



Performance Information

PERFORMANCE OVERVIEW

This third part of HUD's FY 2001 Performance and Accountability Report is the section that focuses on annual performance reporting as required by the Government Performance and Results Act of 1993. Many of the performance results discussed in this section were discussed in the Management Overview. Likewise, a number of the performance indicators discussed in the following pages deal either directly or indirectly with the management challenges identified in the Management Overview. This performance overview summarizes overall progress toward each strategic goal, discusses resource issues that affected performance, and reviews issues of data quality and program evaluation that affect what we know about performance.

This performance overview begins with a summary assessment of overall progress toward each of the Department's strategic goals and objective. The summary is followed by a discussion of resource issues, including budgetary, human capital and information technology resources. The issues of data quality and program evaluation that affect what we know about performance are then summarized.

The final section that follows this performance overview presents HUD's FY 2001 performance indicators in detail. The discussions cover the current status of the measures, results achieved during the performance year, factors affecting results, and strategies being pursued to improve performance.

Overall Progress Toward Achieving Strategic Goals

Goal 1: Increase the availability of decent, safe, and affordable housing in American communities.

Objective 1.1: Homeownership is increased. During FY 2001, HUD made substantial progress toward increasing homeownership. Target levels were exceeded for a number of outcome measures. These included record homeownership rates for the overall population as well as for targeted populations and areas. A sizable majority of performance goals were exceeded. This performance reflects a substantial boost from a reasonably strong, albeit slowing, economy during FY 2001. HUD's activities, including FHA, Ginnie Mae, GSE regulation, and grant programs, played a significant role in increased homeownership rates, especially among underserved populations. Other agencies contributing to the homeownership objective include the Department of Veterans Affairs.

Objective 1.2: Affordable rental housing is available for low-income households. The primary outcome measure for the affordable rental housing objective, worst case needs, cannot yet be reported for FY 2001. Yet, a substantial majority of subsidiary outcome and output goals were achieved. In partnership with housing agencies and grantees, HUD played a major role in achieving this objective. HUD's public and assisted housing programs provided decent and affordable housing for about 5 percent of the Nation's households. The proportion of housing agencies that utilized voucher funds effectively increased. The HOPE VI program continued to substantively change the public housing program, exceeding the goal for two of four production measures. Several measures of outputs by the Block grants, including CDBG, HOME, and Native American Block Grant programs, provided affordable housing for additional hundreds of thousands, although some targets were missed as new data systems improved accuracy of reporting. A number of goals relating to increased availability of multifamily housing were surpassed, including those for FHA mortgage insurance, Ginnie Mae programs and GSE regulation. Other Federal agencies helping to provide affordable rental housing include Treasury, Agriculture, and Defense.

Objective 1.3: America's housing is safe and disaster-resistant. The Department also fulfilled a number of outcome goals under the safe housing objective. HUD surpassed performance goals in a number of important areas. These include substantial improvements to physical conditions and fire safety hazards of public and assisted housing, demolition of obsolete and dangerous public housing, and reductions in the lead paint hazards that are poisoning our Nation's children. Strongly positive results were seen in outcome measures for elevated blood lead and national fire deaths, including long-term reductions in fire deaths within the 7.6 million manufactured housing units for which HUD sets manufacturing standards. The Department of Health and Human Services and the Environmental Protection Agency are among the agencies that helped make housing safer.

Goal 2: Ensure equal opportunity in housing for all Americans.

Objective 2.1: Housing discrimination is reduced. Two central outcome measures for this objective—national discrimination rates and accessibility of multifamily housing—are not yet available but are forthcoming during FY 2002. HUD successfully established a baseline for a new measure of national understanding of fair housing law, and the baseline results were encouraging. A number of goals related to successful enforcement of fair housing laws were exceeded, including the number of enforcement actions completed and backlogs of HUD cases reduced. Results were mixed for HUD's partners, the "substantially equivalent" fair housing enforcement agencies. HUD's progress in reducing housing discrimination is closely supported by the Department of Justice.

Objective 2.2: Low-income people are not isolated geographically in America. The Department's progress toward the second objective is not yet clear, as Census data are not yet available to report the primary outcome measure based on segregation indices. No improvement was observed regarding the movement of voucher recipients to neighborhoods with low poverty rates. HUD is reassessing the validity of measures and strategies in this area.

Objective 2.3: Disparities in homeownership rates among racial and ethnic groups are reduced. HUD's progress toward this objective was generally positive. Disparities in disapproval rates for minority mortgage applications were reduced; FHA exceeded its goal for minority mortgage endorsements; and the GSEs exceeded their goals for special affordable mortgage purchases. A goal for mortgages financed for Native Americans was missed. HUD works toward this objective with the Department of Justice, the Federal Housing Finance Board, the Interagency Task Force on Fair Lending and the Interagency Task Force on Predatory Lending.

Goal 3: Promote self-sufficiency and asset development of families and individuals.

Objective 3.1: Homeless families and individuals become self-sufficient. Although the availability of comprehensive data to measure this objective remains somewhat limited, a majority of performance goals—covering a number of important outcomes and outputs—were exceeded. These include the proportion of homeless persons leaving transitional housing who go to permanent housing, and the proportion of the Nation's population who live in communities with comprehensive "continua of care" partnerships to address the needs of the homeless. Although Empowerment Zones and Enterprise Communities missed their goal for serving homeless persons, their performance improved over last year. Federal agencies who partner with HUD to address homelessness include Health and Human Services, Veterans Affairs and a number of agencies in the Interagency Council on the Homeless.

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Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets. The Department met with mixed success on this objective, and data problems created a number of limitations in the assessment. The share of public housing households who get their income from earnings increased, exceeding the goal. Welfare households in all three of HUD's major housing assistance programs are making transitions to work at substantially higher rates than they were when TANF was enacted. Yet, based on preliminary data, the rate of families making transitions from welfare to work while in public housing and voucher programs appeared to slow slightly, missing the targets. One measure of national outcomes, employment rates of entry-level job seekers in central cities, improved markedly. Along with the critical role of economic conditions, HUD's success on this objective receives substantial support from the efforts of the Department of Labor and Department of Health and Human Services.

Goal 4: Improve community quality of life and economic vitality.

Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities. The first objective under Goal 4 was to increase the number and quality of jobs in low-income communities. The results were mixed. Several measures of geographic disparities in economic conditions of cities and suburbs were surpassed. The improvement of central city economies during the recent business cycle was a primary factor. Performance fell short of other goals for job creation under the CDBG program and Section 108 economic development loans and by EZs/ECs. The efforts of the Departments of Commerce, Labor, Agriculture and the Small Business Administration contribute to this objective.

Objective 4.2: Disparities in well-being among neighborhoods and within metropolitan areas are reduced. The results for this neighborhood quality of life objective were generally disappointing. A number of measures that rely on external data sources could not be reported this year because data were not yet available. Results were mixed for the various activities of Empowerment Zones and Enterprise Communities, and for the proportion of CDBG funds flowing to low- and moderate-income areas and to low-income populations. FHA programs in underserved areas suffered from market conditions, missing several goals. The Community Outreach Partnership Centers program succeeded in attracting extra match funds to support university partnerships for neighborhood improvements. The GSEs also achieved their goals for mortgage purchases in underserved areas. The Environmental Protection Agency supports HUD's efforts on brownfield issues under this objective.

Objective 4.3: Communities are safe. Results for this objective were generally positive, including in public housing neighborhoods. Public housing grantees who received drug elimination grants reported drops in crime rates and exceeded a substantial, but decreasing, number of their crime reduction goals during FY 2001. Congress has merged HUD's drug elimination activities into the Operating subsidy program in FY 2002. The prior grant program had experienced high unexpended balances. Crime prevention was one of the EZ/EC categories for which performance missed the goal during FY 2001. Crime rates are affected by a number of social and economic factors as well as several HUD programs. The Department of Justice contributes to this strategic objective.

Goal 5: Ensure public trust in HUD.

Objective 5.1: HUD and HUD's partners effectively deliver results to customers. HUD's objective of delivering better results to customers was generally accomplished. Goals were met for performance-based contracting, for receiving a clean audit opinion, for monitoring Consolidated Plan grantees, for reducing untimely expenditure of CDBG funds. Substantial improvements were observed in physical quality of public and assisted multifamily housing, in PHA scores under HUD's management assessment system, and in enforcement activity against troubled multifamily projects. Goals for improvements in data reporting and system certification were achieved and established the foundation for further progress. One weakness

was that evolution in REAC protocols prevented reporting data on some public and assisted housing measures that was comparable to previous reports. No other Federal agencies influence results under this internally-focused objective.

Objective 5.2: HUD leads housing and urban research and policy development nationwide. General success was achieved in the area of housing research and policy. Baseline research on two indicators revealed that a substantial majority of users of HUD research rate it as “valuable,” and research publications have been extensively cited in the literature. HUD program evaluations completed during FY 2001, or soon thereafter, are related to program-specific performance indicators in the following pages, and are summarized in the appendix. This objective was also supported by international coordination activities related to housing policy, involving a very small amount of budgetary resources. The Department of State assists these international activities, and a number of agencies coordinate on various research activities.

Resource Issues Affecting Performance

Budget

The performance goals reported in this document are those specified in HUD’s Revised FY 2001 Annual Performance Plan. The targets that appeared in the revised plan were generally calibrated to reflect the actual FY 2001 appropriations rather than the budget request. One unanticipated exception occurred during FY 2001: the performance of FHA’s multifamily mortgage insurance program was limited because it ran out of credit subsidy before the fiscal year ended.

There are a number of important outcomes that HUD’s programs affect directly but for which budget resources are limited relative to the degree of need. The extent of worst case needs for affordable rental housing and the number of units made lead-safe are prime examples.

Human Capital

Human resource issues, which GAO has identified as a government-wide high-risk area, remain a challenge for HUD. The Department has made progress in assessing staffing allocations under the Resource Estimation and Allocation Program. Staffing is a factor in effective monitoring of HUD programs, as well as in the timely investigation and resolution of fair housing complaints.

To create greater efficiencies, the Department has initiated realignment efforts within Headquarters and in the field. The Headquarters realignment will improve oversight of day-to-day operations by significantly reducing the number of reporting layers and strengthening the role of the Department’s Assistant Secretaries.

Under HUD’s old organizational structure, there were in excess of 35 direct reporting relationships to the Office of the Secretary. HUD’s new organizational structure significantly reduces the number of reporting layers (to approximately 20), narrows the Secretary’s span of control, and provides for increased program oversight and performance accountability. The new Headquarters structure provides for Departmental Assistant Secretaries and the General Counsel to administer all functions and services of the Departmental Enforcement Center, the Real Estate Assessment Center, Departmental Equal Employment Opportunity, and the Office of the Chief Information Officer.

The Department has adopted and successfully implemented the Resource Estimation and Allocation Program; provided a comprehensive staffing plan that matches staffing requirements with programmatic responsibilities; started succession planning to address anticipated loss of seasoned employees through

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development of a Departmental Intern Program and other measures; set a high standard of excellence and performance accountability for senior executives, managers and supervisors through our Performance Appraisal and Incentive Process.

Other challenges remain, including rebuilding an aging workforce where over 40 percent of employees are retirement eligible, reducing the number of GS-14 and GS-15 positions, lowering the average salary cost per employee, implementing a consistent Department-wide “telecommuting” program that promotes accountability, ensuring adequate staff resources are available to address HUD’s core programmatic requirements, and refocusing and intensifying recruitment efforts and developing intern programs.

In a number of cases, human capital strategies are discussed in connection with individual performance measures, although the human capital plan will outline more specific approaches.

Information Technology

In recent years, HUD has grown into a leader among Federal agencies in applying strategic decision-making tools to the process of selecting and funding information technology projects. Historical limitations in capital funding have contributed to problems with performance data and long-term management challenges discussed in previous sections. The substantial cost of maintaining legacy systems has limited resources for developing enterprise-wide solutions with lower life-cycle costs and greater functionality. However in recent years, the Department has received increased funding for its Working Capital Fund—from \$265 million in FY 2000 to \$351 million in FY 2002—which will allow further investment in performance related data systems.

HUD has included several performance indicators in recent APPs that deal with data quality, information security, and performance of systems and system development projects. In a number of cases, information technology strategies are discussed in connection with individual performance measures.

Reliability of Performance Data

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

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

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

Data completeness is a problem for several program data systems. Household data submitted by public housing agencies were incomplete during FY 2001 because of a transition to a new information system. Although the Department has tried to use available data to its fullest effect, incomplete data creates the potential for bias in the reported results. Therefore, incomplete and preliminary data are identified, often with extensive footnotes (for example, for measures of welfare-to-work transitions in public housing).

Use of Evaluations to Improve Strategies

Performance indicators face inherent limitations because they often cannot address the issue of attribution. That is, performance measures can show results but may not be well-suited for showing that the program rather than external factors caused the results. Generally, the most that can be done with performance measures is to plausibly attribute the outcome to the program by demonstrating a logical connection.

To address the attribution problem, the Department also relies on program evaluations. Evaluations are studies that assess program impacts by using control groups, random assignment, econometric modeling and other methodologies to exclude the effects of external forces. HUD's ability to evaluate its programs is somewhat limited by budget resources. Research and evaluation is funded at a fraction of a percent of the Departmental budget, compared with proportions that frequently are greater at other agencies. Yet, the Department attempts to use evaluation resources effectively to learn about how programs work or fail to work.

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

Indicators on the following pages are supplemented, when appropriate, with a discussion of relevant program evaluations that were completed during FY 2001 or soon thereafter. In some cases, the program evaluations are direct studies of the programs in question, and in other cases the discussions cover research that affects the performance measure. An appendix to this report systematically summarizes FY 2001 research efforts and findings.

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Discussion of Performance Indicators

The performance indicators that follow were for the most part published in the Final FY 2001 APP that was submitted to Congress in March, 2000. A number of indicators or performance goals were subsequently modified in the Revised FY 2001 Annual Performance Plan that was transmitted to OMB in January 2001. The revised APP reflected the appropriations provided by Congress in HUD's FY 2001 budget, and the indicators reflect the Revised APP where it applies.

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

Results are provided for the majority of indicators. To prevent needless repetition, indicators that rely on data that are available only at intervals of two years or longer (as often occurs for those relying on the American Housing Survey) are not reported. The FY 2000 Performance and Accountability Report contains the most recent data available for these indicators.

As results are presented, a statement is included to indicate whether or not the performance goal was achieved. An analysis is also provided dealing to attribute results to programs and to external factors as appropriate and feasible. The Department is seeking to enhance such analysis in future performance reports.

In instances when the Department failed to achieve a performance goal, strategies to improve results are presented, including human capital and information technology strategies. Although similar strategies may be in place for programs that successfully achieved their goals, they are not presented here because documenting all such initiatives affecting every performance goal would require substantially increased efforts.

Finally, as discussed above, some indicators are supplemented with additional information about recent program evaluations and their use to improve strategies.

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

Strategic Objectives:

1.1 Homeownership is increased.

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

1.3 America's housing is safe and disaster resistant.

Objective 1.1: Homeownership is increased.

Outcome Indicator 1.1.1:

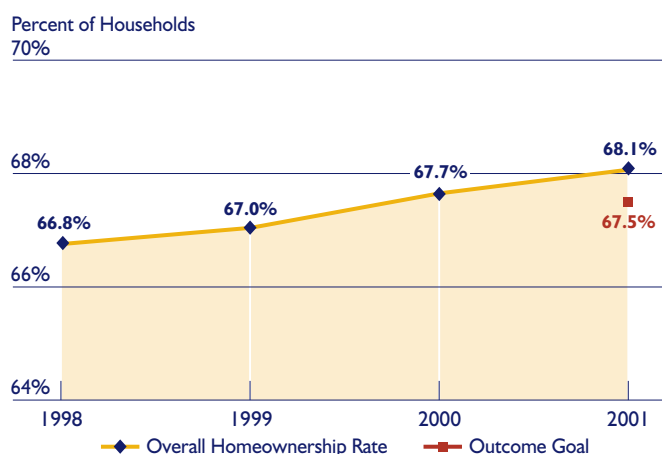
The overall homeownership rate increases from 67.0 percent in 1999 to 67.5 percent in 2001.

Background. The overall homeownership rate indicates the share of the Nation's households that have achieved the "American dream" of homeownership. Homeownership is widely believed to encourage commitment to communities and good citizenship. The homeownership rate has reached record levels in recent years, but is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. This measure is based on averages of monthly Current Population Survey data for the third quarter (the last quarter of the fiscal year). In the FY 2003 APP, this indicator was converted to a tracking indicator with no numeric goal, reflecting the substantial impact of recent economic uncertainties relative to HUD's span of control.

Results and Analysis. During the third quarter of calendar year 2001, the homeownership rate continued a trend of growth to reach a record 68.1 percent. The performance surpassed HUD's performance goal of 67.5 percent by a statistically significant margin.

An estimated 1.1 million households became homeowners during FY 2001, actually exceeding the estimated 1.05 million households that formed. An average of 1 million new households were formed each year during the 1990s.¹

Overall Homeownership Rate



¹ HUD Office of Policy Development and Research. U.S. Housing Market Conditions, Tables 21 and 24. Fall 2001. Available at www.huduser.org.

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The strength of the national economy in recent years has increased incomes and allowed many households to accumulate enough assets to become homeowners. The real median income of all households increased by 15 percent between 1993 and 2000, from \$36,746 to \$42,148 (in constant 2000 dollars). Non-family households experienced similar income growth, as their median income also grew by 15 percent during this period, from \$22,207 to \$25,391.² One result is that homeownership rates of single heads of households have increased from 48.5 percent in 1993 to 51.6 percent in 1999. Single heads of households with children had a lower homeownership rate in 1999, 44.2 percent, than did singles without children, 53.7 percent.³

During FY 2001, market interest rates for 30-year mortgages averaged about 7.2 percent, compared with an average of 7.9 percent over the past decade. Lower interest rates make mortgage payments more affordable—in this case by about \$50 per month (or \$600 per year) per \$100,000 of outstanding mortgage debt.

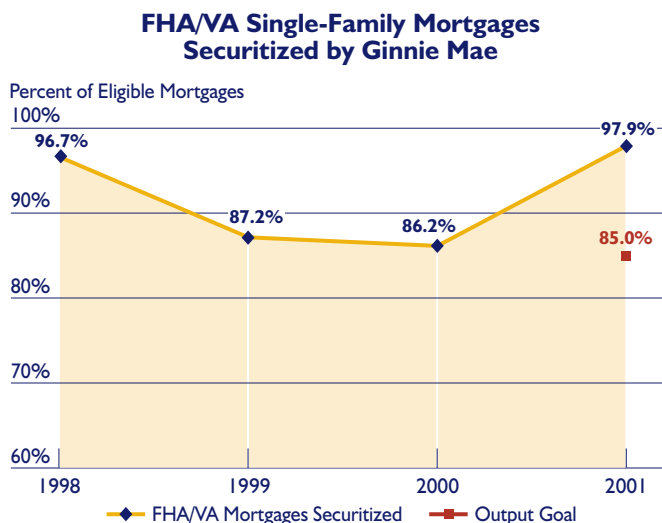
Higher incomes and lower mortgage payments combine to increase the buying power of U.S. households. These economic factors worked together with FHA single-family mortgage insurance programs during FY 2001 to increase homeownership rates (see indicator 1.1.e). FHA mortgage insurance helps families who have little cash become homeowners because it has low downpayment requirements, liberal income qualification guidelines and flexible credit standards. The majority of FHA endorsements for home purchases benefit first-time homebuyers (1.1.f). Communities have also used CDBG and HOME block grants and SHOP competitive grants to promote homeownership (1.2.d).

Programmatic Output Indicator 1.1.a:

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

Background. Ginnie Mae helps to keep mortgage rates lower and to make more mortgages available by attracting funds from the Nation's capital markets into residential mortgage markets. Ginnie Mae's principal products are mortgage backed securities (MBS), created when mortgage loans are pooled by eligible issuers. The liquidity provided through Ginnie Mae activity helps assure the success of the mortgage insurance programs of FHA and the U.S. Department of Veteran's Affairs. This measure is based on Ginnie Mae's database of FHA and VA loans.

Results and Analysis. In FY 2001, Ginnie Mae securitized 97.9 percent of single-family FHA and VA loans, surpassing the target of 85 percent by a wide margin. This represents an increase of almost 12 percentage points from the FY 2000 level of 86.2 percent. The Ginnie Mae share of FHA and VA loans is subject to fluctuation resulting from competition by the Government Sponsored Enterprises, as well as Federal Home Loan Banks. In certain years the GSEs may seek to securitize a portion of FHA and VA portfolios in order to satisfy the public purpose goals that HUD establishes.



²U.S. Census Bureau, *Current Population Reports, P60-213. Money Income in the United States: 2000, Table A. September 2001.*

³HUD Office of Policy Development and Research. *U.S. Housing Market Conditions. Winter 2001.*

Programmatic Output Indicator I.I.b:

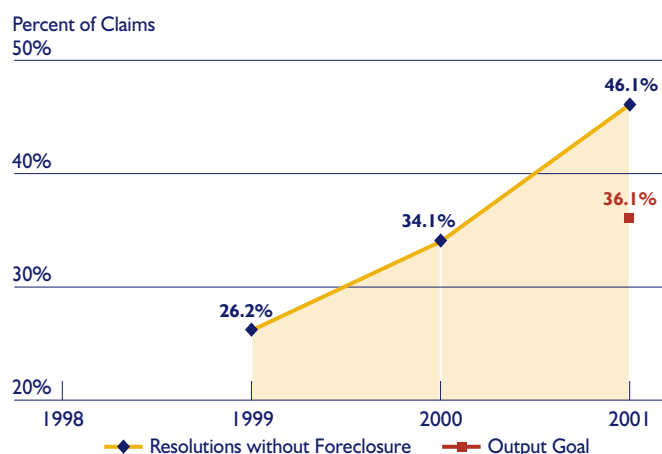
The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points to 30 percent.

Background. FHA loan servicers are statutorily required to employ loss-mitigation techniques to try to avoid foreclosure claims on FHA insurance when borrowers default on insured mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: by paying down the delinquency (cure), by a preforeclosure sale with FHA perhaps paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure, among others. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, making FHA financially sounder and enabling it to help more borrowers. For both reasons, greater use of loss mitigation helps increase the overall homeownership rate. Data used for this measure come from FHA's A43-C data system, and are verified by FHA staff using quality assurance sampling methods. In FY 2002 and 2003, the target for this indicator was raised to 40 percent.

Results and Analysis. The proportion of total claims on FHA insurance that represent loss mitigation rather than foreclosure increased substantially from 34.1 percent in FY 2000 to 46.1 percent in FY 2001. The increase of 12 percentage points exceeded the goal of a 2 percentage point gain by a factor of six.

Increased use of housing counseling for borrowers is a likely contributor to the high rate of loss mitigation tools used in FY 2001. The Department also took actions to ensure that loss mitigation was a major component of industry meetings held on regulations to motivate lenders to follow FHA's loss mitigation requirements. As a result of these steps, the use of loss mitigation tools has more than doubled in the past few years. In FY 1999, 24,874 cases were resolved with loss mitigation. There were 35,426 such cases in FY 2000 and 53,732 cases in FY 2001. FHA will continue to encourage lenders to use loss mitigation alternatives to foreclosure.

FHA Single-Family Mortgage Claims Resolved without Foreclosure



Programmatic Output Indicator I.I.c:

The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.

Background. FHA's Mutual Mortgage Insurance Fund (MMIF) funds all expenses, including insurance claims, incurred under FHA's basic single-family mortgage insurance program. The insurance program and fund are expected to be entirely self-financing from up-front and annual insurance premiums paid by borrowers obtaining FHA mortgage loans as well as from earnings on fund assets. Because the Department is expected to operate the program in an actuarially sound way, the fund is subject to an annual actuarial review. The review assesses the fund's current economic value, its capital ratio, and its ability to provide homeownership opportunities while remaining self-sustaining based on current and expected future cash flows.

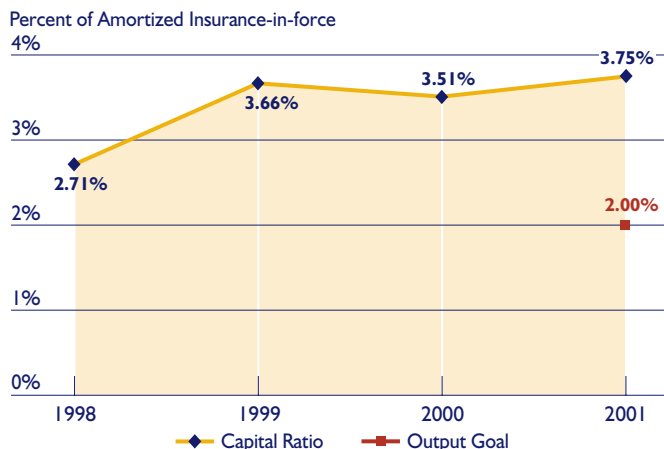
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The capital ratio is an important indicator of the MMIF's financial soundness and of its continuing ability to make homeownership affordable to more renters when economic downturns increase insurance claims.

The capital ratio is defined as the sum of FHA's capital resources plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses) divided by the unamortized insurance-in-force. This measure is based on the current capital ratio determined by the independent actuarial review discussed above.

Results and Analysis. The capital ratio of the Mutual Mortgage Insurance Fund was 3.75 percent at the end of FY 2001, compared with 3.51 percent at the end of FY 2000. This exceeded the congressionally mandated goal of 2.0 percent, as it has since FY 1995.

Capital Ratio for FHA Mutual Mortgage Insurance Fund



Programmatic Output Indicator 1.1.d:

The net recovery of FHA real estate owned sales increases by 1 percentage point to 63.7 percent.

Background. When defaulted FHA loans go to foreclosure and insurance claim, HUD acquires the property, which then becomes known as real estate owned (REO). Increasing the net recoveries on sales of REO will reduce FHA's insurance claim losses and strengthen the financial position of the FHA insurance funds. The net recovery is a ratio defined as one minus the sales price net of expenses and acquisition cost, divided by the acquisition cost. Data are from FHA's A43-C and A80S data systems, and are verified by FHA staff using quality assurance sampling methods.

Results and Analysis. During FY 2001, FHA achieved a net recovery of real estate owned sales of 65.5 percent, which is 4 percentage points higher than the FY 2000 level, and exceeds HUD's target of a 1 percentage point gain. The FY 2001 goal was surpassed as a result of improved Management and Marketing contractor performance. The Department is implementing a risk-based targeting project to support more strategic monitoring of REO properties.

Outcome Indicator 1.1.2:

The share of all homebuyers who are first-time homebuyers increases by 0.5 percentage point to 48.3 percent.

Background. Increasing the proportion of homebuyers who are purchasing a home for the first time is a key to higher homeownership rates. As discussed in the FY 2000 performance report, the Chicago Title data formerly used for this measure were not collected in 2000. As a result, the measure is being converted to American Housing Survey data, which are available biennially. FY 2001 data will be available to report next year. The FY 2003 APP also establishes this measure as a tracking indicator with no numeric target. This change reflects the dominant impact of the macro-economy compared with HUD's limited span of control over the outcome.

Programmatic Output Indicator 1.1.e:

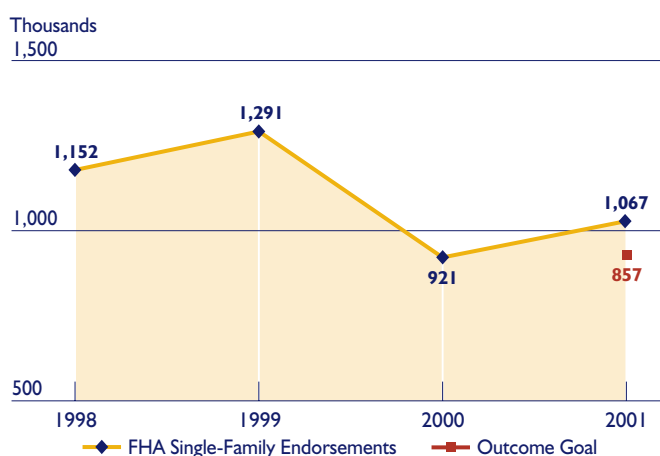
FHA will endorse 857,000 single-family mortgage loans in FY 2001.

Background. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. FHA mortgage insurance helps families who have little cash become homeowners because it has low downpayment requirements, liberal income qualification guidelines and flexible credit standards. This indicator tracks FHA's contribution to the homeownership rate through the annual number of FHA-insured loans. Data are from FHA's A43 data system and are monitored by FHA staff using quality assurance sampling methods. Because this measure is primarily driven by market conditions, the FY 2002 Annual Performance Plan has changing it to a tracking indicator with no performance target.

Results and Analysis. During FY 2001, the number of FHA's single-family mortgage endorsements increased by nearly 16 percent to 1.067 million. The result exceeded the FY 2001 performance goal of 857,000.

The volume did not match the peak levels of activity recorded in FY 1999. Changes in household incomes and interest rates affect the demand for home purchase mortgages or refinanced mortgages, both of which count in this measure. Because FHA mortgage limits increase annually as home prices increase, more families are enabled to become homeowners than would otherwise be possible. FHA's efforts to keep the Mutual Mortgage Insurance Fund in sound financial condition (see Indicators 1.1.b, 1.1.c, and 1.1.f) also are critical to sustaining large numbers of new endorsements through diverse economic conditions.

FHA Single-Family Mortgage Endorsements



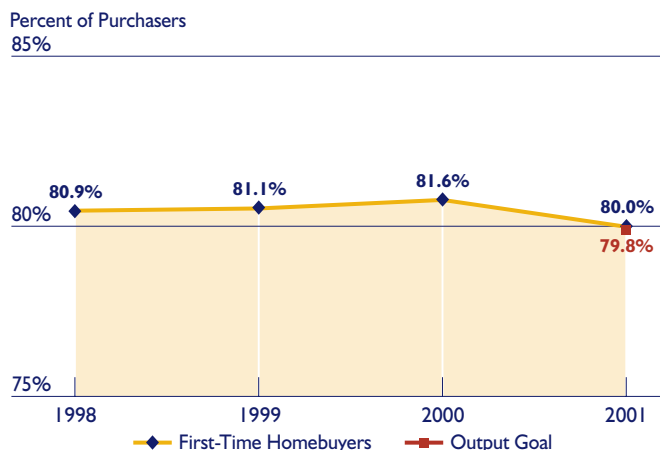
Programmatic Output Indicator 1.1.f:

The share of FHA-insured home-purchase mortgages for first-time homebuyers remains at least 80 percent.

Background. FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower income buyers. HUD will help increase the overall homeownership rate and reduce the homeownership gap between whites and minorities by increasing FHA endorsements for first-time homebuyers. This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases-thus excluding refinance mortgages. FHA data are entered into FHA's A43 data system by direct-endorsement lenders with monitoring by FHA.

Results and Analysis. During FY 2001, 79.8 percent of FHA endorsements for home purchase mortgages were for first-time homebuyers. The result is virtually

Percent of FHA Home Purchase Endorsements for First-Time Homebuyers



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equal to the 80 percent goal. FHA endorsed 643,748 loans to first time homebuyers during FY 2001. This performance continues FHA's strong support of first time homebuyers. American Housing Survey data show that during the 1990s, FHA-insured loans comprised 14 percent of all home purchases, and 25 percent of purchases by first-time homebuyers. The same data show that "FHA's share of the first-time homebuyer market increased during the late 1990s, rising from an average of 23 percent in 1991-96 to 30 percent in 1997-99."⁴

During FY 2001, the Department increased staff resources and efforts for appropriately targeted marketing. Activities such as homeownership fairs provided a non-threatening venue where renters with short-term or long-term homebuying potential could gain understanding of the prerequisites, benefits and responsibilities of homeownership.

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

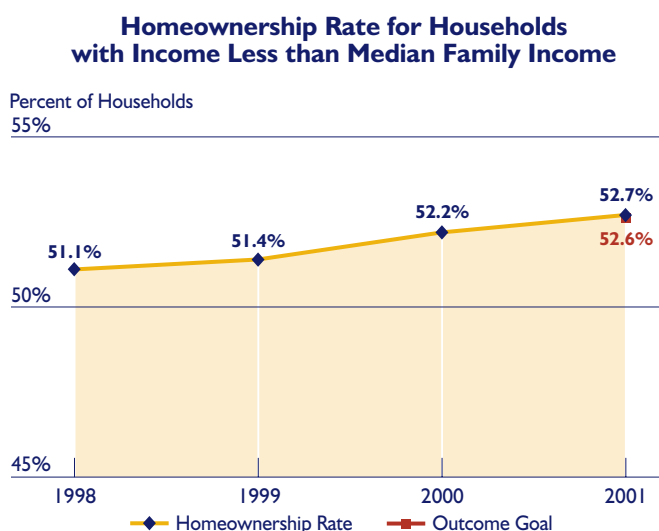
Outcome Indicator 1.1.3:

The homeownership rate among households with incomes less than median family income increases by 0.5 percentage point to 52.3 percent.

Background. Homeownership is advantageous because of its contributions to asset development, better neighborhoods and schools, stability of tenure, and wider choice of housing types. Holding other factors equal, homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates. This indicator tracks national progress in increasing homeownership among households with incomes below the national median family income. The measure uses Current Population Survey data from the third quarter of the calendar year, corresponding to the end of HUD's fiscal year. In the FY 2003 APP, this measure has been converted to a tracking indicator with no numeric target, reflecting the current dominant impact of the macro-economy.

Results and Analysis. In 2001, the homeownership rate among households with incomes below the national median increased by 0.4 percentage points to 52.6 percent. The results were slightly below the goal of 52.7 percent, but the difference is not statistically significant.

Recent significant gains in homeownership among families with incomes below the national median correspond to real gains in median, or 50th percentile, incomes. The 1.1 percentage point gain in homeownership between 1998 and 2000 is associated with a 2.7 percent increase in real median income, from \$41,032 in 1998 to \$42,148 in 2000 (constant 2000 dollars).⁵ Households with incomes between the 20th and 40th percentile also experienced real income growth of 3 percent, as the mean income for the group climbed from \$23,644 in 1998 to \$25,331 in 2000 (constant 2000 dollars).



⁴HUD Office of Policy Development and Research. U.S. Housing Market Conditions. Fall 2001. Available at www.huduser.org. The report notes that the American Housing Survey data include home purchases not financed with new mortgages, and that FHA market share would be higher if only home purchases that had mortgages were included.

⁵U.S. Census Bureau, Current Population Reports, P60-213. Money Income in the United States: 2000, Table C. September 2001.

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Other economic factors such as interest rates (discussed under Indicator 1.1.1) play a similarly important role for this measure. A modest change in interest rates makes a more substantial difference in housing affordability for families whose incomes are lower. Moreover, an increase in mortgage interest payments because of higher interest rates has a greater after-tax effect on low-income families. Their interest payments do not receive the equivalent compensation through income tax deductions because their marginal tax rate is lower.

HUD will continue to promote higher homeownership rates among low-income households through improved partnering, marketing, and outreach in the single-family FHA programs. HUD's block grant programs, CDBG and HOME, also provide homeownership assistance of various types, depending on local needs and preferences. Both of these programs are targeted primarily to groups with incomes below median.

