers record actual costs and schedule projects in individual project plans and upload them to the electronic capital planning and investment control (eCPIC) system.

E2.7: HUD will meet specified information technology-related security requirements.

Background . The Federal Information Security Management Act of 2002 establishes security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD's Information Technology Security Office provides protection for HUD's information systems and resources and has responsibility for implementing security controls in compliance with the Federal Information Security Management Act. The FY 2007 budget requirement of \$5.5 million was needed to support the Information Technology Security Program at HUD, however only \$1.1 million was allocated in the FY 2007 budget. There are currently 14 full-time equivalent resources allocated to support this program.

In FY 2007, the Information Technology Security Office continued to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use and modification. This included meeting the following three requirements:

Continue the Certification and Accreditation effort to ensuring that 100 percent of major applications documented in the Inventory of Automated Systems have been certified and accredited. This requirement included:

- Integrating information technology security tasks and milestones into HUD's software development lifecycle model to ensure that security controls requirements are identified and addressed in a timely and cost effective manner, and that all information technology systems are certified and accredited prior to their operation.
- Monitoring the status and effectiveness of annual system-level contingency plan testing.
- Reviewing annually all system security plans for currency and completeness, and include deficiencies on Plans of Action and Milestones.

Prioritize and remedy high priority risks. This requirement includes:

- Performing a review of 100 percent of Plans of Action and Milestones, with emphasis on remediation of all weaknesses categorized as high risk.
- Ensuring that independent penetration testing of HUD's information technology infrastructure is conducted annually.

Ensure that 90 percent of HUD employees and contractors will have completed information technology Security and Awareness Training. This requirement includes:

- Promoting enterprise-wide security awareness through provision of computer-based training for all HUD users; specialized information technology security training for personnel assigned significant security responsibilities; and training of personnel serving as primary or alternate Information Systems Security Officers in the roles and responsibilities of that position.

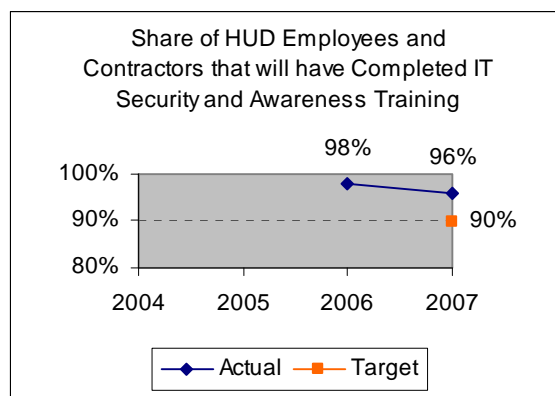
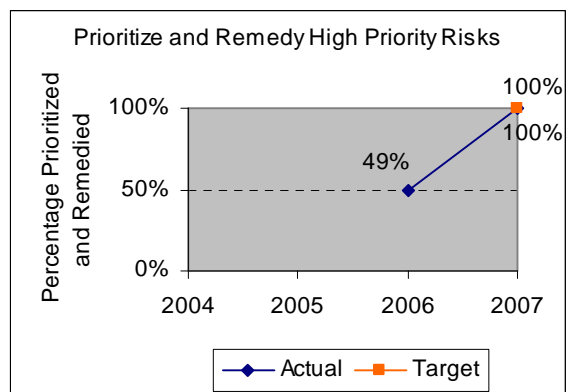
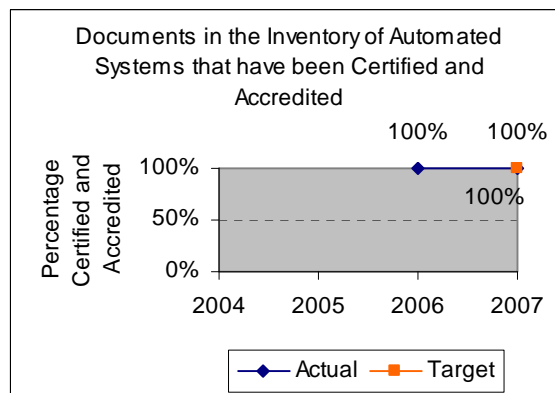
During the midyear adjustment period, the following criteria were added to

- Develop and manage plan for implementing OMB-directed standard security configurations for Windows XP and Vista; and
- Manage implementation of controls to address PII protection requirements specified in OMB Memo 06-16.

Program website: <http://hudweb.hud.gov/po/i/it/security/secure.cfm>

Results, impact, and analysis. The established goals were met. The following information highlights the results.

- As of the end of FY 2007, 100 percent of HUD's major applications and general support systems documented in the Inventory of Automated Systems had undergone Certification and Accreditation. The IT Security staff has coordinated with program offices, system owners, and project leads to integrate IT security tasks and milestones into project plans of systems in development, and to ensure that such systems are certified and accredited prior to their operation.
- During FY 2007, the Office of IT Security coordinated with program offices, and system owners, and project management staff to ensure that system level contingency plans were effectively tested and that lessons learned during such testing were integrated into the applicable system contingency plan.
- The Office of IT Security continued its program for annual review of system security plans for all major applications and general support systems for currency and completeness, and included shortfalls in documentation in the plan of action and milestones applicable to the system.
- During FY 2007, individual weaknesses in IT security controls continued to be prioritized according to risk and were recorded in system plans of action and milestones. Corresponding remediation efforts of program offices were monitored for timeliness and completeness, resulting in a substantial reduction in their number. One hundred percent of POA&Ms were reviewed during the year and priority of effort was directed toward mitigation of high impact weaknesses.
- Annual penetration testing of components of the HUD network was conducted by HUD's incident response team.
- Over 96 percent of HUD employees and contractors completed annual information technology security training that included enterprise-wide computer-based awareness training of all users; specialized information technology security training for personnel assigned significant security responsibilities; and provision of role-based training to personnel serving in key security responsibilities.
- Developed and managed a plan for implementing OMB-directed standard security configuration for Windows XP.



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

- Managed implementation of controls to address requirements for the protection of personally identifiable information as specified in OMB Memo 06-16.

Resources and performance link. OITS Web Site:
<http://hudweb.hud.gov/po/i/it/security/secure.cfm>

Reasons for shortfall/Plans and schedule to meet the goal. All requirements of OMB Memo 06-16 have not been fully implemented pending selection of appropriate commercially-available technological solutions, and funding for those solutions.

Data discussion. The source of this information is the Office of IT Security. Files and records are maintained by HUD's Office of IT Security to substantiate the information provided above. The Chief Information Security Officer has reviewed the information provided in this section and vouches for its reliability and completeness. The data provided addresses progress made during FY 2007 as of September 30, 2007. The validity of the data presented herein can be validated through coordination with the Compliance Division of the Office of IT Security to obtain source documentation related to the submission.

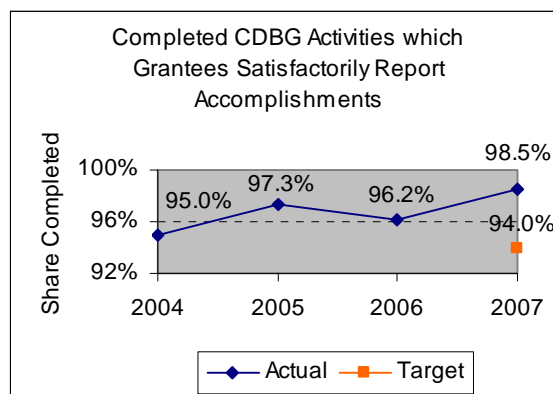
E2.8: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 94 percent.

