

**U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT**

**FY 2002  
ANNUAL PERFORMANCE PLAN**

**MAY 2001**



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## **INTRODUCTION AND OVERVIEW**

This is the Fiscal Year (FY) 2002 Annual Performance Plan (APP) for the U.S. Department of Housing and Urban Development (HUD). The APP supplements HUD's FY 2002 budget by specifying the outcomes that HUD expects to achieve through its programs, if funded at the requested levels.<sup>1</sup> Wherever possible, these outcomes are expressed as quantifiable performance measures. By reading this document, a reader will learn more about what HUD does and the results it seeks to achieve.

HUD's FY 2002 APP has benefited from the comments made to the Department by the Congress, GAO, the Office of Inspector General, our partners and other interested parties. This Plan endeavors to describe the Department's GPRA efforts in clear, understandable language and to provide more complete discussions of background issues, means and strategies, data quality and other related issues. The Plan also provides additional historical detail in allocating program budgetary and staffing resources across Strategic Goals.

HUD will continue to review the format of our Annual Performance Plan as well as the Strategic Goals, Objectives and performance indicators it contains in order to maximize its usefulness to the Department, Congress, our partners and the public.

The Department has significantly expanded our effort to integrate HUD's budget and APP by linking performance measures and resources in the this document and our budget justifications. This Plan also reflects additional performance indicators and an additional strategic objective to more fully cover all of the Department's activities. These modifications resulted from our consultations with our partners and an internal review. The Department's efforts to address major management challenges are discussed under the latter part of Strategic Goal five.

Through a strategic planning process that included consultation with Congress and stakeholders, HUD has formulated a mission statement and identified five Strategic Goals that will help HUD accomplish its mission. Per the Strategic Plan, HUD's mission is to "Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination." The five Strategic Goals that help HUD accomplish this mission are:

- Increase the availability of decent, safe, and affordable housing in American communities.
- Ensure equal opportunity in housing for all Americans.
- Promote housing stability, self-sufficiency and asset development of families and individuals.

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<sup>1</sup> This APP does not contain information for the Office of the Inspector General or the Office of Federal Housing Enterprise Oversight. Plans for these organizations were submitted separately.

- Improve community quality of life and economic vitality.
- Ensure public trust in HUD.

The first four Strategic Goals summarize the objectives of the legislation creating HUD and authorizing its programs. The last represents HUD's commitment to manage its programs more efficiently and responsibly.

Within each Strategic Goal, HUD has identified two or three Strategic Objectives that represent important components of the overall Goal. For example, within Strategic Goal One: Increase the availability of decent, safe, and affordable housing in American Communities, HUD has identified three Strategic Objectives: (1) Homeownership is increased, (2) Affordable rental housing is available for low-income households, and (3) America's housing is safer, of higher quality and disaster resistant. A complete list of all of HUD's Strategic Objectives is provided in the chart on the following page.

For each Strategic Objective, HUD has developed performance measures that gauge the effects of HUD's programs ("outcome indicators") and measure program activity levels ("programmatic output indicators"). The APP specifies targets for these measures for FY 2002 and discusses external factors that may help or hinder achievement of these targets.

Additional information on HUD's strategic planning process and the Department's long-term strategic goals may be found in the recently-completed Strategic Plan for FY 2000 through 2006.<sup>2</sup>

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<sup>2</sup> The Strategic Plan is available on the web at <http://www.hud.gov/reform/strpln.cfm>.

## HUD’s Mission, Vision, Strategic Goals, and Strategic Objectives

<b>HUD’s Mission: Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.</b>				
<b>Vision: To fulfill our mission, HUD will be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals.</b>				
Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Strategic Goal 5
Increase the availability of <b>decent, safe and affordable housing</b> in American communities.	Ensure <b>equal opportunity</b> in housing for all Americans.	Promote <b>housing stability, self-sufficiency and asset development</b> of families and individuals.	Improve community <b>quality of life and economic vitality</b> .	Ensure <b>public trust</b> in HUD.
Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives
1.1 Homeownership is increased.	2.1 Housing discrimination is reduced.	3.1 Homeless families and individuals achieve housing stability.	4.1 The number, quality and accessibility of jobs increase in urban and rural communities.	5.1 HUD and HUD’s partners effectively deliver results to customers.
1.2 Affordable rental housing is available for low-income households.	2.2 Minorities and low-income people are not isolated geographically in America.	3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.	4.2 Economic conditions in distressed communities improve.	5.2 HUD leads housing and urban research and policy development nationwide.
1.3 America’s housing is safer, of higher quality and disaster resistant.	2.3 Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.	3.3 The elderly and persons with disabilities achieve maximum independence.	4.3 Communities become more livable.	

## Organization of this document

Separate sections of this document address each of the Department's five Strategic Goals. These sections indicate how the goal relates to the Department's overall mission, what resources will be used to meet the goal in FY 2002, what program evaluations support the goal<sup>3</sup>, and most importantly, the Strategic Objectives that must be achieved to realize the goal. Strategic Goal 5 also includes a full discussion of how HUD is addressing its significant major management challenges. For each Strategic Objective, we have provided a detailed "crosswalk" between indicators of societal outcomes, indicators of programmatic outputs, and major external factors that influence the environment in which policies and programs are being carried out. These performance indicators and the targets set for FY 2002 specify how HUD will measure progress toward its objectives.

The discussion of each Strategic Objective is organized as follows:

- *Overview.*
- *Means and strategies* that HUD employs to achieve the Strategic Objective.
- *HUD programs* contributing to the Objective, and past and requested budgetary resources for each program.
- *External factors* likely to affect the achievement of the outcome and output targets chosen to measure progress toward the Strategic Objective.
- *Coordination* with other Federal agencies.
- A "*crosswalk*" table summarizing outcome indicators, programmatic output indicators, and external factors.
- *Detailed discussion* of each performance indicator including background information, the source of data, past performance, targets set for FY 2002,<sup>4</sup> and a summary of data validation and verification issues. Specific program-related data quality issues are addressed within the commentary on each performance goal as they are listed throughout the APP.

The APP is intended to provide a useful overview of how HUD is delivering its programs and accounting for the dollars entrusted to us by taxpayers. The format of the APP is designed to provide a broad overview of Departmental policies and programs, yet supply sufficient detail to accurately track progress within the Department's areas of responsibility.

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<sup>3</sup> HUD research products can be found at [www.huduser.org](http://www.huduser.org) or by calling (800)245-2691.

<sup>4</sup> Unless otherwise noted, all targets identified in the detailed discussions of indicators of societal outcomes and programmatic outputs are for progress made by the end of FY 2002.



**STRATEGIC GOAL 1:  
INCREASE THE AVAILABILITY OF DECENT, SAFE AND  
AFFORDABLE HOUSING IN AMERICAN COMMUNITIES**

**Strategic Objectives:**

- 1.1 Homeownership is increased.**
- 1.2 Affordable rental housing is available for low-income households.**
- 1.3 America's housing is safer, of higher quality and disaster resistant.**

One of HUD's most important roles is to increase the availability of decent, safe, and affordable housing for all Americans. Many HUD programs are dedicated to expanding opportunities for those who wish to become homeowners. Others continue to improve rental housing affordability, availability, and accessibility for low- and moderate-income individuals and families. Finally, although the quality of U.S. housing has steadily improved over the past five decades, actions to reduce or eliminate remaining hazards and substandard conditions and make housing more resistant to disasters are still a vital component of HUD's work.

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

<b>Budget Authority (BA) and Staffing Levels (BA is \$ in millions)</b>						
<b>Program</b>	<b>FY 2000</b>		<b>FY 2001</b>		<b>FY 2002</b>	
	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>
<b>Community Planning &amp; Development</b>						
Community Development Block Grants Fund	1,587	136	1,687	133	1,585	133
HOME Investment Partnership Program <sup>a/</sup>	1,636	220	1,796	216	1,796	216
HOPWA	232	32	257	31	277	31
Rural Housing	25	18	25	18	0	18
<b>Public and Indian Housing</b>						
Housing Certificate Fund <sup>b/</sup>	7,095	168	8,667	167	8,383	167
Public Housing Operating Fund	1,484	149	1,530	148	1,601	148
Public Housing Capital Fund	2,884	86	2,993	86	2,293	86
HOPE VI	316	61	316	61	316	71
Indian Housing Block Grant	472	116	486	115	486	115
Indian Housing Loan Guarantee	5	4	5	4	5	4
<b>Housing</b>						
Sections 202/811 (elderly and disabled)	910	276	894	274	901	274
FHA MMI/CMHI	430	886	430	878	434	878
FHA GI/SRI <sup>c/</sup>	262	531	456	555	375	644
Manufactured Housing	11	12	11	12	17	12
Other Housing programs <sup>d/</sup>	0	21	0	21	0	21
<b>Ginnie Mae</b>	9	61	9	66	9	66
<b>Healthy Homes &amp; Lead Hazard Control</b>	80	25	100	23	110	23
<b>Other HUD Staff <sup>e/</sup></b>	-	228	-	163	-	64
<b>TOTAL</b>	<b>17,438</b>	<b>3,030</b>	<b>19,662</b>	<b>2,971</b>	<b>18,588</b>	<b>2,971</b>

a/ HOME includes housing counseling staff in the Office of Housing.

b/ Housing Certificate Fund BA numbers represent program levels instead of net budget authority (BA figures for this account are significantly affected by rescissions and advanced appropriations). Staff includes Office of Housing staff working with project-based Section 8.

c/ FY 2001 BA total does not include supplemental appropriations.

d/ Includes programs that do not receive a discretionary appropriation.

e/ Other staff include the Real Estate Assessment Center (REAC) and the Office of Multifamily Housing Assistance Restructuring (OMHAR).

**Research and Evaluation Relevant to Strategic Goal 1**

The following is a selected list of major evaluation and research efforts relevant to Strategic Goal 1 that are either under way or have been completed since January 2000.

### **Housing Finance**

- *An Assessment of FHA's Single-Family Mortgage Insurance Loss Mitigation Program*, August 2000. This study of the Federal Housing Administration's (FHA) single-family mortgage insurance loss mitigation program, which replaced the assignment program in 1996, examined its utilization and effectiveness, comparing it to loss mitigation programs of Fannie Mae and Freddie Mac.
- *Neighborhood Effects in Mortgage Default Risk*, September 2000. This exploratory study examined the effects of neighborhood income and race on FHA mortgage default and foreclosure, after controlling for various loan and borrower characteristics. The study provides the most complete analysis to date of the effects of neighborhood characteristics on default.
- *Assessing Problems of Default in Local Mortgage Markets*, September 2000. This study was undertaken to address concerns that FHA defaults were concentrated in certain neighborhoods and among certain lenders. The study found that some default differences across neighborhoods and lenders are related to differences in loan and borrower risk factors. When concentrations of defaults are not explained by these factors, the effects vary across origination years, suggesting transitory causes.
- *Performance of the GSEs at the Metropolitan Level*, March 2000. This study of Government-Sponsored Enterprise (GSE) performance at the metropolitan level during 1995-1996 found that Fannie Mae and Freddie Mac served minority and low- and moderate-income populations at a lower rate than did lenders overall.
- *Fannie Mae and Freddie Mac Mortgage Purchases in Low-Income and High-Minority Neighborhoods: 1994-1996*, March 2000. This study examined GSE mortgage purchases in low-income and high-minority neighborhoods in metropolitan areas during the 1994-1996 period. GSE purchases were found to underserve low-income tracts (mirroring primary lending activity), but not high-minority middle-income tracts.

### **Housing Subsidies**

- *Study of Success Rates in the Section 8 Voucher Program* (under way: final report expected FY 2001). This study will provide a national estimate of voucher success rates and an analysis of factors contributing to high or low success rates.
- *Strategies that Enhance Community Relations in Tenant-Based Section 8 Programs* (under way: final report expected in mid-2001). This is a set of case studies and cross-cutting analysis that examines how housing agencies have addressed concerns raised by some local communities regarding the tenant-based Section 8 program. This project will also produce a guidebook to advise housing agencies on how to manage Section 8 so it will be better accepted by the community.
- *The Uses of Discretionary Authority in the Tenant-Based Section 8 Program: A Baseline Inventory of Issues, Policy, and Practice*, January 2001. This survey found

that public housing authorities are making broad but varied use of their new discretionary authority over tenant selection preferences and rent setting.

- *Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance*, August 2000. This study examined the consequences of owner decisions to opt out of Section 8 contracts or assisted mortgages at 12 properties. Nearly all eligible tenants succeed in using housing vouchers after they receive one, and most remain at the initial project; the majority of movers are more satisfied with their new units than their old ones.
- *Assessment of HOPE VI* (under way; final report expected FY 2002). This study will examine the effects of the HOPE VI public housing demolition and revitalization program on residents and neighborhoods in 15 sites.
- *Public Housing-Police Partnerships to Fight Crime* (under way; final report expected in 2002). This study will assess the impact on criminal activity in three communities where HUD has helped public housing agencies and local police to work together to measure and track crime.
- *Housing Opportunities for Persons with AIDS (HOPWA) Program*, December 2000. This evaluative report examines how well the housing needs of persons living with HIV/AIDS are being met through the program and the coordination of HOPWA with health care and other supportive services in a community.
- *Ongoing Affordability in HOME rental developments* (under way; report expected mid-2001). This study is examining the extent to which rental properties developed with HOME program subsidies continue to remain affordable to and occupied by families with low incomes for the period required by the law.
- *Assessing Federal, State, and Local Housing Policy in the 1990s* (under way). This study is looking in-depth at housing programs in six metropolitan areas to determine the extent to which housing needs and local housing market conditions impacted (and were affected by) the evolution of housing plans, the type and availability of resources for housing, and actual housing practice. It is intended to provide a holistic picture of the federal, state, and local housing delivery system in these six areas as it related to the housing needs of the 1990s.
- *Low-Income Housing Tax Credit Database* (ongoing). This is a national database of housing projects financed with the Low-Income Housing Tax Credit, the federal government's largest low-income rental housing production subsidy. It includes information on project location and size, bedroom sizes, and financing methods.

### ***Housing Technology***

- *The Rehab Guide: Roofs*, March 1999, *Windows and Doors*, May 1999, *Partitions, Ceilings, Floors, and Stairs*, February 2000, *Kitchens and Baths*, January 2000, *Electrical/Electronics*, June 2000, *HVAC/Plumbing*, February 2000, *Site Work*, August 2000. This compendium reflects the state of the art in techniques, materials,

and technologies for the production of housing through rehabilitation of existing structures.

- *Residential Rehabilitation Inspection Guide*, February 2000. This publication is designed to help contractors, realtors, and home inspectors to evaluate the rehabilitation potential of small residential buildings and structures.
- *Industrializing the Residential Construction Site*, July 2000. This study examines the feasibility of adoption by builders of a variety of advanced techniques used in other industries. The report finds that enterprise resource planning systems, object-oriented computer assisted design, just-in-time supply, design for manufacture and assembly, and prototyping and analysis tools are the most promising techniques, offering enhanced value to both builder and consumer.
- *Home Builders' Guide to Manufactured Housing*, May 2000. This publication provides a detailed overview of manufactured homes for developers and conventional builders interested in serving the entry-level market.
- *Residential Structural Design Guide: A State-of-the-Art Review and Application of Engineering Information for Light-Frame Homes, Apartments, and Townhouses*, February 2000. This publication provides a comprehensive guide to housing design for structural engineers and other design professionals. It addresses design loads, wood framing, foundations, lateral resistance to wind and earthquakes, and fasteners.
- *Affordable Housing Design Advisor and The Project Book*, November 2000. This combination of CD-ROM with workbook is a guide to cost-effective quality design for developers of affordable housing.

## **Objective 1.1: Homeownership is increased.**

### **Overview**

Through homeownership, an individual or family makes an investment in the future. A home is an asset that can grow in value and provide capital to finance future needs of a family, such as college for children or retirement. Homeownership helps stabilize neighborhoods, strengthen communities, and stimulate economic growth. From the early days of the Federal Housing Administration (FHA) in the 1930s to the present, Congress and the President have repeatedly charged HUD with opening doors to homeownership for more Americans.

Although a period of sustained economic growth has helped to raise the overall homeownership rate to a record level, the homeownership rates of minorities and low-income families lag far behind those of other families. During calendar year 2000, the homeownership rate for Hispanic households was 46.3 percent and the homeownership rate for Black non-Hispanic households was 47.6 percent. By contrast, the homeownership rate for the nation as a whole was 67.4 percent, some 20 percentage points above that of Black and Hispanic households. HUD is firmly committed to reducing this gap by increasing the homeownership rates of minority households.

The homeownership rate is particularly low in economically distressed areas, including those defined as “underserved” by the mortgage finance system. For example, in central cities overall, although ownership has increased recently, the rate for the last quarter of FY 2000 rate was 51.9 percent—well below the 74.2 percent homeownership rate in the suburbs and the 75.5 percent rate in nonmetropolitan areas. In the last quarter of FY 2000, the national homeownership rate stood at an all-time high of 67.7 percent. Based on a strategy of increasing homeownership among populations who are more often renters, HUD’s strategic plan establishes an ambitious goal of 70.0 percent homeownership by 2006.

HUD has a wide variety of programs that support homeownership. Many programs, especially those of FHA, the Government National Mortgage Association (Ginnie Mae), and the Office of Housing, seek generally to cut the costs of homeownership, including financing, production, and transaction costs and fees, to make homeownership more affordable and to make financing more widely available. State and local grantees make extensive use of funds from Community Development Block Grants (CDBG) and Home Investment Partnerships Program (HOME) for homeownership. Homeownership is further advanced through affordable housing goals set by HUD for Fannie Mae and Freddie Mac, the housing Government-Sponsored Enterprises (GSEs). Other HUD programs promote homeownership through housing counseling, self-help sweat equity programs such as Habitat for Humanity, and use of Section 8 vouchers for homeownership.

## **Means and strategies**

HUD brings a wide variety of tools to bear on the objective of increasing homeownership. 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.

The Administration's FY 2002 budget seeks to advance this objective by combining continued funding for HUD's core homeownership programs with a number of new initiatives designed to improve homeownership rates, especially among minority and low-income families and in central cities. These initiatives include:

- *The American Dream Downpayment Fund*, which will provide \$200 million within the HOME program to match downpayment assistance provided by third parties.
- Expanded use of *Section 8 vouchers for homeownership*—particularly among existing Section 8 voucher holders, who will be able to use up to one year's worth of Section 8 assistance for a downpayment on a home. HUD is also implementing an alternative approach to Section 8 homeownership, under which the voucher can subsidize ongoing homeownership costs, with a higher income eligibility limit to accommodate the needs of disabled households. HUD will encourage public housing agencies (PHAs) to adopt local homeownership programs that provide for the use of Section 8 vouchers for first-time home purchases.
- A \$1.7 billion tax credit for developers of affordable single-family housing that will support the rehabilitation or new construction of an estimated 100,000 homes for purchase by low-income households over a five-year period.
- *Hybrid Adjustable Rate Mortgages*, which will reduce families' initial homeownership costs by combining a low fixed interest rate in the early years of the mortgage with a rate that adjusts with the market thereafter.

In addition to these new initiatives, HUD plans to continue its existing efforts to increase homeownership through programs and policies that:

- Increase the share of first-time homebuyers assisted through FHA programs by working more closely with private housing and housing finance partners.
- Reduce homebuying risk for prospective home owners by improving the quality of FHA appraisals.
- Maintain liquidity in the market for mortgage credit. The liquidity created by Ginnie Mae as well as by Freddie Mac and Fannie Mae, the two GSEs that HUD regulates, assures that mortgage funds are available for home loans at the lowest rates possible across the nation. HUD sets regulatory goals for housing GSEs to expand opportunities for low- and moderate-income homebuyers and in underserved areas.

- Support housing counseling programs to help underserved groups move into homeownership, because understanding the process of homebuying, including how to shop for a mortgage and to build good credit, is frequently a barrier to homeownership. HUD also will reduce the default rate by providing counseling services in order to encourage responsible homeownership.
- Encourage homeownership in lower income neighborhoods through initiatives such as Ginnie Mae's Targeted Lending Initiative, which reduces the securitization fee paid by lenders to Ginnie Mae for loans in targeted low-income areas.
- Work with partners in the mortgage lending industry to reduce predatory lending. FHA is sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.
- Encourage public housing agencies to include homeownership opportunities under HOPE VI public housing revitalization grants.
- When grantees and participating jurisdictions choose to use CDBG funds for homeownership, provide technical assistance to encourage good program design and targeting to those who would otherwise be unable to become homeowners.
- Accelerate the rehabilitation and resale of HUD-owned and foreclosed homes in designated Asset Control Areas (ACAs). Through this initiative, cities and their private partners will purchase all HUD-foreclosed homes in selected zip codes at discounts of up to 50 percent of the appraised value, then rehabilitate and sell the homes to eligible families. Any excess proceeds generated through the sales are reinvested back into the ACA program in other forms, including municipal improvements.



