

U.S. Department of Housing  
and Urban Development

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**FISCAL YEAR 2006  
ANNUAL PERFORMANCE PLAN**

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**June 2005**

## How To Use this Document

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The Fiscal Year 2006 Annual Performance Plan (APP) has been organized to enhance readability and achieve stronger budget integration. It is divided into three sections, plus appendices.

### Section One: Quick Reference

Consult this section to find the key information organized for easy reference. The three elements included:

- **APP Overview:** Introduces HUD strategic goals and objectives, and highlights key performance indicators for 2006.
- **Table of Indicators:** Provides the full list of HUD Fiscal Year 2006 performance indicators, with page number references to the detailed descriptions of each measure in Section Three.
- **Budget Resources Tables:** Shows the way HUD Fiscal Year 2006 budget resources are allocated to support each of its six strategic goals.

### Section Two: Means And Strategies

Read this section to discover the way key programs and initiatives will be contributing toward HUD strategic goals in 2006.

### Section Three: Performance Indicators

View this section for detailed information about each performance measure including its background, past performance, data sources, and limitations of the data.

### Appendices:

- **Appendix A:** Lists minor interim changes to the HUD FY 2003–2008 Strategic Plan.
- **Appendix B:** Lists Amendments to the Fiscal Year 2005 Annual Performance Plan.
- **Appendix C:** Provides summary descriptions of HUD Programs.
- **Appendix D:** Offers detail on the validation/verification of select data sources.

### Related Documents

The APP is closely related to HUD's Fiscal Year 2006 budget request and a number of other documents, which can be reviewed for a deeper understanding of HUD's goals and strategies for the future. The APP is integrated with HUD's Fiscal Year 2003–2008 Strategic Plan, which it supports in several ways. The 2003–2008 Strategic Plan can be viewed at [www.hud.gov/utilities/intercept.cfm-?/offices/cfo/reports/03strategic.pdf](http://www.hud.gov/utilities/intercept.cfm-?/offices/cfo/reports/03strategic.pdf).

HUD's performance on each APP indicator is published at the end of each fiscal year in the Performance and Accountability Report (PAR). The 2004 PAR can be viewed at [www.hud.gov/utilities/intercept.cfm?/offices/cfo/pafinal.pdf](http://www.hud.gov/utilities/intercept.cfm?/offices/cfo/pafinal.pdf). The Fiscal Year 2005 PAR will be published on November 15, 2005.

The APP also dovetails with HUD's Human Capital Strategic Plan for Fiscal Year 2003–2008, and with each program office's Management Plan, which provides operations-level annual goals.



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# MESSAGE FROM SECRETARY JACKSON

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The Department of Housing and Urban Development (HUD) remains strongly committed to the mission and long term goals established in our Strategic Plan, as well as achieving the goals in our Annual Performance Plan, reporting on our progress through the annual Performance and Accountability Report, and fulfilling the performance management intent of the Government Performance and Results Act. The submission of the Fiscal Year 2006 Annual Performance Plan identifies to the Congress, the American public and our key stakeholders how we plan to further improve the performance of the Department even during this time of greater spending restraint.

The Fiscal Year 2006 Annual Performance Plan continues two key themes: accountability through appropriate *measurable* goals, and transparency through clear and specific presentation of the issues. We believe that we have improved the document by including several new outcome measures in key program areas; by streamlining the writing and reducing the number of indicators; by improving the quality of the data provided; and by making the entire document clearer and easier to read.

The Annual Performance Plan is fully integrated with the President's Fiscal Year 2006 budget submission and fully supports the following priorities:

- Building on the record homeownership rate with further efforts to target the homeownership gap between non-Hispanic whites and minorities.
- Increasing access to affordable housing, with over 70 percent of the budget dedicated to a reformed, flexible Section 8 program emphasizing cost controls.
- Increasing the supply of affordable homes by 7 million units over the next 10 years (a new goal).
- Serving the most vulnerable with a significant funding increase to ensure further reductions in homelessness and ending chronic homelessness.
- Reforming community and economic development programs, with HUD focusing more on housing related programs while economic development programs are consolidated within the Department of Commerce.
- Promoting awareness of the Fair Housing Act.

The Department is also proud of the progress it has made under the President's Management Agenda and our goal is to continue to make *measurable* improvement in the following areas.

- Improving the physical conditions of HUD's assisted properties;
- Improving the performance of HUD program intermediaries;
- Improving key areas of risk management strategies and program controls;
- Advancing the strategic management of human capital;
- Improving financial performance;
- Integrating budget and performance;
- Advancing electronic government;
- Improving competitive sourcing; and
- Strengthening community performance reporting.

The Department has already had significant success in advancing its mission and we look forward to further improvements in program performance, so that all of our citizens can better participate in the American Dream.

Secretary Alphonso Jackson



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# SECTION ONE

## *Quick Reference*

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HUD's Strategic Framework

Overview

Table of Indicators

Resources Supporting HUD's Goals



## HUD'S STRATEGIC FRAMEWORK

<b>Mission:</b> Increase homeownership, support community development, and increase access to affordable housing free from discrimination.			
<b>Programmatic Strategic Goals</b>	<b>Increase homeownership opportunities</b>	<b>Promote decent affordable housing</b>	<b>Strengthen communities</b>
	<ul style="list-style-type: none"> <li>Expand national homeownership opportunities.</li> <li>Increase minority homeownership.</li> <li>Make the homebuying process less complicated and less expensive.</li> <li>Fight practices that permit predatory lending.</li> <li>Help HUD-assisted renters become homeowners.</li> <li>Keep existing homeowners from losing their homes.</li> </ul>	<ul style="list-style-type: none"> <li>Expand access to affordable rental housing.</li> <li>Improve the physical quality and management accountability of public and assisted housing.</li> <li>Increase housing opportunities for the elderly and persons with disabilities.</li> <li>Transition families from HUD-assisted housing to self sufficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Provide capital and resources to improve economic conditions in distressed communities.</li> <li>Help organizations access the resources they need to make their communities more livable.</li> <li>End chronic homelessness and move homeless families and individuals to permanent housing.</li> <li>Mitigate housing conditions that threaten health.</li> </ul>
<b>Cross-Cutting Strategic Goals</b>	<b>Ensure equal opportunity in housing</b>		
	<ul style="list-style-type: none"> <li>Provide a fair and efficient administrative process to investigate and resolve complaints of discrimination.</li> <li>Improve public awareness of fair housing laws.</li> <li>Improve housing accessibility for persons with disabilities.</li> </ul>		
	<b>Embrace high standards of ethics, management and accountability</b>		
	<ul style="list-style-type: none"> <li>Rebuild HUD's human capital and further diversify its workforce.</li> <li>Improve HUD's management, internal controls and systems, and resolve audit issues.</li> <li>Improve accountability, service delivery, and customer service of HUD and its partners.</li> <li>Ensure program compliance.</li> <li>Improve internal communications and employee involvement.</li> </ul>		
<b>Promote participation of faith-based and community organizations</b>			
<ul style="list-style-type: none"> <li>Reduce barriers to participation by faith-based and community organizations.</li> <li>Conduct outreach and provide technical assistance to faith-based and community organizations to strengthen their capacity to attract partners and secure resources.</li> <li>Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.</li> </ul>			

\* This chart reflects slight changes to four strategic objectives under goals A, EM and FC that are being adopted for the Fiscal Year 2005 APP and are discussed in Appendix A of this document.

## OVERVIEW

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The Fiscal Year 2006 Annual Performance Plan for the U.S. Department of Housing and Urban Development (HUD) outlines the performance goals of the Department and the means and strategies that will be used in Fiscal Year 2006 to achieve them. The Department is committed to a strong performance management system that provides accountability and transparency to Congress and the public. Reflecting HUD's role as the primary federal agency responsible for addressing America's housing needs and improving and developing the nation's communities, the Administration is proposing \$28.5 billion (includes receipts) in funding for HUD for Fiscal Year 2006. These funds will support HUD's broad, yet focused strategic goals:

- Increase homeownership opportunities
- Promote decent affordable housing
- Strengthen communities
- Ensure equal opportunity in housing
- Embrace high standards of ethics, management, and accountability
- Promote participation of faith-based and community organizations

This Overview section introduces HUD's strategic objectives and highlights key performance measures the Department has adopted to track its progress in Fiscal Year 2006. The sidebars on the outside edge of each page discuss the strategic objectives that support HUD's strategic goals, while the main narrative discusses selected performance indicators that correspond with those objectives. Details on the means and strategies the Department will utilize to achieve its goals are provided in Section Two, while in-depth information on all Fiscal Year 2006 annual performance indicators is provided in Section Three.

### **Strategic Goal H: Increase Homeownership Opportunities**

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Homeownership inspires civic responsibility, as homeowners are more likely to vote and get personally involved with local issues. Homeownership also offers children a stable living environment, and it influences their personal development in many positive, measurable ways—at home and at school.

Homeownership's potential to create wealth is impressive, too. For the vast majority of families, the purchase of a home has represented a path to prosperity. A home is the largest purchase most Americans will ever make—a tangible asset that builds equity, good credit, borrowing power, and overall wealth.

For many families, the American Dream means owning their own home. HUD is dedicated to helping more Americans—especially minorities and low- and-moderate-income families—realize the dream for themselves. Bolstered by a range of HUD programs supporting homeownership, nearly 70 percent of American families now own their homes, and minority homeownership has surpassed 51 percent for the first time in history.

## Goal H Strategic Objectives

Six strategic objectives support the HUD goal of increasing homeownership opportunities.

### **H.1: Expand national homeownership opportunities.**

This objective reflects HUD's goal of helping more families attain homeownership. HUD's Federal Housing Administration is the largest insurer of mortgages in the world, and HUD's farthest-reaching program. Since its inception in 1934, FHA has insured almost 33 million single-family mortgages.

### **H.2: Increase minority homeownership.**

The homeownership rate for minorities remains 25 percentage points below the homeownership rate for non-minority households. The objective reflects HUD's specific commitment to reducing this imbalance over the long term.

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

Under this strategic objective, HUD will work with the housing community to further consumer-friendly efforts founded upon a set of principles that will guide the settlement process.

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

Predatory lending involves deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding of loan terms. HUD is committed to working with other federal and state agencies and to vigorously enforce RESPA and fight predatory lending.

*(Continued on next page)*

The following are some of the key performance goals HUD has established to track its continued progress in increasing homeownership opportunities in Fiscal Year 2006:

**Creating homeownership opportunities through FHA single-family insurance.** The Federal Housing Administration (FHA) operates the Federal government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. Performance goals for the year include exceeding the Congressionally mandated capital reserve targets to ensure continued soundness of FHA's Mutual Mortgage Insurance Fund. In addition, HUD will closely track several indicators, such as the number of loan commitments made and the share of loans to first-time homebuyers, for which performance goals are not established due to the dominant effect of macro-economic conditions.

**Increasing minority homeownership.** In June 2002, President Bush announced an aggressive homeownership agenda to increase the number of minority homeowners by at least 5.5 million by the end of this decade. At the end of 2004, 2.2 million new minority homeowners had been counted toward this goal, putting the nation ahead of pace for this goal. In Fiscal Year 2006, HUD will track progress toward this presidential commitment by measuring the change in minority homeownership rates.

**Providing downpayment assistance.** For Fiscal Year 2006, HUD proposes to provide \$200 million for the American Dream Downpayment Initiative. These funds will help approximately 40,000 low-income families—for whom coming up with downpayment cash is the most significant obstacle to homeownership—with the downpayment on their first home. HUD has set a goal of assisting 10,000 families with these funds in Fiscal Year 2006.

**Expanding voucher homeownership.** In Fiscal Year 2006 the proposed Flexible Voucher Program will provide greater flexibility to public housing agencies and will continue to allow Housing Choice Vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in the Voucher Homeownership program. HUD's Fiscal Year 2006 goal is to help 2,000 additional families become homeowners through this program.

**Improving decisions and opening doors through housing counseling.** Housing counseling has proven to be an extremely important element in both the purchase of a home and in helping homeowners keep their homes in times of financial stress. The Fiscal Year 2006 budget proposes \$40 million for Housing Counseling, which is anticipated to assist over 760,000 families in 2007, when those funds are to be expended. This effort will fully utilize faith-based and community organizations. In Fiscal Year 2006, HUD has set an outcome goal of having 30 percent of those receiving pre-purchase counseling purchase a home or be mortgage ready within 90 days of having received the counseling.

**Supporting affordable homeownership through Government Sponsored Enterprises.** Three Government-sponsored enterprises were chartered to make the mortgage market more efficient and help low- and moderate-income families secure mortgages. HUD recently published a rule that requires Fannie Mae and Freddie Mac, the two GSEs that it oversees, to increase their purchases of mortgages for low- and moderate-income households and underserved communities. In addition to increasing the housing goals annually from 2005 through 2008, the rule establishes new home purchase sub-goals in each of the three goal areas, with the intention of focusing the GSEs' efforts on purchases of homes rather than refinancings. During Fiscal Year 2006, HUD will closely monitor Fannie Mae and Freddie Mac success in meeting the new goals.

**Goal H Strategic Objectives**  
*(continued)*

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

HUD is committed to helping more HUD-assisted renters become homeowners through expanded use of Housing Choice Vouchers for homeownership, as well as through other policies designed to help HUD-assisted renters make progress toward self-sufficiency.

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

HUD is increasing the focus on assisting new homeowners in maintaining their homeownership status through housing counseling, foreclosure prevention activities and better monitoring of appraisals.

**Strategic Goal A: Promote Decent Affordable Housing**

At the same time HUD pursues its goal of increasing the ranks of homeowners, the Department's work encompasses housing in many other forms as well, from single-family rentals and multifamily developments to meeting the special needs of society's most vulnerable citizens. HUD recognizes that homeownership may not be practical for all families, especially those with limited or unstable income. Therefore, the largest component of HUD's proposed Fiscal Year 2006 budget continues to promote affordable housing for families and individuals who rent. This is achieved, in part, through a legislative proposal providing states and localities new flexibility to respond to local needs.

The following are a few of the key performance goals HUD has established to track its progress in promoting decent affordable housing in Fiscal Year 2006:

**Improving the physical quality of public and assisted housing.** An important President's Management Agenda goal for HUD is to substantially improve the physical quality of public and assisted housing. HUD remains committed to this goal, even as budget constraints increase its challenge. In Fiscal Year 2006, HUD's goal is to reduce exigent health and safety violations by 10 percent in all substandard public housing units, as well as reducing violations by 5 percent for the entire portfolio of multifamily housing units. In addition, the number of public

## Goal A Strategic Objectives

Four strategic objectives support the HUD goal of promoting decent affordable housing.

### A.1: Expand access to affordable rental housing.

To help low-income families afford the costs of rental housing, HUD provides rental assistance to more than 4 million households through public and assisted housing programs.

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

HUD is committed to ensuring that all subsidized families live in units that meet basic quality standards. In addition, HUD is addressing a number of serious management weaknesses that have plagued some public housing agencies.

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

HUD's strategies supporting this objective are intended to maximize the independence of these households by focusing on promoting community-based living opportunities for the elderly and persons with disabilities, where appropriate, and making supportive services available to residents of rental housing.

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

This objective, together with Objective H5, "Help HUD-assisted renters become homeowners," reflects the Department's intention to maximize the role of public and assisted housing as a springboard that helps low-income families progress toward self-sufficiency.

housing units meeting overall physical standards is projected to increase by 1.5 percentage points, and remain at the same high level of 95 percent in multifamily units.

**Improvements in management and resource utilization.** Improving the management and performance of public and assisted housing are important Departmental goals. For Fiscal Year 2006, HUD will ensure that public housing management scores (PHAS) remain at high levels, and that the percentage of public housing units under the management of troubled housing agencies at the beginning of the year decreases by 15 percent by the end of the year.

**Progress toward self-sufficiency.** A key goal of the public and assisted housing programs is to help assisted families make progress toward self-sufficiency. For the Fiscal Year 2006 APP, HUD takes the important step of establishing numeric targets for its long-term goals of increasing the number of public and assisted housing residents who "graduate" to non-subsidized housing within five years, and for reducing residents' average length of stay. By Fiscal Year 2008, HUD will increase the annual proportion of those who leave public housing and Housing Choice Voucher programs by 5 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent from the respective 2003 baselines.

## Strategic Goal C: Strengthen Communities

HUD is committed to preserving America's cities as vibrant hubs of commerce and making communities better places to live, work, and raise a family. The Fiscal Year 2006 budget provides states and localities with tools they can put to work improving economic health and promoting community development. Perhaps the greatest strength of HUD's community and economic development programs is the emphasis they place on helping communities address locally determined development priorities through decisions made locally. The following are a few of the key performance goals HUD has established to track its progress in strengthening communities in Fiscal Year 2006:

**Providing permanent housing and services for the homeless.** The Fiscal Year 2006 Budget provides a record level of resources for permanent supportive housing for homeless individuals who have been on the streets or in



shelters for long periods. For Fiscal Year 2006, HUD has a goal of moving 61 percent of those in HUD transitional housing into permanent housing. In addition, HUD will demonstrate the impact of supportive services, establishing a goal of having the employment rate for persons exiting HUD homeless assistance programs be 11 percentage points higher than the employment rate for those entering.

**Creating jobs.** The President’s budget proposal for Fiscal Year 2006 does not include funding for the Community Development Block Grant (CDBG) program. Rather, under the President’s budget proposal, the CDBG program would be one of 18 Federal programs whose funds would be consolidated into the Strengthening America’s Communities Initiative at the Department of Commerce. However, CDBG funds from prior year appropriations that have not yet been expended will generate significant outcomes in Fiscal Year 2006. Among other performance goals, it is projected that CDBG will generate more than 73,000 jobs in Fiscal Year 2006.

**Streamlining the Consolidated Plan.** HUD is working closely with local program stakeholders to streamline the Consolidated Plan requirement to make it more results-oriented and useful to communities. During Fiscal Year 2006, the Office of Community Planning and Development will be implementing the regulatory changes to the Consolidated Plan, tracking the use of the Consolidated Plan Management Process tool by grantees and assessing their satisfaction with the tool, developing a performance measurement framework for all grantees, and implementing the first phase of the modernization of the Integrated Disbursement and Information System.

**Making housing safe.** HUD is addressing housing problems that threaten the health of America’s children. The Department provides funding for the removal of lead-based paint hazards from homes and sponsors path-breaking research on the relationships between moisture, allergens, and health problems. In Fiscal Year 2006, the goal is reduce the number of children under the age of 6 who have elevated blood lead levels to less than 117,000 in 2006, down from 434,000 in 1999–2000.

**Supporting housing stability, preventing homelessness.** For Fiscal Year 2006, the HOPWA program continues its implementation of client outcome measures in demonstrating that HOPWA support results in stable housing for clients, reduces their risk of

## Goal C Strategic Objectives

Four strategic objectives support the HUD goal of strengthening communities.

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

Historically, HUD programs have provided significant support to state and local governments to help improve economic conditions in distressed communities.

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

Helping communities become more “livable” means addressing quality-of-life issues as well as economic factors. Many communities use HUD resources for projects designed to improve livability.

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

HUD programs work to address the needs of an estimated 150,000 to 200,000 chronically homeless individuals, as well as the much larger numbers of families and individuals who face a temporary crisis of homelessness.

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

A safe housing stock is a critical precondition for safe, livable communities. The Department is committed to eliminating the poisoning of children by lead-based paint in older homes, and supports research and development of housing construction that resists natural disasters.

## Goal FH Strategic Objectives

Three strategic objectives support the HUD goal of ensuring equal opportunity in housing.

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

HUD is responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws.

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

Heightened awareness can lead to greater compliance with Fair Housing laws; increased willingness of victims to report discriminators; and the construction of more accessible units.

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

The Department has a series of programs that help to improve the accessibility of housing to persons with disabilities, including rental housing programs and fair housing enforcement activities.

homelessness, and improves their access to HIV/AIDS treatment and related care. The goal is that at least 80 percent of HOPWA clients are shown to have stable living arrangements by Fiscal Year 2008.

## Strategic Goal FH: Ensure Equal Opportunity in Housing

HUD's core mission has always been to help families find affordable and decent housing. Unfortunately, instances of discrimination against minorities and architectural barriers to persons with disabilities exclude some Americans from enjoying the freedom of housing choice.

HUD is committed to ending the practice of discrimination by enforcing fair housing laws, as well as educating lenders, real estate professionals, housing providers, and residents in complying with the laws. Working with state and local partners, as well as the private sector, the Department is involved in a cooperative effort to increase access to the nation's housing stock so that more Americans can choose to live where they want to live.

The following are a few of the key performance goals HUD has established to track its Fiscal Year 2006 progress in helping Americans receive fair and equal access to housing, without fear of discrimination or intimidation:

**Efficient Processing of Complaints.** Speedy processing encourages victims of discrimination to file complaints and increases the likelihood that violators will be held liable for their discriminatory acts. With this in mind, the Department has established a new efficiency measure for Fiscal Year 2006 that will track the percentage of complaints of discrimination that are closed within 100 days. For HUD's Office of Fair Housing, the goal for

Fiscal Year 2006 is to complete 80 percent of the non-complex cases in this time frame, compared with a Fiscal Year 2004 baseline of 73 percent. For substantially equivalent agencies, the goal of Fiscal Year 2006 will be 73 percent, compared with a Fiscal Year 2004 baseline of 41.5 percent.

**Raising fair housing awareness.** Informing the general public and housing industry professionals of fair housing laws is an essential element of efforts to eliminate housing discrimination. In Fiscal Year 2006, HUD expects recipients of Fair Housing Initiative education and outreach grants to hold 200 public events, reaching at least 160,000 people. This will include outreach to faith-based and grassroots organizations.

**Improving enforcement capacity.** In 2004, HUD established the National Fair Housing Training Academy to provide continuing fair housing education to current professional staff of

state and local fair housing enforcement agencies. In Fiscal Year 2006, HUD will continue this successful program, providing full certification to 480 fair housing investigators to ensure consistent, efficient, and effective investigations.

## Strategic Goal EM: Embrace High Standards of Ethics, Management, and Accountability

In accordance with the President's Management Agenda, HUD is embracing the highest standards of ethics, management, and accountability in carrying out its work. This strategic goal exemplifies that commitment by focusing on departmental operations, and thus provides crucial support for the other five strategic goals that are devoted to improving outcomes experienced by citizens. The inclusion of a separate strategic goal emphasizes the importance HUD places on key management issues. The Department's actions in recent years have gone a long way toward restoring the confidence of Congress and the public in HUD's management of its financial resources. In Fiscal Year 2006, the Department will work even better for taxpayers and for every American who seeks a place to call home.

The following are a few of the key performance goals that HUD has established to track its progress in demonstrating high standards of ethics, management, and accountability:

**Strengthening human capital.** After many years of downsizing, HUD faces a potential retirement wave and loss of experienced staff. HUD has taken significant steps to enhance and better utilize its existing staff capacity, and to obtain, develop, and maintain the staff capacity necessary to adequately support HUD's future program delivery. In Fiscal Year 2006, HUD will strive to reduce general skill gaps by 10 percent in its four core business program offices. In addition, it will work to retain 80 percent of interns in mission-critical positions.

**Reducing improper rental payments.** During the past two years, HUD has substantially reduced overpayments of low-income rent subsidies caused by incomplete reporting of tenant income and improper calculation of tenant rent contributions. However, millions of dollars of subsidy errors remain. Under the President's Management Agenda, HUD's goal for Fiscal Year 2006 is to reduce rental assistance program errors and resulting

## Goal EM Strategic Objectives

### EM.1: Rebuild HUD's human capital and further diversify its workforce.

This strategic objective raises the visibility of human capital issues as a mission-critical management challenge at the Department.

HUD's goal is to develop and maintain a workforce that is recognized for professional leadership, management, and technical competency, and whose members have opportunities to gain the widest possible range of skills and experiences.

### EM.2: Improve HUD's management, internal controls and systems, and resolve audit issues.

As a large organization with multiple responsibilities, HUD must maintain strong internal controls in order to meet these responsibilities effectively, including the elimination of fraud, waste, and abuse of federal resources. HUD will remain focused on the continuous improvement of the organization and functions, and on responding effectively to the needs of its partners.

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

HUD's extensive use of the partnership model is a fundamental aspect of the Department's operations. HUD has a legal and financial relationship with 4,500 PHAs and private housing providers, along with approximately 4,000 localities and service providers that administer HUD's community development programs.

*(Continued on next page)*



## Goal EM Strategic Objectives

*(Continued from page 9)*

### EM.4: Ensure program compliance.

To balance the competing objectives of devolution and accountability, HUD will continue to focus on improving enforcement and regulatory oversight throughout its programs, including compliance with civil rights laws by funding recipients.

### EM.5: Improve internal communications and employee involvement.

Improved internal communications and employee involvement contribute to a cohesive organization that exhibits greater comprehension of, commitment to, and capacity for achieving Departmental goals.

erroneous payments to 5 percent of all payments, down from 6.9 percent in Fiscal Year 2004.

**Improving financial systems.** HUD has strived to enhance and stabilize its existing financial management systems operating environment to better support the Department and produce auditable financial statements in a timely manner. HUD is working with the OIG auditors to improve the plans and timeline for the Fiscal Year 2005 financial audit and expects an unqualified opinion for Fiscal Years 2005 and 2006. In addition, HUD is continuing efforts to reduce its remaining internal control weaknesses and non-compliant financial systems, and anticipates resolving all of these by the end of Fiscal Year 2007.

**Expanding electronic government.** To support effective management and delivery of its grant programs to clients and residents of the communities that are receiving HUD assistance, the Department will make at least 50 percent of HUD's competitive electronic grant application forms available electronically through the Internet.

### Implementing the Blueprint for FHA Financial Management.

The FHA Comptroller has developed a Blueprint for Financial Management that will implement an integrated Core Financial Management System to address financial management and system deficiencies documented by HUD's Inspector General, FHA and HUD financial statement auditors, OMB examiners, and GAO auditors. The new Core Financial Management System will support the President's Management Agenda for HUD by strengthening program controls through improved information systems. In Fiscal Year 2006, FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.

**Improving Program Compliance.** The devolution of authority in many of HUD's programs has given housing agencies and local administrators the opportunity to adapt the programs to meet local conditions and priorities. At the same time, it has increased the challenges involved in HUD's monitoring efforts to ensure accountability, including compliance with civil rights laws by funding recipients. Ensuring a high level of reporting is a critical element of monitoring. In Fiscal Year 2006, HUD will ensure a high level of reporting on public housing and Housing Choice Voucher households, aiming to have the national average for PIC reporting rates be at least 95 percent. The reporting goal for HOME-assisted rental units is 90 percent.

## Goal FC: Promote Participation of Faith-Based and Community Organizations

Faith- and community-based organizations, large and small, can play a significant role in helping HUD achieve its core mission. Among other assets, many of these organizations have a detailed knowledge of the needs of low-income communities and the trust of low-income residents. Although HUD enjoys a long history of partnering with faith-based and community groups, such groups historically have been at a disadvantage, excluded by regulatory and policy barriers, lack of awareness about opportunities, or unfamiliarity with federal grant preparation.

On December 12, 2002, the President issued Executive Order 13279, "Equal Protection of the Laws for Faith-Based and Community Organizations." Its intent is to ensure that faith-based and community organizations are not unjustly discriminated against by regulations and bureaucratic practices and policies. The executive order also established HUD's Center for Faith-Based and Community Initiatives. The Center's purpose is to coordinate the Department's efforts to eliminate regulatory, contracting, and other obstacles to the participation of faith-based and other community organizations in social service programs.

Through a series of final rules passed in 2003 and 2004, HUD effectively eliminated all regulatory barriers to the participation of faith-based organizations in HUD programs. In Fiscal Year 2006, HUD will further level the playing field by continuing outreach, technical assistance, and research efforts to promote participation.

### Measuring impact on grant participation.

Following recent efforts to eliminate regulatory barriers to participation in the grant process, the Center for Faith-Based and Community Initiatives will measure the potentially increased participation by new and past participating faith-based and community organizations in the Department's Fiscal Year 2006 SuperNOFA process compared with 2005.

**Eliminating barriers through outreach and technical assistance.** In Fiscal Year 2006, the Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences and workshops, and by updating and maintaining an exhaustive data base.

## Goal FC Strategic Objectives

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

Historically, faith-based organizations have faced regulatory and other policy-based barriers that have limited their access to federal funds. In accordance with an Executive Order from President Bush, HUD has been actively working to open doors for these organizations.

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

This targeted effort reflects the knowledge that such organizations are often unaware of grants and other opportunities that may be available to support their work, and lack the skills to fully participate in the grant process.

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

Bringing these organizations together will create synergy that is sure to strengthen HUD's housing and community development efforts across the country.

**Improving partnerships through pilot projects.** HUD will conduct at least one pilot project in Fiscal Year 2006 to develop models for effective housing and community development that involve partnerships with faith-based and community organizations.

## Conclusion

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HUD is committed to a strong performance management system that will provide transparent measures of the Department's progress in meeting its Strategic Goals and Objectives. Section 3 of this document provides details on the means and strategies HUD will employ to achieve these goals as well as the performance indicators that will be used to assess performance. HUD also employs tracking indicators to monitor broadly important outcomes for which it is difficult to establish valid performance goals because external factors heavily influence results. These tracking indicators precede the performance indicators for each strategic goal.

This Annual Performance Plan also includes interim adjustments to the HUD FY 2003–2008 Strategic Plan, presented in Appendix A, and revisions to the Fiscal Year 2005 Annual Performance Plan that reflect the realities of the Fiscal Year 2005 appropriation from Congress and other variables, presented in Appendix B.

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<b>Objective FC.2: Conduct outreach and provide technical assistance to faith-based and community organizations to strengthen their capacity to attract partners and secure resources. ....</b>	<b>162</b>
FC.2.1: The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences, workshops, and updating and maintaining an exhaustive data base.	162
FC.2.2: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center will conduct at least 20 resource training sessions across the country that provide participants with approaches to obtaining funding and strategies for developing coalitions.	162

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## RESOURCES SUPPORTING HUD'S MISSION

### Summary of Resources By Strategic Goal

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

	2004 Actual	2005 Approp.	2006 Request
<b>Strategic Goal H: Increase Homeownership Opportunities</b>			
Discretionary BA	2,526,952	2,542,592	2,525,586
FTE	1,041	1,035	1,018
S&E Cost	102,193	105,434	106,342
<b>Strategic Goal A: Promote Decent Affordable Housing</b>			
Discretionary BA	26,617,549	25,749,684	25,790,531
FTE	3,256	3,176	3,162
S&E Cost	323,816	326,856	334,410
<b>Strategic Goal C: Strengthen Communities</b>			
Discretionary BA	5,537,183	5,486,392	2,017,137
FTE	833	782	772
S&E Cost	82,059	82,396	86,046
<b>Strategic Goal FH: Ensure Equal Opportunity in Housing</b>			
Discretionary BA	140,277	170,085	163,497
FTE	690	610	614
S&E Cost	62,723	62,184	64,624
<b>Strategic Goal EM: Embrace High Standards of Ethics, Management, and Accountability</b>			
Discretionary BA	2,011,341	2,097,017	2,193,198
FTE	3,159	3,131	3,251
S&E Cost	527,146	526,603	553,488
<b>Strategic Goal FC: Promote Participation of Faith-Based and Community Organizations</b>			
Discretionary BA	133,099	129,595	117,318
FTE	64	66	64
S&E Cost	7,461	7,567	7,609
<b>Total Resources</b>			
<b>Total BA</b>	<b>36,966,401</b>	<b>36,175,365</b>	<b>32,807,267</b>
<b>FTE</b>	<b>9,043</b>	<b>8,800</b>	<b>8,881</b>
<b>S&amp;E Cost</b>	<b>1,105,398</b>	<b>1,111,040</b>	<b>1,152,519</b>

## Strategic Goal H: Increase homeownership opportunities.

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

	2004 Actual	2005 Approp.	2006 Request	2005 vs. 2006
<b>Office of Public and Indian Housing</b>				
<b>Housing Certificate Fund</b>				
Discretionary BA	1,446,224	416,640	...	-416,640
FTE	80	...	...	...
S&E Cost	8,663	...	...	...
<b>Tenant-Based Rental Assistance</b>				
Discretionary BA	...	1,059,952	1,584,519	+524,567
FTE	...	83	84	+1
S&E Cost	...	9,243	9,591	+348
<b>Project-Based Rental Assistance</b>				
Discretionary BA	...	22,518	20,518	-2,000
<b>Indian Housing Loan Guarantee Fund</b>				
Discretionary BA	5,269	4,960	2,645	-2,315
FTE	24	24	24	...
S&E Cost	2,506	2,599	2,674	+75
<b>Native American Housing Block Grants</b>				
Discretionary BA	1,029	992	882	-110
FTE	1	1	1	...
S&E Cost	114	115	119	+4
<b>PIH TOTAL</b>				
Discretionary BA	1,452,522	1,505,062	1,608,564	+103,502
FTE	105	108	109	+1
S&E Cost	11,283	11,957	12,384	+427
<b>COMMUNITY PLANNING AND DEVELOPMENT</b>				
<b>Community Development Block Grants</b>				
Discretionary BA	148,235	145,801	...	-145,801
FTE	15	13	11	-2
S&E Cost	1,557	1,433	1,019	-414
<b>HOME Investment Partnership Program</b>				
Discretionary BA	566,626	537,609	549,303	+11,694
FTE	28	29	38	+9
S&E Cost	2,907	2,867	3,522	+655

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Section One

**CPD TOTAL**

Discretionary BA	714,861	683,410	549,303	-134,107
FTE	43	42	49	+7
S&E Cost	4,464	4,300	4,541	+241

**OFFICE OF HOUSING**

**FHA-GI/SRI**

Discretionary BA	19,383	17,028	17,842	+814
FTE	71	70	67	-3
S&E Cost	6,748	6,925	6,835	-90

**FHA-MMI/CHMI**

Discretionary BA	308,287	306,188	294,593	-11,595
FTE	681	687	661	-26
S&E Cost	64,563	67,800	67,280	-520

**Interstate Land Sales (and RESPA)**

FTE	15	21	20	-1
S&E Cost	2,027	2,631	2,588	-43

**Housing Counseling Assistance**

Discretionary BA	[26,509]	[23,537]	22,462	+22,462
FTE	62	43	43	...
S&E Cost	5,746	4,231	4,364	+133

**HOUSING TOTAL**

Discretionary BA	327,670	323,216	334,897	+11,681
FTE	829	821	791	-30
S&E Cost	79,084	81,587	81,067	-520

**GNMA**

**Mortgage-Backed Securities**

Discretionary BA	5,316	5,304	5,347	+43
FTE	33	33	36	+3
S&E Cost	3,738	3,933	4,332	+399

**OFFICE OF POLICY DEVELOPMENT AND RESEARCH**

Discretionary BA	26,583	25,600	27,475	+1,875
FTE	31	31	33	+2
S&E Cost	3,624	3,657	4,018	+361

**Total for Strategic Goal**

<b>Discretionary BA</b>	<b>2,526,952</b>	<b>2,542,592</b>	<b>2,525,586</b>	<b>-17,006</b>
<b>FTE</b>	<b>1,041</b>	<b>1,035</b>	<b>1,018</b>	<b>-17</b>
<b>S&amp;E Cost</b>	<b>102,193</b>	<b>105,434</b>	<b>106,342</b>	<b>+908</b>

## Strategic Goal A: Promote decent affordable housing.

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

	2004 Actual	2005 Approp.	2006 Request	2005 vs. 2006
<b>OFFICE OF PUBLIC AND INDIAN HOUSING</b>				
<b>Housing Certificate Fund</b>				
Discretionary BA	11,569,795	3,333,120	...	-3,333,120
FTE	570	...	...	...
S&E Cost	60,641	...	...	...
<b>Tenant-Based Rental Assistance</b>				
Discretionary BA	...	8,479,616	12,676,156	+4,196,540
FTE	...	593	598	+5
S&E Cost	...	64,699	67,136	+2,437
<b>Project-Based Rental Assistance</b>				
Discretionary BA	...	180,147	164,142	-16,005
<b>Native American Housing Block Grants</b>				
Discretionary BA	650,241	621,984	582,600	-39,384
FTE	148	145	146	+1
S&E Cost	15,563	15,766	16,331	+565
<b>Public Housing Operating Fund</b>				
Discretionary BA	3,578,760	2,438,336	3,407,300	+968,964
FTE	156	146	148	+2
S&E Cost	16,846	16,157	16,853	+696
<b>Public Housing Capital Fund</b>				
Discretionary BA	2,696,253	2,579,200	2,327,200	-252,000
FTE	373	360	363	+3
S&E Cost	39,765	39,478	40,958	+1,480
<b>Revitalization of Severely Distressed Public Housing</b>				
Discretionary BA	149,115	142,848	...	-142,848
FTE	86	81	82	+1
S&E Cost	9,332	9,000	9,407	+407
<b>Native Hawaiian Housing Block Grant</b>				
Discretionary BA	[9,444]	[8,928]	8,815	+8,815
FTE	1	1	1	...
S&E Cost	114	115	119	+4

**PIH TOTAL**

Discretionary BA	18,644,164	17,775,251	19,166,213	+1,390,962
FTE	1,334	1,326	1,338	+12
S&E Cost	142,261	145,215	150,804	+5,589

**OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT**

**Community Development Block Grants**

Discretionary BA	1,161,606	1,166,416	...	-1,166,416
FTE	112	101	85	-16
S&E Cost	11,355	10,038	8,138	-1,900

**HOME Investment Partnership Program**

Discretionary BA	1,438,971	1,362,071	1,391,697	+29,626
FTE	86	91	119	+28
S&E Cost	8,718	9,044	11,660	+2,616

**Housing Opportunities for Persons with AIDS**

Discretionary BA	250,607	239,469	227,800	-11,669
FTE	22	24	28	+4
S&E Cost	2,230	2,385	2,744	+359

**Housing Certificate Fund**

Discretionary BA	23,376	100	...	-100
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**Project-Based Rental Assistance**

Discretionary BA	...	19,840	36,192	+16,352
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**Rural Housing and Economic Development**

Discretionary BA	24,852	23,808	...	-23,808
FTE	9	9	9	...
S&E Cost	912	895	883	-12

**Self-Help Homeownership Opportunity**

Discretionary BA	...	...	30,000	+30,000
FTE	...	...	2	+2
S&E Cost	...	...	191	+191

**CPD TOTAL**

Discretionary BA	2,899,412	2,811,704	1,685,689	-1,126,015
FTE	229	225	243	+18
S&E Cost	23,215	22,362	23,616	+1,254

**OFFICE OF HOUSING**

**Section 202, Housing for the Elderly**

Discretionary BA	555,882	530,700	531,748	+1,048
FTE	222	217	216	-1
S&E Cost	20,353	20,978	21,533	+555

**Section 811, Housing for the Disabled**

Discretionary BA	206,966	194,635	98,355	-96,280
FTE	113	112	105	-7
S&E Cost	10,340	10,827	10,469	-358

**FHA-GI/SRI**

Discretionary BA	221,947	189,739	203,185	+13,446
FTE	813	780	763	-17
S&E Cost	75,808	75,979	76,652	+673

**FHA-MMI/CHMI**

Discretionary BA	...	1,337	1,337	...
FTE	...	3	3	...
S&E Cost	...	307	316	+9

**Flexible Subsidy Fund**

FTE	7	7	7	...
S&E Cost	633	673	694	+21

**Rent Supplement Program**

FTE	4	4	4	...
S&E Cost	374	390	402	+12

**Rental Housing Assistance Program (Section 236)**

FTE	4	4	4	...
S&E Cost	374	390	402	+12

**Housing Certificate Fund**

Discretionary BA	4,074,708	...	...	...
FTE	421	...	...	...
S&E Cost	38,924	...	...	...

**Project-Based Rental Assistance**

Discretionary BA	...	4,232,719	4,086,659	-146,060
FTE	...	382	357	-25
S&E Cost	...	36,995	35,662	-1,333

**Housing Counseling Assistance**

Discretionary BA	[8,551]	[10,964]	10,447	+10,447
FTE	20	20	20	...
S&E Cost	1,853	1,951	2,012	+61

**HOUSING TOTAL**

Discretionary BA	5,059,503	5,149,130	4,931,731	-217,399
FTE	1,604	1,529	1,479	-50
S&E Cost	148,659	148,490	148,142	-348



<b>GINNIE MAE</b>				
<b>Mortgage Backed Securities</b>				
Discretionary BA	5,316	5,305	5,348	+43
FTE	33	34	36	+2
S&E Cost	3,738	3,933	4,333	+400
<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
<b>Research and Technology</b>				
Discretionary BA	9,154	8,294	1,550	-6,744
FTE	56	62	66	+4
S&E Cost	5,943	6,856	7,515	+659
<b>Total Strategic Goal</b>				
<b>Discretionary BA</b>	<b>26,617,549</b>	<b>25,749,684</b>	<b>25,790,531</b>	<b>+40,847</b>
<b>FTE</b>	<b>3,256</b>	<b>3,176</b>	<b>3,162</b>	<b>-14</b>
<b>S&amp;E Cost</b>	<b>323,816</b>	<b>326,856</b>	<b>334,410</b>	<b>+7,554</b>

## Strategic Goal C: Strengthen communities.

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

	2004 Actual	2005 Approp.	2006 Request	2005 vs. 2006
<b>OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT</b>				
<b>Community Development Block Grants</b>				
Discretionary BA	3,631,751	3,547,847	...	-3,547,847
FTE	364	326	277	-49
S&E Cost	36,444	35,336	32,242	-3,094
<b>Homeless Assistance Grants</b>				
Discretionary BA	1,133,572	1,116,460	1,295,856	+179,396
FTE	163	139	179	+40
S&E Cost	16,320	15,067	20,835	+5,768
<b>Housing Opportunities for Persons with AIDS</b>				
Discretionary BA	44,144	42,259	40,200	-2,059
FTE	2	2	3	+1
S&E Cost	200	217	349	+132
<b>Brownfields Redevelopment Program</b>				
Discretionary BA	24,852	23,808	...	-23,808
FTE	5	7	7	...
S&E Cost	501	759	815	+56
<b>Community Renewals</b>				
Discretionary BA	14,912	9,920	...	-9,920
FTE	10	10	10	...
S&E Cost	1,001	1,084	1,164	+80
<b>CPD TOTAL</b>				
Discretionary BA	4,849,231	4,740,294	1,336,056	-3,404,238
FTE	544	484	476	-8
S&E Cost	54,466	52,463	55,405	+2,942
<b>OFFICE OF HOUSING</b>				
<b>Section 202, Housing for the Elderly</b>				
Discretionary BA	67,607	63,586	64,007	+421
FTE	27	26	26	...
S&E Cost	2,467	2,511	2,591	+80
<b>Section 811, Housing for the Disabled</b>				
Discretionary BA	12,821	12,165	5,620	-6,545
FTE	7	7	6	-1
S&E Cost	645	677	600	-77

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Section One

**FHA-GI/SRI**

Discretionary BA	39,039	36,002	38,879	+2,877
FTE	143	148	146	-2
S&E Cost	13,077	14,425	14,640	+215

**FHA-MMI/CHMI**

Discretionary BA	905	3,120	3,120	...
FTE	2	7	7	...
S&E Cost	204	809	805	-4

**Manufactured Home Inspection and Monitor Program**

Discretionary BA	4,502	6,500	6,500	...
FTE	8	7	7	...
S&E Cost	812	722	758	+36

**Housing Certificate Fund**

Discretionary BA	387,146	...	...	...
FTE	40	...	...	...
S&E Cost	3,659	...	...	...

**Project-Based Rental Assistance**

Discretionary BA	...	457,152	412,100	-45,052
FTE	...	39	36	-3
S&E Cost	...	3,765	3,586	-179

**Housing Counseling Assistance**

Discretionary BA	[855]	[1,644]	1,567	+1,567
FTE	2	3	3	...
S&E Cost	184	290	299	+9

**HOUSING TOTAL**

Discretionary BA	512,020	578,525	531,793	-46,732
FTE	229	237	231	-6
S&E Cost	21,048	23,199	23,279	+80

**OFFICE OF POLICY DEVELOPMENT AND RESEARCH**

**Research and Technology**

Discretionary BA	1,964	917	30,288	+29,371
FTE	17	16	17	+1
S&E Cost	1,987	1,887	2,070	+183

**LEAD HAZARD CONTROL**

Discretionary BA	173,968	166,656	119,000	-47,656
FTE	43	45	48	+3
S&E Cost	4,558	4,847	5,292	+445

<b>Total Strategic Goal</b>				
<b>Discretionary BA</b>	<b>5,537,183</b>	<b>5,486,392</b>	<b>2,017,137</b>	<b>-3,469,255</b>
<b>FTE</b>	<b>833</b>	<b>782</b>	<b>772</b>	<b>-10</b>
<b>S&amp;E Cost</b>	<b>82,059</b>	<b>82,396</b>	<b>86,046</b>	<b>+3,650</b>

## Strategic Goal FH: Ensure equal opportunity in housing.

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

	2004 Actual	2005 Approp.	2006 Request	2005 vs. 2006
<b>OFFICE OF HOUSING</b>				
<b>Section 202, Housing for the Elderly</b>				
Discretionary BA	20,032	19,565	19,694	+129
FTE	8	8	8	...
S&E Cost	747	780	805	+25
<b>Section 811, Housing for the Disabled</b>				
Discretionary BA	5,495	5,213	2,810	-2,403
FTE	3	3	3	...
S&E Cost	283	294	303	+9
<b>FHA-GI/SRI</b>				
Discretionary BA	2,730	2,676	2,663	-13
FTE	10	11	10	-1
S&E Cost	929	1,075	1,010	-65
<b>FHA-MMI/CHMI</b>				
Discretionary BA	2,263	2,228	2,228	...
FTE	5	5	5	...
S&E Cost	516	512	527	+15
<b>Housing Certificate Fund</b>				
Discretionary BA	87,108	...	...	...
FTE	9	...	...	...
S&E Cost	850	...	...	...
<b>Project-Based Rental Assistance</b>				
Discretionary BA	...	93,775	91,578	-2,197
FTE	...	8	8	...
S&E Cost	...	786	810	+24
<b>Housing Counseling Assistance</b>				
Discretionary BA	[3,848]	[5,482]	5,224	+5,224
FTE	9	10	10	...
S&E Cost	836	974	1,005	+31
<b>HOUSING TOTAL</b>				
Discretionary BA	117,628	123,457	124,197	+740
FTE	44	45	44	-1
S&E Cost	4,161	4,421	4,460	+39

<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
<b>Research and Technology</b>				
Discretionary BA	500	500	500	...
FTE	2	2	2	...
S&E Cost	233	236	244	+8
<b>FAIR HOUSING AND EQUAL OPPORTUNITY</b>				
<b>Fair Housing Initiatives Program</b>				
Discretionary BA	20,131	19,840	16,100	-3,740
FTE	31	27	27	...
S&E Cost	...	2,581	2,659	+78
<b>Fair Housing Assistance Program</b>				
Discretionary BA	2,018	26,288	22,700	-3,588
FTE	32	23	23	...
S&E Cost	...	1,670	2,304	+634
<b>Other FHEO Programs</b>				
FTE	581	513	518	+5
S&E Cost	58,329	53,276	54,957	+1,681
<b>FHEO TOTAL</b>				
Discretionary BA	22,149	46,128	38,800	-7,328
FTE	644	563	568	+5
S&E Cost	58,329	57,527	59,920	+2,393
<b>Total Strategic Goal</b>				
<b>Discretionary BA</b>	<b>140,277</b>	<b>170,085</b>	<b>163,497</b>	<b>-6,588</b>
<b>FTE</b>	<b>690</b>	<b>610</b>	<b>614</b>	<b>+4</b>
<b>S&amp;E Cost</b>	<b>62,723</b>	<b>62,184</b>	<b>64,624</b>	<b>+2,440</b>

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

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

### OFFICE OF PUBLIC AND INDIAN HOUSING

#### Housing Certificate Fund

Discretionary BA	1,446,224	416,640	...	-416,640
FTE	155	...	...	...
S&E Cost	17,326	...	...	...