Background. This indicator reports on the level of reporting of CDBG grant activities into the Integrated Disbursement and Information System, which collects data for HUD's block grant and formula grant programs that serve local jurisdictions—CDBG, HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons With AIDS. In order to meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 94 percent of activities completed during the fiscal year.

Reporting for CDBG is measured by the proportion of completed activities, for which grantees have reported accomplishments data, based on activities that meet one of the CDBG program's three national objectives.

Program website. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

Results, impact, and analysis. Integrated Disbursement and Information System data indicate that 98.5 percent of CDBG grantees entered activity level accomplishment data in FY 2007, thereby exceeding the 94 percent goal and 96.2 percent in FY 2006. The goal will remain at 94 percent for FY 2008. While the goal was met, there is significant variation in the quality and completeness of data entered by grantees.



Resources and performance link. Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. Grantees enter data into the Integrated Disbursement and Information System to report accomplishments.

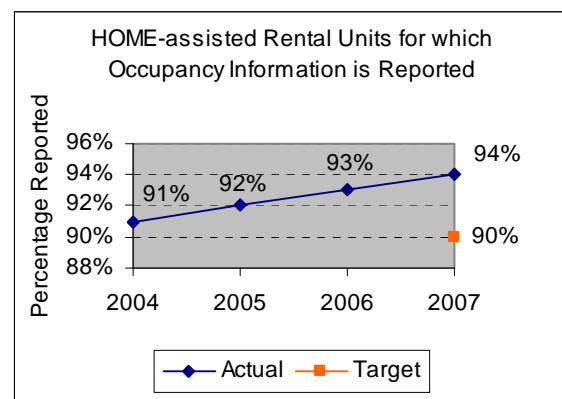
Data discussion. HUD relies on grantees to enter data into the Integrated Disbursement and Information System.

E2.9: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 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. Complete 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.

Program website. <http://www.hud.gov/homeprogram/>

Results, impact, and analysis. The FY 2007 goal was met with 94 percent of rental units having occupancy information reported in the Integrated Disbursement and Information System. This is a one percent increase over the FY 2006 level of 93 percent, and met the FY 2007 goal for maintaining the percentage of rental units for which occupancy information is reported at a minimum of 90 percent. HUD relies on HOME 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 PJ HOME performance "SNAPSHOT" and "Dashboard" reports discussed under indicator A1.9 to monitor and improve grantee accountability, and to encourage more complete data entry.



Resources and performance link. There is no direct correlation between the amount of HOME funds appropriated and the occupancy rate of HOME-assisted rental units.

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. An independent assessment was conducted of the data elements for this performance indicator based on the known Validity and Completeness constraints (all elements). All elements scored above four-sigma (reflecting fewer than 6,210 errors per million) for all quality characteristics assessed—i.e., validity, completeness, and consistency. (Tests conducted 5/28/03).

E2.10: A minimum of 20 percent of active CPD program grantees will be monitored for compliance with statutory and regulatory requirements.

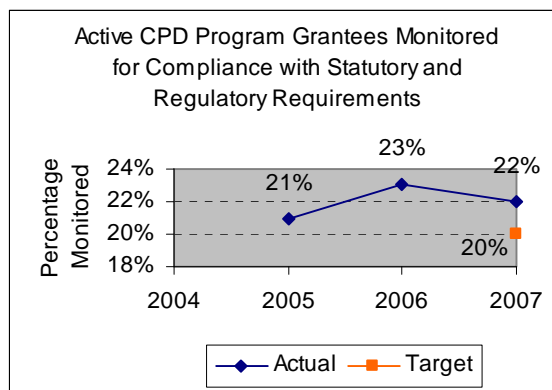
Background. Community Planning and Development grantees are recipients of formula and competitive grants designed to assist communities to build viable neighborhoods, expand homeownership and affordable housing, and provide economic opportunities. Specific goals and beneficiaries are identified for consolidated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

SECTION II: PERFORMANCE INFORMATION

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

Results, impact, and analysis. Community Planning and Development grantees are assessed for risk on an annual basis using Community Planning and Development's Risk Analysis Notice. Community Planning and Development Field Offices use results of the risk analysis to select grantees for monitoring during the fiscal year. Community Planning and Development field staff monitored 1,022 grantees or 22 percent of 4,672 active competitive and formula grantees, thereby exceeding the goal of 20 percent.



Resources and performance link. Grantee monitoring validates compliance and improves performance in the effective use of \$7.3 billion dollars in community development funding which is approximately 20 percent of HUD's total budget. The number of monitoring activities is dictated by the amount of travel funds allocated and staff resources available to each field office. Monitoring activities compete with other program priorities including technical assistance and training needs.

Data discussion. Community Planning and Development Field Offices report how many grantees were monitored in the Department's internal tracking system, HUD Integrated Performance Reporting System. Monitoring activities are carried out in compliance with guidelines established in the HUD Monitoring Desk Guide (Training Edition) and Community Planning and Development Monitoring Handbook. Field supervisors review monitoring activity and reporting by field staff.

E2.11: The Chief Information Officer will perform quality assessments of data used by HUD's major systems to report on 15 Annual Performance Plan performance indicators not previously assessed.

Background. This indicator is being added to capture the Department's efforts and accomplishments in the data quality arena. This indicator directly supports the reliability of the Annual Performance Plan. The Office of the Chief Information Officer oversees information technology investments and ensures that information systems support core business processes and achieve mission-critical goals. Over the years, HUD's program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices are ultimately responsible for the quality of their data, including data provided by business partners. The 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 Information Management Practice. This Practice provides HUD the ability to: manage data as a strategic

resource to improve the effectiveness of all HUD initiatives; measure HUD's performance in achieving its mission; and 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.

The EIM Practice is expanding its efforts in providing HUD Program Areas and Lines of Business areas with data management guidance and support. As part of this effort, the Enterprise Information Management Group (EIMG) is conducting Data Management Maturity Assessments in FY 2008 to determine the state of data management practices within HUD. These assessments will be conducted by reviewing the data management practices of HUD's major information systems.

Program website. <http://hudatwork.hud.gov/po/i/edm/index.cfm>

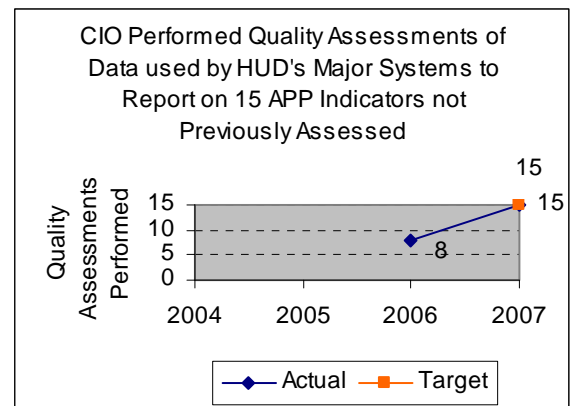
Results, impact, and analysis. The established goal was met. The Enterprise Information management Group (EIMG) has met its target goal to perform data quality assessments of data used by HUD's major systems to report on 15 Annual Performance Plan performance indicators not previously assessed. EIMG assessed the Annual Performance Plan performance indicators listed below.

Resources and performance link. The EIMG spent approximately \$400,000 in FY 2007 to ensure the data quality of HUD information systems. Our efforts were focused on systems supporting the Annual Performance Plan.