*Goal 1: Increase the Availability of Decent, Safe and Affordable Housing*

**Programs supporting Objective 1.1: Homeownership is increased.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
Self Help Homeownership Opportunities/Habitat for Humanity	[24]	[24]	[23]	[26]
HOME Investment Partnerships Program	1,600	1,636	1,796	1,796
Homeownership Downpayment Assistance Initiative	0	0	0	[200]
Rural Housing and Economic Development	25	25	25	0
<b>Public and Indian Housing</b>				
HOPE VI	625	575	574	574
Indian Housing Block Grants	620	620	649	649
Indian Housing Loan Guarantee Program/Commitment Level	{69}	{72}	{72}	{234}
Indian Housing Loan Guarantee Program/Program Account	10	6	6	6
<b>Housing</b>				
FHA MMI/CMHI Commitment Level	{123,546}	{94,161}	{160,000}	{160,000}
FHA MMI/CMHI Program Account	329	491	490	497
FHA GI/SRI Commitment Level	{16,924}	{9,308}	{21,000}	{21,000}
FHA GI/SRI Program Account	308	262	456	375
Housing Counseling Assistance	[18]	[15]	[20]	[20]
Section 202/811 (Elderly and Disabled)	854	911	994	1,001
Oversight of housing GSEs (Fannie Mae and Freddie Mac)	NA	NA	NA	NA
<b>Ginnie Mae</b>				
Government National Mortgage Association/Commitment Level	{200,000}	{87,536}	{200,000}	{200,000}
Government National Mortgage Association/Program Account	9	9	9	9

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

## **External factors**

National and regional economic conditions have a strong impact on the homeownership rate and may help or hinder achievement of the performance targets that measure HUD's progress in increasing homeownership. For example, higher interest rates can reduce the number of first-time homebuyers, thus reducing the number of homes insured by FHA in HUD's Office of Housing. Similarly, if the economy weakens and unemployment rises, FHA may experience a higher-than-expected loan default rate.

Progress in increasing homeownership rates also depends on the actions of many private and public players. State and local grantees under the CDBG program have discretion about whether to use funds for homeownership, rental housing, or other community development activities. Programs of other Federal agencies, particularly the Departments of Agriculture and Veterans Affairs, and choices made by State and local governments, such as use of authority for State mortgage revenue bonds, also influence the success of homeownership objectives.

## **Coordination with other Federal agencies**

- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council (FFIEC)** is the governing board that is responsible for collecting and disseminating this information. 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 collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research—for example, on a data and policy analysis project with the OCC on mortgage denial rates.

## **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

Crosswalk for Strategic Objective 1.1: Homeownership is increased		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>1.1.1: The overall homeownership rate increases from 67.7 percent in 2000 to 68.5 percent in 2002.</p> <p>1.1.2: The share of all homebuyers who are first-time homebuyers increases by 0.5 percentage point to 46.2 percent.</p> <p>1.1.3: The homeownership rate among households with incomes less than median family income increases by 0.5 percentage point to 53.2 percent.</p>	<p>1.1.a: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans.</p> <p>1.1.b: The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points to 38.1 percent.</p> <p>1.1.c: The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets.</p> <p>1.1.d: The net recovery of FHA real estate owned sales increases by 1 percentage point to 64.8 percent.</p> <p>1.1.e: The number of FHA single-family mortgage insurance endorsements nationwide.</p> <p>1.1.f: The share of FHA-insured home-purchase mortgages for first-time homebuyers reaches 82 percent.</p> <p>1.1.g: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.</p> <p>1.1.h: The number of homeowners who have been assisted with HOME is maximized.</p> <p>1.1.i: The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized.</p> <p>1.1.j: The homeownership downpayment assistance initiative will be fully implemented and assist 130,000 new homebuyers.</p>	<p>Economic conditions, consumer confidence, home prices, and mortgage interest rates strongly influence decisions to rent or buy.</p> <p>Other players in the secondary market, including the GSEs and the Federal Home Loan Bank System, have increased the level of competition for FHA and VA loans in recent years.</p> <p>As the population becomes more mobile, high transaction costs of buying and selling make homeownership impractical for some families that move frequently.</p> <p>Increases in interest rates of adjustable-rate mortgages affect the number of defaults and associated foreclosures.</p> <p>Many renters need help to obtain mortgage financing, especially if their credit records are weak.</p> <p>Increases in interest rates can differentially discourage first-time homebuyers, reducing their share of home purchases.</p> <p>Many potential low- and moderate-income homebuyers do not earn enough to benefit from the mortgage interest deduction.</p> <p>Grantees have flexibility to determine whether to use HOME and CDBG funds for homeownership or for other types of assistance.</p>

<b>Crosswalk for Strategic Objective 1.1: Homeownership is increased</b>	
<p>1.1.4: The homeownership rate in central cities increases by 0.5 percentage point to 52.9 percent.</p>	<p>1.1.k: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases (also appears as 2.3.c).</p> <p>1.1.L: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 43.8 percent (also appears as 2.3.a).</p> <p>1.1.m: At least 90 percent of EZ and EC projects achieve local goals in promoting homeownership by residents.</p>

**Outcome Indicator 1.1.1:**

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

**Indicator background and context.** 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 been climbing in recent years, but is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. HUD programs have helped families take advantage of strong economic conditions to increase homeownership in recent years. The national homeownership rate exceeded HUD’s goals by reaching 67.7 percent in 2000. Achieving a target of 68.5 percent by the end of FY 2002 would put the Nation on track to achieve 70 percent by 2006, the goal established in HUD’s *Strategic Plan*.

A review of the continued validity of the homeownership goal determined that continued growth of homeownership is desirable and achievable by increasing homeownership among subgroups with greater barriers to homeownership, including minority and low-income families, as well as families in central cities.

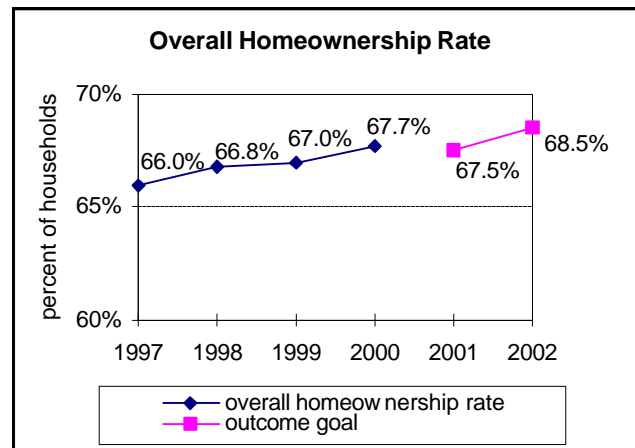
**Data source.** Third-quarter calendar year estimates from the Current Population Survey (CPS), conducted monthly by the Bureau of Census. This corresponds to the final quarter of the fiscal year.

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

Seasonally-adjusted data have recently become available for the total homeownership rate. Seasonally-adjusted data are not used here,

however, because they are unavailable for subgroups like households in central cities or households with incomes below median family income.

**Validation/verification of measure.**<sup>5</sup> The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.



**Programmatic Output Indicator 1.1.a: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans.**

**Indicator background and context.** Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of FHA and VA loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market interest rates, creating homeownership incentives. This indicator tracks the ratio between the reported value of FHA single-family loan endorsements and VA guarantees and the total value of Ginnie Mae single-family program securities issued. Other players in the secondary market, including the GSEs and the Federal Home Loan Bank System, have increased the level of competition for FHA and VA loans in recent years.

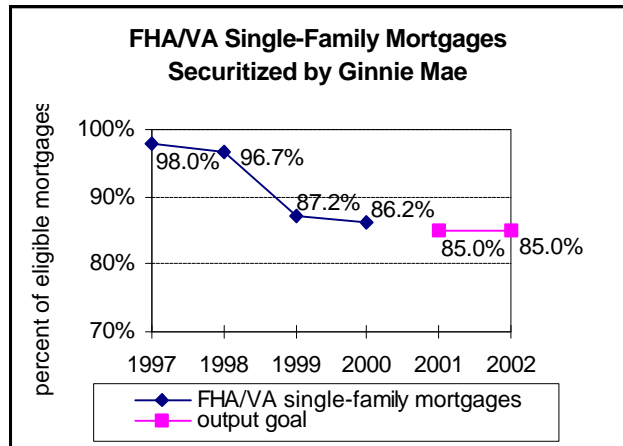
<sup>5</sup> The General Accounting Office states “Verification is the assessment of data completeness, accuracy, and consistency, timeliness, and related quality control practices. Validation is the assessment of whether the data are appropriate for the performance measure.” Another aspect of validity is the “appropriateness of ...performance measures in relation to...goals and objectives.” (“Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12, GAO/GGD-99-139.)

**Data source.** Ginnie Mae database of monthly endorsements by FHA and VA, and accounting contractor database of monthly Ginnie Mae securitization.

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

**Validation/verification 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. FHA data are entered by the loan servicers with monitoring by FHA. HUD will not verify Ginnie Mae data independently.

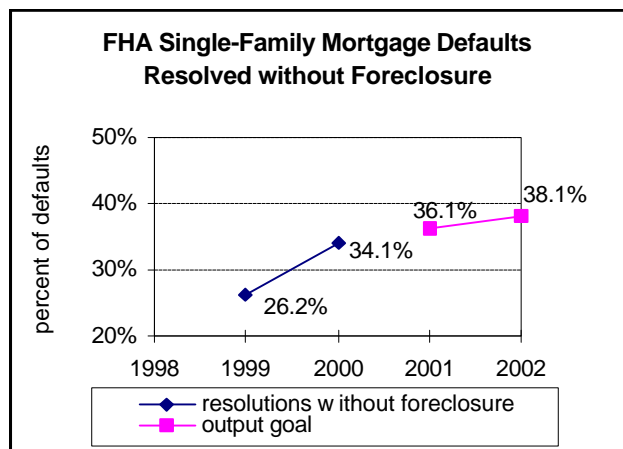


**Programmatic Output Indicator 1.1.b: The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points to 38.1 percent.**

**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 preforeclosure 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 resolved defaults increased from 26.2 percent in FY 1999 to 34.1 percent in FY 2000. The FY 2002 goal is to increase by 2 percentage points from FY 2001 levels, building on an equivalent goal for FY 2001.

**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, deeds-in-



lieu of foreclosure, and a small number of “other” resolutions.

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

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

***Programmatic Output Indicator 1.1.c: The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets.***

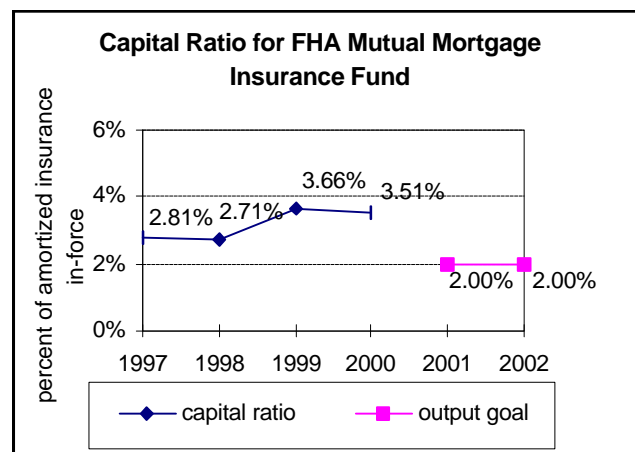
**Indicator background and context.** FHA’s Mutual Mortgage Insurance Fund (MMIF) covers all expenses, including insurance claims, incurred under FHA’s basic single-family mortgage insurance program. The insurance program and fund are expected to be entirely self-financing from up-front and annual insurance 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 of measure.** The annual independent actuarial review of FHA’s MMIF includes an estimate of the current and projected capital ratio.



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

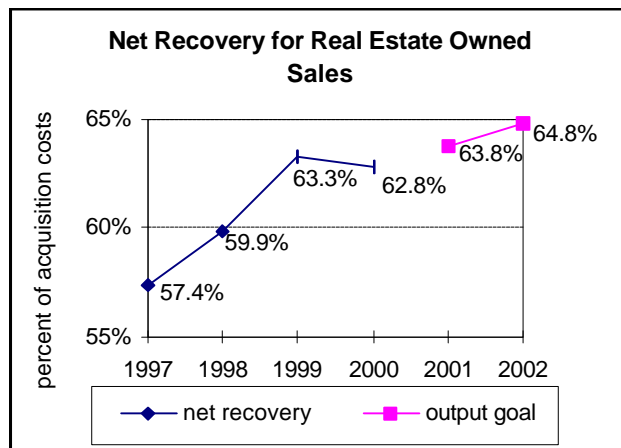
**Indicator background and context.** When lenders foreclose on defaulted FHA-insured loans, HUD is forced to acquire real property, known as real estate owned (REO) properties. Increasing the net recoveries on sales of REO will reduce FHA's insurance claim losses and strengthen the financial position of the FHA insurance funds. The net recovery is a ratio defined as the sales price net of expenses, divided by the acquisition cost.

HUD balances the goal of increasing net recovery with other public purposes. Several property disposition initiatives offer discounted REO properties in designated areas to non-profit organizations and local governments. The discounts directly reduce the net recovery. The FY 2002 goal of a 1.0 point increase presupposes the achievement of a comparable incremental goal during FY 2001.

**Data source.** FHA's Single-Family Data Warehouse (SFDW).

**Limitations/advantages of the data.** HUD is not aware of significant data problems affecting this indicator. REO data in the SFDW are more reliable than the raw data from the source systems.

**Validation/verification of measure.** FHA data are entered by direct-endorsement lenders with monitoring by FHA. Automated edits are used to verify REO data imported to the Single-Family Data Warehouse.



**Outcome Indicator 1.1.2:**

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

**Indicator background and context.** The goal of raising overall ownership rates to a new high is intended, in large part, to increase homeownership opportunities for low- and moderate-income households that have not previously owned a home. To monitor overall progress for this important group, HUD will track the share of homebuyers who are first-time homebuyers. Increasing the share of first-time homebuyers directly increases the homeownership rate. A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.

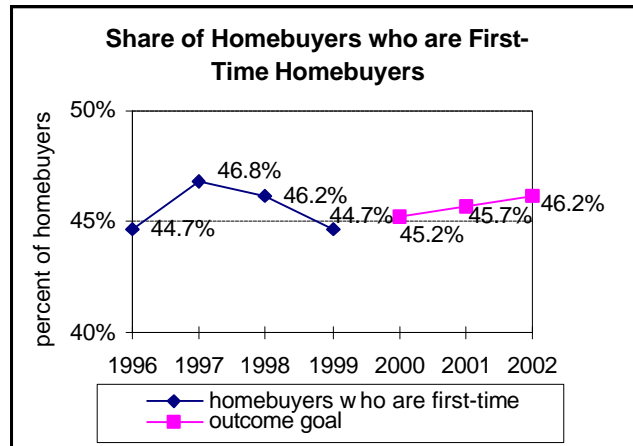


**Data source.** Chicago Title Insurance Company: annual data on the characteristics of homebuyers taking out mortgages, based on surveys in 18 large metropolitan areas. HUD has learned that no 2000 survey data will be available. The American Housing Survey (AHS) is a source of biennial data.

**Limitations/advantages of the data.**

The Chicago Title data are the only annual data on first-time homebuyers, but have limited reliability because the sample size is small, selective, and over-weighted by Chicago data. The AHS data are available only biennially with a time lag. AHS data are based on a more comprehensive and representative, but still small, sample of homebuyers. Preliminary analysis suggests that only about 8,000 housing units sampled by the AHS are occupied by households who moved in the past year, and 500 of those switched from renting to owning.

**Validation/verification of measure.** HUD verifies Chicago Title data by comparison with AHS data in alternate years.



**Programmatic Output Monitor 1.1.e: The number of FHA single-family mortgage insurance endorsements nationwide.<sup>6</sup>**

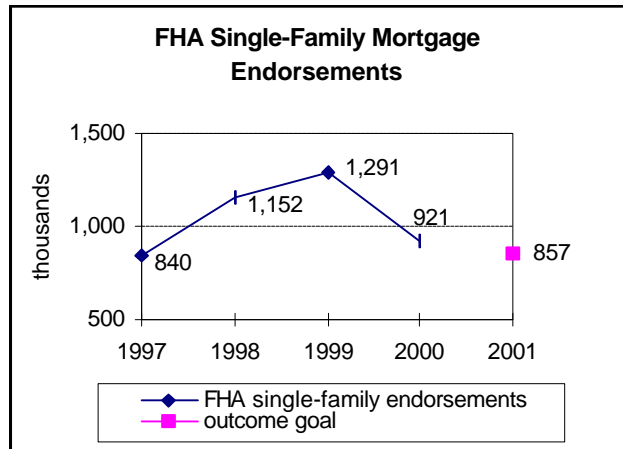
**Indicator background and context.** FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured loans. While the number of FHA mortgage endorsements is a key measure of HUD's contribution to homeownership, the actual rate achieved during FY 2002 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 monitor and report this measure, but not establish a numeric goal for FY 2002.

<sup>6</sup> Beginning with this FY 2002 APP, HUD is establishing a small number of "monitors" of certain outcomes and programmatic outputs. Like standard indicators, monitors measure and report results that the Department deems important for achieving strategic goals and objectives. Unlike other indicators, however, monitors will not have performance goals attached because the results are nearly entirely controlled by external factors or by the discretionary decisions of the Department's partners.

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

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

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

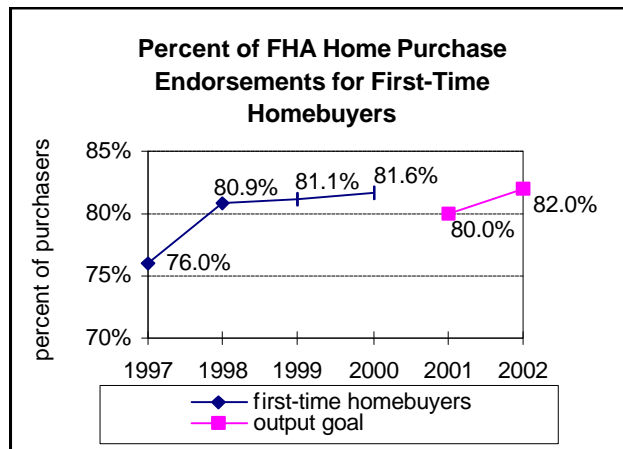


**Programmatic Output Indicator 1.1.f: The share of FHA-insured home-purchase mortgages for first-time homebuyers reaches 82 percent.**

**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 2002 performance goal of 82 percent is intended to establish a new benchmark based on the high performance achieved during FY 2000.

**Data source.** FHA's Single-Family Data Warehouse, based on the F42 data system.



**Limitations/advantages of the data.** FHA data on first-time buyers are more accurate than estimates of first-time buyers in the conventional market.

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

**Outcome Indicator 1.1.3:**

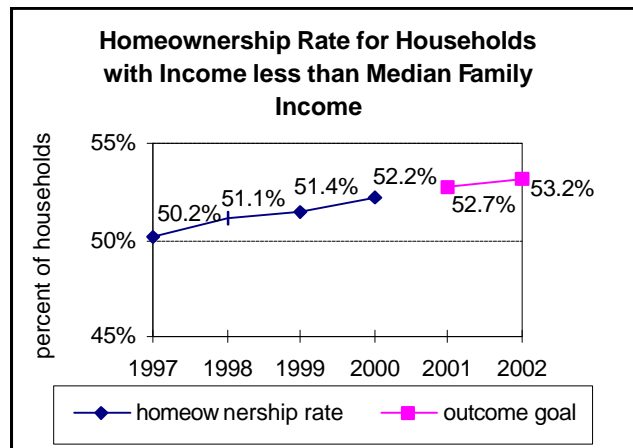
**The homeownership rate among households with incomes less than median family income increases by 0.5 percentage point to 53.2 percent.**

**Indicator background and context.** Homeownership is advantageous because of its contributions to asset development, better neighborhoods and schools, stability of tenure, and wider choice of housing types. Holding other factors equal, homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates. Through this indicator, HUD will monitor national progress in increasing homeownership among households earning less than the national median family income through improved partnering, marketing, and outreach, as well as the higher loan limits recently approved for FHA. The FY 2002 goal is to increase by 0.5 percentage point from FY 2001 results, building on an equivalent goal for FY 2001.