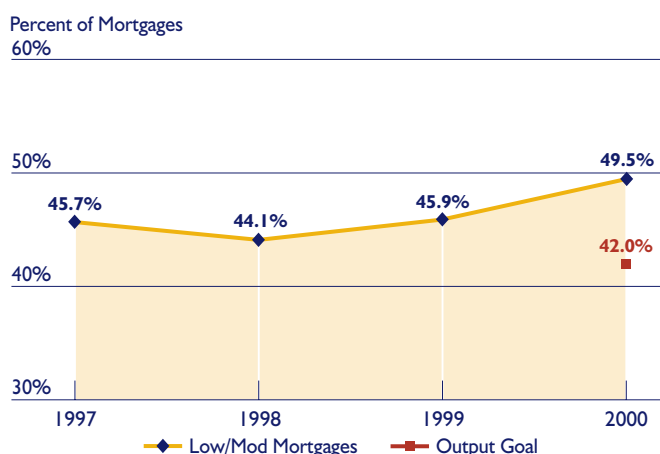
Programmatic Output Indicator 1.1.g: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.

Background. As Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac are expected to achieve a number of public interest goals, one of which is to expand homeownership opportunities for persons of low- and moderate income. This measure tracks the share of mortgage purchases securitized by the GSEs that serve low- and moderate-income families, defined as families with incomes below area medians, and including both single-family and multifamily mortgages. The data reported for this indicator are based on calendar years, and have a one-year lag because they come from audit reports. In 2000, the target for low- and moderate-income mortgage purchases was 42.0 percent. Beginning in calendar year 2001, the target has been increased to 50.0 percent.

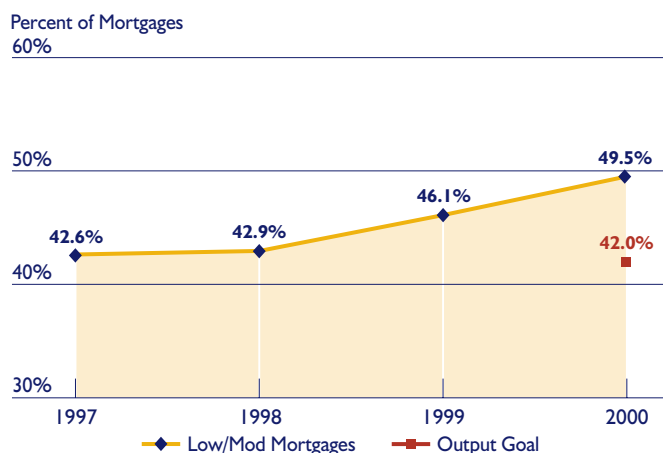
Results and Analysis. In calendar year 2000, Fannie Mae and Freddie Mac both surpassed HUD's target of 42 percent. Fannie Mae achieved 49.5 percent, while Freddie Mac achieved 49.9 percent.

Both GSEs were already close to the 2001 target levels in 2000, achieving the highest performance levels in any year of the 1996-2000 period. For Fannie Mae, the performance improvement during 2000 resulted from increases in low- and moderate-income share of both single-family and multifamily portfolios. For Freddie Mac, the gain was primarily in the low- and moderate-income share of the single-family portfolio. Both GSEs achieve the bulk of their low- and moderate-income goals through loans on single-family

Fannie Mae Performance Relative to Low/Mod Target



Freddie Mac Performance Relative to Low/Mod Target



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owner-occupied housing, even though such loans are less likely to qualify for the housing goals. Refinanced mortgages make up a substantial share of annual volume.

Programmatic Output Indicator 1.1.h:

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

Background. The HOME Investment Partnerships Program gives States and local communities flexibility to meet their housing needs in a variety of ways. Many participating jurisdictions choose to use their funds to rehabilitate existing owner-occupied units and to help low- and moderate-income families to purchase their homes. In this way, the HOME program contributes to the Presidential initiative to expand homeownership opportunities for under-served groups. Data entered by participating jurisdictions in HUD's Integrated Disbursement and Information System (IDIS) are used to track quarterly performance. Ongoing HUD-sponsored IDIS training and data clean-up efforts are used to consistently improve data quality and reliability.

Results and Analysis. During FY 2001, participating jurisdictions committed funds to 12,566 existing homeowner rehabilitation units and 29,690 new homebuyer units, for a total of 42,256 units. These accomplishments represent a leveling of the annual HOME homeownership assistance rate, and are slightly less than the goals of 15,090 homeowner rehabilitation units and 33,199 homebuyer units projected in Table 1.2.d for FY 2001. The per-unit HOME cost of producing a homeowner rehabilitation unit or homebuyer unit also increased during the fiscal year. A major IDIS data clean-up effort eliminated duplicate and inaccurately reported units, and may have contributed to the apparent reduction in accomplishments.

During FY 2001, HUD continued to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their HOME program performance. Participating jurisdictions committed \$222,000,000 to existing homeowner rehabilitation units and \$364,000,000 to new homebuyer units during FY 2001.

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME appropriations, the choices that participating jurisdictions make among their competing housing needs and economic conditions affecting the cost of housing. HUD will continue to develop training, technical assistance and web-based products that will enable participating jurisdictions to maximize their performance. A model guide for financing homebuyer housing is in development. HUD is also undertaking a study of homebuyer housing to identify the most effective approaches.

1.1.h.2: The number of homeowners who have used sweat equity to earn assistance with Self Help Opportunities Program (SHOP) funding increases (see table under 1.2.d).

Background. This indicator tracks the number of housing units completed by national and regional non-profit organizations and consortia receiving SHOP funds during the FY 2001 program year. The program goal is targeted to the number of units completed by grantees during the program period and is not tied to a specific year's SHOP grant. SHOP funds are limited to \$10,000 per unit for eligible expenses—land acquisition, infrastructure improvements, and administrative costs. Prospective homeowners perform construction-related work with volunteers. Data reported to HUD by each grantee are used to track quarterly performance. Future annual performance reports will continue to track the number of completed SHOP units.

Results and Analysis. During FY 2001, SHOP grantees completed 1,655 housing units. Grantees exceeded the program goal of 1,400 completed units by 18 percent. Another 3,407 SHOP units were under development at the close of the fiscal year.

During FY 2001, HUD continued to provide technical assistance upon request to SHOP grantees. This may be attributed to the nature of the SHOP program. Grantees pass funds through to local affiliates and work is performed by volunteers with various skill levels, causing delays in program implementation.

HUD's Office of Assisted Housing Programs is currently developing new uniform reporting procedures. A new uniform reporting format will ensure consistent and accurate reporting of SHOP accomplishments by grantees and affiliates. The use of standardized definitions for "units completed" and "under development" in future reports may result in changes to currently reported accomplishments.

The accomplishment of this output indicator is affected by several external factors: the level of SHOP appropriations, the "pass-through" nature of program funds to local affiliates, the level of sophistication of local SHOP organizations in developing and managing self-help housing, and the varying skill levels of the homebuyers and volunteers who use the funds.

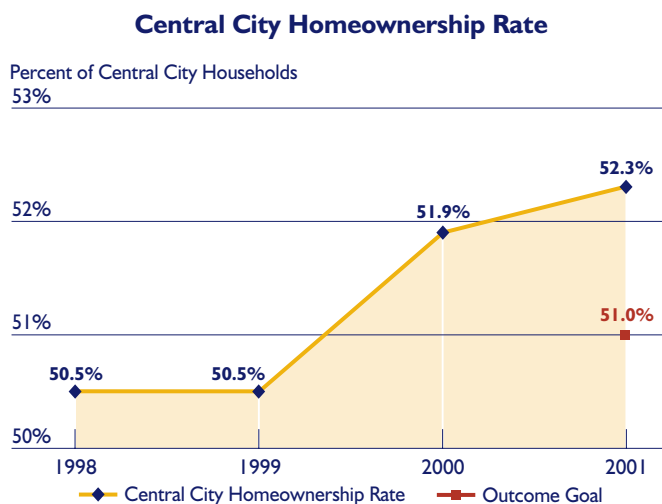
Outcome Indicator 1.1.4:

The homeownership rate in central cities increases to 51 percent.

Background. Central cities have below-average rates of homeownership, in part because of higher density development and multifamily housing, but also because of losses of middle-class families in past decades. Low homeownership can contribute to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base. This indicator tracks the progress in reestablishing central cities as desirable places for long-term individual investment. The data used to report this measure are averages of monthly data from the Current Population Survey for the third quarter of the calendar year (corresponding to the fiscal year end). In the FY 2003 APP, this measure has been converted to a tracking indicator with no numeric target, reflecting the dominant impact of the macro-economy relative to HUD's span of control.

Results and Analysis. In the third quarter of 2001, the homeownership rate in central cities increased to 52.3 percent, up from 51.9 percent a year earlier. The performance substantially exceeded the 51.0 percent target established on the basis of 1999 results.

A number of HUD's programs contribute to homeownership in central cities. CDBG and HOME block grants are among the largest programs, and each has a sizable homeownership component. Over one-third of households receiving HOME assistance receive homebuyer assistance, or roughly 30,000 homebuyers annually.



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HUD is increasing marketing and outreach efforts to promote central city homeownership, including targeted sales of HUD-owned properties. The Department's geographically-targeted goals for the housing GSEs include central city criteria to help ensure that mortgage capital is available. Cities also are making efforts to increase homeownership rates, as grantees increasingly use HOME funds to promote homeownership.

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

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

Results and analysis. In calendar year 2000, Fannie Mae and Freddie Mac both surpassed HUD's target of 18.0 percent.⁶ Fannie Mae achieved 19.2 percent, while Freddie Mac achieved 20.7 percent.

Programmatic Output Indicator I.I.j: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 39 percent.

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

Results and Analysis. In FY 2001, minority homebuyers accounted for 36.5 percent of FHA home purchase endorsements.

Programmatic Output Indicator I.I.k: At least 90 percent of EZs and ECs achieve local goals in promoting homeownership by residents.

Background. HUD has designated 89 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including residents receiving homeownership assistance. Data represent the sum of outputs taken from plans that are 95 percent completed divided by the sum of projected outputs for all plans. A more detailed discussion of this measure is included under Indicator 4.2.b.5.

Results and Analysis. In FY 2001, 87 percent of EZ and EC projects met goals with respect to residents that receive homeownership assistance. This level misses the target of 90 percent, but surpasses the previous year's level of 81 percent.

⁶The interim goal of 18 percent for 2000 was reduced to the 1999 level of 14 percent in the final rule.

Programmatic Output Indicator 1.1.L:

PATH increases to 150 the number of identified technologies for PATH's emerging technologies inventory.

Background. The Partnership for Advancing Technology in Housing (PATH), launched in 1998, is a partnership between Federal agencies and private industry that is developing and accelerating the diffusion of technology in the housing industry. The housing industry tends to adopt new technologies slowly because of liability issues, building codes, market fragmentation and lack of consumer awareness. PATH partners are working to identify key housing technologies that could support dramatic improvements in the areas of quality and durability, energy efficiency, environmental performance, safety and disaster mitigation, and affordability. Efforts to disseminate the technologies and increase their acceptance will increase over the coming ten years. This indicator tracks the number of "emerging" technologies identified by PATH, as recorded in technology inventory index files on PATH's website. Emerging technologies are defined as those with market share below 5 percent. This indicator was a replacement developed for the Revised FY 2001 APP in order to track the PATH Strategy and Operating Plan more closely and to measure the expected impact of the PATH program more accurately.

Results and Analysis. During FY 2001, PATH exceeded the goal of 150 new technologies, identifying over 160 emerging technologies for the industry. The emerging technologies are identified at www.toolbase.org. Each PATH Technology has at least one and usually several of the attributes that contribute to achieving PATH goals: affordability, energy efficiency, quality or durability, environmental performance, and safety of occupants or construction crews or disaster mitigation. The highest priority items will proceed through an evaluation process.

Related Program Evaluations. HUD is conducting research to develop a better understanding of the process of technological diffusion in the housing industry. The research, which is expected to be completed during 2002, will help PATH develop strategies to accelerate the adoption of cost-effective housing technologies.

Programmatic Output Indicator 1.1.m:

PATH issues 12 housing technology research contracts.

Background. Institutional and market barriers that slow adoption of housing technologies reduce incentives for the housing industry to invest in basic and applied research and development. The Partnership for Advancing Technology in Housing is counteracting this tendency by investing in targeted research of promising housing technologies, including basic research related to PATH-identified emerging technologies (see Indicator 1.1.L). PATH-sponsored research and dissemination is expected to have substantial impacts on housing costs, energy efficiency, durability, and production safety over the ten-year time frame of PATH's strategy. This milestone indicator was a replacement developed for the Revised FY 2001 APP in order to track the PATH Strategy and Operating Plan more closely and to measure the expected impact of the PATH program more accurately.

Results and Analysis. During FY 2001, PATH exceeded the goal of issuing 12 research contracts by awarding 11 university-based applied research projects, 16 technology development projects, and 6 technology policy or planning research projects last year. In each case, the projects received enough support from diverse sources that HUD was able to leverage funds from other sources. The projects cover issues such as advanced building materials and systems, performance of these systems, construction techniques and quality controls.

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

Outcome Indicator 1.2.1:

The number of households with worst case housing needs decreases by 3 percent by 2001 among families with children and elderly households.

Background. Households with worst case housing needs-unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing-are those with the most severe needs for housing assistance. Although the Department has little influence over the number of households with very low incomes, HUD's public housing, Section 8 and community development programs provide them with access to housing they can afford. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in the FY 2002 Performance and Accountability Report. The indicator was modified in the FY 2002 APP to include persons with disabilities.

Outcome Indicator 1.2.2:

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

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report in 2003. This indicator was not carried forward in the FY 2002 APP because of the long reporting interval and the difficulty of attributing results to HUD programs.

Outcome Indicator 1.2.3:

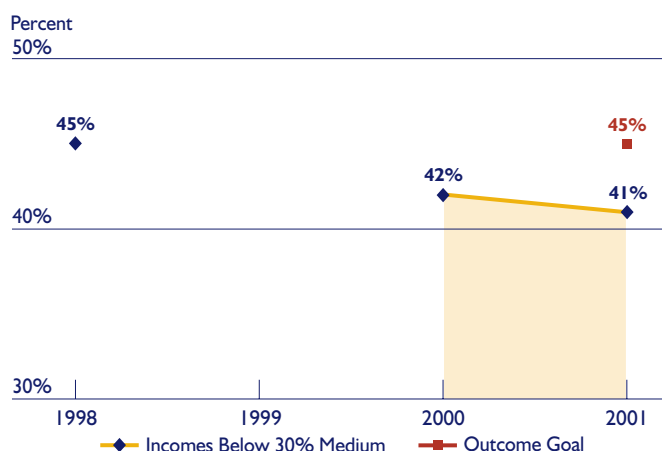
Among households living in HOME rental developments, the share with incomes below 30 percent of median at initial occupancy will be maintained at 45 percent.

Background. Renters with extremely low incomes (below 30 percent of area median) account for a high percent of the households with worst-case housing needs. This indicator tracks the contribution of HOME towards meeting the needs of these households. However, without statutory changes HUD cannot directly address the issue of rent burdens or worst case housing needs for extremely-low-income households. Participating jurisdictions have a great deal of flexibility in designing local HOME rental programs and establishing local priorities. The HOME statute currently requires that HOME assistance be provided to households below 80 percent of median income, and that 90 percent of households receiving rental assistance have incomes below 60 percent of median income.

Data entered by participating jurisdictions in HUD's Integrated Disbursement and Information System is used to track quarterly performance. Ongoing HUD-sponsored IDIS training and data clean-up efforts are used to consistently improve data quality and reliability. In future annual performance plans, this indicator will be a tracking indicator because HUD has no statutory or regulatory authority to influence its outcome.

Results and Analysis. During FY 2001, 41 percent of households living in HOME rental developments had incomes below 30 percent of area median

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



income, falling short of the 45 percent target. The percentage of households with extremely-low-incomes has been declining slightly, while the percent of households with incomes from 51 percent to 60 percent of area median income has increased. In FY 2000, 42 percent of HOME-assisted renters had extremely low incomes. The decline in the percent of households below 30 percent of median income can be attributed to the choices made by participating jurisdictions for the targeting of HOME assistance. There is no regulatory or statutory requirement for targeting HOME funds to renters below 30 percent of median income.

In FY 2001, 97.4 percent of households receiving HOME tenant-based rental assistance or occupying HOME-assisted rental units had incomes below 60 percent of area median, which shows greater targeting than required by the statute.

Related Program Evaluations. During FY 2001, a HUD-funded study on HOME-assisted rental housing was completed.⁷ This study examined the compliance of rental properties with HOME regulations two or more years after completion. As a secondary goal, the study examined the rent burdens of tenants in HOME-assisted rental units. The study found a 95 percent compliance rate. The study also found that rent burdens were highest for extremely-low-income renters who did not also receive direct rental assistance. HUD shared the results of this study with the HOME Participating Jurisdictions and the Millennial Housing Commission.

Programmatic Output Indicator 1.2.a:

Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or already assisted increases to 43 percent by 2001.

Background. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in 2003. In the FY 2003 APP, this measure has been converted to a tracking indicator, with no associated goal, because the reduction of worst case needs is controlled primarily by economic factors and Congressional appropriations for incremental housing assistance.

Programmatic Output Indicator 1.2.b:

The HOPE VI Revitalization Development program for public housing relocates 2,300 families, demolishes 4,100 units, completes 12,000 new and rehabilitated units, and occupies 11,100 units.

Indicator Background and Context. HOPE VI is HUD's primary program for eliminating the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles. This indicator tracks the share of HOPE VI redevelopment plans that are being implemented on schedule in terms of four key outputs: families relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied. The goals reflect planned achievements based on HOPE VI plans submitted to HUD by PHAs. Incremental goals may change if cumulative goals are achieved earlier than expected.

Results and Analysis. In FY 2001, the HOPE VI Revitalization Development program for public housing relocated 6,923 families, demolished 12,375 units, completed 4,044 new and rehabilitated units, and occupied 3,579 units. FY 2001 goals were exceeded for families relocated and units demolished, but were missed for units constructed and units occupied.

Cumulative HOPE VI Achievements	FY 2000 actual	FY 2001 FY actual
Families relocated	33,153	40,076
Units demolished	34,893	47,268
Units constructed	10,510	14,554
Units occupied	9,958	13,537

⁷HUD Office of Policy Development and Research, 2001. "Study of the Ongoing Affordability of HOME Program Rents." Available at www.huduser.org.

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Public housing agencies have been slower in implementing HOPE VI redevelopment plans than originally planned and indicated to the HOPE VI program office because of influencing factors such as the extensive planning and partnering involved. Mixed financing has been a central feature of the program, but can be difficult for PHAs to coordinate. At the end of FY 2001, a cumulative total of 40,076 families had been relocated; 47,268 units had been demolished; 14,554 units (new and rehabilitated) had been completed; and 13,537 completed units had been occupied.

Programmatic Output Indicator 1.2.c:

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

Background. The effective use of budget resources to provide Housing Choice Vouchers is one of the Department's primary ways to reduce worst case housing needs. The newly-established baseline for this indicator is based on a revised definition under the Section Eight Management Assessment Program (SEMAP). Under a new SEMAP definition, a PHA's utilization rate is the higher of the share of budget authority spent or the share of units utilized during the PHA's fiscal years, excluding units under Annual Contributions Contracts for less than one year or reserved for litigation. An acceptable level of utilization is defined as 95 percent. This indicator also controls for differences in program size among various agencies by measuring the percentage of the program managed by agencies with substandard utilization. The data come from financial statements submitted by housing agencies after their fiscal years end.⁸

Results and Analysis. Analysis of available data provides a preliminary estimate that in FY 2001, the proportion of voucher units administered by PHAs that meet the SEMAP's 95 percent threshold for acceptable utilization increased to 55.2 percent of the program, up from 44.6 percent in FY 2000.⁹ Thus, the proportion administered by agencies with substandard utilization decreased by 10.6 percentage points, from 55.4 percent to 44.8 percent. This result exceeded the target of a 10 percent reduction.

The average housing agency did not fall far short of the 95 percent threshold, as the average PHA utilization rate under SEMAP was 94.6 percent in FY 2001, up from 93.3 percent in FY 2000. HUD also examined the budget authority utilization and unit utilization components of the SEMAP measure separately. The SEMAP score is a weighted score of the composite of units leased and funds spent. In order to understand the composite score, it is important to look at the lease-up and fund utilization separately. Unit lease-up actually decreased by 1.5 percent during this period while fund utilization increased by more than 3 percent. The increase in budget authority reflected changes made by HUD to improve leasing and—as expected—resulted in a reduction in the actual number of families assisted. In order to maximize the number of units leased, HUD issued an administrative notice advising PHAs that HUD would provide additional funds to the extent necessary to allow PHAs to fully lease the units contracted with HUD.

In the past several years, the Department and Congress have taken a number of steps to improve Section 8 utilization rates. These include: merger of the certificate and voucher programs, reforms to make the voucher program more attractive to landlords, expanded flexibility for PHAs to raise voucher payment standards to respond to changes and variations in local market conditions, a requirement that recipients of new incremental vouchers have utilization rates of 97 percent or more, a new Fair Market Rent policy that allows housing agencies experiencing low voucher success rates to obtain payment standards based

⁸Each fiscal year estimate is based on financial statements of PHAs with fiscal years ending during HUD's fiscal year: December 31; March 31; June 30; September 30. A significant number of financial reports for PHAs with fiscal years ending September 30, 2000 have not been included in the preliminary FY 2001 result because the financial statements have not yet been fully processed.

⁹The FY 2000 baseline is revised slightly from the 44.3 percent reported in the FY 2000 PAR, reflecting the new standard for which fiscal year end statements are included.

on the 50th rather than the 40th percentile of rents, and authorization to allow housing vouchers to be used for homeownership. As agreed in a negotiated rulemaking with relevant stakeholders, HUD instituted a process that will provide for the reallocation of unused vouchers from PHAs that fail to achieve an adequate utilization rate. HUD also encourages PHAs that do not anticipate using all their vouchers to voluntarily reduce their program size. Finally, HUD plans to adopt a new system for tracking up-to-date utilization rates to allow for early intervention and conduct in-depth research into the causes and potential solutions for underutilization.

Under the improved SEMAP definition used for this FY 2001 measure and coming years, the unit utilization rate is defined as the number of unit-months under Housing Assistance Payment contracts divided by the number of unit-months available for leasing.¹⁰ The budget authority utilization rate is defined as the share of funds for vouchers authorized by HUD that are actually used by the PHA.

Related Program Evaluations. PD&R has published “The Study of Section 8 Voucher Success Rates” (in two volumes). The success rate is the proportion of families issued a voucher who are able to use it to lease a suitable apartment or house within the timeframe provided (and thus the success rate differs from the utilization rate, which is the subject of a forthcoming study). The national success rate within metropolitan areas in 2000 was found to be 69 percent. This is lower than the success rate during the early 1990s, but about the same as rates in the 1980s. Success rates were found to vary with local market conditions. However, some housing agencies had relatively high success rates even in tight markets. Importantly, success rates did not differ by such characteristics as the race, ethnicity, gender, or disability status of the head of household. This suggests that the voucher program works well for many different types of households, with only a few exceptions. A qualitative study of success rates in rural areas found that voucher success rates vary widely across the five sites that were examined. The report concludes that waiting times for a voucher are shorter in rural areas than in cities or suburbs. The report also finds, contrary to conventional wisdom, that the housing stock in rural areas appears to be of acceptable quality.

Programmatic Output Indicator 1.2.d:

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

Background. HUD can utilize a number of programs to assist in providing affordable housing. The HOME Investment Partnerships program is one of HUD’s major affordable housing production programs. HOME block grant assistance can be used by participating State and local governments to produce affordable rental units, assist homebuyers and existing homeowners, and provide tenant-based rental assistance.

The Community Development Block Grant (CDBG) program is another tool, although housing assistance is only one of several eligible activities among which grantees may choose. Analysis suggests that localities have reduced the proportion of CDBG funds used for housing and of HOME funds used for rental housing.

The Housing Opportunities for Persons With AIDS (HOPWA) program also supports housing assistance by providing emergency, transitional, and permanent housing coupled with supportive services to low-income persons living with HIV/AIDS and their families. HOPWA used its funds to provide housing and related supportive services through short-term rent, mortgage or utility payments; transitional or short-term housing through rental assistance or facility-based assistance; and long-term rental assistance or facility-based housing assistance.

¹⁰ The number of unit-months available for leasing is based on the number of reserved units for which HUD has obligated funding under Annual Contributions Contracts, and adjusted to exclude units associated with funding increments obligated during the last PHA fiscal year as well as units obligated for litigation.

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The Rural Housing and Economic Development Program (RHED), created in FY 1999, supports housing assistance by building capacity at the State and local level for rural housing and economic development and supporting innovative housing and economic development activities in rural areas.

Because of widespread shortages in affordable housing, there is a need to increase the number of households receiving housing assistance. The level of these housing outputs is subject to appropriations as well as local discretion. Future APP goals will continue to be based upon refinements of the reported accomplishments from the previous years. Results for the Section 184 Native American Home Loan Guarantee Program are described under Indicator 2.3.b.

Households Assisted	1998 act.	1999 act.	2000 act.	2001 goal	2001 act.
CDBG households	157,417	158,280	182,700	181,396	172,445
HOME tenant-based assistance	8,246	8,246	6,899	8,978	11,756
HOME rental units committed	24,148	25,114	33,487	29,574	27,456
HOME new homebuyers committed	29,514	30,695	30,748	36,145	29,690
HOME existing homeowners committed	13,415	13,952	14,731	16,429	12,566
HOME total households	75,323	78,007	85,865	91,126	81,468
HOPWA households	43,798	41,670	43,902	48,000	49,515
RHED households assisted	—	—	—	600	3,945
SHOP homeowners	558	1,983	1,675	1,400	1,655
Section 184 Native American homeowners ^d	414	176	185	275	89
Units constructed or rehabilitated with NAHASDA	not available	not available	not available	Baseline + 3%	not available

Results and Analysis. During FY 2001, CDBG and HOME did not reach their numerical goals for housing assistance, in part due to changes in accounting of what constitutes an actual accomplishment, but also because of increasing costs of housing production. HOPWA and RHED, conversely, exceeded their projections for FY 2001.

CDBG. CDBG funds were used to provide housing assistance to 172,445 households in FY 2001, short of the goal of 181,396. The FY 2001 results are based upon actual accomplishments during the fiscal year reported by states and entitlement grantees. In previous years, results were estimates computed from a per-unit average cost. The FY 2001 result also excludes CDBG funds spent on housing units that had received minimal CDBG assistance (e.g., activities limited to installing smoke alarms, deadbolt locks, and other types of limited support). In previous years, CDBG funds spent for such improvements would have been included in the overall estimate. Given the evolving nature of the basis for the accomplishments data from projections to actual, the FY 2001 result compares favorably with previous years.

HOME. In the HOME program, participating jurisdictions committed 81,468 new units of assisted housing for FY 2001. Of this total, 27,456 units were rental housing, 29,690 units were homebuyer housing, 12,566 units were existing homeowner rehabilitation housing and 11,756 units were tenant-based rental assistance (TBRA). The total HOME accomplishments were less than the 91,126 units projected. TBRA units exceeded the estimate by 2,778 units, while rental units, homebuyer units and existing homeowner units were less than estimated. The per-unit HOME cost of producing a unit of rental, homebuyer and homeowner housing also increased during the fiscal year. A major IDIS data clean-up effort eliminated duplicate and inaccurately reported units, and may have contributed to the apparent reduction in overall accomplishments and the apparent significant increase in TBRA.

During FY 2001, HUD continued to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their HOME program performance. HUD also issued monthly production reports, which were posted on the web, and aggressively followed-up with participating jurisdictions that were not meeting production goals—including deobligating funds from those that failed to meet the 24-month statutory commitment deadline. Participating jurisdictions committed \$1,475,290,000 in HOME funds during FY 2001.

The accomplishment of these HOME goals is affected by several external factors: the level of annual HOME appropriations, the choices that participating jurisdictions make among the competing housing needs, and economic conditions affecting the cost of housing. HUD will continue to develop training, technical assistance and web-based products that will enable participating jurisdictions to maximize their performance. A model guide and a new training course on performance and productivity measures are in development. HUD also will continue to post monthly production reports and the relative rankings of participating jurisdictions on the web page. IDIS data clean-up efforts will continue.

HOPWA. A preliminary estimate based on FY 2001 financial data anticipates that the Housing Opportunities for Persons With AIDS program supported 49,515 units of housing, exceeding HUD's goal of 48,000 units. Based on financial and performance data gathered in 1998, the most recent available, HOPWA supported 183 units of housing for every \$1 million expended (at \$5,500 per unit). As the remaining HOPWA formula grantees submit accomplishment information to HUD, the office will update these reported accomplishments.

In FY 2001, HOPWA disbursed \$270,574,624 to grantees to support HIV/AIDS housing programs across the country.¹¹ Further, HOPWA grantees were able to leverage over \$164.7 million in State, local, and other Federal resources to support 40,403 units of housing.

RHED. As a result of applications receiving awards for the FY 2001 competition, 3,945 units of new construction or housing rehabilitation are to be completed, exceeding the target of 600. In the future, projections for this program can only be estimates because of the nature of the program's purpose—to encourage potential grantees to build capacity within their organization and develop innovative approaches to support rural housing and economic development.

SHOP. The SHOP program completed 1,655 properties in FY 2001, exceeding the goal of 1,400. Under SHOP, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related work with volunteers, which vastly reduces labor costs. Grantee organizations such as Habitat for Humanity play a critical role in motivating volunteer resources and supporting affiliates.

Programmatic Output Indicator 1.2.e:

The number of HOME production units that are completed within the fiscal year will increase by 4 percent.

Background. This indicator tracks the number of HOME-assisted units that have been put into service. Data entered by participating jurisdictions in HUD's Integrated Disbursement and Information System are used to track quarterly performance. Ongoing HUD-sponsored IDIS training and data clean-up efforts are used to consistently improve data quality and reliability. Future annual performance plans will continue to track the number of HOME production units that are completed within the fiscal year.

¹¹ This figure has been adjusted from what is reported in HUD budget and financial statements to account for approximately \$30 million expended by New York City but not recorded in FY 2001 because of the terrorist events of September 11th.

INCREASE DECENT, SAFE AND AFFORDABLE HOUSING

HOME Units Completed	Total through FY 1998	FY 1999 act.	FY 2000 act.	FY 2001 goal	FY 2001 act.
HOME rental units produced	72,469	18,806	29,309	20,340	20,453
HOME new homebuyers	77,363	25,008	34,126	27,048	24,757
HOME existing homeowners	60,053	12,254	13,174	13,254	9,938
HOME total households assisted	209,885	56,068	76,609	60,643	55,148

Results and Analysis. During FY 2001, participating jurisdictions completed 55,148 HOME-assisted production units, slightly less than the 60,643 units projected. Of this total, 20,453 units were rental housing, 24,757 units were homebuyer housing and 9,938 units were existing homeowner rehabilitation housing. Completed rental units slightly exceeded the estimate, while homebuyer units and existing homeowner units were less than estimated. The per-unit HOME cost of producing a unit of rental, homebuyer and homeowner housing increased during the fiscal year. A major IDIS data clean-up effort eliminated duplicate and inaccurately reported units, and may have contributed to the apparent reduction in overall accomplishments.

During FY 2001, HUD continued to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their HOME program performance. HUD also issued monthly production reports, which were posted on the web, and aggressively followed up with participating jurisdictions that were not meeting production goals. All participating jurisdictions have met the five-year expenditure deadline. Participating jurisdictions disbursed \$1,320,980,000 in HOME funds during FY 2001.

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME appropriations, the choices that participating jurisdictions make among the competing housing needs and economic conditions affecting the cost of housing. HUD will continue to develop training, technical assistance and web-based products that will enable participating jurisdictions to maximize their performance. A model guide and a new training course on performance and productivity measures are in development. HUD will also continue to post monthly production reports and the relative rankings of participating jurisdictions on the web page. IDIS data clean-up efforts will continue.

Programmatic Output Indicator 1.2.f:

All households living in HOME-assisted rental units will be income eligible and pay appropriate rent.

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

Results and Analysis. The June 2001 study of HOME-assisted rental housing¹² found that 95 percent of the units surveyed were in compliance with HOME rent requirements two or more years after completion. The study concluded that the few cases of non-compliance with HOME rent requirements were caused by misunderstandings about the HOME requirements. HUD will address these misunderstandings through technical assistance and training. A web-based training module on managing HOME-assisted rental developments to ensure program compliance is in development and additional sessions of our course on property and asset management are scheduled for nationwide delivery.

Outcome Indicator 1.2.4:

The number of elderly households living in a public or assisted housing development that is served by a service coordinator for the elderly increases, by 3 percent above FY 1999 levels for private assisted housing.

Background. Service coordinators improve the quality of life of elders by helping them remain as active and independent as their health permits. Service coordinators for public housing and assisted housing projects are funded in a number of ways: through grants made by the Office of Housing, from assisted housing project budgets and reserves, from public housing Operating and Capital Funds, and from other resources raised in the community. The Resident Opportunity and Supportive Services program renews expired elderly coordinator grants for public housing developments, but no programs exist to increase the number of service-enhanced elderly developments in public housing.

HUD received a significant increase in funding for service coordinators in assisted multifamily housing, from \$13 million in FY 1999 to \$50 million in FY 2000, to help meet the needs of a growing population that is aging in place. The Service Coordinator program was funded at \$50 million again in FY 2001. This measure uses data for elderly private multifamily projects with service coordinators from the Office of Housing service coordinator grants database.

Results and Analysis. During FY 2001, Service Coordinator grants funded service coordinators for 22,083 additional units in elderly projects. The new grants increased the total number of units in elderly developments with service coordinators by 54 percent to over 63,000.¹³ The increase substantially exceeded the 3 percent target. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.

Of the \$50 million appropriation for 2001, \$25 million was used for 217 grants to fund service coordinators in new properties. The balance was used to renew existing properties. In addition, owners used residual receipts of \$0.77 million as project match funds. Revised rules that permit use of owners' residual receipts for service coordinators thus added 3 percent to federal funding for new projects during FY 2001. The number of units with service coordinators is dependent on appropriation levels and the quality of applications submitted. To increase the number of service-enhanced units, HUD will continue to encourage owners to use residual receipts to leverage federal resources. The Department also will enhance the Service Coordinator program as appropriate on the basis of ongoing program reviews, grantee operations and NOFA responses. The Department also encourages service coordinators to assist low-income elderly families living near, as well as those residing in, Section 202 projects.

¹² HUD Office of Policy Development and Research, 2001. "Study of the Ongoing Affordability of HOME Program Rents." Available at www.huduser.org.

¹³ This total includes currently-funded developments that were first funded in FY 1998 and following years. A small additional number of units in developments funded prior to FY 1998 has not been determined.