#### Tenant-Based Rental Assistance

Discretionary BA	...	1,059,952	1,584,519	+524,567
FTE	...	158	159	+1
S&E Cost	...	18,486	19,182	+696

#### Project-Based Rental Assistance

Discretionary BA	...	22,518	20,518	-2,000
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#### PIH TOTAL

Discretionary BA	1,446,224	1,499,110	1,605,037	+105,927
FTE	155	158	159	+1
S&E Cost	17,326	18,486	19,182	+696

### OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

#### Community Development Block Grants

FTE	36	33	27	-6
S&E Cost	3,674	3,493	2,843	-650

#### HOME Investment Partnership Program

FTE	13	13	18	+5
S&E Cost	1,327	1,376	1,895	+519

#### Homeless Assistance Grants

Discretionary BA	125,953	124,051	144,144	+20,093
FTE	19	16	20	+4
S&E Cost	1,939	1,694	2,106	+412

#### Housing Opportunities for Persons with AIDS

FTE	2	3	4	+1
S&E Cost	203	317	422	+105

#### CPD TOTAL

Discretionary BA	125,953	124,051	144,144	+20,093
FTE	71	65	69	+4
S&E Cost	7,143	6,880	7,266	+386

**OFFICE OF HOUSING**

**Section 202, Housing for the Elderly**

Discretionary BA	17,528	19,565	19,694	+129
FTE	7	8	8	...
S&E Cost	656	779	805	+26

**Section 811, Housing for the Disabled**

Discretionary BA	3,663	5,213	2,810	-2,403
FTE	2	3	3	...
S&E Cost	194	294	303	+9

**Interstate Land Sales**

FTE	14	21	20	-1
S&E Cost	1,927	2,632	2,589	-43

**FHA-GI/SRI**

Discretionary BA	52,416	45,489	49,265	+3,776
FTE	192	187	185	-2
S&E Cost	18,587	18,597	18,943	+346

**FHA-MMI/CHMI**

Discretionary BA	129,924	117,662	115,431	-2,231
FTE	287	264	259	-5
S&E Cost	28,624	26,541	26,852	+311

**Manufactured Home Inspection and Monitor Program**

Discretionary BA	4,502	6,500	6,500	...
FTE	8	7	7	...
S&E Cost	815	724	759	+35

**Rent Supplement Program**

Discretionary BA	...	269,602	240,392	-29,210
FTE	...	23	21	-2
S&E Cost	...	2,264	2,185	-79

**Housing Certificate Fund**

Discretionary BA	222,609	...	...	...
FTE	23	...	...	...
S&E Cost	2,701	...	...	...

**HOUSING TOTAL**

Discretionary BA	430,642	464,031	434,092	-29,939
FTE	533	513	503	-10
S&E Cost	53,504	51,831	52,436	+605



<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
<b>Research and Technology</b>				
Discretionary BA	8,522	9,825	9,925	+100
FTE	33	35	38	+3
S&E Cost	7,520	6,718	7,216	+498
<b>OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY</b>				
<b>Other FHEO Programs</b>				
FTE	66	57	57	...
S&E Cost	5,107	4,719	4,765	+46
<b>DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY</b>				
FTE	25	25	26	+1
S&E Cost	2,760	2,718	2,864	+146
<b>DEPARTMENTAL MANAGEMENT</b>				
FTE	193	187	204	+17
S&E Cost	23,770	22,885	25,387	+2,502
<b>CHIEF FINANCIAL OFFICER</b>				
FTE	223	227	238	+11
S&E Cost	34,112	45,796	49,406	+3,610
<b>GENERAL COUNSEL</b>				
FTE	662	668	694	+26
S&E Cost	74,924	77,516	82,846	+5,330
<b>ADMINISTRATION AND STAFF SERVICES</b>				
FTE	684	708	774	+66
S&E Cost	247,355	235,511	251,527	+16,016
<b>FIELD POLICY AND MANAGEMENT</b>				
FTE	514	488	400	-88
S&E Cost	53,625	53,543	45,408	-8,135
<b>INTERN PROGRAM</b>				
FTE	...	...	89	+89
S&E Cost	...	...	5,185	+5,185
<b>Total Strategic Goal</b>				
<b>Discretionary BA</b>	<b>2,011,341</b>	<b>2,097,017</b>	<b>2,193,198</b>	<b>96,181</b>
<b>FTE</b>	<b>3,159</b>	<b>3,131</b>	<b>3,251</b>	<b>+120</b>
<b>S&amp;E Cost</b>	<b>527,146</b>	<b>526,603</b>	<b>553,488</b>	<b>+26,885</b>
<b>WORKING CAPITAL FUND</b>				
FTE	373	350	350	...
S&E Cost	391,025	347,000	319,000	-28,000

## Strategic Goal FC: Promote participation of faith-based and community organizations.

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

### HOUSING

#### Section 202, Housing For The Elderly

Discretionary BA	112,679	107,607	105,857	-1,750
FTE	45	44	43	-1
S&E Cost	4,136	4,257	4,292	+35

#### Section 811, Housing For The Disabled

Discretionary BA	20,147	20,854	10,304	-10,550
FTE	11	12	11	-1
S&E Cost	1,008	1,159	1,096	-63

#### FHA-GI/SRI

Discretionary BA	273	243	266	+23
FTE	1	1	1	...
S&E Cost	102	101	104	+3

#### FHA-MMI/CHMI

Discretionary BA	...	891	891	...
FTE	...	2	2	...
S&E Cost	...	194	200	+6

#### HOUSING TOTAL

Discretionary BA	133,099	129,595	117,318	-12,277
FTE	57	59	57	-2
S&E Cost	5,246	5,711	5,692	-19

#### CENTER FOR FAITH-BASED AND COMMUNITY INITIATIVES

FTE	7	7	7	...
S&E Cost	2,215	1,856	1,917	+61

#### Total Strategic Goal

<b>Discretionary BA</b>	<b>133,099</b>	<b>129,595</b>	<b>117,318</b>	<b>-12,277</b>
<b>FTE</b>	<b>64</b>	<b>66</b>	<b>64</b>	<b>-2</b>
<b>S&amp;E Cost</b>	<b>7,461</b>	<b>7,567</b>	<b>7,609</b>	<b>+42</b>



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# SECTION TWO

## Means and Strategies

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(Discussed by strategic goal)



## MEANS AND STRATEGIES

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The means and strategies section identifies individual program contributions toward HUD strategic goals in Fiscal Year 2006. New initiatives and major policy changes are highlighted, as well as examples of coordination with other agencies. External factors that influence performance and policy choices are also discussed.

### Increasing Homeownership Opportunities

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HUD brings a wide variety of tools to bear on the goal of increasing homeownership opportunities. The overall strategy is to carefully apply public-sector dollars, whether through mortgage insurance, grants, loans, or direct subsidies, to leverage the private market to make it easier for low- and moderate-income Americans to buy and keep their own homes. In addition, HUD continues to strengthen its regulatory role in reforming RESPA and preventing predatory lending.

To improve the efficiency of the market, HUD continues to strengthen its regulatory role in reforming RESPA and preventing predatory lending, as well as ensure a ready supply of capital through the secondary mortgage market. In Fiscal Year 2006, continued funding for HUD's core homeownership programs will work together with a number of new or expanded initiatives designed to improve homeownership opportunities, especially among minority and low-income families.



#### Federal Housing Administration

FHA administers the Federal government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history or income to qualify for a conventional mortgage. During Fiscal Year 2004, the programs insured close to one million loans (including refinanced loans) to homeowners, of whom more than 72 percent were first-time homebuyers and 37 percent were minority homeowners.

FHA offers a wide variety of insurance products, with single-family mortgage insurance being the most prominent. FHA insures mortgages for single-family homes and condominiums, home rehabilitation loans, energy efficiency loans, and reverse mortgages for elderly households. Special discounts are available to teachers and police officers who purchase homes that have been defaulted to HUD and who promise to live in their homes in revitalized areas.

For Fiscal Year 2006, FHA is proposing two new products to enhance homeownership opportunities for low-income and minority families. Together these new programs are expected to help 250,000 additional families become new homebuyers over time.

- ***Zero Down Payment program.*** FHA proposes to offer a new mortgage product to help first-time homebuyers purchase a home by allowing zero down-payment loans and financing of the settlement costs. Currently FHA requires a minimum downpayment of three percent. To cover the higher risk involved, premiums will be slightly increased in the short term for these borrowers.
- ***FHA Payment Incentives program.*** The Administration is proposing a new sub-prime loan product to offer FHA insurance to families that, due to poor credit, would be served

either by the private market at a higher cost or not at all. Borrowers would be offered FHA loan insurance under this new initiative that will allow them to maintain their home or to purchase a new home. This program would serve 60,000 families.

A number of ongoing FHA programs will continue to strengthen operations and help more families attain homeownership:

- ***Adjustable rate mortgages.*** During Fiscal Year 2004, HUD expanded offerings of adjustable-rate mortgage products on FHA-insured mortgages. Homebuyers can choose mortgages with fixed-payment periods of three, five, seven or ten years, as well as the previously-available one-year option. Some 40,000 families are expected to take advantage of the hybrid ARMs program annually.
- ***FHA loss mitigation.*** Loss mitigation activities will continue in order to minimize FHA claims and property disposition costs. Loss mitigation also helps to keep families in their homes rather than having properties go to foreclosure and sale, saving FHA the management and marketing costs associated with foreclosed properties.
- ***FHA Neighborhood Watch.*** The Neighborhood Watch program helps homeowners help themselves by providing an Internet-based lender monitoring service that allows prospective buyers an opportunity to track the default and claim rate performance of mortgage lenders in the area they are considering.
- ***Technology Open To All Lenders (TOTAL) Scorecard.*** FHA's TOTAL Mortgage Scorecard evaluates the overall creditworthiness of the applicants based on a number of credit variables. FHA will continue to assess the most effective means of using this technology to increase the availability of mortgage credit to underserved populations.
- ***Claims process reform.*** Under the Accelerated Claims Disposition demonstration program, FHA will continue to sell defaulted notes to the private sector for servicing and/or disposition, thereby eliminating most of the real property that FHA currently acquires. Because the private sector will handle dispositions, this will help in ensuring that properties foreclosed on by the private sector remain vacant for shorter periods of time so they are less likely to destabilize communities.
- ***Credit Watch.*** FHA has made a commitment to address deficiencies in the loan origination performance of FHA-approved mortgage lenders by monitoring mortgage loans and terminating mortgage lenders that make mortgage loans with excessive default and claim rates. Under the Credit Watch initiative, mortgage lenders whose mortgage loans default and claim at twice the rate experienced in their geographic area are subject to having their ability to originate FHA-insured mortgage loans terminated.
- ***Appraiser Watch.*** Because accurate appraisals are essential to prevent undue risk, FHA is also implementing a program similar to Credit Watch called Appraiser Watch. This program will identify appraisers who appraise mortgage loans with excessive claims and default rates to trigger review by HUD field staff. Both the Credit Watch and Appraiser Watch initiatives are important to the Administration's fight against predatory lending.
- ***FHA Reverse Mortgages.*** FHA's Home Equity Conversion Mortgage (HECM) program allows homeowners ages 62 and older who have paid off their mortgages or

have only small mortgage balances remaining to borrow against the equity in their homes. Unlike ordinary home equity loans, a HUD reverse mortgage does not require repayment as long as the owner lives in the home. Reserve mortgage loans are repaid, with interest, when the home is sold. This program gives senior citizens an option to keep their own homes as long as possible. Continued growth in this important source of equity financing for seniors is expected as mortgage lenders and homeowners continue to become more familiar with this product.

### HOME Investment Partnerships

The HOME program plays a key role in addressing the shortage of affordable housing in America. Recipients of HOME funds have substantial discretion to determine how the funds are spent. HOME funds can be used to expand access to homeownership by subsidizing down payment and closing costs, as well as the costs of acquisition, rehabilitation, and new construction for homebuyers, existing homeowners, and renters. HOME grantees have cumulatively committed funds to provide homebuyer assistance to more than 295,000 lower-income households. More than half of whom were families earning less than 60 percent of median income. Further, more than 150,000 lower-income homeowners have been able to rehabilitate their homes with HOME program assistance.

A key component of the HOME program is the American Dream Downpayment Initiative (ADDI), which provides low- and moderate-income families with the funds and support needed to purchase their first home. In 2003, President Bush signed the American Dream Downpayment Initiative into law, and in 2004 HUD distributed \$161.5 million in downpayment funds to 400 state and local governments. These funds have already helped 7,680 families, of whom almost 47 percent were minorities, purchase their first homes. The Fiscal Year 2006 budget provides \$200 million to fully fund the Initiative, which will assist 40,000 families over time.

### Housing Counseling Assistance

Housing counseling has proven a critical tool for increasing homeownership because the homebuying and financing process often is intimidating and full of pitfalls. Counseling helps families learn about the loan products and services available to them and how to identify and avoid predatory lending practices. Besides helping with the purchase, counseling has demonstrated success in helping homeowners keep their homes in times of financial stress. In Fiscal Year 2006, an estimated 800,000 families will receive counseling services, including counseling to homebuyers, existing homeowners, renters and homeless persons.

Faith-based and community organizations (FBCOs) will continue to play a vital role in housing counseling efforts. The successful “Reaching the Dream” pilot, which concluded in 2004, provided FBCOs with training on creating homeownership opportunities and providing potential homebuyers with counseling. In addition, 250 nonprofit organizations were recruited to begin the process of becoming HUD-approved housing counseling agencies.

The Fiscal Year 2006 budget provides approximately \$40 million in funds for counseling services.



### Flexible Voucher Program/Voucher Homeownership

The Flexible Voucher program will provide greater flexibility to Public Housing Agencies (PHAs), allowing vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in the Voucher Homeownership program.

While still new, the Homeownership Voucher program has successfully paved a path for low-income Americans to become homeowners. Strong and committed collaboration among public housing agencies, local nonprofit organizations, and lenders, as well as pre- and post-homeownership counseling for families has proven essential in making the program work. The greatest challenge to the success of the program is finding lenders who are willing to participate. Although the Homeownership Voucher program is voluntary, annual goals have been exceeded consistently since the program began. In its first four years, the program helped more than 2,000 low-income families that were renting through the Voucher program to become homeowners. For 2005 and 2006, the program plans to assist 2,000 additional families each year in achieving homeownership.

### Self-Help Homeownership Opportunity Program (SHOP)

SHOP increases low-income homeownership by providing competitive grants to national and regional nonprofit organizations to subsidize the costs of land acquisition and infrastructure improvements. Homebuyers must contribute significant amounts of sweat equity or volunteer labor to the construction or rehabilitation of the property. The Fiscal Year 2006 HUD budget requests \$30 million for SHOP. Grantee organizations such as Habitat for Humanity play a critical role in motivating volunteer resources, supporting affiliates, and ultimately achieving the results accomplished with SHOP. About 1,500 families will be assisted in Fiscal Year 2006.

### Homeownership Programs for Native American and Native Hawaiian Communities

Five HUD programs help to promote homeownership in Native American and Native Hawaiian communities. (Greater detail on these programs is presented in Appendix B.)

- ***Indian Housing Block Grants (IHBG).*** The IHBG program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. Over 6,000 homeownership units will be constructed, acquired, or rehabilitated under this program in Fiscal Year 2006.
- ***Title VI Federal Guarantees for Tribal Housing.*** This program provides guarantees in support of private-sector loans to Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities. The loans allow IHBG grantees to accelerate completion of their Indian Housing Plan by pledging future IHBG funds as collateral.
- ***Indian Home Loan Guarantee (Section 184).*** Section 184 helps Native Americans to obtain private mortgage financing for the purchase, construction, or rehabilitation of single-family homes on Indian trust or restricted land and in designated Indian areas. The program guarantees payments to lenders in the event of default. The goal for Fiscal Year 2006 is to insure a record \$159.8 million of mortgages.

- ***Native Hawaiian Home Loan Guarantee Fund (Section 184A)***. The Hawaiian Homelands Homeownership Act of 2000 established a loan guarantee program modeled after the Section 184 program. The guarantees secure private financing for infrastructure to purchase, construct, or rehabilitate single-family homes on Hawaiian Home Lands. For this program, HUD has a goal of insuring 40 new units in Fiscal Year 2006.
- ***Native Hawaiian Housing Block Grant (NHHBG)***. This program, modeled after the IHBG, provides block grant funding to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. The target is to provide 188 homeownership units through this program in Fiscal Year 2006.



### **Government National Mortgage Association (Ginnie Mae)**

Through its mortgage-backed securities program, Ginnie Mae, a wholly owned government corporation within HUD, helps to ensure that mortgage funds are available for low- and moderate-income families served by FHA, the Department of Veterans Affairs, and the Rural Housing Service of the U.S. Department of Agriculture. During Fiscal Year 2004, Ginnie Mae guaranteed a record \$230 billion in mortgage-backed securities. Ginnie Mae's role in the secondary mortgage market provides an important public benefit to Americans seeking to fulfill their dream of homeownership.

To ensure that Ginnie Mae continues to securitize a high percentage of government-backed mortgages, HUD has set a target of 90 percent of FHA fixed-rate single-family mortgages in Fiscal Year 2006. Securitizing a high share of eligible fixed rate Federal Housing Administration loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market cost, creating homeownership incentives.



### **GSEs: Fannie Mae and Freddie Mac**

To augment the amount of mortgage credit available to low- and moderate-income families, HUD is responsible for setting affordable-housing goals for two of the other key institutions that play a vital role in financing affordable owner-occupied and rental housing throughout the nation: Fannie Mae and Freddie Mac. Along with the Federal Home Loan Banks, which HUD does not oversee, Fannie Mae and Freddie Mac are government-sponsored enterprise (GSEs) in the area of housing. HUD oversees affordable-housing goals and monitors progress toward their achievement. In Fiscal Year 2005, HUD issued a new rule setting the Fannie Mae and Freddie Mac goals for 2005 and beyond for the purchases of mortgages made to low- and moderate-income families, mortgages on properties located in underserved areas, and mortgages made to low- and very low-income families in low-income areas.

In addition to increasing the housing goals annually from 2005 through 2008, HUD's rule establishes new home purchase subgoals in each of the three goal areas. This is intended to focus Fannie Mae and Freddie Mac efforts on purchases of homes rather than refinancings. HUD projects that over the next four years, Fannie Mae and Freddie Mac will purchase an additional 400,000 home loans that meet these new and more aggressive goals as a result of the new rule.

In addition to monitoring progress in meeting annual goals, HUD will sustain other GSE oversight activities: 1) Reviewing the Fannie Mae and Freddie Mac requests for approval of new

programs; 2) Reviewing and commenting on the Fannie Mae and Freddie Mac underwriting guidelines to ensure their consistency with fair housing laws; 3) Releasing an annual public use database on the Fannie Mae and Freddie Mac mortgage purchases, and reports and research on Fannie Mae and Freddie Mac activities.

### **RESPA Reform and Predatory Lending**

HUD will continue to work with the housing community to improve the homebuying process and make it less complicated and less expensive for consumers. This will allow consumers better opportunities to shop for lower-cost mortgages. HUD has regulatory authority under the Real Estate Settlement Procedures Act (RESPA), a consumer protection statute first passed in 1974. The primary purpose of RESPA is to help consumers be better shoppers in the home buying and mortgage loan process, by requiring that consumers receive timely disclosures in the transaction, and by prohibiting practices, such as paying kickbacks, that increase the cost of settlement services. In Fiscal Year 2006, HUD's goal is to respond to 1,000 complaints or inquiries from consumers and industry regarding the homebuying and mortgage loan process. Efforts to improve the provisions of RESPA are ongoing.

Tightly interwoven with reform of the mortgage origination process is HUD's commitment to stopping predatory lenders from doing business. The Administration is targeting unscrupulous lenders in part by pooling the resources of the Federal government and helping agencies work together to fight abusive lending practices. As a result, HUD and its partners are becoming much more effective in tracking down lenders who target first-time homebuyers, senior citizens, and minorities for predatory practices. HUD's Office of Inspector General continues to work closely with law enforcement in many states to target unscrupulous lenders and better combat abusive lending practices. In many of these areas, HUD is working with coalitions of community groups.

### **Coordination with Other Federal Agencies**

In addition to private partners and state and local government, HUD relies on other federal agencies to help accomplish its goals. Highlights of interagency coordination associated with Strategic Goal H, "Increase homeownership opportunities," are presented below.

- Ginnie Mae will continue to guarantee mortgage-backed securities backed by pools of mortgages that are insured by the FHA and the U.S. Department of Agriculture's (USDA's) Rural Housing Service or guaranteed by the Department of Veterans Affairs.
- HUD has primary responsibility for enforcing the Fair Housing Act, and often works closely with the Department of Justice in enforcing its provisions. HUD also cooperates with the Department of Justice and other federal agencies to enforce other civil rights laws that affect the availability of housing because of race, color, national origin, sex, religion, familial status, disability, and age. HUD serves on the Interagency Task Force on Fair Lending, whose members include the Departments of Justice and the Treasury, the FDIC, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The Task Force coordinates fair lending activities across all federal agencies, including initiatives to address predatory lending.

- To implement and enforce the Real Estate Settlement Procedures Act effectively, HUD will enhance coordination with the major banking regulators including the Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Reserve Board. In addition, HUD will work with the Department of Justice, the Federal Trade Commission, state attorneys general, insurance commissioners, and financial institution regulators on joint enforcement actions.
- HUD will continue to work cooperatively with several federal regulatory agencies to collect data under the Home Mortgage Disclosure Act (HMDA). HMDA data show how mortgage credit is provided across the country and are invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups.
- HUD will continue to partner with Department of Veterans Affairs and the Department of Agriculture in the operation of [HomeSales.gov](http://HomeSales.gov) an E-government project launched in September 2004. [HomeSales.gov](http://HomeSales.gov) integrates information from the agencies inventories of federal real property assets to provide a single point of entry for prospective homebuyers to access all homes for sale from these agencies.

### External Factors

Several factors influence the outcomes and performance reporting for HUD's homeownership programs.

- National and regional economic conditions significantly affect the homeownership rate and several performance measures related to HUD homeownership programs. Interest rates, availability of credit, and employment conditions are among the factors that can have a meaningful impact.
- Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities and other disadvantaged households to secure the income and credit history needed to become homeowners.
- With respect to predatory lending, a variety of state and federal agencies regulate home mortgage lending, and none have a formal definition of predatory lending. Therefore it is difficult to quantify the scope of predatory lending practices, whether market-wide or specific to FHA.
- The impacts of HUD efforts may be limited by structural, economic, and social influences on neighborhood housing markets. These include the lack of financial sophistication of disadvantaged households, language barriers to understanding the intricacies of the American real estate finance and lending markets, and the numerous actors and inherent complexity of the home purchase and mortgage processes.

## Promoting Decent Affordable Housing

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The largest component of HUD's proposed Fiscal Year 2006 budget promotes affordable housing for families and individuals who rent. HUD's rental housing programs do more than put a roof over families' heads. From their origins in the 1937 Housing Act they also have provided the housing stability that many families need to make progress toward self-sufficiency or increase their earnings. A number of HUD's programs seek to maximize these benefits by linking

families in affordable housing to services in the community that help them improve their skills, find work, and overcome obstacles to full employment.

In Fiscal Year 2006, HUD sustains the commitment to public and assisted housing programs, as well as to expanding opportunities for unassisted rental housing through FHA's mortgage insurance program and HUD's oversight of the housing enterprises, Fannie Mae and Freddie Mac. One of HUD's central strategies is to work with states and local communities to reduce regulatory barriers to the development of affordable housing. In addition, the HOME program will continue to expand affordable housing opportunities through rehabilitation, building, and purchase of affordable housing units. Affordable housing efforts and contributions will continue to be realized under the Community Development Block Grant (CDBG) program based on the use of funds from prior year appropriations that have not yet been expended.

Beginning in the late 1990s, the Department began implementing a number of monitoring systems to better assess the quality of the public and assisted housing stock. These protocols have led to significantly better reporting and significant improvements in both the physical stock and the management of HUD's public and assisted housing portfolio. HUD continues to refine and employ these monitoring systems to ensure that public housing resources are used effectively and efficiently to meet housing needs.



### Flexible Voucher Program

The Fiscal Year 2006 Budget establishes reform of the Section 8 program as the Department's top priority. Despite tight overall fiscal constraints, over 70 percent of the 2006 budget will be targeted to affordable housing under the Housing Certificate Fund. State and local public housing agencies (PHAs) administer the existing Housing Choice Voucher program. The program, funded through the Section 8 Housing Certificate Fund, provides housing to over 2 million households with low, very-low, and extremely-low incomes. HUD proposes to replace the existing program with the Flexible Voucher program.

The Section 8 reform proposal, which HUD is proposing for Fiscal Year 2006, returns flexibility to local agencies. For example, PHAs will be able to set and adjust subsidies based on local market rents, rather than depend on HUD-determined rents. PHAs will be encouraged to design their own tenant rent policies to reward work, and HUD will eliminate many of the complex forms that are not required. Assistance would continue to be limited to low-income families, but PHAs would no longer have to discriminate against those moving up the economic ladder by ratcheting up their rent.

The reform will support HUD's strategic objective of promoting self-sufficiency by reshaping voucher assistance into transitional assistance for families in need rather than a permanent institution for families. The new program's features will reduce program costs and give PHAs greater flexibility to effectively administer their programs to meet the temporary and transitional housing needs of low-income families.



### Public Housing

During Fiscal Year 2006, HUD will continue to subsidize public housing units occupied by approximately 1.2 million tenants. These units are under the direct management of approximately 3,100 PHAs that are local housing agencies. HUD provides operating subsidies to

PHAs to cover the remaining costs, and also subsidizes modernization costs to keep the existing public housing stock in good condition. Several initiatives and program changes will enhance public housing operations in Fiscal Year 2006.

- **Public Housing Operating Fund.** During Fiscal Year 2006, HUD plans to implement the recommendations of a recently completed three-year study by Harvard University on the cost of operating a well-run PHA. The factors taken into account for determining reasonable operating costs include the size, location, and age of stock, and its occupancy. HUD will use a new Operating Fund formula to provide operating subsidies based on the profile and needs of each public housing project. This new formula method will provide a sound, efficient, project-based management approach. The operating fund is supported by \$3.95 billion in Fiscal Year 2006.
- **Public Housing Capital Fund.** This program provides formula grants to PHAs for major repairs and modernization of its units (\$2.7 billion requested for Fiscal Year 2006). Some of the funds will be made available for natural disasters and emergencies, for demolitions, and for the Resident Opportunity and Supportive Services (ROSS) program. The Department continues to implement the Capital Fund financing program, which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral or debt service, subject to annual appropriations.
- **Revitalization of Severely Distressed Public Housing (HOPE VI).** A principal goal of the HOPE VI program has been the demolition, replacement, and rehabilitation of the Nation's severely distressed public housing units, as identified in the 1992 final report issued by the national Commission on Severely Distressed Public Housing. The Department's goal of demolishing 100,000 such units has been achieved. Therefore, the Fiscal Year 2006 Budget does not include additional funding for new HOPE VI projects. For Fiscal Year 2006, HUD has goals of relocating 1,400 households, demolishing 2,600 units, completing 6,500 new and rehabilitated units, occupying 6,300 units, and completing 20 of the previously approved projects.



### Other Rental Assistance Programs and Affordable Housing Efforts

**FHA multifamily insurance and project-based Section 8.** FHA anticipates supporting a significant number of housing units through its multifamily insurance program. Section 8 project-based housing assistance provides affordable housing for about 1.3 million low-income households in FHA-insured projects.

**HOME Investment Partnerships.** In addition to the extensive use of HOME funds for homeownership, the HOME program invests heavily in the creation of new affordable rental housing. The HOME program has supported the building, rehabilitation, and purchase of several-hundred-thousand rental units, as well as provided direct rental assistance to 100,000 households. HOME expects to assist over 30,000 rental households with Fiscal Year 2006 funds.

**Community Development Block Grant (CDBG).** CDBG grantees use a substantial amount of their CDBG funds to support rental housing activities that benefit low- and moderate-income households. During Fiscal Year 2004, CDBG grantees assisted slightly more than 31,000 households through assistance for rehabilitation of multi-unit residential properties, the classification that best captures rehabilitation of rental units in the CDBG programs.

**Indian Housing Block Grant (IHBG).** This block grant is a flexible source of funding to tribes or tribally designated entities for a wide variety of affordable-housing activities. For Fiscal



Year 2006, \$582.6 million is requested. Authorized uses include both rental and homeownership assistance. Additional funds are available to IHBG grantees through the Title VI Federal Guarantees for Tribal Housing. It is anticipated that IHBG will assist approximately 2,400 rental households in Fiscal Year 2006.

***Office of Regulatory Reform.*** In Fiscal Year 2004, HUD created a new Office of Regulatory Reform. Through this office, HUD will continue to conduct research and provide guidance about the nature and extent of regulatory obstacles to affordable housing, as well as improve coordination among stakeholders. Researchers have developed tools and information needed to measure and reduce barriers that restrict affordable housing and unnecessarily increase the cost of housing development at the local level. Information is shared with state and local governments through the Regulatory Barriers Clearinghouse (<http://www.huduser.org/rbc/index.html>).

***Energy Action Plan and Energy Star.*** Wasted energy contributes directly to the operating costs of housing. HUD's Energy Action Plan, developed by a departmental task force, comprises 21 actions that support the energy efficiency and conservation goals of the President's National Energy Policy. These actions are designed to encourage energy efficiency in some housing units that are assisted, insured, or subsidized through HUD's programs (including housing financed through HUD formula grant programs such as CDBG and HOME). The Department is on track for full implementation of the Energy Action Plan by the end of Fiscal Year 2005. For Fiscal Year 2006, HUD will build on this foundation by developing a Phase II Energy Action Plan that will include several tracking indicators to assess actual performance in reducing energy costs associated with HUD program activities.



### **Housing Persons with Special Needs**

***Programs for the elderly and persons with disabilities.*** Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance that provides them with the opportunity to afford a decent place to live and often helps them to live independent lives. A majority of households are assisted through HUD's Section 8 and public housing programs.

HUD also funds housing for the elderly through competitive awards to private nonprofit organizations to develop new housing units through new construction or rehabilitation (Section 202). The facilities are then provided with rental assistance, enabling them to accept very low-income residents. Many of the residents live in the facilities for years; over time, these individuals are likely to become frailer and less able to live in rental facilities without some additional services. Therefore, HUD also provides grants to convert all or part of existing properties to assisted-living facilities. Doing so will allow individual elderly residents to remain in their units. In addition, grant funds will provide the service coordinators who help elderly residents obtain supportive service from the community. Housing for the elderly will also be supported in Fiscal Year 2006 by the HUD Public and Indian Housing Clearinghouse Center, which helps public and Indian housing agencies that may have an interest in modernizing or constructing elderly public housing.

A similar program funds housing for persons with disabilities (Section 811) to enable them to live in mainstream environments. For Fiscal Year 2006, the Administration proposes to terminate Section 811 grant funding for the construction of new facilities, instead targeting all

funds to Section 8-type rent vouchers that offer an alternative to congregate housing developments.

***Housing Opportunities for Persons with AIDS (HOPWA).*** HOPWA remains the only federal program solely dedicated to providing rental housing assistance for persons and their families living with HIV/AIDS. The HOPWA program is an essential component of national efforts to address housing needs of persons families, many of whom are either extremely low-income (54 percent have incomes less than 30 percent median) or are very low-income (27 percent are very low-income, incomes of 30-50 percent of area median). HOPWA provides states and localities with resources to devise long-term comprehensive strategies for meeting the unmet housing needs of this special needs population. Grant recipients have considerable discretion on how the funds are spent. The HOPWA program provides formula allocations and competitively awarded grants for housing assistance and coordinated supportive services. Although most grants (90 percent) are allocated by formula based on the number of cases and highest incidence of AIDS, a small portion of funding is provided through competition for the renewal of permanent supportive housing projects, and for demonstration projects of national significance, and for non-formula areas. Since 1999, the number of formula grantees has risen from 97 to 124 in Fiscal Year 2006. In Fiscal Year 2006, it is anticipated that HOPWA housing subsidies will support about 67,000 households.



### Helping Individuals Transition to Self-Sufficiency

A compassionate nation must ensure that those Americans served by HUD—many of whom are struggling families, or individuals facing a trying time in their lives—live in a healthy and secure environment and have access to tools and opportunities that will help them move toward self-sufficiency. HUD’s basic programs contribute to this goal by providing individuals and families with the housing and services that allow them to focus on recovery, job-related skill development, and obtaining work or increasing income.

Key initiatives and efforts for Fiscal Year 2006 include:

- ***Voluntary Graduation Incentive Bonus.*** Public and assisted housing is a scarce resource needed by many families. In allocating such a resource, the federal government has an interest in ensuring that as many people as are eligible have the opportunity to participate in these programs. This \$10 million initiative will continue to encourage PHAs to promote graduation and turnover within the current regulatory and statutory constraints. More families will have the opportunity to benefit from limited housing resources, and public and assisted housing will not become a permanent institution for a limited number of tenants.
- ***Resident Opportunity and Supportive Services (ROSS).*** The ROSS program promotes self-sufficiency among residents of public and Native American housing. Activities funded by the grants link residents with a wide range of supportive services. In Fiscal Year 2006, \$24 million is proposed for ROSS.
- ***Family Self-Sufficiency (FSS) Program.*** During Fiscal Year 2006, the Department will continue to support both the public housing and voucher Family Self-Sufficiency programs. Both programs are designed to link families with local opportunities for education, job training, and counseling while receiving housing assistance. Over a five-year period, as the earnings of a participant grows, an amount equal to the increased rent attributable to the participant’s increased



earnings is deposited into an escrow account to purchase a home, pay for higher education, or even start a business.

### Coordination with other Federal Agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal A, “Promote decent affordable housing,” is summarized below.

- Pursuant to the memorandum of understanding (MOU) between the two agencies, HUD will continue to work with the Department of the Treasury to ensure efficient use of the Low-Income Housing Tax Credit (LIHTC), a program that makes substantial annual additions to the stock of affordable rental housing. HUD has done significant research on the tax credit program to inform LIHTC policy. HUD sets the maximum LIHTC rents by publishing estimates of 60 percent of area median income, and identifies Difficult Development Areas and Qualified Census Tracts—areas where tax credits can be taken on a higher percentage of a project’s “qualified basis.” HUD also works closely with Treasury on tax-exempt bond regulations and other tax policy rulings that affect the continued provision of quality multifamily housing with affordable rents.
- HUD has an MOU with the Rural Housing Service (RHS) of the Department of Agriculture. The purpose is to ensure an ongoing working relationship in preserving affordable rental housing in rural America. The MOU will facilitate the processing of Multifamily Housing Assistance Payment contract renewals for RHS-financed projects.
- HUD is working with the Environmental Protection Agency and the Department of Energy in a partnership to promote energy-efficient affordable housing. The partnership supports the goals of the President’s National Energy Policy by promoting more widespread use of Energy Star products in HUD’s inventory of public, assisted, and insured housing, as specified in HUD’s Energy Action Plan.
- HUD will continue to work closely with a number of federal agencies, including the Departments of Health and Human Services (HHS) and Labor, to ensure the successful implementation of welfare reform policies designed to help low-income families make progress toward self-sufficiency. HUD promotes the HHS Assets for Independence competitive grant program through HUD’s communications mechanisms and assists HHS in its technical assistance program for state welfare agencies, including through technical assistance conferences and broadcasts. HUD also encourages HUD-funded employment and training programs as well as subsidized housing providers to: (1) establish and maintain Neighborhood Networks centers for the implementation of such programs; and (2) coordinate and partner with the Department of Labor’s national system of One-Stop Employment Centers.
- HUD has worked with HHS to develop guidance and a model cooperative agreement for PHAs and local welfare agencies. PHAs are encouraged to enter into cooperative agreements with local welfare agencies to target services and assistance to welfare families who receive housing assistance and to reduce fraud and noncompliance with program requirements.
- HUD and HHS work collaboratively to increase the availability of assisted living facilities for low-income seniors, especially through coordination with states that have Medicaid waivers and can spend Medicaid funds on assisted living services.

- HUD signed an MOU with the Federal Deposit Insurance Corporation (FDIC) to establish a national partnership to promote financial education using Money Smart, FDIC's financial education curriculum. FDIC is sending an educational package to PHAs as well as to HUD's Public and Indian Housing directors and coordinators. The curriculum may be used in HUD-sponsored programs such as Resident Opportunities and Supportive Services, Family Self-Sufficiency, and Welfare to Work vouchers. A number of PHAs have become members of the Money Smart Alliance.

### External Factors

Many external factors affect the supply of affordable rental housing for low-income families and for the elderly and persons with disabilities. These factors include local rental markets, building codes and land use regulations, state and local program decisions, and the actions of HUD's many other partners. Accelerating growth in the number of elderly persons caused by aging of the baby-boom generation will pose a challenge for ensuring diverse housing opportunities for this population. Broad economic factors also affect employment opportunities for low-income workers, which may in turn influence HUD's efforts to promote self-sufficiency among assisted renters.

## Strengthening Communities

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This strategic goal encompasses several objectives that affect families, individuals, and neighborhoods in numerous ways. HUD is committed to preserving America's cities as vibrant hubs of commerce and making communities better places to live, work, and raise a family. HUD's programs provide states and localities with tools they can put to work improving economic health and promoting community development.

HUD's grant and housing programs support community and economic development in America's low- and moderate-income communities. The Department's strategies for success at the community level include strengthening community consolidated planning to better ensure that HUD funds are used effectively at the local level. During Fiscal Year 2006 HUD and its partners will be implementing the regulatory changes to the Consolidated Planning process.

The Department also is committed to developing better means of measuring the performance of community development efforts, with particular focus on HUD's formula programs administered by the Office of Community Planning and Development (CPD). HUD is working on better performance measures, as well as significant improvements in the Integrated Disbursement and Information System (IDIS), which is CPD's major data reporting system. An outcome performance measurement framework has been jointly developed and approved by key national public interest groups, HUD, and OMB. This framework applies to the four CPD formula programs—Community Development Block Grant, HOME, Emergency Shelter Grants, and Housing Opportunities for Person with AIDS—and will be incorporated into the improved IDIS for release in late 2006 or early 2007.

HUD also is taking steps to measure the impact of CDBG spending in communities. The Urban Institute (UI) has developed a model that uses median mortgage amount (a proxy for the price of housing) as an outcome indicator. UI is currently testing this model by comparing its outcomes to actual results in neighborhoods in three cities. At the same time, UI is building a web-based

demonstration platform that will incorporate the model, the relevant data, and the performance measures. More work needs to be done by HUD to evaluate and implement this evaluation tool. It is hoped that HUD can begin remotely evaluating the effectiveness of concentrating resources in designated areas during Fiscal Year 2007. Once that process is complete, specific performance indicators could be developed.

Neighborhood health is also affected by both the physical stock of housing and the social service network for those in need. HUD has a multi-part strategy to assist families and individuals experiencing chronic and temporary homelessness—first, to consolidate its homeless assistance grants and reduce the administrative burden on jurisdictions to administer multiple programs; second, to increase the focus of HUD’s resources on housing while working with other agencies to ensure that the service needs of homeless people are met through other mainstream programs; third, to increase the budget resources available for the Homeless Assistance Grants program; and, fourth, to continue to focus on ending chronic homelessness and thereby free up additional resources to reduce overall homelessness. In addition, HUD will assess how its own mainstream housing assistance programs can better serve the homeless population.

Finally, HUD has multifaceted programs to support abatement of lead-based paint hazards, provide grants to test affordable new maintenance renovation and construction methods to prevent both emerging and well-recognized housing-related childhood diseases, and widespread educational efforts in both areas.

Specific programmatic activities in Fiscal Year 2006 will include:



### Community Development Block Grants

The President’s budget proposal for Fiscal Year 2006 does not include funding for the Community Development Block Grant (CDBG) program. Rather, under the President’s budget proposal, the CDBG program would be one of 18 federal programs whose funds would be consolidated into the Strengthening America’s Communities Initiative at the Department of Commerce. However, considerable resources from previous appropriations have yet to be fully expended by states and localities. Therefore, the use of these resources will continue to produce significant accomplishments that benefit low- and moderate-income persons, including those resulting from job creation and housing assistance activities.

Other CDBG-related community development components are:

- ***University Partnership grant programs.*** The budget continues the University programs as part of the Office of Policy Development and Research program budget. Through this program, HUD helps colleges and universities, including minority institutions, engage in a wide range of community development activities, and supports graduate programs that attract minority and economically disadvantaged students to participate in housing and community development fields of study.
- ***Indian Community Development Block Grant (ICDBG).*** Funding for the ICDBG program will be incorporated into the larger Native American Housing Block Grant program. A key focus will remain further reduction in overcrowding in Indian Country.

## Programs to Help the Homeless

The Administration is deeply engaged in meeting the challenge of homelessness that confronts many American cities. HUD is leading an unprecedented government-wide commitment to eliminate chronic homelessness. The Administration is fundamentally changing the way the nation manages the issue of homelessness by focusing more resources on providing permanent housing and supportive services for the homeless population, instead of simply providing more shelter beds. To support the overall effort, the Fiscal Year 2006 budget proposes a record level of funding of \$1.44 billion, reflecting a \$200 million increase.

As a first step, the Administration reactivated the U.S. Interagency Council on Homelessness to better coordinate the efforts of 18 federal agencies that address the needs of homeless persons. HUD and its partners are focused on improving the delivery of homeless services, which includes working to cut government red tape and simplifying the funding process for those who provide homeless services.

Several changes to homeless assistance programs are being proposed that will provide new direction and streamline the delivery of funds to the local and nonprofit organizations that serve the homeless population:

- ***Legislation to Consolidate Homeless Assistance Programs.*** HUD will propose legislation to consolidate its current competitive homeless assistance programs into a single program. The consolidated program will significantly streamline homeless assistance in this nation.
- ***Samaritan Initiative.*** The Fiscal Year 2006 budget includes a funding set-aside for a Samaritan Initiative to help address the President's goal of ending chronic homelessness. The Samaritan Initiative will provide new housing options as well as aggressive outreach and services to homeless people living on the streets. Persons who experience chronic homelessness are a sub-population of approximately 150,000 who often have an addiction or suffer from a disabling physical or mental condition, and are homeless for extended periods of time or experience multiple episodes of homelessness. These individuals, for the most part, get help for a short time but soon fall back to the streets and shelters. Research indicates that although these individuals may make up less than 10 percent of the homeless population, they consume more than half of all emergency homeless services because their needs are not comprehensively addressed.
- ***Prisoner Re-Entry Initiative.*** The Fiscal Year 2006 budget includes \$25 million in HUD funding, to help individuals exiting from prison make a successful transition to community life and long-term employment. This initiative will be carried out through the collaborative efforts of the Departments of Labor, Housing and Urban Development, and Justice.

## Housing for Persons With AIDS

In Fiscal Year 2006, the HOPWA program will serve an estimated 67,000 persons, many of whom are the most vulnerable clients of AIDS housing efforts. Resources will be targeted to help clients maintain housing stability, avoid homelessness, and access care while encouraging grantees to place greater emphasis on permanent supportive housing, while reducing the use of related supportive services that can be accessed through other mainstream health and human welfare programs.

## Health and Safety Programs

- ***Lead-Based Paint program.*** This program is the central element of the President's program to eradicate childhood lead-based paint poisoning. In Fiscal Year 2006, \$119 million in funding has been requested for the lead-based paint program. Grant funds are targeted to low-income, privately owned homes most likely to expose children to lead-based paint hazards. Included in the total funding is \$9 million in funds for Operation LEAP, which is targeted to organizations that demonstrate an exceptional ability to leverage private sector funds with federal dollars, and funds for technical studies to reduce the cost of lead hazard control. The program also conducts public education and compliance assistance to prevent childhood lead poisoning.
- ***Healthy Homes Initiative.*** The Healthy Homes Initiative targets \$9 million in funding to prevent other housing-related childhood diseases and injuries such as asthma and carbon monoxide poisoning. The President's Taskforce Report notes that asthma alone costs the nation over \$6 billion each year. Working with other agencies such as the Centers for Disease Control (CDC) and the Environmental Protection Agency, HUD is bringing comprehensive expertise to the table in housing rehabilitation and construction, architecture, urban planning, public health, environmental science, and engineering to address a variety of childhood problems that are associated with housing.
- ***FHA mortgage insurance.*** FHA provides mortgage insurance for specialized programs such as nursing homes, assisted-living facilities, and hospitals. This insurance allows the construction of these much-needed facilities in areas where private-sector credit is limited because of perceived risk.

## Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal C, "Strengthen communities," is summarized below.

- Through the White House Office of Faith-Based and Community Initiatives, an Administration-wide effort to better support the work of faith-based and community organizations, HUD and four other agencies are working to coordinate a national effort to strengthen the capacity of faith-based and other community organizations to better meet the social and economic needs in America's communities.
- HUD is a member of the Interagency Council on Homelessness with 19 other federal agencies. The Council coordinates federal programs supporting homeless families and individuals to minimize duplication and improve overall results.
- HUD will continue to work with the Departments of HHS and VA to better integrate HUD housing for homeless persons with HHS and VA service resources. HUD plans to work in collaboration with the Departments of Labor and Justice on the \$300 million four-year program to help individuals exiting from prison make a successful transition to community life and long-term employment.
- HUD is collaborating with the White House Office of National AIDS Policy and with HHS in coordinating federal resources to address challenges of the HIV/AIDS epidemic. These efforts involve discussion on defining case management and in the coordination of training and technical

assistance for providers of housing, health care, and other social services for persons with HIV/AIDS. In addition, HUD continues its collaboration with the CDC on a study of the connections of homelessness or stable housing to HIV transmission and the progression of HIV disease, to assist CDC in gaining understanding, and to help prevent HIV transmission.

- HUD works with the Department of Justice and the EPA to enforce the Lead Disclosure Rule of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which requires that landlords and sellers of housing constructed prior to 1978 provide each purchaser or tenant with information about lead hazards.
- HUD is working on the Healthy Homes Initiative with the CDC, the EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences. Under the initiative, HUD awards grants to public and private organizations and makes agreements with other federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries.
- HUD has entered into a memorandum of agreement (MOA) with USDA committing mutual efforts and resources to improving the quality of life in the Southwest Border Region. An Interagency Task Force includes other federal agencies to better direct limited resources to the region, address jurisdictional issues, and enhance collaborative efforts.
- HUD is continuing joint research with the Federal Emergency Management Agency that will help reduce the risk and economic impacts of floods.