**Data source.** Third-quarter estimates from the Current Population Survey, conducted by the Bureau of Census.

**Limitations/advantages of the data.** CPS data are free of serious problems and have the advantage of being widely recognized.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.



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

**Indicator background and context.** These housing GSEs facilitate homeownership by providing a secondary market for home mortgages, thereby increasing available capital and reducing mortgage interest rates. In return for their 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 GSEs aids in expanding homeownership opportunities for these income groups (defined for the housing GSEs as households with incomes less than or equal to area median).

Last year, HUD announced new affordable housing goals for the GSEs that will substantially increase the availability of financing for affordable housing. Under this policy, HUD has increased the goal to 50 percent of all eligible units each enterprise finances beginning with the calendar 2001 performance year.

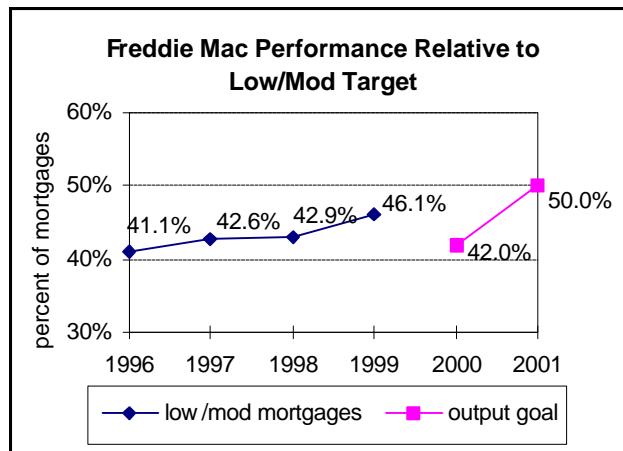
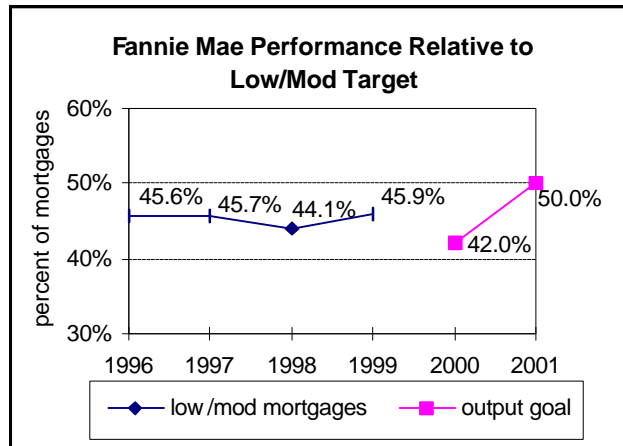
**Data source.** HUD's GSE database.

**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 developments. The data are based on calendar year rather than fiscal year lending, and are presented for GPRA purposes on a one-year lagged basis.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to 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 procedures. GSE financial activities are verified by independent audits.



**Programmatic Output Indicator 1.1.h: The number of homeowners who have been assisted with HOME is maximized (see table under 1.2.d).**

**Indicator background and context.** HOME Investment Partnership block grants give communities flexibility to meet their housing needs in a variety of ways. Many Participating Jurisdictions (PJs) choose to use HOME funds to rehabilitate owner-occupied units and to help renters become homeowners for the first time. This indicator tracks the number of homeowners assisted with HOME funds. The homeownership assistance figures represent projections based on past experience, recognizing that PJs have discretion as to what housing activities they choose to fund. The HOME homeownership data are presented under Programmatic Output Indicator 1.2.d, “The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases.”

***Programmatic Output Indicator 1.1.i (formerly 1.1.h.2): The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized (see table under 1.2.d).***

**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 reduces labor costs. Organizations such as Habitat for Humanity play a critical role in motivating volunteer resources, supporting recipients, and ultimately achieving the results accomplished with SHOP. The estimates are presented under Programmatic Output Indicator 1.2.d, “The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases.”

***Programmatic Output Indicator 1.1.j: The homeownership downpayment assistance initiative will be fully implemented and assist 130,000 new homebuyers.***

**Indicator background and context.** In FY 2002, the Downpayment Assistance Initiative will provide funds within the HOME program to provide downpayment assistance to new homebuyers. The inability to afford a downpayment on a home is the biggest single obstacle to homeownership, especially during periods of low interest rates and for households who have only recently become financially self-sufficient. The program will match funds provided by third parties, leveraging additional private or locally-controlled funds. Recipients must have sufficient income to meet ongoing mortgage payments, taxes and home maintenance costs. By the end of FY 2003, the goal of this program is to help more than 130,000 low-income families to overcome this obstacle and achieve homeownership.

**Data source.** CPD’s Integrated Disbursement Information System (IDIS) will provide data about the number of homebuyers assisted.

**Limitations/advantages of the data.** Initial data will represent HOME commitments. Completion data will be submitted with a lag because time is needed for grantees to establish local programs and for recipients to close on new homes.

**Validation/verification of measure.** CPD field staff monitor grantees to verify reported results and program compliance.

**Outcome Indicator 1.1.4:**

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

**Indicator background and context.** Central cities have below-average rates of homeownership in part because of higher density development and multifamily housing, as well as losses of middle-class families in past decades. Low homeownership can contribute

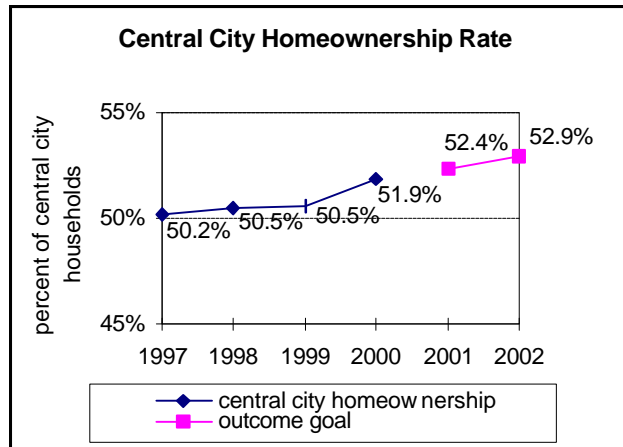
to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base. HUD is increasing marketing and outreach efforts to promote central city homeownership. Cities also are making efforts to increase homeownership rates, as grantees increasingly use HOME funds to promote homeownership. The goal for FY 2002 is to increase central city homeownership rates by 0.5 percentage points from 2001 levels, building on an equivalent goal for FY 2001.

**Data source.** Third-quarter estimates from the Current Population Survey, conducted monthly by the Bureau of Census.

**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.

**Validation/verification of measure.**

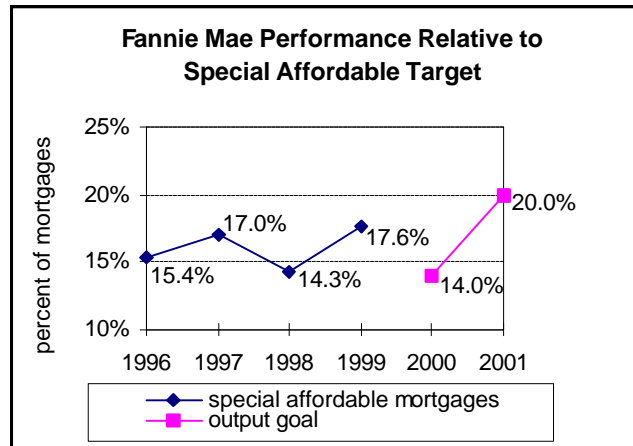
The data are verified by the Bureau of Census, so HUD will perform no further verification.



***Programmatic Output Indicator 1.1.k (formerly 1.1.i): Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.***

**Indicator background and context.** One of the three public purpose goals that HUD sets for the housing 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 to 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 metropolitan census tracts where the median income does not exceed 80 percent of area median and nonmetropolitan counties where median income does not exceed 80 percent of the greater of state nonmetropolitan median or national nonmetropolitan median. This indicator also contributes to Strategic Objective 2.3, “Disparities in homeownership rates among racial and ethnic groups are decreased,” and is repeated as Programmatic Output Indicator 2.3.c. In accordance with HUD’s decision last year to boost the affordable housing goals for the GSEs, the special affordable goal will increase to 20 percent beginning with the calendar 2001 performance year.



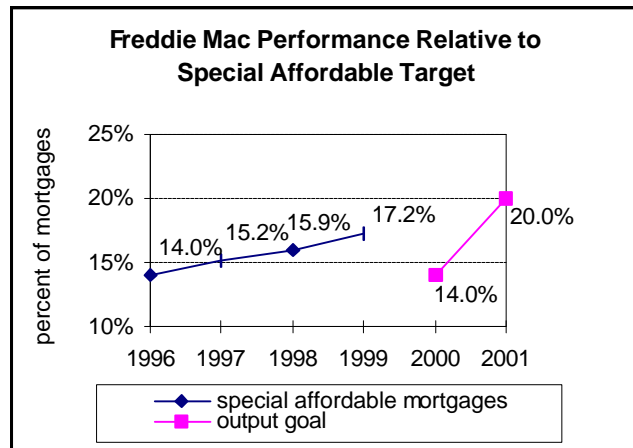
**Data source.** HUD’s GSE database.

**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 data are presented for GPRA purposes on a one-year lagged basis.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to 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 procedures.



**Programmatic Output Indicator 1.1.L (formerly 1.1.j): The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 43.8 percent.**

**Indicator background and context.** One of FHA’s primary objectives is to increase mortgage lending for underserved populations. FHA is a major source of mortgage financing for minority as well as lower income buyers. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities and increase the overall homeownership rate. This indicator is discussed more completely in connection with Strategic Objective 2.3 (Disparities in

homeownership rates among racial and ethnic groups are reduced) where it appears as Programmatic Output Indicator 2.3.a.

***Programmatic Output Indicator 1.1.m (formerly 1.1.k): At least 90 percent of EZ and EC projects achieve local goals in promoting homeownership by residents.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to help zone residents become homeowners. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.d, which supports Strategic Objective 4.2, "Economic conditions in distressed communities improve."



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

### **Overview**

HUD is charged with increasing the availability of decent, safe, and affordable rental housing in America. Over the past five decades, the physical quality of rental housing has improved greatly, but housing has become less affordable overall, particularly for poor households.

Much of HUD's housing assistance is targeted to very-low-income renters, whose incomes are less than half of the median income in their area. Unacceptably high numbers and shares of very-low-income renters now pay more than 30 percent—in many cases more than 50 percent—of their income for housing expenses. The latest available data show that in 1999, 4.9 million unassisted very-low-income renter households (some 10.9 million persons) had “worst case needs” for housing assistance, most of whom paid more than half of their already very low income for housing. Another 6.6 million very-low- and low-income renters paid 31 to 50 percent of income for rent.

The numbers of families paying such excessive rent burdens are rising mainly because of growing shortages of units affordable to renters with incomes below 30 percent of area median income (extremely-low-income renters). The same data show that nationally in 1999, there were only 75 units for every 100 such renters, down from 84 units per 100 renters in 1991. Moreover, because many of those units were already occupied by renters with higher incomes, there were effectively only 39 units in 1999 that were both affordable and *available* for every 100 extremely-low-income renters, down from 48 units per 100 renters in 1991.

HUD's three basic rental assistance programs—public housing, project-based assisted housing (including that for the elderly or disabled under Sections 202 or 811), and Section 8 tenant-based vouchers—provide the most direct means of ensuring affordable housing. Under these subsidies, the more than 4.3 million households assisted typically pay 30 percent of income for housing. The rental assistance components of the HOME and Housing Opportunities for Persons With AIDS (HOPWA) program also support low-income families who, under these programs, also pay 30 percent of their income for housing. A variety of programs, including HOME, HOPWA, and the Low-income Housing Tax Credit (LIHTC), provide subsidies that lower the costs of producing new rental housing or rehabilitating existing housing. Although the rents charged under these programs must be affordable to incomes between 50 and 60 percent of area median, they may be unaffordable to the extremely-low-income renters most likely to have worst case needs.

The Native American Housing Assistance and Self-Determination Act of 1996 provided Indian tribes with the opportunity to assess their tribe's housing needs and, through a

flexible block grant, develop programs that are responsive to those needs. Given the significant number of Native American families who are unable to purchase a home due to a variety of factors including income, credit and lack of access to capital, tribes may elect to develop rental programs.

## Means and strategies

The FY 2002 budget seeks to strengthen HUD's current rental assistance programs rather than proposing any new ones. During FY 2002, HUD will focus in particular on improving housing agencies' utilization of Section 8 vouchers and public housing capital funds.

The following are some of the key features of the FY 2002 budget that help families afford the high costs of rental housing:

- *Section 8 Contract Renewals.* In FY 2002, HUD will renew all expiring Section 8 contracts at a cost of \$15.1 billion. The cost of renewing expiring contracts for 2.7 million Section 8 units in FY 2002 exceeds FY 2001 renewal costs by \$2.2 billion.
- *Section 8 Incremental Vouchers.* To help reduce the large unmet need for affordable rental housing, the FY 2002 budget includes \$197 million in funding for approximately 34,000 additional housing vouchers.
- *Public Housing Operating Fund.* To accommodate increased utility costs and other public housing needs, including the need for crime-prevention activities, the FY 2002 budget proposes to increase the public housing operating fund by \$150 million to \$3.385 billion.
- *Increasing FHA Multifamily Loan Limits.* In recognition of the increased cost of residential construction, HUD has proposed that the limits for FHA multi-family insurance be increased by 25 percent. Increasing the limits will help to spur the availability of private financing for new production and substantial rehabilitation of affordable rental housing in high cost areas.

HUD has three major rental assistance programs that collectively provide rental subsidies to more than four million households nationwide: the *Section 8 voucher program* (also known as the tenant-based Section 8 program), the *project-based Section 8 program*, and *public housing*. HUD also helps to provide affordable rental housing through the HOME program, the Indian Housing Block Grant, FHA insurance and the Community Development Block Grant (CDBG) program.

In its continuing effort to improve the effectiveness of its core programs, HUD will work in FY 2002 to:

- Increase the number of families assisted by the Section 8 voucher program by working with PHAs to improve their utilization of existing voucher funding. HUD will also take steps to make vouchers work as well as possible in as many markets as possible. For example, in FY 2002, HUD plans to increase funding for the random digit dialing

- surveys that are used to calculate the Fair Market Rents (FMRs) that determine maximum subsidy levels. By allowing HUD to produce more accurate and up-to-date FMRs, this will make vouchers easier to use.
- Work to improve the utilization of public housing capital funds by local PHAs. PHAs currently have large amounts of unobligated and unspent capital funds.
  - Revitalize and transform public housing projects to retain them as affordable housing in decent neighborhoods.
  - Implement more effective approaches for assessing PHAs in order to identify troubled agencies, to turn around troubled agencies, and to prevent PHAs from reaching the troubled stage.
  - Retain the supply of subsidized FHA-insured projects as affordable housing in tight markets and attractive locations through a variety of efforts, including marking contracts up to market levels.
  - Restructure mortgages in FHA projects with above-market rents and address their physical, financial, and management needs, reducing costs of renewing Section 8 project-based subsidies and reducing future FHA insurance claims while promoting the continued viability and availability of this stock.
  - Issue Ginnie Mae Mortgage-Backed Securities to increase the capital available for multifamily mortgages, including those restructured under the Mark-to-Market program.
  - Ensure that, as a result of changes in the stock of assisted housing, all eligible low-income tenants are protected from increases in rents and all project-based assisted units lost are replaced with housing vouchers or new units.
  - Increase affordable housing and rental subsidies for older or disabled renters through Sections 202/811, and convert elderly housing or create new assisted living facilities to meet the growing needs of the oldest elderly.
  - Assure capital is available for rental housing by monitoring the increased special affordable multifamily goals for Fannie Mae and Freddie Mac.
  - Aid States, localities, and PHAs in analyzing their housing markets, their most pressing needs for affordable housing, and their most cost-effective responses through Consolidated Plans, and PHA plans.
  - Through CDBG and HOME, provide formula grants to States and large jurisdictions that may be used for producing, rehabilitating, or subsidizing rents of housing affordable to low-income households.
  - Through the HOPWA program, provide funding for housing for low-income persons and families with HIV/AIDS to meet growing demand.
  - Through Homeless Assistance Grants, provide funding for housing facilities for homeless families and individuals, focusing on permanent housing solutions.

- Provide tribes and tribally-designated housing entities with block grants to meet a wide range of housing needs in Indian country.

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

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
HOME Investment Partnerships Program	1,600	1,636	1,796	1,796
HOPWA	225	232	257	277
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Section 8 Project-based & Tenant-based Assistance)	10,327	11,481	13,910	15,717
Welfare to Work Vouchers	[283]	0	0	0
Incremental Vouchers	0	[347]	[452]	[197]
Public Housing Operating Fund	2,818	3,138	3,235	3,385
Public Housing Capital Fund	3,000	2,884	2,993	2,293
Indian Housing Block Grants	620	620	649	649
HOPE VI	625	575	574	574
<b>Housing</b>				
Sections 202/811 (elderly and disabled)	854	911	994	1,001
FHA GI/SRI Commitment Level	{ 16,924 }	{ 9,308 }	{ 21,000 }	{ 21,000 }
FHA GI/SRI Program Account	308	262	456	375

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

**External factors**

Many external factors affect the supply of affordable rental housing, including tax policy, local rental markets, building codes and land use regulations, State and local program decisions, and the actions of HUD's many other partners. Although rental vacancy rates nationally have been unusually high for at least five years, local rental markets vary in the availability of housing with rents below local fair market rents (FMRs), and many large metropolitan areas have severe shortages of units that would be affordable to extremely-

low-income renters without Section 8 vouchers. Under regulations from the Department of the Treasury, moreover, States administer two important federally funded programs which produce affordable rental housing: the Low Income Housing Tax Credit and tax-exempt rental revenue bonds. States and localities also decide, with citizen input, how they will use funds from CDBG, HOME, and HOPWA.

HUD's ability to provide access to affordable housing depends to a great extent on the state of the broader economy. Rises in unemployment, increases in the cost of developing and operating housing, or changes in personal income—factors over which HUD has little control—all affect housing affordability. Market factors like gentrification, as well as physical loss of housing stock through deterioration or costly lead-based paint hazards, also can tighten the supply of affordable housing. Because tenant-paid rents are established as a percent of income in HUD's rental assistance programs, lower incomes necessitate greater subsidies. With the number of renters with worst case needs far exceeding the number of deep subsidies available and with the pressure of welfare reform, the success of HUD's efforts in this area will be highly dependent on the ability of the economy to continue to generate jobs with decent wages.

### **Coordination with other Federal agencies**

- To ensure efficient use of the Low-Income Housing Tax Credit, HUD confers regularly with the **Department of the Treasury**. HUD has done significant research on the tax credit program to inform LIHTC policy. In addition, the Department 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's Office of Housing continues to work with Treasury to make the LIHTC program work better with FHA insurance. 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 recently signed an Memorandum of Understanding (MOU) with the **Rural Housing Service** (RHS) of the **Department of Agriculture**. The purpose of this MOU is to ensure an ongoing working relationship between HUD and the RHS 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 and the RHS will coordinate their respective roles related to budget approval, determination of rents, and dissemination of information to project owners and other affected parties.
- HUD and the **Federal Housing Finance Board** signed a MOU in 1999 that sets forth the policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds for subordinate financing of Section 202 and Section 811 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlined the approval process and decreased the time

it takes for financing to become available for these projects which house elderly and disabled persons.

**Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<p align="center"><b>Crosswalk for Strategic Objective 1.2: Affordable rental housing is available for low-income households</b></p>		
<p align="center">Outcome Indicators</p>	<p align="center">Programmatic Output Indicators</p>	<p align="center">External Factors</p>
<p>1.2.1: The number of households with worst case housing needs decreases 4 percent between 2001 and 2003 among families with children, the elderly and persons with disabilities.</p> <p>1.2.2: The utilization of Housing Choice Vouchers increases by 2 percentage points from the FY 2000 level to 94 percent.</p> <p>1.2.3: Among households living in HOME rental developments, the share with incomes below 30 percent of area median at initial occupancy.</p>	<p>1.2.a: Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or already assisted increases to 45.7 percent by 2003.</p> <p>1.2.b: The HOPE VI Revitalization Development program for public housing relocates 2,637 families, demolishes 7,340 units, completes 13,875 new and rehabilitated units, and occupies 12,523 units (also appears as 4.2.c).</p> <p>1.2.c: By helping housing agencies issue rental vouchers in timely fashion, HUD decreases the share of the program administered by housing agencies with substandard lease-up rates by 10 percent.</p> <p>1.2.d: The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases.</p> <p>1.2.e: The number of HOME production units that are completed within the fiscal year will be maximized.</p> <p>1.2.f: All households living in HOME-assisted rental units will be income eligible and pay appropriate rent.</p> <p>1.2.g: The share of units of public housing and Section 8 programs that</p>	<p>Economic cycles affect the number of worst case housing needs by changing the number of very-low-income households.</p> <p>Localized economic recessions could increase worst case needs in particular States and metropolitan areas.</p> <p>Decisions about whether to use CDBG funds for housing, how to target HOME funds, and whether to use HOME for homeownership or rental assistance are made locally.</p>

<b>Crosswalk for Strategic Objective 1.2: Affordable rental housing is available for low-income households</b>		
	are occupied by families with children, elderly, and persons with disabilities.	
1.2.5: The ratio of units available and affordable to extremely- and very-low income families increases to 43 percent and 72 percent, respectively, in 2003.	<p>1.2.i: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.</p> <p>1.2.j: Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.</p> <p>1.2.k: Ginnie Mae credit enhancements on multi-class securities increase by 10 percent to \$50.7 billion in FY 2002.</p> <p>1.2.L: FHA endorses at least 800 multifamily mortgages.</p> <p>1.2.m: Among multifamily developments newly insured by the FHA, the share of units that are combined with Low Income Housing Tax Credits increases by 1 percentage point from FY 2001 levels.</p> <p>1.2.n: Under the M2M program, HUD will reduce the rents and, where appropriate, complete a mortgage restructuring on 850 deals.</p> <p>1.2.p: Among Consolidated Plan jurisdictions with housing agencies, the share that have included housing agency representatives in consolidated planning efforts reaches 90 percent (also appears as 3.2.c).</p> <p>1.2.q: The share of EZ and EC projects achieving local goals is 85 percent for new affordable housing activities and 80 percent for rehabilitated affordable housing..</p>	<p>LIHTC currently is the major Federal housing subsidy for production and rehabilitation of rental housing. The units must be affordable to incomes at 50 or 60 percent of median.</p> <p>LIHTC is administered by the Department of Treasury and decisions are made by States. Most households with extremely low incomes that are served by LIHTC developments either have tenant-based assistance or high rent burdens.</p> <p>Demand for HUD multifamily programs depends to a great extent on broader economic conditions in the real estate market.</p> <p>States have the major responsibility for determining the affordability of units produced under LIHTC and rental revenue bonds.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 1.2.1:**

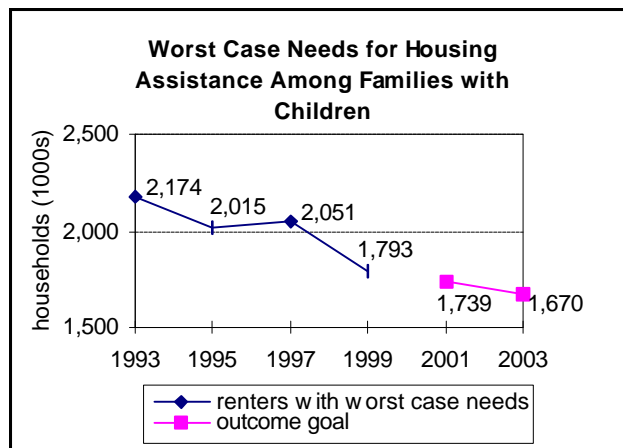
**The number of households with worst case housing needs decreases by 4 percent between 2001 and 2003 among families with children, the elderly, and persons with disabilities.**

**Indicator background and context.** Households with worst case housing needs—unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing—are those with the most severe needs for housing assistance. Despite robust economic growth between 1991 and 1999, some 4.9 million households containing almost 10.9 million people had worst case needs in 1999. Although the Department has little influence over the *number* of households with very low incomes, HUD's public housing and Section 8 programs provide them access to housing they can afford. Reducing the number of families with worst case needs among all household types is a key HUD priority.

To help reduce the large unmet need for affordable rental housing, the FY 2002 budget includes funding for 34,000 additional housing vouchers. These vouchers will be distributed through the Fair Share allocation system to state and local housing agencies that have demonstrated an ability to effectively use their existing vouchers.

Through such initiatives HUD aims to reduce needs among families with children (projected at 1.74 million in 2001) by 4 percent between 2001 and 2003. A corresponding 4 percent reduction in elderly households with worst-case needs would put elderly households with worst case needs at 0.96 million in 2003. If the 2001 baseline for worst case needs among persons with disabilities remained at the 1999 level, then a 4 percent decline would leave 1.2 million in 2003. Overall, the goal is to reduce worst case needs by about 159,000 by 2003, perpetuating the decline from their 1997 record high.

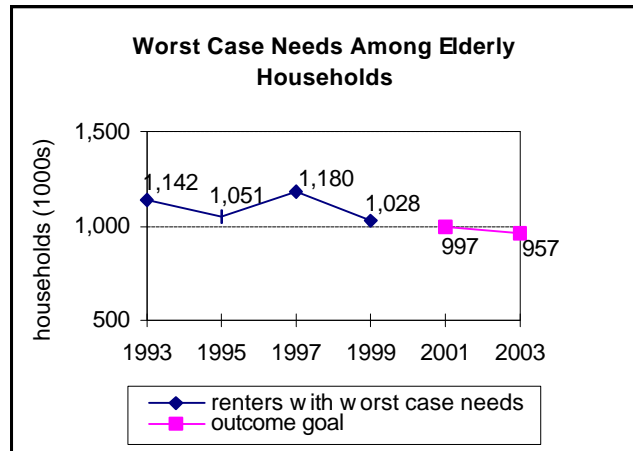
**Data source.** The American Housing Survey, conducted for HUD by the Bureau of Census.



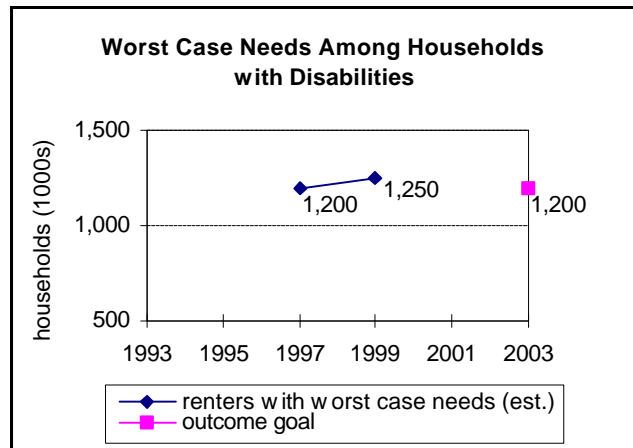


**Limitations/advantages of the data.**

AHS data are available for the Nation and regions only biennially, and for 47 metropolitan areas once every four to six years. The new questionnaire required in 1997, along with changes in the questions on receipt of housing assistance, means that earlier estimates of worst case needs differ. Directly comparable data on worst case needs will not be available for 2000 from decennial Census data, although the number of very-low-income renters with severe rent burdens provides a close proxy.



AHS estimates of the number of disabled adults with worst case needs are based on non-elderly adults without children who report welfare or Social Security income. Comparison with Supplemental Security Income (SSI) data suggest that the AHS estimates are low by a factor of 2 or more, while the SSI data themselves are likely to be low because SSI income ceilings fall well below HUD’s very-low-income cutoffs.



**Validation/verification of measure.**

The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.

**Outcome Indicator 1.2.2:**

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

**Indicator background and context.** The Housing Choice Voucher program is one of HUD’s best tools for providing affordable housing to renters with very-low or extremely-low incomes, including those with worst case housing needs. While most Housing Choice Vouchers are currently being used to assist low-income families, some PHAs are not fully utilizing all allocated funds. Increasing PHA’s utilization of voucher funds is a key HUD priority for FY 2002.

In the past several years, the Department and Congress have taken a number of steps to improve Section 8 utilization rates. These include: merger of the certificate and voucher programs, reforms to make the voucher program more attractive to landlords, expanded flexibility for PHAs to raise voucher payment standards to respond to changes and variations in local market conditions, a new Fair Market Rent policy that allows housing agencies experiencing low voucher success rates to obtain payment standards based on the 50<sup>th</sup> rather than the 40<sup>th</sup> percentile of rents, and authorization to allow housing vouchers to be used for homeownership. As agreed in a negotiated rulemaking with relevant stakeholders, HUD has also recently instituted a process that will provide for the reallocation of unused vouchers from PHAs that fail to achieve an adequate utilization rate.

In the coming year, HUD plans to further improve utilization rates by implementing the Section 8 Management Assessment Program (SEMAP) that scores PHAs on their performance in managing Section 8 programs and heavily emphasizes voucher utilization rates. HUD also plans to adopt a new system for tracking up-to-date utilization rates to allow for early intervention and conduct in-depth research into the causes and potential solutions for underutilization.

This new measure tracks the extent to which Housing Choice Vouchers are being utilized by housing agencies through the unit utilization rate, defined as the sum of vouchers under lease divided by the sum of units under Annual Contributions Contracts with housing agencies—excluding vouchers awarded to each HA during its past fiscal year and vouchers issued in connection with litigation. The FY 2000 baseline is 92 percent utilization, as determined from the most recent HA year-end statements for each PHA available in HUDCAPS in February 2001, and counting only units that had been under contract for 12 months or more at the HA year-end.

**Data source.** HUD Central Accounting Processing System (HUDCAPS). FY 2002 results will be based on the year-end statements that have been received from HAs as of November 30, 2002.

**Limitations/advantages of the data.** The use of units rather than dollars to measure utilization prevents distortion of this measure by recaptured funds; however, Congress is also concerned about the utilization rate for voucher funding. Because of the timing of the APP and the fact that PHAs have four separate fiscal years, this measure will not capture current fiscal year-end data for every PHA. (In calculating the baseline, for example, HUD has FY 2000 data for about two-thirds of the PHAs and used FY 1999 data for the balance.) In addition, late submission of year-end statements by housing agencies may cause variation in the universe of housing agencies from year to year.

**Validation/verification of measure.** During FY 2001, critical data elements in HUDCAPS are being assessed, verified and cleaned under the Data Quality Improvement Program. When determining the baseline, agencies were excluded from the HUDCAPS data if they were no longer operating voucher programs or did not yet have fully functioning voucher programs. Some missing or out-of-range values were corrected manually.

**Outcome Monitor 1.2.3:**

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

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

Although HOME rental developments are not required to serve families with incomes below 30 percent of the area median, HUD believes it important to track this usage as such families have the greatest incidence of worst case housing needs. As of 1998, some 45 percent of households in HOME rental developments had extremely low incomes. Because the number of such households served by HOME rental developments varies based on the discretionary decisions of HUD grantees, HUD has not established a specific performance goal for this indicator. However, HUD will be tracking and reporting on the proportion of households in HOME rental developments with incomes below 30 percent of area median at initial occupancy through this monitoring indicator.

**Data source.** Integrated Disbursement Information System (IDIS).

**Limitations/advantages of the data.** HOME data concerning household characteristics are reported by PJs when the development is initially occupied. The income distribution of tenants at occupancy may not reflect incomes at later periods because of income changes and tenant turnover.

**Validation/verification of measure.** HUD is currently working to increase the accuracy and completeness of IDIS data.

***Programmatic Output Indicator 1.2.a: Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or already assisted increases to 45.7 percent by 2003.***

**Indicator background and context.** HUD's public housing and Section 8 programs, along with USDA's similar rental assistance programs, provide the most direct way of meeting and solving worst case needs for households unable to afford market-rate housing. Because renters with incomes below 30 percent of area median are most likely to have worst case needs, Congress, in the Quality Housing and Work Responsibility Act of 1998, directed at least 75 percent of Section 8 vouchers and 40 percent of newly available public housing and project-based Section 8 units to this income group.

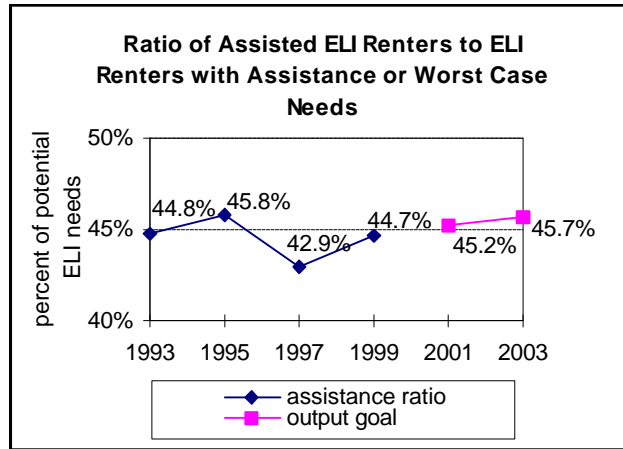
This indicator tracks the ratio of federally assisted households to one measure of potential needs—those already assisted plus those with worst case needs—to determine how well assistance is meeting needs. In 1999, there were 3.75 million extremely-low-income renters with worst case needs and 3.03 million extremely-low-income renters with housing assistance, so the ratio was 44.7 percent. Assisted households are determined by self-

reporting by respondents to the American Housing Survey. Because this indicator counts only extremely-low-income households, the number of assisted households is lower than the total number of households assisted by HUD.

**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

National and regional AHS data are available only biennially. HUD expects that AHS data from 2001 will be available by the end of FY 2002. Counts of assisted households in the AHS are known to be imperfect because survey respondents may be unsure of the source of assistance. To improve this limitation, different questions about assistance were asked beginning in 1997, making the pre-1997 ratios shown not directly comparable to the 1997 data.



**Validation/verification of measure.** Estimates of assisted households from the AHS will be compared with program data. The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance.

***Programmatic Output Indicator 1.2.b: The HOPE VI Revitalization Development program for public housing relocates 2,637 families, demolishes 7,340 units, completes 13,875 new and rehabilitated units, and occupies 12,523 units.***

**Indicator background and context.** HOPE VI is HUD's primary program for eliminating the worst public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. Housing agencies have been slower in implementing HOPE VI redevelopment plans than was hoped because of the extensive planning and partnering involved. This indicator tracks the share of HOPE VI redevelopment plans that are being implemented on schedule in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied.

At the end of FY 1999, a cumulative total of 22,225 tenants had been relocated; 24,289 units demolished; 3,930 new and 2,376 rehabilitated units completed; and 4,964 completed units occupied. The table

<b>Cumulative HOPE VI Achievements</b>	<b>FY 1999 actual</b>	<b>FY 2000 est.</b>	<b>FY 2001 goal</b>	<b>FY 2002 goal</b>
Tenants relocated	22,225	27,300	29,600	32,237
Units demolished	24,289	38,300	42,400	49,740
Units constructed or rehabilitated	6,306	9,600	21,600	35,475
Units occupied	4,964	10,800	21,900	34,423

presents cumulative achievements projected for FY 2002 based on the incremental FY 2002 goals, and presuming achievement of FY 2001 goals. FY 2001 goals reflect planned achievements based on HOPE VI plans submitted by PHAs.

**Data source.** PIH’s HOPE VI Progress Reporting System, consisting of quarterly reports submitted by grantees.

**Limitations/advantages of the data.** The data are believed to be reliable. Data are entered by PHAs/Grantees on a quarterly basis and reviewed by HUD staff. Since the information is time sensitive, being able to administratively compile data quickly is most easily accomplished by having PHA/Grantees enter data directly.

**Validation/verification of measure.** Field staff verify reports of redevelopment progress through site visits. HUD Headquarters staff review the reports each quarter and compare progress to stated goals and the results of on-site visits by the Army Corps of Engineers and HUD field office staff.

***Programmatic Output Indicator 1.2.c: By helping housing agencies issue rental vouchers in timely fashion, HUD decreases the share of the program administered by housing agencies with substandard lease-up rates by 10 percent.***

**Indicator background and context.** Background on the important issue of Section 8 utilization is presented under Outcome Indicator 1.2.2. That indicator measures the overall proportion of appropriated voucher funds that are being used by PHAs to assist families. This indicator, by contrast, tracks the number of PHAs that have substandard lease-up (i.e., utilization) rates and the share of the program that they administer. The standard for substandard lease-up rates for this indicator is based on the Section 8 Management Assessment Program (SEMAP).

In accordance with the standards in SEMAP, “substandard lease-up” by a housing agency is identified with a two-pronged test: both the “lease-up rate” and “budget authority utilization rate” are below 95 percent. Under an improved SEMAP definition for FY 2001 and future years, the lease-up rate is defined as the number of unit-months under Housing Assistance Payments contracts divided by the number of unit-months available for leasing—based on the number of reserved units for which HUD has obligated funding under Annual Contributions Contracts, and adjusted to exclude units associated with

funding increments obligated during the last HA fiscal year as well as units obligated for litigation. The budget authority utilization rate is defined as the share of funds for vouchers authorized by HUD that are actually used by the HA. This indicator focuses on the largest substandard performers by applying unit weights: the sum of reserved vouchers administered by HAs with substandard lease-up is divided by the sum of reserved vouchers program-wide.

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

**Data source.** HUD Central Accounting Processing System (HUDCAPS). Lease-up is determined from HUD-approved year-end statements submitted by PHAs.

**Limitations/advantages of the data.** Reports from PHAs with fiscal years ending September 30 are due in November, so data should be available to report for GPRA purposes by February.

**Validation/verification of measure.** A review of the definition of lease-up by PIH led HUD to develop a new interim rule for SEMAP in early FY 2001. The resulting conversion from budgeted units to reserved units in the denominator increased the measure's validity, as the measure is no longer dependent on PHAs' accuracy in budgeting.

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

**Indicator background and context.** This indicator tracks both homeownership assistance and rental assistance because local communities decide whether to use HOME funds for homeownership, rental housing, or both. In the case of CDBG and HOPWA funds, housing assistance is one of several eligible activities among which grantees may choose. Analysis suggests that the share of CDBG funds used for housing and HOME funds used for rental housing may be declining. Because of widespread shortages of affordable housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including rental housing production. The level of these housing outputs is subject to appropriations as well as local discretion.

*Goal 1: Increase the Availability of Decent, Safe and Affordable Housing*

Households Assisted	1996 act.	1997 act.	1998 act.	1999 est.	2000 est.	2001 goal	2002 goal
CDBG households <sup>a</sup>	204,900	202,100	157,417	158,300	182,700	181,396	183,031
HOME tenant-based assistance	9,118	7,792	8,246	8,246	6,899	8,978	8,439
HOME rental units committed <sup>b</sup>	23,918	23,041	24,148	25,114	33,487	29,574	27,799
HOME new homebuyers committed <sup>b</sup>	26,098	28,403	29,514	30,695	30,748	36,145	33,976
HOME existing homeowners committed <sup>b</sup>	12,086	13,053	13,415	13,952	14,731	16,429	15,444
HOME total households	71,220	72,289	75,323	78,006	85,865	91,126	85,658
HOPWA households	32,200	35,845	43,798	41,670	43,902	44,500	49,400
SHOP homeowners	0	432	558	1,983	1,200	1,120	1,120
Native Americans assisted with NAHASDA	-	-	-	19,483	20,067	20,669	20,669

<sup>a</sup> CDBG values for 1998-2001 reflect a reduction in the share of funds that grantees use for housing activities from 30 percent to 24 percent.

<sup>b</sup> Trend analysis was used to estimate the number of units produced by HOME in FY 1998 and 1999 during the conversion to the new data system (IDIS).

**Data source.** CDBG values in this table are based on historical accomplishments reported by grantees in IDIS and through annual performance reports on the basis of budget outlays.