INCREASE DECENT, SAFE AND AFFORDABLE HOUSING

Outcome Indicator 1.2.4.5:

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

Background. The Service Coordinator program funds service coordinators in assisted multifamily housing developments. Service coordinators may provide personal assistance with daily activities, provide transportation to medical appointments or shopping, establish health and wellness programs in the community, and make physical improvements to provide space for support services. Frail elderly residents report higher quality of life and increased independence in developments that have service coordinators on staff, as shown by two demonstration programs, the HOPE for Elderly Independence Demonstration and the Congregate Housing Services Program, and an evaluation of the Service Coordinator program. Even elderly persons who are not “frail”—defined as needing help with three activities of daily living—will have greater ability to age in place when service coordinators provide appropriate support for independent living.

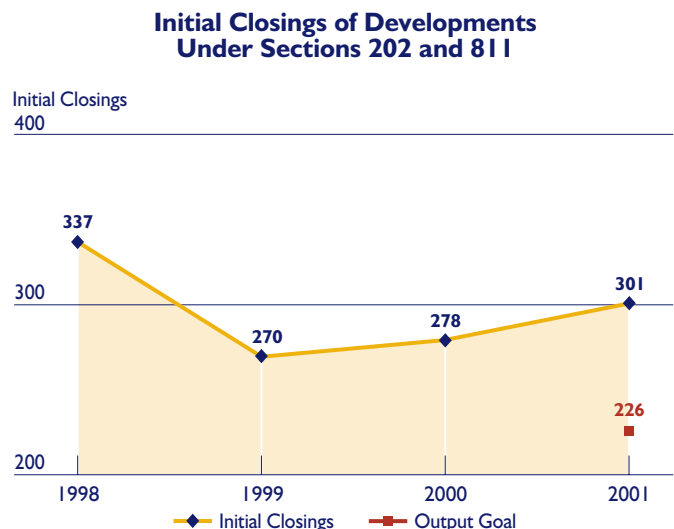
This indicator tracks the satisfaction of elderly residents (62 and older) in privately-owned assisted housing, comparing the satisfaction of elderly households in developments with and without service coordinators. Resident satisfaction is measured using a survey conducted by the Real Estate Assessment Center.

Results and Analysis. In order to develop a baseline, HUD compared resident survey results for 114 elderly projects that had service coordinator grants with 1,210 elderly projects that did not have a coordinator. The preliminary results showed that during Spring 2001, residents in service coordinator projects were slightly more satisfied overall. Of residents in service coordinator projects, 86.0 percent expressed overall satisfaction, compared with 85.1 percent in unfunded elderly projects. However, the difference of 0.9 percentage points is not statistically significant. HUD will review this measure to determine whether it has continued validity or if the baseline should be improved through a more comprehensive selection of funded projects or by using a more complex procedure to count only elderly residents.

Programmatic Output Indicator 1.2.g:

Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 226 projects to initial closing under Sections 202 and 811.

Background. HUD provides a substantial number of housing units for populations with special needs each year. Project sponsors can receive direct loans for multifamily development under the Supportive Housing for the Elderly (Section 202) program and the Supportive Housing for the Disabled (Section 811) program. During 1996-2001, annual appropriations averaged \$650 million for Section 202 housing and about \$200 million for Section 811 housing. This indicator tracks the number of projects each year that reach the closing stage (when the project design has been approved and all of the local community requirements have been met). This measure used data from the Development Applications Processing (DAP) system. HUD’s central office receives copies of the closing documents that will be used to verify data system entries. DAP data also are used to track management plan goals and accomplishments, which helps ensure that data are accurate.



Results and Analysis. During FY 2001, HUD brought 301 Section 202 and 811 projects to initial closing. The performance exceeded the goal of 226 closings by 33 percent.

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

HUD is continuing to emphasize timely initial closings. Regulations are being developed to expedite processing, and more authority is being delegated to field staff. Other strategies are addressing the issue of external sources of funding. In FY 2002, HUD is implementing a policy to allow non-profit sponsors of Section 811 developments to form limited partnerships with for-profit entities. The partnerships will help them compete for low-income housing tax credits and give them greater discretion in how funds are used to meet the needs of persons with disabilities and their households. Also, in 1999 the Department signed a Memorandum of Understanding with the Federal Housing Finance Board. The memorandum established a policy for how the Federal Home Loan Banks could use Affordable Housing Program funds for subordinate financing of Section 202 and Section 811 projects. The policy streamlined the approval process and decreased the time it takes to finance these projects. Programmatic Output Indicator 1.2.g.5: At least 10 Section 202 developments will complete conversion of units to assisted living by FY 2003.

Background. HUD's FY 2000 and FY 2001 appropriations included funds to convert Section 202 multifamily projects for the elderly to assisted living. The conversions may involve entire projects or a subset of their units. This funding supports HUD's continuum of care strategy for the elderly and responds to the projected increase in demand for assisted living accommodations caused by the aging of the baby boom generation. In FY 2000, \$20 million was awarded for 13 properties (10 of which are the projected goal accomplishment for FY 2003). An additional \$20 million was awarded for 12 properties in FY 2001. Grant funds are provided for physical conversion needs only; service provider costs are not included and tend to be high.

Local sponsors often experience delays in licensing because conversions to assisted living are subject to state licensing requirements. This indicator tracks the number of Section 202 developments that complete their modifications under the Section 202 conversion program within a reasonable period. FY 2003 will be the first year of full reporting.

Programmatic Output Indicator 1.2.h:

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

Background. Currently, just over half the States have approved Medicaid waivers for assisted living for the elderly. HUD will make these waivers usable in combination with housing subsidies because, in FY 2000, HUD was given authorization to allow housing agencies to use housing vouchers in assisted-living developments. This indicator measures the number of states that make assisted-living units affordable by combining housing choice vouchers with third-party funding. The Public and Indian Housing Information Center (PIC) System began collecting tenant data in June 2001 on the basis of buildings and units rather than merely projects, which will support analysis of elderly and non-elderly buildings within a project. These data will be available in FY 2002.

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Outcome Indicator 1.2.5:

For extremely-low-income renters, the number of affordable units increases from 76 per 100 ELIR households to 78 by 2001.

Background. An extremely-low-income renter (ELIR) is one whose income is less than 30 percent of area median income. In 1999, there were 3.75 million extremely-low-income renters with worst-case housing needs. The latest available data show that nationally in 1999, there were only 75 units for every 100 ELI renters, down from 84 units per 100 renters in 1991. Moreover, because many of those units were already occupied by renters with higher incomes, there were effectively only 39 units in 1999 that were both affordable and available for every 100 ELI renters, down from 48 units per 100 renters in 1999. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time for the FY 2002 Performance and Accountability Report.

Outcome Indicator 1.2.6:

For very-low-income renters, the number of affordable units actually available increases from 68 per 100 VLIR households to 72 by 2001.

Background. A very-low-income renter (VLIR) is one whose income is less than 50 percent of area median income. Much of HUD's housing assistance is targeted to VLI renters. The latest available data show that in 1999, 10.9 million unassisted VLIR had "worst case needs" for housing assistance, most of whom paid more than half of their income for housing. Another 6.6 million VLI renters paid 31 to 50 percent of income for rent. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in the FY 2002 Performance and Accountability Report.

Outcome Indicator 1.2.7:

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

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report in 2003. Because of the difficulty in attributing the results of this indicator to HUD programs, the indicator was not included in the FY 2002 Annual Performance Plan.

Outcome Indicator 1.2.8:

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

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report in 2003. Because of the difficulty in attributing the results of this indicator to HUD programs, the indicator was not included in the FY 2002 Annual Performance Plan.

Programmatic Output Indicator 1.2.i:

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

Background. This indicator tracks the performance of the GSEs in providing capital for affordable multifamily housing. The GSEs purchase loans directly from primary market mortgage originators, such as mortgage bankers and depository institutions. The loans are either held in the GSEs' portfolios or issued as mortgage-backed securities for sale in capital markets.

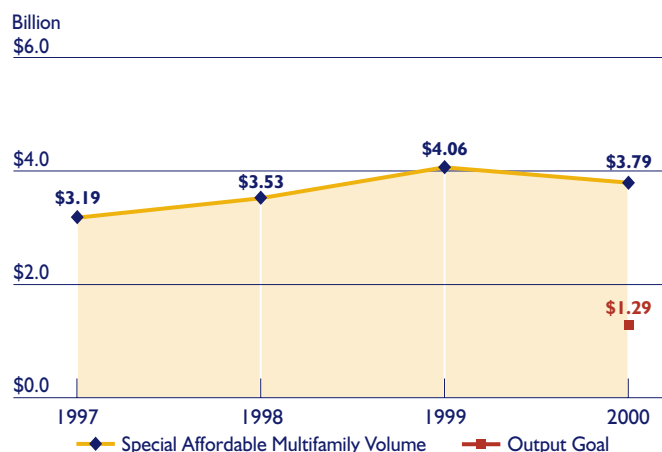
Qualifying multifamily mortgages provide five or more units that are affordable at incomes less than or equal to 60 percent of area median, or affordable at less than or equal to 80 percent of area median and also located in low-income areas. This measure uses calendar year data that have a one-year lag because they come from audit reports. Beginning with calendar year 2001, the target for special affordable multifamily mortgage purchases increases to \$2.85 billion for Fannie Mae and \$2.11 billion for Freddie Mac.

Results and Analysis. In calendar year 2000, Fannie Mae purchased \$3.79 billion of qualifying multifamily mortgages, exceeding the goal of \$1.29 billion. Freddie Mac purchased \$2.40 billion of mortgages, exceeding its goal of \$0.99 billion.

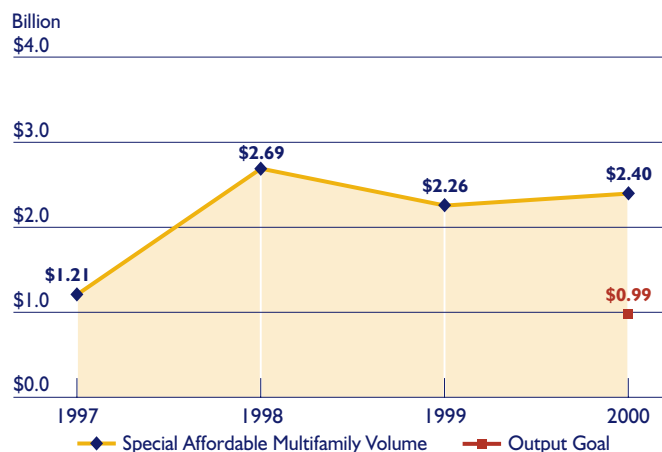
Both GSEs surpassed their special affordable multifamily goals by a substantial margin. However, the multifamily goals reported here are the only housing goals for which the GSEs failed to set new records in 2000. About half of the multifamily mortgages purchased during 2000 qualify as special affordable mortgages—52 percent for Fannie Mae and 49 percent for Freddie Mac.

Related Program Evaluations. A "Study of Multifamily Underwriting and the GSEs' Role in the Multifamily Market" was published in early 2002. The study analyzes credit availability for affordable multifamily properties, credit gaps in segments of the market, the position of Fannie Mae and Freddie Mac in the market, and related fair lending issues. The researchers found that the GSEs' leadership in the multifamily mortgage market is principally one of setting the standards for underwriting and financing properties. The GSEs' multifamily purchases do not appear to be contributing consistently to the mitigation of excessive cost of mortgage financing facing small properties. The report makes recommendations for improvements in HUD monitoring of GSE multifamily activities.

Fannie Mae Performance Relative to Special Affordable Multifamily Goal



Freddie Mac Performance Relative to Special Affordable Multifamily Goal



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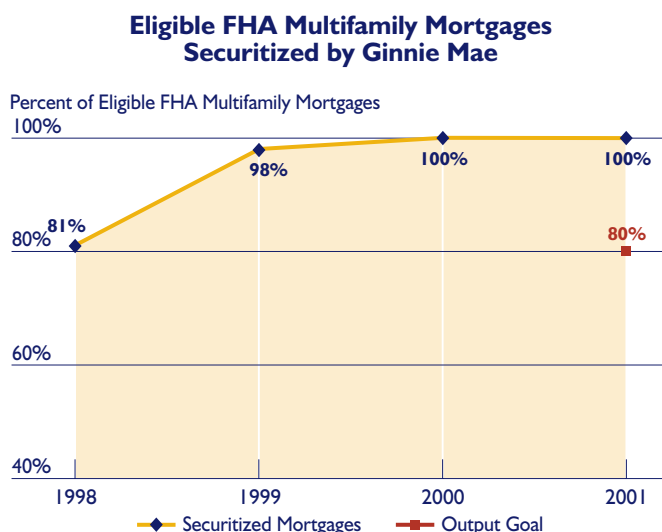
Programmatic Output Indicator 1.2.j:

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

Background. Ginnie Mae helps ensure that credit is available for multifamily residential lending through two major programs: Mortgage-Backed Securities and Multiclass Securities. For mortgage-backed securities, Ginnie Mae helps lenders securitize FHA-insured multifamily loans for the secondary market, with Ginnie Mae guaranteeing the timely payment of principal and interest. Under the Multiclass Securities program, Ginnie Mae guarantees the timely payment of principal and interest on products such as Real Estate Mortgage Investment Conduits (REMICs) and Ginnie Mae Platinum Securities. Securitization increases the availability of capital for the multifamily mortgage market, making loans less costly and easier to obtain. Some types of FHA multifamily loans (elder care facilities, risk sharing, and hospitals) are not eligible for securitization by Ginnie Mae. This measure is based on a Ginnie Mae database of multifamily loan securities compared with a FHA multifamily database with ineligible projects excluded. Ginnie Mae and FHA data are subject to audits. The FY 2001 target was established at 66 percent, then raised to 80 percent in the Revised FY 2001 APP. The goal has been increased to 90 percent for FY 2003.

Results and Analysis. In FY 2001, Ginnie Mae securitized 100 percent of eligible multifamily mortgages, just as it had in FY 2000. The performance exceeded the goal of 80 percent.

Based on the potential for continued strong performance, Ginnie Mae has increased the goal to 90 percent in the FY 2003 APP. This new target reflects a meaningful and sustainable level of performance in a changeable and competitive market. Many larger FHA multifamily mortgages have in the past been sold directly to investors, such as pension funds, who do not require the Ginnie Mae guaranty. In order to improve the efficiency of operations, Ginnie Mae is pursuing electronic commerce, recently completing a successful pilot of electronic processing of securities backed by multifamily loans.



Programmatic Output Indicator 1.2.k:

Ginnie Mae credit enhancements on multi-class securities increase by 5 percent to \$57.5 billion in FY 2001.

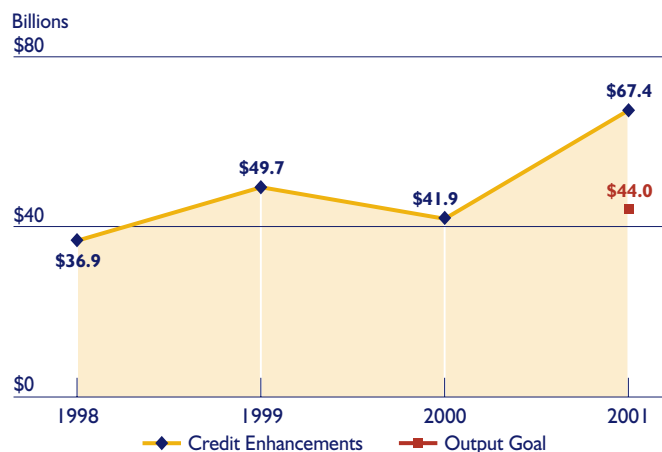
Background. Ginnie Mae's multi-class products help to reduce the cost of capital for borrowers by increasing the secondary mortgage market's liquidity. Multi-class product include Real Estate Mortgage Conduits (REMICs) and Ginnie Mae Platinum Securities. Multiclass securities are pools of mortgages or mortgage-backed securities for which principal and interest payments are directed into various security classes (tranches). By spreading investor risk among the tranches, REMICs increase the secondary mortgage market's liquidity, which can reduce the cost of capital for borrowers. The Platinum product provides customers the ability to trade a group of small pools for one large pool. For FY 2002, another incremental goal of 10 percent has been established, increasing the volume to \$73.7 billion. In the FY 2003 APP, the goal has been set at \$80.9 billion.

PERFORMANCE INFORMATION

Results and Analysis. In FY 2001, Ginnie Mae increased the volume of multi-class securities to \$67.4 billion, substantially above the \$41.9 billion in FY 2000. The increase of 61 percent from FY 2000 levels was substantially greater than the FY 2001 performance goal of a 5 percent increase.

The primary cause of the dramatic growth in the volume of multi-class securities was lower interest rates during FY 2001. In order to improve the efficiency of operations, Ginnie Mae is pursuing electronic commerce and web-based communications, including the ability for web users to register for training online and to download prospectuses for multiclass products.

Issuances of Ginnie Mae Credit Enhancements on Multi-Class Securities



Programmatic Output Indicator 1.2.l: FHA endorses at least 700 multifamily mortgages.

Background. FHA multifamily mortgage insurance is vitally important to a number of higher risk segments in the housing industry, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. The Federal Housing Administration offers many unique and valuable products in the market and brings stability to the market. FHA also retains a leadership position in the market for high loan-to-value and long-term fully-amortizing multifamily loans, which can help in the provision of affordable rental housing. This goal will be increased to 800 endorsements in FY 2002, and then decreased to 650 in FY 2003.

Results and Analysis. FHA endorsed 758 multifamily mortgages in FY 2001, exceeding the performance goal by 8.2 percent. This success was in part due to 137 restructured loans that closed under the Mark-to-Market program (see Indicator 1.2.n). The target might have been exceeded by an even greater amount, but a credit subsidy shortfall in midyear limited HUD performance. Although this measure depends to great extent on market-driven demand, FHA was able to stimulate demand by implementing and training staff on Multifamily Accelerated Processing (MAP). MAP provides prompt and nationally consistent and predictable processing of applications submitted by some 100 MAP approved lenders nationwide. In the future, FHA intends to minimize dependence on credit subsidies through increased mortgage insurance premiums.

Programmatic Output Indicator 1.2.m: Among multifamily developments newly insured by the FHA General and Special Risk Insurance funds, the share of units that are affordable to households with incomes below 60 percent of median increases by 1 percentage point from FY 2000 levels.

Background. The vast majority (more than 95 percent) of multifamily rental units that are newly mortgaged, including those mortgaged conventionally, are affordable to households at or below area median income. However, it is difficult to determine the share of units insured by FHA that are affordable at 60 percent of area median income—units that would increase the availability of decent housing to low-income households and to poorer families with rent vouchers.

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As discussed in the FY 2000 PAR, extensive system enhancements would be necessary in order to report rent affordability at the unit level among insured developments, and no such enhancements are planned for the immediate future under anticipated capital funding levels. Thus, no data are available for this indicator.

For FY 2002, a replacement proxy measure was proposed, "Among multifamily developments newly insured by FHA, the share of units that are combined with Low Income Housing Tax Credits increases by 1 percentage point from FY 2001 levels." Reflecting the lack of tools that the Department has available to affect the affordability of multifamily developments, this indicator has not been carried forward for FY 2003.

Programmatic Output Indicator 1.2.n:

Approximately 550 projects under the M2M program will have rents reduced and where appropriate will involve mortgage restructuring.

Background. Under the Mark-to-Market (M2M) program, the Office of Multifamily Housing Assistance Restructuring (OMHAR) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring that involves a write-down of the existing mortgage in conjunction with the reduced rent levels. The M2M program seeks to preserve affordable housing stock by maintaining the long-term physical and financial integrity of such housing and to reduce the Section 8 rental assistance costs and the cost of FHA insurance claims. This measure uses data from the M2M Management Information System (M2M MIS). The FY 2001 goal of 550 projects was established in the Revised FY 2001 APP and the FY 2000 PAR. For FY 2002, the revised target is 750 projects, reflecting the current pipeline and performance data. The volume of properties received has been less than expected and a significantly greater portion of the pipeline has been for full debt restructurings rather than rent restructurings.

Results and Analysis. During FY 2001, OMHAR completed 607 deals under the M2M program, exceeding the goal of 550 deals. The result is an increase of 20 percent above the 504 deals completed during FY 2000 (revised from the 494 published last year to reflect more complete reporting). Of the 607 deals completed in FY 2001, 274 were completed and closed with a full debt restructuring of the mortgage.

The rent reductions resulted in annual Section 8 savings of \$47.5 million for FY 2001 and \$24.2 million for FY 2000. Significant progress was made over the course of the fiscal year in closings of full debt restructurings. During the first six months (October - March), closings averaged 11 per month, compared with an average of 35 closings monthly during the last six months (April - September).

During the latter part of FY 2000 and early part of FY 2001, OMHAR management implemented various programs to aid in the effectiveness and performance of the M2M program. The Multiple Property Owner initiative, which was introduced in late FY 2000, has proven to be a positive impact on the flow of deals entering the M2M program. It encourages owners to bring expiring Section 8 contracts into the M2M program prior to their expiration date. This initiative has brought in approximately 150 properties into the M2M program. The owner works with one OMHAR Regional Office and one Participating Administrative Entity (PAE), regardless of the location of the property. This allows the owner to have one contact point at OMHAR as well as one with a PAE.

Another program implemented during the fiscal year was the bi-weekly Pipeline Management Call between OMHAR Headquarters and its Regional Offices. The calls, instituted in January, facilitated the removal of production blockages and significantly improved the timeliness of the full debt restructurings (Fulls) during the rest of the year. OMHAR developed seven milestone categories and if a property fell into one of those categories it was considered “monitored,” while other properties were considered “on-schedule.” Over the remaining nine months, on-schedule Fulls increased by 55 percent and “monitored” properties decreased 30 percent. The M2M MIS is used by management to monitor the progress of each property. OMHAR also streamlined its Operating Procedures Guide and continues to revisit policy issues to enhance the M2M program.

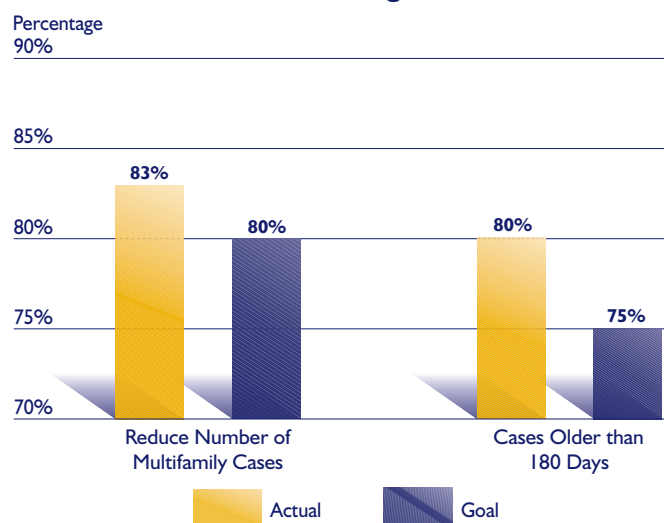
Programmatic Output Indicator 1.2.o:

Among high-risk or troubled multifamily projects referred to EC, the share that have aged pending enforcement and the share that have aged during enforcement processing will decrease.

Background. The Departmental Enforcement Center (DEC) addresses serious problems of distressed multifamily properties that have failed physical and financial inspections and require corrective action by owners, lenders and management agents. This indicator tracks the flow of cases through DEC to promote their timely resolution. The indicator was modified in FY 2002 to track three goals: reducing the number of cases as of the beginning of the fiscal year by 80 percent, closing 75 percent of cases received during the fiscal year that have been in the DEC for 180 days, and closing cases received during the fiscal year in an average of 180 days or less. Because the new indicator provides more detail with respect to the operations of the DEC, it is being reported here.

Results and Analysis. During FY 2001, the DEC reduced the number of Multifamily cases in the DEC as of September 30, 2000 by 83 percent, exceeding the goal of 80 percent. The DEC also closed 80 percent of all cases received in FY 2001 that had been in the DEC for 180 days, exceeding the goal of 75 percent. During FY 2001, cases were closed in an average of 121 days, exceeding the goal of 180 days. Sanction notices to participants for suspension and/or proposed debarment were completed for 80 percent of the cases referred for the fiscal year for indictment, civil judgment, conviction and fact-based cases. A more detailed description of the results and benefits of the DEC appears in Goal 5 of the Discussion and Analysis of Operations section of this report.

DEC Goals for Aged Cases



Programmatic Output Indicator 1.2.p:

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

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

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Results and Analysis. Data for this indicator is not available for FY 2001. Because reliable data is not available on an annual basis for this measure, it will no longer be reported. HUD is reviewing alternatives for streamlining the consolidated planning process and enhancing citizen participation. HUD is exploring new indicators to measure public participation.

Programmatic Output Indicator 1.2.q:

The share of EZs and ECs achieving local goals is 85 percent for new affordable housing activities and 80 percent for rehabilitated affordable housing.

Background. The Empowerment Zone/Enterprise Community (EZ/EC) program is an important tool for economic and community development in distressed communities. HUD designated 89 EZ or EC communities on the basis of the quality of their locally developed strategic plans and awarded flexible grants to 15 urban Round II EZs. This indicator reflects HUD's commitment to empowerment with accountability for its partners, because communities are assessed in terms of the performance relative to the benchmarks in their plans. This indicator is based on Implementation Plans completed during the performance year. Each EZ and EC is assessed in terms of its performance relative to the output measures identified in its plans. More detail about this indicator is presented as Indicator 4.2.b.5.

Results and Analysis. In FY 2001, the share of EZs and ECs achieving local goals for new affordable housing activities was 88 percent, and the share that achieved local goals for rehabilitated affordable housing was 85 percent. As a result, HUD surpassed its FY 2001 goal in both categories.

Objective 1.3: America's housing is safe and disaster-resistant.

Outcome Indicator 1.3.1:

The share of very-low-income households living in units with moderate or severe physical problems decreases from 7.3 to 7 percent for owners and from 14 to 13 percent for renters by 2001.

Background. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in 2003. This indicator is not carried forward to the FY 2003 Annual Performance Plan because of the difficulty of attributing results to HUD programs.

Outcome Indicator 1.3.2:

Among units occupied by low-income households, the share containing threats to health and safety decreases by 0.2 percentage points to 5.9 percent.

Background. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in 2003. Beginning in FY 2002, this indicator is not included in the Annual Performance Plan because of the difficulty of attributing results to HUD programs.

Programmatic Output Indicator 1.3.a:

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

Background. This indicator tracks the number of households that receive housing assistance through various HUD programs that provide funding for housing assistance. Because funding can be used for rehabilitation of units, thus making them safer, the indicator has been repeated under this objective. A complete discussion of this indicator is included under Indicator 1.2.d.

Outcome Indicator 1.3.3:

The share of units that meet HUD-established physical standards increases by 1 percentage point to 64 percent of public housing units and 79 percent of assisted multifamily units.

Background. Housing agencies are required to inspect and maintain public housing to ensure compliance with HUD-established standards, or with local codes if they are more stringent. Private owners of assisted housing also have a contractual obligation to meet physical standards. Data for this indicator are from REAC's Physical Assessment Subsystem, and represent the latest available inspections as of February, 2002. In FY 2002, HUD has set a target of a 3 percentage point increase for this measure, and in FY 2003, the target is a 1.5 percentage point increase.

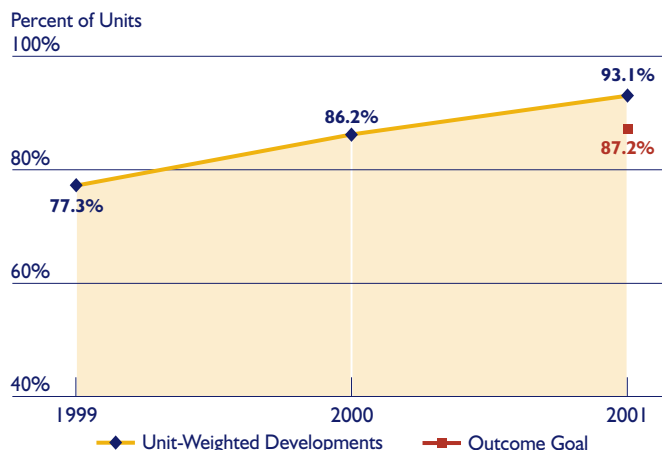
Results and Analysis. In FY 2001, 94.1 percent of properties representing 93.1 percent of assisted multifamily units met HUD-established physical standards. This represents a substantial increase of 7 percentage points over the FY 2000 level of 86.2 percent units and significantly surpassed HUD's target of a 1 percentage point increase. For public housing, 90.7 percent of properties representing 83.6 percent of units met HUD-established physical standards. This was also a significant increase over the FY 2000 level of 73.3 percent of units, surpassing HUD's target. These results are discussed in detail under Objective 1.3 of the Discussion and Analysis of Operations section of this report.

Outcome Indicator 1.3.4:

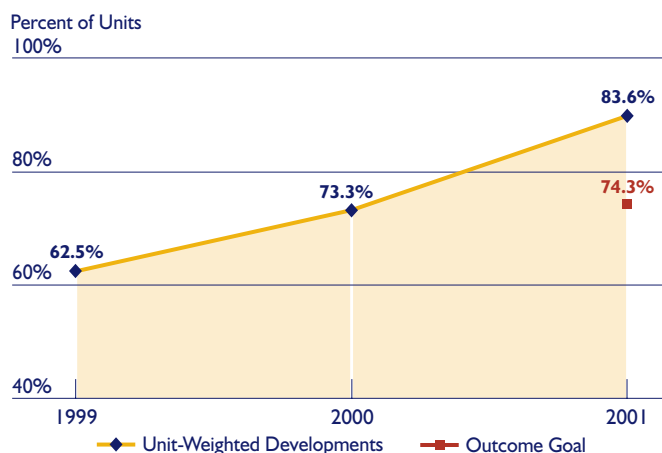
The average number of life-threatening health and safety deficiencies observed per 100 properties inspected decreases by 10 percent annually between 1999 and 2001, from 100.8 to 81.7 in public housing and from 95.3 to 77.2 in assisted multifamily housing.

Background. HUD's Real Estate Assessment Center inspects the physical conditions of public and assisted housing and identifies life-threatening deficiencies such as exposed electrical wires, blocked exits and gas leaks. HUD has determined that the indicator as it appeared in the FY 2001 APP is not a valid measure because the number of units inspected per property varies and the resulting data do not accurately portray the state of public and assisted housing. The replacement measure being reported here is the number of units located in properties with life-threatening deficiencies. Data for this indicator are from REAC's Physical Assessment Subsystem. Data represent the most recent inspection for properties as of the end of FY 2001. In FY 2002 and beyond, HUD will report the number of units in properties with exigent health and safety or fire safety deficiencies.

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



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



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Results and Analysis. As of the end of FY 2001, 46.9 percent of properties, and 18.4 percent of public housing units, had life-threatening deficiencies. For assisted multifamily housing, 37.3 percent of properties, and 15.4 percent of units, had life-threatening deficiencies. A complete discussion of the physical quality of public and assisted housing is located in Objective 1.3 of the Discussion and Analysis of Operations section of this report.

Programmatic Output Indicator 1.3.b:

As part of the effort to eliminate 100,000 units of the worst public housing, demolish 12,000 units during FY 2001.

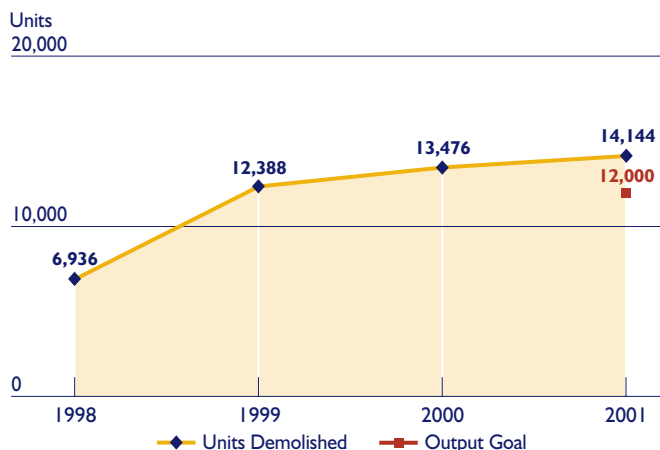
Background. Many units of high-rise public housing for families with children already have been demolished. These developments, ill-designed for family occupancy, experienced crime and social breakdown that contributed to severe maintenance problems and excessive vacancies. The troubled stock in some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

HUD intends to demolish 100,000 units of severely distressed public housing by FY 2003. The goal for this indicator has been increased to 13,000 per year for fiscal years 2002 and 2003.

Results and Analysis. As of the end of FY 2001, a cumulative total of 73,857 units had been reported demolished as part of the goal of demolishing 100,000 units. This represents a 14,144 unit increase from the end of FY 2000, surpassing HUD's goal of 12,000. This level puts HUD on track to achieve the longer term goal of demolishing 100,000 units by FY 2003.

Data for this indicator do not strictly represent the number of units demolished during the fiscal year because PHAs regularly provide updates that identify demolished units that had not been recorded previously, even from a prior fiscal year. Therefore, the data represent the change in cumulative units that are reported as demolished as of the end of the fiscal year.

Public Housing Units Demolished Annually



Outcome Indicator 1.3.5:

As part of a ten-year effort to eradicate lead hazards, increase the cumulative number of housing units made lead safe by the Lead Hazard Control Grant Program by 26 percent to 34,020.

Background. HUD is playing a central role in the interagency initiative to eliminate lead poisoning of the Nation's children by 2010. HUD intends to eliminate lead hazards in housing by expanding the Lead Hazard Control Program and leveraging other resources. When Congress passed the 1992 Residential Lead Hazard Reduction Act, as many as 3.8 million homes with children contained lead-based paint hazards. The Centers for Disease Control and Prevention report that nearly 1 million children ages 1 to 5 have elevated blood lead levels - amounting to about 5 percent of all children in that age group. The majority of cases involve low-income children. Exposure to lead can cause permanent damage to the nervous system and a variety of health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.

PERFORMANCE INFORMATION

HUD's Office of Healthy Homes and Lead Hazard Control (OHHLHC) provides grants to state and local government agencies to control lead hazards in privately-owned assisted and unassisted housing. The program requires grantees to employ certified personnel to collect clearance (quality control) lead-dust samples in housing to confirm that it has been made lead safe, because lead dust is the major pathway by which children are exposed to lead-based paint.

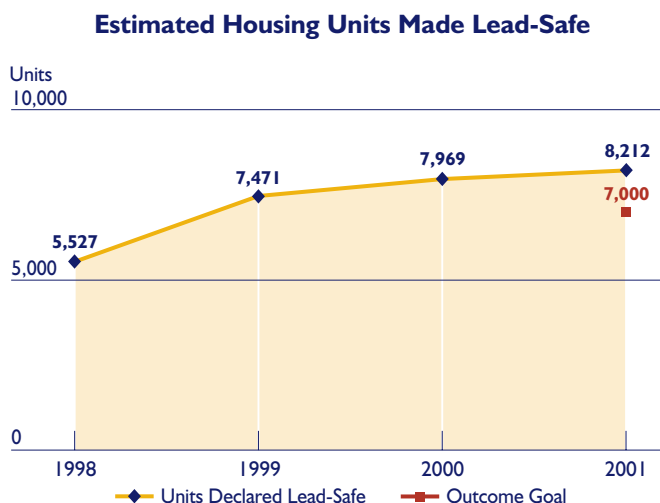
Results and Analysis. In the most current year (2001), the program completed 8,212 lead-safe units (homes), 17 percent more than its goal of 7,000. The cumulative number of lead-safe units increased by 29 percent, from 27,992 to 36,204. This performance level is a reflection of the maturation of the program, both in terms of a growing infrastructure of trained and certified contractors and the capacity of State and local governments to manage the program more effectively as a result of their increased experience and knowledge.