Data discussion. During FY 2007, the EIMG transitioned from an assessment focused team to a certification-focused team. In this role, the EIMG evaluated the new performance indicators and ensured that the supporting systems are certified at HUD's quality standard. HUD's current data standard is 4 sigma (99.379 percent correct).

The goal of the EIMG is to advance the Practice from a strictly oversight function to a management support practice that provides value to the business areas, including:

- Reconciliation of different interpretations of data
- Accessibility to the uses of data across the enterprise, its composition and its source



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- Streamlined data management functions
- Promote data sharing and reuse
- Establish data standards and governance models

FY 2007 PI	Underlying System(s)	Date Assessed/Certified
H.1.3	CHUMS	12/27/06
H.1.4	CHUMS	12/27/06
H.2.4	CHUMS	12/27/06
A.1.17	HOPE VI	12/27/06
A.1.9	IDIS-HOME	2/14/07
B.1.2	IDIS-HOME	2/14/07
A.5.1	PIC	2/14/07
B.4.1	PIC	2/14/07
A.5.2	PIH-LOTUS	6/29/07
A.3.1	RESPA	6/29/07
B.1.9	IDIS-CDBG	9/14/07
C.2.2	IDIS-CDBG	9/14/07
C.3.5	IDIS-CDBG	9/14/07
E.2.8	IDIS-CDBG	9/14/07
C.3.6	MFIS	9/12/07

E2.12: Respond to 2,000 inquiries, complaints and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.

Background. The Interstate Land Sales program protects consumers from fraud and abuse in the sale or lease of land. In 1968 Congress enacted the Interstate Land Sales Full Disclosure Act, which is patterned after the Securities Law of 1933 and requires land developers to register subdivisions of 100 or more non-exempt lots with HUD and to provide each purchaser with a disclosure document called a Property Report. The Property Report contains relevant information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement.

Program website: <http://www.hud.gov/offices/hsg/sfh/ils/ilshome.cfm>

Results, impact, and analysis. The Office of Interstate Land Sales completed 5,786 registration filings and reviewed 1,823 complaints.

Resources and performance link. The Office of RESPA and Interstate Land Sales closed 204 ILS cases which included addressing consumers' complaints with the purchase of improved and unimproved land as well as issuing developers Exemption Orders, Advisory Opinions and No Action Letters. Five of the cases were consumer redress cases which returned \$3.2 million to consumers for unlawful and misleading sales practices. The Office also closed four ILS cases with executed settlement agreements or with voluntary compliance from developers. The Office collected ILS registration and Exemption Order fees in the amount of \$680,558. The Office was also involved in outreach by educating developers and their representatives concerning ILS compliance issues.

Data discussion. The data compiled from the Office of Interstate Land Sale'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

designated e-mailbox. Management reviews this tracking system and e-mails on an ongoing basis.

E2.13: By the end of FY 2013, HUD will have an enterprise-wide financial management system that is compliant with all laws and regulations.

Background. This long-term outcome performance indicator has been added to the FY 2007 APP to track progress on an integrated agency accounting and financial management system that provides complete, reliable, consistent, and timely information that is prepared on a uniform basis and is responsive to the financial needs of management. The goal for FY 2007 is for the Office of the Chief Financial Officer to conduct a full and open public-private competition to select a qualified system integrator/shared service provider for the HUD Integrated Financial Management Improvement Project.

This project will align four financial management modernization initiatives to integrate all core financial management functions via a phased implementation approach, providing management with a single source for all financial and budget information for decision making. This effort will enable management to more efficiently and effectively allocate resources to critical programs for safe and affordable housing.

Results, impact, and analysis. The goal was met. During FY 2007, the Integrated Project Team in the Office of the Chief Financial Officer prepared and distributed a solicitation for a system integrator/shared service provider to assist HUD to achieve an integrated financial management system by FY 2012, for full implementation by FY 2013. The Integrated Project Team has identified 16 legacy systems for retirement and/or consolidation and developed a roadmap to support a phased integration of the four core financial systems currently maintained by the Department.

The OCFO Integrated Procurement Team is on schedule to complete the solicitation in FY 2008.

Resources and performance link. A single integrated financial system will reduce internal and contractor resources required to support core financial system functions.

Data discussion. Progress on this goal is being tracked in the Office of the Chief Financial Officer.

E3.1: 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 able to support HUD in achieving 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, and conducted a second stakeholder survey during FY 2005. The Department's goal has been to observe an increase in satisfaction among partner groups.

Program website. The 2006 report, "Partner Satisfaction with HUD's Performance," as well as the report for the baseline survey, is available at www.huduser.org

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Results, impact, and analysis. Compared with FY 2001 respondents, five of eight partner groups expressed greater satisfaction with HUD's programs in FY 2005. The change was statistically significant for one of the five groups, Mayoral partners.

Of the eight partner groups, three expressed greater satisfaction with HUD's operation of those programs. The change was a statistically significant improvement for two groups, Community Development Department and Public Housing Agency partners, and a statistically significant decrease for one group, Section 202/811 Multifamily Housing partners.

The Department will continue to maintain as a top priority the model of using partners as highly effective means of delivering program resources and producing key results. Significant improvements have been proposed including legislative reform of the Public housing, Section 8, Community Development Block Grant, Federal Housing Administration, HOPWA formula program and homeless consolidation program.

Results of HUD Partner Surveys, FY 2001 and FY 2005

	Percent satisfied or very satisfied with "the HUD programs you currently deal with"		Percent satisfied or very satisfied with "the way HUD currently runs those programs"	
	2001	2005	2001	2005
Community Development Department partners	87%	92%	73%	*81%
Mayoral partners	88%	*91%	79%	79%
Public Housing Agency partners	59%	64%	39%	*50%
Fair Housing Assistance Program Agency partners	85%	84%	68%	66%
HUD-Insured Multifamily Housing partners	69%	67%	60%	58%
HUD-Assisted Multifamily Housing partners	62%	78%	53%	53%
Section 202/811 Multifamily Housing partners	88%	82%	78%	*70%
Non-profit Housing partners	62%	66%	52%	57%

* Statistically significant change with 95% confidence.

Resources and performance link. An important finding of the 2001 baseline research was that partner groups—or individuals within partner groups—were substantially more likely to hold unfavorable opinions if they perceived the Department's role as "mainly regulating" rather than "mainly support" or "equally providing support and regulating." A corollary is that partner satisfaction is likely to decrease when funding levels decline.

Data discussion. The data provide useful and generally reliable information about partner groups' perceptions of the Department. 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 FY 2005 survey maintains a core set of questions to ensure comparability with the earlier survey. The response rate for the FY 2005 survey was 73 percent, substantially higher than typical levels for comparable surveys. If resources are available, a third partner survey will be conducted in FY 2008, and results would be released during FY 2009.

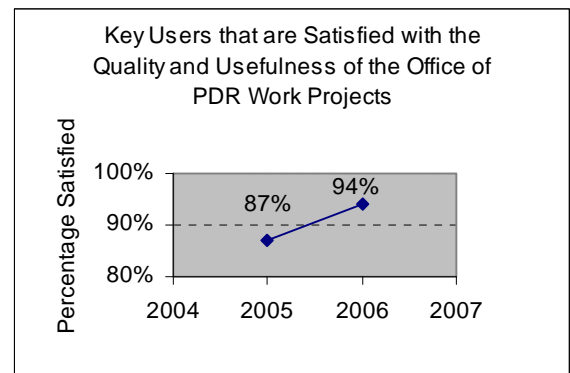
E3.2: At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.