### External Factors

***Community and economic development.*** The success of distressed communities in improving their economic conditions depends heavily on broad macro-economic trends in their region and the nation. Economic slowdowns can lead to higher unemployment rates, reduced revenues, and lower spending on public services by states and localities. A rapidly changing global economy has made it challenging for Americans to compete when capital is highly mobile, markets for goods and services are widely dispersed, and wages for low-skilled employment are much lower in many locations abroad. Local shortages of low-skilled jobs may result from mismatches between the locations of available jobs and the residences of the unemployed. Many older urban communities have adopted aggressive strategies to alleviate these mismatches and strengthen neighborhoods, but they face numerous barriers including tax rates, scarcity of land, scattered or absentee ownership of vacant properties, and large concentrations of poor residents. Rural communities often face different challenges because of the changing structure of the farming industry, underinvestment, weak infrastructure, limited services, and few community institutions.

***Homelessness.*** Success in helping the homeless achieve housing stability is affected by a variety of factors beyond HUD's control. The incidence of homelessness is driven by macroeconomic forces such as unemployment levels, the supply of low-skilled jobs, and the availability of low-cost housing. Personal factors such as domestic violence, mental illness, substance abuse, disabilities, HIV/AIDS, other chronic health issues, and the extent of a person's educational or job skills also contribute to homelessness. Discrimination against persons with



disabilities can also lead to homelessness. The Department's success in achieving this objective also depends critically on the efforts of a wide variety of community partners.

## Ensuring Equal Opportunity in Housing

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HUD is committed to working cooperatively with all stakeholders to promote and enforce U.S. fair housing laws. These laws help ensure that all households, regardless of race, color, religion, sex, national origin, disability and familial status, have fair and equal access to rental housing and homeownership opportunities. Staff in HUD's Office of Fair Housing and Equal Opportunity (FHEO) contribute to fair housing enforcement and education by directly enforcing federal fair housing laws, which involves, among other things, investigating and conciliating complaints brought by victims of discrimination or fair housing organizations. In appropriate cases, attorneys in HUD's Office of General Counsel issue charges of discrimination, and litigate cases on behalf of the complainant before an administrative law judge. A central HUD strategy in ensuring equal opportunity in housing is to encourage local creativity in promoting housing choice. This strategy is reflected in the following two primary grant programs that fund state and local fair housing efforts:



### Fair Housing Assistance Program (FHAP)

The FHAP program provides funds to state and local government entities that administer laws substantially equivalent to the Federal Fair Housing Act. Fiscal Year 2006 funds, totaling \$22.7 million, will continue the following: (1) funding for the National Fair Housing Training Academy to better train civil rights professionals and housing partners in conducting fair housing investigations; (2) funding for discrimination cases processed by state and local fair housing agencies; and (3) funding to assist new state and local enforcement agencies with start-up costs.

The Department supports FHAP agencies by providing funds for capacity building, complaint processing, technical assistance, administration, and training.



### Fair Housing Initiatives Program (FHIP)

The FHIP program provides grant funds for nonprofit FHIP agencies nationwide to directly target discrimination through education, outreach, and enforcement. The FHIP program for Fiscal Year 2006 is structured to respond to the finding of the three-year Housing Discrimination Study and related studies that reflect the need to expand education and enforcement efforts nationally as a result of continuing high levels of discrimination. The requested funds will also continue to support the following special initiatives:

- ***Education and Outreach Initiative.*** Educational outreach is a critical component of HUD's ongoing efforts to prevent or eliminate discriminatory housing practices. Recent studies have demonstrated the continuing need for public education on fair housing laws. The Fiscal Year 2006 budget provides \$4.2 million for fair housing outreach, which will enable grantees to conduct 200 community events reaching a projected 160,000 individuals with information about their rights and responsibilities under the Fair Housing Act.
- ***Fair Housing Accessibility FIRST.*** Promoting the fair housing rights of persons with disabilities is a departmental priority and will remain an important initiative within FHIP.

Fair Housing Act accessibility design and construction training and technical guidance is being implemented through *Fair Housing Accessibility First* (formerly called the Project on Training and Technical Guidance). Although no *Accessibility First* seminars will be conducted in Fiscal Year 2006, the Department is requesting \$400,000 to maintain a hotline and a website to provide guidance to housing professionals on design and construction challenges.

- ***Private Enforcement Initiative (PEI)***. PEI provides funding to private, tax-exempt organizations to investigate reports of discrimination, develop evidence on behalf of victims, and pursue complaints with government agencies and in the courts. Most significantly, PEI grantees are the nation's experts in "testing." Since housing discrimination is rarely overt, PEI grantees investigate complaints of discrimination by sending trained "testers" to inquire about housing availability and record their experiences. In Fiscal Year 2005, HUD created a "Performance Based Funding Component" (PBFC) for PEI, which it will continue in Fiscal Year 2006. This will allow high-performing enforcement agencies to receive continuous funding for three years to support agencies in implementing their strategic plans and developing long-term systemic investigations. For Fiscal Year 2006, approximately 38 percent of PEI's \$11.5 million budget will be used for PBFC.

### Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal FH, "Ensure equal opportunity in housing," is summarized below.

- HUD serves on the Interagency Task Force on Fair Lending, which coordinates enforcement of fair lending laws across the federal government. Through the Interagency Task Force on Fair Lending, HUD works with the Departments of Justice and the Treasury, the FDIC, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision to provide guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations.
- HUD and the Department of Justice (DOJ) continue to coordinate their fair housing enforcement activities, especially with respect to responding quickly and effectively to Fair Housing Act complaints that involve criminal activity (e.g., hate crimes), a pattern and practice of housing discrimination, or the legality of state and local zoning or other land use laws or ordinances.
- HUD also works with DOJ to promote fair housing for persons with disabilities. DOJ's Civil Rights Division has filed a number of lawsuits enforcing the accessible design and construction provisions of the Fair Housing Act as well as ensuring availability of group homes for individuals with disabilities. DOJ launched a new Civil Rights Division program, the Multi-Family Housing Access Forum, to assist building professionals to better understand their legal obligations under the Fair Housing Act's accessibility requirements and to promote compliance.



- HUD will continue to work with the DOJ and the Treasury to ensure that low-income housing tax credit (LIHTC) projects are in compliance with the Fair Housing Act. Under an MOU, the three agencies formalized a compliance process to ensure that LIHTC properties do not violate the Fair Housing Act.
- The Office of the Assistant Attorney General Civil Rights Division of the Department of Justice chairs the Interagency Working Group (IWG) on Limited English Proficiency (LEP). The IWG consists of representatives from all federal Civil Rights offices. The Group is working together to ensure effective and efficient implementation of Executive Order 13166 and Title VI of the Civil Rights Act of 1964 as it relates to LEP issues. The Group will ensure that persons with limited English proficiency will have meaningful access to federally funded and federally conducted programs and activities.



### External Factors

Social, cultural, and economic conditions influence the acceptance of minorities, persons with disabilities, and other protected classes. Local policies and practices impacting the development and construction of housing will continue to have some influence on the levels of discrimination, income isolation, and disparate homeownership rates. The need for accessible housing and housing that provides access to supportive services in community settings will be greater than before. In 1999, the Supreme Court ruled that states must place persons with disabilities in community settings rather than institutions when treatment professionals determine that community placement is appropriate (*Olmstead v. L.C.*). As a result of this decision, more persons with disabilities are moving into communities at a time when affordable housing is increasingly scarce.

## Embracing High Standards of Ethics, Management, and Accountability

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HUD continues to sustain its commitment to improving performance and maintaining the highest standards of ethics, management, and accountability. HUD strives to improve the management of its human capital, financial and information systems, and service acquisitions to support enhanced delivery of its mission, especially in the high-risk rental housing assistance and single-family mortgage insurance programs. These priorities are reflected in specific agreements made by the Department as part of the President's Management Agenda (PMA), which is designed to improve the efficiency and effectiveness of the federal government and to address significant management deficiencies at individual agencies. The PMA serves as a performance assessment structure for several of HUD's centralized administrative functions.

The PMA addresses HUD's management challenges and high-risk programs through five government-wide initiatives to improve government performance. The PMA also includes two HUD-specific initiatives to correct long-standing management control weaknesses and improper payment issues. Under an eighth initiative, HUD will improve program delivery by enabling increased participation by faith-based and community organizations. HUD continues to be a leader in the federal government on this initiative.

In addition to the PMA initiatives, which are described in the following pages, HUD pursues several strategies for helping employees and partners effectively deliver results to customers:

- Supporting accomplishment of goals in the APP by helping managers shape the annual Management Plan. HUD's Management Plan defines specific operational goals that dovetail with this APP while providing substantial emphasis and specificity about plans of individual field offices. Developing the Management Plan is a major annual undertaking that involves departmental resources in both headquarters and the field. The Management Plan reflects the integration of performance management principles and processes throughout the Department, including hands-on involvement of the Secretary, Deputy Secretary, principal staff, and top-level program managers of the Department.
- Increasing citizen access to information on HUD's programs and their local implementation, both through citizen participation and electronic government, by means such as satellite broadcasts, webcasts, and HUD's award-winning Internet site.
- Continuing to examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.
- Reducing regulatory burdens on PHAs through the proposed Flexible Voucher Program, which would allow local agencies to establish rent subsidies and policies while rewarding good management through performance-based incentives.
- Conducting program evaluation to improve and measure program performance. The majority of the Department's program evaluation is funded under the \$40.7 million research budget of the Office of Policy Development and Research. The research budget also funds basic housing surveys, performance measurement studies, and policy studies that contribute directly to HUD's performance management and budgeting efforts. Each year HUD's Performance and Accountability Report complements the reporting of performance indicators with a summary of key findings of program evaluations and research studies. The research results provide information about the extent and causation of program impacts that performance indicators alone cannot provide.
- Ensuring compliance by recipients of HUD funds with civil rights authorities and Section 3 of the Housing and Urban Development Act of 1968 through compliance and monitoring reviews.

### **Human Capital**

This PMA government-wide initiative is directed at improving the Government's most important asset, its "human capital." HUD's five-year Human Capital Management Strategy was developed with implementation plans to ensure that: 1) HUD's organizational structure is optimized; 2) succession strategies are in place to provide a continuously updated talent pool; 3) performance appraisal plans for all managers and staff ensure accountability for results and a link to HUD's mission goals and objectives; 4) diversity hiring strategies are in place to address under-representation; 5) skills gaps are assessed and corrected; and 6) human capital management accountability systems are in place to support effective management of HUD's human capital.

HUD has developed and will continue to implement a comprehensive strategic workforce plan that will guide its recruiting, hiring, and other key human capital efforts. A Human Capital Management Executive Steering Committee, comprising representatives from all HUD program areas, has developed a five-year strategic plan to focus on critical human capital issues.

Development of this strategic plan included a careful and comprehensive workforce examination and analysis to identify and confirm mission-critical positions, skills imbalances, as well as an assessment of the organizational impact and potential risks associated with the retirement eligibility of existing staff for HUD's core business functions. These reviews also required an assessment of management's plans to develop existing staff, hire new interns, and enhance external recruitment to ensure long-term capability of the workforce. Workforce plans for PIH, CPD, the Office of Housing, and FHEO have been completed. HUD is implementing workforce plans, including strategies to address skill gaps, during Fiscal Year 2005.



### **Competitive Sourcing**

This PMA government-wide initiative promotes the increased use of public-private cost comparison studies or competitions as a resource management tool. The objective is to determine whether contracted services would result in more cost-efficient operations and improved service delivery. HUD is currently performing one standard competition and two streamlined competitions under OMB Circular A-76. The Department is committed to using competitive sourcing as a means of achieving efficiencies, cost-effectiveness, and improved services, while minimizing program risks. Competitive sourcing will be considered in areas where the Department is experiencing performance problems or where workforce analyses identify existing or anticipated staffing or skill gaps in the HUD workforce. HUD looks forward to the successful completion of the competitions underway and will continue to explore other areas where competitive sourcing may be beneficial to the Department.



### **Improved Financial Management**

This PMA government-wide initiative is directed at improving and accelerating financial reporting and audit results, resolving material weaknesses and improving internal controls, and strengthening funds control and financial systems compliance. HUD has been working for several years to enhance and stabilize financial management systems to better support the Department and produce auditable financial statements. HUD also is looking to the future as it studies the feasibility, cost, and risk of various options for the next generation core financial management system.

HUD received four consecutive unqualified audit opinions for Fiscal Years 2000-2003, a strong indicator of the success of HUD's efforts to stabilize its financial management systems and operating environment. However, the Office of the Inspector General (OIG) was unable to complete its audit of HUD's Fiscal Year 2004 consolidated financial statements before OMB's accelerated deadline of November 15, 2004, and had to issue a disclaimer of an audit opinion. HUD management is unaware of any issue that would have precluded the Department from receiving an unqualified audit opinion on its Fiscal Year 2004 financial statements had the OIG been given additional time to complete its audit.

During Fiscal Year 2006, HUD will continue making progress to reduce the number of material weaknesses or reportable conditions in its financial systems. HUD's efforts to strengthen internal controls led to the elimination of another reportable condition issued in Fiscal Year 2004, but the auditors reported a new material weakness issue and a new reportable condition. HUD ended Fiscal Year 2004 with three material weaknesses and seven reportable conditions. At FHA, significant improvement in financial systems continued in 2004, as it achieved financial management milestones allowing new financial software to perform central accounting functions

of the FHA Comptroller's office, such as general ledger operations and cash management. During Fiscal Year 2006, FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions. This effort is to be completed by December 2006.

### **Expanded Electronic Government**

While HUD is pursuing increased electronic commerce and actively participating in government-wide "E-Government" projects, the PMA initiative also focuses on more fundamental HUD needs to improve the information technology (IT) capital planning process, complete a systems modernization blueprint or enterprise architecture to guide future development, convert to performance-based IT service contracts and strengthen IT project management to better assure results, and provide a secure systems environment for all platforms and applications. Under the PMA, HUD initiated or completed a number of improvements to the management of its IT portfolio, as follows:

***Enterprise Architecture.*** The enterprise architecture describes the current and planned design of the Department's business, information, and technology. With enterprise architecture, HUD identifies its needs and defines the technology needed to support business needs. In Fiscal Year 2006, HUD will complete its Enterprise Architecture.

***Information Technology Capital Planning.*** In 2000, HUD began following the GAO Information Technology Investment Management Maturity Framework to improve its Capital Planning and Investment Control process because a mature process will reduce project cost overruns, schedule slippages, and unproductive systems. During Fiscal Years 2005 and 2006, HUD will conduct activities related to portfolio performance evaluation and improvement and systems and technology succession management.

***IT Project Management.*** HUD's earned value management system data shows IT major project overruns and shortfalls average less than 10 percent as of December 30, 2004. During 2003, HUD implemented a system to allow project managers to report project status. IT Project business cases now identify the qualifications and competency of the individual serving as Project Manager using the OMB definition. HUD is taking steps to establish a central Information Technology Project Management Office, to provide system sponsors with centralized project management guidance and support.

***Data Quality Improvement.*** HUD's Enterprise Data Management Group (EDMG), which operates under the oversight of an agency-wide Data Control Board, is making strides to address data quality deficiencies. The EDMG has focused initial efforts on assessing critical data elements that HUD uses to measure and manage performance. Assessments are based on the information "value chain," encompassing data definitions, business rules, information architecture, data stewardship information, and data content quality. After program offices implement steps to correct and prevent deficiencies, the EDMG and Chief Information Officer certify the quality level that the information systems have achieved. In Fiscal Year 2005, HUD will have assessed the quality of 100 percent of its mission-critical information systems.

***Information Security.*** The Federal Information Security Management Act of 2002 establishes specific security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. During Fiscal Year 2006, the IT Security Office will

continue to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use, and modification.

**Electronic Government.** The Department is working toward increased electronic commerce and actively participating in the President's "E-Government" projects, such as the following:

- **Grants.gov.** HUD is participating in the [www.Grants.gov](http://www.Grants.gov) initiative that is deploying a unified electronic mechanism for federal grants information and applications. All of HUD's Fiscal Year 2004 funding opportunities are available on the [Grantsgov/FIND](http://Grantsgov/FIND) site. All of HUD's competitive grant programs' funding opportunities, except for the Continuum of Care program, are being made available on [Grants.gov/APPLY](http://Grants.gov/APPLY). The Continuum of Care will have an electronic application when [Grants.gov](http://Grants.gov) can accommodate multiple applications in a single submission.
- **HomeSales.gov.** HUD and its multi-agency partners launched the E-Government project [HomeSales.gov](http://HomeSales.gov) in September 2004. [HomeSales.gov](http://HomeSales.gov) integrates information from the three largest inventories of federal real property assets, HUD, VA, and USDA, to provide a single point of entry for prospective homebuyers to access all homes for sale from these agencies. [HomeSales.gov](http://HomeSales.gov) is the first joint government online listing of homes for sale by the government and provides a link to over 95 percent of the single-family homes for sale by government agencies. The [HomeSales.gov](http://HomeSales.gov) website makes it easier for potential homebuyers to find HUD and other government-owned homes that are for sale throughout the United States.
- **Online Rulemaking.** HUD has actively participated in the E-Rulemaking initiative. Currently, HUD is working collaboratively with other federal departments and agencies to establish the Federal Docket Management System (FDMS). FDMS will be a single point for citizens to access and participate in the federal government's rulemaking function, replacing the array of disparate systems currently in use and the paper-based process in effect at many agencies. Ultimately, this collaborative effort will deliver a federal-wide online rulemaking docket management system modified for HUD's use. In the interim, HUD has partnered with the Environmental Protection Agency, the Department of Homeland Security, and the Department of Agriculture's Animal and Plant Health Inspection Service in the Electronic Docket System (EDOCKETS). EDOCKETS, in operation since June 2004, permits members of the public to view HUD's public rulemaking docket electronically and comment on proposed and interim rules electronically.

### **Budget and Performance Integration**

This PMA government-wide initiative is directed at reducing the number of and better focusing performance measures, establishing program efficiency measures, and better integrating budget and performance information for use by program decision-makers. HUD continued to develop its Fiscal Year 2006 OMB budget submission with an emphasis on collecting and using higher quality performance information. Program evaluations and research were employed to inform decision-makers and to develop better measures of performance for programs, as reflected by the addition of a number of outcome indicators. The Fiscal Year 2006 budget process built on the Fiscal Year 2005 effort with an improved budget/performance template and greater effort to integrate performance into budget formulation. The budget also reflects a focus on the President's Management Agenda. The six resource tables that appear in this APP show the



allocation of budget resources and staff resources that are devoted to achieving each strategic goal, and enable the linking of resources with the results presented by the supporting performance indicators.

### Elimination of Improper Payments

The PMA originally had a HUD-specific goal to reduce substantial overpayments in low-income rent subsidies due to the incomplete reporting of tenant income and the improper calculation of tenant rent contributions. During Fiscal Year 2004, HUD surpassed all interim established reduction goals for the estimated \$2 billion in net annual rental assistance overpayments, with a reduction of 71 percent. In conjunction with implementing the new requirements of the Improper Payments Information Act of 2002, this goal became part of a separate new PMA initiative on the Elimination of Improper Payments at 15 federal agencies, including HUD. HUD is considered the leading federal agency on this initiative. The new initiative has several objectives:

- Establish an annual agency-wide risk assessment process that identifies all programs at risk of significant improper payments;
- Provide for annual estimates of improper payment levels in at-risk programs;
- Analyze the causes of improper payments in at-risk programs to serve as the basis for setting reduction goals and corrective action plans;
- Provide annual reporting of progress and results in attaining improper payment reduction goals.

During Fiscal Year 2006, HUD will migrate the Upfront Income Verification System to an Enterprise Income Verification System that will include all available income matching data sources for controlled use by program administrators in all HUD rental housing assistance programs. This increased computer matching capability has the potential to eliminate the majority of the remaining estimated improper rental housing assistance payments.

### HUD Management and Performance

This is a four-part PMA initiative that allows HUD to aggressively address its high-risk program and material weakness issues that are not covered by other PMA initiatives. These efforts are summarized below:

***Improve performance of housing intermediaries.*** HUD's considerable efforts to improve the physical conditions at HUD-supported public and assisted housing projects are meeting with success. HUD and its housing partners achieved the PMA housing quality improvement goals years before the target deadline and continue to seek ongoing improvement.

***Improve FHA program controls.*** HUD continues its commitment to a number of significant actions taken to improve FHA risk management by reducing risks to homebuyers and the FHA funds. These actions included: Attacking predatory lending practices that encourage families to buy homes they cannot afford and cause homeowners to lose their homes by refinancing into loans with high interest rates; issuing a new "Appraiser Qualifications Rule" to establish stronger professional credentials for FHA-approved appraisers that play a key role in validating the values of FHA-insured mortgages; improving the risk-based targeting of FHA's compliance monitoring of lenders and establishing a measure of the effectiveness of that monitoring; establishing a new "Appraiser Watch" process wherein appraisers with poor performance records are automatically

targeted for monitoring and disqualification from program participation if they have violated FHA standards; and establishing the Technology Open to Approved Lenders Scorecard, an automated credit risk analysis tool used in conjunction with an automated underwriting system. This scorecard will increase lenders' underwriting efficiency and decrease losses to the FHA through more consistent, objective evaluations of the credit worthiness of borrowers, and provide better integration of automated underwriting systems usage with FHA's existing processes and workflow. Also, the HUD budget ensures that consumer education and enhanced financial literacy remain potent weapons in combating predatory lending.

***Reduce meaningless compliance burdens.*** HUD is working closely with local program stakeholders to streamline the Consolidated Planning process to make it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures to gauge their performance. A rule proposed in 2004 would amend the Consolidated Plan regulations to make clarifying and streamlining changes that are expected to make the Consolidated Plan a more effective management tool for tracking results, and thereby achieving the President's Management Agenda goal. During Fiscal Year 2006, HUD will be implementing the regulatory changes to the Consolidated Plan; tracking the use of the Consolidated Plan Management Process tool by grantees and assessing their satisfaction with the tool; developing a performance measurement framework for all grantees; and implementing the first phase of the modernization of the Integrated Disbursement and Information System and the Consolidated Plan.

***Improved Acquisition Management.*** HUD continues to pursue a strategy to improve the reliability and usefulness of information about the procurement process. HUD's centralized contracting management will be strengthened with complete and reliable data on the number and expected cost of active contracts, the types of goods and services acquired, and obligations and expenditures. Other aspects of HUD's acquisition management improvement strategy are being addressed through the human capital strategic implementation plan, which incorporates actions to enhance HUD's procurement staff capacity and improve guidance and training for HUD's acquisition workforce.



### **Coordination with Other Federal Agencies**

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal EM, "Embrace high standards of ethics, management, and accountability," is summarized below.

- HUD is participating in a number of the President's E-Government initiatives that span the federal government. As examples, the [www.Grants.gov](http://www.Grants.gov) initiative is deploying a unified electronic mechanism for federal grants interactions and the E-Rulemaking initiative will establish a single point for the public to access all federal regulatory material and participate in rulemaking.
- HUD will continue to coordinate with and rely on the Department of Justice to accept civil referrals of multifamily development owners who have troubled management. Criminal referrals are sent to HUD's Inspector General.

- HUD will continue to show leadership in housing and community development policy by supporting cooperative research efforts. These include an MOU with the Internal Revenue Service to work closely in efforts to link low-income individuals and families to free tax preparation, electronic filing, and asset building assistance from the IRS; and coordination with the Department of State to enter into an MOUs to facilitate information exchange with counterpart housing officials from other countries.
- HUD continues to participate in the interagency FedStats task force to facilitate electronic data dissemination. FedStats is intended to provide an interagency clearinghouse for statistical data that will transform existing information searches from a fragmented, agency-focused process to a more unified and customer-oriented one. Additionally, HUD has taken a leadership role in extending FedStats with city data and linking HUD applications with FedStats applications.
- HUD continues to work with other federal agencies to attain tenant income data that is critical in the effort to eliminate improper rental housing assistance payments. In 2004, HUD received statutory authority to work with the Department of Health and Human Services to pursue enhanced computer matching capability using the National Directory of New Hires database. In Fiscal Year 2006, HUD plans to expand its Enterprise Income Verification System to include all available income match data sources, including Social Security Administration Retirement and SSI benefit information, for controlled use by all rental housing assistance program administrators, inclusive of multifamily housing project owners and management agents.

## Goal FC: Promote Participation of Faith-Based and Community Organizations

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In Fiscal Year 2006, HUD's Center for Faith-Based and Community Initiatives will continue to play a key role in facilitating intra-departmental and interagency cooperation regarding the needs of faith-based and community organizations. The Center will focus on research and expanding outreach, training, and coalition building. The Center works to further HUD's overall strategic goals and objectives—particularly as they relate to partnership with faith-based and community organizations. A range of activities will promote connections between the extensive resources of the federal government and the vision, commitment, and expertise of community-based religious and voluntary organizations that are on the frontlines.



### **Outreach and Technical Assistance to Faith-Based and Community Groups**

In Fiscal Year 2006, HUD's Center for Faith-Based and Community Initiatives will continue to execute a comprehensive outreach and technical assistance plan for faith-based and community organizations, attempting to level the playing field for HUD's formula and competitive grants. The Center will encourage access to local funds by making grant processes more transparent. This will be accomplished in part by conducting "Art & Science of Grant Writing" workshops at least 20 times in cities around the country, and by publicizing local grant opportunities, points of contact, and examples of recent grants to faith-based and community grassroots organizations. The Center will also attend at least 50 conferences for outreach purposes. More than 7,000 eligible faith- and community-based organizations currently in the Center's database will be kept informed of educational and grant opportunities through periodic email and fax "blasts." Faith-based organizations are beginning to compete more widely and effectively as shown in their



success in increasing the number of grants from 659 in 2002 to 765 in 2003, a 16 percent increase.

### **Annual Department-wide Inventory**

The Center is charged with conducting, in coordination with the White House Office of Faith-Based and Community Initiatives (WHOFBCI), an annual department-wide inventory to identify barriers to participation of faith-based and community organizations in the delivery of social services. This review may include barriers created by regulations, rules, orders, internal policies and practices, and outreach activities that either discriminate against or otherwise discourage the participation of faith-based and community organizations in HUD programs.

### **Pilot Projects And Partnering with HUD Program Offices**

The Center will continue to partner with HUD program offices to establish mutual goals and identify opportunities to assist the offices in carrying out their strategic plans and objectives, with particular regard to strengthening and expanding their faith-based and community partnerships. The Center will continue to propose and develop innovative pilot and demonstration programs to increase the participation of faith-based and other community organizations in programming changes, contracting opportunities, and other departmental initiatives.

For Fiscal Year 2006, HUD will analyze the results of its “Unlocking Doors” initiative and work with HUD program offices to incorporate the findings in HUD programs. Launched in 2005, “Unlocking Doors” includes discussions with the offices of mayors in six designated cities, to identify what methods and practices were used that have made the city successful in its community housing efforts, highlighting effective partnerships with faith and community-based organizations. HUD also provided support to these cities to enable them to reach more people, expand their successful partnerships, and further their efforts to promote affordable housing and homeownership.

The Center also will analyze the implementation of the grants awarded in Fiscal Year 2005 under an Office of Public and Indian Housing pilot project aimed at encouraging PHAs to enlist area faith-based and community organizations in supplying mentors for public housing residents moving toward self-sufficiency. This pilot is testing a fee-for-service model in which the faith-based and community organizations are remunerated for the service they provide according to stipulated self-sufficiency benchmarks.

### **Educating Government Personnel**

The Center participates in HUD field conferences, training sessions, and seminars to educate HUD personnel and state and local governments on the faith-based and community initiative.

### **Coordination with Other Federal Agencies**

In addition to private partners and state and local government, HUD relies on other federal agencies to help accomplish its goals. Highlights of the interagency coordination associated with Strategic Goal FC, “Promote participation of faith-based and community organizations,” are discussed below.

HUD's Center for Faith-Based and Community Initiatives will partner with the Centers for Faith-Based and Community Initiatives at the Departments of Education, Health and Human Services, Justice, Labor, Agriculture, and the U.S. Agency for International Development to plan and conduct interagency events and conferences. The conferences are designed to educate and train faith-based and community organizations on partnership opportunities, launch pilot and demonstration projects, and build partnerships between corporations, foundations, and nonprofit organizations.



### External Factors

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



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**SECTION THREE**  
*Performance Indicator Detail*

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## Goal H: Increase Homeownership Opportunities

*Strategic Objectives:*

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

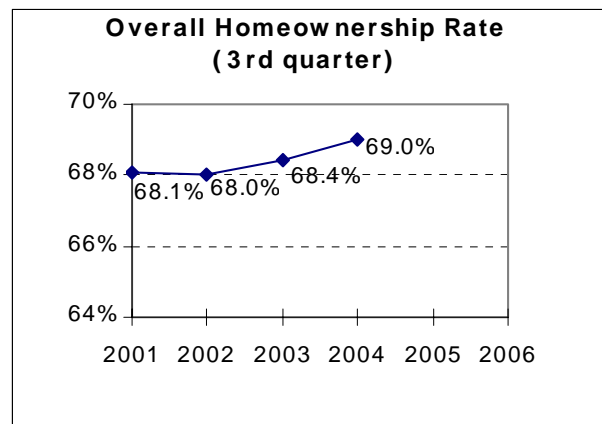
### Objective H.1: Expand national homeownership opportunities.

#### H.1.1: Improve national homeownership opportunities.

**Indicator background and context.** This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. The overall homeownership rate indicates the share of households that have achieved the “American dream” of homeownership. Homeownership is widely believed to encourage commitment to communities and good citizenship. The homeownership rate has reached record levels in recent years, but is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. HUD programs helped families take advantage of strong economic conditions to increase homeownership in recent years, contributing to a record 69 percent homeownership rate by the end of Fiscal Year 2004 (the third quarter of 2004).

HUD is promoting overall homeownership by striving to increase homeownership among subgroups that face greater barriers, including minority and low-income families, as well as families in central cities. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new

homeowners (if total households remain constant). Such results are well within the scope of HUD program impacts reported under indicators H.1.3, H.1.4 and H.1.12, among others. Nevertheless, demographic and economic factors may limit the rate of progress in the near term.



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

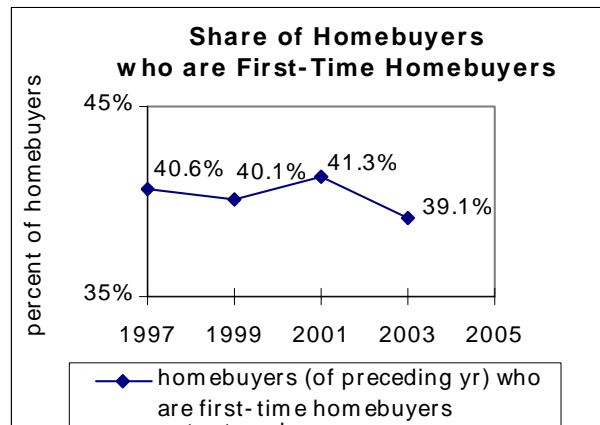
**Limitations/advantages of the data.** CPS data have the advantage of being nationally representative, reliable, and widely recognized. Changes in estimated rates exceeding 0.25 percentage points are statistically significant with 90 percent confidence.

**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D.

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

**Indicator background and context.** This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Increases in overall ownership rates generally result when better opportunities become available for first-time homebuying by low- and moderate-income households. The most recent available data show that the percentage of homebuyers who were first-time homebuyers decreased by 2.2 percentage points from 2001 levels to 39.1 percent in calendar year 2003. (For each year shown, the results represent households that reported purchasing their home in the previous year.) A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.

**Data source.** The American Housing Survey (AHS), conducted for HUD by the Census Bureau. The data represent homeowners who reported, during the (odd) year shown, that they moved during the previous (even) year from a renter-occupied to owner-occupied unit.



**Limitations/advantages of the data.** AHS data are available only biennially, and with a time lag. Calendar year 2005 AHS data will become available during Fiscal Year 2006. Information on first-time status was missing for 4.4 percent of homebuyers surveyed in 2003, so those households were excluded.

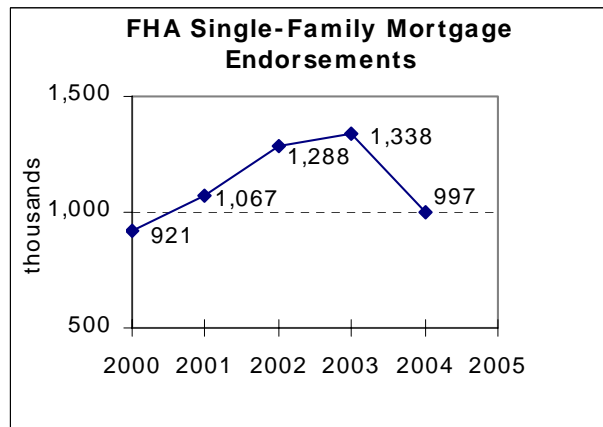
**Validation, verification, improvement of measure.** See discussion of the AHS in Appendix D.

**Validation, verification, improvement of measure.** See discussion of the AHS in Appendix D.

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

**Indicator background and context.** This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured loans, and is a key component of the Department's efforts to improve the national homeownership rate and fulfill the President's commitment in 2002 to create 5.5 million new minority homeowners by 2010. This indicator has important implications for first-time and minority homeownership in addition to overall homeownership.

While the number of FHA mortgage endorsements is a key measure of HUD's contribution to homeownership, the actual rate achieved during Fiscal Year 2006 will be dramatically affected by market forces outside of HUD's control, especially interest rates. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the huge effect the market plays in the final result, the Department has decided to track this measure, but not establish a numeric goal for Fiscal Year 2006.



**Data source.** FHA's Single Family Data Warehouse, based on the F17 Computerized Homes Underwriting Management System (CHUMS).

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

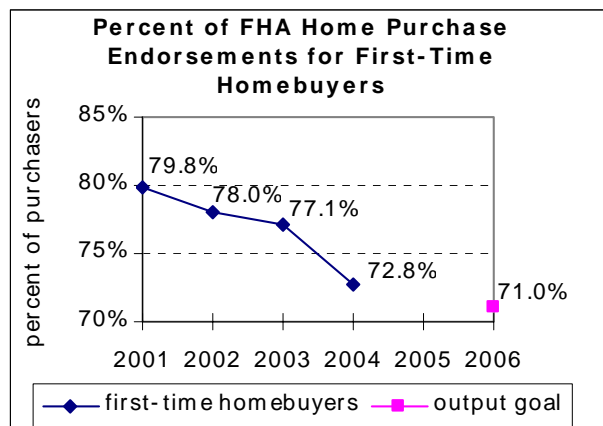
**Validation, verification, improvement of measure.** FHA data are entered by direct-endorsement lenders with monitoring by FHA.

#### H.1.4: The share of first-time homebuyers among FHA home purchase endorsements is 71 percent.

**Indicator background and context.** FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower-income buyers. HUD will help increase the overall homeownership rate, as well as reduce the homeownership gap between whites and minorities, by increasing FHA endorsements for first-time homebuyers. This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding loans made for home improvements. The FY 2006 goal is to ensure that 71 percent of home purchase mortgages endorsed for insurance by FHA are to first-time homebuyers.

**Data source.** FHA's Single-Family Data Warehouse, based on the F17 Computerized Home Underwriting Management System (CHUMS).

**Limitations/advantages of the data.** This performance measure is strongly influenced by macroeconomic factors beyond FHA's control, including, but not limited to, interest rate changes and choices made by lenders concerning the type of mortgage transactions on which they focus their business. FHA data on first-time buyers are more accurate than estimates of first-time buyers in the conventional market.





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

#### H.1.5: Ginnie Mae securitizes at least 90 percent of eligible single-family fixed rate FHA loans.

**Indicator background and context.** Ginnie Mae creates a secondary market for residential mortgages securitizing a high share of eligible fixed rate Federal Housing Administration (FHA) loans. The securitization of FHA fixed rate mortgages increases the availability of funds for lenders making these loans and thereby decreases the cost associated with making and servicing the loans. The decrease in cost helps lower mortgage cost for homebuyers using federal government housing credit.

Since 1970, Ginnie Mae has guaranteed the issuance of \$2.3 trillion in mortgage-backed securities that have provided affordable housing for over 31 million households. In Fiscal Year 2006, Ginnie Mae is requesting \$200 billion in new commitment authority that will provide housing for more than one million additional families.

**Data source.** Ginnie Mae database of monthly endorsements by FHA and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System (MBSIS).

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

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

#### H.1.6: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

**Indicator background and context.** The Department is placing more emphasis on housing counseling, including it as a requirement for several programs such as the Housing Choice Voucher (formerly Section 8) homeownership program. Clients tracked through this indicator include those individuals receiving housing counseling for pre-purchase reasons, including clients who are preparing to purchase a home or working to become mortgage-ready. Depending on the state of the economy and the housing market, demand for various types of counseling rises and falls. For example, in bad times, the demand for default counseling rises and the proportions receiving rental counseling and homeless counseling may also vary for reasons outside HUD's control. Because HUD cannot predict what the economy will be like in Fiscal Year 2006 when the Fiscal Year 2005-funded counseling will be provided, it cannot predict with any confidence what the specific demand will be for various types of counseling. As a result, HUD will focus on outcomes for those who receive counseling, rather than aiming to serve a specific number of people. The Fiscal Year 2006 performance goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

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

**Limitations/advantages of the data.** A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each homebuyer or homeowner. The quality and level of counseling can vary significantly.

**Validation, verification, improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality-counseling practices. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA significantly revised the form HUD-9902. The new form was implemented in October 2002, to coincide with the Fiscal Year 2002 grant cycle. The first summary results utilizing the new form were made available during the second quarter of Fiscal Year 2004.

**H.1.7: The number of homebuyers who have been assisted with HOME is maximized.**

**Indicator background and context.** Historically, the Home Investment Partnerships (HOME) program has reported on “committed units,” for which HOME Participating Jurisdictions (PJs) had contractual obligations committing HOME funds. Beginning in Fiscal Year 2006, only “units completed” or number of households actually assisted will be used for this and other HOME indicators in the Annual Performance Plan, since this provides a more accurate and reliable measure of accomplishment. The number of households projected to become homeowners in Fiscal Year 2006 with HOME assistance is estimated to be 36,001. Of this number, 10,000 will be assisted through the use of funds provided under the American Dream Downpayment Initiative (ADDI). Enacted by Congress in 2003, ADDI is a set-aside under HOME that provides downpayment assistance to first-time homebuyers. The first funds were distributed to PJs in Fiscal Year 2004. Based upon the history of HOME funding, the number of minority homebuyers assisted with HOME funds will be 18,720—52 percent of the 36,001 new homeowners. In addition to assisting homebuyers, HOME will help 9,220 existing homeowners rehabilitate their homes up to standard condition in Fiscal Year 2006. The Fiscal Year 2006 goal shows a decrease from the estimated Fiscal Year 2005 level due to the effects of inflation on housing production—calculated at 3 percent annually—together with the level funding of HOME in recent years.

**Data source.** Grants Management System (GMS)/Integrated Disbursement and Information System (IDIS), containing completion reports submitted by PJs.

**Limitations/advantages of the data.** HUD relies on PJs to enter data into IDIS. Historically, there has been a time lag between the time when project construction is complete or assistance is provided and the time when this information is entered into IDIS.

HOUSEHOLDS ASSISTED THROUGH HOME	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 goal	FY 2006 goal
New Homebuyers	24,757	23,241	25,867	28,517	26,806	26,001
Down Payment Initiative	NA	NA	NA	2,263	8,000	10,000
Minority Households Assisted				10,934	19,139	18,720
Existing-homeowner rehabilitation				10,112	9,505	9,220

**Validation, verification, improvement of measure.** Community Planning and Development (CPD) field staff verify program data when monitoring grantees, and grantee reports are subject to independent audits.

**H.1.8: The number of homeowners who have used sweat equity to earn assistance with SHOP funding reaches 1,500.**

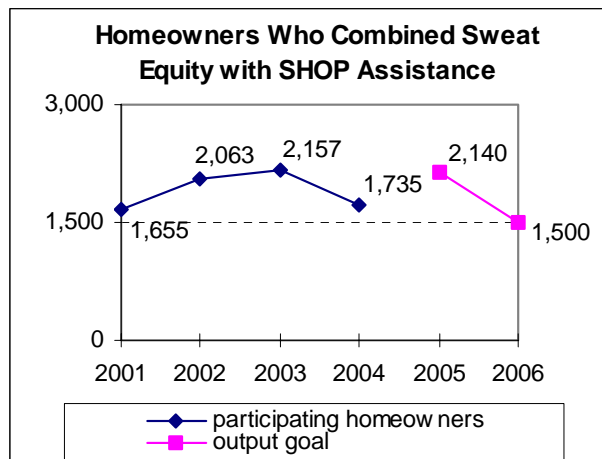
**Indicator background and context.** This indicator tracks the number of homeowners assisted with funding from the Self-Help Homeownership Opportunities Program (SHOP). Under SHOP, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related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

In Fiscal Year 2006, the full effect of the Fiscal Year 2004 increase from \$10,000 to \$15,000 in the allowable average per-unit SHOP assistance level will be in place. Consequently, the Fiscal Year 2006 assistance goal is 1,500 households—a decrease from the 1,735 households assisted in Fiscal Year 2004. The 20 percent increase in SHOP funding requested in Fiscal Year 2006, compared to the Fiscal Year 2005 appropriation level, would only impact performance beginning in Fiscal Year 2007. Given the nature of the competitive process, Fiscal Year 2006 funds will only be awarded to successful SHOP applicants in the fourth quarter of Fiscal Year 2006.

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

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

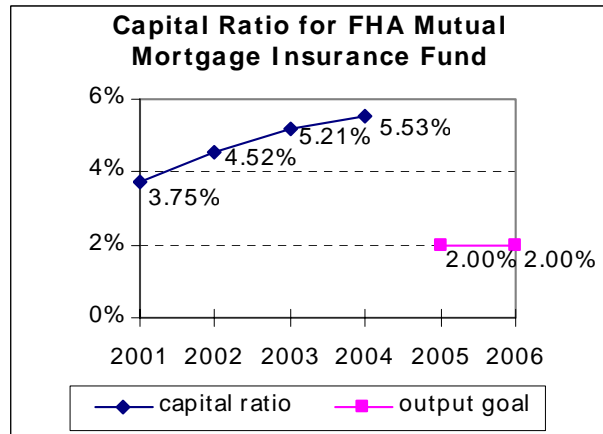
**Validation, verification, improvement of measure.** HUD headquarters staff monitor grantees to ensure that reported accomplishments are accurate.



**H.1.9: The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.**

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

The capital ratio is an important indicator of the MMIF's financial soundness and of its continuing ability to make homeownership affordable to more renters when economic downturns increase insurance claims. The capital ratio is defined as the sum of FHA's capital resources plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses) divided by the amortized insurance-in-force. The capital ratio has exceeded the congressionally mandated 2 percent threshold for solvency since 1995.



**Data source.** Annual independent actuarial review of the MMIF.

**Limitations/advantages of the data.** The data are generated and solvency is assessed independently. FHA data are entered by direct-endorsement lenders and loan servicers with monitoring by FHA.

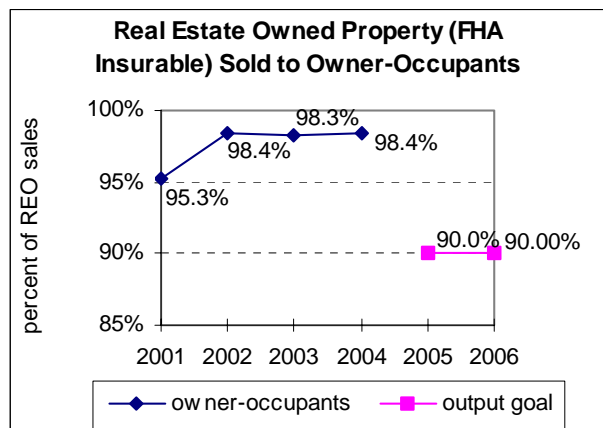
**Validation, verification, improvement of measure.** The annual independent actuarial review of FHA's MMIF includes an estimate of the current and projected capital ratio.

**H.1.10: The share of FHA-insurable real estate owned (REO) properties that are sold to owner-occupants is 90 percent.**

**Indicator background and context.** This indicator tracks one measure of the Department's success in expanding homeownership opportunities and helping stabilize neighborhoods. HUD intends to increase sales of its FHA-insurable REO homes directly to families that will occupy them rather than to investors. The Fiscal Year 2006 goal is to ensure that the share of FHA-insurable REO properties that are sold to owner-occupants is 90 percent.

**Data source.** FHA's Single Family Acquired Asset Management System (SAMS).

**Limitations/advantages of the data.** The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of FHA's portfolio and as a component of the internal controls of FHA. This performance indicator considers only properties that are in a physical condition acceptable to qualify for FHA insurance at the time of sale. HUD regulations require that properties be sold as-is without repairs. By excluding sales of properties that, on the basis of their physical condition, are not appropriate for owner occupant purchasers, FHA is able to measure the



expansion of homeownership opportunities to this segment of the homebuyer market more effectively.

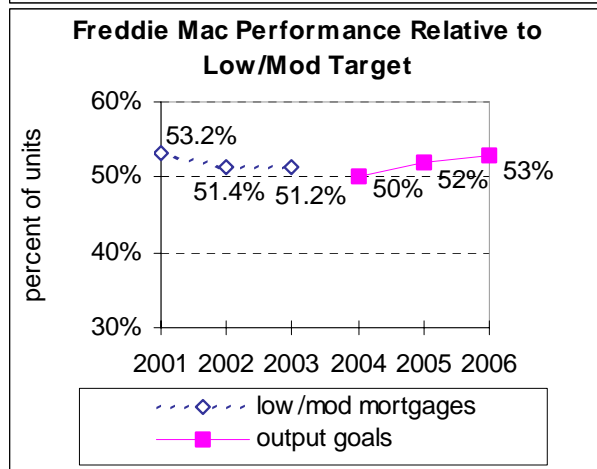
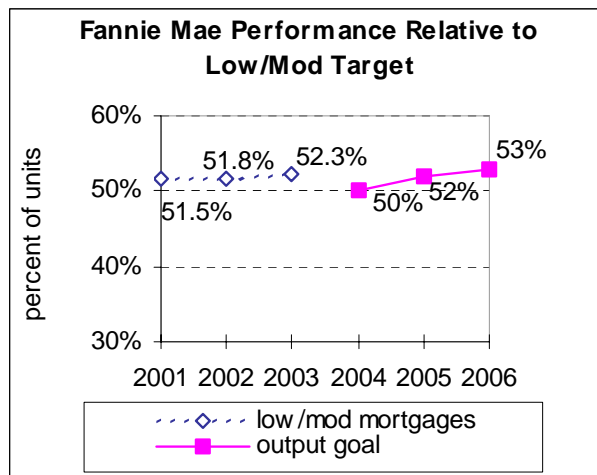
**Validation, verification, improvement of measure.** REO data are covered by the Inspector General’s audit.

**H.1.11: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.**

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

In November 2004, HUD published a new final rule that significantly increased the low- and moderate-income housing goal for 2005–2008. The new goal levels will rise in nearly equal steps from year to year. In 2005, the housing goal will be 52 percent, compared with the goal of 50 percent that had been in effect for 2001–2004. In 2006, the goal will rise to 53 percent. In 2007, it will be 55 percent before rising to 56 percent in 2008 for both GSEs.