The Lead Hazard Control Grant Program has been responsible for stimulating substantial activity in both the public and private sector to make housing lead-safe. The National Health and Nutrition Examination Survey (NHANES), conducted by the Centers for Disease Control and Prevention (CDC), is scheduled to release the next national estimate of the number of lead-poisoned children in 2004. CDC released a study covering the period 1996-99 showing a 25 percent reduction in children's blood lead levels. HUD's National Survey of Lead in Housing shows the number of units with lead paint declined from 64 million in 1990 to 38 million in 2000. Both of these reductions are due in part to the HUD Lead Hazard Control Program, as lead-based paint hazards in housing constitute the principal source of exposure for most children today. Other contributing factors include housing demolition, substantial rehabilitation, increased regulation and enforcement of Federal, state, and local lead safety laws, and improved measurement technologies.

During FY 2001, HUD outlays were \$64.7 million under the Hazard Control Grant Program. Subtracting all supporting program elements such as public education, temporary relocation, blood and environmental testing and program administration, the actual per unit hazard control costs have declined from \$9,440 per unit at the start of the program in FY 1993 to \$4,095 for FY 1999 grantees (note that grants have a three-year duration).

The Lead Hazard Reduction program is also indirectly responsible for a large but unknown number of other homes being made lead-safe as a result of large-scale public education and contractor training programs undertaken by all of the lead hazard control grantees as an integral part of their grants. HUD's national survey of lead in housing is the best measure of this effect.

The proposed ten year plan (2000-2010) to eradicate lead paint hazards in our nation's housing was predicated upon an assumption that an average of \$230 million would be expended annually in the public and private sectors to support achievement of this goal.



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Related Program Evaluations. A rigorous scientific evaluation of the Lead Hazard Control Grant Program conducted between 1994 and 2000 clearly indicates that the program is effective in achieving its goals. The study, conducted by the National Center for Lead Safe Housing in conjunction with the University of Cincinnati, found that the grant program hazard control methods reduce the blood lead levels of children occupying treated units and also significantly reduces lead dust levels in the treated homes (lead dust is the principal pathway through which young children are poisoned).

Outcome Indicator 1.3.6:

The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.

Background. Approximately 890,000 children under the age of six were estimated by the Centers for Disease Control and Prevention to have elevated blood lead levels (EBL) in 1991-94. These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-understood effect of lead on developing nervous systems. For this indicator, EBL is defined as a blood lead level exceeding 10 micrograms per deciliter ($\mu\text{g/dL}$). HUD's Lead Hazard Control Grant Program will contribute directly to reductions in the number of EBL children through the production of lead safe housing, and indirectly by developing a trained workforce for inspecting and treating homes and through grant-supported outreach/education efforts. Data on the blood-lead levels of children aged 1-5 years are being collected by the CDC through its National Health and Nutrition Examination Survey (NHANES). The survey is a representative sample of the U.S. population. A summary of preliminary data collected in 1999 was published in 2001; full results are scheduled for 2004. Strict quality control measures are followed during collection and analysis of blood samples.

Results and Analysis. The geometric mean blood lead level of a limited number of children sampled in 1999 was 2.0 $\mu\text{g/dL}$ (with a 95 percent confidence interval [CI] that the geometric mean is between 1.7 and 2.3). This represents a 26 percent decline from the mean blood-lead of 2.7 $\mu\text{g/dL}$ (95 percent CI = 2.6-2.9) that was reported for the survey period of 1991-1994, the most recent previous data. The 1999 sample was not large enough to provide a meaningful national estimate of the number of EBL children. CDC did report that the 1999 data showed a decline in blood-lead levels at the 75th and 90th percentiles of the distribution, suggesting there is a significant decline in the number of EBL children. Other factors that may have significant effects on this performance measure include the decline in older housing stock (e.g., from demolition and rehabilitation) and privately funded lead hazard control activities. Future strategies that will contribute towards achieving the 2004 target include full implementation of HUD's Lead Safe Housing Rule for federally-assisted housing, expansion of the Lead Hazard Control Grant Program, and leveraging private sector resources.

Programmatic Output Indicator 1.3.e:

The first 16 cooperative agreements and interagency agreements for the Healthy Homes Initiative become operational and an additional four agreements are awarded.

Background. HUD is working closely with the Centers for Disease Control and Prevention, the Environmental Protection Agency, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to plan and develop the Healthy Homes Initiative. Under the initiative, HUD's Office of Healthy Homes and Lead Hazard Control (OHHLHC) is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood

health problems, such as asthma, unintentional injuries, and developmental problems. Principal outcomes of the projects in FY 2001 were public education, demonstration of new technologies, and determining a baseline number of households with allergens, which may establish a foundation for future outcome indicators.

Results and Analysis. In FY 2001, the Healthy Homes program exceeded its goal, with 19 cooperative agreements and interagency agreements becoming operational since the program's inception. Eight cooperative agreements became operational during FY 2001, bringing the total number of operational cooperative agreements to fifteen. A total of 4 interagency agreements have become operational (National Institute for Standards and Technology, USDA Cooperative State Education and Extension Service, National Institute for Occupational Safety and Health, and Occupational Safety and Healthy Administration). In addition, the Office announced awards for 14 new cooperative agreements. These awards were for the FY 2001 grant cycle and were announced in October 2001, in connection with Lead Poisoning Prevention Week (October 19-26).

HUD will be evaluating the effectiveness of the Healthy Homes program by monitoring housing, environmental (and, where the grants provide, health) conditions, as well as managerial performance, using quarterly grant tracking data supplemented by on-site assessments.

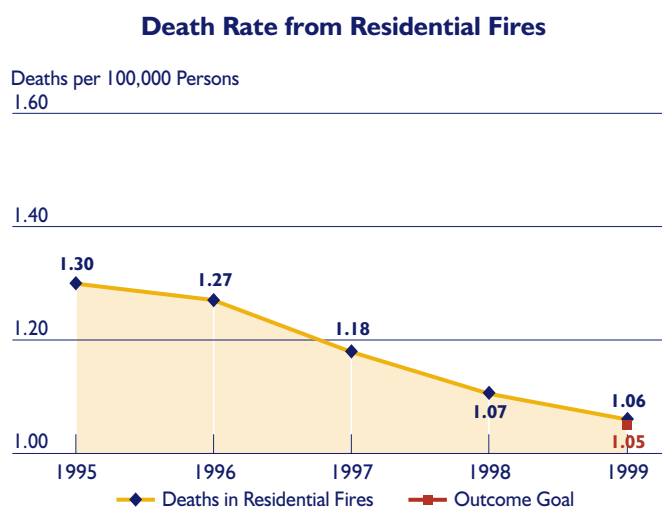
Outcome Indicator 1.3.7:

The rate of death in residential fires declines by 0.02 to 1.14 fatalities per 100,000 persons by 1999.

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

Results and Analysis. During 1999, the rate of death from residential fires declined to an estimated 1.06 per 100,000 persons. This improvement fell short of the Department's goal to decrease the rate by 0.02 deaths per 100,000. The estimate is based on 2,895 residential fire deaths in 1999 (estimated by the National Center for Injury Prevention and Control) and a U.S. population of 272,691,000 in 1999 (estimated by the Bureau of Census).

HUD contributes to declining fire death rates through regulation of manufactured housing and inspecting public and assisted housing (see indicators 1.3.f and 1.3.g). The Department's regulation of manufactured housing has been an important factor because the population living in manufactured housing historically has been disproportionately affected by fire deaths. HUD's regulatory standards have resulted in major improvements. The standards affect manufactured homes built after 1976, and deaths in manufac-



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tured home fires declined by 23 percent from 1980 to 1997.¹⁴ External factors also interact with this measure, as many of the hazardous manufactured housing units that were put in service before HUD standards were in place have aged to the point that they are no longer in use. Behavioral factors also play an important role. Although smoke alarms cut the chances of dying in a house fire by 40-50 percent, about one-quarter of U.S. households lack working smoke alarms. The problem is more severe in manufactured housing: more than one-third of manufactured homes are found to lack functional smoke detectors when fires break out, even though homes manufactured under HUD standards are shipped with smoke detectors. Thus, an increasingly important cause of fire mortality is beyond HUD's control, being behavioral rather than a function of physical design and manufacture.

Programmatic Output Indicator 1.3.f:

The share of HUD-assisted units with functioning smoke detectors at time of inspection increases by 1 percentage point to 93 percent of public housing and 97 percent of assisted multifamily.

Background. HUD's Real Estate Assessment Center inspects the quality of public and assisted housing, including the presence of functioning smoke detectors. This indicator has been modified to track the share of units that have functioning smoke detectors and are in buildings with functioning smoke detection systems because functional smoke detection systems in common areas of a building are critical to overall fire safety. Properties are inspected at intervals of one, two or three years, depending on the results of the previous inspection. A sample of units from each development is inspected, and data are adjusted to provide a figure representative of the entire housing stock. Data reported here come from the Physical Assessment Subsystem, and represent the results of the most recent inspection for each property as of the end of FY 2001.

Results and Analysis. As of the end of FY 2001, 92.1 percent of assisted multifamily units and 90.1 percent of public housing units had functioning smoke detectors and were in buildings with functioning smoke detection systems. These data represent a 1.3 percentage point increase for multifamily assisted housing, and a 3.2 percentage point increase for public housing, both surpassing the goal of a 1 percentage point increase.

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

Programmatic Output Indicator 1.3.g:

The share of developments that comply with specific fire safety standards increases by 3 percentage points to 82 percent for public housing and to 81 percent for assisted multifamily housing.

Background. HUD's Real Estate Assessment Center inspects the quality of public and assisted housing, including compliance with fire safety standards. This includes the presence of fire safety certificates and other fire safety hazards other than nonfunctioning smoke detectors. These other hazards include:

- Missing Sprinkler Heads
- Missing/Damaged/Expired Extinguishers

¹⁴John R. Hall, Jr., 1999. "Manufactured Home Fires in the U.S." Fire Analysis and Research Division, National Fire Protection Association. Quincy, Massachusetts.

- Missing Exit Signs
- Blocked Egress/Ladders
- Visibly Missing Components
- Emergency/Fire Exits Blocked/Unusable.

Properties are inspected at intervals of one, two or three years, depending on the results of the previous inspection. A sample of units from each development is inspected, and data are adjusted to provide a figure representative of the entire housing stock. Data reported here come from the Physical Assessment Subsystem, and represent the results of the most recent inspection for each property as of the end of FY 2001. In FY 2002 and beyond, this indicator has been combined with the one that tracks the share of exigent health and safety deficiencies.

Results and Analysis. As of the end of FY 2001, 77.1 percent of assisted multifamily and 75.5 percent of public housing properties had no fire safety hazards excluding smoke detectors. This represents improvements of 5.2 percentage points and 3.3 percentage points respectively, surpassing the goal of a 3 percentage point increase. In addition to these results, 87.9 percent of assisted multifamily properties and 93.6 percent of public housing properties had fire safety certificates, and 93.9 percent of assisted multifamily units and 91.2 percent of public housing units had none of the previously mentioned fire safety hazards and were located in buildings with none of these hazards.

Outcome Indicator 1.3.8:

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

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report the baseline in 2003. The FY 2003 APP replaces this indicator with a new goal that corresponds more nearly to the Department's span of control. The replacement indicator addresses HUD's efforts to support the Manufactured Housing Consensus Committee in meeting milestones provided in the Manufactured Housing Improvement Act of 2000.

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

Strategic Objectives:

2.1 Housing discrimination is reduced.

2.2 Low-income people are not isolated geographically in America.

2.3 Disparities in homeownership rates among racial and ethnic groups are reduced.

Objective 2.1: Housing discrimination is reduced.

Outcome Indicator 2.1.1:

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

Background. Racial segregation is more relevant than ever as the share of the population that is minority continues to increase and as much of that growth comes from a large influx of diverse immigrant groups. Census data shows that between 1990 and 2000, geographical concentration of poverty and isolation of low-income households worsened. Studies continue to show that discrimination against minorities seeking to buy or rent homes is very common. The Housing Discrimination Study research will document and analyze housing discrimination in the United States for both the rental and sales markets. Key products from this study will include an estimate of the change in discrimination against blacks and Hispanics since 1989; current national estimates of discrimination against blacks, Hispanics, and Asian Americans and Pacific Islanders; and report cards for selected states and metropolitan areas. The final report should be available by the summer of 2002, and the results will be reported in the FY 2002 Performance and Accountability Report.

Outcome Indicator 2.1.2:

Racial and ethnic isolation declines from 1990 levels by 2000, as measured by segregation indices.

Background. Despite areas of improvement, a substantial portion of the Nation continues to display deeply entrenched patterns of economic and minority segregation. Children who grow up in these segregated, economically-depressed neighborhoods enjoy fewer opportunities than those who live in mixed-income, integrated communities. By seeking to preserve project-based assisted housing in low-poverty neighborhoods and encouraging the use of Section 8 vouchers, HUD hopes to contribute to the reversal of this trend. HUD has a contract with the Bureau of Census to analyze 1980, 1990, and 2000 census data to determine the level of racial and ethnic isolation. Results for this analysis will be available in the summer of 2002. The results will be discussed in the FY 2002 Performance and Accountability Report. This indicator has not been carried forward in the FY 2003 Annual Performance Plan, reflecting the Department's minimal span of control relative to the location decisions of the Nation's households.

Outcome Indicator 2.1.3:

The share of the population with adequate awareness of fair housing law increases.

Background. This indicator tracks the effect of fair housing enforcement activities and of public information campaigns funded by FHIP Education and Outreach grants on public understanding of their rights and responsibilities under the Fair Housing Act and other laws. During FY 2000, a contract was issued to collect baseline data for this indicator. This data was collected by a survey of the general public concerning its understanding of the fair housing laws and released by PD&R as "How Much Do We Know? Public Awareness of the Nation's Fair Housing Laws." This report highlights where HUD's activities have had the most impact in educating the public, and how FHEO should direct its resources. It also dramatizes the need for HUD to explore which educational vehicles work best and how we can better inform the public that they may file complaints with HUD's Office of Fair Housing and Equal Opportunity (FHEO).

The survey included 10 brief scenarios describing decisions or actions taken by landlords, home sellers, real estate agents or mortgage lenders. Eight of these scenarios involved conduct that, as stipulated in the scenarios, is illegal under federal fair housing law. Using this information as a baseline, HUD will perform a similar survey in FY 2004 to ascertain whether public awareness has increased during this time period.

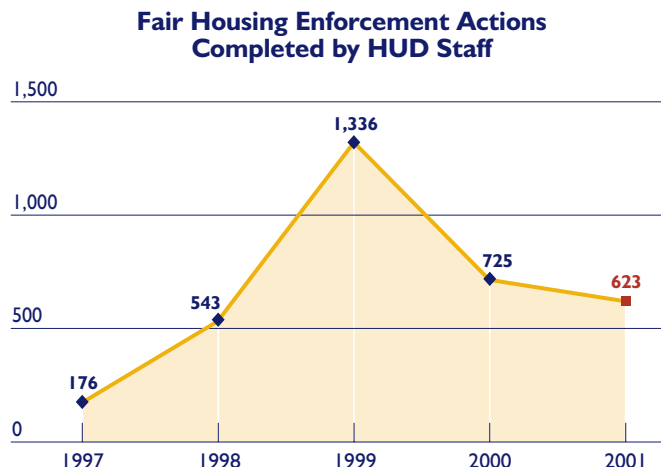
Results and Analysis. The survey showed that the average person could correctly identify five instances of unlawful conduct, and that 51 percent of the general public could correctly identify as unlawful six or more of the eight scenarios describing illegal conduct. Conversely, only 23 percent of the public knew the law in only two or fewer of the eight cases. Looked at on a scenario-by-scenario basis, a majority of the public could accurately identify illegal conduct in seven of the eight scenarios.

During FY 2001, FHIP Education and Outreach grants were awarded to 26 agencies. About 30 percent of the \$12 million obligated will fund public education and outreach activities at the national level, and 70 percent at the regional, State, local or community-based level. Some education projects focus on increasing the awareness of housing providers. This is an important task because small landlords provide the majority of rental housing. About three-fourths of rental units are owned by landlords who are either households or partnerships, rather than corporations. Public awareness is also boosted by the publicity that surrounds fair housing complaints enforced by FHEO and substantially equivalent agencies.

Programmatic Output Indicator 2.1.a:

HUD clients and partners have greater ability to promote fair housing, as shown by doubling enforcement actions by December 31, 2000.

Background. The Office of Fair Housing and Equal Opportunity (FHEO) was challenged to double the number of Title VIII enforcement actions to 2,170 actions over the four years of 1997-2000, as compared with the 1993-1996 baseline period. This goal was met and surpassed by the deadline of December 31, 2000. After the goal was achieved, the focus was changed to reducing HUD Title VIII aged cases. For the FY 2002 APP a replacement performance measure builds on this milestone, and the FY 2003 APP redefines the measure to reflect closed cases more accurately as conciliation/settlement agreements.



ENSURE EQUAL OPPORTUNITY IN HOUSING

Results and Analysis. FHEO met the goal of doubling enforcement actions early in calendar 2000, completing 2,780 during the 1997-2000 period. This is well above the 2,170 enforcement actions necessary to meet the goal of doubling the 1,085 enforcement actions from the 1993-1996 period.

In FY 2001, FHEO had 623 enforcement actions, which exceeded the projection. The 623 enforcement actions completed during FY 2001 comprised 4 actions by headquarters staff and 619 actions by field staff. The first three months of the FY 2001 production counted toward the doubling enforcement goal.

During FY 2002, an estimated 77 FHEO field staff are working on intake processes for fair housing complaints, and another 189 staff focus on processing the complaints, including investigation, conciliation and enforcement. Enforcement actions against parties in the complaint are one measure of output. The Title Eight Automated Paperless Office and Tracking System (TEAPOTS) provides the data used for this measure as well as for substantially equivalent agencies. The system records the resolution of each complaint.

Programmatic Output Indicator 2.1.b:

At least two new fair housing groups funded by FHIP will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of protected classes.

Background. In FY 2001, 92 organizations received Fair Housing Initiative Program (FHIP) awards under the Fair Housing Initiatives Program. Thirty-six private fair housing enforcement organizations were awarded two-year Private Enforcement Initiative grants under FHIP to support investigation of alleged violations of the Fair Housing Act or substantially equivalent State and local fair housing laws. These groups will deal with housing discrimination in underserved and unserved areas, thus providing the means to better serve the immigrant populations and the economically deprived that have been victims of discriminatory housing practices. This goal has been altered in the FY 2003 APP to reflect a new emphasis on collaborative efforts between fair housing and community or faith-based organizations.

Results and Analysis. FHEO did not meet the goal of funding two new fair housing groups in unserved or underserved geographic areas during the fiscal year because meeting the goal is dependent upon the SuperNOFA schedule of activities. However, the awarding of two new fair housing groups was completed in October 2001—one month after the targeted date. The equivalent goal for FY 2000 was achieved on time.

In an attempt to ensure that future awards go out before the end of the fiscal year, FHEO is attempting to shorten the time period for negotiation between field offices and grantees from 90 days to 60 days.

Programmatic Output Indicator 2.1.c:

The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by five to a total of 93 agencies.

Background. Since 1980, the Department has provided financial assistance under the Fair Housing Assistance Program (FHAP) to State and local agencies administering substantially equivalent fair housing laws. After the Fair Housing Amendments Act was enacted in September 1988, all State and local agencies were required to amend their respective laws and ordinances to obtain substantial equivalency certification with the amended Federal law. The FHAP and the substantial equivalency certification process both serve to further fair housing by providing financial assistance and by encouraging State and local governments to enact and enforce legislation designed to ensure fair housing. In FY 2002 and FY 2003, HUD intends to raise the number of enforcement agencies by two each year, to a total of 97.

Results and Analysis. During FY 2001, the number of agencies certified as enforcing substantially equivalent fair housing laws was increased by five, from a revised base of 89 to 94, achieving the performance goal.

The newly certified agencies—located in Davenport, IA; Corpus Christi, TX; Topeka, KS; Lee County, FL; and Lincoln, NE—represent an increase in the Nation’s capacity to provide coordinated enforcement of fair housing laws.

Programmatic Output Indicator 2.1.d:

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

Background. HUD provides FHAP grants to “substantially equivalent” fair housing agencies to support fair housing enforcement. Substantially equivalent agencies are those that enforce State or local fair housing laws that are substantially equivalent to the Fair Housing Act. The increase in the number of enforcement actions by these fair housing agencies boosts public awareness of fair housing laws, forces potential violators to stop discriminating, and reduces HUD’s enforcement workload. This measure uses data from the Title Eight Automated Paperless Office Tracking System (TEAPOTS). This goal is revised in FY 2003 to reflect the aggregate number of complaints that FHAP grantees investigate and close.

Results and Analysis. During FY 2001, 25 percent of the fair housing agencies funded by the FHAP demonstrated substantial increases in capacity, meeting the goal for FY 2001. Of the 88 FHAP agencies, 22 successfully increased the number of enforcement actions by at least 20 percent above FY 2000 levels. During FY 2000, 36 percent of agencies achieved comparable improvements.

The FHEO hub offices provided agencies with guidance and technical assistance necessary to meet this goal. The hubs are responsible for coordinating with all HUD disciplines to support housing agencies, residents and communities in the efficient and effective delivery of HUD programs.

Programmatic Output Indicator 2.1.e.1:

The percentage of fair housing complaints aged over 100 days will decrease by 33 percentage points from FY 1999 levels to 40 percent of the HUD inventory.

Background. Through joint efforts between FHEO Headquarters and Field Offices, FHEO continues to attack housing discrimination. In FY 2001, FHEO placed a major emphasis on reducing the number of aged fair housing cases within our inventory. TEAPOTS data revealed that 82 percent of FHEO’s case inventory were aged over 100 days. As a result, strict measures were put in place and a more aggressive target was established to take immediate action in reducing this number. In FY 2002, HUD intends to decrease the number of aged cases by an additional five percentage points. The FY 2003 APP builds upon the FY 2002 goal by reducing the proportion of aged cases by an additional 10 percentage points.

Results and Analysis. At the end of FY 2001, 37 percent of the cases in HUD’s inventory were aged over 100 days. This result is 36 percentage points below the FY 1999 baseline of 73 percent, surpassing the goal of a 33 point reduction. In addition, FY 2001 performance represents a dramatic decline from the 82 percent of cases aged at the end of FY 2000.

FHEO staff worked diligently to complete these cases, ensuring fair and impartial judgment to parties involved. By meeting the goal of doubling enforcement actions early in 2000, HUD was able to reallocate more resources to achieving this goal. The result of this accomplishment played a key role in reassuring the public that if a fair housing complaint is filed then action will be taken.

ENSURE EQUAL OPPORTUNITY IN HOUSING

Programmatic Output Indicator 2.1.e.2:

The percentage of fair housing complaints aged over 100 days will decrease by 10 percentage points from FY 2000 levels among substantially equivalent agencies.

Background. Efficient enforcement processing by substantially equivalent agencies is an important dimension of fair housing enforcement under the Fair Housing Assistance Program. This indicator tracks the proportion of aged fair housing complaints for substantially equivalent agencies, including time for determination of jurisdiction and for conducting investigations and conciliation.

Results and Analysis. During FY 2001, the Department's fair housing partners failed to meet this goal. Cases aged over 100 days represented 69.3 percent of all open cases for FHAP agencies, an increase of 0.9 percentage point above the FY 2000 total of 68.4 percent. HUD will assist FHAP organizations in reducing their aged case backlog for FY 2002. This will be accomplished through the monitoring, training and technical assistance that HUD will provide to the substantially equivalent agencies.

Outcome Indicator 2.1.4:

The share of newly constructed buildings that are accessible to persons with disabilities increases.

Background. In FY 2000, Congress directed HUD to develop a plan to educate users and providers of multifamily housing about the requirements of the Fair Housing Act regarding accessible housing. HUD implemented this directive through the Project on Accessibility Training and Technical Guidance Contract (PATTG). This contract provides funds to disability advocacy groups and members of the housing industry to jointly design and deliver training and technical assistance on the accessibility requirements of the Fair Housing Act.

In FY 2001, a data collection on the conformity of multifamily buildings to the fair housing accessibility provisions was completed. The report, "Assessment of Multifamily Buildings' Conformity with Accessibility Provisions," will be available by the fall of 2002. It will assess whether newly constructed multifamily rental properties are in compliance with the housing accessibility requirements of the Fair Housing Act. This study will also provide a national estimate of the extent to which new multifamily housing conforms to HUD's various education and enforcement activities in this area. HUD has designed the Project for Accessibility Training and Technical Guidance to further educate architects, builders, developers, and local building code officials and others on the Fair Housing Act's accessibility requirements.

Objective 2.2: Low-income people are not isolated geographically in America.

Outcome Indicator 2.2.1:

Income isolation declines from 1990 levels by 2000, as measured by a segregation index.

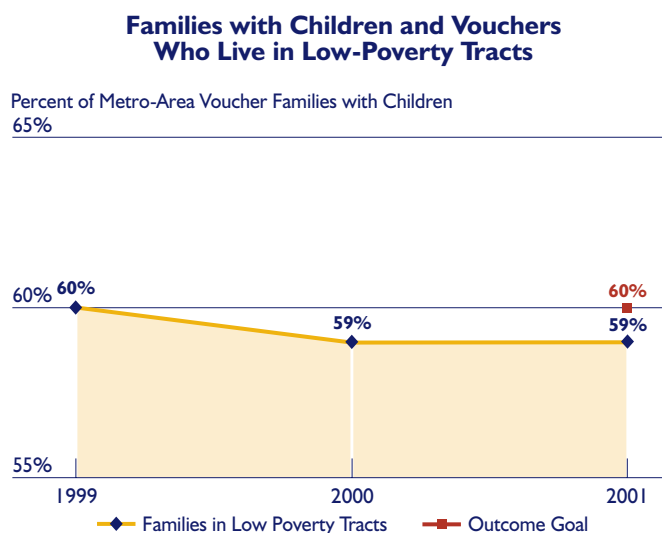
Background. During FY 2001, HUD engaged the Bureau of Census to validate the use of income segregation indices for assessing HUD programs and to prepare baseline estimates and performance estimates. This indicator relies upon data from the 2000 long-form Census, which is expected to become available during 2002. HUD is working with the Bureau to develop the baseline for reporting during FY 2003, although a number of methodological issues could block this effort.

Outcome Indicator 2.2.2:

Among families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 1 percentage point annually to 62 percent, or 880,000 households.

Background. Children who live in pockets of poverty often lack the opportunities enjoyed by others who live in mixed-income neighborhoods. This indicator tracks the share of voucher-assisted families with children who use their vouchers to provide better opportunities for their children by selecting housing outside areas of poverty concentration. Over the three-year period 1997-1999, the national poverty rate averaged 12.6 percent. The Census Bureau has defined census tracts or block numbering areas where at least 20 percent of residents are poor as “poverty areas.”

Results and Analysis. During FY 2001, the share of voucher-assisted families with children living in census tracts with low levels of poverty was 59 percent, missing the FY 2001 goal of increasing the share by one percentage point. This continues a trend that was reflected in FY 2000 when the share of voucher-assisted families with children living in census tracts with low levels of poverty was also 59 percent. The majority of voucher-assisted families with children continue to use their vouchers outside areas of poverty concentration, but the share living in census tracts with poverty below 20 percent decreased from 60 percent in FY 1999. This measure shows that the geographic distribution of housing choice voucher households has changed little over the last several years, and many observers believe that difficult market conditions are impeding progress in achieving this objective.



Outcome Indicator 2.2.3:

The share of households living in public housing family developments that have mixed incomes increases by 3 percentage points.

Background. This is a new indicator that was not tracked in FY 2000. The FY 2000 baseline was proposed to be set in FY 2001. This indicator supports the guidelines of the Quality Housing and Work Responsibility Act to encourage income mixing in public housing by setting rents in a way that attracts and retains working families and helps existing families to become self-sufficient. Mixed family developments are defined as public housing developments where (1) at least 75 percent of households are families with children, and (2) extremely-low-income households constitute no fewer than 20 percent nor more than 70 percent of households in the development.

Results and Analysis. Preliminary analysis of data from the Multifamily Tenant Characteristics System in FY 2001 indicated that about 13 percent of family developments larger than 150 households meet the criteria of mixed family developments.¹⁵ The baseline for this indicator will be determined in FY 2002.

¹⁵Form HUD-50058 reporting was changed from the Multifamily Tenant Characteristics System to the Public and Indian Housing Information Center (PIC) during FY 2001. Disruptions during the transition period prevented PHAs from submitting complete household records in timely fashion during the latter half of FY 2001. The May 2001 extract was judged to provide the most reliable data at the present. This preliminary estimate for FY 2001 may be revised if substantial numbers of additional FY 2001 records are submitted to PIC during FY 2002.

ENSURE EQUAL OPPORTUNITY IN HOUSING

Objective 2.3: Disparities in homeownership rates among racial and ethnic groups are reduced.

Outcome Indicator 2.3.1:

The ratio of homeownership rates of minority and nonminority low- and moderate-income families with children increases by 0.4 percentage points to 77.0 percent.

Background. One of HUD's central objectives is to remove homeownership barriers and increase homeownership among minorities. Homeownership rates are more susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination or unaware of the economic benefits of homeownership. This indicator, which tracks progress in reducing these barriers to homeownership among racial and ethnic minorities, relies upon data from the 2001 American Housing Survey, which will be completed in time to report in the FY 2002 Performance and Accountability Report. The FY 2003 goal is to increase the ratio by 0.4 percentage points from calendar year 2001 levels by calendar year 2003.

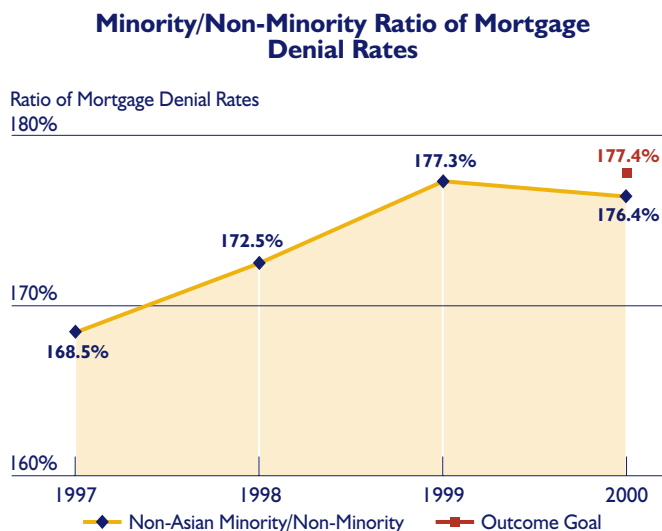
Outcome Indicator 2.3.2:

The difference in home purchase mortgage disapproval rates between non-Asian minority and other applicants decreases by 1 percentage point in 2000.

Background. This indicator tracks home purchase mortgage disapproval rates of minorities that have had limited access to traditional housing markets-African Americans, Hispanics, Native Americans, and other minorities except Asians-and compares them to disapproval rates of non-Hispanic white applicants. Manufactured housing loans are excluded from the measure. Because HUD's span of control is very limited relative to individual variables and external factors, this indicator has become a tracking indicator, with no performance goal for FY 2003.

Results and Analysis. The most recent data available show that during calendar year 2000, minority applicants other than Asians were denied mortgages at a rate 76.4 percent higher than the denial rate for non-minority applicants. (Denial rates for Asian/Pacific Islanders as a group are not substantially different from those of non-minorities.) Because lower denial rate ratios are evidence of more equal outcomes, the ratio of 176.4 percent is practically identical to HUD's goal of 176.3 percent. The improvement in 2000 reversed a trend of worsening disparities in the late 1990s.

HUD strives to improve the chances of minority applicants by endorsing more mortgages for minority households and improving the fairness and efficiency of FHA mortgage lending through greater use of its standardized TOTAL mortgage scorecard. The Department currently is not able to quantify the impact of these efforts on denial rates. A substantial portion of the difference in denial rates between minority and non-minority applicants-but not all of the difference-can be explained by finance- and credit-related attributes of the applicants. The state of the economy thus affects denial rates by causing differential changes in financial stability of various groups. This measure also has statistical variance resulting from the number of variables used in its computation. The data are collected from lenders under the Home Mortgage Disclosure Act.



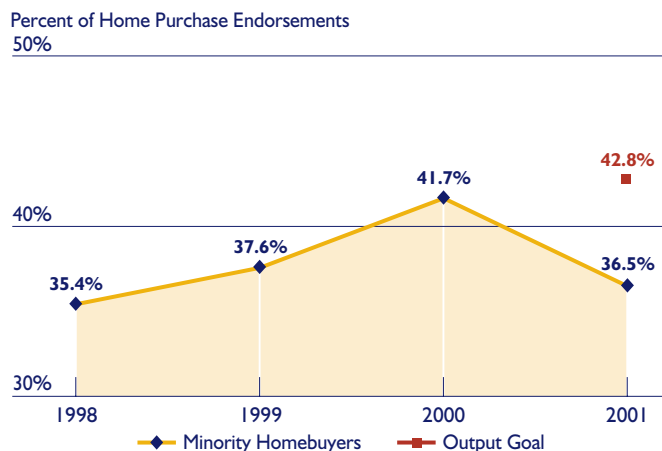
Programmatic Output Indicator 2.3.a:

The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 39.1 percent.

Background. FHA is a major source of mortgage financing for minority as well as lower income homebuyers. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities and increase the overall homeownership rate. Additional increases of 1 percentage point are targeted for FY 2002 and FY 2003.

Results and Analysis. In FY 2001, minority homebuyers accounted for 36.5 percent of FHA home purchase endorsements, a decline from the FY 2000 level of 41.7 percent, and missing the goal of a 1 percentage point increase. The FY 2001 level is consistent with the long-term trend for this measure. It appears that the FY 2000 level is an anomaly, possibly the result of macroeconomic factors that reduced the overall level of endorsements in FY 2000. To improve performance, HUD is continuing marketing and outreach efforts, and has proposed increased resources for Housing Counseling efforts.

Share of Minority Homebuyers Among FHA Home Purchase Endorsements



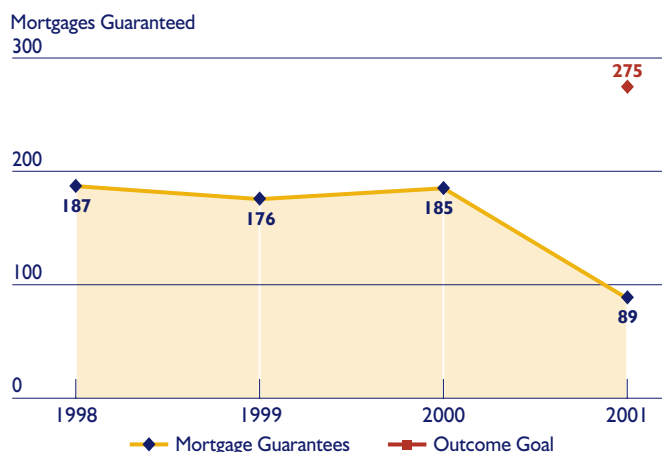
Programmatic Output Indicator 2.3.b:

Section 184 mortgage financing is guaranteed for 275 new Native American homeowners during FY 2001.