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 the Office's 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. The survey respondents represented three groups of customers: visitors to the website, subscribers to HUD USER's News and American Housing Survey listservs, and users of the Regulatory Barriers Clearinghouse listserv and website. Listserv customers generally may be considered key users.

Program website. www.huduser.org

Results, impact, and analysis. This indicator relies on a periodic survey that was not conducted during FY 2007. In addition, because of limited resources and a relatively recent survey in 2005, further survey activity has been postponed. During this interim, the National Academy of Sciences has been contracted to evaluate the research agenda and operations of the Office of Policy Development and Research. The Academy's evaluation, expected to be completed during FY 2008, will inform the next survey effort, as well as future efforts to make research products more useful and serve a broader audience.



Among the FY 2005 survey respondents, 87 percent of all users were highly satisfied or moderately satisfied with the quality of the information available on HUD USER. Satisfaction with the quality of information was even higher among the key users of the listserv groups, reaching 94 percent. Regarding the HUD USER website itself, 84 percent of respondents expressed satisfaction. The final report, "Assessment of the Office of Policy Development and Research Website," is available at the link above.

Resources and performance link. The level of research funding under the Research and Technology account was \$30.3 million in FY 2007. The level of funding is a major factor affecting this indicator. The FY 2007 research funding was approximately the same as in FY 2006 but both reflect a \$10 million reduction from the FY 2005 level.

Because of low funding in recent years, the number of downloads of research products is likely to continue to decrease. About 75 percent of the Office's FY 2007 research budget of \$29.7 million was allocated to mandatory data collection efforts such as the American Housing

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Survey and to other fixed costs. Limited resources remained for discretionary research efforts needed to evaluate and strengthen national housing and community development programs and policy. Lower appropriations have reduced the pipeline of major research efforts, with the result that fewer highly-demanded products are likely to be published in the next few years, and downloads of research products are expected to decrease.

See discussion under indicator E3.3.

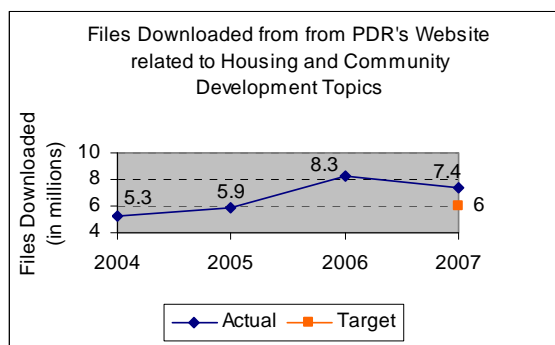
Data discussion. This indicator is measured using periodic customer surveys. The FY 2005 data consist of 10,795 valid responses to the website survey and 1,832 valid responses to the listserv surveys (995 for News and American Housing Survey listservs and 837 for the Regulatory Barriers Clearinghouse listserv). All users between October 7, 2004, and December 10, 2004, were asked to participate. To boost the rate of response to the survey, respondents were offered 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.

E3.3: More than 6.0 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research'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, providing over 1,000 publications and datasets, 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 FY 2007 goal, as revised in the FY 2008 Annual Performance Plan, was 6.0 million downloads.

Program website. www.huduser.org

Results, impact, and analysis. During FY 2007, users of the HUD USER research clearinghouse downloaded nearly 7.41 million electronic files, surpassing the goal of 6.0 million downloads. The volume is 10 percent less than the FY 2006 tally of 8.25 million downloads. The downloads were accomplished during 4.9 million visits to the HUD USER website. The number of downloads varies from month to month, reflecting the timing and popularity of new reports and information.



Resources and performance link. The level of research funding under the Research and Technology account was \$30.3 million in FY 2007. The level of funding is a major factor affecting this indicator. The FY 2007 research funding was approximately the same as in

FY 2006 but both reflect a \$10 million reduction from the FY 2005 level. The budget linkage operates by directly affecting the number and scope of program evaluations, policy assessments, and building technology studies conducted by the Office of Policy Development and Research.

Because of lower funding in recent years, the number of downloads of research products is likely to continue to decrease. About 75 percent of the Office's FY 2007 research budget of \$29.7 million was allocated to mandatory data collection efforts such as the American Housing Survey and to other fixed costs. Limited resources remained for discretionary research efforts needed to evaluate and strengthen national housing and community development programs and policy. Lower appropriations have reduced the pipeline of major research efforts, with the result that fewer highly-demanded products are likely to be published in the next few years, and downloads of research products are expected to decrease.

In addition, informational marketing efforts for HUD USER, which are funded from the same source, have been curtailed, with the effect that fewer state and local practitioners who need research products can be informed that they exist.

To sustain policy-relevant research, the Office of Policy Development and Research is seeking resources from program offices for priority research efforts, and also is conducting more studies in-house.

Data discussion. The data are gathered in monthly reports from Sage Computing, HUD's web hosting and content management provider for HUD USER, and provide a reliable portrayal of usage trends. Beginning in mid-2003, the counts have been generated with WebTrends software, a standard analytical application in the web hosting industry. Although no counting errors are likely, 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 E3.2) provided independent qualitative and quantitative information for validating usage patterns from automated data.

E3.4: One hundred percent of HUD's competitive grant packages will be available electronically through Grants.gov/Apply for those programs the Grants.gov system can accommodate.

Background. HUD had more than 63 active grant programs administered by six program areas that obligated and monitored approximately \$29.6 billion of HUD's \$37.5 billion FY 2007 budget. The Department works to ensure effective management and deliveries of these grant programs to clients and residents of the communities that are receiving HUD assistance. The FY 2007 goal was to place 100 percent of competitive grant programs able to use Grants.gov on Grants.gov Find and Apply. This goal directly responds to the goal of the President's Management Agenda for e-Grants to expand e-government by making grant applications available electronically through the Internet.

Program website. www.hud.gov/grants

Results, impact, and analysis. HUD met its goal by ensuring that all 41 (100 percent) of the competitive grant programs are able to use Grants.gov are available in electronic format on Grants.gov find and Apply. As with FY 2006, the Continuum of Care was exempted because

Grants.gov still does not have a solution for posting collaborative application packages. HUD is providing time and cost savings to the grantees because they do not have to copy and ship multiple applications to HUD Headquarters and field offices.

Resources and performance link. In FY 2007, HUD contributed \$1,073,675 to Grants.gov. The savings and efficiencies associated with this cost benefit grant applicants and the Department. Applicants experience significant savings because, unlike in the past, they neither need to submit multiple copies of their grant applications nor submit copies to multiple addresses. HUD grant program offices save substantial time and money through greater efficiencies. These offices save two to three weeks because they no longer have to log applications as they arrive or reconcile applications sent to Headquarters with copies sent to field offices. Also, applications no longer need to be copied and mailed to field offices for review. All offices in HUD Headquarters and in field offices have access to the same copy immediately after the application deadline. Also, elimination of manual data entry has eliminated errors in the data, and may save an additional two weeks in time required for processing applications.

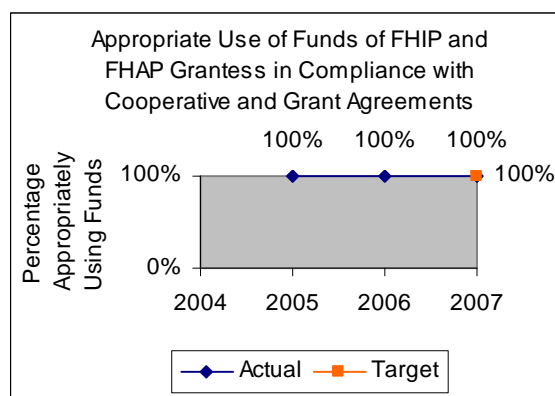
Data discussion. Office of Departmental Grants Management and Oversight monitors the number of applications made available on Grants.gov/Apply and reports are compiled by Grants.gov and disseminated to all the federal grant-making agencies and OMB on an on-going basis.