HUD set the new goals with the objective of ensuring that the two GSEs fulfill their mandate to provide leadership to the mortgage market. By 2008, the goal level will match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s estimated market share range for 2005–2008. HUD’s low- and moderate-income targets measure the two GSEs’ purchase performance relative to all eligible mortgages that finance housing for families earning no more than the area median income. These include mortgages for both purchasing and refinancing single-family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.



In addition to the broader low- and moderate-income target, HUD's final rule also implemented a new home purchase subgoal under the low- and moderate-income housing goal. This subgoal targets the two GSEs' performance in serving the homeownership segment of the low- and moderate-income market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by the two GSEs that finance the purchase of single-family, owner-occupied properties located in metropolitan areas. In 2005, the low- and moderate-income home purchase subgoal is 45 percent for each GSE. This figure will rise to 46 percent in 2006, and 47 percent in 2007 and 2008. HUD established the home purchase subgoal to encourage the GSEs to improve their efforts in expanding homeownership opportunities for these income groups (defined for the two GSEs as households with incomes less than or equal to the area median).

**Data source.** HUD's GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on single-family and multifamily loan purchases, and include mortgages for multifamily rental properties. The data are based on calendar year rather than fiscal year lending, and are presented for performance reporting purposes on a one-year lagged basis.

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

**H.1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant (CDBG), the Indian Housing Block Grant (IHBG), and the Native Hawaiian Housing Block Grant (NHHBG).**

**Indicator background and context.** This is a new indicator that tracks homeownership assistance provided through a number of formula block grant and other programs. Some of the information was previously reported under indicator A.1.3, and this new indicator is intended to provide clearer reporting on resources and results between rental assistance and homeownership assistance. HUD has several other programs that contribute to homeownership and are discussed as separate indicators. They include the FHA single-family mortgage program, the Self-Help Opportunity Program (SHOP), and the Housing Counseling program.

The CDBG program is a flexible block grant that provides grantees wide discretion in their use of funds. For Fiscal Year 2006, the President's budget proposal includes CDBG as one of 18 federal programs whose funds would be consolidated into the Strengthening America's Communities Initiative at the Department of Commerce. However, CDBG funds from prior year appropriations that have not yet been expended will generate significant outcomes in Fiscal Year 2006. A significant proportion of CDBG funding is used for housing rehabilitation, with a much smaller percentage used for homeownership assistance. For 2006, CDBG has separate goals for both owner-occupied rehabilitation, 115,525 and assistance directly contributing to homeownership, 11,452. In 2004, the IHBG program provided 6,240 households with homeownership assistance through housing rehabilitation, new construction, and acquisitions.



The same number is projected for both Fiscal Years 2005 and 2006. The NHHBG program is projected to assist 188 families with homeownership in Fiscal Year 2006, based on recent trends and projected funding levels. Actual performance may vary because grantees, not HUD, are responsible for identifying the activities they will carry out each year with their block grant funds.

<b>HOMEOWNERSHIP/HOME REHABILITATION ASSISTANCE</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005 goal</b>	<b>2006 goal</b>
CDBG (homeownership assistance)	NA	NA	NA	11,865	11,452
CDBG (owner-occupied rehabilitation)			115,146	119,678	115,525
Indian Housing Block Grant	NA	NA	6,240	6,240	6,240
Native Hawaiian Housing Block Grant	NA	188	188	188	188

**Data source.** CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement Information System (IDIS), estimates of future budget outlays, and a 3 percent reduction due to the impact from inflation.

Indian Housing Block Grant and Native Hawaiian Housing Block Grant data come from tribal recipients through Annual Performance Reports. The data are captured in the Performance Tracking Databases of each area Office of Native American Programs (ONAP) office and aggregated into a national database at ONAP headquarters. IHBG totals include carry-over activities funded through the 1937 Housing Act.

**Limitations/advantages of the data.** While IDIS imposes some data limitations, enhancements to the system, including the recent implementation of completion edits, have resulted in a continuous improvement in data quality. The re-engineering of IDIS is in progress and should address remaining data limitation issues over the next few years. The CDBG program has also undertaken an aggressive data cleanup campaign to increase data accuracy in IDIS and reduce reporting errors by grantees.

**Validation, verification, improvement of measure.** Field staff from the Office of Community Planning and Development and ONAP verify program data when monitoring grantees.

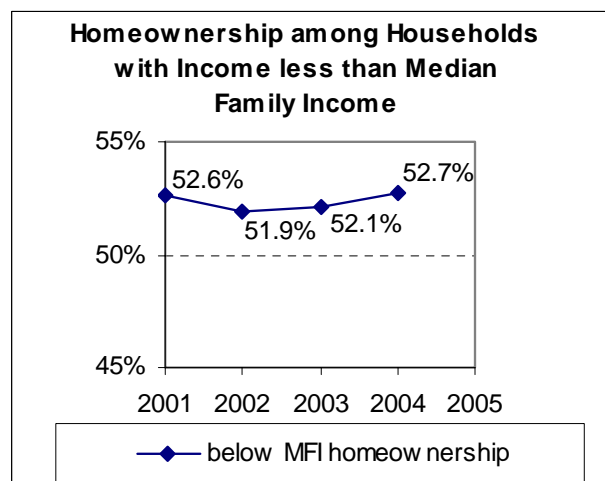
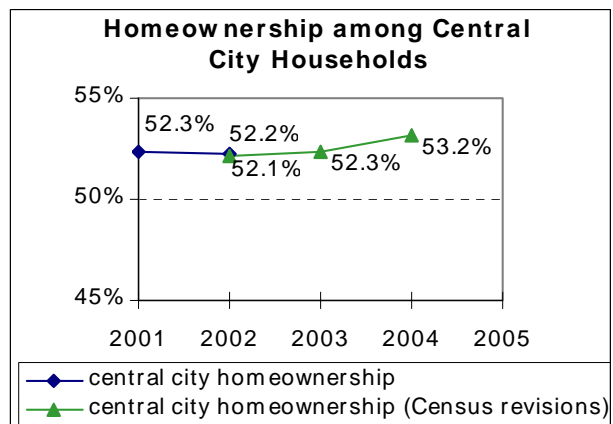
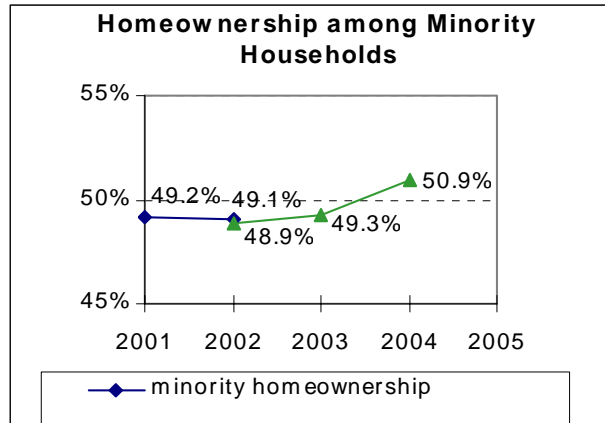
## Objective H.2: Increase minority homeownership

### H.2.1: The homeownership rate among targeted households.

**Indicator background and context.** Three tracking indicators help HUD understand the degree of progress in promoting homeownership among underserved populations. These are measures of homeownership among racial and ethnic minority households, households with incomes below the area median income, and households in central cities. Targets are not established for these indicators because of the current dominant impact of the macroeconomy.

While homeownership rates have increased for each of these populations in recent years during periods of low mortgage interest rates, HUD's programs have also played a significant supporting role. Minority households represented 37.2 percent of FHA-insured first-time homebuyers in Fiscal Year 2004. HUD's strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing.

The Department is requesting significant funding for the Housing Counseling program. New counseling resources will help more members of minority and other underserved groups build the knowledge to become homeowners and sustain their new tenure by meeting the ongoing responsibilities of homeownership. CDBG and HOME block grant programs are among the Department's largest programs, and each has a sizable homeownership component. Nearly half of households that receive HOME assistance receive homebuyer assistance, about 29,000 homebuyers annually.





**Data source.** The indicators are based on third-quarter estimates from the Current Population Survey (CPS), conducted by the Census Bureau. This time period corresponds to the last quarter in HUD’s fiscal year.

**Limitations/advantages of the data.** CPS data are free of serious problems, and the sample size is sufficient to report this measure with low variance. Changes in homeownership rates are statistically significant with 90 percent confidence when they exceed 0.53 percentage points for minority homeownership and 0.43 points for households with incomes below median family income.

Revised estimates provided for 2002 and beyond reflect Census 2000 population information and housing unit controls. As shown for comparison, these changes reduced 2002 estimates of overall minority homeownership by 0.2–0.3 of a percentage point. The 2003–2004 minority homeownership values also reflect new survey procedures that let respondents select more than one race.

**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D.

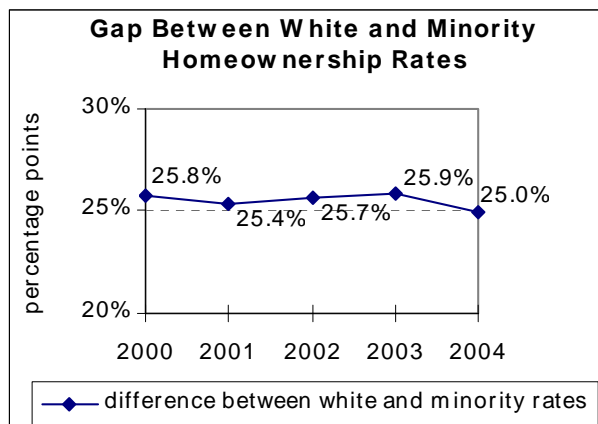
### H.2.2: The gap in homeownership rates of minority and non-minority households.

**Indicator background and context.** This tracking indicator assesses progress for one of HUD’s central objectives, removing homeownership barriers and increasing homeownership among minorities. No numeric target is established because of the current dominant impact of the macroeconomy. In 2002, President Bush launched a new initiative to increase the number of minority homeowners by 5.5 million by 2010. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator measures the difference in percentage points between the homeownership rate of households who are “non-Hispanic white alone” and the homeownership rate of minority households. The homeownership gap reached a record low of 25.0 percentage points for Fiscal Year 2004, reflecting continuing strength in minority home purchases.

**Data source.** Quarterly estimates from the Current Population Survey (CPS) are averaged on a fiscal year basis to allow timely reporting.

**Limitations/advantages of the data.** CPS data have the advantage of being nationally representative, reliable, and widely recognized.

**Validation, verification, improvement of measure.** This indicator replaces an indicator based on the American Housing Survey, allowing timelier and more frequent reporting. See discussion of the CPS in Appendix D.

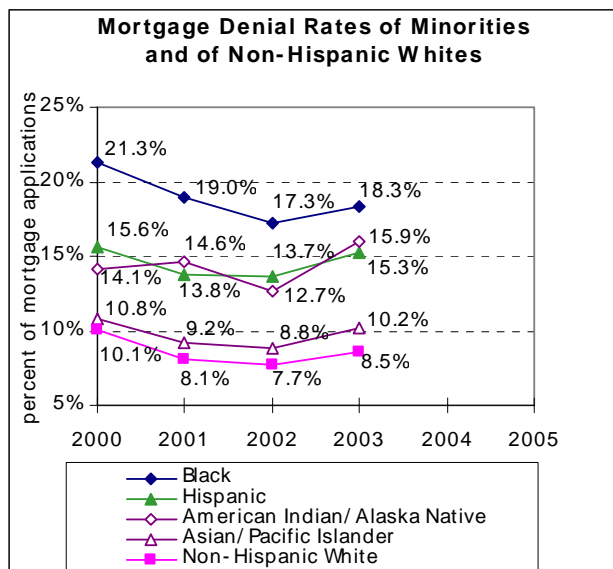


### H.2.3: The mortgage disapproval rates of minority applicants.

**Indicator background and context.** This tracking indicator for minority mortgage disapproval rates is an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership rates. However, lender decisions about which applications to accept or deny are primarily beyond HUD's control.

Mortgage disapproval rates for minority applicants remain substantially higher than disapprovals for non-minority white applicants. The primary causes of disparities in mortgage denial rates are differences in average disposable income and creditworthiness. In some cases lenders have been shown to discriminate against minority applicants for mortgages by disapproving their mortgages while approving non-minorities who were less creditworthy or had less income. In such cases HUD can take fair housing enforcement actions. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, encourage increased lending to minorities. In addition, FHA can endeavor to increase minority lending through targeted marketing and counseling to potential home purchasers.

The most recent calendar year data show that disapprovals for minority households overall increased from 13.7 percent in 2002 to 15.3 percent in 2003. Among non-Asian minorities, denials increased from 14.7 percent to 16.3 percent. Increased denial rates occurred during a year when low interest rates stimulated a record volume of home purchase applications. As a result, the higher denial rates conceal the fact that these data show 1.30 million minority home purchase applications were approved in 2003, a substantial increase from 1.12 million approved applications in 2002.



**Data source.** Home Mortgage Disclosure Act (HMDA) database, consisting of calendar-year data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC) and HUD. The mortgage applications counted are conforming loans or loans insured by FHA, VA, or the Rural Housing Service, and are limited to owner-occupied single-family home purchases from metropolitan areas. This measure excludes refinance mortgages, which have a higher proportion of subprime lenders, and manufactured home mortgages, because a recent increase of reporting by manufactured home lenders in HMDA causes difficulties in interpreting the overall data.

**Limitations/advantages of the data.** HMDA data are available with a one-year lag (calendar 2005 data will become available in August 2006). Although largely reliable, the data do not in themselves demonstrate discriminatory practices for several reasons. First, minority status is correlated with other characteristics of applicants that affect their creditworthiness. Second, lender outreach to minorities sometimes increases the denial rates even as it increases the number of minority homeowners. Further, there is no reliable way to identify loans from subprime lenders in HMDA data, and the effect of subprime loan applications on home purchase denial rates is unclear.

The race categories used for this indicator are not the same as the Census-derived categories reflecting single and multiple races that are used for other measures beginning in 2003. The 2003 data are based on 2000 metropolitan area definitions rather than the 1990 definitions used for previous estimates. A recent trend of rising incidence of missing race/ethnicity data for applications improved significantly with a reduction from 13.7 percent missing in 2002 to 11.3 percent missing in 2003.

**Validation, verification, improvement of measure.** The FFIEC and HUD use automated data quality procedures and other checks to verify that data submissions are reasonable and accurate. HUD assessed the impact of several technical factors on the reported results. First, tests showed that rounding the “conforming” loan limit for GSE mortgage purchases up to the nearest \$1,000 would decrease the 2002 denial rate by 0.1 percentage point. The 2003 estimate reflects this decision rule. Second, a change in OMB geography definitions from “metropolitan areas” to “Core-Based Statistical Areas” (which include micropolitan areas) would cause a negligible increase of 0.01 percentage points in the 2003 result. The Core-Based Statistical Areas definition will be used in future reporting of this indicator.

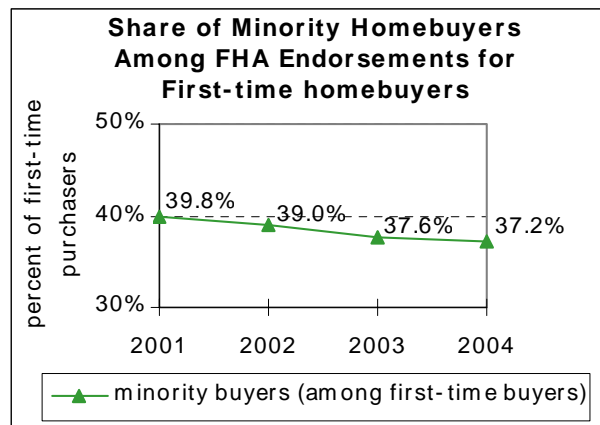
#### H.2.4: The share of first-time minority homebuyers among FHA home purchase-endorsements.

**Indicator background and context.** FHA is a major source of mortgage financing for minority as well as lower-income buyers. Increasing the number of FHA endorsements for first-time minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. This is a tracking indicator because FHA has limited control regarding the percentage of minority participation.

**Data source.** FHA’s Single-Family Data Warehouse, based on data submitted by direct-endorsement lenders to the F17 Computerized Home Underwriting Management System (CHUMS).

**Limitations/advantages of the data.** The data are judged to be reliable for this measure.

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



#### H.2.5: HUD will continue to monitor and enforce Fannie Mae and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.

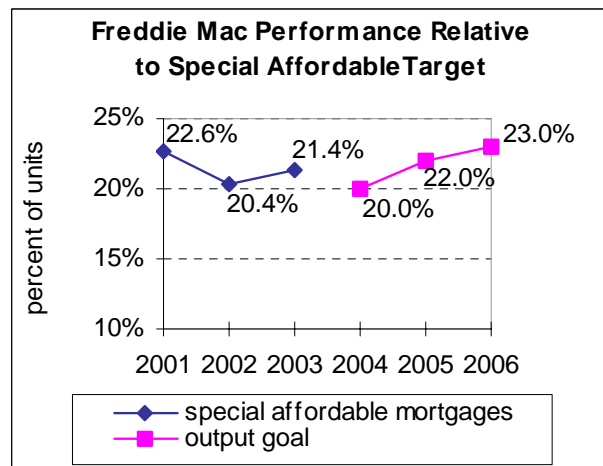
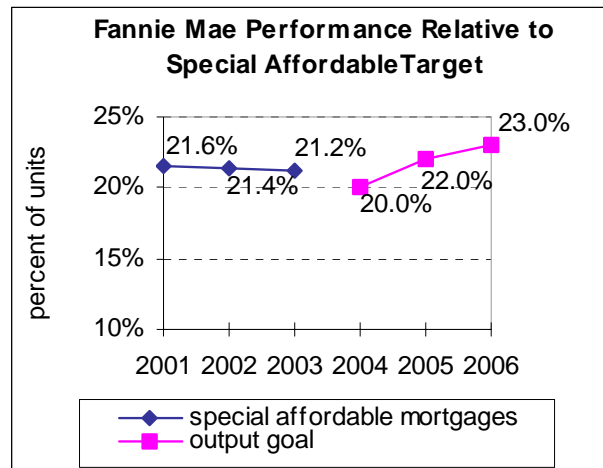
**Indicator background and context.** One of the three public purpose goals that HUD sets for Fannie Mae and Freddie Mac, as GSEs, involves the number of loans in the “special affordable” mortgage category. Qualifying mortgages support homes for very-low-income households with incomes up to 60 percent of area median, or for low-income households earning up to 80 percent of area median located in low-income areas. Increasing homeownership in these groups will

contribute to the outcome of increasing homeownership in central cities as well as among lower-income families.

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

In November 2004, HUD published a new final rule that significantly increased the HUD reviewed affordable housing goals for the two GSEs for the 2005–2008 period. The new goals will rise in nearly equal steps from year-to-year. In 2005, the Special Affordable housing goal will increase to 22 percent for both GSEs compared to the goal of 20 percent that had been in effect for 2001–2004. In 2006, the goal will be 23 percent, in 2007 it will rise to 25 percent, and in 2008, the goal will be 27 percent. HUD set the new goals with the objective of ensuring that the two GSEs fulfill their mandate to provide leadership to the mortgage market. By 2008, the goals match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s estimated market share range for 2005–2008. HUD’s special affordable housing targets measure the two GSEs’ purchase performance relative to all eligible mortgages. These include mortgages for both purchasing and refinancing single-family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader target for special affordable housing, HUD’s final rule also implemented a new home purchase subgoal under the special affordable housing goal. This subgoal targets the two GSEs’ performance in serving the homeownership segment of the special affordable housing market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by the two GSEs that finance the purchase of single-family owner-occupied properties located in metropolitan areas. In 2005 and 2006, the special affordable home purchase subgoal is 17 percent for each of the two GSEs. This figure will rise to 18 percent in 2007 and 2008. The purpose of this subgoal is to encourage Fannie Mae and Freddie Mac to improve their purchases of home purchase mortgages on special affordable housing, thus expanding homeownership opportunities for very-low-income borrowers and low-income borrowers in low-income portions of metropolitan areas.



**Data source.** HUD's GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and are presented for performance reporting purposes on a one-year lagged basis.

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

#### H.2.6: Minority clients are at least 50 percent of total clients receiving housing counseling in Fiscal Year 2006.

**Indicator background and context.** The Department is placing more emphasis on Housing Counseling, including it as a requirement for several programs such as the Housing Choice Voucher (formerly Section 8) homeownership program. The Fiscal Year 2006 performance goal is to ensure that minority clients are 50 percent of total clients receiving HUD-funded housing counseling. The housing counseling program is an integral part of helping increase the minority homeownership rate. In order to specifically target and increase the overall amount of funding benefiting the minority community, the Department is setting aside housing counseling appropriations specifically for counseling in conjunction with the Housing Choice Voucher program, agencies serving colonias, and predatory lending. Clients tracked through this indicator include those receiving various forms of housing counseling—homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling.

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

**Limitations/advantages of the data.** A major limitation of the data collection instrument, implemented in revised form during October 2002, is that in using the standard federal categories for reporting Race and Ethnicity, persons self-identifying as "White" and "Hispanic" are aggregated at the agency level into the single category "White," preventing HUD from obtaining an accurate total of all persons who self-identify as "Hispanic," and those that would otherwise identify as "white, non-Hispanic." As a result, the Department's ability to accurately assess the total share of minority clients receiving HUD-funded housing counseling is limited. The type of analysis needed to accurately determine clients' racial and ethnic identity cannot be performed without client-level data collection, which is costly, time-consuming, and burdensome for the Housing Counseling agencies.

**Validation, verification, improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality-counseling practices. The Department is exploring how to collect client-level data to track outcomes. Preliminary analysis of FHA data indicates a modest positive impact of housing counseling on FHA default rates for Black and Hispanic families. The decision to revise this performance indicator for Fiscal Year 2006 to report housing counseling to minority clients on the basis of a percentage share of all clients counseled instead of a whole number target was made to lessen the dependence of the indicator on fluctuations in budget resources from year to year. HUD can work to increase the percentage of minorities whether the appropriation decreases, remains unchanged, or increases.



**H.2.7: Section 184A mortgage financing will guarantee loans creating 40 housing units for Native Hawaiian homebuyers.**

**Indicator background and context.** This indicator tracks the number of Section 184A loans made to construct, acquire, or rehabilitate single-family housing located on the Hawaiian Home Lands. The Department plans to use the Section 184A program to encourage large-scale development through commercial lenders. The Office of Loan Guarantees will assess the potential impact and credit risks associated with the program when individual borrowers apply. Eligible borrowers include the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, or a private nonprofit organization experienced in Native Hawaiian affordable housing. The Native Hawaiian Loan Guarantee (Section 184A) program is directed toward meeting the President’s goal of increasing minority homeownership. It also supports the President and Secretary’s goal of adding 5.5 million minority homebuyers by the end of the decade. In addition, this program directly supports the strategic goal to increase homeownership opportunities. The Department’s goal is to guarantee four Section 184A loans to create 50 housing units in 2005, and loans to create an additional 40 units in 2006.

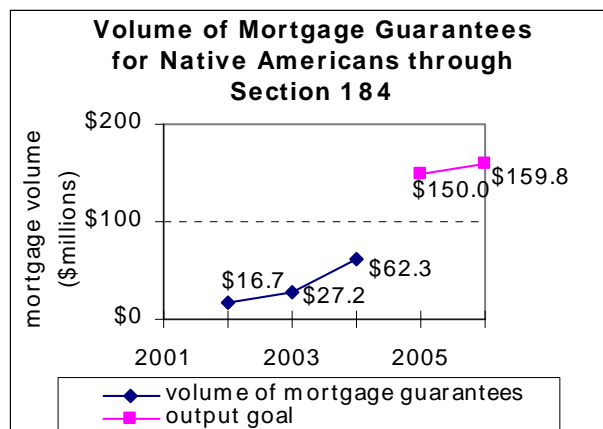
**Data source.** The PIH Office of Native American Programs’ (ONAP’s) Office of Loan Guarantee administrative records.

**Limitations/advantages of the data.** ONAP/Office of Loan Guarantee data consist of a straightforward and easily verifiable count of administrative records.

**Validation, verification, improvement of measure.** The Director, Office of Loan Guarantees, will verify counts.

**H.2.8: Section 184 mortgage financing of \$159.8 million is guaranteed for Native American homeowners during Fiscal Year 2006.**

**Indicator background and context.** This indicator tracks the annual volume of homeownership loans for Native Americans guaranteed under the Section 184 program. Homeownership rates on reservations are historically low. Because of the unique legal status of reservation lands, lenders have been hesitant to assume the risk of providing mortgage financing for property that cannot be used as collateral. Other constraints include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of homebuilders and developers. The Native American Housing Loan Guarantee fund provides credit subsidies that support loan guarantees to address these issues. The guaranteed loans can be used to purchase, construct, or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas. The Department’s Fiscal Year 2006 goal is to issue guarantees for new mortgages of \$159.8 million, building on a goal of \$150 million for Fiscal Year 2005. These goals represent an ambitious expansion of efforts to promote homeownership among Native Americans. This goal also targets the key presidential and secretarial priority of increasing minority homeownership.



**Data source.** PIH ONAP administrative data.

**Limitations/advantages of the data.** The indicator uses a straightforward and easily verifiable count of administrative records.

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

## Objective H.3: Make the homebuying process less complicated and less expensive

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**H.3.1: Respond to 1,000 inquiries and complaints from consumers and industry regarding RESPA and the homebuying and mortgage loan process.**

**Indicator background and context.** The Real Estate Settlement Procedures Act (RESPA) is a consumer protection statute administered by HUD. RESPA helps consumers be better shoppers in the homebuying and mortgage loan process by requiring that consumers receive disclosures at various times in the transaction and by prohibiting practices, such as paying kickbacks, that increase the cost of settlement services. RESPA also provides consumers with protections relating to the servicing of their loans, including proper escrow account management. The Department currently receives RESPA questions and complaints from consumers, industry, and other state and federal regulatory agencies by mail, telephone, and email. From consumers, it also receives requests for assistance.

HUD's Office of RESPA and Interstate Land Sales tracks inquiries and responses regarding the homebuying and mortgage process, as well as questions and complaints from industry and state and federal regulators regarding practices that violate RESPA. Recent efforts by the Office to increase public awareness of its enforcement of RESPA have helped bring additional violations to HUD's attention, and have enabled the Department to provide greater assistance to the public, particularly consumers.

**Data source.** RESPA complaint and response data will be compiled from the PO 30 Case Tracking System and Website email box.

**Limitations/advantages of data.** The complaints received give the Department an indication of specific violations and types of violations occurring, which assists enforcement. However, the number of complaints received does not by itself support definitive conclusions about the compliance of industry with RESPA. The Department's responses to the inquiries and complaints received are a measure of its public assistance and enforcement activities.

**Validation, verification, improvement of measure.** Management reviews tracking system and email data on an ongoing basis.

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

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

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

FHA-INSURED SINGLE-FAMILY LOANS REVIEWED	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Loans reviewed	22,138	20,942	20,722	21,115	21,442
Loans with findings	9,867	11,424	11,483	11,983	10,420
Total findings	20,778	23,501	25,427	25,635	27,437

**Data source.** Loan review and findings data are drawn from the Approval Re-certification/Review Tracking System (ARRTS).

**Limitations/advantages of the data.** Data are generated independently and entered into the ARRTS system by outstationed QAD monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers.

**Validation, verification, improvement of measure.** Data submitted by QAD monitors are subject to secondary review and verification by FHA Homeownership Centers. QAD functions and data are included in the Annual FHA Financial Statements audit.

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

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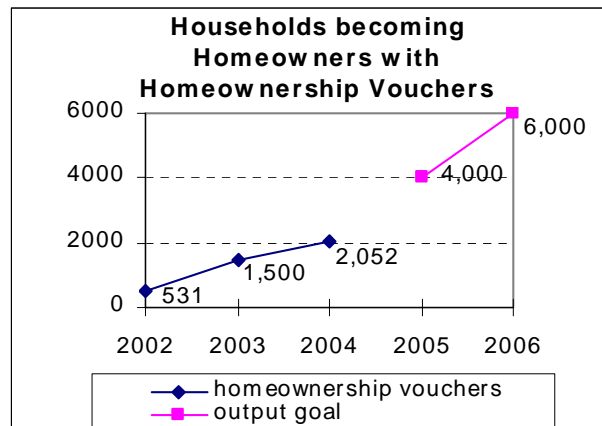
H.5.1: Increase the cumulative homeownership closings under the homeownership option of the Housing Choice Voucher/Flexible Voucher program to 6,000 by the end of Fiscal Year 2006.

**Indicator background and context.** Increasing homeownership among low-income and minority households is one of the Department's most important initiatives. The homeownership



option under the Housing Choice/Housing Certificate Fund voucher program helps accomplish this objective by allowing PHAs to provide voucher assistance to low-income first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance. This indicator tracks the annual number of homeowners assisted with voucher funds.

Since its inception in 2001, this program has grown annually. As of Fiscal Year 2004, 2,052 households have become homeowners through homeownership vouchers. Although the Department plans to significantly expand homeownership voucher utilization in Fiscal Year 2005 through the use of an administrative fee incentive, the actual increase achieved in Fiscal Year 2006 will continue to be affected by several factors, including PHA capacity, availability of financing for first-time low- and-moderate-income homebuyers, availability of a Fiscal Year 2006 administrative fee incentive, market forces, and interest rates.



The Fiscal Year 2005 goal is to increase the cumulative number of homeownership closings to 4,000 households from the Fiscal Year 2004 figure of 2,052. The goal for Fiscal Year 2006 is to increase the cumulative number of voucher homeownership closings to 6,000, from 4,000 closings in Fiscal Year 2005.

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

**Limitations/advantages of the data.** The status of a household receiving homeownership vouchers is a relatively straightforward and easily verifiable statistic. Long-term success of households in remaining homeowners cannot be captured by this measure.

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

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

**Indicator background and context.** The ROSS program, through the Homeownership Supportive Services (HSS) grant category, provides funds to PHAs, tribes/TDHEs, and qualified nonprofit organizations to deliver homeownership training, counseling, and other supportive services to residents of public and Indian housing. The HSS grants are designed to build upon

other self-sufficiency efforts by providing participating residents with the supportive services they need in order to move from rental housing to homeownership.

**Data source.** Data currently come from reports that HSS grantees submit to field offices. In the future, grantees will report through a ROSS Internet-based logic model. Grantees establish their baselines from their approved work plan and report results as of January 31 and July 30 of each grant year.

**Limitations/advantages of the data.** The number of residents receiving the services and the type of homeownership supportive services is relatively straightforward. As of the end of Fiscal Year 2004, due to lack of funding, the Department had not been able to implement an Internet-based logic model reporting system for ROSS HSS. The program office anticipates developing such a system during Fiscal Year 2005 so that the baseline may be established.

**Validations, verification, improvement of measure.** The field office monitors grant implementation. The goal to increase residents receiving homeownership supportive services may need recalibration once the baseline is established and the Internet-based reporting system is made operational.

### H.5.3: HUD works to expand public housing agencies' use of the Section 32 homeownership program, resulting in the submission of 12 proposals in Fiscal Year 2006.

**Indicator background and context.** The Quality Housing and Work Responsibility Act (QHWRA) permits PHAs, through Section 32 of the U.S. Housing Act of 1937, to make public housing dwelling units and other units available for purchase by low-income families as their principal residence. The final Section 32 rule (published March 11, 2003, effective April 10, 2003) and homeownership program replaced the Section 5(h) rule and homeownership program. This indicator tracks HUD's efforts to expand the use of the Section 32 homeownership program and, thereby, the homeownership opportunities available to public housing residents and other low-income individuals. Under Section 32, a PHA may:

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

By expanding awareness of this program, the Department plans to have at least 12 new Section 32 proposals in Fiscal Year 2006.

**Data source.** Public Housing Information Center System (PIC) and records of the Office of Public Housing Investments (OPHI), including specifically the Special Applications Center (SAC).

**Limitations/advantages of the data.** Data are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** Section 32 homeownership proposals are submitted to OPHI for review and approval. Activities under the program are monitored and verified by the HUD field offices and through the use of PIC.

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

### H.6.1: Loss mitigation claims are 50 percent of total claims on FHA-insured single-family mortgages.

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

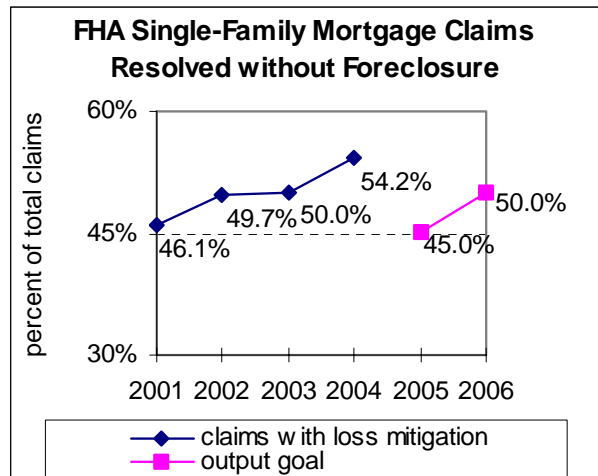
The use of loss mitigation as a share of total claims increased from 46.1 percent in Fiscal Year 2001 to 54.2 percent in Fiscal Year 2004. The Fiscal Year 2006 goal is to ensure that 50 percent of the total number of claims are resolved through loss mitigation, representing a large increase from the target of 40 percent in 2004.

Loss mitigation actions do not permanently stabilize many borrowers’ financial status. However, about 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period. This reduction in foreclosure claim expenses is a key component of departmental budget estimates for Fiscal Year 2006. HUD’s programmatic objective is to sustain the high level of participation in loss mitigation even as the Office of Housing tightens programmatic requirements designated to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

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

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

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



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

**Indicator background and context.** This indicator measures outcomes for clients who receive default counseling from HUD-approved housing counseling agencies. Clients tracked through this indicator include any homeowner who is at risk of mortgage default or has already defaulted, and who seeks counseling in order to remain in his or her home and meet the responsibilities of homeownership. By limiting delinquency and foreclosure, default counseling is a cost-effective way to reduce FHA's exposure to risk while contributing to the growth and stability of families and communities across the country. Moreover, default counseling is increasingly important during periods of economic downturn, when job losses and low wages make it more difficult for families to meet their financial obligations, and default rates rise. This indicator measures the share of total mortgagors who, after seeking help with resolving or preventing mortgage delinquency, have successfully avoided foreclosure. In Fiscal Year 2004, 42 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency successfully avoided foreclosure.

**Data source.** FHA collects data on default outcomes from housing counseling grantees through the form HUD-9902. During Fiscal Year 2003, a revised form HUD-9902 was implemented that facilitates the identification of the client's specific counseling needs and the improved tracking of outcomes, such as mortgage delinquency resolution, among other updates. Using this data collection instrument, FHA is able to more accurately assess the share of mortgagors receiving default counseling that successfully avoid foreclosure.

**Limitations/advantages of the data.** One limitation of the data is that mortgagors can, and often do, go in and out of default. Consequently, a mortgagor whose outcome was recorded as a 'reinstated' in a given year could actually result in "foreclosure" in another year.

**Validation, verification, improvement of measure.** To improve the quality of counseling data and make it useful for this type of performance measure, FHA significantly revised the form HUD-9902 to facilitate the improved tracking of outcomes. The new form was implemented to coincide with the Fiscal Year 2002 grant cycle and the first summary results utilizing the new form were made available during the second quarter of Fiscal Year 2004. On the basis of this summary data, FHA established a new housing counseling baseline in April 2004.

## Goal A: Promote Decent Affordable Housing

### *Strategic Objectives:*

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

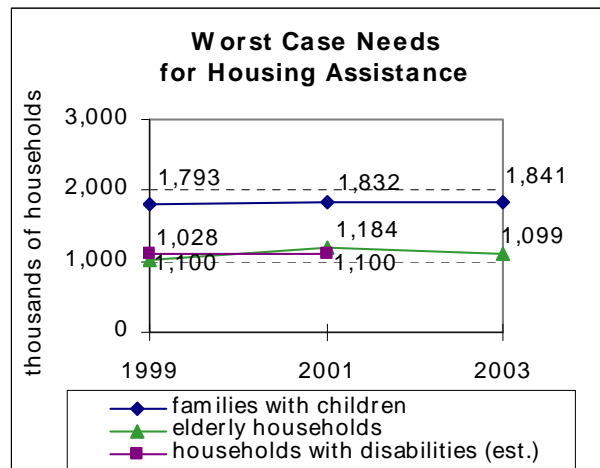
### Objective A.1: Expand access to affordable rental housing.

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

**Indicator background and context.** Due to the strong effect of macroeconomic conditions on worst case housing needs, this is a tracking indicator. Households with “worst case needs” are defined as unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing. This indicator focuses on three groups with special vulnerabilities: families with children, elderly households, and persons with disabilities. National and regional economic conditions affect worst case needs by changing the number of very-low-income households and the availability of affordable private-market rental units.

A substantial portion of HUD’s budget helps program partners meet the affordable housing needs of very-low-income renters. Contributing programs include vouchers, project-based Section 8, public housing, HOME, CDBG, HOPWA, homeless programs, multifamily mortgage insurance, and capital advances for supportive housing under Sections 202 and 811. Collectively these programs keep about 5 million households out of worst case status.

**Data source.** The American Housing Survey, conducted for HUD by the Census Bureau. Calendar year 2003 data will be published during 2005.



**Limitations/advantages of the data.** National AHS data are available biennially. Calendar year 2005 data will become available during Fiscal Year 2006. Changes in estimated worst case needs are statistically significant (with 90 percent confidence) when the difference from year to

year exceeds 170,000 households for families with children, or 140,000 households for elderly families.

**Validation, verification, improvement of measure.** See discussion of the AHS in Appendix D.

**A.1.2: The net number of years of affordability remaining for all HOME-assisted units is maximized.**

**Indicator background and context.** This indicator tracks the net number of years of affordability produced for low-income households residing in units developed through the investment of the HOME funds. Rental and homebuyer units produced with HOME funds must remain affordable, through rent and other restrictions, to low-income households for a minimum of five and for as much as 20 years—depending upon the amount of the HOME investment. The net number of years of affordability remaining at any point in time is calculated by multiplying the number of units assisted by the remaining number of years of affordability attached to those units. The greater the number of years a unit remains affordable, the greater the rent stability for low-income households and, as a consequence, the greater the likelihood that their disposable income for non-rent expenses will increase. The Fiscal Year 2006 goal is to reach a level of 780,000 net unit-years of affordability. This compares to the Fiscal Year 2005 goal of 775,000 and the actual 778,649 achieved by HOME in Fiscal Year 2004.

**Data source.** IDIS (Integrated Disbursement and Information System) is the data collection system used to collect this and other performance information for HUD’s block grant and formula programs that serve local jurisdiction, including HOME.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into IDIS. Completeness of reporting is only one criterion of data quality.

**Validation, verification, improvement of measure.** Community Planning and Development field staff will monitor grantees on a random-sample basis.

**A.1.3: The number of rental households and rental housing units assisted with CDBG, HOME, HOPWA, IHBG, and NHHBG.**

**Indicator background and context.** This indicator tracks rental housing assistance—including rehabilitation of rental housing units—provided through a number of formula block grants and other programs. Because of shortages of affordable rental housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including through rental housing production. The level of these housing outputs is subject to appropriations as well as economic conditions and local discretion. In prior years, this performance indicator included all types of housing assistance. Beginning in Fiscal Year 2006, HUD will track assistance supporting homeownership and rehabilitation of owner-occupied units under Strategic Goal H, in indicator H.1.12.

Grantees use their discretion to decide what types of housing assistance to provide with HOME, HOPWA, IHBG, and CDBG funds. Primary types of assistance include new construction, rehabilitation, acquisition, and tenant-based assistance. To the extent that funds are used to preserve existing, owner-occupied housing and allow residents to remain in their homes, such assistance contributes to the rental market by reducing the demand for rental housing.



In the case of CDBG funds, the rental assistance goal has been adjusted from prior years to now reflect only CDBG assistance used for multi-unit rehabilitation. Under the CDBG program, grantees conduct housing rehabilitation projects of all sizes, ranging from small weatherization improvements and emergency repairs to the rehabilitation of major household systems, such as roofing, heating, and siding. For Fiscal Year 2006, the President’s budget proposal includes CDBG as one of 18 federal programs whose funds would be consolidated into the Strengthening America’s Community’s Initiative at the Department of Commerce. However, CDBG funds from prior year appropriations that have not yet been expended will generate significant outcomes in Fiscal Year 2006; therefore, the goals are based on accomplishments actually achieved in Fiscal Year 2004, adjusted to reflect the actual appropriated funding for Fiscal Year 2005, a proposed funding level of zero for Fiscal Year 2006, corresponding spend-out rates, and a 3 percent reduction for the impact from inflation.

Rental Households/Rental Units Receiving Assistance	2002	2003	2004	2005 goal	2006 goal
CDBG (rental units rehabilitated)	NA	NA	31,186	23,214	22,408
HOME (tenant-based assistance)	10,239	10,731	15,479	10,393	10,081
HOME (rental units completed)	19,076	25,977	23,392	21,998	21,338
HOPWA	74,964	78,058	78,000	73,700	67,000
Indian Housing Block Grant	NA	NA	2,415	2,415	2,415

**Data source.** CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement Information System (IDIS).

HOME units produced and direct assistance provided are as reported by participating jurisdictions in IDIS. Beginning in Fiscal Year 2005, only “units completed” or number of households actually assisted will be used for this and other HOME indicators in the Annual Performance Plan since this provides a more accurate and reliable measure of accomplishment. The Fiscal Year 2006 HOME goal shows a decrease from the Fiscal Year 2005 projected level due to the effects of inflation on housing production—calculated at 3 percent annually—together with the level funding of HOME in recent years.

HOPWA data is based on annual grantee performance reports from both formula and competitive grantees, and through IDIS accomplishment information reported by formula grantees. The goals reflect a projected decrease as the program’s fiscal year funding appropriations continues to decline. However, it is further projected that there will be a reporting lag that will report fewer numbers of households assisted since the decline in program funding will be offset by the accomplishments supported through previous years allocations.

IHBG and NHHBG data come from tribal recipients through Annual Performance Reports. The data are captured in the Performance Tracking Databases of each area ONAP office and aggregated into a national database at ONAP headquarters. IHBG totals include carry-over activities funded through the 1937 Housing Act.

**Limitations/advantages of the data.** CDBG, HOME, and HOPWA data come from grantees through IDIS. CPD has pursued a variety of enhancements to IDIS, which, along with data

clean-up efforts, have resulted in a continuous improvement in data quality. Additional data accuracy will be achieved through re-engineering of the system, which is in progress.

**Validation, verification, improvement of measure.** Field staff from the Office of Community Planning and Development and ONAP verify program data when monitoring grantees.

**A.1.4: The number of public housing agencies (PHAs) that are determined to be over-leased in July 2006 decreases by 50 percent from the number of PHAs that were over-leased in July 2004.**

**Indicator background and context.** In the 2003 and 2004 HUD Appropriations Acts, none of the funds made available for Housing Choice Vouchers could be used for leasing units in excess of a PHA's authorized level of units under contract. Coupled with new limits in funding enacted by the 2004 Appropriations Act, the Department wants to ensure that PHAs are in compliance with the statute prohibiting over-leasing so as to avoid the termination of housing assistance. Such situations harm families and can cause landlords to be less willing to participate in the voucher program. For the 12 months ending June 30, 2004, 241 PHAs were determined to be over-leased. The goal is to reduce that number to 120 or less by July 2006.

For Fiscal Year 2006, the Department has proposed a Flexible Voucher Program that would require PHAs to manage within an annual budget but provide the flexibility to increase the number of families served. If this proposal is enacted, the issue of over-leasing would therefore become a moot point.

**Data Source.** The Voucher Management System provides monthly leasing reports on a quarterly basis. These reports contain data on the number of authorized vouchers, the number of leased vouchers, the total dollars expended on housing assistance payments, and the average monthly housing assistance payment.

**Limitations/advantages of the data.** Unlike the HUD Central Accounting and Program System (HUDCAPS), which provides data on an annual basis through PHA submission of year-end statements, the Voucher Management System provides monthly data for three sequential months at a time through quarterly submissions. Therefore, the data are more current.

**Validation, verification, improvement of measure.** The Financial Management Division reviews data in the Voucher Management System upon data submission. This performance indicator is new. Any improvements to the measure will be evaluated during the assessment of performance and accountability.

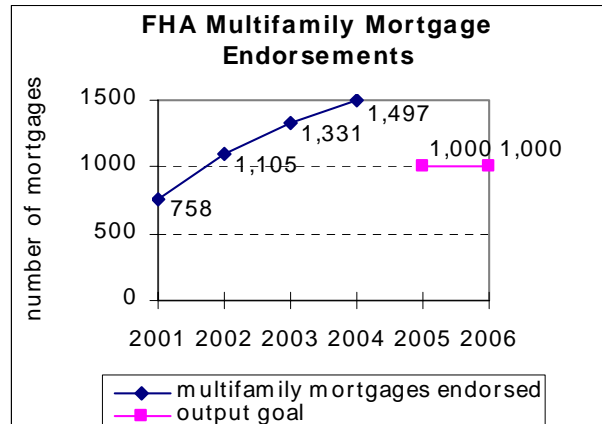
**A.1.5: FHA endorses at least 1,000 multifamily mortgages.**

**Indicator background and context.** FHA multifamily mortgage insurance plays an important role in the mortgage market, especially for a number of higher-risk segments in the housing industry. These include small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA's unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle to help lenders (including many with public purpose missions such as housing finance agencies) obtain the benefits of Ginnie Mae securitization.



FHA brings stability to the market; many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully amortizing multifamily loans, which can help in the provision of affordable rental housing. Maintaining FHA multifamily volume will help make more decent rental housing available to consumers at modest cost. This indicator tracks FHA's annual output of initial multifamily endorsements.

In Fiscal Year 2006, the Department will maintain its Fiscal Year 2005 goal of 1,000 initial endorsements. This continues to reflect the increased use of FHA's Multifamily Accelerated Processing program by lenders gaining knowledge and capacity in the program and of the Development Applications Processing system for automated underwriting of multifamily mortgages. Nonetheless, since FHA responds to local markets and national economic conditions, it remains conservative in estimating this goal in the interest of assuring sound underwriting.



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

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

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

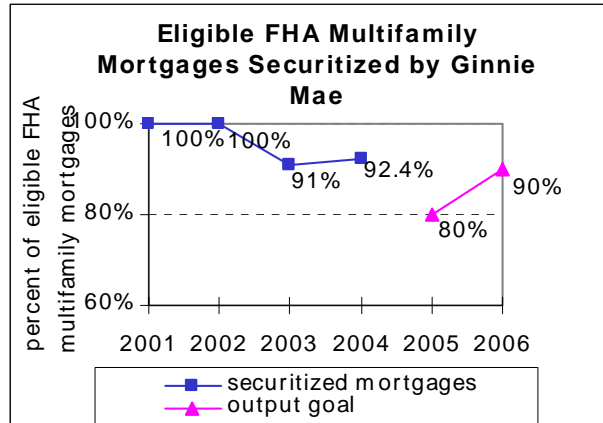
#### A.1.6: Ginnie Mae securitizes at least 90 percent of eligible FHA multifamily mortgages.