Background. The Indian Housing Loan Guarantee Fund (Section 184) was established to provide the first opportunities for Native American families living on federally recognized Reservations to secure a loan for homeownership. Section 184 loan guarantees can be used to purchase, construct or rehabilitate single-family homes. The targets for FY 2002 and FY 2003 are 180 and 200, respectively.

Results and Analysis. In FY 2001, HUD guaranteed mortgage financing for 89 Native American homeowners under the Indian Housing Loan Guarantee Fund, which is substantially below the goal of 275. The FY 2001 goal was established on the basis of the economic conditions that prevailed. However, extremely high unemployment rates, high dependency upon welfare programs, discouraging social problems and an almost complete absence of economic growth seriously impacted the number of Section 184 Indian Home Loan Guarantees made in FY 2001. There is no uncomplicated way to set a goal for the Indian Housing Loan Guarantee Fund program due to the ever-changing economic conditions that prevail on Indian Reservations. However, it is important to note that each IHLG loan made in any fiscal year is an important milestone in what has been a non-existent homeownership environment for Native American families.

Section 184 Home Mortgages Guaranteed for Native Americans



ENSURE EQUAL OPPORTUNITY IN HOUSING

Programmatic Output Indicator 2.3.c:

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

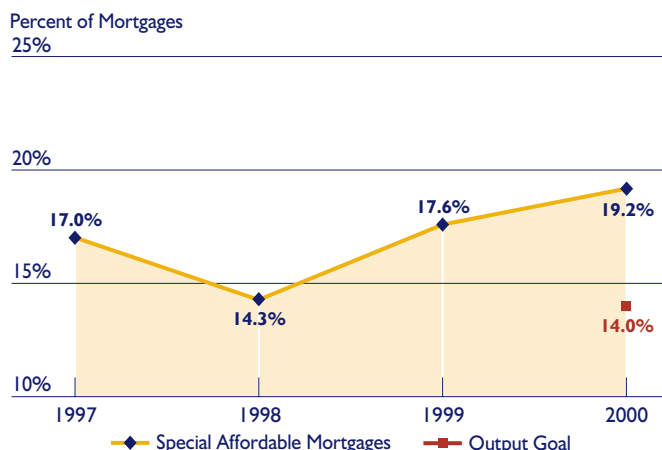
Background. HUD defines targets for Fannie Mae and Freddie Mac in several areas, including special affordable mortgage purchases. Mortgages qualify as special affordable if they support homes for very-low-income households (with incomes up to 60 percent of area median income) or for low-income families (up to 80 percent of area median income) located in low-income areas. Low-income areas are defined as (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income and (2) nonmetropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater. Data reported for this indicator are calendar year and have a one-year lag because they come from audit reports.

The calendar year 2000 goal for special affordable mortgage purchases established in the FY 2001 APP was 18.0 percent, corresponding to the interim rule. The goal for 2000 was reduced to 14 percent in the final rule. Beginning in calendar year 2001, the target has been increased to 20 percent. New counting rules also apply for measures of GSE performance beginning with calendar year 2001.

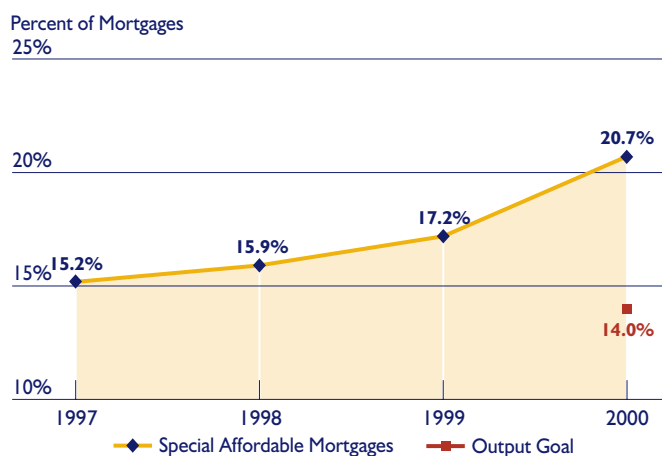
Results and Analysis. In calendar year 2000, Fannie Mae and Freddie Mac both surpassed the 14 percent target that HUD established for special affordable mortgage purchases. Fannie Mae achieved 19.2 percent and Freddie Mac achieved 20.7 percent. Both GSEs would have achieved the interim target of 18 percent as well.

The increase in special affordable mortgage purchases by Fannie Mae can be attributed to increases in the special affordable share of single-family mortgage purchases as well as an increase in multi-family units as a share of its goal-eligible units. Freddie Mac's larger increase is explained primarily by an increase in the special affordable share of its single-family purchases.

**Fannie Mae Performance
Relative to Special Affordable Target**



**Freddie Mac Performance
Relative to Special Affordable Target**



Strategic Goal 3: Promote Self-Sufficiency and Asset Development by Families and Individuals

Strategic Objectives:

3.1 Homeless families and individuals become self-sufficient.

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

Objective 3.1: Homeless families and individuals become self-sufficient.

Outcome Indicator 3.1.1:

The share of those homeless persons leaving HUD transitional housing who move to permanent housing increases by 1 percentage point to 37 percent.

Background. The ultimate goal of homeless assistance is to help homeless families and individuals achieve permanent housing and greater self-sufficiency. To coincide with this goal, transitional housing programs funded by HUD help prepare homeless people for permanent housing. This measure tracks the percentage of people who leave transitional housing and move into any kind of permanent housing, whether it is HUD-supported or not.

Data for this indicator are from HUD's Annual Progress Report (APR). Because projects begin annual operations at different times, the data reflect projects that ended their operational year during calendar year 2001. The APR was revised in 2000 and is operational for 2001. The changes in the new APR allow for more detailed reporting on this and other APR-based indicators, which includes distinguishing between the number of adults and the number of children entering projects throughout the 12-month period. This indicator will remain in place for 2002. However, beginning in FY 2003, HUD will measure the actual number of persons who move from HUD transitional housing to permanent housing.

Results and Analysis. At the time this report was due, data had been entered for APRs of 31 percent of the projects operating during 2001. Based on this sample, it is estimated that 64 percent of homeless adults who left HUD's transitional housing moved into permanent housing during calendar year 2001. This is a substantial increase over the estimated results, based on APRs received, of 34 percent for calendar year 1999 and 36 percent for calendar 1998. Accordingly, the preliminary results indicate that HUD exceeded the goal of a 1 percentage point increase.

The ability of the new APR to collect more accurate information on adults and children helps explain a significant portion of the increase from 34 to 64 percent, which more truly represents the impact of HUD transitional housing programs. The preliminary 2001 figure is based on a nonrandom sample, but the earlier estimates were vulnerable to significant non-reporting bias. When a larger, more representative 2001 sample is available for this indicator during 2002, HUD will be able to determine if an adjustment to the reported figure is needed. If a larger or smaller figure for 2001 results, it will be reported in the 2002 performance report.

PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT

Outcome Indicator 3.1.2:

The number of formerly homeless persons who move into HUD McKinney-funded permanent housing increases.

Background. This is a new performance indicator for FY 2001, added to underscore the importance of providing permanent housing for homeless persons. Permanent housing provides long-term stability that is essential to self-sufficiency. Supportive services are also provided via the Continuum of Care (CoC) to address the various types of problems homeless persons face. The new Annual Progress Report (APR) is the source of this indicator's data.

Results and Analysis. At the time this report was due, data had been entered for APRs of 31 percent of the projects operating during 2001. Extrapolating from this sample and adjusting the figure to reflect that the sample may not be statistically representative, HUD established a baseline for this new measure. It is estimated that 30,000 homeless persons moved into HUD McKinney-funded permanent housing during 2001. This 2001 baseline will be used to measure whether an increase takes place in 2002.

In an effort to help move people who are homeless into permanent housing, HUD has encouraged communities to use HUD funds for permanent housing in national broadcasts, the NOFA, the application and by providing bonuses to CoCs that propose new permanent housing projects as their top priority. Of the \$948 million awarded in 2001 for CoC programs, \$401 million, or 42 percent, was awarded to permanent housing projects. These permanent housing funds represent 901 new and renewal projects.

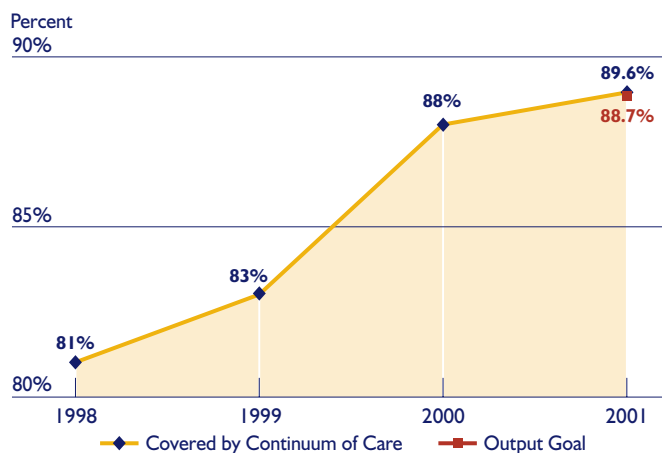
Programmatic Output Indicator 3.1.a:

The share of the population living in communities with a Continuum of Care system increases by 0.5 percentage point to 84.5 percent.

Background. HUD encourages homeless assistance providers in each community to work together to submit a single application describing their resources and needs. This "Continuum of Care" process helps ensure that communities take a comprehensive approach to addressing the problem of homelessness and closing their service gaps. In FY 2002, HUD will continue to increase the share of the population living in communities with a CoC system by 0.5 percent. Because of the matured success in the development of Continuum of Care, HUD will no longer report on this measure beginning in FY 2003.

Results and Analysis. In FY 2000, the share of the U.S. population living in communities with a CoC system increased sharply to 88.2 percent, exceeding the goal of 84 percent. In FY 2001, 89.6 percent of the total U.S. population lived in communities within a CoC system. This is an increase of 1.4 percentage points over the FY 2000 result, and thus exceeds the goal of a 0.5 percentage point increase. Through national broadcasts and other means, 11 additional CoCs were created in 2001, increasing the total number of CoC's nationwide from 446 in FY 2000 to 457 in FY 2001.

Share of Population in a Continuum of Care



Programmatic Output Indicator 3.1.b:

The ratio of outside funds leveraged by HUD homeless funds remains at or above 3:2.

Background. When grantees submit applications for funding, they provide information regarding funds that will be leveraged by HUD homeless assistance funds. However, in many communities, HUD only funds a portion of applications submitted and many at reduced funding levels. For these communities, it is difficult to know with certainty whether all of the leveraging funds claimed in CoC applications, or only a portion, are actually used for leverage corresponding with funded projects. In FY 2002, this performance measure has been eliminated because of these technical difficulties of reporting.

Results and Analysis. In FY 2000, \$900 million in CoC funds were awarded and applicants in funded CoCs committed to leveraging \$2.07 billion. In FY 2001, \$947 million in CoC funds were awarded and applicants in funded CoCs committed to leveraging \$2.04 billion. The ratio for FY 2001 is 4.2 to 2, which well exceeds the goal of a 3 to 2 ratio.

Programmatic Output Indicator 3.1.c:

The number of HUD-funded transitional housing beds increases.

Background. This performance goal relates to the number of new transitional housing beds funded during the year. It does not include the significant number of existing transitional housing beds HUD supports. Beginning in FY 2002, HUD will track the number of people served by HUD-funded transitional housing to better reflect the overall impact of transitional housing funds. Data for the current indicator is obtained from funded CoC applications submitted to HUD's Special Needs Assistance Programs Office. The new measure will be based on actual performance, as reported in the APR, as opposed to proposed activity in funded applications.

Results and Analysis. In FY 2000, HUD funded 3,345 new transitional housing beds linked to supportive services. In FY 2001, HUD funded 5,020 new transitional housing beds linked to supportive services. This is an increase of 1,675 transitional housing beds in FY 2001. HUD has met the goal of increasing the number of HUD-funded transitional housing beds. In FY 2001, \$75.4 million was awarded through the competitive CoC process to support these new transitional housing beds and the services provided to residents while living in transitional housing.

Programmatic Output Indicator 3.1.d:

At least 90 percent of EZs and ECs achieve local goals in serving homeless persons.

Background. The Empowerment Zone and Enterprise Community program is designed to promote economic and community development in distressed communities. HUD has designated 89 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including serving homeless persons. Data represent the sum of outputs taken from plans that are 95 percent completed divided by the sum of projected outputs for all plans. A more detailed discussion of EZ/EC results is included under Indicator 4.2.b.5.

Results and Analysis. In FY 2001, 88 percent of EZ and EC projects met goals with respect to serving homeless persons. This level misses the target of 90 percent, but surpasses the previous year's level of 83 percent.

PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT

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

Outcome Indicator 3.2.1:

Increase the percentage rate of earnings gained by employed adult TANF recipients or former recipients over a six-month period by 1 percentage point to 28 percent.

Background. This indicator is shared with the Department of Health and Human Services (HHS), and the measure is tabulated from state and local administrative data by the Administration for Children and Families at HHS. The indicator measures the change in earned income among former recipients of Temporary Assistance for Needy Families (TANF) six months after they become employed. The measure was adopted because there has been substantial historical overlap between the welfare population and residents of public and assisted housing. At the time TANF was authorized, about one-quarter of welfare households had housing assistance and about one-quarter of assisted households received welfare. HUD has dropped this indicator from the FY 2003 APP because the outcome is substantially beyond our span of control. The Department continues to measure the extent of transitions from welfare to work in assisted housing programs, and to work with HHS to research the impacts of welfare reform and the effectiveness of various strategies to promote self-sufficiency. Because of the uncertainty about HUD's contribution to this indicator, this indicator will not be reported beyond FY 2002.

Results and Analysis. The calendar year 2000 data needed to report this measure have not been released by HHS, but are expected to be available for reporting next year. In calendar year 1999, the increase in quarterly earnings of newly employed TANF recipients was 22.0 percent over six months, comparing a base quarter with the second subsequent quarter. The 1999 result was down slightly from the average 1998 gain of 23.1 percent.

TANF caseloads have declined dramatically in recent years, and there is evidence that the remaining TANF population faces more obstacles to stable, high quality employment. As the economy slipped into recession in March 2001, many former TANF recipients have lost their jobs and have not been able to find new employment-and much less jobs with a higher wage level. Given these factors, it is increasingly difficult to improve or even maintain the rate of earnings increase. Various States have differing approaches to promote work by TANF recipients, ranging from extensive education opportunities to mandatory work participation. The evidence that is developing about which approaches are more effective is undergoing continuing analysis.

Outcome Indicator 3.2.2:

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

Background. This indicator tracks the status of recipients of Welfare to Work (WtW) vouchers, which were appropriated in FY 1999 and awarded in FY 2000. The WtW voucher program was a new initiative that required coordination of PHAs and welfare agencies. As is often the case with new programs, startup was slow and not all WtW vouchers were issued and leased in FY 2000. Further, the changes that will enable HUD to track the WtW vouchers through MTCS (now PIC) could not be implemented until June 2001. As a result, HUD will not be able to establish the baseline for this goal until FY 2002, the first year of PIC reporting that will cover all of the recipients of WtW vouchers for a full year.

Programmatic Output Indicator 3.2.a:

The lease-up rate of welfare-to-work vouchers reaches 50 percent in FY 2000 and 100 percent in FY 2001.

Background. In FY 1999 Congress appropriated funding for 50,000 Welfare to Work (WtW) vouchers, the first appropriation of new vouchers since FY 1994. WtW vouchers required PHAs to establish new administrative procedures and partnerships between housing and welfare agencies. To ensure speedy issuance and lease-up of WtW vouchers, HUD developed a goal of having 50 percent of vouchers leased by the end of FY 2000, and 100 percent leased by the end of FY 2001. The new form HUD-50058, which could for the first time identify families participating in the WtW voucher program, was not implemented until June 2001. Therefore, leasing information has been provided to HUD through an independent consultant that was awarded a contract to provide technical assistance to PHAs administering the WtW voucher program.

Results and Analysis. As of September 30, 2001, all WtW vouchers had been issued to families and 44,858 WtW vouchers, or 90 percent, were reported as leased. The lease-up of WtW vouchers is affected by many of the same factors that affect the overall voucher lease-up rate, which are discussed in Indicator 1.2.c.

Programmatic Output Indicator 3.2.a.5:

At least 90 percent of EZs and ECs achieve local goals in providing social services.

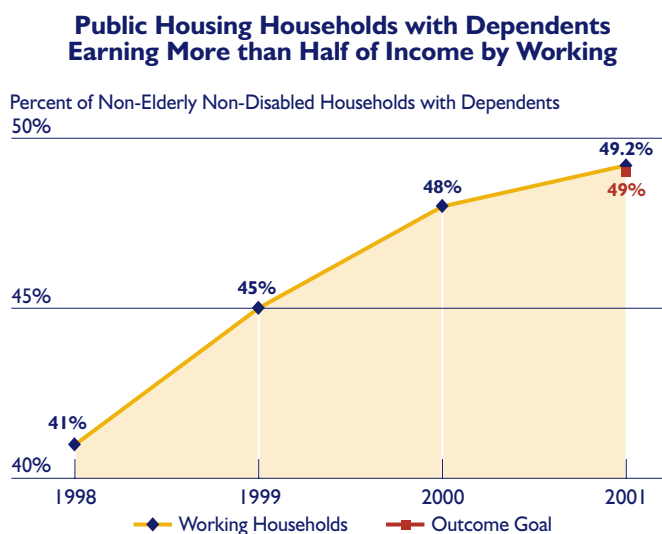
Background. HUD has designated 89 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including providing social services. Data represent the sum of outputs taken from plans that are 95 percent completed divided by the sum of projected outputs for all plans. A more detailed discussion of this measure is included under Indicator 4.2.b.5.

Results and Analysis. In FY 2001, 88 percent of EZ and EC projects met goals with respect to providing social services. This level misses the target of 90 percent, but is substantially higher than the previous years level of 73 percent.

Outcome Indicator 3.2.3:

Among public housing households with children, the share that derive more than 50 percent of their income from work increases by 1 percentage point to 47 percent.

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



PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT

Results and Analysis. The most recent available data¹⁶ show that in May 2001, among non-elderly non-disabled households with dependents that resided in public housing, 48.8 percent were earning at least half of their income by working. This represents a 0.8 percentage point increase over 8 months. Extrapolating the increase to the end of FY 2001 would yield a result of 49.2, which exceeds the 49 percent goal for FY 2001.¹⁷ The trend suggests that the rapid gains in employment experienced during recent years may be slowing.

Throughout the FY 2001 performance period, the Department has been actively promoting work through its policies and PHA activities. These strategies included disregarding earned income when calculating rents, providing escrow accounts through the Family Self Sufficiency program, and providing employment-related supportive services. Relatively strong economic conditions during early FY 2001 and time limits under TANF also continue to influence work participation in public housing. The slowing of the economy during FY 2002 may retard such gains in the near future. During FY 2002, HUD is considering a variety of strategies to counteract such external factors and help families move up and out of public housing.

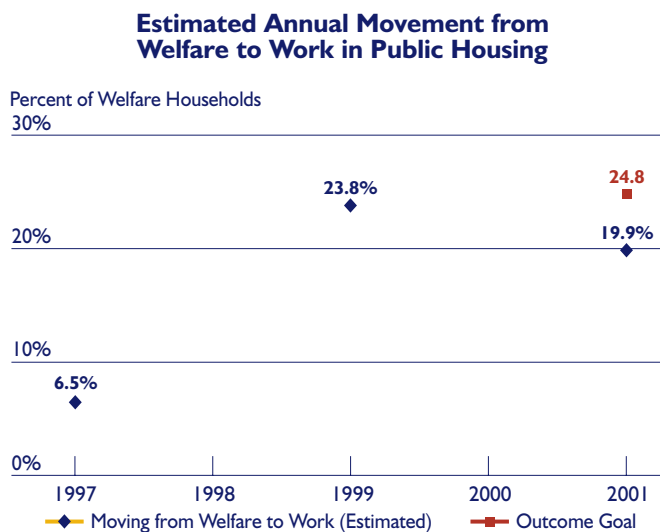
Outcome Indicator 3.2.4:

The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point to 30 percent.

Background. HUD wants housing agencies to help public housing residents move from welfare to work by helping families obtain needed services and by building work incentives into the administration of public housing programs. PHAs operate a variety of self-sufficiency programs that promote work. Under the Quality Housing and Work Responsibility Act, housing agencies are required to use their best efforts to coordinate with local welfare agencies.

This measure compares the year to year changes in the primary source of income of individual public housing households, as recorded in income certification records submitted by PHAs to PIC (formerly MTCS). Families are identified as moving from welfare to work if welfare was their primary source of income in the first period and earnings were their primary source of income in the second period. Welfare or wage income is defined as the primary income source when it exceeds 50 percent of total family income. For FY 2003, this indicator is being replaced by a measure of the change in average earnings of non-elderly non-disabled households in public housing, assisted multifamily and Housing Choice Voucher programs.

Results and Analysis. During the eight months between September 2000 and May 2001¹⁸, 13.2 percent of welfare households in public housing moved to work. If the same progress were made over the



¹⁶Form HUD-50058 reporting was changed from the Multifamily Tenant Characteristics System to the Public and Indian Housing Information Center (PIC) during FY 2001. Disruptions during the transition period prevented PHAs from submitting complete household records in timely fashion during the latter half of FY 2001. The May 2001 extract was judged to provide the most reliable data at the present. This preliminary estimate for FY 2001 may be revised if substantial numbers of additional FY 2001 records are submitted to PIC during FY 2002.

¹⁷The target of 49 percent represents an increase of 1.0 percentage points from the FY 2000 result of 48.0 percent. Although the FY 2000 result shown here has been revised downward from the 53 percent reported last year, it remains substantially better than the FY 2000 performance goal of 45 percent. The cause of the discrepancy has not been determined, but the FY 2000 and FY 2001 results shown here use consistent methodology and are judged to be accurate.

¹⁸See footnote under Indicator 3.2.3.

entire fiscal year,¹⁹ an estimated 19.9 percent would have moved to work on an annualized basis. This result missed the goal of a 1 percentage point improvement from the previous annualized estimate of 23.8 percent during FY 1999. (This revised baseline is based on 27.8 percent of welfare households in public housing observed moving to work between May 1998 and July 1999).

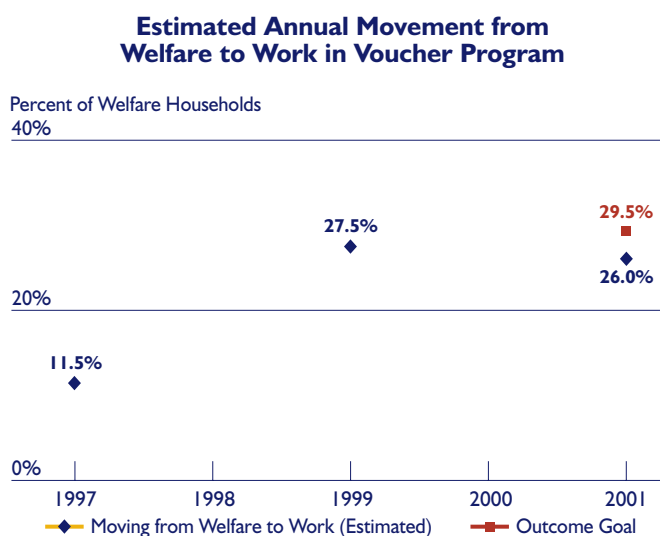
Although the rate of movement from welfare to work in public housing slowed from the FY 1999 peak, the rate continues to exceed-by a factor of three-the estimated 6.5 percent of welfare households moving to work annually when TANF was enacted (based on 13.0 percent observed moving to work between 1995 and 1997). The pattern of slowing suggests that as welfare reform matures, remaining welfare participants may be having greater difficulty replicating the successes of the initial cohorts. They may face more persistent barriers to self-sufficiency or greater difficulty in obtaining entry-level jobs in FY 2001. PHAs have been actively promoting work through earned income disregards, Family Self-Sufficiency accounts, and employment-related supportive services. HUD is considering additional strategies to improve self-sufficiency efforts, with the long-term goal of helping families achieve homeownership or obtain affordable rental housing of their own.

Outcome Indicator 3.2.5:

The share of welfare families that move from welfare to work each year while assisted by tenant-based Section 8 increases by 2 percentage points to 34 percent.

Background. The Housing Choice Voucher program, or tenant-based Section 8 rental assistance, serves as one of HUD's best tools to help families escape welfare dependency because it gives families freedom to move to neighborhoods that are close to jobs. In addition, many housing agencies administering Housing Choice Vouchers have implemented Family Self-Sufficiency programs to help families become economically independent. This indicator tracks work participation outcomes for welfare families assisted by vouchers, as measured by the percentage of families moving from welfare as primary income source to earnings as primary income source while they are assisted. Primary income source refers to welfare income or wage income exceeding 50 percent of total income. For FY 2003, this indicator is being replaced by a measure of the change in average earnings of non-elderly non-disabled households in public housing, assisted multi-family and Housing Choice Voucher programs. The new measure will include all residents of these HUD programs, not just those who receive welfare.

Results and Analysis. During the eight months between September 2000 and May 2001²⁰, 17.3 percent of welfare households who remained in the voucher program moved to work. If the same progress were made over the entire fiscal year, an estimated 26.0 percent would have moved to work on an annualized basis (see previous footnote). This result misses the goal of a 2 percentage point increase and is actually a decline from the annualized baseline of 27.5 percent during FY 1999 (based on 32.1 percent of welfare households in the voucher program observed moving to work between May 1998 and



¹⁹To ensure comparability with previous results, estimates are annualized by dividing by the number of months in the period measured and multiplying by 12 months. May 2001 data were used to determine FY 2001 results because of incomplete data at the end of FY 2001 resulting from delayed implementation of PIC reporting. See first footnote for Indicator 3.2.3.

²⁰See footnote under Indicator 3.2.3.

PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT

July 1999). The trend mirrors that of public housing: transitions to work are up substantially from the early days of welfare reform under TANF, but are down slightly from FY 1999 levels. The decline is somewhat less than in the public housing program, suggesting that the geographic flexibility provided by the voucher program may make it more resilient to downturns, or that it may serve a different population. Similar external factors apply—the changing distribution of needs of different cohorts of welfare households and weakening job markets doubtless play a significant role.

The Department is implementing a number of strategies to improve movement from welfare to work in the Housing Choice Voucher program. Because the FSS program is such an important tool for moving families to employment, the Department made \$45 million available in FY 2001 to pay the salaries of FSS program coordinators for voucher FSS programs. The FSS program coordinators assure that program participants are linked to the supportive services that they need to achieve and maintain self-sufficiency. HUD provides no additional funding for services, and the cost for salaries of FSS program coordinators is minimal, considering the value of services and other resources that the coordinators are able to leverage for their programs from public and private sources.

HUD also continues to provide extensive technical assistance to housing agencies that received funding for the Welfare-to-Work (WtW) voucher program. Participating PHAs must coordinate with welfare agencies to provide rental assistance to families eligible for TANF. Through its website and a series of teleconferences and other activities, HUD is fostering the development of strong local WtW voucher programs that promote and support work. Many PHAs are successfully combining FSS and WtW voucher program activities.

HUD will continue to make information on successful WtW and FSS program models and practices available to all PHAs that administer vouchers to help them develop strategies for moving more families into paid employment and supporting continuation of that employment. In spite of the recent job losses among many newly employed former welfare participants, HUD believes that these long-term strategies will be important to strengthening the job skills and employment success of its families. As families increase employment income and need little or no rental assistance, more money will be available to help additional families make the transition to work.

Outcome Indicator 3.2.5.5:

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

Background. Project-based Section 8 contracts reimburse private property owners for a designated number of low-income households who cannot afford to pay the fair market rent. Roughly 40 percent of assisted multifamily households have welfare as their primary source of income. Promoting self-sufficiency, work participation and income growth helps these families climb the housing ladder and frees up program resources to assist more needy families. For FY 2003, this indicator is being replaced by a measure of the change in average earnings of non-elderly non-disabled households in public housing, assisted multifamily and Housing Choice Voucher programs.

Results and Analysis. Among the welfare families who lived in assisted multifamily housing in September 2000, 21.8 percent had moved to work by September 2001. No specific FY 2001 goal was established for this indicator pending determination of a solid baseline. Nevertheless, a reasonable annualized estimate of work transition in FY 1998 is 15.3 percent, based on 31.8 percent of welfare families moving to work during the 25 months between December 1995 and January 1998. This transition rate is slightly higher than the annualized rate for public housing households (Indicator 3.2.4), but below that of voucher households (3.2.5).

The project-based Section 8 program offers fewer options for promoting self-sufficiency of residents because the housing providers are private owners rather than public housing agencies. One important tool for the assisted multifamily program is Neighborhood Networks, which are multiservice community technology centers for low- and moderate-income residents. The centers help residents gain knowledge and skills through the use of computer learning to prepare themselves for the job market and attain self-sufficiency. HUD supports the voluntary efforts of private project owners to establish Neighborhood Networks centers by allowing the owners to borrow funds from their “Reserve for Replacement Account” or use their “Residual Receipts Account” for up to three years. Multifamily partners established 201 new Neighborhood Networks centers during FY 2001.

Programmatic Output Indicator 3.2.b:

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

Background. This indicator tracks the share of Consolidated Plans that demonstrate that States or communities include officials from housing agencies in a decision-making role. It is discussed in detail under indicator 1.2.p.

Outcome Indicator 3.2.6:

The share of households that accumulate assets exceeding \$5,000 in cash value while receiving housing assistance increases by 2 percentage points.

Background. As discussed in the FY 2000 PAR, a review of baseline data revealed that this threshold assets measure has little substantive validity for program management purposes. Fewer than 1 percent of non-elderly households in the public housing and voucher programs had assets exceeding \$5,000 during FY 2000. Beginning in the FY 2002 Annual Performance Plan, the indicator has been replaced by one that focuses on the Family Self-Sufficiency program, HUD’s primary tool for developing independence and building assets among residents of public and assisted housing. The replacement indicator is being reported here.

Under FSS, self-sufficiency coordinators work to connect residents with education, job training, child care, counseling, transportation, job placement and other services needed to enable them to get jobs. Some participants in the program are on welfare, and others are in low-wage unskilled jobs and seeking to move up to better paying jobs so they can support their families. Participants sign a contract saying the head of the household will get a job and no one in the family will be receiving welfare assistance within five years. During the term of the contract, an amount equal to about a third of the household’s increases in earned income is deposited by the PHA into an interest-bearing escrow account for the family. If a family fulfills its contract requiring employment and independence from welfare, it can claim its escrow account. Families have used funds from their escrow accounts for such things as a downpayment on a home purchase, starting a business, paying back debts and paying educational expenses. If a family fails to fulfill the contract, it does not get the funds in the escrow account.

The new indicator established in the FY 2002 APP is “The number of public housing and Housing Choice Voucher households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.” The new indicator measures the number of public housing and voucher-assisted households who participate in FSS and have positive escrow balances, and the average escrow amount for graduates during the fiscal year. The data source for this measure is the PIH Information Center (PIC) form HUD-50058 report module. PIC contains household data, including an addendum for FSS households, that are submitted electronically by housing agencies.

PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT

Results and Analysis. Baseline counts of Family Self-Sufficiency participants and participants with accumulated assets in their escrow accounts were published in the FY 2002 APP, using the current household records in the system as of February 2001. Public housing programs had 7,092 families participating in FSS, and the Housing Choice Voucher program had 47,755 FSS participants. In public housing, 2,735 participants (39 percent) had accumulated assets in their escrow accounts, and 15,603 voucher participants (33 percent) had escrow assets.

February 2001 Public Housing Households

FSS Participants	7,092
Number with Escrow Assets	2,735
Average Escrow Amount for Graduates	not available

Housing Choice Voucher Households

FSS Participants	47,755
Number with Escrow Assets	15,603
Average Escrow Amount for Graduates	not available

The reliability of the data shown here is not certain. Many PHAs have reported difficulty getting their FSS data into PIC 50058, with the result that PIC 50058 does not always accurately reflect FSS program enrollment and escrow activities. Reporting accuracy and completeness is expected to improve with the new HUD-50058 FSS addendum that was implemented in September 2001. Future performance reporting will use household records submitted by housing agencies as of the end of HUD's fiscal year.

Programmatic Output Indicator 3.2.c:

The share of housing authorities scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points in 2001.

Background. The Family Self-Sufficiency (FSS) program requires that housing agencies sign self-sufficiency progress contracts with a specified number of tenants. FSS helps tenants build assets by funding escrow accounts with increased tenant rent payments resulting from increased earnings. No data are available for FY 2000 because of delays in the implementation of SEMAP. The first full year of scoring under SEMAP will be completed in FY 2002 after the September 2001 PHAs are scored.

Outcome Indicator 3.2.7:

Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point annually to 17.5 percent by 2001.

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

PERFORMANCE INFORMATION

Results and Analysis. In calendar year 2001, the youth unemployment rate improved dramatically to 12.9 percent, exceeding the performance goal of a 0.5 percentage point improvement from 2000 levels (to 15.9 percent).

Relatively strong urban economies were a major factor in this promising result. A number of HUD programs also help create jobs in urban areas, either directly or through secondary effects. Community Development Block Grants, Section 108 loan guarantees, and Empowerment Zone programs are key economic development programs. CDBG and Section 108 together helped create or retain 143,406 jobs in FY 2001. HUD's enforcement of Section 3 requirements helps ensure that grantees use funds in ways that create job opportunities for low-income residents.

The Department also has several programs that enhance job readiness for entry-level workers. The Youthbuild program helps youths develop construction-related skills by learning on-the-job. Neighborhood Networks technology centers, operated by multifamily housing providers, help disadvantaged residents develop the critical computer skills needed in the job market. For FY 2003, HUD is seeking to build on the successful Neighborhood Networks model by expanding it into public housing.

Programmatic Output Indicator 3.2.d:

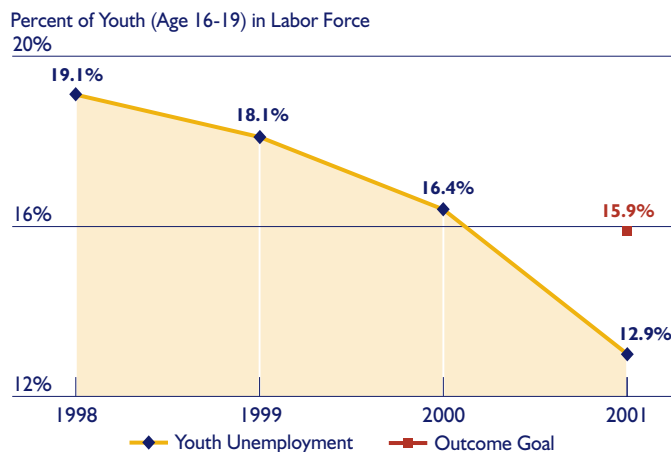
A total of 154,000 jobs will be created or retained through CDBG and Section 108.