Estimates for units produced by HOME (rental, homebuyer, and homeowner) are based on C/MIS data through 1996, and extrapolate a historical trend of a 4-percent annual increase in units committed in a fiscal year consistent with recent activity. Estimates for HOME tenant-based rental assistance are based on historical average commitments, which show no sustained trend. These estimates reflect units for which grantees commit funds during each fiscal year. They are not the same as estimates in the budget that project production over the life of the requested appropriation.

HOPWA data are based on HOPWA Annual Progress Reports or on IDIS. As of FY 2001, all HOPWA formula grantees are using IDIS.

NAHASDA data are based on Annual Performance Reports submitted by grantees to the Indian Housing Plan/Annual Performance Reporting system.

**Limitations/advantages of the data.** CDBG, HOME and HOPWA data come from grantees through IDIS. Because grantees are not required to identify whether CDBG housing assistance or production is for homeownership or rental housing, this detail is

lacking Annual Progress Reviews (APRs) are being integrated with IDIS, and over the next several years will capture actual CDBG accomplishments.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

***Programmatic Output Indicator 1.2.e: The number of HOME production units that are completed within the fiscal year will be maximized.***

**Indicator background and context.** Historically the HOME program has reported on “committed units,” units for which HOME Participating Jurisdictions had contractual obligations committing HOME funds. This indicator tracks the number of “units completed,” HOME-assisted units that have been put into service. The FY 2002 goal is the same as FY 2001 because PJs are now performing at capacity and steady levels of annual funding are projected to stabilize the number of units completed.

**Data source.** GMS/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 and the submission of a completion report.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees, and grantee reports are subject to independent audits.

HOME Units Completed	Total through FY 1998	FY 1999	FY 2000	FY 2001 goal	FY 2002 goal
HOME rental units produced	72,469	18,806	23,309	20,340	*
HOME new homebuyers	77,363	25,008	34,126	27,048	*
HOME existing homeowners	60,053	12,254	13,174	13,254	*
HOME total households assisted	209,885	56,068	76,609	60,643	53,366

\* As grantees have discretion about which housing activities to fund, HUD is establishing an overall goal for completions rather than subgoals for specific activities.

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

**Indicator background and context.** Regulations for the HOME Investment Partnership program are complex, and PJs may not understand monitoring responsibilities nor allocate sufficient staff for monitoring responsibilities. This is significant because landlords may have incentives to circumvent rent requirements and/or to be lax on meeting housing quality standards. This indicator tracks the share of HOME rental households for which tenant incomes are eligible and rents are appropriate. HOME regulations require certifications by development owners during the period of affordability for each development.



**Data source.** A baseline survey of HOME rental developments is nearing completion during FY 2001. After analyzing baseline data, HUD will consider appropriate options for developing ongoing performance measures.

**Limitations/advantages of the data.** The survey will provide a representative sample of HOME rental households.

**Validation/verification of measure.** The procurement will contain provisions and controls that ensure that the research is valid and statistically representative within standard margins of error.

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

**Indicator background and context.** This monitoring indicator, new for FY 2002, tracks the share of households with various characteristics that receive deep subsidies with public housing, housing choice vouchers, or project-based Section 8 assistance in privately-owned multifamily developments. Because the supply of affordable housing for very-low-income households is so limited, the affordable rents they pay under these programs in most cases keep them from falling into worst case housing needs (tracked by Outcome Indicator 1.2.1). The number of households in each group is unlikely to change dramatically from year to year because families leave the program and turn over their units at a rather low rate compared with unassisted rental housing. No goals are established for this indicator because housing providers have discretion about admissions policies.

**Data source.** Data about households served by public housing and tenant-based Section 8 are from the MTCS/PIC system. Data about households receiving project-based Section 8 assistance are from TRACS.

**Limitations/advantages of the data.** Household attributes reported in MTCS are believed to be reliable for this measure. MTCS data are nearly complete, with 100 percent of tenant-based households and about 96 percent of public housing households reported. Data about households served by the project-based Section 8 program are less reliable. The TRACS system faces worsening reporting problems caused

Units in Program Occupied by Families of Various Attributes				
	Families with Children, no disabilities	Elderly, 10 children (possible disabilities)	Non-Elderly Disabled, 10 children	Non-Elderly Disabled, with children
Public Housing	55.8%	15.8%	11.0%	4.5%
Housing Choice Vouchers	62.7%	9.4%	13.1%	7.4%
Project-based Section 8	29.1%	47.5%	12.5%	1.7%

Source: Tabulations of April 2000 extracts of MTCS and TRACS, 10 percent sample.

by the contracting out of administration responsibilities, which could cause estimates of the proportion of households with each attribute to be unrepresentative of the overall program.

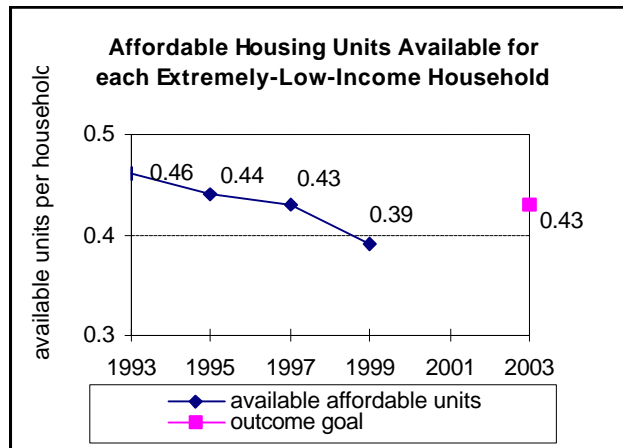
**Validation/verification of measure.** MTCS and TRACS verify the accuracy of tenant data by performing automated checks on data ranges and internal consistency. MTCS data and summary statistics, updated monthly, are electronically available to housing agencies and field offices for verification, validation, data analysis and monitoring purposes.

**Outcome Indicator 1.2.5:**

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

**Indicator background and context.** Extremely-low-income and very-low-income renters both face the challenge of competing for the limited number of rental units affordable to them. Each group finds that the available supply is decreased by families with higher incomes who choose less expensive housing than they could afford. For example, in 1990, the number of units affordable to very-low-income renters nationwide exceeded the number of very-low-income renters. Nevertheless, 40 percent of the affordable units were not available to very-low-income renters because they were occupied by households with incomes *above* 50 percent of median.

During the 1990s, as the figure illustrates, the availability of affordable units for extremely-low-income renters shrank considerably, falling from 46 units per 100 renters in 1993 to 39 units per 100 renters in 1999. Reversing this trend is essential to reducing worst case needs. The trend for very-low-income renters is more mixed, yet a large proportion of these renters also are forced to devote an excessive share of income for basic shelter. The FY 2002 performance goals are based on the presumption that goals for calendar 2001 are achieved.



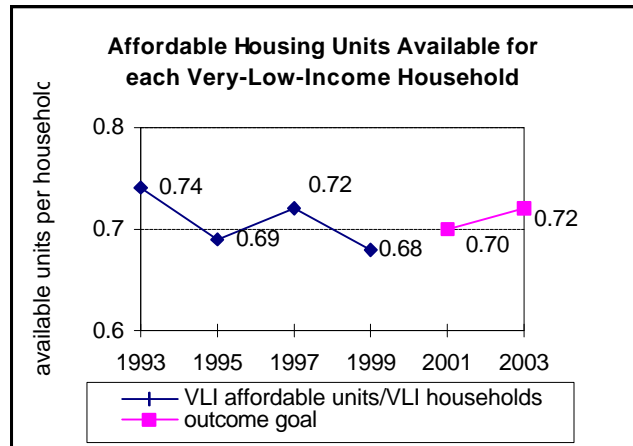
**Data source.** American Housing Survey and decennial Census.

**Limitations/advantages of the data.**

AHS data are available for the Nation and the four Census regions only biennially. The one-year lag in data availability means that calendar year 2003 AHS data are expected to be available for reporting during FY 2005.

**Validation/verification of measure.**

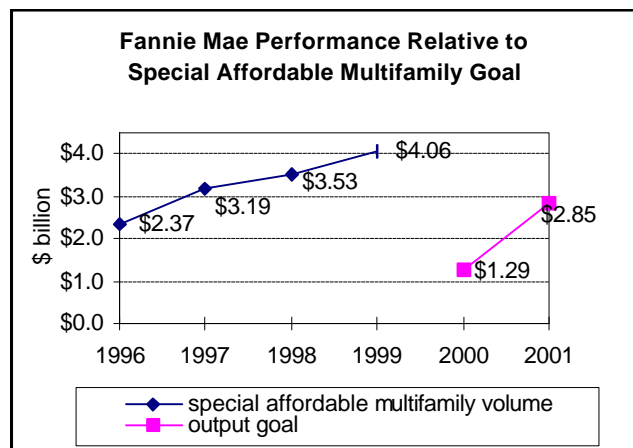
The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.



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

**Indicator background and context.** Fannie Mae and Freddie Mac are housing GSEs established for the public purpose of creating a secondary market for residential mortgages. The multifamily mortgage market has traditionally been less well served by the secondary market and HUD established a special affordable multifamily subgoal. This indicator tracks the performance of the GSEs in providing capital, measured in billions of dollars, for affordable multifamily housing. In 2000, HUD established higher goals for successive years: \$2.85 billion for Fannie Mae and \$2.11 billion for Freddie Mac.

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 located in low-income areas. Low-income areas are defined as metropolitan census tracts where the median income does not exceed 80 percent of area median and nonmetropolitan counties where median income does not exceed 80 percent of the greater of State nonmetropolitan median income or national nonmetropolitan median income.



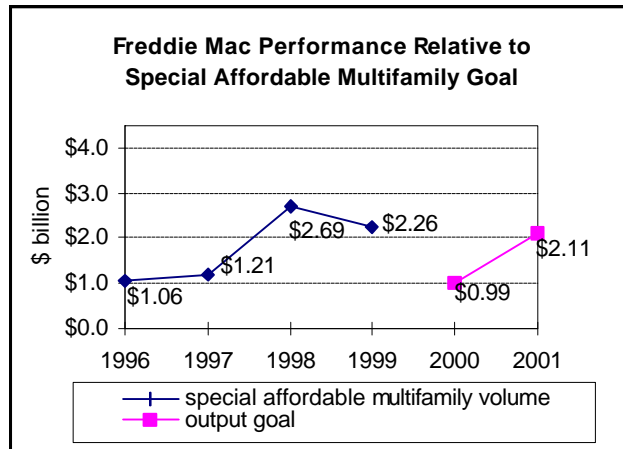
**Data source.** HUD's GSE database.

**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 GPRA purposes on a one-year lagged basis.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to 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 procedures.



**Programmatic Output Indicator 1.2.j: Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.**

**Indicator background and context.** Ginnie Mae makes the multifamily mortgage market more liquid by helping lenders package FHA-insured loans into securities for investors to purchase on 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 (elder care facilities, risk sharing, and hospitals) are not eligible for securitization by Ginnie Mae. Ginnie Mae volume is constrained by the fact that many larger FHA multifamily mortgages are sold directly to investors who do not need the Ginnie Mae guaranty (for example, pension funds often do not require the Ginnie Mae guaranty to purchase an FHA-insured multifamily mortgage). The goal of 80 percent reflects a meaningful and sustainable level of performance in a changeable competitive market.

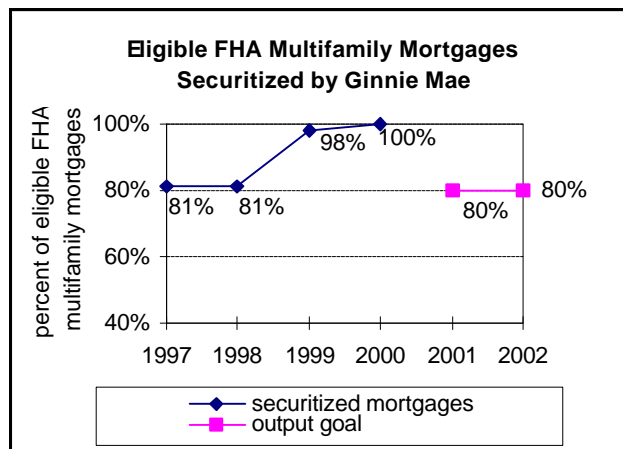
**Data source.** Ginnie Mae database of multifamily loan securities compared to FHA multifamily database adjusted to remove ineligible projects.

**Limitations/advantages of the data.**

Both Ginnie Mae and FHA/VA data are tabulations of activity that the organizations track continually.

**Validation/verification of measure.**

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



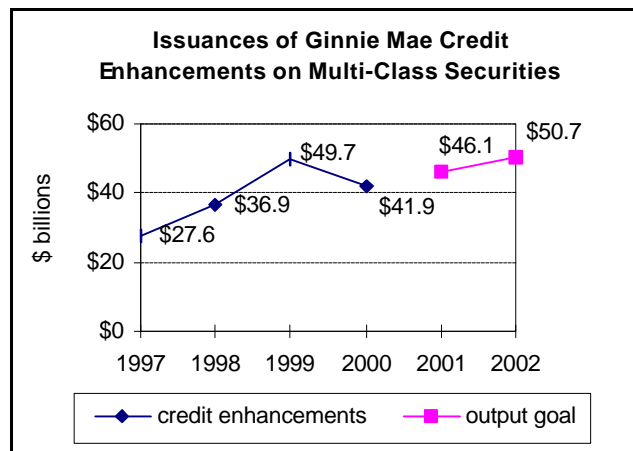
**Programmatic Output Indicator 1.2.k: Ginnie Mae credit enhancements on multi-class securities increase by 10 percent to \$50.7 billion in FY 2002.**

**Indicator background and context.** Ginnie Mae’s multi-class products include Real Estate Mortgage Investment Conduits (REMIC) and Ginnie Mae Platinum securities. REMIC securities pool mortgages or mortgage-backed securities for sale as multiple-class securities. By spreading investor risk among the various security classes (tranches), REMICs increase the secondary mortgage market’s liquidity, which can reduce the cost of capital for borrowers. The Platinum product provides customers the ability to trade a group of small pools for one large pool.

This indicator tracks the extent of Ginnie Mae’s contribution toward increasing the availability and decreasing the cost of multifamily mortgages through REMIC securities. The FY 2002 goal presupposes that a 10 percent improvement will be achieved during FY 2001.

**Data source.** Ginnie Mae database of REMIC issuances.

**Limitations/advantages of the data.** The data reflect actual securities issued.



**Validation/verification of measure.** Ginnie Mae data are subject to annual financial audits because they represent an obligation on the part of the United States. HUD will not verify the data further.

**Programmatic Output Indicator 1.2.L: FHA endorses at least 800 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 whereby lenders (including many with public purpose missions such as housing finance agencies) can gain access to the AAA rating of Ginnie Mae securities.

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

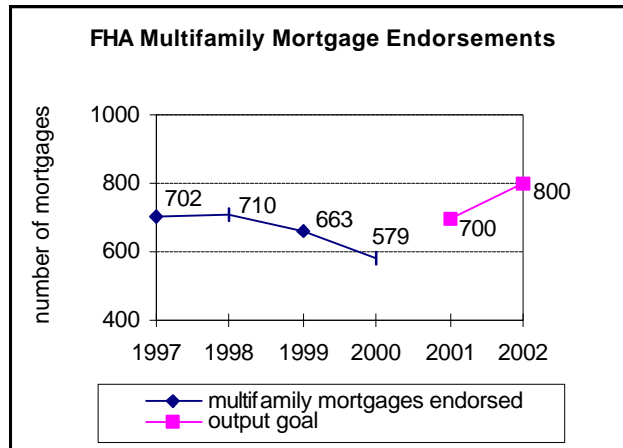
volume will help make more decent rental housing available to consumers at modest cost. This indicator tracks FHA's annual output of initial multifamily endorsements. While the overall number of multifamily endorsements declined in recent years, this increased goal is premised on an increased use of FHA's Development Applications Processing system for automated underwriting of multifamily mortgages. This goal also assumes that the Department's budget proposal to increase the multifamily loan limit by 25 percent is adopted and that the credit subsidy rate for the GI/SRI fund is significantly reduced so that multifamily endorsements are not negatively impacted by a lack of credit subsidy.

**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 are based on a straightforward and easily verifiable count of endorsements completed.

**Validation/verification 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 plan is being implemented for REMS in FY 2001.



***Programmatic Output Indicator 1.2.m: Among multifamily developments newly insured by FHA the share of units that are combined with Low Income Housing Tax Credits increases by 1 percentage point from FY 2001 levels.***

**Indicator background and context.** More than 95 percent of newly financed multifamily rental properties (whether using FHA insurance or conventionally financed), are affordable to households with incomes no higher than the median income in their area. FHA market-rate multifamily insurance programs have traditionally focused on serving households with moderate-to-low incomes. A recent analysis of FHA multifamily loans endorsed (approved) in FY 1997 concluded that more than one-third of the units were affordable (with rents at 30 percent of income) to tenants with incomes below 60 percent of local median income, which is the cut-off for the Low-Income Housing Tax Credit program.

This performance indicator provides a means of measuring changes from year to year in the share of newly insured FHA multifamily properties that are affordable to lower income households. Such affordability cannot be measured directly because FHA does not collect the tenant income data and rent data are not updated once these properties become operational. However, a good proxy for measuring year-to-year changes (though not the overall volume of affordable loans) is the share of FHA-insured properties that also utilize

the LIHTC or its income and rent restrictions. Under the LIHTC, at least 20 percent of the units must be available to tenants with incomes below 50 percent of local median income or 40 percent of the units available to tenants below 60 percent of median income. Rents are capped at 30 percent of either 50 percent or 60 percent of median income.

The indicator also provides a direct measure of the extent to which FHA multifamily insurance is used to help facilitate the development of properties with tax credits, which often involved complicated underwriting arrangements. In recent years, there has been an increasing activity in the Section 542 Risk-Sharing program under which Housing Finance Agencies underwrite FHA insured loans and share the risk with FHA. Properties insured under Section 542 must meet the income and rent restrictions of the LIHTC, and in most cases also receive the LIHTC, so this measure includes both LIHTC and Risk-Sharing developments.

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

**Limitations/advantages of the data.** Although it would be desirable to track the overall share of FHA multifamily insured units that are affordable, the available data do not support such a measure because they come from underwriting and insurance systems in which rents are not updated when developments begin operations.

**Validation/verification 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 plan is being implemented for REMS in FY 2001.

***Programmatic Output Indicator 1.2.n: Under the M2M program, HUD will reduce the rents and, where appropriate, complete a mortgage restructuring on 850 deals.***

**Indicator background and context.** Under the Mark-to-Market program (M2M), the Office of Multifamily Housing Assistance Restructuring (OMHAR) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring that involves a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduces the average cost of providing housing assistance and helps maintain the supply of good quality, affordable housing units. OMHAR administers M2M by contracting with Participating Administrative Entities (PAEs), including a number of state housing finance agencies, to conduct the mortgage restructuring.

The FY 2002 goal is based on an OMHAR 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 data base, and future legislative changes relative to M2M eligible properties.

During FY 2000, OMHAR completed deals on 494 properties, or 82.7 percent of the 597 properties eligible for restructuring. This indicator presumes that Congress approves HUD's request to continue to mark down rents, as current authority expires at the end of FY 2001.

**Data source.** OMHAR's M2M management information system.

**Limitations/advantages of the data.** The M2M system tracks the date that the Housing Assistance Payments contract is amended, which signifies the completion of a M2M property that involves a rent reduction with no mortgage restructuring, and the closing date, which signifies the completion of a project involving a rent reduction with a mortgage restructuring.

**Validation/verification of measure.** PAE records are subject to independent audits. OMHAR is developing PAE oversight and audit procedures that will be used by OMHAR and/or contract staff in conducting periodic reviews of each PAE.

***Programmatic Output Indicator 1.2.p: Among Consolidated Plan jurisdictions with housing agencies, the share that have included housing agency representatives in consolidated planning efforts reaches 90 percent.***

**Indicator background and context.** Both States and cities are required to develop Consolidated Plans to assess needs and determine strategies for allocating HUD grants. Consolidated Plans must consider the full range of community needs to be valid guidelines, and the families served by housing agencies represent an important component of area needs. HUD also has an interest in promoting cooperation among housing agencies and local officials because the transformation of public and assisted housing increasingly relies upon forming partnerships and coordinating activities. For example, several communities are committing HOME Investment Partnership funds to retain private multifamily developments as assisted housing. This indicator tracks the share of Consolidated Plans that demonstrate that States or communities include officials from housing agencies in a decision-making role. In FY 2000, 818 Consolidated Plan jurisdictions had included housing agency representatives in their consolidated planning efforts. This represents a baseline of 79 percent of consolidated plan jurisdictions with housing agencies. This indicator also appears in the context of welfare reform as Programmatic Output Indicator 3.2.c.