**Indicator background and context.** Ginnie Mae expands affordable housing options through enhancing the liquidity of the mortgage market by providing multifamily mortgage-backed securities for investors to purchase in the secondary market. Ginnie Mae-guaranteed securities increase the availability of capital for multifamily mortgages, thereby making loans less costly and easier to obtain. Some types of FHA multifamily loans (risk sharing and bond-financed hospitals) are not eligible for securitization by Ginnie Mae.

Additionally, because of increased regulatory emphasis on assisting low- and moderate-income housing, other secondary market agencies, including Fannie Mae and Freddie Mac, have significantly increased the level of competition for FHA loans.

**Data source.** Ginnie Mae’s database of multifamily loan securities, compared with the FHA Multifamily database, adjusted to remove ineligible projects.

**Limitations/advantages of the data.** Both Ginnie Mae and FHA data are tabulations of activity that the organizations track continually. FHA endorsement data are based on the endorsement date, while Ginnie Mae loan level data are based on the pool issue date.



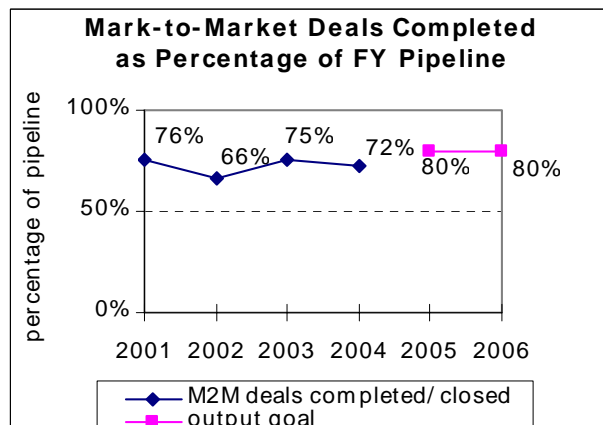
**Validation, verification, improvement of measure.**

Both Ginnie Mae and FHA data are subject to annual financial audits because they represent an obligation on the part of the federal government.

**A.1.7: HUD will complete 80 percent of the initial Fiscal Year 2006 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.**

**Indicator background and context.** Under the Mark-to-Market program (M2M), the Office of Affordable Housing Preservation (OAHP), 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 consisting of a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and help maintain the supply of good quality, affordable housing units. OAHP administers M2M by contracting with participating administrative entities (PAEs), including a number of state housing finance agencies, to conduct the mortgage restructuring.

The Fiscal Year 2006 goal is based on an OAHP projection of anticipated workload, which is, in part, based on an estimate of market rents for contracts expiring in the future. These projections may be affected by owner decisions, real estate market trends, accuracy of the REMS database, and future legislative changes relative to M2M eligible properties.



**Data source.** OAHP’s Mark-to-Market information data system.

**Limitations/advantages of the data.** The M2M system tracks the milestones completed and final rent determinations for each M2M property, enabling OAHP to measure performance, estimate savings, and provide budget projections.

**Validation, verification, improvement of measure.** PAE files are subject to independent audits. OAHP has developed PAE oversight and audit procedures that are used by OAHP or contract staff in conducting periodic reviews of each PAE. M2M data that are used by OAHP to determine progress and status of properties and PAEs are validated and verified by OAHP data integrity team members. The data integrity team members meet biweekly to review the data integrity exception reports generated by the data system.

**A.1.8: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.**

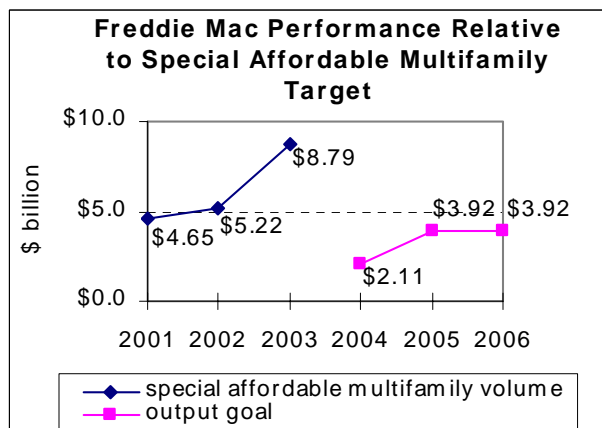
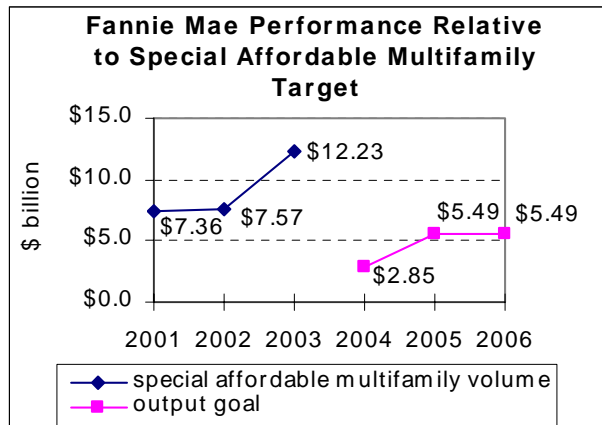
**Indicator background and context.** Fannie Mae and Freddie Mac are housing GSEs that were established by Congress to create a secondary market for residential mortgages. Because the multifamily mortgage market has traditionally been less well-served by the secondary market, HUD established a special affordable multifamily goal. The indicator tracks the performance of the GSEs in providing capital, measured in billions of dollars, for affordable multifamily housing. In 2004, HUD published a new final rule that increased the goal from \$2.85 billion for Fannie Mae and \$2.11 billion for Freddie Mac in 2001–2004 to \$5.49 billion for Fannie Mae and \$3.92 billion for Freddie Mac in 2005–2008.

Qualifying multifamily mortgages provide five or more units that are affordable at incomes less than or equal to 60 percent of area median, or less than or equal to 80 percent of area median for properties located in low-income areas. Low-income areas are defined as: (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income and (2) nonmetropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater.

**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and are presented for Government Performance Results Act purposes on a one-year lagged basis.

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



**A.1.9: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.**

**Indicator background and context.** The Department is placing more emphasis on housing counseling, including counseling for homeless clients and families seeking affordable rental housing. This indicator will report on the share of clients receiving rental or homeless counseling who either find suitable housing or receive social service assistance to improve their housing situation. Depending on the state of the economy and the housing market, demand for various types of counseling rises and falls. For example, in bad times, the demand for default counseling rises and the proportions receiving rental counseling and homeless counseling may also vary for reasons outside HUD's control. Because HUD cannot predict what the economy will be like in Fiscal Year 2006 when the Fiscal Year 2005-funded counseling will be provided, it cannot predict with any confidence what the specific demand will be for various types of counseling. As a result, HUD will focus on outcomes for those who receive counseling, rather than aiming to serve a specific number of people. The Fiscal Year 2006 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.

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

**Limitations/advantages of the data.** A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly.

**Validation, verification, improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA significantly revised the form HUD-9902. The new form was implemented in October 2002, to coincide with the Fiscal Year 2002 grant cycle. The first summary results utilizing the new form were made available during the second quarter of Fiscal Year 2004.

**A.1.10: Reduce energy costs associated with HUD program activities.**

**Indicator background and context.** In Fiscal Year 2002, HUD adopted a 21-point, Department-wide Energy Action Plan in support of the President's National Energy Policy. The policy states that "the Federal government can promote energy efficiency and conservation by including the dissemination of timely and accurate information regarding the energy use of consumer purchases, setting standards for more energy efficient products, and encouraging industry to develop more efficient products. The Federal government can also promote energy efficiency and conservation through programs like the Energy Star program, and search for more innovative technologies that improve efficiency and conservation through research and development."<sup>1</sup>

Secretary Alphonso Jackson established a Department-wide Task Force to identify measures that HUD could take to support these goals. The Task Force is co-chaired by the Office of Policy

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<sup>1</sup> National Energy Policy Development Group, *National Energy Policy*, May 20010.

Development and Research (PD&R) and the Office of Community Planning and Development, and includes the Offices of Housing, Public and Indian Housing, Healthy Homes and Lead Hazard Control, and Field Policy and Management. Regional Energy Coordinators have been designated for each of HUD's ten regions.

The Department spends some \$4 billion each year on energy—more than 10 percent of its budget—primarily through utility allowances to renters, housing assistance payments to private building owners, and operating grants to public housing agencies. Energy efficiency improvements could yield significant cost savings to the federal government, to property owners, and to building residents. Reducing HUD's energy bills by just five percent could yield a savings of \$2 billion over the next 10 years.

In support of the Energy Action Plan, HUD has signed a memorandum of understanding with the Environmental Protection Agency (EPA) and the Department of Energy (DOE) to promote the use of Energy Star products and appliances through HUD programs. The Task Force has also worked closely with the DOE and EPA in developing and implementing the Action Plan.

HUD's Energy Action Plan is primarily an operational plan aimed at upgrading the energy efficiency of existing housing using an established inventory of proven energy-efficient products and appliances that can be put to work immediately through existing programs. This is being accomplished through consumer education and outreach, interagency cooperation, market-based incentives, public-private partnerships, and research and development of energy-efficient technologies.

During Fiscal Year 2004 and Fiscal Year 2005, HUD successfully implemented numerous milestone goals under the Energy Action Plan. The Department is on track to fully implement the plan by the end of Fiscal Year 2005. For Fiscal Year 2006, HUD will build on this foundation by developing a Phase II Energy Action Plan that will include several tracking indicators to assess actual performance in reducing energy costs associated with HUD program activities.

**Data sources.** Energy savings will be estimated by PD&R based on the extent to which Energy Star appliance and construction standards are in place or other energy efficiency practices have been adopted in HUD-assisted, insured, or financed housing. Average savings produced through Energy Star will be based on studies conducted by EPA and DOE. Energy efficiency in public housing achieved through energy performance contracting will be based on reports from public housing agencies. The number of Energy Efficient Mortgages will be tracked through FHA's CHUMS system.

**Limitations/advantages of the data.** Actual savings achieved through Energy Star may vary from estimates developed through EPA and DOE research (i.e., the standard for Energy Star-Qualified New Homes is intended to generate savings of 30 percent over the 1993 Model Energy Code, but actual savings are contingent on the quality of construction, sound property management, and other factors, and therefore may be less than 30 percent). Data from energy performance contracting in public housing will generally reflect activity only in larger public housing agencies, since smaller PHAs have generally not been able to take advantage of this mechanism.

**Validation, verification, improvement of measure.** EPA and DOE continue to conduct research to verify savings produced through Energy Star. HUD will review baseline reports of

Energy Star application to assess data reliability and will seek to improve reporting mechanisms based on initial results.

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

A.2.1: The share of public housing units that meet HUD-established physical standards increases by 1.5 percentage points to 86.5 percent.

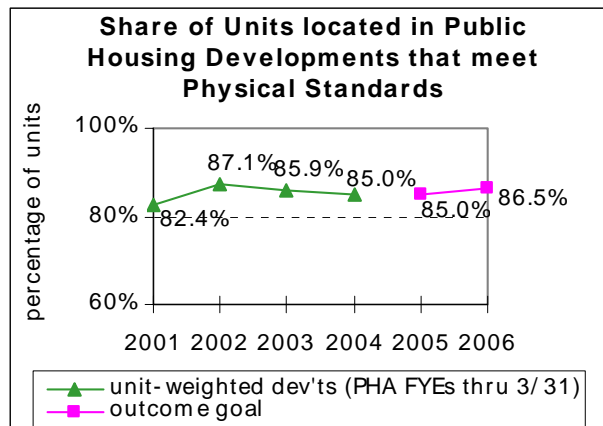
**Indicator background and context.** This indicator reflects the President's Management Agenda (PMA) commitment to steadily improve the physical quality of public housing. The Fiscal Year 2006 target of 86.5 percent constitutes a revision to earlier PMA targets established using 2002 as a baseline. The adjusted target takes into consideration actual resources available for improvements and maintenance, as well as new, more stringent inspection standards that brought down scores in Fiscal Years 2003 and 2004.

**Data source.** HUD's Real Estate Assessment Center (REAC) Physical Assessment Subsystem (PASS) CIDR database, consisting of electronically coded and uploaded results of independent physical inspections of properties (sites, buildings, and dwelling units). PASS is a component of the overall Public Housing Assessment System.

### Limitations/advantages of the data.

Inspections are conducted independently and are based on a statistically valid random sample of selected buildings and dwelling units within a property. Improvements to PASS may alter slightly the selection and weighting of individual inspection items from year to year. There were some changes to the baseline physical condition standards used in 1999 that would account for modest project score increases of a few points in the Fiscal Year 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. PASS scoring for public housing was revised in Fiscal Year 2001 to reflect negotiations with public housing agencies.

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

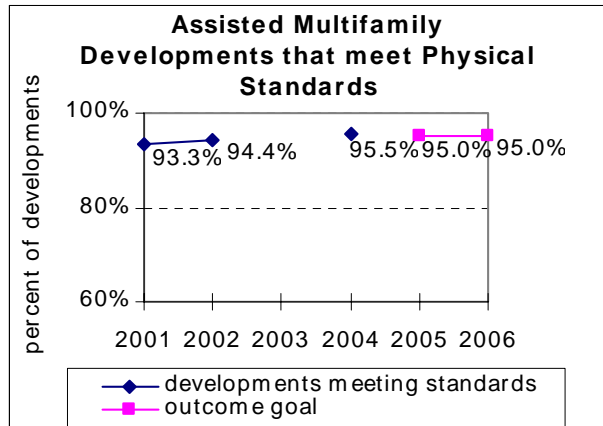




**A.2.2: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.**

**Indicator background and context.** This performance goal builds on recent successes and exceeds the benchmark established in the President’s Management Agenda, setting a goal that at least 95 percent of assisted multifamily developments will continue to meet HUD’s standards for physical condition in Fiscal Year 2006.

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



**Limitations/advantages of the data.**

Inspections are conducted independently and are statistically representative of public housing and assisted private multifamily housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to PASS may alter slightly the selection and weighting of individual inspection items from year to year. There were some changes to the baseline physical condition standards used in 1999 that would account for modest project score increases of a few points in the Fiscal Year 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. PASS scoring for public housing was revised in Fiscal Year 2001 to reflect negotiations with public housing agencies. As a result, public housing and private multifamily scores are not comparable.

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

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

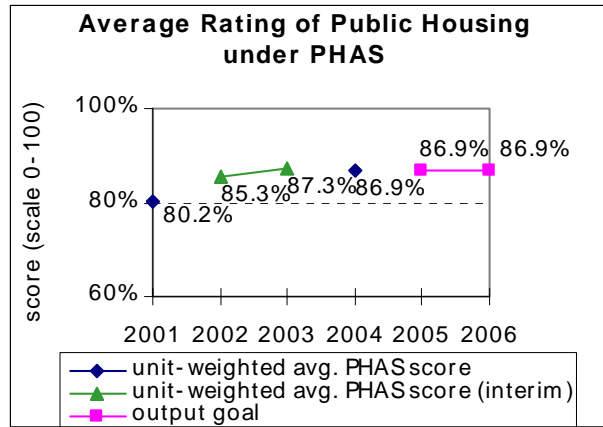
**A.2.3: The unit-weighted average Public Housing Assessment System (PHAS) score is maintained at the 2004 level of 86.9 percent.**

**Indicator background and context.** This indicator tracks HUD’s progress toward increasing the capability and accountability of PHA partners and increasing the satisfaction of residents.

The Real Estate Assessment Center’s PHAS provides an indication of the quality of the housing stock and the management conditions with which each public housing resident lives. The goal is to maintain the Fiscal Year 2004 performance level of 86.9 percent.

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

**Limitations/advantages of the data.** PASS and RASS scores are based on statistically valid random samples that are representative of public housing projects and households respectively.



The PHAS scoring indicators were modified during Fiscal Year 2002. A thorough review of the PHAS system was completed and, effective Fiscal Year 2004, the PHAS scoring methodology reverted back to the scoring system utilized in Fiscal Year 2001. Interim scoring procedures under PASS and FASS, which generally resulted in improved scores for many PHAs, will no longer be in effect. Thus, future results under this metric may be similar to the 2001 unit weighted average PHAS score of 80.2 rather than the 87.3 score posted in 2003. Future output goals/milestones may need to be revised in light of this fact. Thus, PHAS scores for Fiscal Year 2004 and beyond are not strictly comparable with the Fiscal Year 2003 baseline.

**Validation, verification, improvement of measure.** MASS and FASS submissions are subject to verification by independent audit, and the financial assessment is a process validated by the American Institute of Certified Public Accountants. PASS scores are based on independent inspections of the PHAs properties by HUD trained/certified contract inspectors, and are verified through HUD’s Quality Assurance Program.

**A.2.4: For households living in assisted and insured privately owned multifamily properties; the share of properties that meets HUD’s financial management compliance is maintained at no less than 95 percent.**

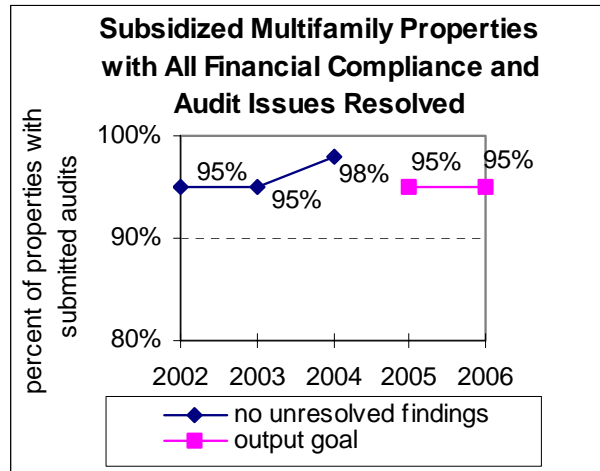
**Indicator background and context.** REAC evaluates the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The REAC Financial Assessment Subsystem (FASS) involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. While PHA scores represent an aggregate of all properties owned or controlled by the agency, multifamily financial scores are determined at the project level for every multifamily development.

Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by REAC. In addition, owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center. In Fiscal Year 2001, an estimated 94 percent of the properties reviewed ended the year free of unresolved compliance issues. The proportion increased to 95 percent of properties at the end of Fiscal



Year 2002, stayed at this level in Fiscal Year 2003, then increased to 98 percent in Fiscal Year 2004. The Fiscal Year 2005 and 2006 goals are to maintain high compliance and successful resolutions so that at least 95 percent of the properties submitting audited financial statements either have no compliance issues or audit findings, or have such issues or findings closed (resolved) by the end of each fiscal year.

**Data source.** REAC Financial Assessment Subsystem, Real Estate Management System (REMS) for tracking multifamily corrective actions.



**Limitations/advantages of the data.** The financial assessment is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures.

**Validation, verification, improvement of measure.** REAC performs quality assurance reviews (QARs) of the audited financial statements of multifamily property owners submitted by independent public accountants. The QAR provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

**A.2.5: The HOPE VI Revitalization Development program for public housing relocates 1,400 households, demolishes 2,600 units, completes 6,500 new and rehabilitated units, occupies 6,300 units, and completes 20 projects in Fiscal Year 2006.**

**Indicator background and context.** HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. However, because of the extensive planning and partnering involved, housing agencies have been slower in implementing HOPE VI redevelopment plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI redevelopment plans that are being implemented in terms of five key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, units occupied, and project completion. Project completion means all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan for the project have been completed, and thus that the overall revitalization effort is largely accomplished. Of the 217 revitalization projects in the programs grant portfolio up to 2004, 38 have already been completed. The Department intends to complete an additional 20 projects by the end of Fiscal Year 2006.

These goals are based on HOPE VI plans submitted by PHAs. The President's 2006 budget proposes no additional funds for HOPE VI and rescinds all Fiscal Year 2005 HOPE VI appropriations. Therefore the goals for 2005 and 2006 may be met with available prior year funds.

HOPE VI Achievements	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 goal	FY 2006 goal
Households relocated	6,923	4,668	6,859	6,395	1,446	1,400
Units demolished	12,375	8,346	7,468	6,836	2,602	2,600
Units constructed or rehabilitated	4,044	6,468	8,611	6,478	6,267	6,500
Units occupied	3,579	6,205	7,512	5,668	6,070	6,300
Projects completed	NA	NA	NA	NA	NA	20

**Data source.** PIH’s HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. The numbers above reflect reports submitted by Fiscal Year 1993–2003 grantees.

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

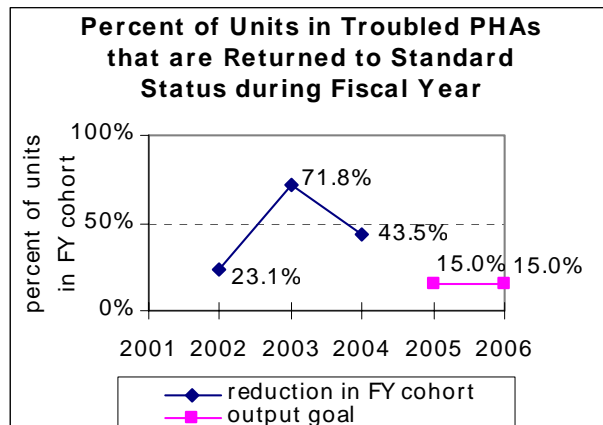
**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD field staff and verified through site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by the Army Corps of Engineers and HUD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

**A.2.6: The percent of public housing units under management of troubled housing agencies at the beginning of Fiscal Year 2006 decreases by 15 percent by the end of the fiscal year.**

**Indicator background and context.** The Office of Public and Indian Housing and the Real Estate Assessment Center (REAC) use the Public Housing Assessment System (PHAS) to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent are classified as “troubled” under the PHAS rating system.

Under PHAS, a low score for physical condition, management operations, or financial condition alone also triggers a “troubled/substandard” designation. This indicator tracks the share of units managed by “troubled” agencies at the beginning of the fiscal year that successfully return to “standard” status by the end of the fiscal year due to intervention by the Department. Further refinements may be necessary as the assessment process matures.

**Data source.** Troubled Agencies portfolio system, which captures the date a PHA is designated troubled based on REAC PHAS scores. PHAS comprises scores determined



by the Physical, Management, Financial, and Resident Satisfaction Assessment Subsystems (PASS, MASS, FASS, and RASS).

**Limitations/advantages of the data.** PASS and RASS rely on statistically representative samples of public housing projects and households respectively.

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

**A.2.7: The proportion of Flexible Voucher Program (formerly Housing Choice Voucher Program) funding managed by troubled housing agencies decreases annually by 10 percent.**

**Indicator background and context.** This goal is dependent on passage and enactment of the State and Local Housing Flexibility Act of 2005 (S.771, introduced April 14, 2005). This is an important indicator that will track the share of Flexible Voucher Program funding that is vulnerable to poor management. The Act provides that HUD shall establish performance standards and a performance assessment system for PHAs receiving Flexible Voucher Program grant funding to maximize the benefits of such assistance. During Fiscal Year 2006, HUD will develop the methodology for assessing whether or not a PHA is troubled. At the end of Calendar Year 2006, HUD will determine the baseline percentage of Flexible Voucher Program funding that is administered by public housing agencies that are determined to be troubled under this new performance assessment system. The Department's goal will be to reduce this baseline proportion by 10 percent by the end of calendar year 2007. Thereafter, a new baseline proportion of funding managed by troubled agencies will be established each calendar year, and the goal will be to reduce it by 10 percent.

**Data source.** The data source for this goal will be the new performance assessment system for the Flexible Voucher Program established in accordance with the Act.

**Limitations/advantages of the data.** The assessment system and the data elements have yet to be determined.

**Validation, verification, improvement of measure.** The new performance assessment system will incorporate lessons learned in the development and operation of the predecessor system, SEMAP.

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

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

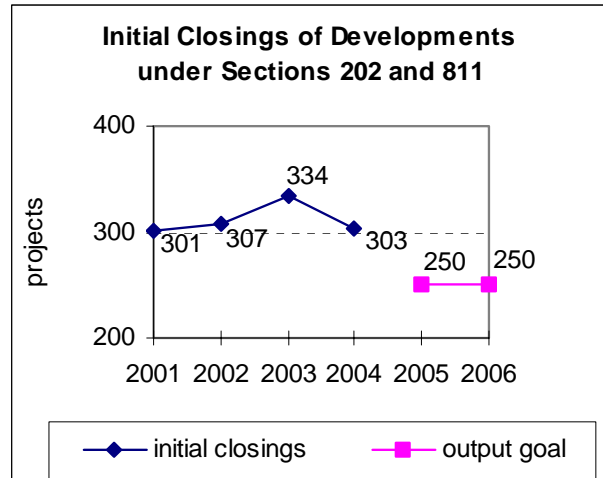
**Indicator background and context.** The Section 202 program and Section 811 program provide capital advances for multifamily housing for elderly and disabled households, respectively. Section 202 and 811 projects can be difficult to bring to closing. Sponsors usually must find other sources of funding for project features not fundable by the program, and

neighborhoods sometimes oppose the developments. This indicator tracks the number of projects each year that reach the initial closing stage (when the project design has been approved and all of the local community requirements have been met).

**Data source.** Office of Housing's Development Application Processing (DAP) system.

**Limitations/advantages of the data.** The data consist of straightforward and easily verifiable counts of initial closings.

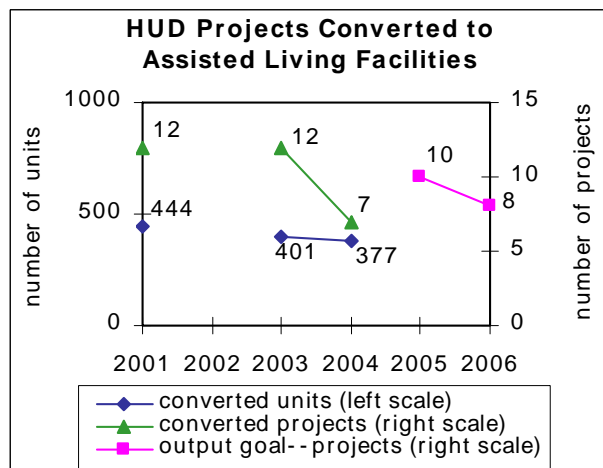
**Validation, verification, improvement of measure.** The Office of Housing receives copies of the closing document that will be used to verify data system entries.



### A.3.2: The Assisted Living Conversion program increases the supply of suitable housing for the frail elderly by completing conversion of eight properties in Fiscal Year 2006.

**Indicator background and context.** HUD has several programs that increase the availability of housing that includes assistance for health needs or daily living for frail or disabled persons. FHA's mortgage insurance under Section 232 ensures that capital funding is available for assisted-living developments. FHA also insures units for frail elderly through its Board and Care program. The Office of Housing also funds the conversion of units in Section 202 properties (multifamily housing for the elderly) to assisted living units, which include basic medical care. HUD's Office of Public and Indian Housing is beginning to support assisted living through the provision of Section 8 rental assistance vouchers that can be used to pay for the housing component of assisted living, and that can be linked with Medicaid funding for health services to create a completely affordable assisted living package, and through partial conversions of some public housing developments.

The Department increased the aggregate number of assisted living units in Fiscal Year 2004, principally through the Assisted Living Conversion program. This is the only program measured in this indicator. Projects funded under several HUD multifamily housing programs are eligible to receive funds from the Assisted Living Conversion program: Section 202, Section 8 project-based, Section 221(d)(3) BMIR, and Section 236.



**Data source.** Data about conversions are available from the Office of Housing's conversion grant database, consisting of annual progress reports submitted by grantees.

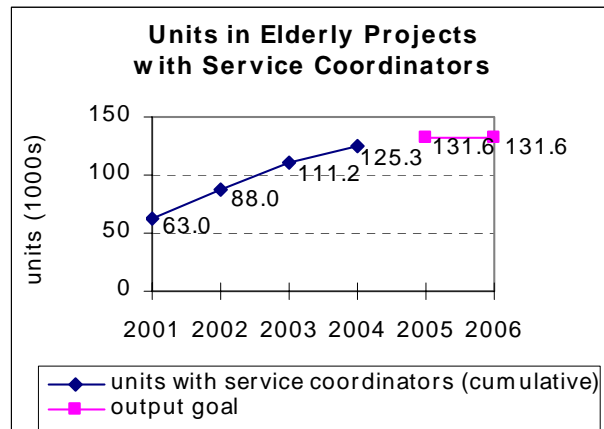
**Limitations/advantages of the data.** The counts are straightforward and easily verifiable.

**Validation, verification, improvement of measure.** Grantee reports will be verified by monitoring.

**A.3.3: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the Fiscal Year 2005 level.**

**Indicator background and context.** HUD evaluations of the Congregate Housing Service Program, HOPE for Elderly Independence, and the Service Coordinator Program all verified that service coordinators improve the quality of life of elders by helping them to remain as active and independent as their health permits. Service coordinators for public housing and assisted housing projects are funded in a number of ways: through grants made by the Office of Housing, from grants made as part of the Resident Opportunity and Supportive Services (ROSS) and predecessor programs, from assisted housing project budgets and reserves, from public housing Operating and Capital Funds, and from other resources raised in the community. These programs support the goal of keeping elderly persons independent and self-sufficient in their own communities.

HUD received \$50 million for the Service Coordinator program in Fiscal Year 2005 (which includes \$3 million for properties funded under the 811 programs for persons with disabilities) and has requested \$53 million for Fiscal Year 2006. As virtually all of the Fiscal Year 2006 funds will be needed to cover program renewals on existing served properties, the goal is to maintain the number of units covered by services coordinators at the Fiscal Year 2005 level. At the end of Fiscal Year 2004 there were more than 125,000 elderly households in units being served in developments with grants for service coordinators. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.



**Data source.** Private multifamily projects with service coordinators will be identified by linking the Office of Housing service coordinator grants database to applications data. A baseline number of elderly households in each of these projects will then be determined from TRACS, which contains tenant records submitted by project owners and managers. The Office of Housing receives standardized voluntary reports from project managers that could be tabulated to provide more detailed information about the Service Coordinator program.

**Limitations/advantages of the data.** Administrative data capture only projects with service enhancements funded under the Service Coordinator program.

**Validation, verification, improvement of measure.** Tabulations will be reviewed and any problems or discrepancies will be reported.

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

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

**Indicator background and context.** HUD’s public and assisted housing programs provide low-income families with temporary, transitional housing and provide an opportunity for families to gain self-sufficiency. This indicator, adopted in HUD’s FY 2003–2008 Strategic Plan, has been modified to track the percentage of *all* recipients who leave public and assisted housing each year for *any* reason. The goal is to improve the annual “graduation” percentage from the 2003 baseline of 11.1 percent to at least 11.6 percent in Fiscal Year 2008. Additionally, HUD will reduce the proportion of households who have been in HUD’s public housing and Housing Choice Voucher programs for ten years or more from 20.6 percent in Fiscal Year 2003 to 18.5 percent or less by Fiscal Year 2008. The movement of families to adequate shelter of their own allows HUD to serve more families in need of housing assistance.

**Data source.** HUD will use occupancy data taken from the Public and Indian Housing Information Center (PIC) database to track these indicator measures. PHAs submit PIC data on each household in their programs.

**Limitations/advantages of the data.** PIC is the most complete data source available on low-income assisted households. Incomplete reporting to PIC may introduce some error to these measures, but this is not anticipated to be a substantial problem. The length of stay (LOS) measure will not accurately capture tenure for the small number of families who change programs because their length of stay starts over at zero. In addition, PHAs that participate in the Moving To Work Demonstration project have not been required to submit household data into PIC.

**Validation, verification, improvement of measure.** In the 2005 Appropriations Act, Congress set aside up to \$10 million for a competitive Graduation Incentive Bonus award for housing agencies that were able to show that families were moving away from long-term dependence on the public housing program. The end of participation and length of stay measures were the same threshold criteria used for the Graduation Incentive award.



## Goal C: Strengthen Communities

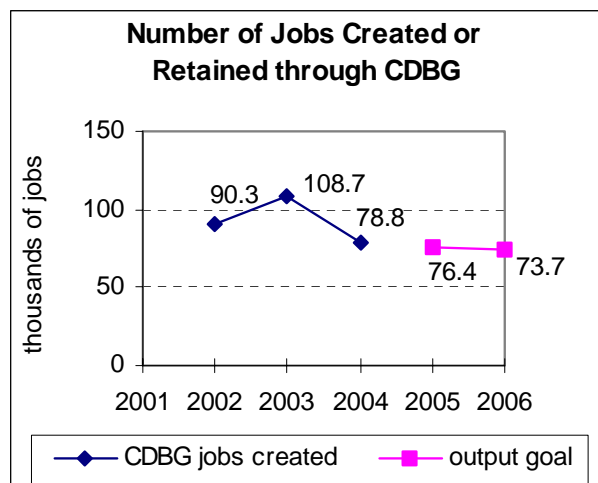
### *Strategic Objectives:*

- C.1 Provide capital and resources to improve economic conditions in distressed communities.*
- C.2 Help organizations access the resources they need to make their communities more livable.*
- C.3 End chronic homelessness and move homeless families and individuals to permanent housing.*
- C.4 Mitigate housing conditions that threaten health.*

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

C.1.1: A total of 73,735 jobs will be created or retained through CDBG and 11,000 through Section 108.

**Indicator background and context.** Many communities choose to use a significant portion of their CDBG grants to improve the local economy and help their citizens find productive work. In Fiscal Year 2004, entitlement communities used \$231.6 million—6.7 percent of the funds expended—for economic development, and states used \$202.5 million or 14.8 percent of funds expended. The Fiscal Year 2004 actual performance was 78,828 jobs created or retained. The revised goal to create or retain jobs for Fiscal Year 2005 is 76,432, and the goal for Fiscal Year 2006 is to create or retain 73,735 jobs. Although the President’s budget proposal does not include funding for CDBG in Fiscal Year 2006 (rather, CDBG would be one of 18 federal programs whose funds would be consolidated into the Strengthening America’s Community’s Initiative at the Department of Commerce), CDBG funds from prior year appropriations that have not yet been expended will generate significant outcomes in Fiscal Year 2006. Therefore, the revised and projected goals are based on actual accomplishments in Fiscal Year 2004, actual appropriated funding for Fiscal Year 2005, proposed funding of zero for Fiscal Year 2006, and a 3 percent reduction due to the impact from inflation.



**Data source.** Estimates for CDBG are based on the Integrated Disbursement Information System and represent full-time-equivalent jobs created or retained with cumulative outlays.

**Limitations/advantages of the data.** The data are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** HUD is currently working to increase the accuracy and completeness of IDIS data. Field staff review grantee reports to assess accuracy and monitor to ensure that reported jobs benefit low- and moderate-income persons in accordance with program requirements.

### C.1.2: Renewal Communities, Empowerment Zones, and Enterprise Communities achieve community renewal goals in four areas.

**Indicator background and context.** The Office of Community Renewal (OCR) designates distressed communities to receive important tools for economic and community development. HUD designated 89 Empowerment Zones (EZ) or Enterprise Communities (EC) on the basis of the quality of their locally developed strategic plans and awarded flexible grants to 15 urban Round II EZs. On December 31, 2001, the Secretary designated eight Round III EZs and 40 Renewal Communities (RC) as authorized by the Community Renewal Tax Relief Act of 2000 (CRTR Act). By law, 16 urban ECs and the Atlanta EZ, known as conversion sites, lost their original designations when they became RCs. The CRTR Act authorized increased tax incentives and an extended deadline of December 31, 2009, to all EZs, including the new Round III EZs. RCs also receive tax incentives, but HUD selected them competitively on criteria including poverty, unemployment, household income, and crime. HUD's Enterprise Community designations ended December 31, 2004. Some may report additional accomplishments as projects and programs close out.

These three indicators, which are self reported in the Performance Measurement System (PERMS), enable HUD to assess the designated EZs and ECs in terms of the performance relative to the projected outputs in their plans. This measure is based on implementation plans completed during the performance year. The data represent the actual number of reported cumulative accomplishments. A fourth measure will be new in Fiscal Year 2006. Renewal Communities will report into PERMS the amount allocated by the state that businesses may deduct from their taxes for commercial revitalization expenditures of a building. The business may expense 50 percent in the first year or have an accelerated depreciation over 10 years. The measures are:

- New or rehabilitated affordable housing units completed;
- People served under homeless assistance programs;
- Residents that find gainful employment;
- Total Qualified Revitalization Expenditures (QREs) allocated to businesses in the RC.

**Data sources.** CPD's PERMS data for EZs and ECs are based on annual progress reports submitted by the designees following the June 30 program year-end.



GOALS IDENTIFIED IN IMPLEMENTATION PLANS	2002 Cum. Actual	2003 Cum. Actual <sup>a</sup>	2004 Cum. Actual <sup>b</sup>	2005 Cum. Goal	2005 Per Annum Goal	2006 Cum. Goal	2006 Per Annum Goal
New or rehabilitated affordable housing units completed	32,514	34,835	39,693	41,957	2,731	44,734	2,777
Homeless persons assisted	50,487	47,657	60,786	63,679	3,088	66,767	3,088
Residents finding or retaining a new or existing job	169,935	189,416	238,166	247,915	11,607	258,003	10,088
Total Qualified Revitalization Expenditures allocated to businesses in the RC	\$241 million	\$209 million (est.)	N/A	N/A	\$210 million	N/A	\$211 million

<sup>a</sup> Results exclude data from 10 EZ/EC reports not submitted.

<sup>b</sup> Results exclude data from 27 reports not yet submitted.

**Limitations/advantages of the data.** Grantees report cumulative achievements to PERMS only once a year, so measuring per annum progress requires additional analysis.

The reporting burden placed on RCs and Round III EZs must recognize the fact that they receive only tax incentives and do not have administrative funds to staff outreach and collect data. All of the designated RCs and EZs understand the need to provide additional data on utilization and outcomes from the tax incentives. HUD understands the need to comply with all applicable requirements regarding data collection from citizens and has developed a research design to collect tax incentive utilization data. Nonetheless, when HUD finalizes the exact nature of the updated PERMS reporting requirements, some modification to Annual Performance Plan indicators may be considered based on changes in available data and the designees' reporting.

**Validation, verification, improvement of measure.** HUD establishes criteria for valid Implementation Plans in PERMS. Field staff verify a sample of implementation plans that utilize the most program dollars for each EZ. An evaluation of the EZ program in Fiscal Year 2001 found an increase in employment growth relative to comparison areas in four of the six Round I EZs studied. GAO published a status report on OCR programs in March 2004 and will be publishing a series of reports in 2007 and 2010.

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

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

**Indicator background and context.** The Consolidated Plan Improvement Initiative is required by the President's Management Agenda. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures necessary to gauge their performance. HUD has been working with local stakeholders to

streamline the Consolidated Plan, making it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

During Fiscal Year 2006, the Office of Community Planning and Development will be implementing the regulatory changes to the Consolidated Plan, tracking the use of the Consolidated Plan Management Process (CPMP) tool by grantees and assessing their satisfaction with the tool, developing a performance measurement framework for all grantees, and implementing the first phase of the modernization of the Integrated Disbursement and Information System.

**Data source.** CPD Field Offices review communities' Consolidated Plans using the Grants Management Program.

**Limitations/advantages of the data.** The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments.

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

### C.2.2: At least 35 percent of single-family mortgages endorsed for insurance by FHA are in underserved communities.

**Indicator background and context.** FHA's role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and non-minority neighborhoods. FHA lending in disadvantaged neighborhoods increases the homeownership rate. While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional mortgages as well. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. From Fiscal Year 2000 through Fiscal Year 2004, 37.8 percent of all single-family mortgages endorsed for insurance by FHA were in underserved communities. The Fiscal Year 2006 goal is to ensure that at least 35 percent of all single-family mortgages endorsed for insurance by FHA are in underserved areas. The achievement of this goal is influenced by national economic conditions.

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

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

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

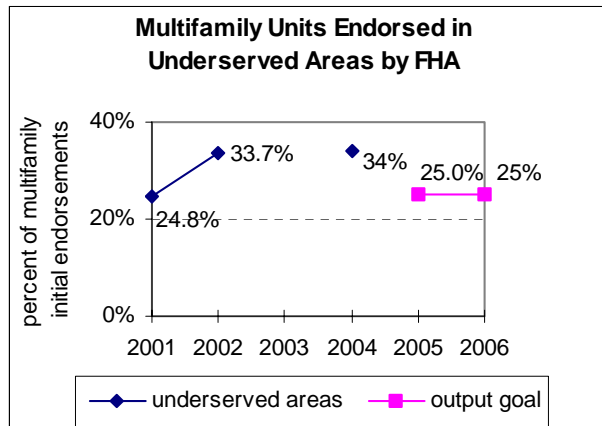
**C.2.3: The share of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.**

**Indicator background and context.** FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c). Section 223(f) insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of rehabilitation cost may be included in the mortgage. These programs improve the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.

This indicator tracks the proportion of multifamily units in “underserved” neighborhoods, as a percentage of units in all multifamily properties that receive FHA mortgage endorsements. Beginning in Fiscal Year 2003, refinanced mortgages are included. Section 202 and Section 811 properties are excluded. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

The Fiscal Year 2006 goal is to maintain the number of units at 25 percent. The achievement of this goal is influenced by national economic conditions.

**Data source.** For project locations and unit counts, FHA’s Development Application Processing System (DAP) system. For tract poverty rates and minority share, the decennial Census of Population, updated with the American Community Survey (ACS). Policy Development and Research determines which census tracts meet the definition of “underserved” for HUD’s role in oversight of Freddie Mac and Fannie Mae.



**Limitations/advantages of the data.** The program data are subject to variance caused by fluctuating market conditions. The Census data used to define underserved areas are the best available.

**Validation, verification, improvement of measure.** FHA performs computerized checks of data quality, and FHA staff verify multifamily mortgage transactions. The Census Bureau has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.

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

**Indicator background and context.** One of the three public purpose goals that HUD sets for Fannie Mae and Freddie Mac, as GSEs, involves increasing the share of mortgages purchased from “central cities, rural areas and other underserved” areas. HUD’s definition of such areas is based on census tracts with below-average income and/or above-average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates.

Success of the two GSEs in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership in underserved neighborhoods. In 2004, HUD published a new final rule that significantly increased the underserved area-housing goal for 2005–2008. The new goal levels will rise in nearly equal steps from year to year. In 2005, the housing goal will be 37 percent compared to the goal of 31 percent that had been in effect for 2001–2004. HUD’s increase in the housing goal from 31 percent to 37 percent in 2005 incorporates the effects of 2000 census data, which includes more underserved areas. The goal will increase to 38 percent in 2006 and 2007 and cap out at 39 percent for both GSEs in 2008. HUD set the new goals with the objective of ensuring that the GSEs fulfill their mandate to provide leadership to the mortgage market. By 2008, the goals match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s estimated market share range for 2005–2008. HUD’s geographic targets measure the two GSEs’ mortgage purchase performance relative to all eligible loans in underserved areas. These include both purchase and refinance loans on single-family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader geographic target, HUD’s final rule also implemented a new home purchase subgoal under the underserved areas housing goal. This subgoal targets the two GSEs’ performance in serving the homeownership segment of the geographically targeted market. Specifically, the home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by the GSEs that finance the purchase of single-family, owner-occupied properties located in metropolitan areas. In 2005, the underserved area home purchase subgoal is 32 percent for each GSE. This

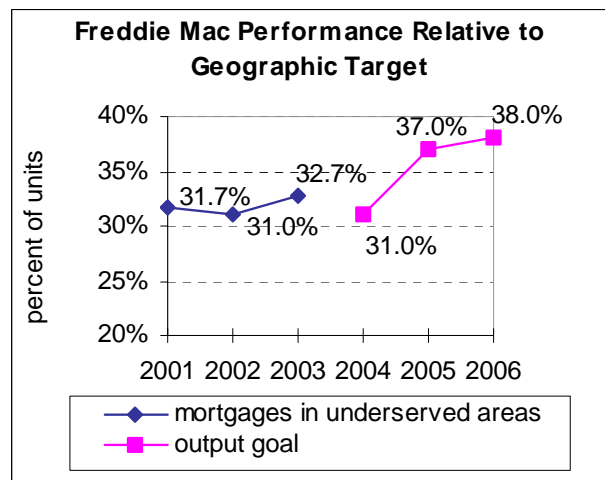
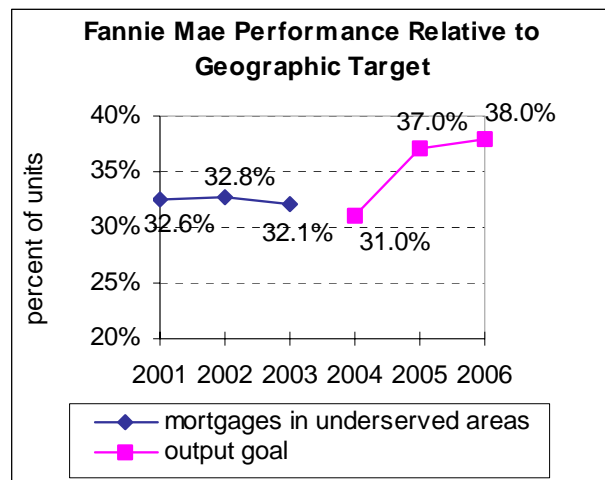


figure will rise to 33 percent in 2006 and 2007 and will cap at 34 percent in 2008. HUD established the underserved areas home purchase subgoal to encourage the two GSEs to facilitate greater financing and homeownership opportunities for families and neighborhoods targeted by the subgoal.

**Data source.** HUD's GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and are presented for performance reporting purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** The two GSEs apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality control procedures. Both GSEs have reported achieving their housing goal targets for calendar year 2003. The Department will publish the official performance figures once it has completed its internal verification process.

#### C.2.5: Section 4 funding will stimulate community development activity totaling ten times the Section 4 investment.

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

This indicator measures the level of community development activity generated, leveraged, or supported by Section 4 funding. Most community development activities are expected to involve real estate development, including housing, economic development and community facilities. The Fiscal Year 2006 goal is to ensure that the ratio of the total cost of community development activities (net of Section 4 support for that activity), to the investment of Section 4 funding, shall equal or exceed 10:1.

**Data source.** The measure uses expenditure data collected from The Enterprise Foundation and LISC, maintained by HUD in the Letter of Credit Control System (LOCCS) system for contracts active during the reporting period. An activity will be reported as undertaken when development or operation has begun or when LISC/Enterprise makes a formal commitment of financing for the activity.

**Limitations/advantages of the data.** The data for total community development activity resulting from Section 4 funding are expected to be reliable because they are based largely on real estate related activities, the costs of which have been reviewed by multiple funders pursuant to commitments to lend, grant, or invest in this activity. Often, LISC and The Enterprise Foundation are underwriting these activities directly. The data capture only activity occurring during the four-year Section 4 work plan period. This may underestimate total amount of activity

pursuant to Section 4 funded work plans, as projects frequently come to the development stage well after an investment in capacity activities occurs. Conversely, there may be some amount of fall-off between the point of commitment and completion in development activity. These two dynamics may well work to offset one another.

**Validation, verification, improvement of measure.** Internally, both The Enterprise Foundation and LISC have effective systems in place to evaluate use of funds by subrecipients. These include regular reporting on the achievement of performance goals, monthly/quarterly financial reporting, and site visits or desk audits of subrecipients. HUD may monitor each grantee and verify the data used to develop this measure.