Background. Many communities choose to use a substantial fraction of their CDBG grants and Section 108 guaranteed loans to improve the local economy and help their citizens find productive work.

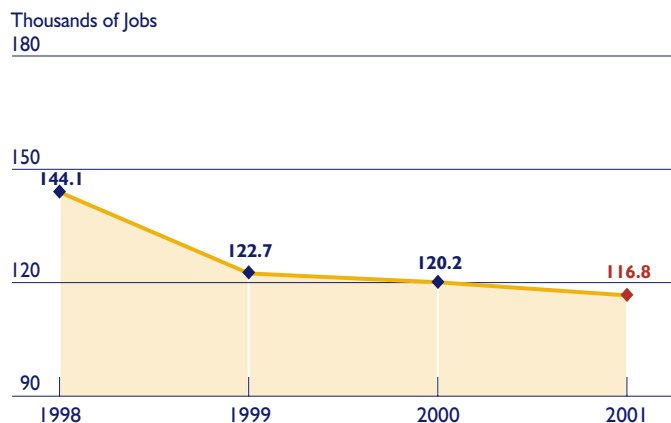
For FY 2000 and prior years, the value reported for CDBG was the expected number of jobs created or retained as a result of that year's appropriation, based on the average job creation or retention per grant dollar as reported by grantees. Beginning in FY 2001, the measure used for CDBG represents actual full-time-equivalent jobs created or retained with cumulative outlays as reported by grantees into the Integrated Disbursement Information System (IDIS). The Section 108 Loan Guarantee measure of jobs created or retained is based upon data submitted by applicants at the time of application for a Section 108 Loan Guarantee commitment. The goal for FY 2002 is to create or retain 124,900 jobs through CDBG and 30,000 through Section 108. For FY 2003, the goal is to create or retain 122,897 jobs through CDBG and 15,000 through Section 108.

Reported job creation or retention may understate the actual number of jobs created or retained because of reporting errors and the failure of some grantees to report accomplishments. HUD is currently undertaking a substantial data clean-up effort with all entitlement grantees to improve the quality of accomplishments and other data provided by grantees in IDIS.

Unemployment Among Young Entry-Level Job Seekers

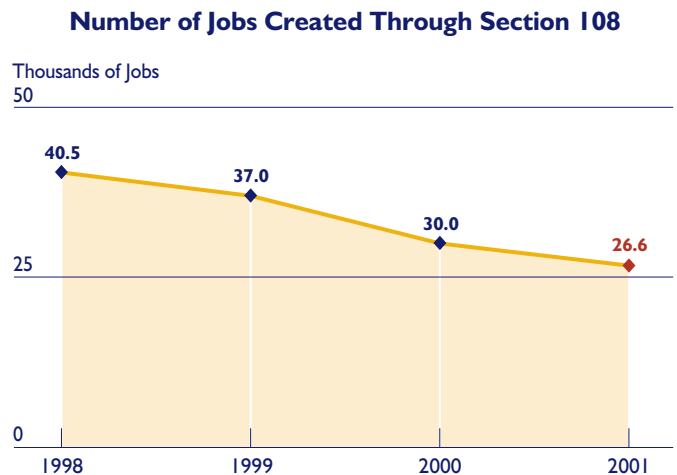


Number of Jobs Created Through CDBG



PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT

Results and Analysis. The FY 2001 accomplishments for CDBG and Section 108 together were 143,406 jobs created or retained, falling short of the goal of 154,000 jobs. The CDBG program created or retained 116,777 jobs, while the Section 108 program created or retained 26,629. Some of the shortfall can be attributed to the Section 108 loan guarantee program, for which actual commitments and applicant self-reported jobs created or retained fell 3,371 jobs below the prediction. The Section 108 program is solely a demand-driven program. For FY 2001, the total amount of requests for Section 108 loan guarantees was \$263.589 million, whereas in FY 2000 the total loan guarantee commitment was \$427.844 million. The drop in the use of Section 108 may be attributed to the lack of an appropriation for the Economic Development Initiative (EDI) grant program. The EDI request was expected to leverage approximately \$500 million in Section 108 Loan Guarantee Funds. There were no EDI discretionary funds appropriated in FY 2001.



Programmatic Output Indicator 3.2.e:

A total of 11,080 youths are trained in construction trades through Youthbuild.

Background. The Youthbuild Program offers 16- to 24-year old high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation. For FY 2001, 4,080 youths were projected to be trained (to reach a cumulative total of 11,080), based on the number of applications granted and the projections of each.

Results and Analysis. As a result of applications awarded for the FY2001 competition, the actual number of youths to be trained is 3,614-11 percent less than the goal. Three factors account for the failure to reach the goal: 1) the Youthbuild program is a competitive program, and HUD has no control over the number of fundable applications and the youths to be trained projected in the applications submitted by the deadline; 2) under two categories (new applicants and rural applications) there was a limitation of 20 for the number of youths trained; and 3) the NOFA was targeted to higher-need and more highly distressed areas that had less access to other funds, and thus could train fewer youths.

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

Strategic Objectives:

- 4.1 The number, quality, and accessibility of jobs increase in low-income urban and rural communities.*
- 4.2 Disparities in well-being among neighborhoods and within metropolitan areas are reduced.*
- 4.3 Communities are safe.*

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

Outcome Indicator 4.1.1:

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

Background. Although cities historically have been job centers, the capacity of suburban areas for commercial and industrial development has diminished this role. Cities remain places of above-average poverty and joblessness, however, and creating jobs in cities is a fundamental means of reducing these concentrations. To ensure that cities remain job centers and continue to provide accessible jobs for low-income residents, the goal is to maintain the ratio of job creation to population growth in central cities at or above 100 percent over the long term, as measured by a retrospective rolling average over three years. This measure relies on population estimates from the Bureau of Census as well as and special tabulations of the Bureau's County Business Patterns data for 114 central cities, which are available annually with a 3-year lag. The use of a three-year rolling average helps reduce the volatility of annual estimates, which are subject to the business cycle and demographic trends. This indicator does not appear in the FY 2003 APP because the numerous economic factors that affect the outcome place it substantially beyond HUD's span of control or influence.

Results and Analysis. During the 1995-1998 period, job growth in central cities was 5.08 times as great as population growth. [Data for 1996-1999 will be available shortly.] During the 1991-1993 period, a time of very slow job creation, jobs in central cities actually declined. Because of the lag in the data, the reported results were not affected by the Department's program activities in FY 2001.

IMPROVE QUALITY OF LIFE AND ECONOMIC VITALITY

Programmatic Output Indicator 4.1.a:

At least 90 percent of EZs and ECs achieve local goals in helping residents find jobs.

Background. HUD has designated 89 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including helping residents find gainful employment. Data represent the sum of outputs taken from plans that are 95 percent completed divided by the sum of projected outputs for all plans. A more detailed discussion of this measure is included under Indicator 4.2.b.5.

Results and Analysis. In FY 2001, 64 percent of EZ and EC projects met goals with respect to helping residents find gainful employment. This level is well below the target of 90 percent, and even below the FY 2000 level of 69 percent.

Programmatic Output Indicator 4.1.b:

The CEF Pilot will securitize at least \$50 million in business loans in distressed areas by the end of FY 2001, and the CEF Trust will securitize \$300 million more by the end of FY 2002.

Background. The Community Empowerment Fund (CEF) was intended to combine two programs, the Economic Development Initiative and the Section 108 Loan Guarantees. Originally intended to be implemented in FY 2000, the CEF Pilot was not approved by the previous administration for implementation. For FY 2001, none of the requested funds in the administration's budget were appropriated. The FY 2002 budget and appropriation did not include any funding for the CEF program.

Outcome Indicator 4.1.2:

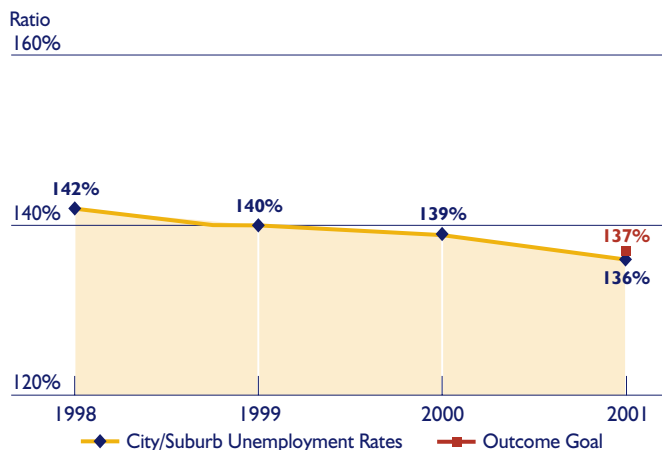
The ratio of city to suburban unemployment rates within metropolitan areas decreases to 137 percent.

Background. The ratio of city to suburban unemployment rates indicates the extent to which city residents are sharing in national economic growth. Cities have higher rates of unemployment and welfare dependency than suburbs. Higher unemployment rates in cities increase the difficulty of welfare-to-work initiatives because welfare recipients must compete with more non-recipient jobseekers. This measure is based on monthly statistical estimates by the Bureau of Labor Statistics using data from the Current Population Survey and Unemployment Insurance programs. This indicator has not appeared since the FY 2001 APP because the Department concluded following stakeholder consultation that city-suburb comparisons are not appropriate measures of program performance.

Results and Analysis. During calendar year 2001, city unemployment rates were 36 percent higher than (or 136 percent of) unemployment rates in suburban communities. The result surpassed the target of 137 percent, as the geographic disparity in unemployment rates continued a trend of shrinkage at a somewhat faster rate in 2001, improving by 3 percentage points.

National and local economic conditions are the primary determinants of unemployment rates. HUD programs that create jobs in poor communities, those that promote job mobility, and those that develop

City Unemployment Rates as Percentage of Suburb Unemployment Rates



self-sufficiency all contribute to reducing concentrations of unemployment. For example, the CDBG program provided \$4.9 billion of outlays to grantees in FY 2001. The benefits from CDBG activities flowed primarily to low- and moderate-income residents or neighborhoods. Urban Empowerment Zones are located primarily in central cities, so EZ grants and associated tax incentives also contribute to reductions in city-suburb unemployment disparities.

Outcome Indicator 4.1.3:

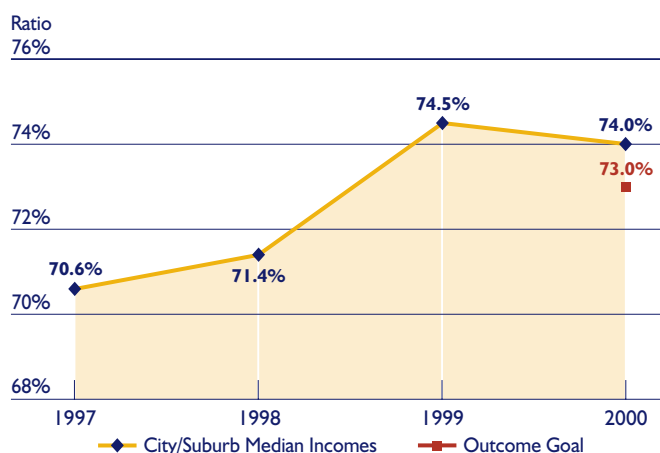
The national average ratio of central city to suburban median household income will reach 73 percent.

Background. During recent decades, central cities have contained concentrations of low-income households, so median household incomes are substantially lower for central cities than for suburban jurisdictions. This measure uses Bureau of Census data for calendar year 2000 from the 2001 Current Population Survey. This indicator was eliminated in the FY 2002 APP as the Department moved away from measures based on city-suburb comparisons, and because of the difficulty with attributing results to HUD programs.

Results and Analysis. The most recent data available show that the ratio of median incomes between cities and suburbs decreased slightly in calendar year 2000 to 74.0 percent, yet surpassed the FY 2001 target of 73.0 percent. The drop indicates that recent reductions in geographic disparities leveled as the decade closed.

Many community and economic development programs are designed to increase incomes of central city residents. The design of the CDBG program helps create more economic activity in low- and moderate-income neighborhoods. Community development programs that make the central city a more desirable place to live also are intended to increase this income ratio by attracting middle-class families back to the city.

Ratio of City Median Income to Suburb Median Income



Outcome Indicator 4.1.4:

The national average ratio of central city to suburban poverty rates decreases from 209 to 207 percent.

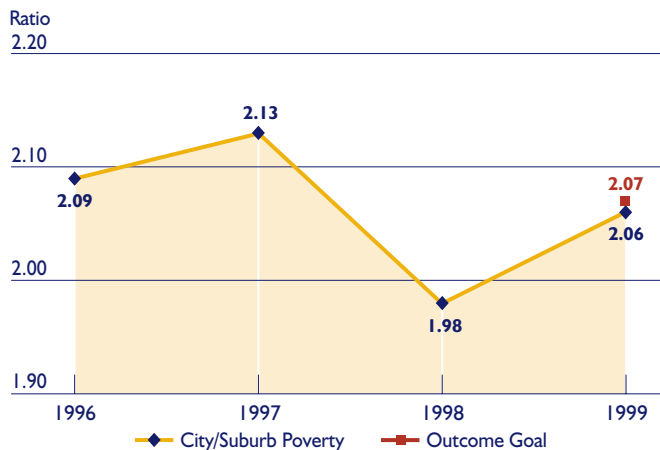
Background. Reducing poverty in central cities is one measure of HUD's progress towards improving the quality and accessibility of jobs because HUD historically has invested a great deal of economic development resources in central cities. This indicator tracks the ratio of city to suburban poverty rates to isolate the changes that are unique to central cities. Calendar year 2000 data are the most recent available. Because the Department is moving away from using city to suburb comparisons, this indicator was modified in the FY 2002 APP to track the share of working households who are in poverty. In FY 2003, the measure was dropped because of the difficulty with attributing results to HUD programs.

IMPROVE QUALITY OF LIFE AND ECONOMIC VITALITY

Results and Analysis. The geographic disparity of poverty rates grew worse during calendar year 2000, yet surpassed HUD's FY 2001 performance goal. Poverty rates in cities were 206 percent of poverty in suburban jurisdictions, or over twice as high. The goal was that the disparity should not exceed 207 percent.

In the late 1990s, economic activity in central cities improved the job market, leading to increasing wages. Despite continued reductions in unemployment rates in central cities relative to suburbs (see Indicator 4.1.2), poverty disparities slipped back from the improvement experienced in 1999.

Ratio of City Poverty Rate to Suburb Poverty Rate



The Community Development Block Grant program is one of HUD's primary tools for fighting poverty. Public housing agencies also help reduce poverty by supporting the self-sufficiency efforts of assisted households who are able to work. The Family Self-Sufficiency program contributes directly to these efforts for about 55,000 households (see Indicator 3.2.6). Rules for excluding increases in earned income when PHAs determine rents also help make work pay. Other activities of HUD and PHA partners help disperse concentrations of poor families into mixed-income neighborhoods. These include the Housing Choice Voucher program, which enables recipients to choose low-poverty neighborhoods; the demolition of much of the Nation's high-rise public housing; and increased use of scattered-site public housing.

Outcome Indicator 4.1.5:

Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point annually to 17.5 percent by 2001.

Background. This performance indicator is used to measure outcomes for multiple strategic objectives. It is included under this objective because of its relation to job creation. It is discussed more completely as Indicator 3.2.7.

Results and Analysis. In calendar year 2001, the youth unemployment rate improved dramatically to 12.9 percent, exceeding the performance goal of a 0.5 percentage point improvement from 2000 levels (to 15.9 percent).

Programmatic Output Indicator 4.1.e:

A total of 154,000 jobs will be created or retained through CDBG and Section 108.

Background. Many communities choose to use a substantial fraction of their CDBG grants and Section 108 guaranteed loans to improve the local economy and help their citizens find productive work. This measure is repeated here because of its relation to job creation. It is discussed more fully as Indicator 3.2.d.

Results and Analysis. The FY 2001 accomplishments were 143,406 jobs created or retained, which is below the goal of 154,000 jobs.

Objective 4.2: Disparities in well-being among neighborhoods and within metropolitan areas are reduced.

Outcome Indicator 4.2.1:

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

Background. This indicator relies upon data from the long-form Census 2000. Results are expected to be available for reporting the 2000 baseline in 2003. This indicator is not included in the FY 2003 APP because the outcome is substantially beyond the Department's span of control.

Outcome Indicator 4.2.1.3:

Household income increases faster in New Market neighborhoods than in other neighborhoods.

Background. Data for reporting this indicator are not currently available in usable form. The indicator was deleted in the FY 2002 APP after the New Market initiatives remained unauthorized by Congress. Therefore, no additional efforts will be made to develop or report this measure.

Outcome Indicator 4.2.1.5:

The share of all households located in neighborhoods with extreme poverty decreases from 1990 levels.

Background. This indicator relies upon data from the long-form Census 2000. Results are expected to be available for reporting the 2000 baseline in 2003. This indicator is not included in the FY 2003 APP because the outcome is substantially beyond the Department's span of control.

Outcome Indicator 4.2.1.7:

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

Background. The impact of Community Development Block Grants on low-income neighborhoods is difficult to determine because grantees have extensive flexibility to allocate funds according to local needs and priorities. This indicator begins the process of assessing the impact of CDBG resources on local communities. During FY 2000, HUD contracted with researchers to develop a methodology for determining what levels of CDBG investment in a neighborhood lead to changes in a set of identified neighborhood indicators. The study will also recommend a methodology for tracking changes in these neighborhood characteristics over a similar time period as the CDBG investments. The research has not yet been completed, but is expected to be available for reporting in 2003.

Outcome Indicator 4.2.1.9:

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

Background. The HOPE VI program assists public housing agencies to improve the living environment for public housing residents in severely distressed public housing properties through the demolition, rehabilitation, reconfiguration or replacement of obsolete properties. This indicator is intended to build on the lessons learned about measuring neighborhood impacts through the developmental research for the CDBG performance indicator 4.2.1.7. No attempt has been made to develop this indicator pending results of the CDBG effort. This indicator has not been carried forward in the FY 2003 APP because of potential methodological hurdles that make the value of this assessment uncertain at this time. A number of case studies of the first 15 HOPE VI sites were completed during 2000 and 2001. A long-term evaluation of the HOPE VI program is underway.

IMPROVE QUALITY OF LIFE AND ECONOMIC VITALITY

Programmatic Output Indicator 4.2.a:

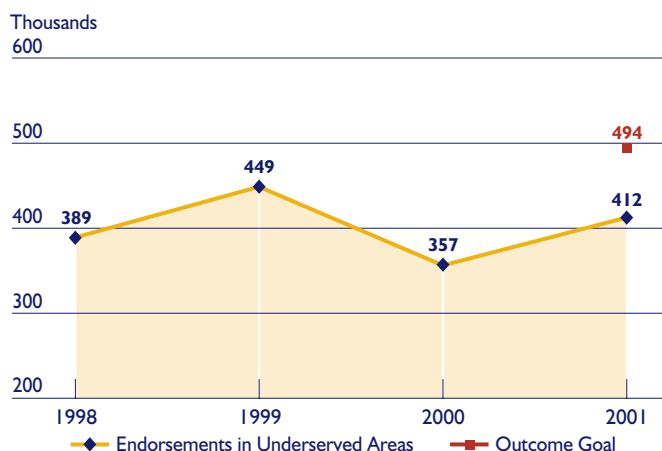
Increase FHA single-family mortgage lending in underserved communities by 10 percent from FY 1999 levels to 494,000.

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

While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional mortgages as well. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. Data for this indicator are from FHA's Consolidated Single Family Statistical System (CSFSS, F42). In FY 2002, the target for this indicator was reduced to a 5 percent increase. For FY 2003, the indicator has a numeric target of 421,000.

Results and Analysis. During FY 2001, FHA endorsed 412,192 single family mortgages in underserved communities. This level is below the goal of a 10 percent increase from the FY 1999 level to 494,000, but it is an increase over the 357,000 endorsements in FY 2000. The lower than expected level is partially a result of slow economic activity during FY 2001. Though the overall housing market remained strong, underserved communities tend to be disproportionately affected during economic downturns. FHA endorsements are largely demand driven and substantially affected by overall economic conditions including interest rates.

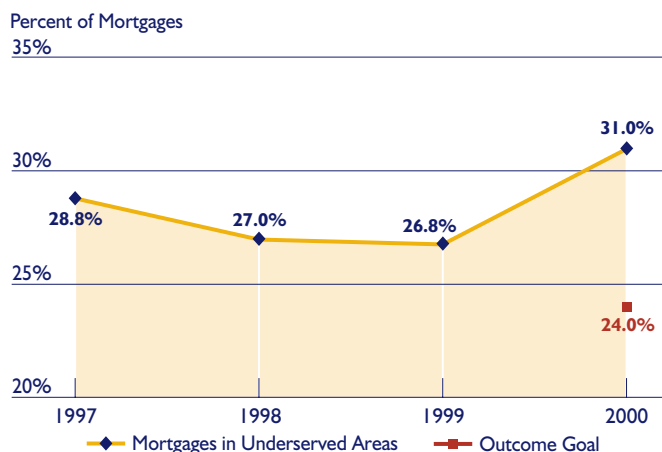
FHA Single Family Mortgage Endorsements in Underserved Areas



Programmatic Output Indicator 4.2.b: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.

Background. One of the three public purpose goals that HUD sets for the housing GSEs involves increasing the share of mortgages purchased from "central cities, rural areas and other underserved" areas. HUD defines underserved areas in metropolitan areas as census tracts either with a minority population of at least 30 percent and median family income below 90 percent of the area median income irrespective of minority population percentage. The definition is similar in non-metropolitan areas except that counties are

Fannie Mae Performance Relative to Geographic Target

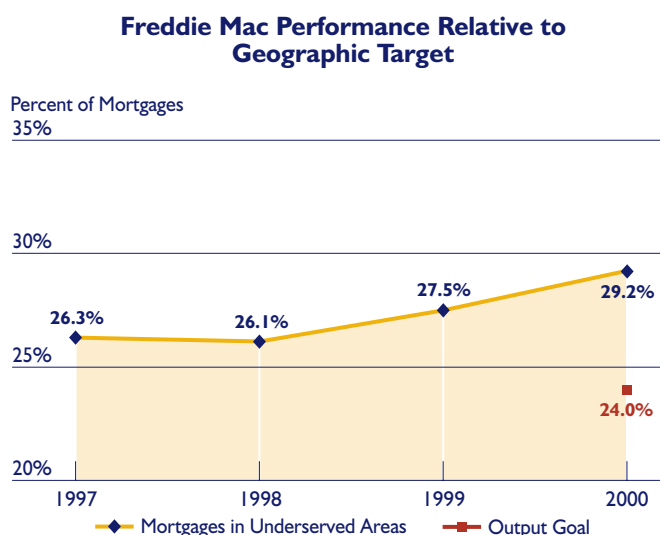


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substituted for census tracts. HUD's research has shown that such areas have high mortgage denial rates and low mortgage origination rates, suggesting difficulty in obtaining access to mortgage credit.

Data reported for this indicator are calendar year and have a one-year lag because they are audited. In 2000, the target for mortgage purchases in underserved areas was 24 percent. (The 29 percent goal published in the FY 2001 APP corresponded to the interim rule, but the final rule continued the 1999 goal of 24 percent for another year.) Beginning in calendar year 2001, the target has been increased to 31 percent for each GSE.

Results and Analysis. In calendar year 2000, Fannie Mae and Freddie Mac both surpassed HUD's target of 24.0 percent by a wide margin. Fannie Mae achieved 31.0 percent, while Freddie Mac achieved 29.2 percent. The proportion of mortgage purchases originating in underserved areas increased by 4.2 percentage points for Fannie Mae and by 1.5 percentage points for Freddie Mac. Fannie Mae's superior performance on the underserved area measure is explained primarily by a greater proportion of single-family purchases in underserved areas—30.1 percent, compared with 28.4 percent for Freddie Mac. For both GSEs, the shares of multifamily units located in underserved areas were not much greater than the corresponding shares of single-family units.



Programmatic Output Indicator 4.2.b.3:

The HOPE VI Revitalization Development program for public housing relocates 2,300 families, demolishes 4,100 units, completes 12,000 new and rehabilitated units, and occupies 11,100 units.

Indicator Background and Context. HOPE VI is HUD's primary program for eliminating the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles. The indicator is repeated under this objective because of its impact on distressed communities. The indicator is discussed in more detail as Indicator 1.2.b.

Results and Analysis. In FY 2001 the HOPE VI Revitalization program for public housing relocated 6,923 families, demolished 12,375 units, completed 4,044 new and rehabilitated units, and occupied 3,579 units.

Programmatic Output Indicator 4.2.b.5:

EZs and ECs achieve local goals in six activities.

Background. In 1994, HUD designated 72 distressed urban communities across the country as Round I Empowerment Zones (EZs) or Enterprise Communities (ECs). In 1998, an additional 15 Round II urban EZs were designated. Because some Round I Enterprise Communities became Round II Empowerment Zones, the total number of EZ/ECs is 80.

HUD's input into the program involves the selection of the census tract-based designations based on the quality of the community's strategic planning process, and in the case of Round II EZ actual grant money. EZs and ECs develop and implement projects and programs with quantified local goals in seven categories. Once a project is completed, the community reports to HUD on whether their goals were achieved. Data for this indicator represent cumulative outputs for plans that are at least 95 percent complete divided by

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the cumulative projected outputs for completed plans. FY 2001 data are preliminary²¹ and include projects that were reported at least 95 percent complete by June 30. The EZ/EC program has experienced slower obligation and expenditure rates and additional funding was not requested in FY 2003.

Goals Identified in Implementation Plans

	1999 actual	2000 actual	2001 goal	2001 preliminary
Residents receiving homeownership assistance	80%	81%	90%	87%
New affordable housing completed	93%	91%	85%	88%
Rehabilitated affordable housing completed	71%	88%	80%	85%
Homeless residents served by homeless assistance programs	84%	83%	90%	88%
Residents served by social service programs	80%	73%	90%	86%
Residents find gainful employment	82%	69%	90%	64%
Residents served by public safety and crime prevention programs	74%	91%	90%	83%

Source: HUD's Performance Measurement System (PERMS)

Results and Analysis. Preliminary 2001 data show that EZ/EC performance relative to locally-defined goals exceeded HUD's performance targets in 2 of the 7 categories. Performance improved from 2000 in 3 categories, and went down in 4 others. There are many possible reasons for changes in performance. Communities may have set more or less challenging targets based on past performance. Also, EZs or ECs are in different stages of maturity. The 72 EZs and ECs designated in 1994 have been operating for several years, while the ones designated in 1998 have just completed their first projects. As they mature, EZs become more experienced and are better able to implement their projects. The proportion of local goals achieved will decrease when EZ/ECs project a large number of outputs and implementation falls short of expectations. HUD provides technical assistance to EZs and ECs to advise them in developing complicated projects and to link them with other communities who have been successful.

These data will be used for the production of promotional materials, best practices manuals and to assess technical assistance needs of EZ/ECs. HUD will encourage timely implementation of projects and spending of HUD EZ II grant monies through proactive outreach to EZ/ECs with insufficient progress. PERMS improvements are forthcoming and will include updated training to EZ/ECs via conference calls or a satellite broadcast. Furthermore, the RC/EZ/EC office, in conjunction with CPD Comptroller, is preparing a policy and procedure manual that will clarify the roles of HQ and the Field for the purpose of improving monitoring, compliance and performance evaluation of the grantees.

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

Outcome Indicator 4.2.2 :

The ratio of central city to suburban median values of owner-occupied homes increases by 0.3 percentage points to 78.6 percent in 2001.

Background. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in 2003. The indicator was discontinued in the FY 2002 APP, as HUD determined that comparisons between cities and suburbs did not provide appropriate measures of program outcomes.

²¹As of the production of this report, four of 80 reports are still outstanding and several others have yet to be verified.

Outcome Indicator 4.2.3:

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

Background. This indicator relies upon data from the Census 2000 for the baseline and from future American Community Surveys to measure change. Data for the 2000 baseline will become available in 2002. However, this indicator is not carried forward in the FY 2003 APP because the outcome is substantially beyond the Department's span of control.

Programmatic Output Indicator 4.2.c:

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

Background. Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA grants. Grantees are able to choose from a wide array of activities, so the quality of planning for self-defined objectives is critical. Housing and community development activities were among the highest activities undertaken by the grantees. The last group of Consolidated Plans was received in FY 2000. The next set of plans will be received in FY 2005.

Results and Analysis. Field offices have examined numerous results from standardized assessments of Consolidated/Action Plans received in FY 2000 and FY 2001. However, these assessments did not include a review to determine whether or not the plans contained measurable performance goals for housing and community development activities. CPD has made provisions to capture this information in FY 2002 as part of the Consolidate/Action Plan reviews. It is estimated that over 900 plans will contain performance goals for housing and community development activities. The results of the review will be reported in the FY 2002 Performance and Accountability Report.

Outcome Indicator 4.2.4:

Among low- and moderate-income residents, the share with a poor or fair opinion of their neighborhood decreases in cities, suburbs, and nonmetropolitan areas.

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

Programmatic Output Indicator 4.2.c.5:

The number of Neighborhood Revitalization Strategy Areas identified in Consolidated Plans increases.

Background. Neighborhood Revitalization Strategy Areas (NRSAs) are an optional feature of Consolidated Plans. This indicator has not been carried forward into FY 2002. HUD is exploring more direct measures of the impact of CDBG investment through indicator 4.2.1.7.

Results and Analysis. At the end of FY 2001, there were 105 Neighborhood Revitalization Strategy Areas identified in Consolidated Plans. An evaluation of the CDBG program showed that a strategic focus on neighborhoods helped grantees achieve better results with grant dollars compared with communities that spread funds more thinly. Approved NRSAs benefit from regulatory incentives similar to those that apply in Empowerment Zones.

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Programmatic Output Indicator 4.2.d:

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

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

Results and Analysis. During FY 2001, entitlement communities used 94.9 percent of funds for activities that benefit low- and moderate-income households. This level exceeds the goal of 92.0 percent and is also above the FY 2000 level of 93.7 percent.

HUD has no direct control over the percentage of CDBG funds that communities use for low- and moderate-income residents, other than to enforce the statutory minimum of 70 percent. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy residents. Furthermore, HUD is reviewing options for streamlining the consolidated plan to facilitate community participation.

Programmatic Output Indicator 4.2.e:

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

Background. States are required to use Community Development Block Grants for activities of which at least 70 percent benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met.

Results and Analysis. During FY 2001, 96.4 percent of State CDBG funds were used for activities that principally benefit low- and moderate-income households. This is below the goal of 98.0 percent, and also below the FY 2000 level of 97.4 percent.

As is the case for CDBG entitlement funds, HUD has no direct control over the percentage of CDBG funds that communities use for low- and moderate-income residents, other than to enforce the statutory minimum of 70 percent. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy residents. Furthermore, HUD is reviewing options for streamlining the consolidated plan to facilitate community participation.

Programmatic Output Indicator 4.2.f:

Among all CDBG direct beneficiaries identified, the share that have low incomes remains at or exceeds 56 percent.

Background. States and entitlement grantees are required to use Community Development Block Grants for activities of which at least 70 percent benefit low- and moderate-income residents, as defined by geographic areas. Direct beneficiary activities are those that benefit low- and moderate-income persons directly rather than serving a geographic area. Direct beneficiary activities include "limited clientele" activities that serve a group that is demonstrated or reasonably presumed to be at least 51 percent made up of low- and moderate-income persons. Other types of direct benefit activities are job creation and retention and the provision and rehabilitation of housing.

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Results and Analysis. During FY 2001, only 51 percent of direct beneficiaries had low incomes. This misses the target of 56 percent and is also a significant decline from the FY 2000 level of 62.7 percent. HUD has no direct control over the percentage of CDBG funds that communities use for these purposes. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy residents. Furthermore, HUD is reviewing options for streamlining the consolidated plan to facilitate community participation.

Programmatic Output Indicator 4.2.g:

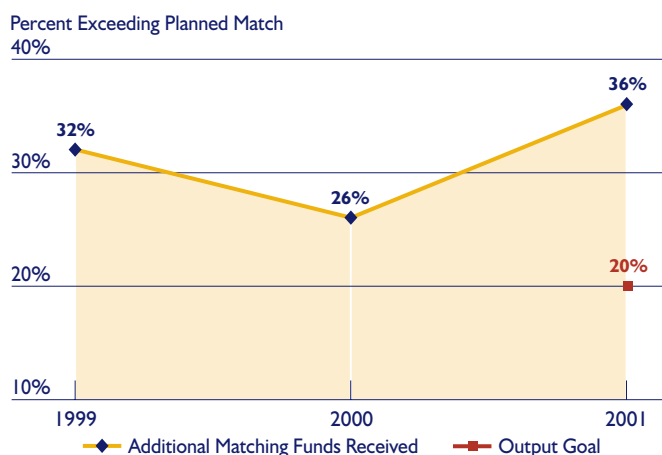
COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.

Background. The Community Outreach Partnership Centers (COPC) program provides funds to colleges and universities for a wide variety of technical assistance and applied research activities. The underlying purpose of these activities is to strengthen the commitment of colleges and universities to their communities and local organizations within those communities, build the capacity of community-based organizations and highlight role models for other partnerships between universities and community-based organizations. This indicator demonstrates the satisfaction that community-based organizations, local governments, foundations, private businesses, and the schools themselves have with COPC-funded activities by measuring new financial commitments to continue, expand, and in some cases institutionalize, the work. Results are based on grantee performance reports and are measured by the percentage by which matching funds exceed match commitments for COPC grantees whose grants closed each calendar year. The FY 2002 APP and FY 2003 APP establish equivalent performance goals for coming calendar years.

Results and Analysis. For the 10 COPC grants that were completed in calendar year 2001, the average amount of non-federal match funds secured during the life of the grant was at least 36 percent more than originally claimed in the grant application. This result exceeds the goal of a 20 percent increase from original estimates.

The ten grantees secured \$4,887,548 in match funds, compared with \$3,592,363 of matching funds anticipated in their grant applications. The success in attracting other funds to HUD-funded programs demonstrates the value that the contributors perceive in the program activities. The COPC office made special efforts to ensure that grantees report matching funds correctly in their performance reports, but not all of the amended reports are included in these results. The remainder of completed reports will increase the ratio more. The Interim report format is being improved to more easily retrieve the cumulative totals of nonfederal funds raised in future years.

COPC Matching funds Received Above the Planned Match



Outcome Indicator 4.2.5:

The capital used to rehabilitate housing in underserved neighborhoods increases by 1 percent.