E3.5: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements.

Background. Agencies funded through the Fair Housing Initiative Program and the Fair Housing Assistance Program provide services to all segments of society in support of ensuring equal opportunity in housing. These programs constitute the only grant programs within HUD's Office of Fair Housing and Equal Opportunity. Fair Housing Assistance Program assistance includes support for complaint processing, training, technical assistance, data and information systems, and other fair housing projects. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for states and localities to assume a greater share of the responsibility for administering fair housing laws. The Fair Housing Initiative Program funding enables recipients to carry out activities designed to inform the public about rights and obligations under federal, state, and local laws prohibiting housing discrimination, and to enforce those rights.

Program website. <http://www.hud.gov/offices/fheo/partners/index.cfm>

Results and analysis. In FY 2007, HUD monitored 100 percent of its Fair Housing Initiatives Program grant agreements and Fair Housing Assistance Program cooperative agreements to ensure appropriate use of funds. Each year the Office of Fair Housing and Equal Opportunity has consistently monitored 100 percent of its grants and cooperative agreements. The number of monitoring reviews conducted is based upon the total number of



active Fair Housing Initiatives Program grants and the total number of substantially equivalent agencies in the Fair Housing Assistance Program at the beginning of the fiscal year.

HUD awarded \$18.1 million in grants to 102 groups in 85 cities throughout the nation to help reduce housing discrimination at the end of FY 2006 for use in FY 2007 and all agencies were monitored during FY 2007. More than \$25 million was allocated to 106 HUD Fair Housing Assistance Program partners and, like the Fair Housing Initiatives Program, all agencies were monitored.

Resources and performance link. HUD monitors all grantees to ensure appropriate program compliance and use of funds. In-depth agency-specific monitoring was conducted on all high-risk grantees. To the extent there were significant issues, concerns, or findings identified during monitoring and technical assistance, HUD required immediate corrective action.

Agencies funded through the Fair Housing Initiative Program and the Fair Housing Assistance Program provide services to all segments of society in support of ensuring equal opportunity in housing. These programs constitute the only grant programs within HUD's Office of Fair Housing and Equal Opportunity. Fair Housing Assistance Program assistance includes support for complaint processing, training, technical assistance, data and information systems, and other fair housing projects. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for states and localities to assume a greater share of the responsibility for administering fair housing laws. The Fair Housing Initiative Program funding enables recipients to carry out activities designed to inform the public about rights and obligations under federal, state, and local laws prohibiting housing discrimination, and to enforce those rights.

Program website: <http://www.hud.gov/offices/fheo/partners/index.cfm>

Data discussion. Each Office of Fair Housing and Equal Opportunity Regional and Field office is required to monitor Fair Housing Initiative Program grantees and Fair Housing Assistance Program agencies within their jurisdiction. Each office reviews grantee and agency records for compliance. Monitoring records are maintained in each local office and data is entered into HUD's Integrated Performance Reporting System. Local office activities are monitored by the Office of Fair Housing and Equal Opportunity's Office of Field Oversight administrative records.

E3.6: The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.

Background. FHA's Mutual Mortgage Insurance Fund (Fund) pays all expenses, including insurance claims incurred under FHA's basic single family mortgage insurance program. 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 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. The Department is expected to operate the program in an actuarially sound way and the Fund is subject to an annual independent actuarial study. The results of that study are published in an Actuarial Review that is provided to the Congress. 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

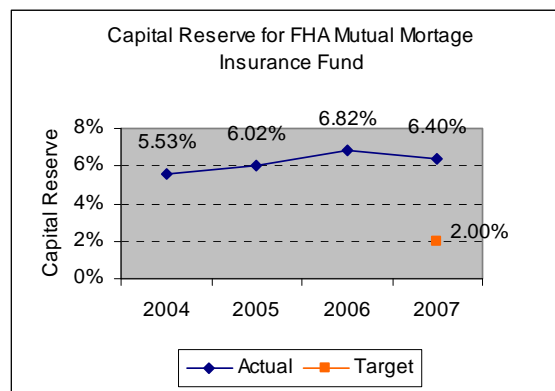
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future cash flows. The economic value is defined as the sum of FHA's capital resources plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses). The capital ratio is the current economic value divided by the unamortized insurance-in-force.

Program website. <http://www.hud.gov/offices/hsg/hsgroom.cfm>

Results, impact and analysis. The FY 2007 Actuarial Review estimates the Fund capital ratio to be 6.40 percent as of September 30, 2007. The ratio represents a 0.42 percentage point decline from the FY 2006 result of 6.82 percent and remains far above the congressionally mandated minimum of 2 percent. Roughly half of the decline during FY 2007 was caused by a drop in the actual economic value of the Fund and the other half due to growth in the insured portfolio. Economic value declined by 3.4 percent to \$21.27 billion while insurance in force rose 2.87 percent from \$323 billion to \$332 billion.



HUD projects even more growth in the insured portfolio in FY 2008, due to recent restrictions in credit availability in the non-agency, conventional mortgage market, and to administrative actions taken to expand insurance eligibility. In August, the Administration introduced *FHA Secure*, an initiative designed to make it easier for homeowners trapped in high-cost subprime loans to refinance into safer, more affordable, fixed rate loans with FHA insurance. In September, HUD published a Federal Register notice of its intention to adopt a more risk-based differentiation of insurance premiums for FHA single-family insurance. FHA Modernization legislation, currently under consideration by the Congress, would significantly expand FHA's ability to service homebuyers and homeowners with safer mortgage products at lower prices than many have paid in the conventional market.

Resources and performance link. The measure of the capital reserve protects a portfolio of insurance valued at \$332 billion. HUD obligated \$759,531 in contract funds for the FY 2007 actuarial study and formal written Actuarial Review. The final capital ratio is scrutinized by the HUD OIG, the GAO, and the Congress, as an indication of the ability of FHA single-family insurance programs to remain self-supporting in the future. That ratio remains well above the minimum statutory requirement of 2 percent even in the midst of one of the worst housing downturn experienced by the U.S. in modern times. While the capital ratio declined in FY 2007, it is expect to grow again in the future, confirming that Mutual Mortgage Insurance Fund supported programs are on a long-term sustainable path.

Data discussion. The value of the capital ratio is determined through an annual independent actuarial study of the Mutual Mortgage Insurance Fund. Data on historical loan originations and performance are provided to the actuarial study contractor by HUD. The contractor then develops statistical and financial models to project future cash flows on outstanding business, and to measure the final capital ratio number. FHA loan-level data are entered into HUD information systems by direct-endorsement lenders and loan services, with monitoring by FHA.

The methods and results of the independent actuarial study are validated through the audit process.

E4.1: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.

Background. The Improper Payments Information Act of 2002 requires federal agencies to assess improper payment risks and to measure and report on programs and activities that may be susceptible to improper payments totaling in excess of \$10 million annually. HUD is measuring the risk of improper payments in its rental housing assistance programs.

HUD is required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. HUD set an aggressive goal of reducing improper payment levels as a percentage of total program payments for FY 2006 at five percent. The annual calculation of Improper Payments is based on prior year payment data. Accordingly, the FY 2007 Performance and Accountability Report reflects HUD's progress against the FY 2006 goal.