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

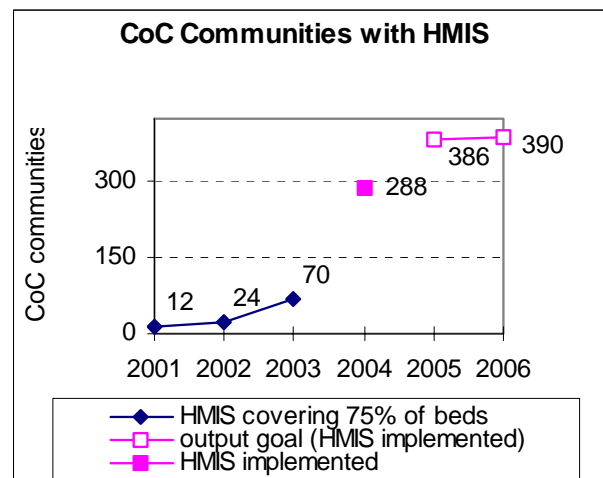
C.3.1: At least 390 functioning of Continuum of Care (CoC) Communities will have a functional Homeless Management Information System (HMIS) by Fiscal Year 2006.

**Indicator background and context.** This indicator measures the number of CoC communities that have implemented a Homeless Management Information System (HMIS). Congress directed HUD to work with local jurisdictions to collect an array of data on homelessness, including unduplicated counts, the use of services, and the effectiveness of the local homeless assistance systems. HMIS data will help to more accurately determine the size, characteristics, and needs of the community's homeless population.

**Data source.** Fiscal Year 2006 CoC application data will be used for this measure.

**Limitations/advantages of the data.** HMIS data will be obtained by a community's self-reporting via their CoC application. HMIS data will be required in the application.

**Validation, verification, improvement of measure.** Office of Community Planning and Development staff verify the quality of data in CoC homeless plans. As HMIS systems develop, local communities will gain a better understanding of how best to track their progress in HMIS implementation.



C.3.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 71 percent.

**Indicator background and context.** One of the goals of HUD's homeless assistance programs is for formerly homeless persons to move into permanent housing. This indicator will measure



the length of stay of participants in HUD permanent housing projects. The measure's six-month measurement threshold indicates that the project is serving participants with more than transitional assistance. For Fiscal Year 2004, about 70 percent of formerly homeless individuals remained housed in permanent housing more than 6 months.

**Data source.** Office of Community Planning and Development administrative database, consisting of accomplishments data submitted in annual progress reports (APRs) by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** While the measure tracks the number of persons who stay in permanent housing, the housing units in which they reside may be funded with appropriations from several prior years. The data available for reporting in Fiscal Year 2006 will reflect program activity occurring in Fiscal Year 2005. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure.



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

### C.3.3: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 61 percent.

**Indicator background and context.** This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing and homeless persons who move into permanent housing. The ultimate objective of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal services is adequate.

The residents of HUD's McKinney-Vento-funded permanent housing are often chronically homeless individuals. One of the largest of these programs, Shelter Plus Care, uses HUD funding to support housing-related expenses. Communities secure an equal level of funding for a variety of supportive services. This combination helps ensure that residents receive the housing and services they need to maintain stable permanent housing and make progress toward self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program (SHIP) and the Section 8 Moderate Rehabilitation/Single Room Occupancy (SRO) program, help meet other needs related to homelessness, including the development or rehabilitation of permanent housing and the preservation of SROs, which have traditionally served as the housing of last resort for homeless individuals. For Fiscal Year 2004, approximately 60 percent of HUD transitional housing residents moved to permanent housing.

**Data source.** Office of Community Planning and Development administrative database, consisting of accomplishments data submitted in APRs by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** While the measure tracks the number of persons who move into permanent housing over the course of a year, the housing units they move into may be funded with appropriations from several prior years. The data available for reporting in Fiscal Year 2006 will reflect program activity occurring in Fiscal Year 2005. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels.

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

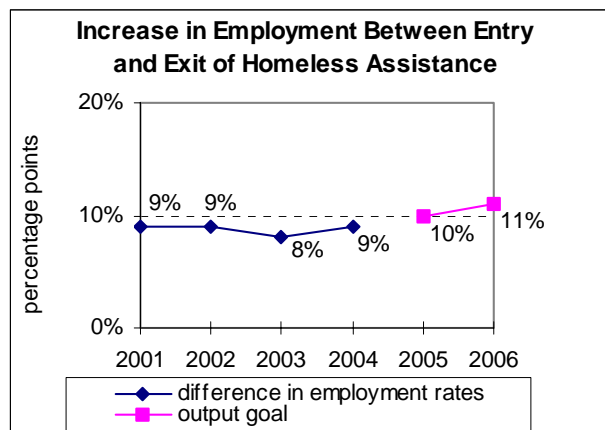
**C.3.4: The employment rate of persons exiting HUD homeless assistance projects will be at least 11 percentage points higher than the employment rate of those entering.**

**Indicator background and context.** This indicator tracks the percentage of adult clients who become employed while in HUD-funded homeless-assistance projects. The measure is defined as the difference between the percentage of adults entering a project who have earnings and the percentage leaving a project who have earnings. This measure will show the impact of the program while the participant is in the program.

Employment is a critical step for homeless persons to achieve greater self-sufficiency. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD’s McKinney-Vento assistance receive support, which can include employment training and job search, to help them achieve greater self-sufficiency. About 13 percent of homeless adults entering HUD-funded projects had earnings in Fiscal Year 2004, with 22 percent exiting HUD-funded projects with employment income, showing a 9 percent increase in earnings.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in APRs by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** The data show only the employment status of homeless persons as they leave the HUD-assisted project, and do not capture the quality and long-term stability of employment. This aggregate measure is a reasonably good proxy for a more complex measure based on changes in employment status of specific individuals, who would have various entry times and lengths of stay.





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

### C.3.5: Overcrowded households in Indian Country shall be reduced by one percent.

**Indicator background and context.** This indicator tracks the Department's annual progress in reducing overcrowding in American Indian and Alaska Native households. The most recent data show that more than 24 percent of Native Americans in non-gaming tribes and 10 percent in gaming tribes live in overcrowded households, compared to 6 percent of the total United States population. By addressing overcrowding, the Department will contribute to improved public health and safety in Indian Country.

During Fiscal Year 2003, the Office of Native American Programs (ONAP) and several participating tribes developed baseline estimates of the extent of overcrowding in Indian Country based on Census data from 2000. The result was that an estimated 47,169 households were overcrowded in Fiscal Year 2003. During Fiscal Year 2004, a total of 2,115 new homeownership and rental housing units were built in Indian areas, and since all new units are considered to have relieved the overcrowding situation, the estimated number of households remaining overcrowded is 45,054. Although Indian Housing Block Grant grantees are given flexibility to design and administer their own unique housing programs, the Department encourages grantees to focus on areas of need such as overcrowding.

The goal for Fiscal Year 2005 is to further reduce that number by 450 households, or 1 percent of the Fiscal Year 2004 level. In keeping with this effort, the goal for Fiscal Year 2006 is to further reduce the remaining number by an additional 1 percent, or 446 families, to 44,158. The Fiscal Year 2006 goal presumes that the Fiscal Year 2005 goal of a 450 overcrowded households reduction is met.

**Data source.** Decennial Census data from the Census Bureau, tribal data, and PIH ONAP administrative data.

**Limitations/advantages of the data.** Because overcrowding is not a required reporting element in APRs, ONAP currently assumes all new units result in a corresponding reduction to overcrowding. Though this is considered to be reasonable, it is possible that some units are not constructed in overcrowded areas. In addition, Census data that measures actual overcrowding is available only every ten years. The migration of families in and out of Indian Country means that overcrowding may fluctuate from year to year, and the number of families living in such households may increase even as new units are being added to the market.

**Validation, verification, improvement of measure.** ONAP is taking steps to improve this performance measure. In Fiscal Year 2005, the Department is consulting with tribal governments about modifying the program's APR in order to collect more meaningful data, including information about IHBG contributions to reducing overcrowding. In addition, ONAP is exploring alternate methods to more accurately collect and measure data related to overcrowding.

All data sources that measure overcrowding in Indian Country are being investigated. Given the extent and complexity of the situation, this performance indicator will continue to be tracked for many years.

**C.3.6: The percentage of HOPWA clients who maintain housing stability, avoid homelessness, and access care increases through the use of annual resources with the goal that this reaches 80 percent by 2008.**

**Indicator background and context.** The HOPWA program continues its implementation of the housing stability performance outcome measure. This measure clarifies the performance reporting on how these housing efforts achieve housing stability for clients, enabling them to reduce their risks for homelessness, and better support their access to HIV/AIDS treatment and other health care. The issuance of new annual performance reporting requirements for the APR and Consolidated Annual Performance and Evaluation Report (CAPER) during Fiscal Year 2005 is an integral component of measuring and evaluating grantee accomplishments. These reports will assist grant recipients in evaluating program performance, including the performance of project sponsors and contracted service providers in identifying recommendations for program improvements, and in establishing future housing efforts.

**Data source.** HOPWA Annual Performance Reports and IDIS. Revisions to HOPWA reporting requirements are awaiting final OMB paperwork approval following a public comment period. Although full implementation by all grantees is projected to occur, a volunteer group of 20 formula and competitive grantees are projected to implement these new reporting requirements by either the fourth quarter of 2005 or the first quarter of 2006.

**Limitations/advantages of the data.** This is dependent on the redevelopment of IDIS reporting for the HOPWA program. These system enhancements are not anticipated until fall 2007 with data collection beginning shortly thereafter. Actual data verification would not be available until the fall 2009. In addition, new elements will require additional training to enhance consistent and accurate reporting by recipients, as well as changes to the management information system.

**Validation, verification, improvement of measure.** HUD continues its collaborations with HOPWA grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal while providing a valid representation of program results.

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

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**C.4.1: Reduce the average number of observed exigent deficiencies per property for substandard public housing properties by 10 percent and for the overall multifamily housing portfolio by 5 percent.**

**Indicator background and context.** HUD's Real Estate Assessment Center (REAC) conducts physical inspections that identify Exigent Health and Safety or Fire Safety Deficiencies (EHS/FS). Exigent health and safety hazards include but are not limited to 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include 1) window security bars preventing

egress; and 2) fire extinguishers expired. (Smoke detectors are excluded from EHS/FS for this measure because they are covered in Indicator C.4.2.) Two EHS/FS deficiency types constitute 75 percent of all observed and projected deficiencies. The number one deficiency type—Blocked Emergency/Fire Exit Egress—makes up 46 percent of all deficiencies and includes units with window security bars, window air conditioning units, window and door locks, and furniture blocking egress. The second most frequent deficiency—Missing/Broken Electrical Cover Plates/Switches/Outlets—makes up 29 percent of all EHS/FS deficiencies.

In prior years the Department focused on the reductions in EHS/FS on an overall basis. Since 2001, the average number of EHS/FS deficiencies observed per property was reduced from 2.09 to 1.85 for public housing and from 1.81 to 1.4 for multifamily housing. Due to scarce monitoring resources, the Department is shifting its public housing focus to reduce the defects on the worst properties. The goal for Fiscal Year 2006 is to reduce the average defects per property for substandard public housing properties with a PASS score of less than 60 by 10 percent. For Fiscal Year 2004 the average number of defects for substandard public housing properties was 5.78. The goal for multifamily housing properties is to further reduce the overall average of 1.4 defects per property by 5 percent.

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

**Limitations/advantages of the data.** While each PIH project receives an annual REAC physical inspection, FHA multifamily housing properties are under what is commonly referred to as the "3-2-1 rule." The rule stipulates that inspections of multifamily developments occur at intervals of 1, 2, or 3 years depending on the PASS inspection score that the property receives. As a result, not every property in the portfolio and the units associated with those properties are reflected in the EHS/FS percentages. There may also be a distortion of the data since many of the properties that receive a PASS score of less than 60 may be inspected more than once annually.

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

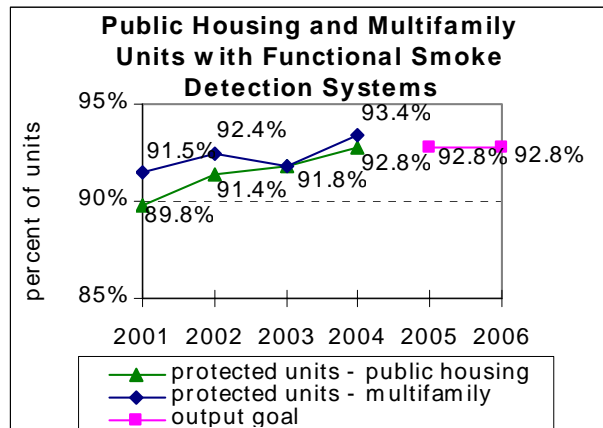
**C.4.2: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for public and multifamily housing.**

**Indicator background and context.** This indicator measures the estimated share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be both present and operative in the unit as well as the building in which the unit is located. The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a house fire by 40–50 percent, about one-quarter of U.S. households lack working smoke alarms. REAC's physical inspections of public and assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas, and utility areas of buildings. As of Fiscal Year 2004, an estimated

92.8 percent of public housing units and 93.4 percent of multifamily units had functioning smoke detectors, as defined above.

The Department's goal for Fiscal Year 2005 and onward is to maintain performance at approximately the same level since incrementally larger monitoring resources are not being provided and the penetration rate is currently at a level where improvements will be difficult to attain without those resources.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites.



**Limitations/advantages of the data.** Inspections are conducted independently and are representative of the entire HUD stock. The share of units with functional smoke detectors in each building is estimated on the basis of a randomly selected sample. The functionality of smoke detectors is an aspect of the inspection protocol that generally is not open to subjective interpretation.

**Validation, verification, improvement of measure.** REAC re-inspects units and properties on a sample basis for quality assurance. The inspection protocol is subject to modification to improve the validity. Beginning with Fiscal Year 2002 the measure was revised to balance the need to use appropriate sample-based estimates of unit compliance with the need to reflect facility compliance.

**C.4.3:** The number of children under the age of six who have elevated blood lead levels will be less than 117,000 in 2006, down from 434,000 in 1999–2000.

**Indicator background and context.** The Centers for Disease Control and Prevention (CDC) estimate 434,000 children under the age of six had elevated blood lead levels (EBL) in 1999–2000, a decrease from 890,000 in 1991–1994.<sup>2</sup> EBL is defined as blood lead levels exceeding 10 micrograms per deciliter ( $\mu\text{g}/\text{dL}$ ). These children are vulnerable to permanent developmental problems because of the well-understood effect of lead on developing nervous systems. Other local data collected by CDC from 19 states showed that the proportion of children under the age of six who tested with EBL decreased from 10.5 percent in 1996 to 7.6 percent in 1998. EBL is more common among low-income minority children living in older housing. These reductions indicate that HUD's program, together with housing demolition and rehabilitation activity, is effective in helping to protect children. In addition to HUD's lead-based paint abatement grant program and regulations concerning federally assisted housing, other factors causing the decrease in the number of children with EBL are demolition, substantial rehabilitation, hazard control financing by the private sector and local and state government, and ongoing public education.

<sup>2</sup> See [www.cdc.gov/nceh/lead/research/kidsBLL.htm](http://www.cdc.gov/nceh/lead/research/kidsBLL.htm).

**Data source.** National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention conducts NHANES, with recent results scheduled for release in 2005. On an annual basis, CDC expects to continue monitoring blood lead levels in children under the age of six.

**Limitations/advantages of the data.** The NHANES is costly because it uses actual physical examinations of a nationally representative sample of children to determine blood-lead levels, among other things. NHANES has a projected period of 2 years from taking blood samples until reporting the data. NHANES cannot identify the source of EBL.

**Validation, verification, improvement of measure.** NHANES is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures. Strict quality control measures are followed during collection and analysis of blood samples. The CDC's long-term quality control data for blood lead tests show that NHANES results are validated by results from the Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.

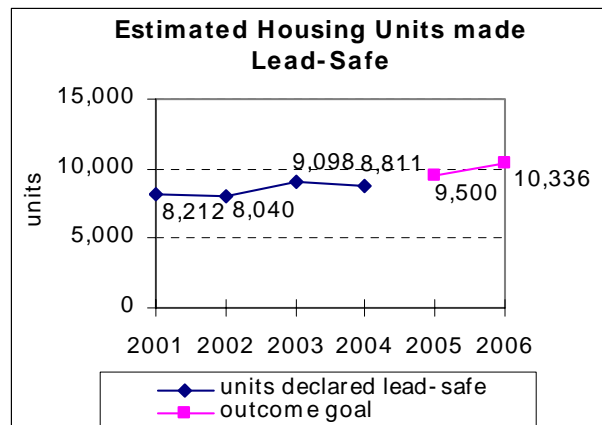
**C.4.4: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 10,336 units lead safe in Fiscal Year 2006.**

**Indicator background and context.** Through the Lead Hazard Control Program and the leveraging of private resources, HUD plays a central role in an interagency initiative to eliminate lead poisoning of the nation's children by 2010. According to HUD's National Lead-Based Survey, 38 million homes had lead paint in 2000, a decrease from the 64 million homes containing lead paint when Congress passed the 1992 Residential Lead Hazard Reduction Act. The majority of cases involve low-income children living in older housing. Exposure to lead can cause permanent damage to the nervous system and a variety of health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.

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

With new births and turnover of occupancy, each unit made lead-safe will protect additional children. Lead mitigation programs also create potentially large, but unquantifiable, benefits through lead hazard education and outreach activities, as well as through programs that train workers and create jobs in the lead hazard control industry.

Since the inception of the program, 62,040 housing units have been made lead safe directly with Lead Hazard Control grants (as of September 2004). The goal for





this indicator has been increasing. The number of abated units is projected to increase in the future based on improved efficiencies in, and additional experience under, the Department's ten-year effort to eradicate lead hazards in housing.

**Data source.** OHHLHC On-Line Grantee Quarterly Reporting System.

**Limitations/advantages of the data.** The data represent direct accomplishments as reported by grantees. The data do not include housing units that are indirectly made lead safe by the program through leveraged private sector investment, state and local programs, enforcement, and other federal housing programs.

**Validation, verification, improvement of measure.** A rigorous scientific evaluation of the program indicates that the program is effective in achieving its goals. The study, conducted by the National Center for Lead Safe Housing in conjunction with the University of Cincinnati, found that the grant program hazard control methods reduce the blood lead levels of children occupying treated units and also significantly reduce lead dust levels in the treated homes.<sup>3</sup> The number of units made lead safe is validated by both OHHLHC data and data from HUD's National Lead-Based Paint Survey.

#### C.4.5: At least 2,750 housing units undergoing interventions related to construction or rehabilitation will use Healthy Homes principles.

**Indicator background and context.** The Healthy Homes program contributes to the achievement of HUD's strategic goal by reducing multiple housing-related hazards that result in preventable childhood illnesses and injuries, such as lead poisoning and asthma. This program gives particular emphasis to the mitigation of asthma triggers, such as mold and allergens (from exposure to debris from dust mites, cockroaches, and rodents). Grantees provide physical and educational interventions to participants enrolled in their projects. Project activities include inspecting residences and providing physical interventions such as smoke/carbon monoxide detectors, pillow and mattress covers, vector control (through integrated pest management with roach traps and gels), repairs to correct plumbing leaks, moisture intrusion through building envelopes, lead hazards, proper ventilation of appliances such as stoves and furnaces, and dust control (through high efficiency filters and vacuums).

To accomplish these tasks, Healthy Homes grantees train and hire low-income community members to perform assessments, interventions, and outreach on an ongoing basis. Grantees are effective in reaching a greater audience through community-based educational efforts (health fairs, landlord training, etc.) and print or electronic media (brochures, fact sheets, Internet sites). The combination of older housing units, low income levels, and the large number of children living in substandard housing, many of whom are medically underserved, makes it important that Healthy Homes funding help communities with substandard housing stock improve housing to protect children's health. HUD is working closely with the Centers for Disease Control and Prevention, and the United States Department of Agriculture's Cooperative State, Research, Education and Extension Service to implement the Healthy Homes Initiative. Under the initiative, 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 childhood diseases and injuries. The purpose is to

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<sup>3</sup> Galke et al., "Evaluation of the HUD Lead Hazard Control Grant Program," published in *Environmental Research* 86 (149-156), 2001.

learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, mold-induced illness, unintentional injuries, and developmental problems. The Fiscal Year 2006 goal reflects the cumulative number of units receiving interventions since the program's inception.

**Data source.** OHHLHC Healthy Homes survey data.

**Limitations/advantages of the data.** The data reflect the number of units built or rehabbed using Healthy Homes principles, as reported by grantees, contractors, architects, and others who have been involved in healthy homes programs or completed HUD's healthy homes training courses. These data likely undercount the total number, because contractors and architects are not required to report Healthy Homes construction and rehabilitation jobs to HUD.

**Validation, verification, improvement of measure.** OHHLHC will produce the data from its Quality Progress Reporting System and surveys of participants in HUD's Healthy Homes training courses.

**C.4.6: Upon advice from the Consensus Committee, HUD will establish the dispute resolution and installation programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2006.**

**Indicator background and context.** The Manufactured Housing Improvement Act of 2000 (the Act) establishes new responsibilities and procedures for the Department with respect to its role in regulating Manufactured Housing. As mandated by the statute, HUD procured the services of an Administering Organization (AO). The Department monitors the performance of this organization in supporting the Manufactured Housing Consensus Committee (MHCC), also established by statute.

The Department is to establish installation and dispute resolution programs for manufactured homes within five years of the date of the Act. In Fiscal Year 2006, the Department will establish those dispute resolution and installation programs. HUD's Fiscal Year 2006 performance goal is to ensure that the milestones outlined in the statute are achieved. In order to meet the Act's milestones, timely review of proposals by the MHCC is essential. While the Department will work closely with the AO and the MHCC to monitor their progress, these partner organizations operate largely outside HUD's control.

**Data source.** Accomplishments will be assessed and documented by HUD's Office of Manufactured Housing and Construction Standards.

**Limitations/advantages of the data.** The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments.

**Verification/validation of measure.** HUD monitors the AO and the AO administers the Consensus committee by a contractual agreement. The MHCC includes a non-voting HUD representative who will report to the Department on a continual basis.



## Goal FH: Ensure Equal Opportunity In Housing

### *Strategic Objectives:*

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

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

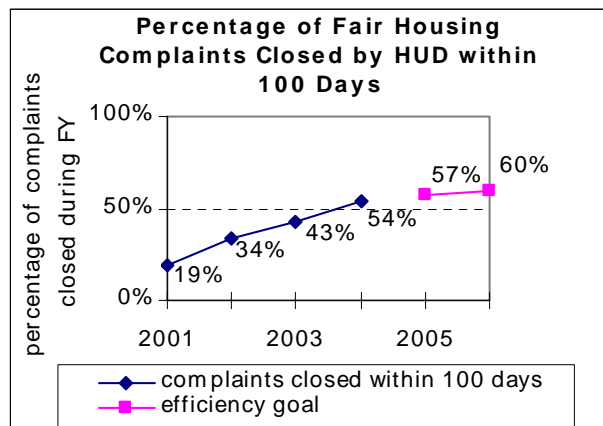
*FH.3 Improve housing accessibility for persons with disabilities.*

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

**FH.1.1:** Increase the percentage of fair housing complaints closed in 100 days to 60 percent.

**Indicator background and context.** HUD investigates and resolves complaints of alleged housing discrimination from private citizens and interest groups throughout the nation. HUD has worked diligently to increase public awareness of laws prohibiting discrimination in order to ensure that persons victimized by discrimination know how and where to file fair housing complaints. The efficiency of enforcement processing is an important dimension of the fair housing performance of HUD and of substantially equivalent agencies. Speedy processing encourages victims of discrimination to file complaints and increases the likelihood that violators will be punished. The goal established by this indicator is to increase the percentage of fair housing complaints received by the HUD Office of Fair Housing and Equal Opportunity that are closed within 100 days to 60 percent. This indicator is calculated by dividing the number of complaints closed within 100 days by the total number of complaints closed during the reporting period. Complaints open at the end of the fiscal year are reported in the next fiscal year. Fair housing complaint closures include charges, no-cause determinations, administrative closures, conciliations/settlements, and referrals to DOJ. In Fiscal Year 2004, 54.2 percent of complaints were closed within 100 days.

**Data source.** Resolutions of each complaint are recorded in FHEO's Title VIII Automated Paperless Office and Tracking System (TEAPOTS).



**Limitations/advantages of the data.** The data represent overall efficiency in handling fair housing complaints. Results are affected by complex or far-reaching cases that require investigative periods extending far beyond 100 days.

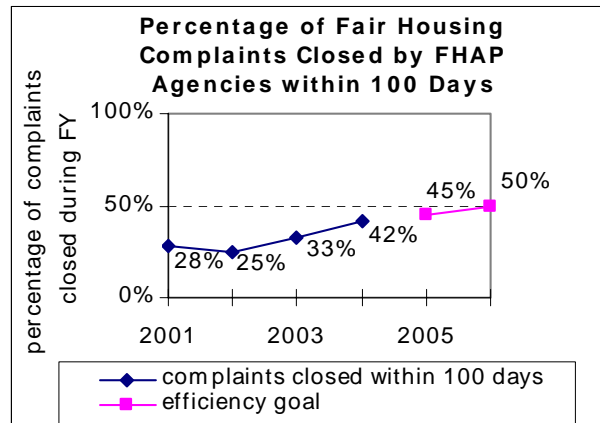
**Validation, verification, improvement of measure.** TEAPOTS entries will be verified by random checks of physical case files and documentation of case closures.

**FH.1.2: Increase the percentage of Fair Housing Assistance Program (FHAP) complaints closed in 100 days to 50 percent.**

**Indicator background and context.** Increasing the number of FHAP complaints closed within 100 days by substantially equivalent fair housing agencies boosts the visibility of fair housing laws, forces potential violators to stop discriminating, and reduces HUD’s enforcement workload. This indicator tracks the efficiency of FHAP grantees as they increase enforcement activities. The Fiscal Year 2006 goal is to increase the percentage of FHAP complaints closed in 100 days to 50 percent. This indicator is calculated by dividing the number of complaints closed within 100 days by the total number of complaints closed during the reporting period. Complaints open at the end of the fiscal year are reported in the next fiscal year. In Fiscal Year 2004, 41.6 percent of complaints were closed within 100 days.

**Data source.** FHEO’s Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

**Limitations/advantage of the data.** The data are self-reported by FHAP agencies, though TEAPOTS controls quality by tracking the progress of complaints.



**Validation, verification, improvement of measure.** TEAPOTS entries will be verified by random checks of physical case files and documentation of case closures.

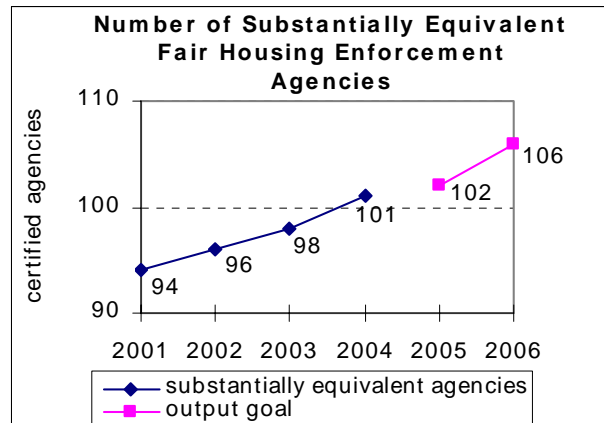
**FH.1.3: In order to increase the nation’s capacity to provide coordinated enforcement of fair housing laws, certify four new substantially equivalent agencies under the Fair Housing Act.**

**Indicator background and context.** HUD provides FHAP grants to “substantially equivalent” fair housing agencies to support fair housing enforcement. Substantially equivalent agencies are those that enforce state fair housing laws or local ordinances that are substantially equivalent to the Fair Housing Act. This indicator tracks the number of enforcement agencies that have been certified as substantially equivalent. The Fiscal Year 2006 goal is to increase the number of agencies by four from the Fiscal Year 2005 level, which is anticipated to reach 102 agencies.

**Data source.** FHAP administrative data contained in FHEO's Title VIII Automated Paperless Office Tracking System (TEAPOTS).

**Limitations/advantages of the data.** This indicator uses a straightforward and easily verifiable count of FHAP records.

**Validation, verification, improvement of measure.** Determinations of substantial equivalency are made by the Assistant Secretary for Fair Housing and Equal Opportunity in accordance with the regulations at 24 CFR Part 115.



**FH.1.4:** By the end of 2006, provide full certification to 480 fair housing investigators to ensure consistent, efficient, and effective investigations.

**Indicator background and context.** Beginning in Fiscal Year 2004, HUD requested and received funds to oversee the establishment of a National Fair Housing Training Academy (NFHTA) to provide continuing fair housing education to current professional staff of fair housing enforcement agencies. The academy improves individual, as well as organizational performance, to more efficiently and effectively respond to complaints of housing discrimination. In Fiscal Year 2005, HUD anticipates providing training to 600 individuals through the Training Academy, many of whom will go on to receive full certification in Fiscal Year 2006.

**Data source.** Staff tracking and recordation of online registration and certificates awarded.

**Limitations/advantages of the data.** The online registration will allow for an accurate enrollment census. Certificates awarded for successful completion of all phases of training will provide data that measures the performance of registrants. Enrollment data and certification data will be used to measure graduation rates and provide verification of improved investigative skills.

**Validation, verification, improvement of measure.** FHEO headquarters staff; regional FHEO directors and academy administrator will monitor training sessions to evaluate course effectiveness. The academy administrator will also measure completion/graduation rates.

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

**FH.2.1:** Recipients of FHIP education and outreach grants will hold 200 public events, to include outreach to faith-based and grassroots organizations, reaching at least 160,000 people.

**Indicator background and context.** Many communities do not have strong state or local legal protections from housing discrimination. HUD's Fair Housing Initiatives Program (FHIP) addresses this shortfall. HUD intends to build fair housing linkages to communities by promoting partnerships between existing FHIP-funded fair housing organizations and community

organizations and faith-based organizations. The FHIP program provides necessary base funding for nonprofit groups to conduct fair housing activities in the areas of education and outreach to increase public awareness of housing discrimination and the Fair Housing Act. The activities may be seminars, public service announcements on radio or TV, symposium conferences, or other education and outreach activities designed to increase awareness of the Fair Housing Act. This strategy supports the Administration’s faith-based outreach as well as HUD’s fair housing mission. The long-term impact of the education and outreach events is measured by HUD in periodic national surveys on public knowledge of fair housing laws.

**Data source.** Database designed for FHIP and HUD Form 96010.

**Limitations/advantages of the data.** HUD Form 96010 ties each applicant’s outputs and outcomes to HUD’s Strategic Goals and Policy Priorities. Fiscal Year 2003 was the first year of use for HUD Form 96010. Therefore, collection of useful data is ongoing. A database for FHIP is in the planning stages of development and will assist in collecting information.

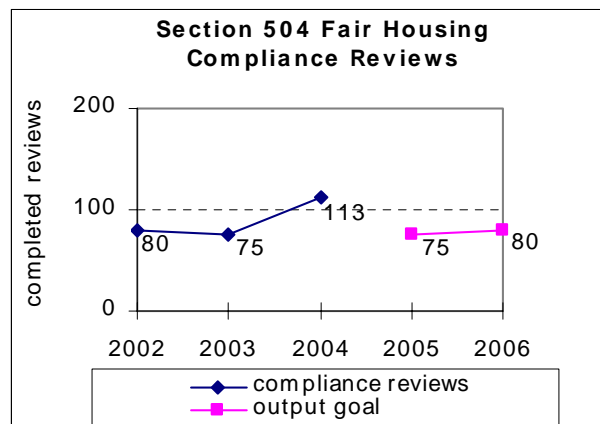
**Validation, verification, improvement of measure.** HUD is developing a FHIP database. The HUD form 96010 has been validated for use by each program area.

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

**FH.3.1: HUD will conduct 80 Section 504 disability compliance reviews of HUD recipients.**

**Indicator background and context.** FHEO reviews public housing agencies and private providers of HUD-assisted housing to ensure that their developments comply with accessibility standards under Section 504 of the Rehabilitation Act of 1973. This law prohibits discrimination based on disability in federally assisted programs and activities. Section 504 requires that programs and activities be accessible to persons with disabilities. Thus, the reviews will examine whether the developments comply with Section 504 and the Uniform Federal Accessibility Standards. The Fiscal Year 2006 goal is to complete at least 80 Section 504 reviews of recipients of HUD financial assistance, an increase over HUD’s 2005 goal of 75 reviews. These goals are consistent with the goals and achievements for fiscal years 2002 and 2003, but lower than the Fiscal Year 2004 goal of 100 reviews and output of 113 reviews. Given reductions in staff and travel resources, as well as the need for monitoring of voluntary compliance agreements to remedy discrimination found in completed reviews, HUD anticipates being able to maintain a volume of reviews comparable to what it achieved in fiscal years 2002 and 2003.

**Data source.** HUD Integrated Performance Reporting System (HIPRS).



**Limitations/advantages of the data.** The database counts the various compliance reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results on an intermittent basis.

## Goal EM: Embrace High Standards of Ethics, Management, and Accountability

*Strategic Objectives:*

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

### Objective EM.1: Rebuild HUD's human capital and further diversify its workforce.

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EM.1.1: REAP/TEAM will complete three milestones in support of strategic human capital management.

**Indicator background and context.** The Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism (REAP/TEAM) supports the Department's effort to estimate, allocate, and validate resources for effective and efficient program administration and management. It is a key tool for managing staff resources and workload, and provides a foundation for HUD's long-term human capital strategies, including succession planning.

The National Academy of Public Administration (NAPA) helped develop REAP. NAPA recommended that it include the three components of resource estimation, resource allocation, and resource validation. The first resource estimation studies were completed in 2001, providing baseline data and standards for estimating the amount of time and resources required to perform the Department's work. A refresh of the REAP baseline was begun in 2003 and completed in 2004.

Along with REAP, HUD developed TEAM, an intranet application that enables ongoing resource allocation and validation. TEAM collects actual workload accomplishments and employee time usage on a sampling basis. Employees in Headquarters and Field Offices record how much time they spend working on the different activities and processes of their jobs during a randomly selected two-week period every quarter. Time and workload reporting enables the validation of the REAP standards or requires their re-evaluation.

Together, REAP and TEAM assist the Department in developing a strategic human capital planning approach and at the same time support performance budgeting in terms of planning, utilization, and funding of human capital resources. During Fiscal Year 2006, the Department will accomplish three milestones:

- Use TEAM data to support the Fiscal Year 2007 Budget request;
- Conduct training in headquarters and the field on how to use the TEAM reports and the Allocation Module as management tools;
- Use TEAM in the program offices to assess human resource needs in hiring decisions during Fiscal Year 2006.

**Data source.** REAP/TEAM data are maintained by CFO's Office of Budget. Data are maintained by fiscal year.

**Limitations/advantages of the data.** The TEAM system provides a comprehensive database for estimating and allocating staff resources. Random sampling of work activities ensures that the data are representative of overall workload. The reporting process for employee time usage introduces unavoidable measurement error that is anticipated to be within acceptable levels of confidence and precision. TEAM is not designed to assess the quality of work products. This will be accomplished through independent quality management reviews.

**Validation, verification, improvement of measure.** TEAM data helps validate REAP estimates. Annual replication of TEAM sampling will serve as a means of verification and may identify the need for additional resource estimation studies. Resource estimation studies also will be repeated on a regular basis.

**EM.1.2: HUD will reduce skill gaps by 10 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.**

**Indicator background and context.** In March 2003, HUD issued its Five-Year Strategic Human Capital Management Plan. One of the major strategies contained in the Plan is conducting a comprehensive workforce analysis and developing a workforce plan for each program office to address mission-critical skill gaps. In Fiscal Year 2004, HUD completed a workforce analysis and plan of the following four core program offices: Housing; Public and Indian Housing; Fair Housing and Equal Opportunity; and Community Planning and Development. These four analyses include employees who represent 65 percent of the agency's federal workforce.

HUD is implementing its workforce plans through a two-tiered process. First, HUD's Office of Administration (Admin) meets regularly with the four core program offices, providing guidance to ensure that adequate workforce analyses and plans are in place to begin addressing identified skill gaps. Second, the program offices are responsible for implementing specific workforce plan recommendations to address identified skill gaps in each of their areas. Admin provides guidance and monitors the successful implementation of workforce plan recommendations addressing skill gaps. The feedback on progress occurs through the HUD Executive Steering Committee for Human Capital Management (chaired by the Assistant Secretary for Administration and Chief Human Capital Officer). In Fiscal Year 2004, the core program offices



formed Workforce Analysis Planning Committees (WAPCs) to spearhead actions and work closely with Admin to begin addressing skill gaps in their respective areas. HUD will close its identified skill gaps through the following approaches: 1) moving staff with existing skills from non-critical positions to critical positions; 2) training existing personnel through on-the-job training and developmental assignments; 3) formal training and development programs; 4) hiring new personnel; and 5) competitive sourcing.

In Fiscal Year 2005, the Office of Administration's Fiscal Year 2005 operating budget was reduced by \$19.3 million, from \$185.3 million to \$166 million. As a result, the HUD Training Academy was eliminated and program offices must rely on the HUD Virtual University (an Internet-based training site), or fund staff training out of their Salaries and Expenses budgets. Additionally, \$415,330 budgeted to complete HUD's remaining program office workforce plans was cut. Consequently, these reductions directly impact on HUD's ability to address skill gaps and complete workforce analyses and plans in the remaining offices. In Fiscal Year 2006, HUD's appropriated budget is not projected to increase but will likely be further reduced.

### **Workforce Planning to Address Skill Gaps**

- In Fiscal Year 2005, a Departmental Workforce Plan covering the four core program offices will be issued and a baseline of existing gaps in staff knowledge, skills, and abilities will be established.
- In Fiscal Year 2006, Admin, working with the WAPCs, will address 10 percent of the skill gaps. Additionally, HUD's four core program offices, through the WAPCs, will work closely with Admin to prioritize the most critical skill gaps and identify targeted reductions. The WAPCs will report monthly to Admin and the Steering Committee, providing feedback on progress addressing skill gaps. Admin will monitor all WAPC actions to address skill gaps.
- The Department projected Fiscal Year 2006 funding to complete the workforce analyses and plans for the remaining offices. However, due to budget constraints, the funding was not provided. As a result, HUD will consider alternative methods to complete the workforce analyses and plans for the remaining eight offices.

### **Training and Development Initiatives**

- In Fiscal Year 2005, the training budget was reduced from \$8.2 million to \$1.2 million as part of the reduction in Administration's operating budget. These cuts will impact on HUD Training programs that include Operation Brain Trust, Mentor Program, HUD SES Candidate Development Program, Emerging Leaders Program, Council for Excellence in Government (CEG) Program, and Senior Executive Service Forums. In Fiscal Year 2005, HUD identified ten candidates for the SES Candidate Development Program and 30 individuals will complete the Emerging Leaders Program in May 2005. HUD is using the Virtual University to develop training curriculums to address general skills needed by employees to effectively perform their duties and to address management and leadership competencies.
- In Fiscal Year 2006, HUD will continue addressing documented skill gaps using the following programs: Operation Brain Trust, Mentor Program, HUD SES Candidate Development Program, OPM Management Development Programs, and Senior Executive Service Forums. HUD will also continue using the Virtual University to address general skills training needed by HUD

employees to effectively perform their duties and management and leadership competencies training.

**Data source.** Data will be gathered from each of the Program Office Workforce Analyses and Plans; quarterly WAPC implementation reports for the four core program areas; REAP/TEAM reports; personnel data from the National Finance Center (NFC) System; and internal staffing/hiring reports. The HUD training staff collects the data for all training programs. This information is gathered from registrations and sign-in sheets.

**Limitations/advantages of the data.** NFC data are available with a two-week lag. No other data limitations will compromise this measure. Training programs are administered by the HUD Training Office. The data is collected manually and therefore is susceptible to human error and validation is more time-consuming.

**Validation, verification, improvement of measure.** Human Resources and Training managers will confer with program officials to validate the skills gaps in the workforce plan against existing training needs assessments and competency models to ensure that actions being taken address critical skill gaps.

### EM.1.3: Eighty percent of HUD Interns are retained in mission-critical skill positions.

**Indicator background and context.** The HUD Intern Program is a key component of HUD's succession planning efforts. The Intern Program will be used to recruit and develop highly motivated and talented individuals, and provide the training necessary to fill mission-critical skill gaps as senior staff retires. Continued successful implementation of the Intern Program is crucial to maintain a constant flow of promising and talented individuals to support a productive workforce now and in the future. The Intern Program includes: a) the Presidential Management Fellows (PMF) Program; b) the Federal Career Intern (FCI) Program; and c) the Legal Honors Intern Program (LHIP).

During Fiscal Year 2005, HUD will be recruiting interns by making selections under the PMF Program, the FCI Program, and LHIP. In projecting needs, each HUD office will identify target positions for intern hires and placements through their REAP and workforce analysis data. In Fiscal Year 2005, HUD plans to identify 20 Intern candidates. In Fiscal Year 2006, HUD offices will prioritize critical positions for intern placements. The emphasis will be on closing skill gaps and addressing projected staff losses from retirements. This placement will result in 80 percent of HUD interns being placed and retained in targeted mission-critical occupations and potential leadership positions. This goal will be measured by reviewing the retention and placement rates for all interns hired since Fiscal Year 2005.

**Data source.** Manual performance reports provided by HUD program offices and data from the National Finance Center (NFC) will be used to supply data for this performance indicator.

**Limitations/advantages of the data.** The Intern Program is administered by the HUD Training Office. Status reports are provided by HUD program offices on intern performance and successful completion of requirements based on manual data. The data is susceptible to human error and validation is more time-consuming.

**Validation, verification, improvement of measure.** HUD's Office of Administration is responsible for monitoring and measuring performance against Intern program performance goals.

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

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

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

Implementation of the new core FHA financial management system is included in the President's Management Agenda for HUD to strengthen program controls through improved information systems. Implementing this new system is one of the Secretary's strategic actions to address material weaknesses and reportable conditions identified in FHA's annual financial statement audits and reports to the Congress. The Blueprint for Financial Management also provides corrective action for 14 different FHA systems that were previously non-compliant with federal financial systems requirements established in OMB Circular A-127.

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

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

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

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

FHA completed parallel operations for the final Phase II milestones in June 2004, implementing accounts payable, accounts receivable, procurement, and projects modules to perform the following central accounting functions:

- Certification of Treasury payments and cash reconciliation of payments and collections;
- Accounting and funds control for certain FHA contracts and grants;
- Funds control for all FHA disbursements on a daily basis;
- Credit subsidy accounting; and
- Tracking total liability for new insurance against annual limits.

In Phase III, FHA will complete the integration of insurance operations with the new core financial system. The first milestones of Phase III include integration of single-family premium refunds, multifamily premium billing and collection, and multifamily claims operations. Phase III of the project is expected to be completed by December 2006.

**Data source.** Successful performance will be measured by HUD's Inspector General and reported in the annual audit of FHA's financial statements.

**Limitations/advantages of the data.** The performance measures for the project are subject to independent assessment and depend on readily verifiable information such as number of findings (material weaknesses and other reportable conditions) eliminated from the auditor's annual opinion and number of legacy systems replaced.

**Validation, verification, improvement of measure.** The project will identify new annual milestones as work on each phase is completed.

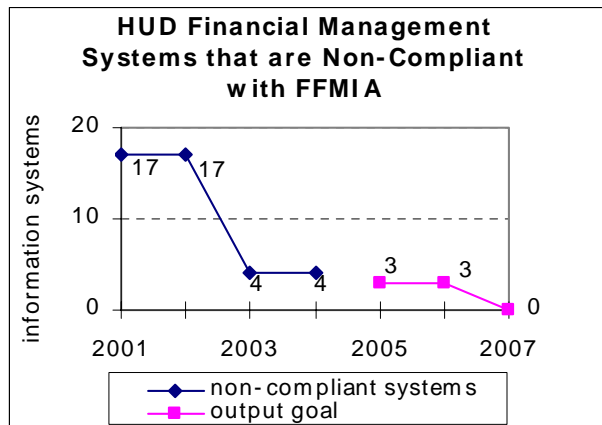
#### **EM.2.2: HUD is proceeding with plans to eliminate non-compliant financial management systems.**

**Indicator background and context.** The federal Financial Management Improvement Act of 1996 (FFMIA) requires federal agencies to implement and maintain financial management systems that comply with federal accounting standards and support the U.S. Government Standard General Ledger at the transaction level. Although HUD earned clean audit opinions for Fiscal Years 2000–2003, the General Accountability Office (GAO) has recommended that the Department establish clearer goals for improving the data systems that ensure financial accountability.

At the end of Fiscal Year 2000, HUD had 67 financial management systems, of which 17 failed criteria for compliance with federal standards. By the end of Fiscal Year 2002, the total number

of financial systems dropped to 50 due to systems consolidations, terminations, and reclassifications, but the number of noncompliant systems remained at 17. Fourteen of the 17 non-compliant systems were in the Federal Housing Administration (FHA) where there was a need to replace FHA’s commercial accounting system with a system that is fully compliant with the federal basis of budgeting and accounting. At the end of Fiscal Year 2003, 11 of these 14 FHA systems were reportedly brought into substantial compliance through the FHA Subsidiary Ledger Project, subject to independent verification. Nine of those 11 FHA systems have since been independently verified as compliant and 2 more remain to be verified (SF Premium Collection System-Periodic and the SF Upfront Premium Collection System). Whereas HUD’s Fiscal Year 2003 goal was to reduce the number of non-compliant systems by three to 14, that goal was exceeded as the number of non-compliant systems was reduced by 13 to four.<sup>4</sup>

For the remaining four non-compliant systems, the Loan Accounting System is scheduled for remediation in Fiscal Year 2005, and the following three FHA systems continue to be addressed by the FHA Subsidiary Ledger Project, which is scheduled for completion in December 2006: Single Family Mortgage Notes Servicing; Single Family Acquired Asset Management; and Multifamily Insurance.



**Data source.** The Office of the CFO maintains the financial management systems inventory, with input from systems sponsors and cyclical compliance reviews.

**Limitations/advantages of the data.** The data are reliable for this measure.

**Validation, verification, improvement of measure.** HUD contracts for financial management systems compliance reviews on a three-year cycle, and the Inspector General verifies compliance of HUD financial systems through audits.

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

**Indicator background and context.** The Department introduced this indicator into its Annual Performance Plan goal structure to maintain a focus on improving and enhancing HUD’s financial stewardship. HUD received an unqualified audit opinion on its annual consolidated financial statements for four consecutive fiscal years, 2000–2003, a strong indicator of HUD’s accountability and the success of efforts to stabilize its financial management systems and

<sup>4</sup> The 13 noncompliant systems mitigated or eliminated in Fiscal Year 2003 were as follows: *Office of Public and Indian Housing*—Regional Operating Budget and Obligation Tracking; *Office of Housing/Federal Housing Administration*— Tenant Rental Assistance Certification System; Mortgage Insurance General Accounting; Single Family Insurance System; Single Family Insurance Claims Subsystem; Distributive Shares and Refund Subsystem; Single Family Premium Collections Subsystems—both Upfront and Periodic; Home Equity Conversion Mortgages; Cash, Control, Accounting Reporting System; Title I Notes Servicing; Title I Insurance and Claims; Multifamily Claims System.

operating environment. However, the Office of the Inspector General (OIG) was unable to complete its audit of HUD's Fiscal Year 2004 consolidated financial statements before OMB's new accelerated 45-day deadline of November 15, 2004, and had to issue a disclaimer of an audit opinion. HUD management is unaware of any issue that would have precluded the Department from receiving an unqualified audit opinion on its Fiscal Year 2004 financial statements had the OIG been given additional time to complete its audit.