**Data source.** CPD Grants Management Process (GMP, C07A) system.

**Limitations/advantages of the data.** The qualitative and quantitative extent of participation by housing agency representatives may be difficult to discern from Consolidated Plans.

**Validation/verification of measure.** CPD field staff monitor communities to ensure accurate reporting.



***Programmatic Output Indicator 1.2.q: The share of EZ and EC projects achieving local goals is 85 percent for new affordable housing activities and 80 percent for rehabilitated affordable housing.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD’s primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals that rehabilitate deteriorated housing and construct new affordable rental housing. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.d, which supports Strategic Objective 4.2, “Economic conditions in distressed communities improve.”

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

### **Overview**

A long-standing objective of Federal housing policy is to assure decent housing. Housing quality has improved markedly over the past five decades. By 1999 only 11 percent of all renters and 4 percent of all owners lived in housing categorized by the American Housing Survey as severely or moderately inadequate, down from 14 percent of renters and 6 percent of owners in 1978. Housing in need of repair or rehabilitation, however, remains a problem among the lowest-income renters and owners, and too often they must settle for inadequate housing to find units they can afford. In 1999, 2.2 million very-low-income renters (15 percent of such renters) and 1.1 million very-low-income owners (8 percent) lived in housing that was severely or moderately inadequate. Moreover, as of 1994 (the most recent nationwide estimates available), approximately 890,000 children under the age of 6 were estimated to have elevated blood lead (EBL) levels. Older housing, which is more often occupied by lower income households, is one of the primary environmental EBL hazards.

In recent years, the serious destruction caused by hurricanes, earthquakes, and other natural disasters also highlights the need for housing that is as resistant as possible to such stresses. HUD works with the residential construction industry to develop building standards that are more resistant to these natural disasters. The Department works through the CDBG program to improve local building codes and through CDBG and related housing grant programs to reduce vulnerability to floods. Other HUD efforts focus on improving the affordability of housing by reducing costs for construction, maintenance and energy.

### **Means and strategies**

Before HUD can act to reduce housing hazards and enforce quality standards in the housing programs it funds, it must first have complete, accurate and objective information describing the physical condition of its housing stock. The Real Estate Assessment Center was established to provide this information. REAC assessments are now providing HUD program offices with credible information that they use to identify high risk properties, focus technical assistance and other resources, and carry out enforcement efforts.

To help further reduce the hazards of lead-based paint, the FY 2002 budget requests a 10 percent increase in funding for Lead-Based Paint Hazard Reduction and Healthy Homes Program, for a total of \$110 million. This program provides grants to remove lead-based paint hazards from older homes and apartments, undertake scientific research on lead-based paint, and conduct national and local public awareness campaigns.

HUD is implementing the Manufactured Housing Improvement Act of 2000, which ensures that the HUD code is updated on a timely basis. The act establishes a private-sector consensus committee to make recommendations to the HUD secretary to update standards and enforcement regulations. The legislation also clarifies the scope of Federal preemption and provides additional staff and resources including the creation of a non-career administrator within HUD. Each state will institute an installation program within five years that satisfies certain minimum requirements, including installation standards, the training and licensing of home installers, and some level of inspection of home installations. Finally, the act includes a provision requiring states to establish, within five years, a dispute resolution program to resolve disputes between manufacturers, retailers, and installers in handling consumer complaints during the first year after a home is installed.

Other strategies employed to make housing safer include funding housing rehabilitation and encouraging the development of new housing technology. The capital funds and operating subsidies provided to public housing agencies represent a substantial commitment of resources to maintain and improve the Nation's affordable housing stock. Both the HOME and CDBG programs, as well as Indian Housing Block Grants, fund a substantial amount of housing rehabilitation. Almost half of all housing activities funded by HOME are for rehabilitation of single-family and multifamily units.

To make housing safer and more resistant to disaster, HUD will:

- Regularly inspect the physical quality of public and assisted housing through the Real Estate Assessment Center and enforce contracts that require housing to be kept in good condition through the Departmental Enforcement Center. The Troubled Agency Recovery Centers (TARCs) will address all public housing agencies that fail the physical, financial or management assessment conducted by REAC. REAC also will help identify geographic areas where the housing needs to be more disaster-resistant.
- Through the HOPE VI program, provide funds for the demolition and revitalization of severely distressed public housing. The HOPE VI program will expire in FY 2002. The Department is evaluating the program and will submit authorizing language in the coming year to extend and amend the program to meet the highest priority needs.
- Ensure that buyers of homes with HUD-insured single-family mortgages receive comprehensive property condition information as part of the FHA appraisal.
- Enforce HUD environmental standards for all HUD-assisted housing, including those related to noise, flammable hazards and flood zones.
- Test smoke detectors in all units inspected by REAC, notifying owners about missing or inoperable detectors for immediate repair or replacement.
- Reimburse housing agencies for assessing risks in units occupied by children with elevated blood lead and for clearance testing after lead-paint abatement.
- Evaluate lead abatement programs to determine whether mitigation is successful and to determine the most effective methods of abatement.

- Enforce lead paint disclosure regulations to ensure that the real estate market has the information necessary to address existing lead hazards.
- Work closely with EPA and community partners to ensure that residents of HUD housing programs are not subjected to negative environmental conditions (e.g., toxic waste, Superfund sites).
- Ensure that properties assisted under HUD programs comply with applicable seismic standards and flood plain reduction strategies.

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

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
HOME Investment Partnerships Program	1,600	1,636	1,796	1,796
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-Based)	10,327	11,481	13,910	15,717
Public Housing Operating Fund	2,818	3,138	3,235	3,385
Public Housing Capital Fund	3,000	2,884	2,993	2,293
HOPE VI	625	575	574	574
Indian Housing Block Grants	620	620	649	649
<b>Housing</b>				
Sections 202/811 (elderly and disabled)	854	911	994	1,001
FHA GI/SRI Commitment Level	{16,924}	{9,308}	{21,000}	{21,000}
FHA GI/SRI Program Account	308	262	456	375
Manufactured Housing	15	11	11	17
<b>Healthy Homes and Lead Hazard Control</b>				
Lead-Based Paint Hazard Reduction	80	80	100	110
Healthy Homes Initiative	[10]	[10]	[10]	[10]

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

## **External factors**

A wide array of local factors, such as building codes and other regulations, affect the choices that builders make in constructing and rehabilitating American homes. Improving the physical condition of housing often requires funding for rehabilitation, as well as public awareness of the importance of such actions. While HUD can encourage local communities to improve and enforce building codes and regulations, and can encourage private builders and owners to improve their properties, the Department cannot mandate these changes. Increasing building density and other land use factors also have major impacts on the vulnerability to natural disasters and the magnitude of associated risk.

Public awareness of hazards and of ways of reducing them is also important but often lacking. For example, although 93 percent of homes have smoke detectors, it is estimated that smoke detectors are inoperable in one-fifth of these homes.

## **Coordination with other Federal agencies**

- HUD co-chairs, with the **Centers for Disease Control and Prevention**, the Interagency Task Force on Healthy Homes. Under the Healthy Homes initiative, HUD works closely with the **Centers for Disease Control and Prevention, EPA, the National Institute of Environmental Health Sciences, the National Institute for Occupational Safety and Health, and the National Institute of Standards and Technology** on ways to address multiple housing-related problems affecting the health of children. Under the initiative, HUD is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries.
- Pursuant to Executive Order 13045, a multi-agency task force that included HUD, the **Environmental Protection Agency, the Department of Justice, and the Centers for Disease Control** developed a 10-year plan to eradicate the risk associated with lead paint poisoning from American homes. As part of this, HUD coordinates with EPA on the implementation of the Residential Lead-Based Paint Hazard Reduction Act, with the CDC on standards and reporting, and with the Department of Justice on enforcing lead-based paint rules.

## **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<b>Crosswalk for Strategic Objective 1.3:                      America's housing is safer, of higher quality and disaster resistant</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>1.3.1: The share of very-low-income households living in units with moderate or severe physical problems decreases to 6.6 percent for owners and 12.3 percent for renters by 2003.</p> <p>1.3.2: Among units occupied by low-income households, the share containing threats to health and safety decreases by 0.2 percentage points to 5.5 percent by 2003.</p>	<p>1.3.a: The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases (also appears as 1.2.d).</p>	<p>Physical housing problems have been declining for decades as homes with substandard utility systems are renovated or demolished, and as building codes improve and are better enforced.</p> <p>Impoverished households, whether owning or renting, often lack resources to support adequate levels of maintenance.</p> <p>Inadequate utility systems and construction have regained prominence with the growth of colonias on the southern U.S. border since 1980.</p>
<p>1.3.3: The share of units that meet HUD-established physical standards increases by 3 percentage points to 73.9 percent of public housing units and 89.5 percent of assisted multifamily units (also appears as 5.1.7).</p> <p>1.3.4: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.</p>	<p>1.3.b As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during FY 2002.</p>	<p>Many public housing facilities are aging, making them more difficult to maintain to standards without costly renovations.</p>

<b>Crosswalk for Strategic Objective 1.3: America's housing is safer, of higher quality and disaster resistant</b>		
<p>1.3.5: As part of a ten-year effort to eradicate lead hazards, the Lead Hazard Control Grant Program will make 7,200 units lead safe in FY 2002.</p> <p>1.3.6: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.</p>	<p>1.3.e: The first 21 procurement actions of the Healthy Homes Initiative become operational and an additional four agreements are awarded.</p>	<p>The number of children with EBL levels declined dramatically after lead was banned from gasoline, but residual lead in soil as well as in lead-based paint continues to put many young children at risk of long-term developmental problems.</p> <p>Lead paint abatement is not necessarily a permanent solution, as paint barriers and physical structures can deteriorate over time without proper maintenance.</p>
<p>1.3.7: The rate of death in residential fires declines by 0.02 to 1.03 fatalities per 100,000 persons by 2000.</p> <p>1.3.8: The ratio of manufactured housing stock conforming to high-wind standards to total manufactured housing in coastal zones subject to hurricanes increases by 5 percentage points from 2000 levels by 2005.</p>	<p>1.3.f: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases annually by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.</p>	<p>The 7 percent of homes without smoke detectors in the United States account for nearly 50 percent of fires, and deaths occur in those fires about twice as frequently. Smoke detectors are inoperable in about 19 percent of homes with detectors.</p> <p>Residents play a significant role in identifying hazards and maintaining equipment, such as smoke detectors, in working order.</p>

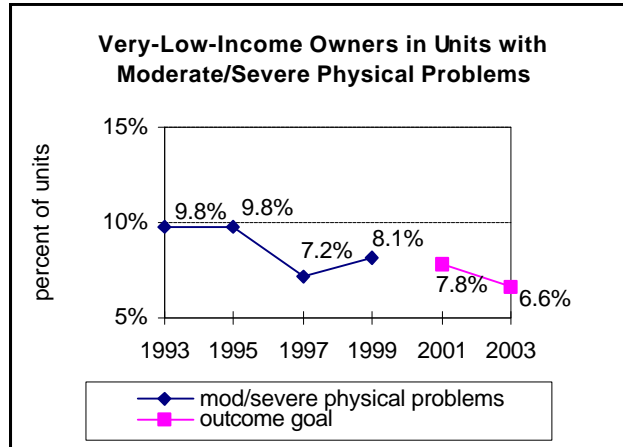
Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 1.3.1:**

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

**Indicator background and context.**

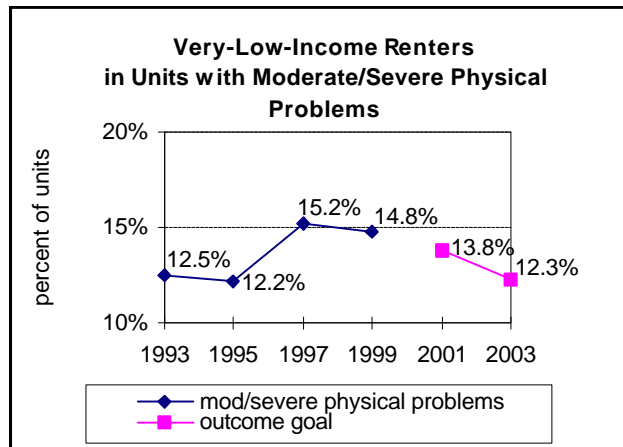
Rates of inadequate housing among the general population have declined greatly over the last 40 years. Nevertheless, 8.1 percent of very-low-income owners and 14.8 percent of very-low-income renters lived in units with moderate or severe physical problems in 1999. This indicator tracks reductions in physical problems for households with incomes below 50 percent of area median because very-low-income households have fewer resources to address these problems. The performance goals, to be measured in calendar year 2003, represent milestones on the path to the long-term goals of 6.0 percent for owners and 11.0 percent for renters established in the Strategic Plan.



**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

AHS data are available biennially. Because questions on physical problems were made more precise in 1997, the 1997 data are not exactly comparable to earlier estimates. Definitions of moderate or severe physical problems determined for the national housing stock from AHS data do not directly correspond to the HUD standard of decent, safe and sanitary housing.



**Validation/verification of measure.** HUD will not verify the data beyond standard AHS data quality procedures.



**Outcome Indicator 1.3.2:**

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

**Indicator background and context.** The physical problems indicator above (1.3.1) captures combinations of problems, including inadequate plumbing systems, that are not necessarily safety hazards. This indicator focuses on specific safety hazards found in housing units occupied by families with incomes below 50 percent of median. The problems may include any of these four: exposed wiring, unvented heaters used as the main source of heat, holes in the floors, or signs of rats. HUD block grant programs help reduce hazards in housing when communities use them for housing rehabilitation (see indicator 1.2.d) and code enforcement or other public services.

In calendar year 1999, 4.1 percent of all households, and 5.8 percent of low-income households, lived in physically hazardous units. The goal of a 0.2 point reduction by 2003 presumes improvement to 5.7 percent in 2001—a FY 2001 goal revised from 5.9 percent because it was surpassed in 1999.

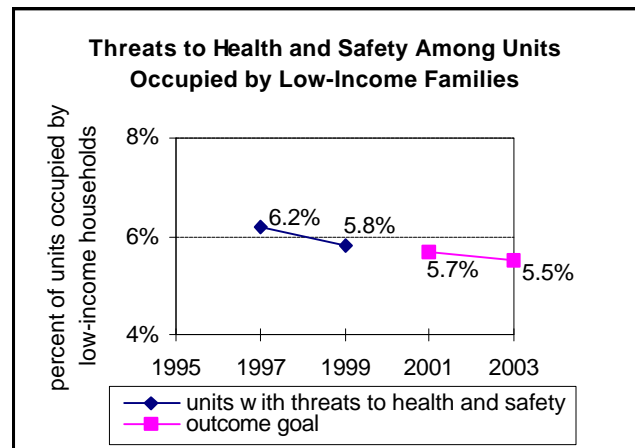
**Data source.** AHS, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

AHS data are available biennially. The fact that a single safety hazard causes failure makes this measure less consistent than the previous indicator because the statistical variance is higher.

**Validation/verification of measure.**

HUD will not verify the data beyond standard AHS data quality procedures.



**Programmatic Output Indicator 1.3.a: The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases.**

**Indicator background and context.** Many communities use HUD’s block grant programs to rehabilitate substandard housing. These activities are reflected where this indicator appears in support of affordable rental housing as Programmatic Output Indicator 1.2.d.

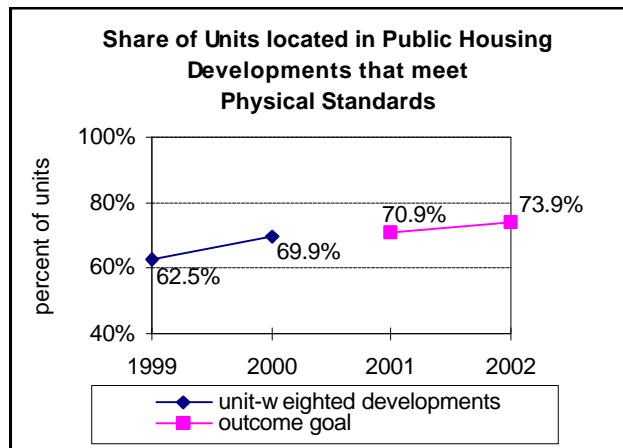
**Outcome Indicator 1.3.3:**

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

**Indicator background and context.** Housing agencies are required to inspect and maintain public housing to ensure compliance with HUD-established standards, or with local codes if they are more stringent. Private owners of assisted housing also have a contractual obligation to meet physical standards. Some housing agencies and owners of assisted housing projects have poor performance records regarding inspection and maintenance. This indicator tracks the share of units that meet physical condition standards, as determined by REAC inspections.

In FY 2000, 69.9 percent of the stock of public housing units were located in developments that met the physical condition standards. Of the multifamily housing stock, 85.5 percent of units were in developments that met physical standards.<sup>7</sup> Except for life-threatening deficiencies, which require immediate corrective action, these preliminary scores are non-binding for management purposes. The FY 2002 goal is to improve the shares by 3 percentage points above FY 2001 baselines for each program.

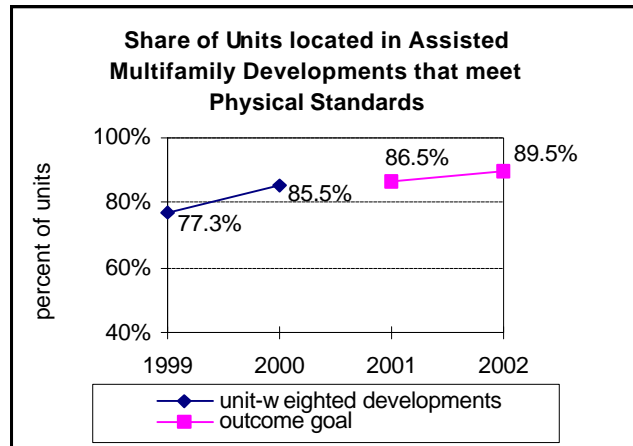
**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. PASS is a component of the overall PHAS and is used separately from PHAS for private multifamily housing. Public housing data represent PHAs with fiscal years ending by June 30. Multifamily housing data will be based on the most recent inspections available on August 31.



<sup>7</sup> Based on the baseline inspection of the multifamily housing portfolio of 28,038 insured and assisted projects completed by REAC on February 9, 2001. The previously reported FY 1999 baselines, 62.5 percent of public housing units and 77.3 percent of FHA multifamily units, are not strictly comparable because the FY 1999 scores were preliminary and were based on an incomplete sample of developments for multifamily housing.

**Limitations/advantages of the data.**

Inspections are conducted independently and are statistically representative of public housing and private multifamily assisted 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.



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 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.

**Outcome Indicator 1.3.4:**

**The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.**

**Indicator background and context.** 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 1.3.f.)

This indicator tracks reductions in EHS/FS nationwide as HUD implements its physical inspection protocol, Uniform Property Condition Standards (UPCS). The implementation

of physical inspections by REAC has promoted a reduction in exigent health and safety hazards. This trend is likely to continue in 2001.

Measures used for this indicator include the percentage of properties where EHS/FS deficiencies are observed, and the percentage of units estimated to have EHS/FS, to be in buildings with EHS/FS, or to be on a site with EHS/FS. In 2000, 49.3 percent of inspected public housing properties had at least one EHS/FS. Among the properties in the assisted multifamily baseline, 40.2 percent had at least one EHS/FS.

<b>Exigent Health and Safety or Fire Safety Deficiencies in Public Housing</b>			
	FY 2000 baseline	FY 2001 Goal	FY 2002 Goal
Percentage of properties with EHS/FS (observed)	49.3%	48.3%	47.3%
Percentage of units with, in building with, or on site with EHS/FS (estimated)	22.2%	21.2%	20.2%

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

<b>Exigent Health and Safety or Fire Safety Deficiencies in Assisted Multifamily Housing</b>			
	FY 2000 baseline	FY 2001 Goal	FY 2002 Goal
Percentage of properties with EHS/FS (observed)	40.2%	39.6%	39.0%
Percentage of units with, in building with, or on site with EHS/FS (estimated)	18.7%	18.1%	17.5%

**Limitations/advantages of the data.** 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. For this reason, the incremental goal for multifamily housing is 60 percent of the incremental goal for public housing.