Overpayments and underpayments of rent subsidies adversely affect intended program beneficiaries, because a subsidy overpayment means that less assistance is available for other eligible families and a subsidy underpayment means that low income families are paying more rent than they should.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$27 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. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed.

Program websites. <http://www.hud.gov/offices/pih/>, <http://www.hud.gov/offices/hsg/>

Results, impact, and analysis. The goal for the FY 2007 reporting period (based on FY 2006 data) was not met. The FY 2006 goal was 5.0 percent, and the Improper Payments study completed in FY 2007 shows that HUD's Improper Payments rate for FY 2006 was 5.5 percent.

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Rental Assistance Improper Payment Reduction Outlook
FY 2006 – FY 2009
(Dollars shown in billions)

Activity	FY 2005 Payments	FY 2005 IP \$	FY 2005 IP % Goal/Actual	FY 2006 Payments	FY 2006 IP \$	FY 2006 IP % Goal/Actual	FY 2007 IP % Goal *	FY 2008 IP % Goal *	FY 2009 IP % Goal *
Rental Assistance	\$27.242	1.464	5.6 / 5.4	\$27.505	1.519	5.0/5.5	5.0	3.0	2.5

* The annual Improper Payments calculation is based on prior year data. Accordingly, the FY 2007, FY 2008, and FY 2009 goals will be reported in the FY 2008, FY 2009, and FY 2010 PARs respectively.

Reasons for shortfall/Plans and schedule to meet the goal. This slight increase in erroneous payments, as a percentage of total program payments, was primarily due to increases in the level of tenant income reporting errors of approximately \$26 million compared to the level in the prior study. This increase was primarily attributable to three factors:

- 1) **Revised Research Methodology.** A revised research methodology was implemented in the FY 2007 study. This revised methodology was incorporated based on recommendations from HUD's Office of the Inspector General. The revisions were recommended to take advantage of the capabilities of the Enterprise Income Verification System, and required third party verification of income in instances where an income source was evident in quarters adjacent to the quarter being reviewed. These revisions broadened the rules used to identify unreported sources of income in the database, thereby increasing the number of potential candidates with underreported income which required more third party verifications;
- 2) **Increased Verification Response Rates.** Employer response rates (i.e., third party verification rates) increased from the FY 2006 study to the FY 2007 study, which provided more complete information on which to determine and extrapolate unreported sources of income; and
- 3) **Enterprise Income Verification Implementation and Use.** The implementation of this verification tool to HUD's Project Based Owners was delayed until FY 2008. Additionally, due to a need for training and a change in business models, HUD's Public Housing Agencies did not fully incorporate the use of the Enterprise Income Verification system into their day-to-day operations during FY 2006.

HUD believes that the general downward trend in tenant income error will continue as the result of an improved methodology for reviewing income discrepancies identified through computer matching and third party verification to better determine actual cases of underreported income affecting subsidy levels. The reduction will also be facilitated by: technical assistance and training to minimize administrator errors; implementation of the Enterprise Income Verification system in multifamily housing; and approval of a proposed rule, which was published in FY 2007 and which is planned for final implementation in late FY 2008, that will mandate use of the Enterprise Income Verification system.

HUD revised the FY 2007 goal based on the aforementioned change in research methodology, the increase in third party verification response rates, and the delay in the Enterprise Income Verification implementation for HUD's Project Based/Owner Administered housing until

FY 2008, coupled with the need to improve PHA usage of the capabilities of the Enterprise Income Verification system. HUD believes that the goals for FY 2007 and beyond are realistic and achievable. HUD has reduced its baseline erroneous rental assistance payment estimates of \$3.4 billion by over 55 percent since 2000.

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 annual audit of HUD's 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.

E4.2: PHAs will submit accurate tenant characteristics data on 95 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis.

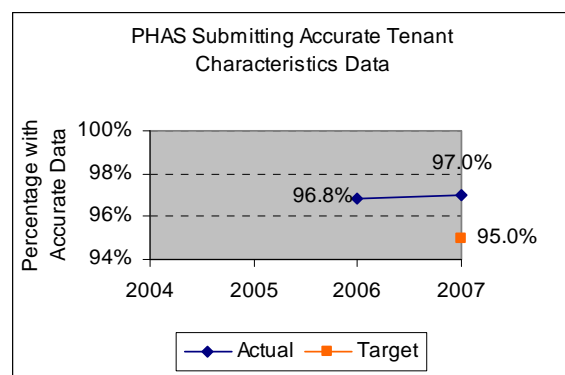
Background. Accurate and timely information about the households participating in HUD's housing programs is necessary to allow HUD to monitor the effectiveness of the programs, assess agency compliance with regulations, and analyze the affects of proposed program changes. Several outcome indicators in the Annual Performance Plan use data about public housing or voucher households that housing agencies electronically submit to the Inventory Management System through the Form 50058 module. Similarly, the timely submission of required financial information is instrumental in the Department providing the required oversight of PHA operations. Accordingly, HUD measures the timely submission of these reports.

Program website. <http://www.hud.gov/offices/reac/products/prodpha.cfm>

www.hud.gov/offices/pih/systems/pic/50058/

Results, impact, and analysis. HUD was successful at achieving both of these goals for FY 2007. The national tenant characteristics reporting rate was 97 percent. This exceeded the goal by two percent and was similar to the rate for FY 2006. The on-time reporting rate for financial statements was 96 percent versus a goal of 95 percent.

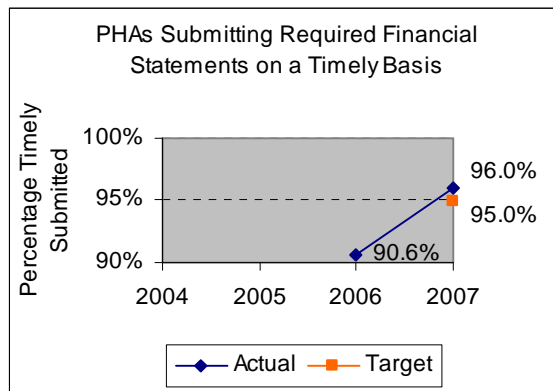
Data discussion. Reporting rates are determined from the standard reports that use the Form 50058 data in the Inventory Management System. The rates are based on data PHAs submitted to the Inventory Management System through August 31, 2007. Late reporting is identified by automated reports from the Form 50058 module that specify late re-certifications for each housing agency and flag poor reporters.



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For the financial statement goal, reporting rates are determined from the standard reports contained in the Real Estate Assessment Center's production database. Late reporting is identified by the automated Late Presumptive Failure process. PHAs that fail to submit their financial information by the required timeframes or obtain a failing financial score are designated Troubled under the Public Housing Assessment System and are subject to further review by the applicable Field Office. The identification of housing agencies that report poorly is straightforward and easily verifiable.



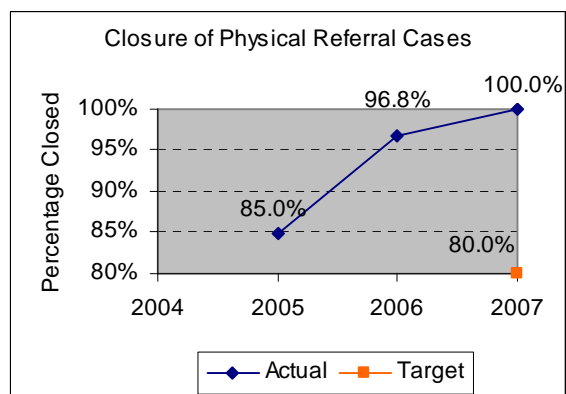
E4.3: By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will assist the Office of Multifamily Housing maintain the insured and/or assisted Multifamily housing properties in physically acceptable condition by closing 80 percent of the physical referral cases in Departmental Enforcement Center as of October 1, 2006, by September 30, 2007.