HUD is working with the OIG auditors to improve the plans and timeline for the Fiscal Year 2005 financial audit and expects an unqualified opinion for Fiscal Years 2005 and 2006. HUD will also reduce the number of material internal control weaknesses and reportable conditions disclosed in the OIG's annual financial statement audit. In the Fiscal Year 2003 audit, HUD reduced the number of material weaknesses from 3 to 2 and the number of reportable conditions from 10 to 7. HUD eliminated an additional reportable condition in Fiscal Year 2004. However, a new material weakness and a new reportable condition issue were reported by the OIG in Fiscal Year 2004. HUD plans to eliminate at least 3 of the 10 existing internal control deficiency issues in Fiscal Year 2005 (1 material weakness and 2 reportable conditions), and is making progress on plans to eliminate all of the other remaining issues by the end of Fiscal Year 2007.

HUD also continues to accelerate the preparation and reporting of its financial statements to provide more timely information for program decision-makers in Congress and the Executive Branch. In Fiscal Year 2004, HUD began issuance of quarterly financial statements within 21 days after the end of each quarter. Issuance of HUD's annual, audited consolidated financial statements for Fiscal Year 2003 was accelerated by six weeks to December 19, 2003. HUD plans to issue its annual audited financial statements within 45 days after the end of the fiscal year for Fiscal Year 2005 and each year thereafter.

The receipt of an unqualified audit opinion for HUD's consolidated financial statements is important in maintaining confidence in the Department's financial statements for OMB, congressional, and public users. However, HUD is very mindful of the financial management discipline and vigilance required to maintain that confidence, and of the need for continued progress in resolving remaining material management control weaknesses and reportable conditions still associated with HUD's underlying financial management systems and operations.

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**Unqualified Audit Opinions Issued by the OIG for HUD's Financial Statements**

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	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Goal	FY 2006 Goal
Unqualified Audit Opinion	Yes	Yes	Yes	Yes	No	Yes	Yes

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**Data source.** HUD financial statement audits are performed by the OIG and contracted resources directed by the OIG.

**Limitations/advantages of the data.** Financial statement audits review the accuracy of the financial statements, the adequacy of the underlying data systems and internal controls, and compliance with applicable laws and regulations. In addition to providing an opinion on the financial information presented in HUD's financial statements, the auditors also identify internal control weaknesses that could have a material impact on that presentation, with recommendations for needed improvements.

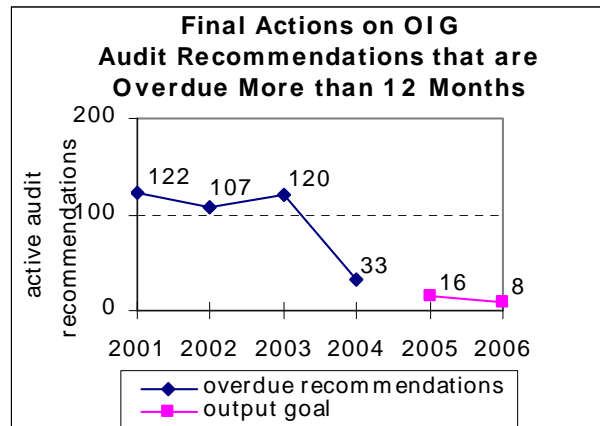


**Validation, verification, improvement of measure.** OIG audits are independent of HUD management, are performed in accordance with GAO auditing standards, and adhere to OMB and other guidelines and standards governing the preparation and audit of agency financial statements.

**EM.2.4: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.**

**Indicator background and context.** The large body of internal and external audit work conducted by the HUD Office of Inspector General results in a significant volume of recommendations involving recovery of disallowed and questioned costs, opportunities to put funds to better use, and improvements to management controls to reduce the risk of fraud, waste and abuse, and improve program performance. The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations.

HUD achieved its standing goal of “no overdue” management decisions for the last seven semi-annual reporting cycles ending on September 30, 2001, March 31, 2002, September 30, 2002, March 31, 2003, September 30, 2003, March 31, 2004, and September 30, 2004. HUD had previously only achieved this goal one other time since audit resolution tracking began under the Inspector General Act of 1978. During the last seven reporting cycles, timely management decisions were reached on 2,838 audit recommendations.



However, HUD ended the Fiscal Year 2003 reporting period with 120 recommendations with final actions that were more than 12 months overdue, reversing a three-year trend in declining balances of overdue actions. HUD set a goal to reduce the 120 recommendations more than 12 months overdue by 50 percent by the end of Fiscal Year 2004. HUD achieved 145 percent of that goal, ending Fiscal Year 2004 with only 33 recommendations in the category of overdue by more than 12 months. To keep overdue actions in this category to a minimum, HUD intends to reduce the number by an additional 50 percent in each of Fiscal Years 2005 and 2006,

**Data source.** Audit Resolution and Corrective Action Tracking System (ARCATS).

**Limitations/advantages of the data.** The data are reliable for this measure.

**Validation, verification, improvement of measure.** The HUD Inspector General and the Departmental Audit Liaison in the Office of the Chief Financial Officer reconcile and confirm the accuracy of the data.



### EM.2.5: HUD will conduct training on and exercise the Continuity of Operations (COOP) Program.

**Indicator background and context.** It is the federal policy to have a comprehensive, effective program to ensure continuity of federal functions under all hazards.<sup>5</sup> As a baseline for preparedness for potential emergencies, all federal agencies must have a viable Continuity of Operations capability that ensures essential functions are performed during any emergency or event that disrupts normal operations.

In Fiscal Year 2004, HUD exceeded its 95 percent quarterly testing goal, achieving a 100 percent test rate for each quarter with all members participating. These tests ensure that the COOP notification procedures work as planned, and that all COOP Emergency Relocation Group (CERG) members are contacted and notified of the ongoing test. HUD successfully conducted its annual Headquarters Relocation training that moved Headquarters staff to an alternate site. In May 2004, COOP training was conducted for Headquarters CERG in Richmond, Virginia. In addition, HUD exercised emergency relocation procedures at 15 of 81 (or 18 percent) Field Offices. COOP testing was highly successful and exceeded the Fiscal Year 2004 goal by 80 percent. In Fiscal Year 2005, quarterly notification testing and training continued.

In Fiscal Year 2006, HUD plans to complete the following additional actions:

- Perform quarterly notification testing of all office COOP notification procedures, and achieve a 95 percent success rate;
- Conduct annual training of the Headquarters COOP Emergency Relocation Group members, and achieve an 80 percent level for participation (Headquarters COOP Emergency Group members);
- Exercise emergency relocation procedures and deploy the COOP Emergency Relocation Group for at least 10 percent of the offices.

**Data source.** The Office of Security and Emergency Planning (OSEP) reporting requirements, in accordance with the HUD COOP Test, Training, and Exercise Plan.

**Limitations/advantages of the data.** In Fiscal Year 2004, HUD established a data reporting system that contains the required results of testing and relocation activations for subsequent evaluation of data quality.

**Validation, verification, improvement of measure.** OSEP will perform initial evaluation of data quality. GAO and/or HUD's OIG will perform independent assessments and validation.

### EM.2.6: The Accelerated Claim demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of Single Family assets.

**Indicator background and context.** Section 601 of the Fiscal Year 1999 HUD Appropriations Act amended Section 204 of the National Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility for modifying the single-family claim and asset disposition process. HUD is conducting a demonstration program to reform the single-family claims and asset disposition process and maximize recoveries on claims paid. FHA has the opportunity to execute various

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<sup>5</sup> The authority for the COOP program is Presidential Decision Directive (PDD) 67, dated October 21, 1998, and Federal Preparedness Circulars 65 and 66.

asset disposition strategies as a part of the Accelerated Claim Disposition (ACD) demonstration, including securitizations, whole loan sales, and a combination whole loan/pipeline sales. Currently, FHA is utilizing structured financing and retaining an equity interest in the limited liability company formed to acquire, service, and dispose of portfolios of single-family notes. The overall goal of the Accelerated Claim Disposition program is to ensure that FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single-family assets and maximizing the return to the FHA Insurance Funds. The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. Two subsequent auctions were held September 2003 and June 2004. This indicator tracks the rate of recovery on FHA claims between Fiscal Year 2005 and Fiscal Year 2006.

Net Recovery of Single-Family Assets					
	FY 2003 (Sale 1, 10/2002)	FY 2004 (Sale 2, 9/2003)	FY 2004 (Sale 3, 6/2004)	FY 2005 goal	FY 2006 goal
Recovery as percent of claim cost	70.2%*	76.9%*	NA	—	76.9%

\* Adjusted for claim costs as of 8/31/2004.

**Data source.** The progress of the ACD program will be monitored through the Single Family Insurance System – Claims Subsystem, which provides online update and inquiry capability to Single Family Insurance and Claims databases and to cumulative history files.

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

**Validation, verification, improvement of measure.** Data for FHA claims and recovery are audited by the Inspector General.

### EM.2.7: HUD will institutionalize the Capability Maturity Model (CMM) practices on IT projects by the end of Fiscal Year 2006.

**Indicator background and context.** Applying criteria in the Software Acquisition (SA) CMM will help HUD move its software acquisition from ad hoc, chaotic processes to mature, disciplined processes. The SA-CMM focuses on identifying key process areas and the exemplary practices found in a disciplined software and systems acquisition process. Implementing Level 2 of SA-CMM practices includes the following characteristics:

- *Practices can be repeated.* Established policies, procedures, and practices commit the Department to implementing and performing consistently.
- *Best practices are defined so they can transfer across program areas.* Practices are defined to transfer across project boundaries, and provide some standardization.
- *Variations in performing best practices are reduced.* Quantitative objectives are established for tasks; measures are established, taken, and maintained to form a baseline so an assessment is possible.

- *Practices are continuously improved to enhance capability.*

Organizations that apply the SA-CMM model to their acquisition processes realize benefits in identifying internal issues, problems, and risks that if properly addressed will ultimately lead to a 25 percent reduction in project effort. By the end of Fiscal Year 2004, seven systems had implemented practices that qualified them at CMM Level 2. During Fiscal Year 2005, HUD will implement SA-CMM practices toward achieving an SA-CMM Level 2 designation for six additional mission-critical application systems, and by the end of Fiscal Year 2006, HUD will institutionalize the CMM practices on IT projects. In addition, HUD will assist projects that have implemented SA-CMM Level 2 practices toward achieving Level 3 maturity (standard, consistent processes).

**Data source.** CIO administrative database, consisting of system performance metadata reported by program owners of data systems.

**Limitations/advantages of the data.** Certification of CMM Level 2 Maturity requires funding for independent certification of seven practices for each system. Certification of Level 2 Capability consists of documented implementation of at least one practice in the SA-CMM framework.

**Validation, verification, improvement of measure.** Implementation leading to Level 2 Maturity is certified through independent audits by third parties.

#### **EM.2.8: HUD will achieve Information Technology Investment Management (ITIM) Maturity Stage 4 by the end of 2006.**

**Indicator background and context.** HUD's Capital Planning and Investment Control (CPIC) process, as required by the Clinger Cohen Act, lays the foundation upon which a mature approach to Information Technology Investment Management is being built. In 2000, HUD began implementing GAO's ITIM Maturity Framework as a part of its CPIC process. The Maturity Framework helps improve the selection and management of HUD's IT portfolio so that it adequately addresses business strategies and workforce needs. HUD also established controls over investments to minimize the likelihood of project failure or excessive cost and schedule overruns.

There are five levels of maturity to the GAO ITIM framework:

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

In Fiscal Year 2002, HUD achieved Stage 2. HUD implemented an investment review board to select and manage IT projects, and a process that verifies business needs and tracks and oversees projects and systems. HUD improved its IT management practices by achieving Stage 3 during Fiscal Year 2004. This has required HUD staff to: (1) improve the alignment of the authority of HUD investment boards; (2) define selection criteria for the portfolio; (3) improve investment

analyses; (4) develop a portfolio; and (5) provide oversight of the portfolio to improve the section and management of IT assets.

In Fiscal Year 2005 and 2006, moving to Stage 4 will be a significant undertaking that will require HUD to define, implement, and conduct the following activities concurrently with the activities for Stages 1, 2 and 3:

- *Portfolio Performance Evaluation and Improvement.* Comprehensive IT portfolio performance measurement data are defined and collected using agreed-upon methods. Aggregate performance data and trends are analyzed, and investment practices are developed and implemented.
- *Systems and Technology Succession Management.* IT investments are periodically analyzed for succession and appropriate investments are identified as succession candidates. Interdependency of each investment with other investments in the IT portfolio is analyzed, and the IT investment review board makes a succession decision for each candidate IT investment.

**Data source.** CIO Administrative database.

**Limitations/advantages of the data.** Based on verification, critical elements are included to comply with program business rules.

**Validation, verification, improvement of measure.** An assessment will be performed by an organization knowledgeable in the GAO methodology.

#### **EM.2.9: HUD will complete the Enterprise Target Architecture by the end of Fiscal Year 2006.**

**Indicator background and context.** In Fiscal Year 2000, HUD established an enterprise architecture (EA) practice to promote sound business and information technology (IT) decisions through a comprehensive understanding of HUD's complex computing environment. Today, HUD's mature EA Practice is already paying dividends by revealing gaps in performance and identifying opportunities to guide strategic decision-making in IT. This has produced important advances for the Department. These include:

- EA led HUD's IT Investment Management in the selection of its Fiscal Year 2006 IT portfolio and reshaping its Fiscal Year 2005 IT portfolio.
- HUD's EA Practice was rated 5<sup>th</sup> among 96 agencies in the federal government according to a recent GAO study.
- HUD's EA Practice has completed the final modernization blueprints (target architectures) for Rental Housing Assistance, Single Family Housing, and Enterprise Architecture Information Management.
- Work continues on target architectures for grants management, financial resources management, and human resources management.
- Target architectures are proposed for geographical information systems (GIS), document and records management, and work flow management.

The EA Information Management Blueprint established the groundwork for the implementation of the IT Lifecycle Framework and the Enterprise Program Management Practice. This framework will produce fundamental and profound changes for the management and

implementation of HUD IT initiatives. This framework will generate significant benefits for HUD customers by simplifying IT investments decisions through strategic, business-driven planning; accelerating IT solution implementation through system design based on standards; and increasing program success through responsible program management practices. Complementing this important initiative, HUD has aggressively moved forward with the establishment of both an Enterprise Program Management Practice and a Project Management Practice.

In Fiscal Year 2006, HUD will complete its Enterprise Target Architecture.

**Data source.** CIO Administrative database, consisting of system performance metadata reported by program owners of data systems.

**Limitations/advantages of the data.** Upon completion, the EA will serve as a guide for future systems development and implementation.

**Validation, verification, improvement of measure.** The CIO is an independent reviewer of system performance reported by program offices. CIO and program areas have oversight in the development of system performance goals.

**EM.2.10: HUD will meet IT-related security requirements as follows:**

- Continue the Certification and Accreditation (C&A) effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems (IAS) have been certified and accredited;
- Prioritize and remedy high-priority risks; and
- Ensure 90 percent of HUD employees and contractors will have completed IT Security and Awareness Training.

**Indicator background and context.** The Federal Information Security Management Act of 2002 (FISMA) establishes specific security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD's IT Security Office provides protection for HUD's information systems and resources and has responsibility for implementing security controls in compliance with FISMA. This includes establishing and implementing security policies and procedures, assessing risks, independently certifying that security controls have been correctly implemented, promoting computer security awareness training, monitoring and evaluating the effectiveness of computer security policies and control mechanisms, and ensuring that effective disaster recovery/contingency planning is in place.

In Fiscal Year 2006, the IT Security Office will continue to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use, and modification. This will include the following:

- One-hundred percent remediation of high criticality security weaknesses to support full authorization to operate;
- Integration of computer security requirements into HUD's software development lifecycle model;
- Complete an updated Plan Of Action and Milestones (POA&M) and all reports required by the Federal Information Security Management Act;

- Conduct annual technical computer vulnerability assessments through independent penetration tests; and
- Promote enterprise-wide security awareness training through outreach; computer-based training, and multi-media based training.

**Data source.** HUD will collect computer security risk data from independent risk assessments, certifications and accreditations, self-assessments, and penetration tests.

**Limitations/advantages of the data.** Quality of data from self-assessments is likely to vary. Quality of security certifications will depend on the quality of the documentation provided, and the depth of analysis used to test correctness of implemented computer controls.

**Validation, verification, improvement of measure.** Program managers regularly review the status reports to ensure that planned actions occur.

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

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

**Indicator background and context.** HUD partners are critical to the Department's overall performance. These partners, which include government, and nonprofit and for-profit entities, provide service delivery for a majority of HUD programs. Increasing their satisfaction with HUD makes them more willing to support HUD in achieving common objectives.

During Fiscal Year 2001, eight partner groups were surveyed to assess both partner satisfaction with the Department generally and perceptions of the recent management changes at HUD. The partner groups included community development directors, PHA directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and nonprofit providers. Overall satisfaction by partners varied greatly, with FHAP directors and mayors highly satisfied and PHA directors and multifamily owners less satisfied. Similarly, partner assessments of the HUD 2020 management changes were mixed. The Department's goal is to see a significant increase in the satisfaction of partner groups when the survey is replicated.

**Data source.** The 2001 baseline report, "How's HUD Doing? Agency Performance as Judged by Its Partners," is available at [www.huduser.org](http://www.huduser.org). A stakeholder survey similar to the baseline survey will be completed during calendar year 2005. Performance for Fiscal Year 2006 and future years will be measured by replicating core elements of the 2005 survey approximately every three years, which will enable the research to inform HUD's strategic planning under the Government Performance and Results Act.

**Limitations/advantages of the data.** Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. HUD modifies the survey methodology and instrument to focus on pertinent management topics and improve validity of results. As a result, responses may not be strictly comparable from year to year.



**Validation, verification, improvement of measure.** The survey instrument was pre-tested to identify problems that might compromise the validity of results. In related research, focus groups were conducted in 2000 to assess partner needs and opinions as they relate to reporting program results. Survey results are substantially verified in a qualitative way on an ongoing basis as the Department solicits views of partner groups in program activities and negotiated rulemaking.

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

**Indicator background and context.** The Office of Policy Development and Research (PD&R) helps improve HUD's accountability, service delivery, and customer service in numerous and often intangible ways. One way to assess this contribution is to survey key stakeholders to determine whether they view PD&R's work products to be valuable and to obtain feedback on how they can be improved.

In Fiscal Year 2001, PD&R surveyed stakeholders and research users to determine whether they found PD&R research products relevant, useful, and well-prepared. The stakeholders and users interviewed included academics, nonprofit researchers, building professionals, trade and manufacturing associations, financial institutions, and housing advocacy groups. Although PD&R also has important stakeholders within HUD and Congress, they were not included within the scope of this initial survey.

Initial findings indicate that HUD research was rated highly and cited frequently in the academic literature, with 81 percent of respondents rating the products as "valuable." HUD's goal is to maintain at least 80 percent of responses indicating that PD&R products are valuable. For the purposes of this survey, PD&R's "products" are defined as research publications, data files, and internal work products in support of program disciplines. In intervening research, PD&R will obtain and assess user opinions of the HUD USER website.

**Data source.** Records of requests of reports and of reports downloaded from PD&R's website, along with informal discussions with stakeholders and users, were used in conducting the survey. The 2004 web-based survey will be completed during Fiscal Year 2005. Components of this study include a customer satisfaction survey of members of the HUD USER listserv and a survey of individuals who visited the website during autumn 2004. Performance during Fiscal Year 2006 and future years will be measured by replicating core elements of the 2001 or 2004 surveys approximately every three years.

**Limitations/advantages of the data.** The initial research was based on a purposive sample of the most intensive users. The current web-based survey will be a census of all listserv members and users during a six-week period.

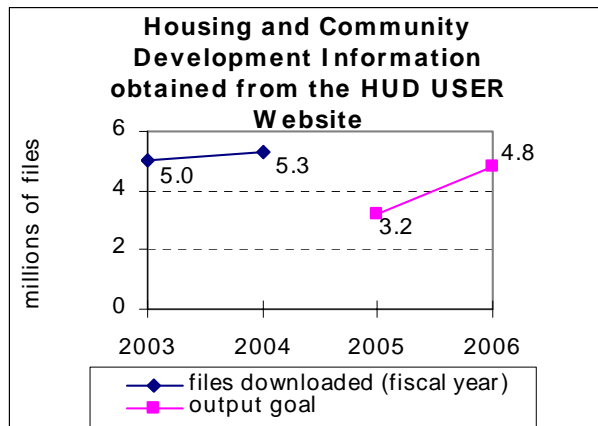
**Validation, verification, improvement of measure.** The sample size of the follow-up research is much larger and more representative than the sample for the initial research. Response patterns will be assessed as evidence of the appropriateness and reliability of the measure. The 2004 web-based survey effort includes features designed to boost response rates.



**EM.3.3: More than 4.8 million files related to housing and community development topics will be downloaded from PD&R’s website.**

**Indicator background and context.** In 1978, PD&R established HUD USER, an information source for housing and community development researchers and policymakers. HUD USER is one of the principal sources for federal government reports and information on housing policy and programs, building technology, economic development, urban planning, and other housing-related topics. HUD USER also creates and distributes a wide variety of useful information products and services, including products essential to HUD program operations. This measure includes downloads from the Regulatory Barriers Clearinghouse that HUD developed at the request of Congress. This clearinghouse, [www.regbarriers.org](http://www.regbarriers.org), helps stakeholders share information about ways to remove regulatory barriers to affordable housing.

Substantial HUD USER activity is an indication of the value of PD&R’s work, and of HUD USER’s coordination function on behalf of HUD’s customers. During Fiscal Year 2004, users downloaded 5.3 million files from the HUD USER research clearinghouse at [www.huduser.org](http://www.huduser.org). The Fiscal Year 2006 goal is to achieve at least 4.8 million downloads. This goal represents a substantial increase from the Fiscal Year 2005 goal of 3.2 million yet allows for variances in activity.



**Data source.** Usage data are provided in monthly reports from Sage Computing, HUD’s web hosting and content-management provider for HUD USER. The number of downloads varies from month to month, reflecting the timing and popularity of new reports and information.

**Limitations/advantages of the data.** Beginning in mid-2003, the counts have been generated with WebTrends software, a standard analytical application in the web-hosting industry, so HUD is now able to report fiscal year results in a timely fashion. No counting errors are expected. However, users may download multiple files while obtaining the information they were seeking, and a single user may download the same product more than once.

**Validation, verification, improvement of measure.** Frequent reporting and summary statistics in monthly usage reports allow managers to verify usage patterns.

**EM.3.4: At least 50 percent of HUD’s competitive grant application forms will be available electronically through the Internet.**

**Indicator background and context.** HUD has over 63 active grant programs administered by six program areas that obligate and monitor approximately \$28 billion of HUD’s \$31 billion budget each year. The Department’s goal is to ensure effective management and deliveries of these grant programs to clients and residents of the communities that are receiving HUD assistance. In Fiscal Year 2004, HUD successfully launched its first electronic application on [Grants.gov/Apply](http://Grants.gov/Apply) and received 18 applications via the [Grants.gov](http://Grants.gov) portal. The electronic application requires mandatory data entry fields to be completed to successfully submit to

Grants.gov. This milestone directly responds to the goal of the President's Management Agenda for eGrants to expand e-Government by making grant applications available electronically through the Internet.

In Fiscal Year 2005, HUD will have at least 25 percent of its competitive grant applications available on Grants.gov/Apply. In Fiscal Year 2006, HUD plans for 50 percent of its competitive grant applications to be available on Grants.gov/Apply. This is a 100 percent increase over the Fiscal Year 2005 baseline. This will allow grantees to submit electronic applications via the Grants.gov portal and provide a single point of entry for grant application submissions to the Department.

**Data source.** Office of Departmental Grants Management and Oversight (ODGMO) for number of applications made available on Grants.gov/Apply.

**Limitations/advantages of the data.** With electronic applications, HUD will be able to have a single point for online entry of all grant applications, a common data structure, and alignment with efforts under Public Law 106-107 to streamline and simplify the grant application process for applicants through the use of Grants.gov.

**Validation, verification, improvement of measure.** With the transfer of grant applications from Grants.gov, HUD will be able to have a central database for the receipt of grant applications and a single source to obtain data on the number of applications received electronically.

**EM.3.5: The share of FHA mortgage insurance applications initially rejected for improper use of Social Security Numbers is limited to 0.5 percent of submitted applications.**

**Indicator background and context.** HUD requires approved lenders to document a valid Social Security Number (SSN) for each borrower, co-borrower, and co-signer on mortgages that will be insured by FHA. HUD currently does not prescribe how lenders should validate SSNs, leaving them to use various means for executing this requirement. Lenders use a variety of procedures to investigate and resolve the inconsistencies or multiple SSNs that come to light during loan processing and underwriting. Further, lenders do not use the same verification methods or maintain the same level of due diligence when validating SSNs. These inconsistencies leave the Department vulnerable to incidents of fraud and/or identity theft in its single-family mortgage insurance programs. To address this issue, HUD will implement an enhanced online validation tool for verifying SSNs. FHA will use data for the period June – September 2005 to establish a baseline proportion of mortgage insurance applications for which case numbers were not issued due to the inability to verify the SSNs electronically. The FY 2006 goal is to limit such rejected applications to 0.5 percent of all requests submitted to FHA.

**Data source.** FHA Connection, based on the F17 Computerized Homes Underwriting Management System (CHUMS).

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

**Validation, verification, improvement of measure.** Data entered by direct endorsement lenders into FHA Connection will be verified upon entry of the individual's name, SSN, and date of birth, with monitoring by FHA.

## Objective EM.4: Ensure program compliance.

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

**Indicator background and context.** The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$24 billion in annual expenditures. In 2000, a HUD Quality Control Study estimated that 60 percent of all subsidized rent calculations were done in error, and that there were approximately \$3.2 billion in gross improper payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administration errors and tenant underreporting of income upon which the subsidy is based. As a part of the Presidential Management Agenda, HUD established a goal for a 50 percent reduction in both the frequency of subsidy component and processing errors, and the corresponding portion of the \$2 billion in estimated net annual subsidy overpayments, by 2005. HUD set interim error reduction goals of 15 percent for Fiscal Year 2003 and 30 percent for Fiscal Year 2004.

Based on a study of Fiscal Year 2003 program activity, HUD well exceeded all interim reduction goals with an estimated 27 percent reduction in program administrator errors and a 71 percent reduction in the estimated \$2 billion in net annual rental assistance overpayments, as follows:

<b>Reduction in Improper Payments Due to Subsidy Determination and Income Reporting Errors</b>				
<b>Errors*</b>	<b>Over Payments</b>	<b>Under Payments</b>	<b>Net Over-Payments</b>	<b>Gross Improper Payments</b>
2000	\$2.594	\$0.622	\$1.972	\$3.216
2003	\$1.087	\$0.519	\$0.568	\$1.606
Reduction, 2000-2003	\$1.507	\$0.103	\$1.404	\$1.610
Percentage reduction	58%	17%	71%	50%

\*Dollar amounts shown are in billions

HUD initiated the Rental Housing Integrity Improvement Project (RHIP) in the spring of 2001 to address this improper payment issue and the associated high program risks and material internal control weaknesses identified by the GAO and HUD Inspector General. An initial focus of the RHIP effort was to reach out and communicate the nature and significance of the improper payment problem to HUD's program partners, housing industry groups, and tenant advocacy groups, and to solicit their support in developing and implementing corrective actions to reduce improper payments. Early RHIP efforts also focused on providing better program guidance and training to program administrators, tenant beneficiaries, and HUD monitoring staff. HUD's outreach, guidance and training activities were significant contributing factors to the improper payment reductions realized to date. Other contributing factors to this reduction included increased monitoring by Performance-Based Contract Administrators (PBCAs) in the Section 8 Project-Based Assistance Program; early impacts of the Rental Integrity Monitoring (RIM) efforts in the public housing and Housing Choice Voucher programs; promotion and

initiation of improved computer matching efforts for tenant income verification; and improvements to the process for measuring the impacts of undisclosed tenant income sources.

With enactment of the Improper Payments Information Act of 2002 (IPIA), and issuance of OMB’s implementation guidance for the IPIA, HUD is now required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. HUD has set aggressive goals as follows:

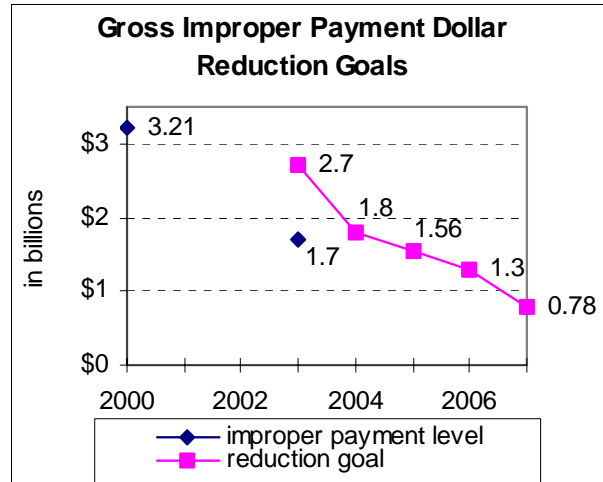
**Rental Assistance Improper Payment (IP) Reduction Outlook**  
**FY 2003–FY 2007 (Dollars shown in billions)**

	<b>FY 2003 Payments</b>	<b>FY 2003 IP \$</b>	<b>FY 2003 IP %</b>	<b>FY 2004 IP %</b>	<b>FY 2005 IP %</b>	<b>FY 2006 IP %</b>	<b>FY 2007 IP %</b>
Rental Assistance	\$24.581	\$1.707	6.9	6.9	6.0	5.0	3.0

As an alternative to expressing HUD’s improper payment reduction goals as a percentage of total payments, the chart below demonstrates corresponding goals for the reduction of gross improper payment dollar levels, based on the increased Fiscal Year 2004 payment base of \$26.069 billion.

HUD’s aggressive improper payment reduction goals are contingent on successful implementation of plans for more effective computer matching processes to verify tenant beneficiary income, and on HUD’s ability to sustain an adequate level of monitoring of program administrator performance.

In Fiscal Year 2004, HUD developed and began implementation of the Upfront Income Verification System to share state wage data-matching information with PHAs for use in verifying annual recertifications of tenant income and subsidy levels. In January 2004, HUD also received statutory authority to work with the Department of Health and Human Services to pursue enhanced computer matching capability using the National Directory of New Hires database. HUD plans to expand the Upfront Income Verification System to include this new source for PHA use in Fiscal Year 2005, through an Enterprise Income Verification System. In Fiscal Year 2006, HUD plans to expand the Enterprise Income Verification System to include all available income match data sources, including Social Security Administration Retirement and



Note: The \$3.216B baseline improper payment estimate from 2000 included improper payments attributed to errors in program administrator subsidy determinations and tenant underreporting of income. The 2003 estimate of \$1.707B also includes \$100M in estimated billing errors in the multifamily housing project-based assistance programs. A complete improper payment estimate will be available when the billing error study for the public housing and tenant-based Housing Choice Voucher programs are completed on Fiscal Year 2003 activity at the end of Fiscal Year 2005. A new baseline and goals will be set at that time.

Supplemental Security Income benefit information, for controlled use by all rental housing assistance program administrators, inclusive of multifamily housing project owners and management agents. This increased computer matching capability has the potential to eliminate the majority of the remaining estimated improper rental housing assistance payments.

**Data source.** Periodic error measurement studies overseen by the Office of Policy Development and Research (PD&R) and supported by the PIH and Housing program organizations.

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

**Validation, verification, improvement of measure.** The independent HUD OIG reviews the error measurement methodology and support, as well as management controls over the related program activity, as part of its audit of HUD's annual financial statements. GAO also oversees HUD's progress in addressing this high-risk program area. HUD's goal is to eliminate GAO's high-risk program designation by 2007.

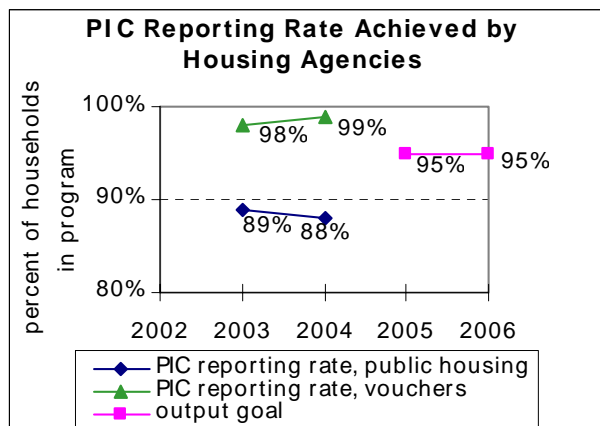
**EM.4.2: The national average PIH Information Center (PIC) reporting rates for public housing and Housing Choice Voucher households will be 95 percent or better.**

**Indicator background and context.** Accurate and timely information about the households participating in HUD's housing programs is necessary to allow HUD to monitor the effectiveness of the programs, assess agency compliance with regulations, and analyze the impacts of proposed program changes. Several outcome indicators in the Annual Performance Plan use data about public housing or voucher households that housing agencies submit to the PIC system through electronic Form HUD-50058. PIC provides the primary source of data on participation in these programs, and field staff uses the data to monitor housing agencies. The level of Form HUD-50058 reporting is a criterion for various program policies for public housing, housing, and voucher initiatives including the SEMAP assessment systems for PHAs.

PIH will carefully track this measure and will achieve an overall 95 percent reporting rate or better in 2005, and will achieve the 95 percent reporting requirement for public housing and voucher programs separately in 2006.

**Data source.** Reporting rates are determined from the standard reports that use the Form 50058 data in the PIC system. Late reporting is identified by automated PIC 50058 module reports that specify late recertifications for each housing agency and flag poor reporters.

**Limitations/advantages of the data.** The identification of housing agencies that report poorly is straightforward and easily verifiable.



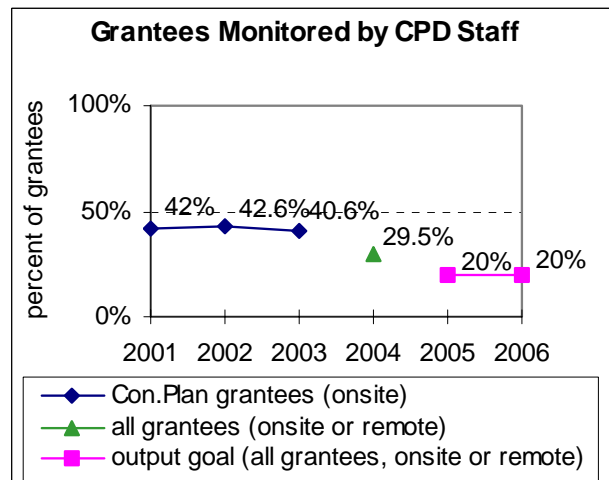
**Validation, verification, improvement of measure.** The PIC 50058 module verifies the quality of tenant data by performing checks on data ranges and internal consistency. The tenant data and summary statistics are electronically available to housing agencies and field offices for

verification, validation, analysis, and monitoring purposes. HUD will review options for dealing with missing end-of-participation reports to improve the validity of the measure.

**EM.4.3: A minimum of 20 percent of active Community Planning and Development (CPD) program grantees will be monitored on-site or remotely for compliance with statutory and regulatory requirements.**

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

This indicator tracks the extent of monitoring activity by HUD field staff to ensure that grantees are appropriately carrying out HUD CPD programs, helping low- and moderate-income families and developing distressed neighborhoods. HUD monitors both active formula and competitive CPD program grantees for compliance. Grantees are monitored on-site and remotely. The targets for Fiscal Years 2005 and 2006 are lower than in previous years due to reduced resources.



**Data source.** CPD Field Offices report how many grantees were reviewed in the Department’s internal tracking system, HIPRS (HUD Integrated Performance Reporting System).

**Limitations/advantages of the data.** Administrative data do not support assessments of the quality of review. All on-site and remote monitoring of grantees is conducted in compliance with guidelines established in the HUD Monitoring Desk Guide (Training Edition).

**Validation, verification, improvement of measure.** Field supervisors review monitoring activity and reporting by field staff. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers. In addition, the Office of Departmental Operations and Coordination performs Quality Assurance Reviews of HUD field offices, which validate the results of the monitoring of grantees.

**EM.4.4: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.**

**Indicator background and context.** This indicator tracks the level of reporting by Participating Jurisdictions (PJs) into the Integrated Disbursement and Information System (IDIS) of household occupancy data for the Home Investment Partnerships (HOME) rental units. IDIS is the data collection system for HUD’s block grant and formula grant programs that serve local jurisdictions—Community Development Block Grant (CDBG), HOME, Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). Reporting rates for HOME are based on reporting of HOME rental household data at project completion for those

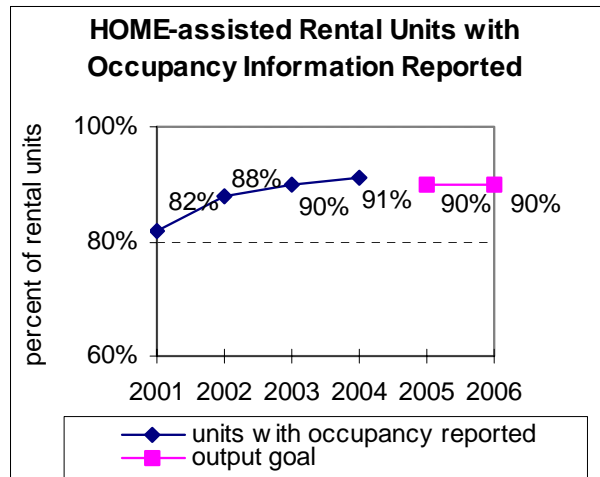


households moving into completed HOME rental developments. The Fiscal Year 2006 goal is to maintain a reporting rate of at least 90 percent.

**Data source.** Integrated Disbursement Information System.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into IDIS. Completeness of reporting is only one criterion of data quality.

**Validation, verification, improvement of measure.** Office of Community Planning and Development field staff will monitor grantees on a random-sample basis.

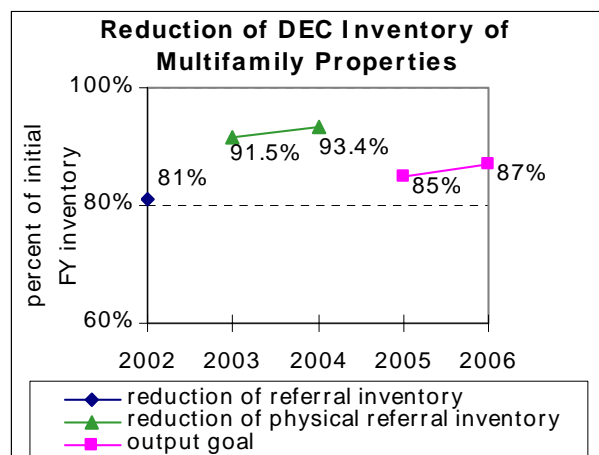


**EM.4.5:** The Departmental Enforcement Center (DEC) will increase the percentage of residents living in acceptable insured and/or assisted multifamily housing to at least 95 percent by taking aggressive civil or administrative enforcement actions. This will be accomplished by closing 87 percent of the physical referral cases in the DEC as of October 1, 2005, by September 30, 2006.

**Indicator background and context.** The Office of General Counsel’s DEC has central responsibility for ensuring that troubled multifamily properties return to sound operation. Troubled properties are referred to the DEC by both the Office of Multifamily Housing and the Real Estate Assessment Center (REAC). REAC assesses the management risk of multifamily projects based on physical and financial factors. Physical trouble typically consists of high capital needs backlogs, and deferred and inadequate maintenance. Financial trouble can involve mortgage defaults, high vacancy rates, inadequate rent roll, excessive expenses, or fraud in the form of equity skimming. REAC refers properties scored as “high risk” directly to DEC.

The DEC works closely with the Office of Housing and other HUD program areas to determine appropriate remedies for referrals. Remedies can include recommendations (sanction notices) for debarment, or suspension. The DEC also refers some cases to the Department of Justice and Office of the Inspector General for criminal and civil proceedings.

**Data source.** Real Estate Management System (REMS). This system draws data from REAC’s Physical Assessment Subsystem (PASS) and Financial Assessment Subsystem.





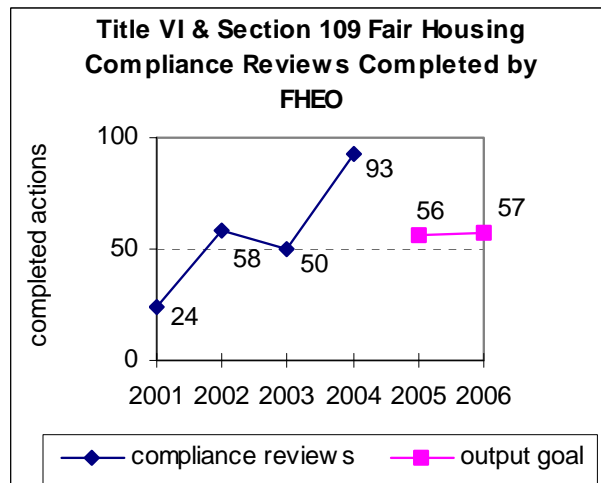
**Limitations/advantages of the data.** No data problems affect the reliability of this indicator.

**Validation, verification, improvement of measure.** DEC satellite offices will verify data and ensure that documentation is adequate before entering data into REMS. DEC conducts regular quality management reviews of each satellite office that include reviewing files and documentation supporting data submissions. See also the discussion of REAC data in Appendix C.

**EM.4.6: Increase the number of Title VI and/or Section 109 compliance reviews conducted of HUD recipients by 2 percent above the Fiscal Year 2005 level.**

**Indicator background and context.** FHEO reviews the activities of all recipients of federal financial assistance from HUD—including public housing agencies, private providers of HUD-assisted housing, and state and local jurisdictions—to ensure that their developments comply with the nondiscrimination provisions of Title VI of the Civil Rights Act of 1964 and Section 109 of Title I of the Housing and Community Development Act of 1974. These laws prohibit discrimination based on race, color, sex, religion, or national origin in federally assisted programs and activities. The reviews examine whether the developments comply with the non-discrimination provisions of these Acts. In Fiscal Year 2006, HUD plans to complete 57 Title VI and/or Section 109 compliance reviews.

The same staff and travel resource issues that will limit the number of Section 504 compliance reviews that can be completed in 2005 and 2006 will impact performance of Title VI and/or Section 109 reviews. Therefore, HUD is adopting a parallel strategy of returning to goals and performance comparable to the achievements of 2002 and 2003, rather than trying to sustain the high level of reviews achieved in Fiscal Year 2004.



**Data source.** HUD Integrated Performance Results System (HIPRS).

**Limitations/advantages of the data.** The database counts the various compliance reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results on an intermittent basis.

**EM.4.7: Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 30 housing authorities and other recipients of HUD financial assistance.**

**Indicator background and context.** Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations apply to any program administered by HUD in the form of

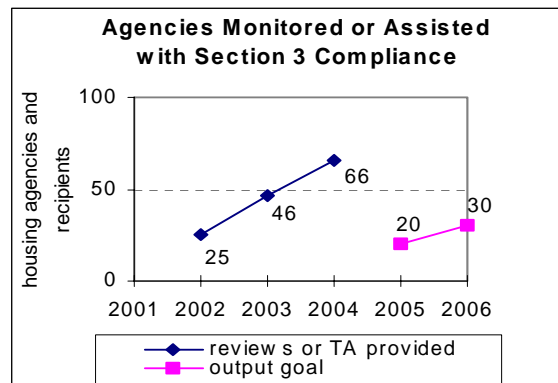
loans, grants CDBG, cooperative agreements, subsidies, contributions, or other types of financial assistance provided in aid of housing, urban planning, and development. Under Section 3, HUD requires recipients of Section 3-covered funds to provide, to the greatest extent feasible, training and employment opportunities to low- and very-low-income persons. This requirement applies not only to recipients, but also to their contractors and subcontractors. Recipients must report their number of Section 3 residents and Section 3 business concerns receiving employment, training, and contract opportunities each year.

For Fiscal Year 2006 HUD will continue to identify Hope VI grantees who are starting major construction activities and other recipients of Section 3 covered assistance for monitoring and technical assistance. In addition, HUD plans to use ongoing Section 3 investigations to monitor or provide technical assistance to 30 recipient agencies in Fiscal Year 2006.

**Data source.** The primary source of data will be a manual count of the number of housing agencies and other program recipients monitored, based on documentation.

**Limitation/advantages of the data.** Monitoring and technical assistance will enhance Section 3 compliance.

**Validation, verification, improvement of measure.** Field staff and headquarters will conduct performance monitoring and provide technical assistance, and review all reports for completeness and accuracy.



#### EM.4.8: Increase the percentage of Section 3 complaints closed in 100 days to 75 percent.

**Indicator background and context.** Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations apply to any program administered by HUD in the form of loans, grants (including block grants), cooperative agreements, subsidies, contributions, or other types of financial assistance provided in aid of housing, urban planning, and development. Under Section 3, HUD requires recipients of Section 3 covered funds to provide, to the greatest extent feasible, training and employment opportunities to low- and very-low-income persons. This requirement applies not only to recipients, but also to their contractors and subcontractors. In instances of alleged noncompliance, a Section 3 resident, Section 3 business concern, or a representative of either may file a formal complaint. In Fiscal Year 2004, 73 percent of complaints were closed within 100 days. The Fiscal Year 2006 goal is to close 75 percent within 100 days.

**Data source.** The total number of complaints and their status will be recorded through an automated tracking system for Section 3 complaints.

**Limitation/advantages of the data.** The data excludes cases where the respondent has requested and was granted an extension by the Assistant Secretary in accordance with 24 CFR Part 135.76(e)(4). Monitoring and technical assistance will ensure better data quality and improve services to clients.

**Validation, verification, improvement of measure.** Verification will be made by headquarters staff through review and analysis of case files in the Section 3 automated tracking system.

**EM.4.9: Ensure appropriate use of funds among 100 percent of FHIP and FHAP grantees in compliance with cooperative and grant agreements.**

**Indicator background and context.** The Fair Housing Initiative Program and the Fair Housing Assistance Program provide services to all segments of society, with the underlying purpose of ensuring equal opportunity in housing. FHIP and FHAP constitute FHEO's only grant programs. These programs will be assigned approximately \$39 million in Fiscal Year 2006 and as such must be appropriately monitored. The Office of Fair Housing and Equal Opportunity will monitor program compliance for all grants and conduct in-depth agency-specific monitoring for high-risk grantees. To the extent there are significant issues, concerns, or findings identified during monitoring and technical assistance, corrective action(s) for the grantee(s) will be developed and the grantee's participation will be required.