**Validation/verification 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 reinspects units and properties on a sample basis for quality assurance. See Indicator 1.3.3 for further information.

**Programmatic Output Indicator 1.3.b: As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during FY 2002.**

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

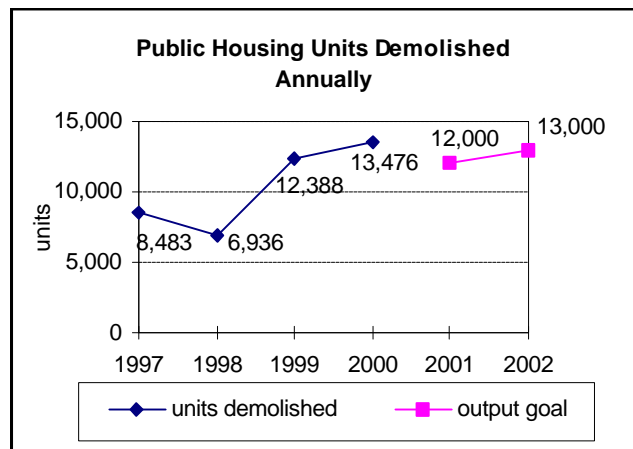
As of the end of FY 2000, HUD had approved applications to demolish nearly 110,000 units, and PHAs had actually demolished approximately 60,000. Almost 35,000 of the completed demolitions were carried out in connection with HOPE VI revitalization grants. HUD intends to demolish 100,000 units of severely distressed public housing by the end of FY 2003. HOPE VI projects will account for a sizable fraction of total demolitions overall, as well as during FY 2002.

**Data source.** PIH Integrated Business System (IBS), Demolition/Disposition Module.

**Limitations/advantages of the data.** IBS is the basic resource for information on the public housing stock. No data problems are known to affect this indicator. Data are entered by HUD field office staff.

**Validation/verification of measure.**

Field staff verify that units were demolished. In FY 2001, HUD sent letters to housing agencies to ensure that information in IBS is current.



**Outcome Indicator 1.3.5:**

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

**Indicator background and context.** HUD is playing a central role in the interagency initiative to eliminate lead poisoning of the Nation's children by 2010. HUD intends to eliminate lead hazards in housing by expanding the Lead Hazard Control Program. When Congress passed the 1992 Residential Lead Hazard Reduction Act, as many as 3.8 million homes with children contained lead-based paint hazards. The Centers for Disease Control and Prevention report that nearly 1 million children ages 1 to 5 have elevated blood lead levels—amounting to about 5 percent of all children in that age group. The majority of

cases involve low-income children. Exposure to lead can cause permanent damage to the nervous system and a variety of health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.

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

Homes treated under the grant program have a relatively high average number of children of less than 6 years of age living in each treated unit. With new births and turnover of occupancy, additional children are protected. 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 reduction field. An estimated 27,992 housing units have been made lead safe with Lead Hazard Control grants through FY 2000.

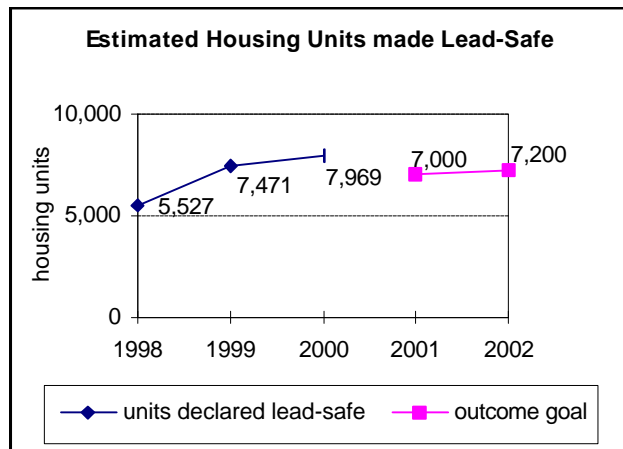
**Data source.** OHHLHC administrative data.

**Limitations/advantages of the data.**

The data represent estimated accomplishments over the life of the grants issued in a particular year rather than accomplishments during the year. Actual results may vary because of changes in grantee productivity.

**Validation/verification of measure.**

The University of Cincinnati has conducted a series of program evaluations to validate the extent of lead-dust reduction in units declared lead safe.



**Outcome Indicator 1.3.6:**

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

**Indicator background and context.** Approximately 890,000 children under the age of six were estimated to have elevated blood lead levels (EBL) in the period from 1991-94. These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-understood effect of lead on developing nervous systems. Other local data from 19 states showed that the proportion of children

under the age of six who tested with EBL decreased from 10.5 percent in 1996 to 7.6 percent in 1998.<sup>8</sup> For this indicator, EBL is defined as blood lead levels exceeding 10 micrograms per deciliter ( $\mu\text{g}/\text{dL}$ ). EBL is more common among low-income children, urban children, and those living in older housing. In addition to HUD's lead-based paint abatement grant program and regulations concerning Federal Housing, other factors causing the decrease in the number of children with EBL are demolition, substantial rehabilitation, and ongoing public education.

**Data source.** National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention are scheduling the fourth NHANES, with data projected to be available in 2004.

**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 can not identify the source of EBL.

**Validation/verification of measure.** HUD will not verify NHANES results independently. NHANES is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures. The CDC's long-term quality control data for blood lead tests show that NHANES results can be compared with results from the Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.

***Programmatic Output Indicator 1.3.e: The first 21 procurement actions of the Healthy Homes Initiative become operational and an additional four agreements are awarded.***

**Indicator background and context.** HUD is working closely with the Centers for Disease Control and Prevention, EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to plan and develop the Healthy Homes Initiative. Under the initiative, OHHLHC is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, unintentional injuries, and developmental problems. In FY 2002, the target is to have a cumulative total of 21 projects operational and to award four additional actions. Principal outcomes of the projects undertaken in FY 2002 are public education, demonstration of new technologies, and determining a baseline number of households with allergens, which may establish a foundation for future outcome indicators.

**Data source.** OHHLHC Healthy Homes administrative data.

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<sup>8</sup> State data from the Childhood Blood Lead Surveillance program, reported by the Centers for Disease Control in "Blood Lead Levels in Young Children—United States and Selected States, 1996-1999," available at <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm4950a3.htm>

**Limitations/advantages of the data.** The data represent a straightforward and readily verifiable count of procurement actions and agreements. The qualitative success of interagency agreements may not become apparent for several years.

**Validation/verification of measure.** OHHLHC will certify the number of agreements awarded and made operational.

**Outcome Indicator 1.3.7:**

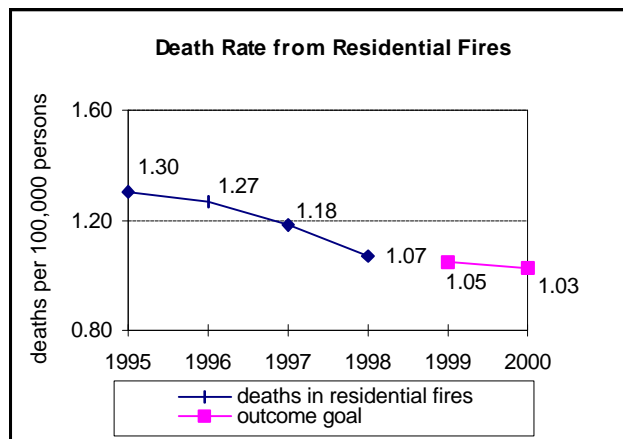
**The rate of death in residential fires declines by 0.02 to 1.03 fatalities per 100,000 persons by 2000.**

**Indicator background and context.** Residential fires occur primarily from accidents and defective conditions within homes. Death rates from residential fires have been declining in recent years because of increasing adoption of smoke detectors, which provide early warning of hazardous conditions. HUD contributes to fire safety by enforcing physical standards in public and assisted housing, by funding housing rehabilitation and public safety programs with block grants, and by regulating construction of manufactured housing, which can pose especially severe fire hazards. The 6 million manufactured housing units and 5 million assisted renters imply that HUD has a direct effect on about 10 percent of the Nation's households. Fires are substantially more likely to result in deaths when they occur in manufactured housing, but the risk is cut in half for newer units manufactured to HUD standards.

This indicator tracks progress toward making homes safer from fire hazards. In 1998, the death rate continued the declining trend by falling to 1.07 per 100,000 persons. Based on the substantial progress, the FY 2002 performance goal (using 2000 data) represents an improvement from actual 1998 results and expected results of 1.05 deaths per 100,000 persons in 1999.

**Data source.** National Center for Health Statistics, *Vital Statistics*. Published by National Center for Injury Prevention and Control as "Unintentional Residential Fire and Flames Deaths and Rates per 100,000."

**Limitations/advantages of the data.** Data are published annually with a lag of two years. The data are free from sampling error because they constitute a census of actual death reports submitted by local agencies.





**Validation/verification of measure.** Data that would make independent verification feasible are not available. The validity of this measure is limited in proportion to HUD’s span of control relative to external factors.

**Programmatic Output Indicator 1.3.f: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases annually by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.**

**Indicator background and context.** 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. This indicator tracks 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.

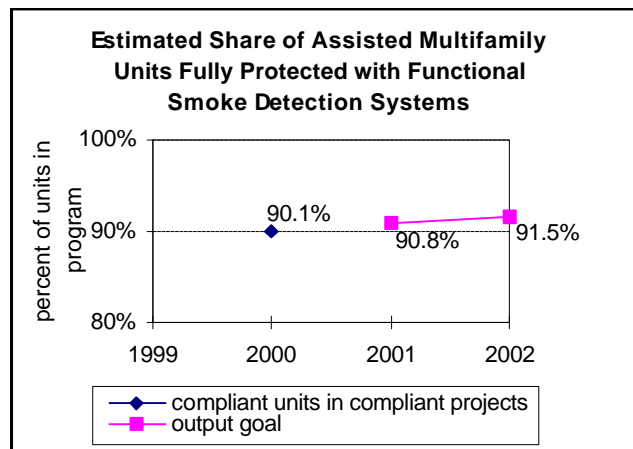
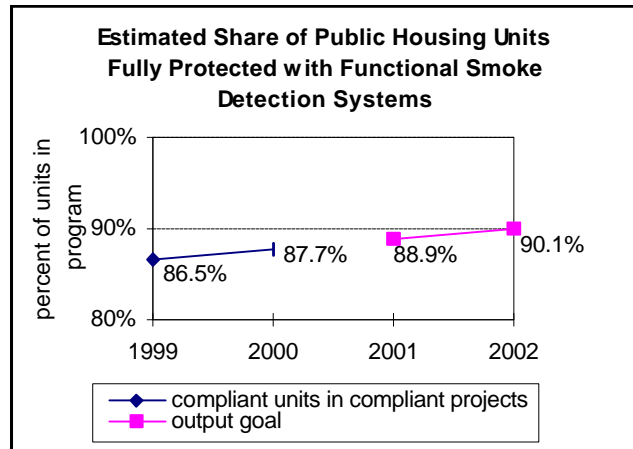
The FY 2002 target shown for public housing is based on a goal of increasing by 1.2 percentage points annually, matching the improvement achieved between FY 1999 and FY 2000. The FY 2002 target for assisted multifamily housing reflects a goal of increasing 0.7 percentage points annually from the FY 2000 baseline.

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

**Limitations/advantages of the data.**

Inspections are conducted independently and are statistically 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 inspections with negligible vulnerability to subjective judgment.

**Validation/verification of measure.** REAC reinspects units and properties



on a sample basis for quality assurance. The inspection protocol is subject to modification to improve the validity. For FY 2002, the measure has been revised to balance the need to use appropriate sample-based estimates of unit compliance with the need to reflect facility compliance.

**Outcome Indicator 1.3.8:**

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

**Indicator background and context.** HUD has identified coastal areas subject to hurricanes as Zones 2 and 3, and has published Manufactured Home Construction and Safety Standards with high-wind-resistance requirements for manufactured housing sold in these zones. This indicator tracks the number of wind-resistant manufactured units as a share of all manufactured housing located in vulnerable zones.

**Data source.** High-wind-compliant units from HUD's Label, Distribution, and Reporting System (LDRS), managed under contract by the Housing and Building Technology division of the National Conference of States on Building Codes and Standards (NCSBCS). For manufactured housing stock totals with sufficient geographic detail, the decennial Census will be used and updated with American Community Survey data in the future. The baseline, using 2000 long-form Census data, will be developed in FY 2002.

**Limitations/advantages of the data.** ACS will be available at the state level in 2003, but sample size will not be sufficient to identify zones 2 and 3 until 2005. No LDRS data are available for manufactured housing units that leave the stock, nor for the date of manufacture or design of those units. Furthermore, it is not clear that units placed on permanent foundations will be correctly identified as manufactured rather than site-built. Therefore, the ratio of compliant units produced to total units in the region will be subject to error in both the numerator and denominator.

**Validation/verification of measure.** HUD will not verify decennial Census or ACS data beyond standard Bureau of Census procedures. The performance goal may need recalibration following determination of the baseline.

**STRATEGIC GOAL 2:  
ENSURE EQUAL OPPORTUNITY IN HOUSING  
FOR ALL AMERICANS**

**Strategic Objectives:**

- 2.1 Housing discrimination is reduced.**
- 2.2 Minorities and low-income people are not isolated geographically in America.**
- 2.3 Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.**

Since 1968, HUD and its predecessor agencies have been responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws. The Fair Housing Act makes it unlawful to discriminate in housing against persons based on race, color, religion, sex, national origin, age, disability, or familial status.

Racial segregation has declined over the past three decades, but it remains very common, and studies continue to show discrimination against minorities seeking to buy or rent homes. Addressing this problem is more important than ever as the share of the population that is minority continues to increase and as much of that growth comes from a large influx of diverse immigrant groups, most of them nonwhite and non-European. Census data show that, between 1970 and 1990, geographical concentration of poverty and isolation of low-income households worsened. Data from the 2000 census will soon be available to determine if that trend continued.

Research shows that large gaps in homeownership rates between minorities and whites exist even when controlling for income. Although minorities are now becoming homeowners at a faster rate than their white counterparts, there remains much to be done to close the gap.

In addition, significant discrimination issues exist in the rental housing market for both families with children and persons with disabilities.

**Resources supporting Strategic Goal 2:  
Ensure equal opportunity in housing for all Americans.**

<b>Budget Authority (BA) and Staffing Levels (BA is \$ in millions)</b>						
<b>Program</b>	<b>FY 2000</b>		<b>FY 2001</b>		<b>FY 2002</b>	
	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>
<b>Public &amp; Indian Housing</b>						
Housing Certificate Fund *	2,730	75	2,738	75	3,056	75
Public Housing Capital Fund	0	9	0	9	0	9
HOPE VI	115	10	115	10	115	8
<b>Housing</b>						
Sections 202/811 (elderly and disabled)	0	27	0	27	0	27
FHA GI/SRI	0	55	0	54	0	54
<b>Fair Housing &amp; Equal Opportunity</b>						
Fair Housing Assistance Program	20	10	22	10	23	10
Fair Housing Initiatives Program	24	8	24	8	23	8
Other Fair Housing Staff	-	416	-	450	-	450
<b>TOTAL</b>	<b>2,889</b>	<b>610</b>	<b>2,899</b>	<b>643</b>	<b>3,217</b>	<b>641</b>

\* Housing Certificate Fund BA numbers represent program levels instead of net budget authority (BA figures for this account are significantly affected by rescissions and advanced appropriations). Staff includes Office of Housing staff working with project-based Section 8.

**Research and Evaluation Relevant to Strategic Goal 2**

The following is a selected list of major evaluation and research efforts relevant to Strategic Goal 2 that are either under way or have been completed since January 2000.

- *Housing Discrimination Study 2000* (under way: interim report during 2001 and final report expected 2004). This mandated research will document and analyze housing discrimination in the United States for both the rental and sales markets. Key products from this study will include an estimate of the change in discrimination against blacks and Hispanics since 1989; current national estimates of discrimination against blacks, Hispanics, and Asian Americans and Pacific Islanders; and report cards for selected states and metropolitan areas.
- *Homeownership Testing Project* (under way: final report expected FY 2001). This is a pilot study of discrimination against black and Hispanic home buyers by mortgage lending institutions.
- *Unequal Burden: Income and Racial Disparities in Subprime Lending in America*, April 2000. This study shows that the number of subprime home loans has increased significantly in predominantly black neighborhoods and low-income neighborhoods. While expanded access to credit is critical, there is growing evidence that some lenders

- may be engaged in predatory lending that is making homeownership more costly for blacks and poor families than for whites and middle-class families.
- *Fair Housing Literacy* (under way, final report expected 2001). This survey of the general public will report on understanding of the fair housing laws.
  - *Assessment of Multifamily Buildings' Conformity with Accessibility Provisions* (under way, final report expected Fall 2001). This study will assess whether newly constructed multifamily rental properties are in compliance with the housing accessibility requirements of the Fair Housing Act.
  - *Code Requirements for Housing Accessibility (CRHA) 2000*, October 2000. This study compared the accessibility standards of model building codes with the design and construction requirements of the Fair Housing Act. The study has been used to assist in the development of revised code language that will bring the International Building Code requirements into compliance with the Fair Housing Act.
  - *Assessment of the Loss of Housing for Non-Elderly People with Disabilities*, December 2000. This Congressionally mandated study examined admissions policy and occupancy patterns in 50 properties that were constructed with the intent that they be occupied by elderly households. A 1992 law removed the requirement that such developments be available to non-elderly persons with disabilities. This report examined the impact of that change.

## **Objective 2.1: Housing discrimination is reduced.**

### **Overview**

Discrimination is a reality for many Americans—including poor people, racial and ethnic minorities, families with children, and persons with disabilities. A recent report from the Federal Financial Institutions Examination Council found that lenders are turning down African Americans, Hispanics and American Indians for home loans far more often than whites and Asians, regardless of income. The mission of HUD's Office of Fair Housing and Equal Opportunity is to enforce the Fair Housing Act and other civil rights laws to ensure the right of equal housing opportunity and free and fair housing choice without discrimination based on race, color, religion, sex, national origin, disability or family composition.

HUD's efforts to promote equal housing opportunities go beyond enforcement of fair housing laws. HUD's programs and initiatives strive to provide housing, employment opportunities, and supportive services to disadvantaged Americans. All HUD programs targeted at lower income persons, including block grant programs such as CDBG and HOME, present opportunities to reduce barriers and promote equal opportunities.

### **Means and strategies**

HUD is committed to vigorous enforcement of the fair housing laws to help ensure that all households have equal access to rental housing and homeownership opportunities. HUD also is committed to a strategy of encouraging local creativity in promoting housing choice. The Department has two primary grant programs that support fair housing, the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to State and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. FHIP provides funds to public and private fair housing groups, as well as to State and local agencies that educate the public and housing industry about fair housing laws; investigate allegations of discrimination, and help combat predatory lending practices.

Through its current nationwide Housing Discrimination Study (HDS)—the most comprehensive and sophisticated nationwide audit ever conducted—HUD is testing for and measuring the degree of housing discrimination in urban, suburban and rural communities around the nation, and comparing findings with the last study in 1989. The HDS will be a valuable tool in increasing public awareness about housing discrimination and will help HUD and its partners assess how best to use fair housing enforcement, education and technical assistance resources. The funds previously available for this study will be used to increase FHIP and FHAP activities in FY 2002.