Background. The Office of General Counsel's Departmental Enforcement Center has primary responsibility for ensuring that troubled multifamily properties return to compliance. The Departmental Enforcement Center protects the public interest by excluding sanctioned individuals/entities from participating in government programs nationwide. The efforts of the Departmental Enforcement Center improve the physical condition of the FHA insured and assisted Housing stock and reduce the inventory of troubled properties.

In some instances, the Departmental Enforcement Center obtains significant financial recoveries. Both the Office of Multifamily Housing and the Real Estate Assessment Center refer troubled properties to the Departmental Enforcement Center. The Real Estate Assessment Center assesses the management risk of multifamily projects based on physical and financial factors. Physically troubled projects typically can involve high capital needs backlogs, and deferred or inadequate maintenance. Financially troubled projects can involve mortgage defaults, high vacancy rates, inadequate rent roll, excessive expenses, or fraud in the form of equity skimming.

The Departmental Enforcement Center works closely with the Office of Housing and other HUD program areas to determine appropriate remedies for referrals. Remedies can include the issuance of sanctions such as debarment or suspension and/or the imposition of civil money penalties. The Departmental Enforcement Center working with the Office of Program Enforcement or Office of Regional General Counsel refers some civil cases to the Department of Justice and criminal matters to the Office of Inspector General.

Results, impact, and analysis. For FY 2007, the goal of the Departmental Enforcement Center was to assist the Office of Housing maintain the






insured and/or assisted Multifamily housing properties in physically acceptable condition by closing 80 percent of the physical referral cases in the inventory as of October 1, 2006. The goal was exceeded. The Departmental Enforcement Center closed 406 of the 406 physical referral cases in its inventory, for a closure rate of 100 percent. During FY 2006 the closure rate was 96.8 percent. This represents a 3.2 percent increase in the closure rate of last fiscal year.

Data discussion. The Real Estate Management System draws data from the integrated Assessment Subsystem. The Departmental Enforcement Center Management System produces management reports from the data drawn by the Real Estate Management System. No data problems affect the reliability of this indicator. An independent assessment in 2002 showed that the integrated Assessment Subsystem performance indicator data passed four-sigma quality test (6,210 error per million) for validity, completeness, and consistency.

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



Strategic Objectives:

- F1 Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.**
- F2 Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.**
- F3 Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.**

PERFORMANCE REPORT CARD - GOAL F								
		2004	2005	2006	2007	2007		
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met	Notes
F1	Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.							
F1.1	The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's FY 2007 Super Notice of Funding Availability process compared to FY 2006.		\$479	\$545	\$550	Measure		k,o
F2	Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.							
F2.1	The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences and workshops, as well as updating and maintaining a database.		47	106	60	50		
F2.2	In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center for Faith-Based and Community Initiatives will conduct at least 50 resources training sessions across the country that provide participants with approaches to obtaining funding and strategies for developing coalitions.		69	95	60	50		

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE REPORT CARD - GOAL F

		2004	2005	2006	2007	2007		
Performance Indicators		Actual	Actual	Actual	Actual	Target	Met	Notes
F3	Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.							
F3.1	The Center will work with HUD program offices to implement pilot projects to strengthen partnerships between faith-based and community organizations and HUD program offices and traditional grantees.							
	Pilot projects	N/A	1	1	1	1		
	Forums held				18	11		

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.
- m For one year period ending June 30, 2007
- n First half of calendar year
- o One-year lag in data.

F1 Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.

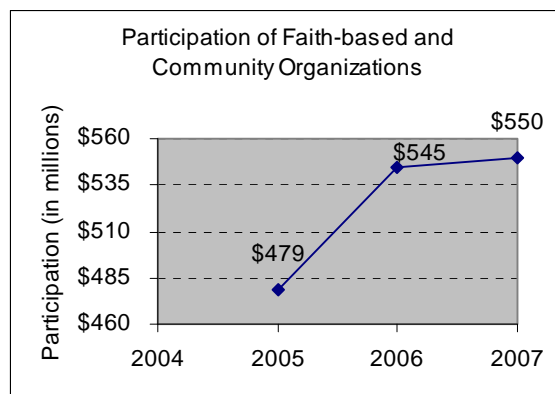
F1.1: The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's FY 2007 Super Notice of Funding Availability process compared to FY 2006.

Background. The Center for Faith-Based and Community Initiatives (CFBI) does not have the authority to disseminate or manage grants. Unlike some other federal agencies, HUD's CFBCI also does not have discretionary funds to distribute to faith-based and community organizations. However, CFBCI does conduct extensive outreach activities to equip faith-based and community organizations with the tools and training to increase their participation in HUD's Super Notice of Funding Availability competitions. This outreach has effectively augmented resources and created workable strategies to increase the number of faith-based and community organizations and the type of organizations participating in the Super Notice of Funding Availability process. HUD compares available fiscal year data against data from past fiscal years in order to check for growth, measure outcomes and identify long-term trends. Data collected in the past has show that faith-based and community organizations accounted for fifteen percent of all grantees and received twenty-four percent of dollars in select competitive funding. In 2004, federal agencies were directed to take steps to ensure that federal policies and programs are fully open to faith-based organizations in a manner that is consistent through with the Equal Treatment Regulations in accordance with the U.S. Constitution and statutory requirements.

Results, impact, and analysis: Data for the FY 2007 grant awards is unavailable at this time (the FY 2006 Performance and Accountability Report reported on 2005 results). Faith-based and community organizations have secured in competitive funding for FY 2006 approximately \$550 million dollars, compared to \$545 million in FY 2005 and \$479 million in FY 2004.

Additionally, the number of grantees has also increased 27 percent from 2004 to 2006.

Numbers for novice grantees have increased 72 percent from 2003 to 2005. In 2006 (latest data available), while faith-based organizations accounted for 15 percent of all grantees, they accounted for 24 percent of dollars received in select competitive funding. It is abundantly clear that it is highly beneficial to provide our constituents with increased information and to encourage them to utilize the information and government entities to exercise equal treatment regulations.



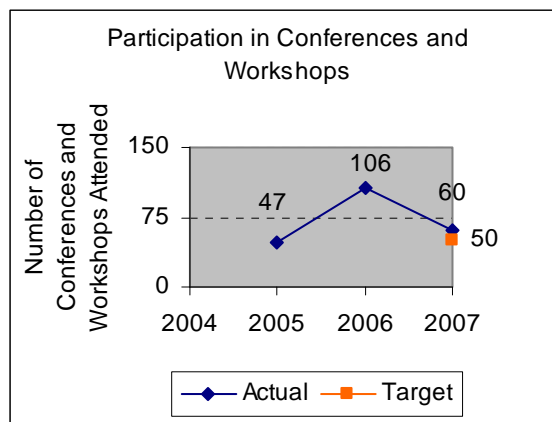
Data discussion. Faith-based and community organizations' increased participation in HUD's awards programs is attributable to their increased ability to work independently and navigate effectively through the Super Notice of Funding Availability application process and their understanding of the equal treatment regulation.

F2 Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.

F2.1: The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences and workshops, as well as updating and maintaining a database.