Background. Historically, deterioration of aging and distressed neighborhoods has been exacerbated by the unwillingness of private banks to extend credit in declining neighborhoods. The Community Reinvestment Act promotes lending for rehabilitation in such neighborhoods, which is often combined with funding from HUD programs such as CDBG and HOME. This indicator tracks the volume of private lending in

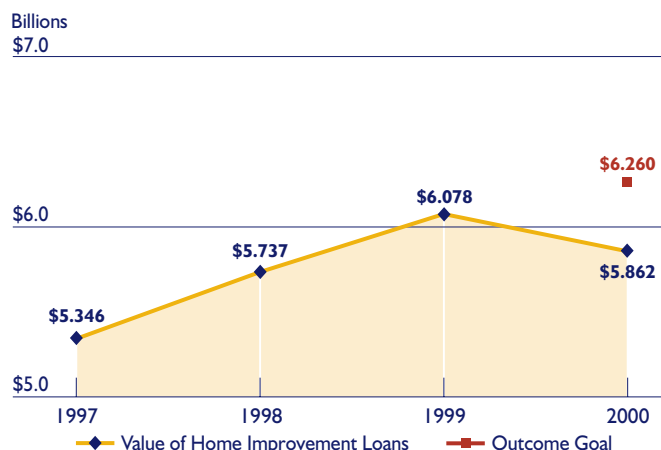
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“underserved” neighborhoods, defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts. This measure uses the Home Mortgage Disclosure Act database, consisting of lending data submitted by depository institutions and for-profit non-depository institutions (e.g., mortgage companies) to their regulators. This indicator has been deleted from the FY 2003 APP because HUD’s limited span of control on private mortgage lending.

Results and Analysis. The most recent available data show that in calendar year 2000, lenders originated home improvement loans in underserved areas totaling \$5.862 billion, a decline of 3.6 percent from 1999 levels. The result failed to reach the FY 2001 performance target of a 5 percent increase from 1999 levels.

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

Volume of Home Improvement Loans in Underserved Areas



The HMDA data shown here are not adjusted for inflation, and are known to under-represent total market activity for several reasons. Lending institutions are exempt from reporting if their assets fall below threshold levels, if they are located in rural areas or if they meet certain other criteria that have little impact on this measure. Some loans that are originated by mortgage brokers in the name of affiliated institutions may be excluded if brokers wrongly categorize them as a loan purchases rather than originations. Approximately 4 percent of total loan volume in 1999 did not have adequate geographic data.

Programmatic Output Indicator 4.2.h:

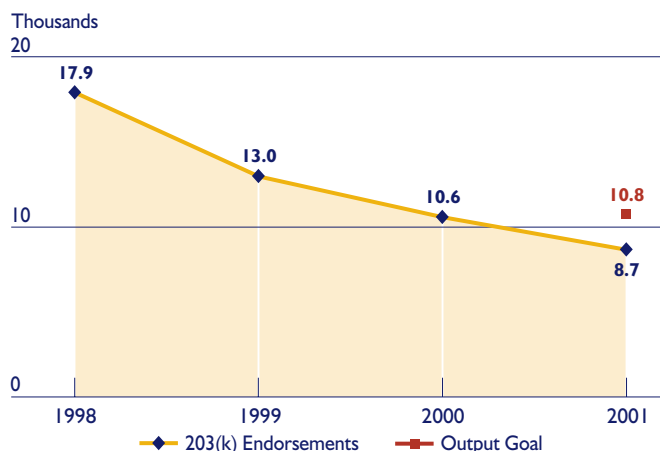
The number of single-family properties rehabilitated under Section 203(k) increases by 2 percent to 19,000.

Background. FHA’s Section 203(k) program addresses the problems that homebuyers often face when they want to buy a home that is in need of repair - either first mortgage financing is not available because the property does not meet code, or else the buyer has to obtain a high-cost second mortgage to finance the repairs. With a 203(k) insured loan, both the property acquisition and the repairs can be financed in a single loan at costs comparable to those of a first mortgage. This makes additional existing homes affordable for moderate-income families and improves older urban neighborhoods. Data are from FHA’s Computerized Homes Underwriting Management System (CHUMS, F17) and are verified through computerized checks and by FHA staff using quality assurance sampling methods. Because of uncertainty about the program’s future, this indicator will not be reported in FY 2002 and beyond.

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Results and Analysis. During FY 2001, 8,668 properties were rehabilitated under Section 203(k). This is an 18 percent decline from the FY 2000 level, missing the goal of a 2 percent increase. The 203(k) program experienced a precipitous decline after investors, who at the time were vital users of this tool, were prevented from participating. After the investors were removed, many lenders could not afford to keep staff with so few loans being processed. A key byproduct of this staff reduction was a lack of outreach in marketing the 203(k) programs. The 203(k) program is currently being retooled for future use.

Single-Family Homes Rehabilitated with Sec.203(k)



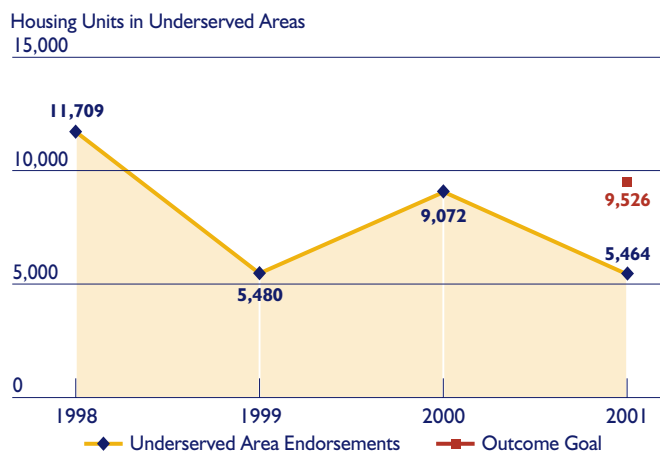
Programmatic Output Indicator 4.2.i:

The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent to 6,000.

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

For FY 2001, this measure counts the number of units in properties within underserved neighborhoods that are newly endorsed by FHA. Grants under Section 202 and Section 811 are excluded from this measure. The measure has been revised in the FY 2003 APP to include refinancing activity, which creates similar benefits for underserved areas. Refinanced loans include those restructured under the Mark-to-Market program as well as refinancing in support of repair and rehabilitation. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

Units in New Initial Multifamily Endorsements in Underserved Areas



Results and Analysis. During FY 2001, 5,464 multifamily units in underserved areas benefited from new FHA mortgage endorsements. The results were down from the FY 2000 peak, falling short of the FY 2001 goal of a 5 percent increase. Refinanced mortgages took up the slack, maintaining the total number of units in underserved areas at 17,797, slightly higher than the 17,696 units in FY 2000.

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A principal factor in the FY 2001 result was the lower mortgage interest rate, which increased the demand for refinanced loans as compared with new loans. Interest rates in the conventional single-family market decreased roughly 1 percentage point during FY 2001. Other demand factors, including economic conditions and local markets, play a significant role both overall and in underserved areas. In order to increase the number of endorsements in underserved areas, FHA will continue outreach and coordination with housing providers and State and local governments, improving awareness of the housing needs of underserved areas and fostering attention on serving them.

A number of enhancements are improving the reliability and usefulness of multifamily data. HUD has added a new field to the Real Estate Management System to enable staff to track new loans in underserved areas. Data from REMS, DAP and other legacy systems are used to track management plan goals and accomplishments, helping to focus attention on resolving data quality problems. The 1990 definitions of underserved areas used for this measure will benefit from updating with Census 2000 data in the coming year.

Outcome Indicator 4.2.6:

Through the use of the Brownfields Economic Development Initiative and Section 108 loan guarantees, the number of brownfield sites being reclaimed and redeveloped increases by 25 to a total of 90.

Background. The Brownfields Economic Development Initiative (BEDI) grant program was created to stimulate economic and community development activities under Section 108(q) of the Housing and Community Development Act of 1974, as amended. Established in 1998, BEDI grant funds are intended principally for the redevelopment of brownfields sites, which are defined as difficult to redevelop because of real or perceived environmental contamination. Accordingly, BEDI funds combined with Section 108 loan guarantees are used for economic development projects that increase economic opportunity for low- and moderate-income persons or that stimulate or retain businesses or jobs. Data represent the number of sites awarded BEDI grants during FY 2001. In FY 2002 and beyond, HUD will measure the projected number of jobs created with BEDI grants, because it is a more meaningful indicator of the impact of the Brownfields program.

Results and Analysis. The number of communities awarded brownfield grants for fiscal year 2001 was 19, which is 6 sites below the goal. The number of projected jobs created with these grants was 7,053.

The level of performance for job creation by grantees was greater than expected. However, HUD awarded funds to fewer communities because a larger number of communities requested the maximum grant amount of \$2 million as compared to previous years. Although HUD is interested in awarding brownfield funds to numerous communities, the goal is for HUD to finance projects and activities that will provide near-term results and demonstrable economic benefits. Economic projects of this type typically require greater resources. As a result, more communities requested the maximum amount of funds available through the BEDI program.

Objective 4.3: Communities are safe.

Outcome Indicator 4.3.1:

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

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

Outcome Indicator 4.3.2:

Among residents of public housing developments targeted by PHDEP grants, average satisfaction regarding neighborhood security increases.

Background. The Public Housing Drug Elimination Program (PHDEP) has provided grants to housing authorities and resident management councils for initiatives to reduce crime. Typical grants fund supplemental law enforcement, security personnel, physical improvements promoting security, resident patrols, drug education and prevention, drug treatment, and other services targeted at reducing violent and drug-related crime in and around public housing developments. PHDEP program funds supplement but do not replace other PHA programs and community resources. They were designed to fill any holes left by other crime prevention and drug abuse reduction efforts. This indicator tracks the impact of this program in achieving a living environment safe from crime for residents.

Data are gathered through grantee-administered resident surveys. In FY 2002, PHDEP did not receive a separate appropriation, although the activities supported through PHDEP are eligible under the Public Housing Operating and Capital funds. As a result, this indicator was expanded, beginning in FY 2002 to cover all public housing residents.

Results and Analysis. Results of surveys collected for the January 31, 2001 reporting period indicate 69 percent of respondents were satisfied with the safety in and around their homes. This level of satisfaction with community safety is encouraging, but should be viewed as a baseline or starting point because the January 31, 2001 reporting period is the first for which these data are available.

Outcome Indicator 4.3.2.3:

For a majority of Public Housing Authorities receiving PHDEP grants, the number of FBI Classified Part I crimes continues to decrease at an equal or greater rate in PHA properties than in the localities in which they are located.

Background. Part I Crimes constitute the Crime Index of the FBI’s Uniform Crime Reports (UCR). They include the crimes of homicide, rape, robbery, aggravated assault, burglary, motor vehicle theft, and larceny/theft. Approximately 17,000 city, county, and state law enforcement agencies representing 96 percent of the U.S. population currently participate in the UCR system. HUD has collected Part I data from the top 100 housing agencies and compared it to citywide crime data for the last few years.

HUD has worked closely with the Department of Justice on developing a system for tracking crime in public housing communities that receive Public Housing Drug Elimination Program grants. PHDEP makes funding available to PHAs to assist in reducing and eliminating drug-related and violent crime in public housing. Grantees are required to submit crime data in semi-annual reports through the Drug Elimination

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Reporting System (DERS). DERS participants indicate police agencies as their direct source of data in 42.8 percent of submissions. In FY 2002, PHDEP did not receive a separate appropriation, although the activities supported through PHDEP are eligible under the Public Housing Operating and Capital funds. As a result, this indicator will not be reported beyond this year.

Congress has merged HUD's drug elimination activities in the Operating Subsidy Program in FY 2002. The prior grant program had experienced high unexpended balances.

Results and Analysis. PHDEP grantee reports show that over the 1999-2000 period crime declined more in PHA properties than in the nation as a whole, achieving the performance goal. The number of crimes in PHA properties continued to decline in the 2000-2001 period. Robbery was the only Part 1 crime that increased for PHDEP grantees in either 1999-2000 or 2000-2001.

The table below reports the annual changes in the number of crimes from 1998 through 2000 using UCR crime data in comparison with changes in the crime data reported by the PHDEP grantees in a similar period of time. The UCR data are annualized rates for the cities with PHDEP grants whereas the DERS data represent crime incidents occurring in and around public housing developments during the first 6-months of each year. Although the time periods are slightly different, the data do provide a snapshot of what is happening in those housing agencies that have Drug Elimination Grants during similar periods of time to the UCR data for the cities in which they are located.

Yearly Percentage Changes in the Number of Part I Offenses

Offense	Uniform Crime Reports (nationwide)		Drug Elimination Reporting System	
	1998-1999	1999-2000	1999-2000	2000-2001
All Part I crimes	-6.8%	-0.2%	-31.0%	-36.0%
Homicide	-8.5	0.0	-23.3	-40.1
Rape	-4.3	+0.9	-26.3	-33.8
Assault	-6.2	-0.1	-29.0	-56.7
Robbery	-0.4	-0.4	-31.8	+20.1
Burglary	-10.0	-2.4	-28.1	-34.3
Larceny/Theft	-5.7	+0.2	-32.4	-35.2

The table shows that Part I crime was decreasing by about seven percent in the selected cities from 1998 to 1999 and by less than one percent from 1999 to 2000. At the same time, Part I crime in the public housing communities in these same cities was declining at a more rapid pace with a 31 percent decrease from 1999 to 2000 and a 36 percent decrease from 2000 to 2001 for the first half of each time period. While the percentage reduction in crime is expected to decrease once the full 12-month data becomes available, indications are that the crime reductions experienced in housing developments that have implemented the drug elimination program are more substantial than in the communities in which they are situated.

Outcome Indicator 4.3.2.5:

The share of housing authorities with PHDEP grants who achieve their crime reduction goals increases.

Background. PHDEP grantees are required to submit crime data in semi-annual reports through the Drug Elimination Reporting System. As part of the information submitted, grantees identified locally determined performance goals for specific offenses based on baseline crime data. Each six-month period, ending in June and December, grantees provide updated crime statistics for the preceding 6-month period.

Crime data and goals are provided on a per-offense basis with goals expressed for each type of offense, rather than for all offenses grouped together. Likewise, semi-annual data are provided for each crime type. Each PHA is permitted to report crime for their target properties, the housing agency as a whole, or for citywide and/or countywide areas depending on what is made available through their local law enforcement agencies.

In FY 2002, PHDEP did not receive a separate appropriation, although the activities supported through PHDEP are eligible under the Public Housing Operating and Capital funds. As a result, this indicator will not be reported beyond this year.

Results and Analysis. Based on reports received during FY 2001, fewer PHDEP grantees met their crime reduction goals than in FY 2000, missing the goal of an increased level. However, the overall level of success remains high. With slight variation at each semi-annual reporting period, 75.0 percent or more of the crime goals established by PHDEP grantees have been met during each reporting period since July 31, 1999.

Starting in July 31, 1999, 80.4 percent of the grantees reported crime levels that were equal to or below their goals based on baseline data. This percentage remained at the 81.0 percent level until the December 2000 reporting period, when the percent of goals met or exceeded dropped to 75.0 percent. The percent of goals met or exceeded started to rise again in the last reporting period for which data are available. The table below shows these trends in the percentage of crime reduction goals being met or exceeded by reporting period:

Percentage of Crime Reduction Goals Met or Exceeded

Reporting period end date	% Goals met or exceeded
June 30, 1999	80.4
December 31, 1999	81.2
June 30, 2000	81.0
December 31, 2000	74.7
June 30, 2001	77.0

It is important to note that the PHDEP grantees have had a high level of success in meeting their crime reduction goals given the multiplicity of challenges facing crime reduction strategies in public housing communities. During only one reporting period did the percentage of crime reduction goals met drop below 75.0 percent (the December 31, 2000 reporting period).

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Programmatic Output Indicator 4.3.a:

At least 90 percent of EZs and ECs achieve local goals in serving residents with public safety and crime prevention programs.

Background. HUD has designated 89 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including serving residents with public safety and crime prevention programs. Data represent the sum of outputs taken from plans that are 95 percent completed divided by the sum of projected outputs for all plans. A more detailed discussion of this measure is included under Indicator 4.2.b.5.

Results and Analysis. In FY 2001, 83 percent of EZ and EC projects met goals with respect to serving residents with public safety and crime prevention programs. This level misses the target of 90 percent, and is also below the FY 2000 level of 91 percent.

Outcome Indicator 4.3.3:

The share of central city households reporting accumulations of trash, litter, or junk on the streets decreases by 0.4 percentage points to 15.0 percent in 2001.

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

Strategic Goal 5: Ensure Public Trust in HUD

Strategic Objectives:

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

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

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

Outcome Indicator 5.1.1:

HUD's workforce is empowered, capable and focused on results.

Background. HUD has increasingly been moving its organizational focus from process to customer-driven results. Research has shown a strong correlation between employee satisfaction and customer satisfaction. HUD will use periodic employee surveys to assess the Department's performance orientation and to ensure that staff are satisfied with their work environment and receive the training and support necessary to accomplish their jobs. HUD is implementing a new and well-tested employee survey to all employees during FY 2002. The Organizational Assessment Survey (OAS) is being administered by the Personnel Resources and Development Center of the Office of Personnel Management. Survey results will be available to HUD managers and staff online with confidentiality protections. Focus groups will be used to validate and explore the findings of the survey.

Results and Analysis. The OAS employee survey has not yet been completed. Results will be available for reporting next year. During FY 2001, the General Accounting Office (GAO) completed a related survey of HUD managers.²² GAO reported:

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

²²General Accounting Office, May 2001. "Managing for Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies." (GAO-01-592).

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Selected survey results are shown in the table. One of the key implications of the GAO results is that the Department would benefit from improved balance between the decision-making authority of managers and their accountability for results. To address this issue, HUD is developing a human capital strategy that includes greater delegation of authority to staff in field offices.

Percentage of Federal Managers [at HUD] Who Reported:

That managers/supervisors at their levels were held accountable for results.	79%
That employees in their agencies receive positive recognition for helping agencies accomplish their strategic goals.	47%
That managers/supervisors at their levels had the decisionmaking authority needed to help the agency accomplish its strategic goals.	36%

The data shown here are related but not directly comparable to the forthcoming Organizational Assessment Survey. The OAS results will be analyzed and compared with benchmarks for Federal agencies and private organizations.

Programmatic Output Indicator 5.1.a.0: HUD continues to receive unqualified audit opinions.

Background. In FY 2000, HUD received a disclaimer of an audit opinion on its FY 1999 financial statements, when major systems conversion efforts disrupted normal account reconciliation activity and precluded timely preparation of financial statements and completion of the audit by the Office of Inspector General. However, HUD subsequently addressed these issues in FY 2000, and as a result, received an unqualified audit opinion on its FY 2000 financial statements in FY 2001.

Results and Analysis. In FY 2002, HUD received an unqualified audit opinion on its FY 2001 financial statements. This is the third time that the Department received a clean opinion, but also the first time a clean opinion was received for two consecutive years.

The result reflects growing financial management stability and the collaboration of program and administrative offices to prepare auditable financial statements in timely fashion. A factor contributing to financial management stability was the OCFO's successful efforts to correct two prior year reportable conditions related to the reliability and security of financial systems, and controls over fund balance with Treasury reconciliations. Despite the success, the Department is mindful of the need for continued progress in resolving the remaining material management control weaknesses and reportable conditions still associated with HUD's financial management systems and operations.

Programmatic Output Indicator 5.1.a: HUD continues to improve the workforce to reflect the nation's diversity by increasing the representation of under-represented groups.

Background. It is HUD's policy to prohibit discrimination in employment because of race, color, religion, sex, national origin, age and disability, and to promote the full realization of equal employment opportunity. HUD's Hispanic representation of 7.0 percent has consistently remained below the Hispanic Civilian Labor Force (CLF) representation of 8.1 percent for the last several years. Similarly, the representation of white females has been declining, and is well below the CLF level of 35.5 percent. This indicator uses HUD employment data tabulated in the Equal Employment Opportunity Management Analysis System.

	FY 1998 act.	FY 1999 act.	FY 2000 act.	FY 2001 act.	FY 2001 goal
Hispanic representation	6.6%	6.8%	7.0%	7.0%	7.3%
White female representation	28.0%	27.7%	27.0%	26.6%	26.9%

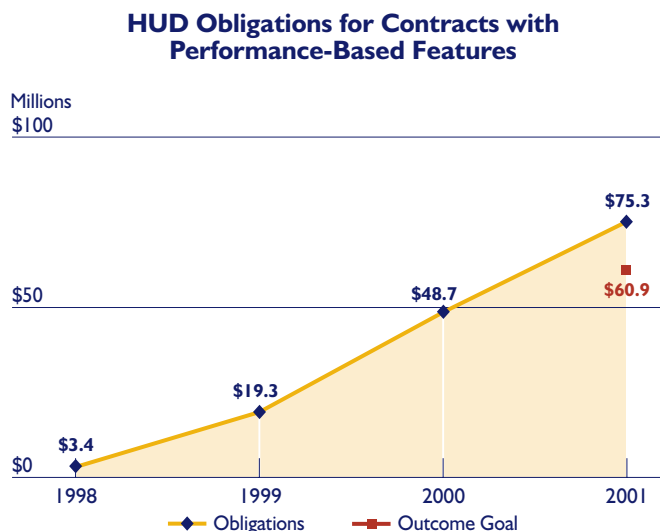
Results and Analysis. At the end of FY 2001, Hispanic representation remained at the FY 2000 level of 7.0 percent, and White Female Representation declined from 27.0 percent to 26.6 percent. Both of these levels fell short of the goal of a 0.3 percentage point improvement.

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

Programmatic Output Indicator 5.1.b: Ensure that contractors produce results by increasing annual obligations under contracts with performance-based features by 25 percent to \$30 million.

Background. In an effort to improve its contracting services, HUD includes outcome and performance based features in many of its contracts. Performance Based Contracting (PBC) provides contractors with flexibility with respect to how they perform contracts while holding them accountable for the results. Beginning in FY 2003, HUD will measure the percentage of funds that are obligated for new service contracts (over \$25,000) that use outcome or performance-based contracting techniques.

Results and Analysis. During FY 2001, \$75.3 million were obligated for contracts with performance-based features. This represents an increase of 54 percent over the previous year, surpassing the goal of a 25 percent increase. Performance Based Contracting is an integral part of HUD's efforts to improve performance and accountability.



Outcome Indicator 5.1.2: HUD partners are empowered, capable and focused on results.

Background. This indicator uses the widely-utilized method of customer satisfaction surveys in another context, to assess the quality of the relationship between HUD and the intermediary organizations that partner with the Department to deliver results to the final customers. HUD's partners, which include government, non-profit and for-profit entities, provide service delivery for a majority of HUD programs. Between December 2000 and June 2001, HUD completed a survey of eight groups of partners to assess both partner satisfaction with the Department generally and perceptions of the recent management changes at HUD.²³ The partner groups surveyed included: community development directors, public housing agency directors, Fair Housing Assistance Program directors, mayors, multifamily owners (insured, assisted or Section 202/811), and non-profit housing providers.

Results and Analysis. The data collected in 2001 establish the baseline for future performance goals. Overall satisfaction by partners varied greatly, with FHAP directors and mayors highly satisfied and public housing agency directors and multifamily owners less satisfied. Similarly, partner assessments of the HUD 2020 management changes were mixed.

²³HUD Office of Policy Development and Research, 2001. "How's HUD Doing? Agency Performance As Judged By Its Partners." www.huduser.org.

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An important finding was that partner groups-or individuals within partner groups-were substantially more likely to hold unfavorable opinions if they perceived the Department's role as "mainly regulating" rather than "mainly support" or "equally providing support and regulating." Nevertheless, majorities within nearly every partner group expressed satisfaction both with the Department's programs and with the way they are run. The exception was PHA officials, many of whom were dissatisfied with the way HUD was running their programs. The most likely cause of PHA dissatisfaction was the controversy that surrounded development of the Public Housing Assessment System.

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

In addition, the American Customer Satisfaction Initiative for Federal Government again surveyed some groups of HUD partners and calculated an American Customer Satisfaction Index (ACSI) that is comparable to private sector benchmarks. For 2001, the ACSI was completed for two major types of FHA partners: lenders (who were not surveyed in HUD's study) and multifamily managers. The ACSI for lending institutions offering FHA loans was 66 percent, compared with an average score of 68.5 percent among the six agencies offering grants or financial services. The ACSI for owners' management agents of FHA assisted and insured housing was 59 percent, compared with an average index of 62.9 percent for the seven agencies engaged in comparable regulatory activities. The latter result of 59 percent provides reasonable validation of the findings of HUD's partner survey shown above (60 percent satisfaction for insured multifamily partners and 53 percent satisfaction for assisted multifamily partners).

Programmatic Output Indicator 5.1.c:

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

Background. Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA grants. Grantees are able to choose from a wide array of activities, so the quality of planning for self-defined objectives is critical. Housing and community development activities were among the highest activities undertaken by the grantees. The last group of Consolidated Plans was received in FY 2000. The next set of plans will be received in FY 2005.

Results and Analysis. Field offices have examined numerous results from standardized assessments of Consolidated/Action Plans received in FY 2000 and FY 2001. However, these assessments did not include a review to determine whether or not the plans contained measurable performance goals for housing and community development activities. This indicator is discussed in further detail under indicator 4.2.c.

FY 2001 Baseline Results of HUD Partner Survey

	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."
Community Development Department partners	87%	73%
Mayoral partners	88%	79%
Public Housing Agency partners	59%	39%
FHAP Agency partners	85%	68%
HUD-Insured Multifamily Housing partners	69%	60%
HUD-Assisted Multifamily Housing partners	62%	53%
Section 202/811 Multifamily Housing partners	88%	78%
Non-profit Housing partners	62%	52%

Programmatic Output Indicator 5.1.d:

Among Consolidated Plan grantees, 100 percent are reviewed remotely and 20 percent are reviewed onsite for compliance with their plans.

Background. Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA formula grants. This indicator measures the degree to which HUD field staff monitor grantees for compliance with their Consolidated Plans. Because Consolidated Plan grantees are regularly reviewed remotely, that part of the measure will not be tracked after this year. In FY 2002, the goal for onsite review is increased to 35 percent, and the goal for FY 2003 is a 5 percent increase over that level.

Results and Analysis. In FY 2001, all Consolidated Plan grantees were reviewed remotely, and 42 percent were reviewed on site for compliance with their plans. This more than doubled the goal of 20 percent although it was 9 percentage points below the FY 2000 level of 51 percent. The high level of compliance review, along with the increased goals in future years, reflect the Department's commitment to ensuring that HUD funds are spent in accordance with applicable laws and regulations.

Programmatic Output Indicator 5.1.e:

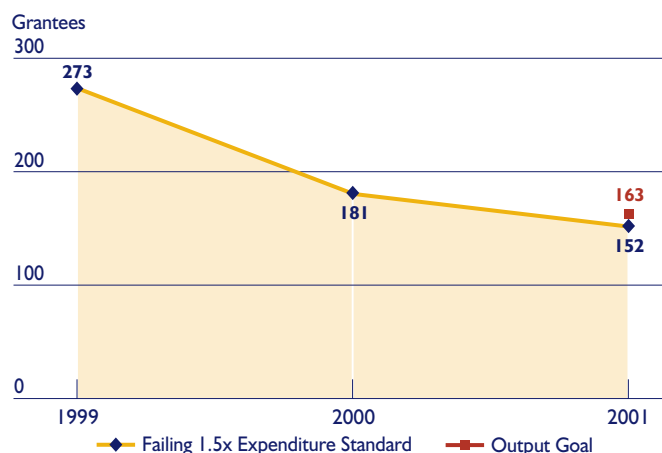
The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 179.

Background. Entitlement communities have extensive flexibility to use CDBG for locally defined purposes. However, they must use funds for national objectives and implement their activities in fiscally responsible ways. To meet timeliness standards, grantees may not have undrawn funds in their line of credit exceeding 1.5 times the value of the most recent grant, as measured 60 days before the following grant. This measure uses data from the Integrated Disbursement Information System. Beginning in FY 2002, HUD will also track the number of grantees with undrawn funds of more than 2.0 times the value of the most recent grant.

Results and Analysis. As of the end of September 30, 2001, the number of untimely entitlement grantees was reduced by 29 from FY 2000 levels to 152. The 16 percent reduction surpassed HUD's goal of a 10 percent reduction to 163.

The goal was achieved largely because CPD held four sessions around the country and invited all untimely grantees to discuss the issues impacting poor performance. The sessions included peer-to-peer guidance. Also, CPD Field Offices worked diligently with their untimely grantees, monitoring progress month-by-month and sending letters to grantees that were not making adequate progress. CPD embarked on a policy to bring all entitlement grantees with program years starting between May and October into compliance with the drawdown standard by the end of FY 2003. Grantees with program years starting between January and April will be brought into compliance by the end of FY 2004. Any grantee not in compliance within the established timeframe would have its grant reduced by the amount of funds that exceed the 1.5 drawdown standard.

CDBG Grantees Failing the 1.5 Timeless Standard



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Outcome Indicator 5.1.3:

The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases.

The recipients of HUD housing assistance form one of the HUD's largest groups of customers. Resident satisfaction is influenced by the quality of management by housing agencies and private multifamily development managers. Data for this indicator are from the Real Estate Assessment Center's Resident Assessment Subsystem (RASS). In FY 2002 and 2003, the goal for this indicator is to increase resident satisfaction by 1 percentage point per year.

Results and Analysis. During FY 2001, REAC conducted a random sample survey of 631,261 HUD assisted renters and public housing tenants, 86 percent of whom were satisfied or very satisfied with "overall living conditions." These results will serve as a baseline for future comparison.

Outcome Indicator 5.1.4:

The share of public housing units managed by troubled housing authorities decreases by 5 percentage points.

Background. HUD uses the Public Housing Assessment System (PHAS) to evaluate the management capability of public housing authorities based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing authorities with overall scores below 60, or scores below 18 in any of the individual components, are classified as substandard or troubled. FY 2001 PHAS scores were considered advisory, so no housing authorities were actually designated as troubled/substandard under PHAS. Beginning in FY 2002, HUD will measure progress in reducing the number of units managed by troubled housing authorities that are assigned to a Troubled Agency Recovery Center (TARC). The new measure will focus more on HUD's efforts to improve troubled housing authorities.

Results and Analysis. In FY 2001, 18.7 percent of public housing agencies representing 25.1 percent of public housing units received a PHAS score that would have resulted in the agency being designated as troubled/substandard had the scores not been advisory. This level represents a baseline for future comparison. A more complete discussion of PHAS scores is included in Goal 5 of the Discussion and Analysis of Operations section of this report.

Outcome Indicator 5.1.5:

The share of tenant-based Section 8 assistance managed by troubled housing authorities decreases by 5 percentage points.

Background. Similar to Outcome Indicator 5.1.4, this indicator tracks the share of assistance under the housing choice voucher program that is vulnerable to mismanagement by troubled housing agencies. Using the Section Eight Management Assessment Program (SEMAP), HUD rates housing agencies based on tenant selection, rent reasonableness determinations, income determination, housing quality standards inspections and enforcement, expanding housing opportunities, deconcentration, lease-up rates, FSS participation, and correct rent calculations. The first PHAs that were scored under SEMAP were those PHAs with fiscal year end dates of December 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline will be set.

Outcome Indicator 5.1.6:

Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 5 percentage points.

Background. HUD evaluates the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. Data for public housing represent housing agencies that submitted their annual report between 10/1/00 and 9/30/01. Data for multifamily assisted properties represent projects with fiscal years that ended between 12/31/00 and 12/30/01. In FY 2003 the target was reduced to a 2.5 percentage point increase.

Results and Analysis. At the end of FY 2001, 8.8 percent of PHAs representing 6.3 percent of public housing units were rated as financially substandard based on advisory scores. This total does not include PHAs that were troubled overall, including being financially substandard. This level will serve as a baseline for future comparison. For assisted multifamily properties, 30.4 percent had financial compliance deficiencies. This level misses the target and is in fact an increase over the 28.6 percent of properties in 2000. Reasons for this increase are discussed in Goal 5 of the Discussion and Analysis of Operations section under the heading of “Strengthening HUD’s Oversight.”

Outcome Indicator 5.1.7:

The share of units that meet HUD-established physical standards increases by 1 percentage point to 64 percent of public housing units and 79 percent of assisted multifamily units.

Background. HUD inspects units of public housing and assisted multifamily housing to determine their physical condition. Because compliance with physical standards reflects the ability of HUD partners to effectively deliver results to customers, the indicator has been included under this objective. The measure is discussed in greater detail as Indicator 1.3.3 and under the Discussion and Analysis of Operations section, where it supports the Objective 1.3: America’s housing is safe and disaster resistant.

Results and Analysis. In FY 2001, 94.1 percent of properties representing 93.1 percent of assisted multifamily units met HUD-established physical standards. This represents a substantial increase over the FY 2000 level of 86.2 percent of units. For public housing, 90.7 percent of properties representing 83.6 percent of units met HUD-established physical standards. This was also a significant increase over the FY 2000 level of 73.3 percent of units.

There were some changes to the baseline physical condition standards used in 1999 that would account for modest project score increases of a few points in the current profile, but most of the increases in scores are attributed to actual improvements to project physical conditions.

Outcome Indicator 5.1.8:

The average number of life-threatening health and safety deficiencies observed per 100 properties inspected decreases by 10 percent annually between 1999 and 2001, from 100.8 to 81.7 in public housing and from 95.3 to 77.2 in assisted multifamily housing.

Background. This indicator measures the number of units located in public and assisted housing properties with exigent health and safety deficiencies. Because the physical quality of public and assisted housing reflects the ability of HUD partners to effectively deliver results to customers, the indicator has been included under this objective. The measure is discussed in greater detail as Indicator 1.3.4 and under the Discussion and Analysis of Operations section, where it supports the Objective 1.3: America’s housing is safe and disaster resistant.

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Results and Analysis. As of the end of FY 2001, 46.9 percent of properties and 18.4 percent of public housing units, had life-threatening deficiencies. For assisted multifamily housing, 37.3 percent of properties and 15.4 percent of units, had life-threatening deficiencies.

Programmatic Output Indicator 5.1.f: The unit-weighted average PHAS score increases.

Background. The Public Housing Assessment System (PHAS) assesses the performance of Public Housing Agencies, which can receive scores of up to 100 based on their physical and financial condition (30 points each), management performance (30 points), and resident satisfaction (10 points). Data represent the most recent assessments completed for each agency as of the end of FY 2001. In FY 2002 and 2003, HUD has set a target of a 5 percent increase in PHAS scores.

Results and Analysis. As of the end of FY 2001, the unit-weighted average PHAS score was 80.2, which is an increase over the FY 2000 level of 78.7. For both fiscal years 2000 and 2001, PHAS scores were considered advisory. A more complete discussion of PHAS scores is included in Goal 5 of the Discussion and Analysis of Operations section of this report.

Programmatic Output Indicator 5.1.g: The household-weighted average SEMAP score increases.

Background. Similar to PHAS scores, Section Eight Management Assessment Program (SEMAP) scores are meant to track the capability and accountability of housing authority partners. The first PHAs that were scored under SEMAP were those with fiscal end dates of December 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time the baseline can be determined.

Programmatic Output Indicator 5.1.h: The share of tenant-based Section 8 assistance managed by housing authorities that score highly for income verification increases.