**Data source.** FHEO Field Office administrative records.

**Limitations/advantages of the data.** Training will be necessary to encourage increased reporting. Accurate reporting and analysis of data will provide enhanced assessment of compliance.

**Validation, verification, improvement of measure.** Program directors in the field and headquarters will conduct performance monitoring, provide technical assistance, and review all reports for completeness and accuracy.

**EM.4.10: Ensure, through cross-program efforts, that training, employment and contracting opportunities are created at all Section 3-covered projects for qualifying low- and very-low-income residents.**

**Indicator background and context.** Recipients of HUD funded assistance covered by Section 3 are considered in compliance with the program's regulations if 1) a minimum of 30 percent of all new hires resulting from a Section 3 covered activity are low-income residents from the local community; and 2) a minimum of 10 percent of construction contracts and/or 3 percent of non-construction contracts are awarded to Section 3 business concerns. Recipients are required to submit annual reports on Form HUD 60002. The form presents a convenient summary of Section 3 compliance pertaining to training, employment, and contracting. However, many recipient agencies covered by Section 3 are not submitting annual reports, making it difficult to assess and achieve full compliance.

In Fiscal Year 2006, headquarters staff will ensure that the 60002 data submitted is recorded properly and analyze the submissions to identify overall trends, such as the percentage of Section 3-covered new hires that are Section 3 eligible residents and the percentage of Section 3 contracts that are awarded to Section 3 businesses. In addition, staff will establish a percentage of the agencies reporting. An outreach strategy will be developed that will focus on expanding the number of reporting agencies. Once the information is obtained, incremental goals will be established in order to achieve the overall goal of having training, employment and contract opportunities for qualifying low- and very-low-income residents at all Section 3-covered projects

**Data source.** HUD 60002 reporting system.

**Limitations/advantages of the data.** The HUD 60002 monitoring system will need reprogramming to generate a numerical count of agencies reporting. Accurate reporting and analysis of data will provide enhanced assessment of compliance.

**Validation, verification, improvement of measure.** Headquarters staff will administer HUD 60002 reporting system to track desired outcomes.

## Objective EM.5: Improve internal communications and employee involvement.

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EM.5.1: HUD employees continue to become more satisfied with the Department's performance and work environment.

**Indicator background and context.** HUD uses periodic employee surveys to ensure that staff are satisfied with the work environment, training, and support received. Research shows a strong correlation between employee and customer satisfaction. In March 2002, HUD conducted its first Organizational Assessment Survey of all HUD employees to determine employee satisfaction. Based on the results and benchmarked against other federal and private companies, HUD's strengths included: 1) diversity; 2) customer orientation; 3) work and family/personal life programs; 4) teamwork; and 5) work environment/quality of life. The survey results disclosed four key challenges: 1) use of resources; 2) communications; 3) rewards and recognition; and 4) training and career development.

In Fiscal Year 2004, employee action teams were established across the country to review the results in each of the four challenges and develop recommendations for actions to improve employee satisfaction in these areas. The four action teams presented 66 recommendations to the Executive Steering Committee for Human Capital Management, and 16 recommendations were selected for immediate corrective actions. HUD implemented 12 of the 16 recommendations. In Fiscal Year 2005, HUD will administer a follow-up employee survey to assess employee satisfaction and measure changes from the first survey with a goal to increase satisfaction by 10 percent in the four challenge areas over the Fiscal Year 2002 baselines.

In Fiscal Year 2006, the employee survey results will be analyzed, recommendations provided, and action plans developed to further improve employee satisfaction.

**Data source.** The Fiscal Year 2002 Organizational Assessment Survey was administered by the Personnel Resources and Development Center of the Office of Personnel Management (OPM). The Fiscal Year 2005, all employee survey will again be administered by OPM under the leadership of the HUD Executive Steering Committee for Human Capital Management.

**Limitations/advantages of the data.** The survey and results are representative and are considered reliable since all employees will receive the survey.

**Validation, verification, improvement of measure.** The HUD Executive Steering Committee for Human Capital Management guides development of the survey administration, framework, and survey design to ensure valid and useful results.

## Goal FC: Promote Participation of Faith-Based and Community Organizations

*Strategic Objectives:*

- FC.1 Reduce barriers to participation by faith-based and community organizations.*
- FC.2 Conduct outreach and provide technical assistance to faith-based and community organizations to strengthen their capacity to attract partners and secure resources.*
- FC.3 Encourage partnerships between faith-based and community organizations and HUD's traditional grantees.*

### Objective FC.1: Reduce barriers to participation by faith-based and community organizations.

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**FC.1.1:** The Center for Faith-Based and Community Initiatives will measure the potentially increased participation by new and past participating faith-based and community organizations in the Department's Fiscal Year 2006 SuperNOFA process compared to 2005.

**Indicator background and context.** Over the course of Fiscal Years 2003 and 2004, HUD published a series of rules requiring equal treatment of faith-based organizations in HUD programs. In September 2004, the Center for Faith-Based and Community Initiatives (the Center) and the Office of Community Planning and Development (CPD) published a policy directive that provides detailed guidance on how the rule relating to CPD programs is to be implemented in light of the specific requirements of the affected programs. In addition to that directive, all CPD program offices reviewed their nonregulatory guidance documents, such as handbooks and funding notices, to ensure that all were compliant with Executive Order 13279 and the new final rules. The offices reported that, in most instances, the language on the equal treatment of faith-based organizations in the program NOFAs sufficed to bring their programs into compliance, and in several instances handbooks were modified to ensure that references to faith-based organizations were consistent with HUD's new policy. This indicator will measure the impact of these actions in encouraging participation in the NOFA process.

**Data source.** Reports provided by HUD program offices and data from the Center.

**Limitations/advantages of the data.** The data are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** Accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives.

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

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FC.2.1: The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences, workshops, and updating and maintaining an exhaustive data base.

**Indicator background and context.** The Center-trained faith-based and community liaisons in each of HUD's 10 regional and 85 field offices will continue to conduct training and outreach on behalf of the President's Faith-Based and Community Initiative (FBCI) and serve as a point-of-contact for faith-based and community groups in their region. The Center and FBCI liaisons will participate in at least 50 national, regional, and state conferences across the country, resulting in outreach to many of the nation's grassroots and large social service providers.

The Center is executing a comprehensive outreach plan that uses mass mailings, blast faxes, emails and webcasts to inform Faith-Based and Community Organizations (FBCO) about the FBCI and HUD programs. In 2004, the Center and FBCI liaisons completed compiling an exhaustive database of more than 7,000 FBCOs.

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

**Limitations/advantages of the data.** The qualitative milestones used for elements of this indicator do not require numerical databases. The regularity of mailings, the number of entries into the database, and the exact numbers of conferences all vary according to Center priorities and needs. Assessing performance of some measures may be necessarily limited by subjective judgments.

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

FC.2.2: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center will conduct at least 20 resource training sessions across the country that provide participants with approaches to obtaining funding and strategies for developing coalitions.

**Indicator background and context.** The Center initiated the "Art & Science of Grant Writing" in Fiscal Year 2004. This intensive, two-day training session equips faith-based and community organizations with the comprehensive knowledge needed to connect with opportunities, resources, support, and partners. The Center will work to offer the training beyond its minimum commitment as additional demand for the training arises.



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

**Limitation/advantages of the data.** The total number of grant-writing training sessions is scheduled and tracked by the Center.

**Validation, verification, improvement of measure.** Verification will be made by Center staff.

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

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**FC.3.1:** The Center will work with at least one HUD program office to implement a pilot program to strengthen partnerships between faith-based and community groups and HUD programs.

**Indicator background and context.** In Fiscal Year 2005, the Center established an initiative highlighting and promoting successful local strategies for involving faith-based and community organizations in developing affordable housing plans and promoting homeownership. The project entitled "Unlocking Doors" includes discussions with the offices of mayors in six designated cities. This two-part strategy will identify what methods and practices were used that have made the city successful in its community housing efforts. These cities were chosen due to their existing relationships with faith-based and community organizations and their experiences promoting and developing housing strategies and promoting homeownership for those in need. HUD will inform mayors across the nation about effective ways to replicate leading strategies in their cities. In addition, support will be provided to these cities to enable them to reach more people, expand their successful partnerships, or provide them with other resources to further their efforts in affordable housing and homeownership. In 2006 the Center will analyze the results of the initiative and work with HUD program offices to incorporate the findings in HUD programs.

In addition, in Fiscal Year 2005, the Office of Public and Indian Housing (PIH) launched a separate pilot project, releasing a NOFA aimed at encouraging PHAs to enlist area faith-based and community organizations in supplying mentors for public housing residents moving toward self-sufficiency. This pilot will test a fee-for-service model in which the faith-based and community organizations are remunerated for the service they provide according to stipulated self-sufficiency benchmarks. Two to three awards will be made, and the Center, together with PIH, will analyze the implementation of the grants in 2006 and report on the preliminary findings of results.

**Data source.** Analysis of the best practices within the six cities.

**Limitations/advantages of the data.** Assessing performance of such measures may be necessarily limited by subjective judgments.

**Validation, verification, improvement of measure.** Verification will be made by Center staff.





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# APPENDICES

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**Appendix A: Interim Adjustments  
to the HUD FY 2003-2008 Strategic Plan**

**Appendix B: Amendments to the  
Fiscal Year 2005 APP**

**Appendix C: Brief Description of HUD Programs**

**Appendix D: Data Validation/Verification**



## APPENDIX A: Interim Adjustments to the HUD FY 2003–2008 Strategic Plan

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Effective for Fiscal Year 2005, HUD makes six minor adjustments to the FY 2003–2008 Strategic Plan. These changes were made in accordance with the guidance of OMB Circular A-11 (Section 210.4 (a)). As the adjustments are narrow in scope, no consultation with Congress or outreach to potentially interested parties was required.

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

This strategic objective is reworded to better reflect HUD goals.

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

This strategic objective is reworded to better reflect HUD goals.

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

This strategic objective is revised to emphasize the goal of improving public awareness, rather than just promoting awareness, and emphasizing outcomes.

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

The word “regulatory” has been removed from this strategic objective, in order to recognize that the types of barriers being addressed are not only regulatory in nature.

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

This strategic objective is revised to include both outreach and technical assistance, which are very closely linked in HUD’s efforts to promote participation by faith-based and community organizations.

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

The strategic objective formerly identified as FC.4 is now labeled FC.3. This change reflects the incorporation of technical assistance objectives (the former FC.3) into FC.2.

## APPENDIX B: Amendments to the Fiscal Year 2005 Annual Performance Plan

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### Goal H: Increase Homeownership Opportunities

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

The Fiscal Year 2005 target is revised downward from 10,000 to reflect a lower than expected Fiscal Year 2005 appropriation, a higher average cost per unit outlay, and to more closely track actual program results.

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

This performance indicator is revised to focus on two positive outcomes associated with pre-purchase counseling: preparing families for homeownership and moving families into homeownership.

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

The number of unit “completions” is being substituted for the number of “commitments” during the fiscal year because it is a more accurate and reliable measure of performance. Based on prior year results, the estimated number of households to be assisted with HOME funds during Fiscal Year 2005 is 26,806. In addition, an estimated 8,000 households will be assisted with American Dream Downpayment funds (see indicator H.1.5, as revised).

**H.1.11: The share of FHA-insurable REO properties that are sold to owner-occupants will be 90 percent.**

To better evaluate the expansion of homeownership opportunities to owner occupants, the performance indicator was revised to exclude sales of properties that are not in a physical condition acceptable to qualify for FHA-insurance coverage at the time of sale. The target for this performance indicator was also raised from 66 percent to 90 percent to reflect the redefined indicator.

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

The indicator is revised to reflect the performance indicator’s new focus on first-time minority homebuyers.

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

This indicator is revised to report minority clients counseled as a proportion of total clients receiving housing counseling, to account for fluctuations in total numbers of clients served in any given year.

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

The number of unit “completions” is being substituted for the number of “commitments” during the fiscal year as the measure for this indicator since it is a more accurate and reliable measure of performance. Based on a similar revision to indicator H.1.8, the resulting number of minority households to be assisted with HOME funds during Fiscal Year 2005, including American Dream Downpayment assistance funds, is reduced to 19,139.

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

The indicator is revised to measure the dollar volume of mortgage guarantees. The Fiscal Year 2004 baseline volume was \$62.3 million.

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

This indicator is added to track performance in this new program.

**H.3.1: Respond to 1,000 inquiries and complaints from consumers and industry regarding RESPA and the homebuying and mortgage loan process.**

This indicator is added to reflect recent efforts by the Department to increase public awareness of its enforcement of RESPA.

**H.5.1: Increase the cumulative homeownership closings under the homeownership option of the Housing Choice Voucher/Flexible Voucher program to 4,000 at the end of Fiscal Year 2005.**

This indicator is revised to reflect better-than-anticipated performance in Fiscal Year 2004, and reworded to include a numeric target, rather than a percentage increase as the goal.

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

This indicator has been revised to reflect that implementation of the goal has been delayed from Fiscal Year 2005 until Fiscal Year 2006, due to the need to establish a baseline. During Fiscal Year 2005, a baseline will be developed so that the goal can be monitored during Fiscal Year 2006.

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

The target is revised to reflect the actual rate of successful mortgage delinquency resolution under FHA's loss mitigation program, as reported with the revised data collection instrument.

## **Goal A: Promote Decent Affordable Housing**

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

The measure for Indian Housing Block Grant families assisted is being replaced with separate goals reflecting IHBG new construction, acquisition, and rehabilitations—2,415 households for rentals and 6,240 for homeownership.

The Fiscal Year 2005 target number of households assisted through CDBG is revised to 154,757 to reflect actual Fiscal Year 2004 accomplishments, actual Fiscal Year 2005 appropriations, estimated spend-out rates, and a 3 percent reduction for inflation.

For the HOME program, the number of unit "completions" is being substituted for the number of "commitments" during the fiscal year as the measure for this indicator since it is a more accurate and reliable measure of performance. In addition, results under this indicator will be limited to the categories of rental production and tenant-based rental assistance (TBRA) using HOME funds since homebuyer assistance is already being reported elsewhere (see indicators H.1.5 and H.1.8, as revised). Based on prior year results, the estimated number of households assisted with rental housing produced with HOME funds during Fiscal Year 2005 is 21,998. The estimated number of households assisted with TBRA using HOME funds is 10,393.

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

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

**A.1.5: The share of the Housing Choice Voucher/Housing Certificate Fund program administered by housing agencies with substandard utilization rates decreases by 5 percent.**

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

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

This performance indicator is revised to focus on positive *outcomes* associated with rental and homeless counseling.



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

The public housing component of this indicator is deleted, as the goal of having high renter satisfaction is considered substantively accomplished. For the last five years, the reported satisfaction rates have hovered in the range of 87 to 90 percent.

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

This indicator is revised to reflect more realistic estimates, based on the introduction of revised criteria for inspections and budget constraints.

**A.2.4: The unit-weighted average PHAS score remains at least 86.9 percent.**

The Fiscal Year 2005 target for public housing is revised to reflect actual 2004 performance.

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

This goal is deleted. HUD will be replacing SEMAP as a measure of the management of the Housing Choice Voucher program. During Fiscal Year 2005, the transition period, HUD will monitor compliance using Indicator A.2.10.

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

This indicator is deleted because the Department no longer considers it a required measure, given the substantial progress in recent years and coverage through the PHAS score.

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

Due to better than forecasted performance in FY 2004, the goal is adjusted from 7.4 percent to 3.96 percent.

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

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

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

This goal is revised to include actual percentage targets, reflecting the recent availability of baseline data. Modifications to the methodology applied in this measure are discussed in the Fiscal Year 2006 indicator write-up.

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

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

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

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

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

This goal is deleted because PHAs are reluctant to implement new FSS programs in the current climate of Housing Choice Voucher program funding limitations.

## **Goal C: Strengthen Communities**

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

The CDBG target is revised from 82,378 to reflect actual 2004 accomplishments, actual 2005 appropriations, estimated spend-out rates, and a 3 percent reduction for inflation.

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

To lessen the effect of national economic conditions and changes to overall single-family endorsement volume on this performance indicator, the reporting methodology was changed to report program performance as a percentage of total single-family endorsement activity, versus the number of endorsements made.

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

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

**C.3.8: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness.**

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

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

This goal is revised to reflect better than anticipated performance in Fiscal Year 2004.

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

This goal is revised to coordinate with the better than anticipated performance in Fiscal Year 2004, as well as reductions in travel funding for monitoring in Fiscal Year 2005, and represents a more realistic target.

## **Goal FH: Ensure Equal Opportunity in Housing**

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**FH.1.1: Increase the percentage of non-complex Fair Housing complaints closed in 100 days to 75 percent.**

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

**FH.1.2: Increase the percentage of FHAP complaints closed in 100 days to 45 percent.**

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

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

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

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

This goal is reworded to reflect actual performance in Fiscal Year 2004. The revised target will be to reach a total of 102 substantially equivalent agencies in Fiscal Year 2005.

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

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

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

This indicator is deleted from the APP.

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

This indicator is deleted from the APP.

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

This indicator is added to better demonstrate HUD's effort to promote public awareness of fair housing laws in Fiscal Year 2005.

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

This goal is adjusted from 100 reviews, to reflect reduced resources available to support monitoring.

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

This goal is revised to reflect an annual goal, rather than a cumulative goal of 3,000.

## Goal EM: Embrace High Standards of Ethics, Management and Accountability

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

Due to budget reductions, HUD will not complete the eight remaining office-level workforce analyses and plans, as previously specified in the indicator narrative. Reduction in skill gaps for Public and Indian Housing involve additional work on establishing a baseline and follow-on measurement and will be further detailed in Fiscal Year 2006.

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

This performance indicator is reworded to capture the program's focus on flexible asset disposition alternatives.

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

This goal is raised from 85 percent to reflect better than anticipated performance in 2004.

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

This measure is revised to include a target for DEC case closures, which demonstrates its contributions in achieving the housing quality goal.

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

The goal for this indicator has been reduced from 98. Given reductions in staff and travel resources, the Office of Fair Housing and Equal Opportunity anticipates it will be able to maintain a volume of reviews comparable to what it achieved in 2002 and 2003, rather than sustain the high level of reviews achieved in Fiscal Year 2004.

**EM.4.8:** Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.

This goal is revised from 40 housing agencies to reflect a reduction in resources available to support monitoring.

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

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

**EM.4.10: Ensure appropriate use of funds among 100 percent of FHIP and FHAP grantees by monitoring cooperative and grant agreements.**

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

## **Goal FC: Promote Participation of Faith-Based and Community Organizations**

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

This indicator is revised to include only outreach activities, excluding technical assistance activities, which are now discussed in indicator FC.2.2.

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

This indicator is added to better measure technical assistance activities.

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

This indicator is added to more accurately capture activities planned for Fiscal Year 2005.

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

This indicator is added to better reflect activities planned for Fiscal Year 2005.

## APPENDIX C:<sup>6</sup> Brief Description of Selected HUD Programs

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### American Dream Downpayment Assistance Initiative

American Dream Downpayment Assistance is part of a presidential initiative that will increase and accelerate first-time homeownership by low-income families. Funds are provided on a formula basis and are administered by the Home Investment Partnerships program (HOME) participating jurisdictions.

### Capacity Building for Community Development and Affordable Housing

This program provides assistance through the National Community Development Initiative (NCDI), Local Initiatives Support Corporation (LISC), the Enterprise Foundation, Habitat for Humanity, and YouthBuild USA to develop the capacity and ability of community development corporations and community housing development organizations to undertake community development and affordable housing projects and programs.

### Community Development Block Grant Program

Community Development Block Grant (CDBG) is a formula program that allocates 70 percent of grant funds to units of general local government (entitlement communities) and 30 percent to states for the funding of local community development programs.

The primary objective of the program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities. Activities undertaken with the grants must meet one of the three broad national objectives: 1) benefit low- and moderate-income persons; 2) aid in the prevention or elimination of slums and blight; or 3) meet other particularly urgent community development needs. In addition, at least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low and moderate income (those with incomes below 80 percent of area median family income). Through the Consolidated Plan process, recipients' select eligible activities that are appropriate to their needs and that reflect local priorities, and they determine how their performance will be measured.

### Community Outreach Partnership Centers

The Community Outreach Partnership Center (COPC) program provides funds to institutions of higher learning to establish and operate outreach centers to address the problems of urban and rural areas. Through their COPC centers, these educational institutions must address at least three problems in their communities, such as affordable housing, fair housing, economic development, neighborhood revitalization, planning, health care, education, job training, and crime prevention.

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<sup>6</sup> This appendix includes descriptions of some programs that have been proposed in the President's Fiscal Year 2006 Budget either to be transferred to other federal departments or to be eliminated.



## **Empowerment Zones/Enterprise Communities (EZ/EC)**

Launched in 1993, the EZ/EC Initiative was an interagency effort focused on creating self-sustaining, long-term economic development in distressed communities through the use of innovative and comprehensive strategic plans developed and implemented by partnerships among private, public and nonprofit entities in each community. In Empowerment Zones, communities receive HUD grant funds that are combined with wage tax credits and other incentives. Enterprise Communities receive smaller levels of grant funds from HUD.

There are three rounds of EZ/ECs. The first two rounds combine tax incentives with direct funding for physical improvements and social services. The third round includes only tax incentives. Grants can be used for a broad range of activities that assist residents, businesses, and organizations. Eligible activities include workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing of capital projects; financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects; community policing; and health care. Congress extended Round I EZ designations to the end of 2009.

## **Fair Housing Assistance Program (FHAP)**

The FHAP provides assistance to state and local government entities that administer fair housing laws certified by the Department as “substantially equivalent” to the Fair Housing Act (Title VIII of the Civil Rights Act of 1968). This assistance includes support for complaint processing, training, technical assistance, data and information systems, and other fair housing activities. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for states and localities to assume greater responsibility for administering fair housing laws.

## **Fair Housing Initiatives Program (FHIP)**

This program provides funding to Qualified Fair Housing Enforcement Organizations (QFHOs), Fair Housing Enforcement Organizations (FHOs), public and private for-profit and nonprofit entities, state or local governments, and Fair Housing Assistance Program agencies (and under limited circumstances, state or local governmental entities such as FHAP agencies) formulating or carrying out programs to prevent or eliminate housing discriminatory housing practices. Funds enable the recipients to carry out activities designed to inform the public about rights and obligations under federal, state, or local laws prohibiting housing discrimination and to enforce those rights. There are four distinct categories of funding under FHIP: (1) the Administrative Enforcement Initiative; (2) the Education and Outreach Initiative; (3) the Private Enforcement Initiative; and (4) the Fair Housing Organizations Initiative.

## **Federal Housing Administration (FHA)**

The Federal Housing Administration provides approved mortgagees with mortgage insurance to support increased homeownership and affordable rental opportunities across the nation.

Through its single-family programs, FHA helps low- and moderate-income families including first-time homebuyers, minorities, and central-city residents, achieve homeownership. By insuring mortgages, FHA makes it much easier for homeowners to borrow the funds they need.

Mortgage lenders are more willing to provide mortgage loans because they know that, in the case of a mortgagor default, the federal government will protect them from losses. Most FHA mortgage loans for homeownership are insured through the Mutual Mortgage Insurance Fund. Other loans for purchasing homes, such as manufactured housing, rehabilitation and acquisition mortgages, and condominiums, are insured through the General Insurance/Special Risk Insurance (GI/SRI) Fund, as are home equity conversion mortgages for seniors.

FHA, through its GI/SRI fund, also insures loans for the development, rehabilitation, and refinancing of multifamily rental housing, including rental housing in underserved areas. Through its multifamily programs, FHA also insures assisted living facilities, nursing homes, and hospitals. FHA manages a multifamily affordable housing portfolio and works in conjunction with the Housing Certificate Fund (see below) to provide project-based Section 8 rental assistance for families in many FHA-insured multifamily properties.

### **Ginnie Mae Mortgage-Backed Securities Program**

The Government National Mortgage Association (Ginnie Mae), a wholly owned government corporation within HUD, was established to support federal housing initiatives by providing market liquidity for federally insured or guaranteed mortgages through the secondary mortgage market. This liquidity increases the flow of funds from the Nation's capital markets into the residential mortgage markets.

Through its Mortgage-Backed Securities Program (MBS), Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools of federally insured or guaranteed mortgage loans. Ginnie Mae's guaranty is backed by the full faith and credit of the federal government. The securitization of Federal Housing Administration, Rural Housing Service, and Veterans Affairs mortgages increases the availability of funds for lenders making these loans and thereby decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage interest rates for homebuyers using federal government housing credit.

Ginnie Mae's multiclass securities program guarantees Real Estate Mortgage Investment Conduits (REMICs) and Platinum securities. REMICs are multiple-class securities with different maturities, typically between two and 20 years, or with payments based on fractions of the MBS income stream. The Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools, which are then sold to investors.

Ginnie Mae's targeted lending initiative reduces the fees charged to lenders by up to 50 percent for making mortgage loans in any of the Nation's Empowerment Zones or Enterprise Communities and adjacent eligible central city areas. This initiative increases the liquidity of mortgage investments leading to an increase in mortgage lending in these areas.

### **Healthy Homes Initiative**

Under the Healthy Homes initiative, HUD is implementing a multifaceted program to provide grants to organizations to demonstrate and pilot test affordable new maintenance, renovation, and construction methods; implement a new public education campaign to prevent both emerging and well-recognized housing-related childhood diseases and injuries; conduct research; and assemble an interagency task force. In implementing the initiative, HUD is working closely with its federal partners, as well as with state and local governments and private-sector organizations.

## Historically Black Colleges and Universities

Through the Historically Black Colleges and Universities (HBCU) program, HUD assists HBCUs expand their role and effectiveness in addressing community development needs in their localities, including neighborhood revitalization, housing, and economic development.

## HOME Investment Partnerships Program

The HOME program helps to increase the supply of standard, affordable housing, with primary attention to rental housing, for low- and very-low-income families, by providing grants to states, units of general local government, and consortia of units of general local governments that are Participating Jurisdictions (PJs). HOME funds may be used for a wide range of eligible housing activities including rehabilitation, new construction, acquisition, and tenant-based rental assistance. The funds are allocated by formula: 60 percent to local governments and consortia and 40 percent to states.

## Homeless Assistance Grants

The purpose of this program is to break the cycle of homelessness and to move homeless persons and families to permanent housing. This is done by providing rental assistance, emergency shelter, transitional and permanent housing, and supportive services to homeless persons and families.

Homeless assistance grants provide federal support to one of the nation's most vulnerable populations. These grants assist localities in establishing systems that can address the housing and service needs of different homeless populations while providing a coordinated system that ensures the support necessary to help those who are homeless attain housing and move toward self-sufficiency.

## HOPE VI

The HOPE VI program assists public housing agencies to improve the living environment for public housing residents in severely distressed PHA properties through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects. Through these efforts, the program is also intended to revitalize neighborhoods where the housing is located and to decrease the concentration of very-low-income families.

## Section 8 Rental Assistance

Through the Section 8 program, HUD provides rental and self-sufficiency assistance to preserve and expand affordable housing opportunities for extremely low-, very low-, low-, and moderate-income families. Beginning in Fiscal Year 2005, the activities previously funded under the Housing Certificate Fund are now funded under the Tenant-Based Rental Assistance and Project-Based Rental Assistance programs:

**Tenant-Based Rental Assistance.** The tenant-based component of Section 8 is the Housing Choice Voucher program. Housing Choice Vouchers are administered by public housing agencies and other state and local designated entities. With a voucher, an eligible family can seek housing in the private market, and in a neighborhood of its choice. The family pays

30 percent of its adjusted income toward the rent while the voucher subsidizes the remaining cost up to a PHA determined cap.

**Project-Based Rental Assistance.** Project-based section 8 assistance differs from the Housing Choice Voucher program in that the assistance is not provided to individual families but is instead attached to multifamily housing properties to ensure that these properties remain affordable to low-income families. Funding in this account renews and amends expiring project-based Section 8 rental assistance contracts covering moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation.

### Housing Counseling Assistance

The Department is authorized to counsel homebuyers, homeowners, and tenants under HUD programs and homeowners with conventional mortgages or Department of Veterans Affairs-guaranteed loans or Rural Housing Service mortgages. HUD provides the service through HUD-approved housing counseling agencies, which are public and private nonprofit organizations.

The objective of the counseling is to help homebuyers, homeowners, and tenants to improve their housing opportunities with an emphasis on obtaining and maintaining homeownership. Counseling consists of information on the purchase and rental of housing, financial management, credit counseling, how to prevent mortgage default and rent delinquencies that lead to foreclosure or eviction, home maintenance, fair housing laws, and requirements and guidance regarding the Home Equity Conversion Mortgage application.

### Housing for the Elderly or Disabled Program

**202/811 Grants.** Sections 202 of the Housing Act of 1959 and 811 of the National Affordable Housing Act (NAHA) of 1990 authorized the use of capital advances and rental assistance to eligible private, nonprofit sponsors to finance the development of rental housing with supportive services for the elderly or persons with disabilities. In addition, tenant-based assistance is provided for supportive housing for disabled renters to allow them to search for and rent a standard unit in the private market.

**Service Coordinators.** This program provides funding for service coordinators who assist elderly individuals and persons with disabilities, living in federally assisted multifamily housing, to obtain needed supportive services from community agencies. Services provided include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

**Assisted Living Conversion.** This program provides funding for the physical costs of converting some or all units in an eligible development into an assisted-living facility.

### Housing Opportunities for Persons with AIDS (HOPWA)

The HOPWA program gives states and localities resources and incentives to devise long term comprehensive strategies for meeting the housing needs of low-income persons living with HIV/AIDS and their families. Assistance enables these special needs households to establish or maintain stable housing, reduce their risks of homelessness, and improve their access to healthcare and other support. Grants may be used to provide a variety of forms of housing assistance, including emergency housing, shared housing arrangements, apartments, community

residences, and single-room occupancy dwellings. Appropriate supportive services must be provided as part of any assisted housing.

HUD awards HOPWA funds through a formula allocation and a competitive grant process. Of funds appropriated in any given year, 90 percent are awarded by formula allocation to eligible states and populous cities in each Metropolitan Statistical Area that qualifies and follows HUD's Consolidated Plan process. Ten percent of the appropriated funding is awarded through a competitive selection process for model demonstration projects and projects in areas that do not receive formula funds. Eligible applicants for competitive grants are states, units of general local government, and nonprofit organizations.

### **Indian Community Development Block Grants**

This program offers grants on a competitive basis to eligible Indian tribes and Alaska Native villages to improve the housing stock, provide community facilities, make infrastructure improvements, fund microenterprises, and expand job opportunities.

### **Indian Housing Block Grants**

This program authorizes housing assistance under a single block grant to eligible Indian tribes or tribally designated housing entities (TDHEs). The allocation is made under a needs-based formula. Eligible activities for providing affordable housing (or related housing services) include development of additional affordable housing; Indian Housing Assistance (modernization or operating assistance for housing previously developed or operated pursuant to a contract between HUD and an Indian housing authority); housing-related services for affordable housing; management services for affordable housing; safety, security, and law enforcement measures and activities; and housing activities under model programs that are designed to develop and support affordable housing using a variety of creative approaches (e.g., leveraging public and private funds).

### **Lead-Based Paint Hazard Reduction Program**

The Lead Hazard Control Grants are made competitively to states and local governments with an approved Consolidated Plan and to Native American tribes to empower them to perform lead-hazard reduction activities in private low-income dwellings. These grants stimulate the development of a national lead abatement/hazard control infrastructure by promoting state legislative action to establish lead-based paint contractor certification programs, stimulating state and local efforts at hazard reduction, and creating demand for such credentials by private contractors. Additionally, the technical studies component of the program permits activities such as technical assistance for state and local agencies, private property owners, HUD programs and field offices, and professional organizations; quality control to ensure that the evaluation and control of lead-based paint hazards are done properly in HUD-associated housing; the development of standards, technical guidance materials, and regulations to provide for sensible, cost-effective hazard evaluation and control procedures, and technical information that encourages fair and professional competition for such work; and technical studies and evaluation to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education; and support for right-to-know activities.

## **Manufactured Home Inspection and Monitoring Program**

This program establishes standards and safety requirements for all manufactured homes that are produced. Under the Act, the Secretary working with the Consensus Committee establishes appropriate federal manufactured home standards that meet the needs of the public, including quality, durability, and safety for the construction, design, and performance of manufactured homes. Enforcement of the standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or state agencies and are approved and monitored by HUD.

## **Native Hawaiian Housing Block Grant**

This program authorizes HUD to make grants to the Department of Hawaiian Home Lands (DHHL) to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. NHHBG provides housing services through five eligible activities and provides training and technical assistance. These activities are development of additional affordable housing, housing-related services for affordable housing, management services for affordable housing, safety, security, and law enforcement measures and activities, and housing activities under model programs that are designed to develop and support affordable housing.

## **Public Housing Capital Fund**

This program provides funds to PHAs for capital improvements (e.g., developing, rehabilitating, and demolishing units) and for management improvements (e.g., management and community services, supportive services, resident activities, and economic development) at public housing developments for low-income families.

The allocated funds may be used for redesign, reconstruction, rehabilitation, renovation, non-routine maintenance, lead-based paint testing and abatement, accessibility improvements for the disabled, and alterations to increase marketability by adding amenities. Demolition or disposition is authorized for buildings or entire developments that are not viable. Funds also may be used for replacement housing.

## **Public Housing Operating Fund**

This program provides subsidies to assist PHAs in funding the operation and maintenance of their properties for low-income families. The Operating Fund formula determines the level of funding necessary to enable PHAs to provide a reasonable level of services, including maintenance, utilities, and protective services, to residents of public housing.

## **Renewal Communities**

The Community Renewal Tax Relief Act, incorporated by reference in the Consolidated Appropriations Act 2001 (P.L. 106-554), authorized the designation of up to 40 areas of pervasive poverty, unemployment, and general distress as Renewal Communities (RCs). States and local governments in which a renewal community is located are required to take actions relating to specified activities, such as reducing taxes or fees, making services more efficient, and



implementing crime reduction strategies. Businesses in Renewal Communities are eligible for various federal tax incentives.

## Research and Technology (R&T)

Office of Policy Development and Research funds are used for research, program evaluation and policy analysis. There are seven categories of activities undertaken with R&T funds. The largest is housing market surveys. These housing and financial market data are essential for the formulation of HUD's housing and community development policies. The next largest category is program evaluation and monitoring. These activities help old and new programs operate more effectively by providing independent information about program implementation and impacts.

## Resident Opportunity and Supportive Services

Under the Resident Opportunity and Supportive Services (ROSS) program, the Secretary may make grants to PHAs; recipients under the Native American Housing Assistance and Self Determination Act; resident management corporations, resident councils or resident organizations; and qualified nonprofit organizations. ROSS grants may be used to fund supportive services, job training, and resident empowerment activities.

## Samaritan Housing

Samaritan Housing is a new set-aside within a reformulated Homeless Assistance grant account. The Samaritan Housing set aside will provide targeted resources to assist the chronic homeless, with resources focused strategically to secure the desired performance outcomes.

## Section 108 Loan Guarantees

The Section 108 loan guarantee program provides communities with a means of leveraging their CDBG grants to obtain financing for large community revitalization projects. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue federal loan guarantees of private-market loans used by entitlement and nonentitlement communities to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities. In addition, guaranteed loan funds have been used to finance construction of housing by nonprofit organizations when undertaken as part of a project that is also financed under the Rental Housing Development Grants or Nehemiah Housing Opportunity Grants programs.

## Section 184

Section 184 provides guarantees for loans that are used to construct, acquire, refinance, or rehabilitate single-family homes located on Indian trust or restricted land and in designated Indian areas.

## Self-Help Homeownership Opportunity Program

The Self-Help Homeownership Opportunity Program (SHOP) provides competitive grants to national and regional nonprofit organizations and consortia that use significant amounts of "sweat equity" to produce affordable single-family homes for new homebuyers. These funds are



used for land acquisition and infrastructure improvements, and homebuyers contribute a significant amount of their own hard work toward the construction of the new dwellings.

### **Title VI Federal Guarantees for Tribal Housing**

This program provides guarantees in support of loans to Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities that request a loan from a financial institution to be used to accelerate completion of their Indian Housing Plan by pledging future IHBG funds as collateral.

### **Youthbuild**

The Youthbuild program encourages at-risk youth to engage in remedial education, including leadership and skills training. Youthbuild serves 16- to 24-year-old high school dropouts. The program provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income and homeless people. This helps to expand the nation's supply of affordable housing. The program includes both onsite construction work and offsite academic and job skills training.

## APPENDIX D: Validation and Verification of Selected Data Sources

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The performance indicators defined in this APP have value in portraying HUD's programs only to the extent that the Department can demonstrate their reliability. To do this, HUD has engaged in a number of activities since its first performance plans and reports to verify and validate the performance data.

The General Accountability Office defined validation and verification in a 1999 report as follows:<sup>7</sup>

“Verification is the assessment of data completeness, accuracy, and consistency, timeliness, and related quality control practices. Validation is the assessment of whether the data are appropriate for the performance measure.” Another aspect of validity is the “appropriateness of . . . performance measures in relation to . . . goals and objectives.”

This Appendix summarizes a number of validation and verification efforts conducted for the data supporting specific performance indicators. This information supplements the discussion of “validation, verification, improvement of measure” that appears under each performance indicator, thereby providing greater specificity and detail without undue repetition.

### Data Quality Improvement Program (DQIP)

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In 2000, HUD launched the DQIP to ensure that the quality of APP performance indicator data in HUD IT systems is enhanced. Data Quality Improvement Program includes a three-step process: 1) independent assessment; 2) data quality cleanup and improvement; and 3) certification. The initial emphasis of the DQIP is assessing and certifying information systems and data elements used to report on program performance under the Government Performance and Results Act. At the start of Fiscal Year 2005 there were 27 systems that provide data for reporting on APP performance indicators, 20 of which were certified. HUD expects to have assessed all systems by the end of Fiscal Year 2005. The certification status of all programs assessed by the end of Fiscal Year 2004 is presented in the following table.

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<sup>7</sup> “Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12. GAO/GGD-99-139.

SYSTEM ACRONYM	SYSTEM NAME	CERTIFICATION STATUS
LOCCS	Line of Credit Control System	Certified 2001
PAS	Program Accounting System	Certified 2001
SAMS	Single Family Asset Management System	Certified 2002
MTCS	Multifamily Tenant Characteristics System <sup>a</sup>	Certified 2002
HUDCAPS	HUD Central Accounting Payment System	Certified 2003
REMS	Real Estate Management System	Certified 2003
TRACS	Tenant Rental Assistance Certification System <sup>b</sup>	Certified 2004
RASS	Residential Assessment Subsystem	Certified 2003
NASS	Integrated Assessment Subsystem	Certified 2003
PASS	Physical Assessment Subsystem	Certified 2003
FASS	Financial Assessment Subsystem	Certified 2003
MFIS	Multifamily Insurance System	Certified 2003
IDIS-HOME	Integrated Disbursement and Information System (HOME)	Certified 2003
IDIS-CDBG	Integrated Disbursement and Information System (CDBG)	Assessed 2003
CHUMS	Computerized Home Underwriting Management System	Assessed 2003
PIC-SEMAP	SEMAP Module of the PIH Information Center	Certified 2004
PIC-50058	50058 Module of the PIH Information Center <sup>a/</sup>	Certified 2004
DAP	Development Application Processing System	Certified 2004
TEAPOTS	Title VIII Automated Paperless Office Tracking System	Certified 2004
CPD/APR	CPD Administrative Database (APR)	Certified 2004
CSFSS	Consolidated Single Family Statistical System	Certified 2004
CLAIMS	Single Family Insurance System-Claims Subsystem	Certified 2004
TRACS	Tenant Rental Assistance Certification System <sup>b/</sup>	Certified 2004

<sup>a/</sup> MTCS was re-platformed creating a new data management environment (PIC-50058). Therefore, a new assessment was completed in Fiscal Year 2004.

<sup>b/</sup> TRACS was reassessed in Fiscal Year 2004 in order to focus on data that supports Annual Performance Plan reporting.

## American Housing Survey (AHS)

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*Fiscal Year 2006 indicators using this data source: H.1.2, H.2.2, A.1.1*

The Census Bureau has quality control procedures in place for the AHS. These procedures include reinterviewing small subsamples of respondents for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent-structured comparisons with the Survey of Income and Program Participation, Current Population Survey, or decennial Census data.

Ongoing efforts strengthen the value and reliability of the AHS. Research is underway to improve the accuracy of survey responses about the receipt of housing assistance. Other research that validated the use of AHS data in housing indicators was completed in 2004. The authors of “Analysis of Housing Finance Issues Using the American Housing Survey”<sup>8</sup> analyzed the extent to which sample size, survey design, and interview response affect the accuracy, consistency, and validity of mortgage-related variables in the AHS. A replication analysis was performed using benchmark data sets from a number of sources including Home Mortgage Disclosure Act data and Residential Finance Survey data. A longitudinal analysis examined the internal reliability of AHS variables over time.

AHS estimates of the number of disabled adults with worst case needs (see indicator A.1.1) are based on non-elderly adults without children who report welfare or Social Security income. AHS estimates are adjusted on the basis of comparison with Supplemental Security Income (SSI) data. This comparison suggests that unadjusted AHS estimates of this group are low by a factor of two or more. Further, the SSI data are likely low because SSI income ceilings fall well below HUD’s very-low-income cutoffs. The estimates shown reflect adjustments for these factors.

## Current Population Survey (CPS)

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*Fiscal Year 2006 indicators using this data source: H.1.1, H.2.1, H.2.2*

The Census Bureau has rigorous data quality standards. It generally is not feasible for HUD to verify CPS data independently.

Starting with the estimates for the first quarter of 2003, the Census Bureau introduced three changes to the estimating procedures:

- Switched from 1990 Census-based weights to 2000 Census-based weights.
- Introduced housing unit controls for the Housing and Vacancy Survey (HVS) to supplement the population control totals used previously.
- Introduced multiple race categories and changed the order of the ethnicity and race questions.

To assess the impact of the first two changes, the Census Bureau compared results obtained for the four quarters of 2002 under the old and new procedures. The changes had no impact on estimates of national homeownership rates, but did affect estimates for racial and ethnic subgroups. The revised homeownership rates for white, non-Hispanic households are higher by 0.2 to 0.3 of a percentage point. Revised rates for black, non-Hispanic households are higher by

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<sup>8</sup> Available at <http://www.huduser.org/publications/polleg/AhsAnalysis.html>.

0.3 of a percentage point. Rates for the “other race, non-Hispanic” group are lower by 0.1 of a percentage point. The largest shift is for Hispanic households, for which revised rates are about 1.2 percentage points lower than the initial estimates. Overall, the revised rate for minorities combined is 0.2 to 0.3 percentage point lower than the initial estimates. Households with incomes below the median have revised rates that are equal to the initial rates in three of the four quarters, with the first quarter and annual average higher by 0.1 of a percentage point. Female-headed households have revised rates that are 0.2 of a percentage point higher than the initial estimates. Central city households have revised homeownership rates that are lower by 0.1 of a percentage point.

The introduction of multiple race categories and the change in order of the ethnicity and race questions allowed respondents or applicants to indicate that they are more than one race. While it is difficult to assess the impact on homeownership rates of this change, the impact will be small because only about 1 percent of all households fall into the new “Two or More Races, non-Hispanic” category. However, if these households had previously classified themselves into one of the minority categories, the impact on these smaller groups could be much larger.

For more information, see “First Quarter 2003—Source and Accuracy of Estimates,” at <http://www.census.gov/hhes/www/housing/hvs/prevqtrs.html>.

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## Government-Sponsored Enterprises (GSE) database

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*Fiscal Year 2006 indicators using this data source: H.1.11, H.2.3, H.2.5, A.1.8, C.2.4*

The two Government-Sponsored Enterprises that HUD oversees, Fannie Mae and Freddie Mac, apply quality control measures to the data elements they provide to HUD. The Department verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and independent reviews of GSE data quality procedures. GSE financial activities are verified by independent audits.

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## Public and Indian Housing Information Center (PIC)

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*Fiscal Year 2006 indicators using this data source: H.5.1, H.5.3, A.4.1, EM.4.2*

**PIC 50058.** PIC receives Form 50058 data electronically from housing agencies about the households residing in public housing or using vouchers. PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data.

An Internet-based Resident Characteristics Report makes monthly PIC 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis, and monitoring purposes.

During Fiscal Year 2004, HUD completed a data quality assessment of PIC critical data elements supporting performance measures. Recommendations for improving data quality under PIC 50058 are under review.

The Office of Policy Development and Research has conducted a series of Quality Control studies related to the accuracy of tenant income data and rent calculations in the PIC 50058 system. These results are described under indicator EM.4.1.

Other reviews of critical PIC 50058 data were conducted as part of the Tenant Assessment Subsystem analysis that compared Social Security Numbers of assisted households with valid numbers provided by the Social Security Administration. Another part of this analysis verified reported income against Internal Revenue Service records.

**PIC SEMAP.** PIC includes a Section 8 Management Assessment Program (SEMAP) module that is used to measure PHA performance in administering their Housing Choice Voucher programs. The Fiscal Year 2004 data quality assessment of PIC critical data elements supporting performance measures found that PIC SEMAP was eligible for immediate certification.

## Real Estate Assessment Center (REAC)

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*Fiscal Year 2006 indicators using this data source: A.2.1, A.2.2, A.2.3, A.2.4, A.2.6, C.4.1, C.4.2, EM.4.5.*

REAC manages assessment processes for public housing and assisted multifamily housing that use a number of specialized data systems. These include the following subsystems. Together, the first four subsystems constitute the Public Housing Assessment System, and PASS and FASS are used independently to monitor the assisted multifamily housing under the administration of the Office of Housing.

- PASS – Physical Assessment Subsystem. Inspections are conducted independently, are electronically coded and transmitted, and are representative of the entire HUD stock. REAC reinspects units and properties on a sample basis for quality assurance.
- FASS – Financial Assessment Subsystem. The process is validated by the American Institute of Certified Public Accountants. REAC performs Quality Assurance Reviews (QARs) of the audited financial statements of multifamily property owners submitted by independent public accountants. The QAR provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.
- MASS – Management Assessment Subsystem.
- RASS – Resident Satisfaction Assessment Subsystem. The survey data are based on statistically representative random sample of residents. Results are compared across annual survey samples to verify the reliability of the data.
- TASS – Tenant Assessment Subsystem.
- NASS – Integrated Assessment Subsystem.

REAC has performed a number of data verification studies to ensure the reliability of these systems. A report to Congress in 2001 titled “PHAS – Physical Inspection System” was an assessment of the inspection protocol and accuracy of the physical inspection scores. The authors concluded that the REAC physical inspection is repeatable and reliable. The analysis was based on a statistically valid test of the assessment methodologies as validated by an independent engineering firm.

In addition, in Fiscal Year 2003, the Chief Information Officer’s audit team assessed REAC’s data quality and data management practices and found them on par with industry standards. The work, performed under the DQIP included an independent data quality assessment of PASS,

FASS, RASS, and NASS. RASS was certified at 6-sigma, the highest possible data quality rating, reflecting fewer than 3.4 errors per million occurrences. PASS, FASS, and NASS exceeded the HUD standard 3-sigma rating, reflecting fewer than 66,810 errors per million.

The assessment systems also have been validated to some extent through the process of rulemaking and negotiation with housing providers.