Background. The Center for Faith-Based and Community Initiatives (CFBCI) has met the challenges of securing resources and educating faith-based and community organizations on government programs available through HUD and our local partners. CFBCI has conducted comprehensive outreach programs through basic and advanced grant writing training sessions entitled “The Art and Science of Grant Writing.” Additionally, CFBCI staff provides information through conducting the Unlocking Doors Initiative forums and participating in conferences, panels, speaking engagements, and publicizing and circulating information to enhance coalition and capacity-building in faith-based and community organizations throughout the country. CFBCI also communicates with faith-based and community organizations through the website, publications, emails, and one-on-one consultations via telephone or in person. CFBCI works in cooperation with field liaisons who serve as a point-of-contact for faith-based and community groups in each region. The aforementioned outreach programs offer technical assistance, capacity building techniques, and training to these organizations to support the important contribution they make to the American people and to strengthen the social services network in the United States. CFBCI staff encourages faith-based and community organizations to collaborate with state and local officials, institutions of higher learning, and other public-private organizations to continue their good work and provide even more valuable resources to faith-based and community organizations. CFBCI maintains a database of faith-based and community organizations that touch the lives of thousands of people in urban and rural communities throughout the country.

Results, impact, and analysis. CFBCI exceeded its comprehensive outreach goal of fifty events, and conducted and participated on panels in more than sixty outreach sessions. During these sessions, CFBCI and other HUD representatives answered questions, gave directions, and distributed material from the major departments—PIH, CPD, Housing, Fair Housing and Equal Opportunity, Lead Hazard Control, and Policy Development and Research. These efforts took place to increase the knowledge base of faith-based and community organizations. These milestones have created qualifying measures and CFBCI outreach programs have substantially increased grassroots efforts and serves as the catalyst for millions of lives being changed throughout the country.



Data discussion. The Center tracks the participation of all faith based and community initiatives through regular communications with field liaisons, evaluations completed by participants, and tracking the number of conferences attended based on the priorities and requirements of the

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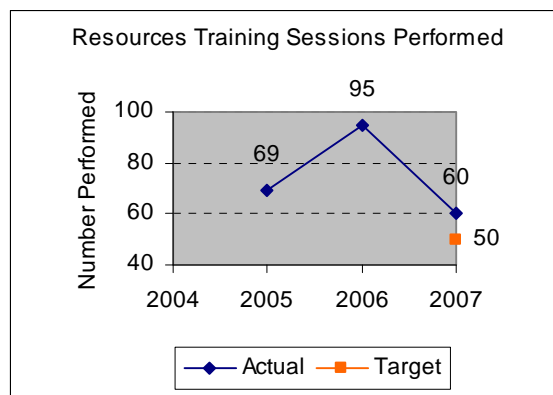
Department. The qualitative milestones used for elements of this indicator do not require numerical databases. Assessing performance of some measures may be limited by long term results.

F2.2: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center for Faith-Based and Community Initiatives will conduct at least 50 resource training sessions across the country that provide participants with approaches to obtaining funding and strategies for developing coalitions.

Background. As more organizations face the stark realities of ever depleting resources within the community, CFBCI continues to mobilize community organizations and encourage them to respond effectively to the many needs of the community through educating these entities on resources available from HUD, other government agencies, foundations and corporate funding streams. During the two-day “Art & Science of Grant Writing” training sessions, a “Certificate of Completion” is issued to every participant at the conclusion of each grant writing training. This certificate is recognized by foundations and smaller funding organizations as documentation of training. CFBCI also holds Unlocking Doors forums throughout the country to reach grassroots organizations and build bridges with state and local officials to identify best practices, increase affordable housing strategies, and identify homeownership opportunities.

Results, impact, and analysis. This year, CFBCI held sixty training sessions, which exceeded the original goals set forth to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities.

Analysis of the best practices and lessons learned from the Unlocking Doors Initiative has been shared with Mayors throughout the country. The impact indicates that more than 2,000 new affordable housing opportunities have been made available as a result of the Unlocking Doors Initiative, and over 16,000 people have been trained on HUD and other funding streams. Participants completed registration forms, organizational surveys, and evaluation forms, which identified their organizations in terms of budget, planning strategies, mission, and number of employees. CFBCI tracked the results of the evaluation forms and this process allows for a more accurate analysis of the program, determining the level of performance and impact of the training sessions.



Data discussion. Benchmarks documented by HUD’s Center For Faith-Based and Community Initiatives show that more than three hundred and 51 new affordable housing strategies have been developed for single family housing projects and over fifteen hundred new multifamily housing units have been made available in 2006 and 2007. Attendances at all training sessions is documented through registration, sign-in sheets, organizational surveys, and evaluation sheets.

F3 Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.

F3.1: The Center will work with HUD program offices to implement pilot projects to strengthen partnerships between faith-based and community organizations and HUD program offices and traditional grantees.

Background. Project I: In Collaboration with the Office of Public and Indian housing, a HOPE IV mentoring pilot project is aimed at encouraging Public Housing Authorities (PHAs) to enlist area faith-based and community organizations to supply mentors for public housing residents to increase their FICA scores, pass GED equivalency test, and move toward self-sufficiency benchmarks and decrease case load for PHA case managers. Three awards were made to PHAs, and the Center for Faith-Based and Community Initiatives and HUD's Office of Public and Indian Housing will analyze the implementation and impact of the grants in 2008. This project allows public housing authorities 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.

Project II: Continuing CFBCI's aim to design and identify pilot projects that build organizational capacity in faith-based and community groups and increase their ability to compete with larger, more experienced grantees, CFBCI has expanded the "Unlocking Doors Initiative." This project highlights successful local strategies for involving faith-based and community organizations in affordable housing plans and promoting homeownership. This initiative includes providing training to state and local governments to build upon and improve innovative public private partnerships in designated cities. Through this program CFBCI has worked with Harvard University's Kennedy School of Government and the University of Southern California in conducting research and discussing the impact of affordable housing with mayors at the U. S. Conference of Mayors.

Results, impact, and analysis. Project I: There were three PHAs awarded more than \$176,000 each to implement this program. The Housing Authorities that received awards are Danville, Virginia; Chicago, Illinois; and Philadelphia, Pennsylvania. Analysis and results from the three cities awarded HOPE VI mentoring grants will be documented as benchmarks and are reported from the recipients, our Public Housing Authority partners, and their case management staff.

Project II: The Unlocking Doors forums have been held in eighteen U.S. Cities, which include Oakland, California; Nashville, Tennessee; Chicago, Illinois; Miami, Florida; Columbus, Ohio; Raleigh, North Carolina; Detroit, Michigan; Buffalo, New York; Los Angeles, California; Shreveport, Louisiana; Flint, Michigan; Tampa, Florida; Philadelphia, Pennsylvania; Houston, Texas; Richmond, Virginia; Charlotte, North Carolina; and Greenville, South Carolina. Forums were held in each city with key faith-based and community leaders, including city Mayors and or their key staff and HUD FBCO liaisons. These forums/discussions opened doors to the local governments to work more effectively with faith-based and community organizations and provided networking opportunities for faith-based and community organizations to work together, allowing them to open doors to affordable housing for the broader community.

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Data discussion. CFBCI measured both Single Family and Multifamily new affordable housing strategies as well as completed new affordable housing construction projects. Since 2005, there were more than 700 newly constructed affordable housing projects generated as a result of the Unlocking Doors Initiative forums. CFBCI continues to maintain a system for communicating and monitoring the HOPE VI demonstration projects through Public and Indian Housing Authorities. Additional accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives upcoming data collection report.