Background. Tenant income verification is a critical tool that housing authorities have to control the costs of providing tenant-based assistance. The income verification component of SEMAP awards a high score when the incomes of 90 percent of households have been verified by a third party that income and utility allowances are calculated correctly. The first PHAs that were scored under SEMAP were those with fiscal year end dates of December 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time the baseline can be determined.

Programmatic Output Indicator 5.1.i: The share of tenant-based Section 8 assistance managed by housing authorities that score highly for determination of rent reasonableness increases.

Background. Determination of whether rents are reasonable is another tool that housing agencies have to control costs in the housing choice voucher program. Through the rent reasonableness component of SEMAP, HUD will award a high score when 98 percent of randomly-selected tenant files have documented determinations that the rent for the unit is reasonable in accordance with the housing authority's written method. The first PHAs that were scored under SEMAP were those with fiscal year end dates of December 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time the baseline can be determined.

Programmatic Output Indicator 5.1.j:

The share of households for which rent determinations are correct increases for public housing and for project-based Section 8.

Background. As one of HUD's efforts to measure program performance and identify areas where improvements are needed, in 2001 the Department completed a national study of assisted housing program sponsor subsidy determinations. On-site tenant interviews, file reviews, and independent third-party income verifications were conducted.

Results and Analysis. The study found that substantial errors were being made in the income and rent determinations that set the subsidies HUD pays on behalf of families who receive public housing and Section 8 program assistance. It estimated that, due to a variety of income calculation and other errors, over \$600 million in annual rent overpayments were made and that rent underpayments were \$1.7 billion—nearly three times as much as overpayments. (See the discussion under Goal 1 in the Discussion and Analysis of Operations section for more information.)

A new error measurement baseline is currently being developed that takes into account two additional types of error. The first is deliberate misreporting of income by tenants, which is being measured by matching IRS data against data for tenants in the sponsor error measurement study, which will be available in early 2002. The other is the addition of subsidy billing errors from a study whose results will be available in the second quarter of 2002.

The error measurement efforts and a number of proposed correction actions have been prepared under the guidance of HUD's Rental Housing Integrity Improvement Program (RHIIP) task force. The RHIIP effort was initiated to ensure that the right benefits go to the right households. This goal is achieved by improving subsidy determination accuracy, and by reducing excess subsidy payments so as to free up funds for eligible families.

Programmatic Output Indicator 5.1.k:

Among high-risk or troubled multifamily projects referred to EC, the share that have aged pending enforcement and the share that have aged during enforcement processing will decrease.

Background. The Departmental Enforcement Center (DEC) addresses serious problems of distressed multifamily properties that have failed physical and financial inspections and require corrective action by owners, lenders and management agents. This indicator tracks the flow of cases through DEC to promote their timely resolution. The indicator was modified in FY 2002 to track three goals: reducing the number of cases as of the beginning of the fiscal year by 80 percent, closing 75 percent of cases received during the fiscal year that have been in the DEC for 180 days, and closing cases received during the fiscal year in an average of 180 days or less. Because the new indicator provides more detail with respect to the operations of the DEC, it is being reported here.

Results and Analysis. During FY 2001, the DEC achieved their three management goals. DEC reduced the number of Multifamily cases that were in the DEC inventory as of September 30, 2000 by 83 percent, exceeding the goal of 80 percent. The DEC closed 80 percent of all cases received in FY 2001 that had been in the DEC for 180 days, exceeding the goal of 75 percent. During FY 2001, cases were closed in an average of 121 days, exceeding the goal of 180 days.

Sanction notices to participants for suspension and/or proposed debarment were completed for 80 percent of the cases referred during the fiscal year for indictment, civil judgment, conviction and fact-based cases. A more detailed description of the results and benefits of the DEC appears in Goal 5 of the Discussion and Analysis of Operations section of this report.

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Outcome Indicator 5.1.9:

HUD automated data systems are rated highly for usefulness, ease of use, and reliability.

Background. In the FY 2001 APP, HUD established a pilot project to develop a performance measurement methodology for information systems. As reported in the FY 2000 PAR, the pilot was completed and the performance measurement methodology was adopted for the Information Technology Investment Portfolio System (ITIPS), HUD's strategic capital planning tool for information systems. Variances in IT project performance goals are addressed through quarterly IT investment management control reviews. This evolution is reflected in the performance indicator in the FY 2003 APP, "The percentage of existing automated data systems and system development projects that achieve their performance goals increases by 5 percent from the FY 2002 baseline."

Results and Analysis. Although the FY 2001 performance indicator did not define a specific milestone or goal, the pilot project discussed in the indicator was successfully completed during FY 2000. In the first quarter of FY2001 HUD established performance measures for the entire IT portfolio. In FY 2002 the Office of the Chief Information Officer (OCIO) will continue to align IT project performance measurement with HUD's business processes through the business architecture component of the Enterprise Architecture.

OCIO worked with program offices to develop performance measures for their IT systems and projects. The numerous systems goals tracked by the FY 2003 performance indicator include measures of system availability, response time, number of trouble calls, incidents of lost or damaged data, security compliance, and workload reductions for users. This results-based approach to IT management ensures that HUD complies with the Clinger-Cohen Act, OMB guidance for capital asset planning, and GAO recommendations. It also supports the Department's maturing Enterprise Architecture efforts and enables HUD management to be assured that systems are producing reliable data that will meet user needs and help HUD manage its business.

Programmatic Output Indicator 5.1.L.1:

By the end of FY 2001, an increased number of mission-critical data systems will earn data quality certifications based on objective criteria.

Background. The Office of Chief Information Officer (OCIO) oversees information technology investments and ensures that information systems support core business processes and achieve mission critical goals. In 2000, OCIO launched an enterprise-wide initiative, the Data Quality Improvement Program, and established a Data Control Board to coordinate data quality issues. Through the Data Control Board, OCIO is working in partnership with program offices to prioritize efforts and to use DQIP to provide accurate, complete, consistent, timely, and valid data to achieve Departmental data quality improvement. The FY 2002 APP and FY 2003 APP establish the goal of assessing, cleaning and certifying eight additional mission-critical data systems by the end of FY 2003.

Results and Analysis. During FY 2001, the OCIO achieved this goal by awarding data quality certifications to two mission-critical data systems, the Line of Credit Control System (LOCCS) and the Program Accounting System (PAS). The systems, owned by the CFO, are crucial for the Department's financial management. LOCCS is a payment control tool and post-award financial grants management system. PAS is an integrated subsidiary ledger for the Department's grant, subsidy, and loan programs that interacts with HUDCAPS. OCIO's certification of these systems reflects is based on the acceptable compliance of data in critical fields with HUD business rules.

The two certified systems were among seven mission-critical systems for which OCIO completed data quality assessments during FY 2001. The others were HUD Central Accounting System (HUDCAPS), Real

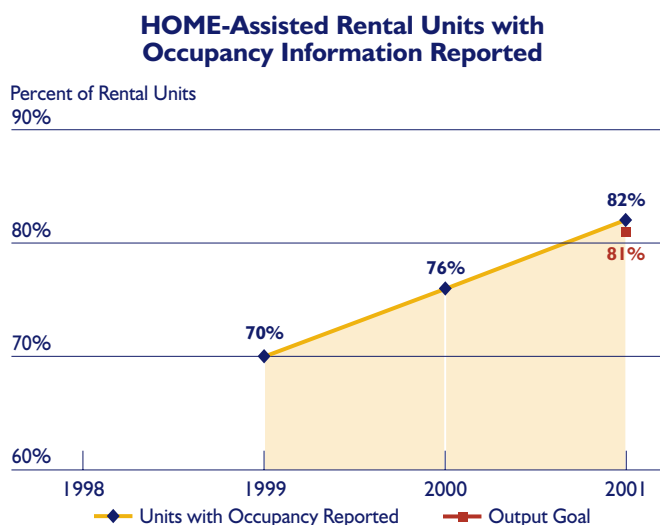
Estate Management System (REMS), Multifamily Tenant Characteristics System (MTCS), Single Family Acquired Asset Management System (SAMS), and Tenant Rental Assistance Certification System (TRACS). During FY 2002, the data quality deficiencies identified during the assessments will be corrected by cleaning data and implementing system edits to prevent further data corruption. The remainder of the seven systems are expected to be certified by the end of FY 2002. For further information about initiatives to improve data quality, see the discussion under Goal 5 of the Discussion and Analysis of Operations section.

Programmatic Output Indicator 5.1.m.1:

The share of HOME-assisted rental units for which occupancy information is reported increases by 5 percentage points to 80 percent.

Background. This indicator tracks the reporting by Participating Jurisdictions into HUD's Integrated Disbursement and Information System (IDIS) of data describing the households who occupy HOME-assisted rental units. This information helps HUD assess compliance with HOME-assisted tenant income limits, as well as determine who is benefiting from the HOME program. Data entered by participating jurisdictions in HUD's Integrated Disbursement and Information System are used to track quarterly performance. Ongoing HUD-sponsored IDIS training and data clean-up efforts are used to consistently improve data quality and reliability. Future annual performance plans will continue to track the share of HOME-assisted rental units for which occupancy information is reported.

Results and Analysis. During FY 2001, 82 percent of rental units had occupancy information reported in IDIS. This is a 6 percentage point increase over the FY 2000 level of 76 percent, and exceeds the goal of a 5 percentage point increase. HUD relies on Participating Jurisdictions to enter data into IDIS. Currently, IDIS permits additional data entries even though complete occupancy data has not been entered. HUD will continue to use ongoing data clean-up and intensive follow-up with Participating Jurisdictions to improve data quality.



Programmatic Output Indicator 5.1.m.5:

The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.

Background. This indicator tracks the level of reporting of CDBG grant activities into the Integrated Disbursement Information System, which collects data for HUD's block grant programs that serve local jurisdictions. Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities justified under three national objectives that serve residents with low and moderate incomes: jobs (LMJ), housing (LMH) and limited clientele (LMC). To meet the threshold for satisfactory reporting, each grantee must report accomplishments for at least 90 percent of activities funded under these objectives within three months after project completion. Typical accomplishments reported for the three objectives are numbers of jobs created, units constructed, and minority persons served. The remaining national objectives, low/mod area benefit and slums/blight, are not included in this indicator. Reporting rates for accomplishments data currently stand at about 50 percent of activities under the three national objectives. IDIS is the source of the data used for this measure.

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Results and Analysis. During Fiscal Year 2001, CDBG grantees reported on 44,021 CDBG-funded activities classified as either Low/Mod Housing, Low/Mod Jobs or Low/Mod limited clientele that were completed. Of these activities that were reported as completed, 38,498 had accomplishments reported. The reporting rate of accomplishments for these completed activities is 87.5%. This rate is 2.5% below the FY 2001 APP goal of 90% rate of reporting accomplishments for these activities. CPD is currently undertaking a data clean-up to boost the reporting rates for completed activities for the remaining 12.5% of the activities that were not reported on properly. Upon completion of the data clean-up effort, CPD expects that we will meet the 90% rate for reporting of accomplishments for completed CDBG activities.

Programmatic Output Indicator 5.1.n:

Sanctions are taken or forbearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.

Background. The Multifamily Tenant Characteristics System (MTCS) provides HUD with performance information regarding renters assisted with public housing or Housing Choice Voucher programs. At the beginning of FY 2001, HUD's Office of Public and Indian Housing (PIH) set an internal goal of sanctioning 200 PHAs for Section 8 and public housing combined. The goal was based on the number of PHAs reporting under 85 percent as of the semi-annual assessment dated December 31, 1999. Because PIH was not able to complete the appeals process for the June 2001 assessment, only the December 2000 period was included toward the FY 2001 goal. As a result, PIH adjusted the estimated number to be sanctioned from 200 to 100.

Results and Analysis. In FY 2001, HUD exceeded this goal by sanctioning 139 PHAs. Since January 2000, PIH has increased MTCS reporting rates from at least 100 percent to 105 percent for Section 8, and public housing remained at 95 percent by May 2001, which is when the MTCS system was shut down to allow full implementation of the new PIC system.

For Section 8, PIH imposed the 10 percent reduction in administrative fee sanction 67 times on PHAs reporting under 85 percent without forbearance approval from HUD for the assessment period covering December 2000, implemented in FY 2001. In addition, PIH determined the 19 PHAs ineligible to apply for FY 2001 funding under Fair Share, Mainstream, Designated Housing, Certain Development, and New Approach.

For Public Housing, PIH determined in 72 instances that PHAs were ineligible to apply for FY 2002 HOPE VI funding because of reporting under 85 percent without forbearance approval from HUD for the December 2000 assessment period, implemented in FY 2001. As a result of the increase in MTCS reporting rates, the number of PHAs sanctioned declined from December 1999 to December 2000 for both Section 8 (from 136 to 67) and public housing (from 120 to 72).

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

Outcome Indicator 5.2.1:

PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity, and influence.

Background. The Office of Policy Development and Research (PD&R) is charged with making available housing and urban conditions data to support program operations and external research, evaluating HUD programs, and preparing studies on housing conditions, policy and technology. In FY 2001, PD&R surveyed stakeholders and research users to determine whether they found PD&R research products relevant,

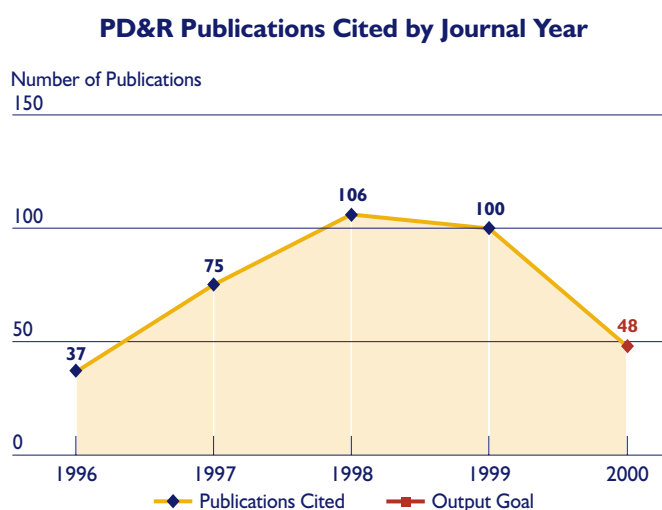
useful, and well-prepared. The stakeholders and users interviewed included academics, nonprofit researchers, building professionals, trade and manufacturing associations, financial institutions, and housing advocacy groups. Reflecting the validation provided through this baseline research, this indicator has been revised in the FY 2003 APP to measure the proportion of users who rate research products as “valuable.” Because this measure is based on a survey, new results will not be available annually.

Results and Analysis. The FY 2001 baseline survey findings²⁴ indicate that HUD research was rated highly, with 81 percent of respondents rating the products as “valuable.” The research was based on a sample of the most intensive users. Therefore, results may not be representative of all users, especially of infrequent users. Future surveys will include Congressional and other Federal users and stakeholders.

Programmatic Output Indicator 5.2.a: HUD research products are used more widely, as measured by the number of citations in the policy literature.

Background. The academic community frequently uses the number of citations of a publication in the research literature as an indication of their credibility and usefulness. This indicator tracks the citations of published HUD reports in the policy literature. In FY 2001, PD&R prepared 36 research publications and made them available both to specific research and policy audiences and to the public at large. The primary means of distribution is PD&R’s clearinghouse, HUD USER, which currently serves more than 17,000 active customers and approximately 1,500 new users each year. The implementation of the HUD USER web site and marketing efforts through a new listserv contributed to a 60 percent increase in the circulation of top PD&R documents. This indicator has been replaced in the FY 2003 APP by measures of publications disseminated and downloadable files accessed through HUD USER. The revised measures provide a more valid representation of PD&R products in an increasingly digital environment.

Results and Analysis. A baseline study of PD&R research completed during FY 2001 (see Indicator 5.2.1) found that 137 publications were cited in 57 journals during the period from calendar years 1995-2000. During the last full year covered, 1999, there were 100 PD&R publications cited. A total of 48 publications were cited during the ten-month period ending October 31, 2000, suggesting that the number of citations throughout 2000 would have been lower than in 1999. An automated search of the Institute for Scientific Information’s Social Science Citation Index was the primary engine for examining citations in journals published, supplemented by a manual search of major housing, planning and urban development journals not included in the database.



²⁴HUD Office of Policy Development and Research, 2001. “Assessment of the Usefulness of the Products of the Office of Policy Development and Research.” Available at www.huduser.org.

Summary of Recent Research for HUD's Strategic Goals

Each year, the Department of Housing and Urban Development completes a number of program evaluations and studies of significant policy topics. These studies provide a level of detail and confidence about programmatic impacts that performance measures alone cannot capture. The Department uses the findings of this research to shape program management and policy direction.

This Appendix presents the primary findings of selected research reports completed since the beginning of FY 2001. Unless otherwise noted, most of these documents are available from HUD USER,²⁵ which is sponsored by the Office of Policy Development and Research.

Goal 1: Increase the availability of decent, safe, and affordable housing in American communities.

The following is a selected list of evaluation and research efforts relevant to Strategic Goal 1 that were completed since the beginning of FY 2001. HUD also publishes a periodical, U.S. Housing Market Conditions, that provides data and analysis about housing markets, every quarter.

Housing Finance

- *Assessing Problems of Default in Local Mortgage Markets*, March 2001. This report presents findings from a statistical study examining whether high default rates for loans insured by the Federal Housing Administration are concentrated within a particular set of neighborhoods or among a particular set of lenders. The study analyzed loans originating in 1992 or 1994 in 22 urban areas, using three different measures of default. The report compares the study's findings to those of a similar National Training and Information Center (NTIC) study that included 10 of the same metropolitan areas. The study's main findings are that 1) FHA is extending home ownership to those less well-served by the conventional market; 2) some of the differences in default rates across neighborhoods and lenders are plausibly traceable to characteristics of the borrowers and loans; 3) income does not completely determine default behavior; 4) there are far fewer high-default neighborhoods and lenders than identified by the NTIC; and 5) the identification of high-default neighborhoods and lenders varies with the loan origination year, indicating that some problems that generate high default rates are temporary. The study also examined interarea and intertract differentials through an examination of default at the level of the individual loan.
- *Neighborhood Effects of Mortgage Default Risk*, March 2001. This report complements the study above by examining the effect of neighborhood characteristics, particularly income and race or ethnicity, on defaults of loans insured by FHA. The report is based on a statistical analysis of default-related factors and neighborhood and individual characteristics, using a data source that includes information on each borrower's race as well as measurements of race at the census tract or zip code level. The data is from a sample of FHA-

²⁵Documents can be ordered, and in many cases downloaded, at <http://www.huduser.org>.

insured loans originating in 1992 or 1994 in 22 Metropolitan Statistical Areas. The study used estimating techniques that can control for events occurring after loan origination, as well as borrowers' credit history. The study found that neighborhood characteristics have effects on defaults separate and distinct from the same characteristics at the individual level. The study also found little evidence that race or income differences in the probability of default is traceable to differences in probability of refinancing. Neighborhood defaults may act directly as a trigger for later defaults, and neighborhood price effects induced by lagged defaults also can affect individual default probabilities. The reason for these effects may be that defaults produce vacant properties, which leads to neighborhood decay.

- *The GSE's Funding of Affordable Loans: A 1999 Update*, December 2000. (Housing Finance Working Paper Series.) This study examines the borrower and neighborhood characteristics of single-family mortgages purchased by Fannie Mae and Freddie Mac. Both GSEs have improved their affordable lending performance since 1992, but continue to lag the conventional conforming loan market in funding mortgages for lower-income buyers and for underserved neighborhoods.
- *Study of Multifamily Underwriting and the GSEs' Role in the Multifamily Market*, August 2001. This report presents findings from an evaluation of the role of Government Sponsored Enterprises in providing funding for affordable multifamily properties and the development of liquidity in the multifamily market. The study found that the GSEs' leadership in the multifamily mortgage market is principally one of setting the standards for underwriting and financing properties. Both GSEs have been attaining affordable housing goals, but are not viewed as playing a leadership role in the affordable segment of the market in the four cities studied. The GSEs' multifamily purchases do not appear to be contributing consistently to the mitigation of excessive costs of mortgage financing facing small properties.
- *Study of the Use of Credit Enhancements by Government Sponsored Enterprises*, August 2001. This report looks at how and why credit enhancements are used by GSEs in both their single- and multi-family mortgage purchase programs. Credit enhancements refer to a variety of approaches designed to reduce the credit risk exposure of investors in financial instruments backed by mortgages; credit risk is transferred from the owners of the mortgage-backed instruments to the credit enhancer.
- *Subprime Markets, the Role of GSEs, and Risk-Based Pricing* (forthcoming). This report addresses how the use of risk-based pricing and the development of automated underwriting systems are changing the mortgage lending environment, including subprime lending. It finds that subprime lenders make relatively extensive use of manual underwriting and specialized techniques for underwriting and pricing loans. The study notes that Fannie Mae and Freddie Mac are moving slowly into the subprime market, but with a large potential role. It finds consensus in the industry that the GSEs should be able to manage the greater risks, assuming they can adapt their automated underwriting systems appropriately. The study notes the importance of proper servicing in the subprime lending business.

SUMMARY OF RECENT RESEARCH

Rental Housing Subsidies

- *An Assessment of the Availability and Cost of Financing for Small Multifamily Properties*, August 2001. Small multifamily properties account for a large share (88 percent) of the unsubsidized, affordable rental housing stock. Given the importance of smaller rental properties to the affordable housing supply, the availability and cost of financing is an important public policy concern. This report found that smaller multifamily properties do not have access to as many sources of financing as larger properties, and as a result tend to utilize loans that are more expensive.
- *Assessment of the Loss of Housing for Non-Elderly People with Disabilities*, December 2000. Case studies were conducted in 10 metropolitan areas to examine factors affecting admission of the non-elderly disabled to HUD-assisted elderly housing, including the effects of designating housing for the elderly as authorized by the Housing and Community Development Act of 1992. That Act allowed property owners to restrict the availability of units intended for the elderly to people 62 or older. Prior to 1992, Federal housing laws defined “elderly” to include disabled persons. The study found that people with disabilities face numerous barriers to finding and obtaining housing. While relatively few owners changed their occupancy policies after 1992, marketing and management practices appear to have more influence on tenant mix than does policy.
- *National Evaluation of the Housing Opportunities for Persons with AIDS Program (HOPWA)*, December 2000. The first national evaluation of HOPWA reveals that the program is helping to meet the needs of its clients. The report provides data on characteristics of grantees, housing assistance providers, processes services and clients. Impacts of assistance on housing status and client perceptions of assistance are reported.
- *Quality Control for Rental Assistance Subsidies Determinations*, June 2001. This report provides national estimates of the extent, severity, costs, and sources of income and rent determination errors by providers of Public Housing and Section 8 housing, based on 600 public housing and Section 8 projects in the United States and Puerto Rico. The study found that 22 percent of all households paid an average of \$56 more than they should, but 34 percent paid an average of \$95 less than they should, for a net annual cost of \$1.04 billion. The report discusses sources of rent errors, policy implications, and recommendations for reducing errors. The study also examined whether rents charged for Section 8 tenant-based program units are reasonable compared to rents in the private, unassisted market. The study found that almost all housing authorities have adopted formal rent reasonableness policies and that for the most part, the rents charged were reasonable.
- *Tools and Strategies for Improving Community Relations in the Housing Choice Voucher Program*, September 2001. This study examines the strategies that public housing agencies have used to address concerns raised by local residents regarding participants in the Housing Choice Voucher program. The report includes a series of recommendations for how public housing agencies can help to minimize conflict by identifying and addressing complaints at an early stage and by working in good faith to meet the concerns of the community.

- *Study of the Ongoing Affordability of Home Program Rents*, August 2001. This study examined the extent to which rental properties developed with HOME program subsidies continue to remain affordable to and occupied by families with low incomes for the period required by the law. The study found that slightly more than 95 percent of the HOME units sampled had rents at or below program limits. Non-compliant properties had only a small number of units that failed to meet the limits. Reasons for non-compliance included property manager confusion about treatment of other rental subsidies or misunderstandings about the appropriate rent limit to be used.
- *Study of Section 8 Voucher Success Rates, Vol.1 and Vol.2*, November 2001. The success rate is the proportion of families issued a voucher who are able to use it to lease a suitable apartment or house within the timeframe provided (and thus the success rate differs from the utilization rate, which is the subject of a forthcoming study). The national success rate within metropolitan areas in 2000 was found to be 69 percent. This is lower than the success rate during the early 1990s, but about the same as rates in the 1980s. Success rates were found to vary with local market conditions. However, some housing agencies had relatively high success rates even in tight markets. Importantly, success rates did not differ by such characteristics as the race, ethnicity, gender, or disability status of the head of household. This suggests that the voucher program works well for many different types of households, with only a few exceptions. A qualitative study of success rates in rural areas found that voucher success rates vary widely across the five sites that were examined. The report concludes that waiting times for a voucher are shorter in rural areas than in cities or suburbs. The report also finds, contrary to conventional wisdom, that the rental housing stock in rural areas appears to be of acceptable quality.
- *The Uses of Discretionary Authority in the Tenant-Based Section 8 Program*, January 2001. This report documents how different Public Housing Agencies have used the discretion permitted by the Quality Housing and Work Responsibility Act (QHWRA) of 1998 in determining tenant selection preferences, rent and other policies for voucher programs. Some PHAs attempt to provide a safety net for those in greatest need, others focus on self-sufficiency, and others combine both missions. The report also includes a discussion of evaluation impacts and next steps in evaluating the impacts of QHWRA on policies and practices of PHAs.
- *Report on Worst Case Housing Needs in 1999: New Opportunity Amid Continuing Challenges*, January 2001. The number of renter households with worst case housing was found to decrease by 8 percent between 1997 and 1999 despite an accelerated reduction in the number of affordable rental housing units in the same period. While the decrease reverses a 10-year trend of increases, some 4.9 million renter households continue to have worst case needs. An increase in the incomes of low-income households was primarily responsible for the improvement.

SUMMARY OF RECENT RESEARCH

Housing Technology and Safety

- *Community Guide to Factory Built Housing*, September 2001. This guidebook for nonprofit developer groups discusses the use of factory-built housing as an affordable housing alternative.
- *Barriers to the Rehabilitation to Affordable Housing (two volumes)*, May 2001. This report finds that barriers to rehabilitation of affordable housing are diverse and encompass economic constraints, professional inadequacies, regulatory and programmatic problems, and various other issues.
- *Development of Frost Depth Maps for the United States*, July 2002. This report provides a methodology and estimates of frost penetration depths across the United States. The information is needed for building codes, among other engineering design specifications, to ensure that footings and utilities are buried at the proper depths.
- *Evaluation of the HUD Lead Hazard Control Grant Program: Early Overall Findings*, 2001.²⁶ This early report shows that mean dust lead loading levels declined substantially in units treated by 14 grantees and continued to remain below clearance standards after three years. One year after their units were treated and cleared, the geometric mean age-adjusted blood lead levels of children in the units had declined by 26 percent.
- *Industrializing the Residential Construction Site: Phase II Information Mapping*, June 2001. This report analyzes problems of information management in the residential construction industry and makes recommendations to remedy information flow problems.
- *National Housing Quality: Quality Assurance System for Wood Framing Contractors*, December 2000. This manual presents a model quality assurance system for residential wood framing construction. The system is designed to help construction firms achieve more consistent framing quality, code compliance, cost reduction, and improved customer satisfaction.
- *National Survey of Lead and Allergens in Housing Final Report: Volume 1, Analysis of Lead Hazards*, April 2001.²⁷ This survey was jointly sponsored by HUD and the National Institute of Environmental Health Sciences to assess the potential household exposure of children to lead and indoor allergens. The lead component of the survey provides current estimates of lead levels in dust, soil and paint in the U.S. housing stock. The allergen portion of the new survey describes the prevalence and distribution of various indoor allergens (including those that derive from dust mites, cockroaches, dogs, cats, rats, mice, and molds) and bacterial endotoxins in the U.S. housing stock. This is the first national survey to assess residential exposure to these agents. Both the lead and allergen portions of the survey identify demographic, housing and behavioral factors associated with high levels of exposure to these agents.

²⁶Available from the National Center for Healthy Housing at http://www.centerforhealthyhousing.org/html/hud_eval.htm.

²⁷Available at http://www.hud.gov/lea/HUD_NSLAH_Vol1.pdf.

- *A Report on the Feasibility of Deconstruction: An Investigation of Deconstruction Activity in Four Cities*, January 2001. This report analyzes the feasibility of economic development involving deconstruction-the selective dismantling or removal of material for reuse from buildings before or instead of demolition. Structural deconstruction is found to be most feasible in metropolitan areas with a surplus of older, deteriorated properties, a demand for used building materials, and nonprofits with both social and environmental objectives.
- *Steel vs. Wood: Cost and Short Term Energy Comparison-Valparaiso Demonstration Homes*, January 2001. Costs of two nearly identical homes were compared, one framed with cold-formed steel and the other wood-framed. The homes were found to be comparable in terms of labor costs, materials costs, and energy efficiency.

Goal 2: Ensure equal opportunity in housing for all Americans

The following is a selected list of evaluation and research efforts relevant to Strategic Goal 2 that were completed since the beginning of FY 2001.

- *How Much Do We Know? Public Awareness of the Nation's Fair Housing Laws*, 2002. A representative survey of the general public was used to assess understanding of the fair housing laws. The survey included 10 brief scenarios describing decisions or actions taken by landlords, home sellers, real estate agents or mortgage lenders. Eight of these scenarios involved conduct that, as stipulated in the scenarios, is illegal under federal fair housing law. The survey showed that the average person could correctly identify five instances of unlawful conduct, and that 51 percent of the general public could correctly identify as unlawful six or more of the eight scenarios describing illegal conduct. Conversely, only 23 percent of the public knew the law in two or fewer of the eight cases. Looked at on a scenario-by-scenario basis, a majority of the public could accurately identify illegal conduct in seven of the eight scenarios.
- *An Analysis of GSE Purchases of Mortgages for African-American Borrowers and their Neighborhoods*, December 2000. (Housing Finance Working Paper Series.) This study examines the record of Fannie Mae and Freddie Mac in providing mortgage funds for African-American borrowers and their neighborhoods. Both GSEs are found to lag the conventional conforming loan market in funding mortgages for African-American borrowers and their neighborhoods. The GSE's shares of mortgage originations are low for both upper-income and lower-income African-American borrowers.
- *All Other Things Being Equal: A Paired Testing Study of Mortgage Lending Institutions*, (forthcoming). This report on the findings of the Homeownership Testing Program will be a valuable resource for the mortgage lending industry and others working on the issue of discrimination in the home mortgage lending process. The study developed testing methodologies to analyze the nature, level, and extent of lending discrimination at two test sites, Los Angeles and Chicago. The results will form the basis for further action, which may include Secretary Initiated Investigations, further testing on certain mortgage lenders, and training for mortgage loan providers and their regulators. The contractor, the Urban Institute, will also provide a separate package of enforcement tools that will assist the Department when future mortgage lending testing is conducted.

SUMMARY OF RECENT RESEARCH

Goal 3: Promote self-sufficiency and asset development of families and individuals.

The following is a selected list of evaluation and research efforts relevant to Strategic Goal 3 that were completed since the beginning of FY 2001.

- *Welfare to Work Housing Voucher Program: Early Implementation Assessment: Final Report*, March 2001. The study investigated Welfare to Work voucher programs implemented by 13 housing agencies, focusing on eligibility criteria, partnerships, and program structures. The Welfare to Work program was found to encourage partner formation and integration of housing programs with other local service providers. The longer-term mandated evaluation will provide a rigorous test of the impact of housing choice vouchers on the earnings, employment, and welfare receipt of families who are receiving, have recently received, or would be eligible to receive Temporary Assistance for Needy Families in seven sites.
- *Small Grants-Interaction of Housing Assistance and Welfare Reform*. During FY 2001, five studies were completed under this grant competition. The studies contribute to the limited literature available about the impact of housing assistance upon the success of transitions from welfare to work. The completed papers are being edited for eventual publication.

Goal 4: Improve community quality of life and economic vitality.

The following is a selected list of evaluation and research efforts relevant to Strategic Goal 4 that were completed since the beginning of FY 2001.

- *Faith Based Organizations in Community Development*, August 2001. This report describes what is known about the role of faith-based organizations (FBOs) in community development, and identifies policy implications and knowledge gaps. More than half of all congregations and FBOs provide some form of human services; relatively few participate in community development activities. The report discusses the organizational capacity of FBOs and gives reasons for limitations on their involvement in community development, which requires a more sustained involvement than most congregations prefer. The report outlines what would have to happen to enable FBOs to become more involved in community development, and reflects on the opportunities and challenges of expanding FBO participation in the field.
- *Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program: A Progress Report*, November 2001. This study provides preliminary insights into how EZ/EC activities are contributing to the transformation of targeted neighborhoods. Results have been mixed for the first 5 years of the program. Significant job growth occurred in four of the six EZs and in the six-area total. Resident- and minority-owned businesses increased substantially across all six EZs, and business owners reported an improved business climate. The number of EZ residents employed in EZ businesses

increased. Workforce development activities assisted and placed thousands of EZ/EC residents in jobs, both within and outside the EZ/ECs. Because there was a nationwide economic upturn during the study period (1995-2000), it is difficult to attribute business growth and development exclusively to the EZ initiative. Businesses in the six EZs made little use of the program's Federal tax incentives, with only one-half of the businesses that used tax incentives indicating they were "important" or "somewhat important" in making business decisions. A definitive evaluation of the extent to which EZ/EC program activities contributed to outcomes will be the focus of a study to be conducted after 10 years of program operations.

- *Smart Codes in your Community: A Guide to Building Rehabilitation Codes*, August 2001. This report examines aspects of the current regulatory system that may impede or increase the cost of the rehabilitation of existing buildings and some early reforms in State and local building rehabilitation regulations.

Goal 5: Ensure public trust in HUD.

The following is a selected list of evaluation and research efforts relevant to Strategic Goal 5 that were completed since the beginning of FY 2001.

- *How's HUD Doing? Agency Performance As Judged By Its Partners*, December 2001. A statistical survey was conducted of eight important groups of HUD partners, representing all program areas. The respondent groups included community development directors, public housing agency directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and non-profit providers about their capability to achieve intended results, their level of satisfaction with the Department, and their perceptions of recent management improvements at HUD. This study was undertaken as an external assessment of HUD's performance (see performance indicator 5.1.2).
- *Assessment of the Usefulness of the Products of the Office of Policy Development and Research*, June 2001. This study, the first of its type, was undertaken to assess the performance of the Office of Policy Development and Research (see performance indicators 5.2.1 and 5.2.a). It ascertains the usefulness of PD&R publications released between January 1995 and October 2000. Three areas were examined: circulation of publications through PD&R's information clearinghouse and Internet site (HUD USER); the use of PD&R documents for journal article development; and customer satisfaction with PD&R publications as determined through brief, informal discussions. Of users surveyed, 81 percent rated research products as "valuable."
- *Global Outlook: International Urban Research Monitor*. This new quarterly publication launched in 2001 is a joint effort of the HUD and the Woodrow Wilson International Center for Scholars. *Global Outlook* reviews and analyzes the most recent and innovative urban ideas and activities-including research, public policy, and best practices-from communities, cities, regions, and nations around the world.