To further reduce housing discrimination, HUD will work to:

- Expand housing opportunities and address discrimination by concentrating program resources of the Office of Fair Housing and Equal Opportunity (FHEO) in selected communities.
- Encourage and support the network of State and local agencies that enforce laws that are “substantially equivalent” to the federal Fair Housing Act and private fair housing groups in unserved and underserved areas such as those not already served by “substantially equivalent” agencies.
- Educate homeowners and renters, the housing industry, grantees, and project sponsors about the Fair Housing Act and the Americans with Disabilities Act.
- Inspect HUD public and assisted housing, where applicable, for compliance with the American’s with Disabilities Act.
- Monitor Fannie Mae and Freddie Mac, the Government-Sponsored Enterprises that HUD regulates, for compliance with their responsibilities to further fair housing and fair access to credit.
- Support local efforts to address tensions that arise in communities when persons seek to expand their housing choices.
- Convene meetings with local governments and community groups to promote Fair Housing; meet with FHAP groups to discuss relationship of CDBG to FHAP funds used to meet fair housing needs; and initiate agreements with lenders and other housing industry groups to further affirmative marketing efforts.
- Empower communities to promote housing choice through fair housing planning in their Consolidated Plan and community development programs by implementing their own required strategies to address impediments to fair housing; and build upon collaborative grassroots efforts among local governmental agencies, fair housing organizations, and other community groups.
- Develop a brochure for mortgage loan applicants to help combat predatory lending. Developed in conjunction with other Federal agencies, the brochure will be widely distributed to consumers, warning them about predatory lending practices and educating them about their rights.
- Work with partners in the mortgage lending industry to reduce predatory lending by sharing FHA’s Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates. The system helps lenders to evaluate their performance relative to HUD’s Credit Watch/Termination initiative, which helps reduce defaults and foreclosures by protecting consumers from borrowing more than they can afford to repay.
- Work through HUD’s housing and community development programs to ensure that these programs foster anti-discrimination efforts and promote housing choice.

**Programs supporting Objective 2.1: Housing discrimination is reduced.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	24	24	24	23
Fair Housing Assistance Program	16	20	22	23

Note: Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

**External factors**

Social, cultural and economic conditions influence the acceptance of minorities, persons with disabilities and other protected classes by American citizens and the housing patterns that result. Disparities in wealth and income levels among different groups contribute to differential access to homeownership, affordable and accessible rental housing and economic opportunities.

HUD depends on the Department of Justice and State and local government partners to assist in the fight for fair housing. State legislation that is substantially equivalent to national fair housing law is critical to increase the Nation's capacity to enforce those laws. State regulation of finance, insurance and real estate also affects fair housing and homeownership within specific populations or neighborhoods.

Local policies, including land use controls and accessible building code enforcement, will continue to influence the level of discrimination, income isolation, and disparate homeownership rates. The private sector likewise plays a central role in achieving fair housing outcomes. Businesses that adopt inclusive policies as central values go far to promote justice. Finally, some individuals continue to discriminate because they lack awareness of their fair housing responsibilities.

**Coordination with other Federal agencies**

- HUD chairs the **President's Council on Fair Housing**, which is an interagency group committed to promoting equal opportunity in mortgage lending, and 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 **Treasury**, the **Federal Deposit Insurance Corporation**, **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, as a member of the task force, joined with the other member agencies to issue a policy statement on discrimination in lending, which was published in the Federal Register.

- HUD and the **Department of Justice** have strengthened an existing agreement to crack down on hate acts involving housing discrimination. HUD will promptly refer appropriate cases to the Justice Department for criminal prosecution. The Justice Department will notify HUD immediately if it decides a housing discrimination case does not warrant criminal prosecution, so that HUD can act quickly to file civil charges under the Fair Housing Act. DOJ will also promptly report to HUD incidents of housing-related hate violence or intimidation reported to the FBI and other Justice Department agencies and train HUD investigators to handle cases of housing-related violence and intimidation.
- HUD recently signed a Memorandum of Understanding with the Departments of **Treasury** and **Justice** that sets forth the steps the three agencies will take to ensure that Low-Income Housing Tax Credit projects are in compliance with the Fair Housing Act. Under the agreement, the three agencies formalized a monitoring and compliance process to ensure that low-income housing tax credit properties meet the requirements of the Fair Housing Act. Justice and HUD agreed to routinely notify the IRS and state housing finance agencies of enforcement actions brought under the Fair Housing Act involving tax-credit property owners. The IRS, in turn, will notify involved property owners that a finding of discrimination could result in the loss of tax credits. The Federal agencies also agreed to work with the private sector on voluntary efforts so that properties are built and operated in a manner consistent with the Fair Housing Act.
- The **Interagency Task Force on Predatory Lending** consists of Federal law enforcement and banking supervisory agencies jointly seeking solutions to the problem of predatory lending. The Task Force also seeks to address the allegations that many predatory lending practices violate fair housing laws. Anecdotal evidence indicates that some predatory lenders target neighborhoods and persons because of race, national origin, age, and gender for loans that contain abusive terms and conditions. A particular concern is possible predatory lending to older, African-American women with significant amounts of equity in their homes. (See also Strategic Objective 2.3 below.)
- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). The data collected through these cooperative efforts are a critical element in on-going analyses of discrimination and/or disparate impact of lender activities. These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council** is the governing board that is responsible for collecting and disseminating this information. HMDA data provide information about how mortgage credit is provided

across the country. The information is invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research.

### **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

Crosswalk for Strategic Objective 2.1: Housing discrimination is reduced		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>2.1.1: Housing discrimination declines 2 percentage points from 1989 national levels by 2001.</p> <p>2.1.3: The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004.</p> <p>2.1.4: The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline (also appears as 3.3.5).</p>	<p>2.1.a: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 600 fair housing enforcement actions in FY 2002.</p> <p>2.1.b: At least two new fair housing groups funded by FHIP will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of persons covered by the prohibited basis of the Fair Housing Act.</p> <p>2.1.c: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by two to a total of 96 agencies.</p> <p>2.1.d: At least 25 percent of FHAP grantees increase enforcement actions by 20 percent above FY 2001 levels.</p> <p>2.1.e: The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2001 level of the HUD inventory.</p> <p>2.1.f: The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2001 level of the inventory of substantially equivalent agencies.</p>	<p>Many people are not aware of their fair housing rights and responsibilities.</p> <p>Discrimination can be subtle as well as overt, which makes prevention and enforcement difficult.</p> <p>The number of partner agencies depends in part on the willingness of state agencies to join Federal efforts.</p> <p>FHAP agencies have the option of referring unusually complex cases to HUD for enforcement.</p> <p>Successful reduction of backlogs of aged cases is substantially dependent on resources as determined by Congress.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 2.1.1:  
Housing discrimination declines 2 percentage points from 1989 national levels by 2001.**

**Indicator background and context.** This indicator tracks progress in reducing the incidence of discrimination in rental and sales transactions by African Americans and Hispanics by comparing the results of HUD’s current national audit of housing discrimination with that of the prior study in 1989. The 1989 study revealed that the

incidence of discrimination in the rental market was 53 percent for African Americans and 46 percent for Hispanics. In the sales market the rates were higher: 59 percent for African Americans and 56 percent for Hispanics. This research also revealed no evidence that the incidence of unfavorable treatment had either declined or risen from HUD's prior national audit, conducted in 1977.

**Data source.** In FY 1999, HUD began a 3-year 60-site national estimate of discrimination against African Americans and Hispanics in the rental and sales markets using methods based on the 1989 Housing Discrimination Study (HDS). The 25 sites in the second round of the study will supplement the metropolitan area data with balance-of-State data. Reports will be produced over a three-year period beginning in early FY 2002.

**Limitations/advantages of the data.** The new study adopts core HDS methods and will provide findings that are comparable to those developed in 1989. It also will address the issue of racial steering in the sales and mortgage markets and include data on discrimination against Asian Americans and American Indians. The development of better methods will establish a more useful benchmark against which to measure future changes in levels of racially based differential treatment.

**Validation/verification of measure.** The research was designed to produce statistically valid and reproducible estimates. The core paired testing methodology has stood up to over 20 years of scrutiny. Nonetheless, the Department continues to seek better methods that reflect the changing housing dynamic in the United States. The second round study is incorporating "triad" (otherwise known as "sandwich") testing and a more diverse sampling frame, including the Internet, in an effort to advance the state of the art and housing market coverage in housing discrimination testing. The Department has asked the National Academy of Sciences to review its testing methodology and offer suggestions that might further the state of the art for this type of research.

### **Outcome Indicator 2.1.3:**

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

**Indicator background and context.** Public awareness of the law concerning fair housing reduces discriminatory actions. Prior to a study begun in FY 2000, however, no nationally available data existed to estimate the extent of awareness. This indicator tracks the effect of fair housing enforcement activities and of public information campaigns funded by FHIP Education and Outreach grants on public understanding of their rights and responsibilities under the law.

**Data source.** In FY 2000, HUD funded the first telephone survey to assess public knowledge of fair housing issues and law. The results will be available in 2001. Data from this survey will be used to establish a baseline for a follow-up survey during 2004.

**Limitations/advantages of the data.** Survey respondents could be confused by local fair housing ordinances that differ from national law, and this confusion could lead to

misleading survey results. Opinions about fair housing issues also would be influenced by recent news events, which would tend to increase the statistical variance of public understanding.

**Validation/verification of measure.** The research was designed to produce statistically valid and reproducible estimates.

**Outcome Indicator 2.1.4: The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline.**

**Indicator background and context.** The Fair Housing Act requires public areas and some apartments in newly constructed multifamily housing to be accessible to persons with disabilities. Congress directed HUD to develop a plan in FY 2000 to educate users and providers of multifamily housing (planners, builders, developers, sellers, renters, architects and building code officials) about the requirements of the Fair Housing Act regarding accessible housing. By the end of FY 2001, HUD will develop approaches to fair housing enforcement and educational policy to increase the accessibility of newly constructed housing.

**Data source.** In 2001, baseline research and analysis of compliance with accessibility standards are being completed. HUD anticipates using the methodology or portions of the methodology to measure compliance with accessibility standards at intervals of two years or possibly longer.

**Limitations/advantages of the data.** Although somewhat costly, the survey provides the only nationally representative data about trends in multifamily building practice regarding accessibility.

**Validation/verification of measure.** The research will be carefully designed to produce statistically valid and reproducible estimates.

***Programmatic Output Indicator 2.1.a: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 600 fair housing enforcement actions in FY 2002.***

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

HUD has worked diligently to increase public awareness of laws prohibiting discrimination in order to ensure that persons victimized by discrimination know how and where to file

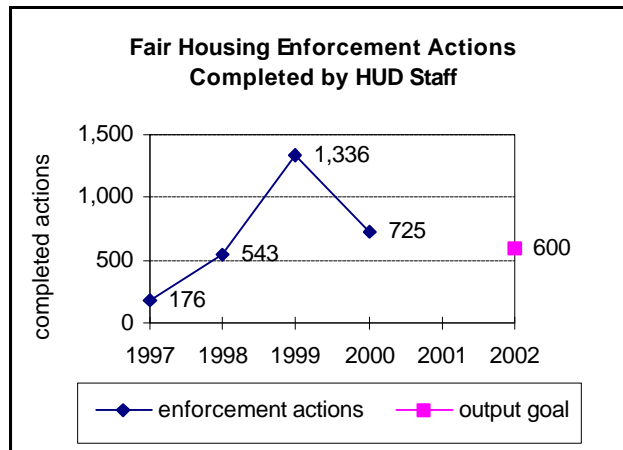
fair housing complaints. It is the Department's goal to motivate citizens who experience this kind of harm to act in order that discrimination can be identified and eliminated. In addition, HUD and its partners have worked to increase their capacity to effectively investigate a wide variety of civil rights complaints and to enforce the Federal Fair Housing Act and equivalent laws. These increases in public awareness and in Agency effectiveness are expected to result in larger numbers of enforcement actions being taken against discriminators. This indicator tracks the number of fair housing enforcement actions taken by HUD including charges filed against discriminators, enforcement agreements negotiated, and referrals to the Department of Justice.

FHEO completed the initiative to double enforcement actions by the end of calendar year 2000, exceeding the goal and finishing early. The FY 2002 goal of 600 enforcement actions reflects a management decision to emphasize the reduction in aged cases over 100 days old, and recognition of the success with and maturing of the caseload under the doubling enforcement initiative in the previous four years.

**Data source.** FHEO's Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

**Limitations/advantages of the data.**

Tracking the number of enforcement actions taken by the Department is a valid measure of FHEO's success in reaching members of the public who have experienced discrimination and effectively processing their cases. However, this measure does not reflect work done by FHEO in accepting, investigating and bringing to appropriate close those complaints that do not merit enforcement activity.



**Validation/verification of measure.** The outcome of each complaint is recorded in TEAPOTS. Documents verifying that a particular outcome is properly considered an enforcement action are submitted to Headquarters for review and verification.

**Programmatic Output Indicator 2.1.b: At least two new fair housing groups funded by FHIP will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of persons covered by the prohibited basis of the Fair Housing Act.**

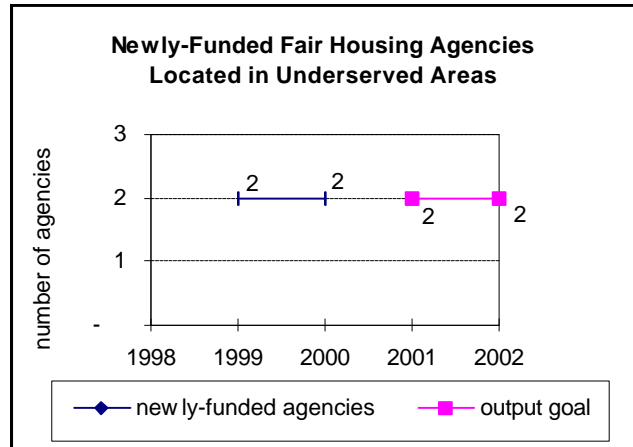
**Indicator background and context.** Many communities do not have strong State or local legal protections from housing discrimination. HUD's Fair Housing Initiatives Program (FHIP) addresses this shortfall by helping independent fair housing groups to educate, to reach out, and to ensure compliance with the Fair Housing Act and the Americans with

Disabilities Act. Although the number of agencies funded depends on the level of appropriations, HUD intends to increase the impact of FHIP by developing capacity in unserved or underserved areas. This indicator tracks the number of FHIP grantees newly funded in areas that are unserved or underserved either by FHIP agencies or by FHAP agencies enforcing “substantially equivalent” laws.

**Data source.** FHEO administrative data from the Grants Evaluation Management System (GEMS, E20).

**Limitations/advantages of the data.** Grantees demonstrate in their applications that areas with defined jurisdictional boundaries are unserved or underserved.

**Validation/verification of measure.** FHEO staff independently verify that new agencies serve unserved or underserved areas.



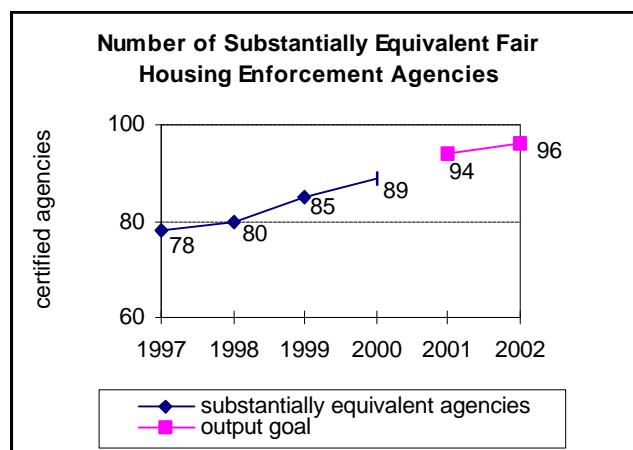
**Programmatic Output Indicator 2.1.c: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by two to a total of 96 agencies.**

**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 FY 2002 goal is to increase the number of agencies by two from the FY 2001 level, which is anticipated to reach 94 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 straight-forward and easily verifiable count of FHAP records.

**Validation/verification of measure.** Determinations of whether an agency is substantially equivalent are made by FHAP directors according to standardized decision rules.



***Programmatic Output Indicator 2.1.d: At least 25 percent of FHAP grantees increase enforcement actions by 20 percent above FY 2001 levels.***

**Indicator background and context.** Increasing the production of enforcement actions by 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 number of substantially equivalent FHAP grantees that post significant increases in enforcement activity. During FY 2000, 36 percent of the 85 FHAP agencies successfully increased the number of enforcement actions by at least 20 percent.

**Data source.** FHEO's TEAPOTS.

**Limitations/advantages of the data.** Although the data are self-reported by FHAP agencies, TEAPOTS controls quality by tracking the progress of cases from receipt through closure.

**Validation/verification of measure.** FHEO will review the investigation reports of the agencies for comprehensiveness and completeness.

***Programmatic Output Indicator 2.1.e (formerly 2.1.e.1): The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2001 level of the HUD inventory.***

**Indicator background and context.** 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 violations will be punished. This indicator tracks processing time for fair housing complaints handled by HUD, including time for determination of jurisdiction and for conducting investigations and conciliation.

At the end of FY 1999, 73 percent of fair housing complaints in the HUD inventory were aged over 100 days. The FY 2002 goal builds on the FY 2001 goal, which is to reduce the share of complaints that are aged by 33 percentage points from FY 1999 levels. The smaller incremental improvement established as a goal for FY 2002 reflects the shift from a two-year to a one-year time span, as well as the increasing difficulty of reducing backlogs as current resources are strained. The following indicator establishes a parallel goal for FHAP agencies.

**Data source.** FHEO's TEAPOTS.

**Limitations/advantages of the data.** The data represent a "snapshot" of the fair housing case inventory carried by HUD as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints, without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.

**Validation/verification of measure.** TEAPOTS incorporates controls to ensure data quality.



**Programmatic Output Indicator 2.1.f (formerly 2.1.e.2): The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2001 level of the inventory of substantially equivalent agencies.**

**Indicator background and context.** As in the above indicator, efficient enforcement processing by FHAP grantees, or substantially equivalent agencies, is an important dimension of fair housing enforcement. This indicator tracks processing time for fair housing complaints, including time for determination of jurisdiction and for conducting investigations and conciliation. At the end of FY 1999, 60 percent of fair housing complaints in the inventory of substantially equivalent agencies were aged over 100 days. The FY 2002 goal builds on the FY 2001 goal, which is to reduce the share of complaints that are aged by 15 percentage points from FY 1999 levels. The smaller incremental improvement established as a goal for FY 2002 reflects the shift from a two-year to a one-year time span, as well as the increasing difficulty of reducing backlogs as current resources are strained.

**Data source.** FHEO's TEAPOTS.

**Limitations/advantages of the data.** The data represent a "snapshot" of the fair housing case inventory carried by substantially equivalent agencies as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.

**Validation/verification of measure.** TEAPOTS incorporates controls to ensure data quality.

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

### **Overview**

The isolation of America's minorities and poor families in distressed neighborhoods has increased in recent decades. While there are areas of significant improvement, a substantial portion of the country continues to display deeply entrenched patterns of economic and minority segregation. Long ago, many neighborhoods lost the amenities and conditions that sustain mixed-income and integrated communities. Such neighborhoods risk disinvestment when middle-income or non-minority families leave to protect their own interests and businesses have difficulty becoming reestablished. Neighborhoods with extreme poverty concentrations, defined as those with 40 percent or more of their population living with incomes below the poverty level, can have harmful influences on children who grow up there. Reducing the geographic isolation of low-income people is part of HUD's mission. Progress toward HUD's other Strategic Objectives will depend greatly upon successes in creating greater choice and housing mobility for lower income and minority families and in reducing concentrations of poverty.

### **Means and strategies**

On this issue, HUD combines the roles of enforcer of fair housing laws with those of opportunity generator and awareness builder. HUD will continue to:

- Ensure that housing opportunities are available without discrimination, through fair housing education, compliance reviews and complaint investigations of entities receiving Federal financial assistance.
- Create housing opportunities in neighborhoods closer to jobs, good schools, and public transportation resources, through the use of Section 8 vouchers.
- Help PHAs reach out to additional groups of landlords with units in non-minority and low-poverty areas and encourage them to participate in the Section 8 voucher program.
- Seek to preserve project-based assisted housing in low-poverty neighborhoods.
- Encourage income mixing in existing and revitalized public housing projects, including HOPE VI developments, to reduce the isolation of extremely-low income families.
- Encourage the use of HOME and CDBG funds for mixed-income rental projects that provide housing opportunities for extremely-low-income families.
- Produce and support national research on poverty and deconcentration and on strategies for overcoming the isolation of low-income families.

- Use site and neighborhood standards to determine the location of new housing development.

**Programs supporting Objective 2.2: Minorities and low-income people are not isolated geographically in America.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-Based)	10,327	11,481	13,910	15,717
Public Housing Capital Fund	3,000	2,884	2,993	2,293
HOPE VI	625	575	574	574
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	24	24	24	23
Fair Housing Assistance Program	16	20	22	23
<b>Housing</b>				
FHA GI/SRI Commitment Level	{16,924}	{9,308}	{21,000}	{21,000}
FHA GI/SRI Program Account	308	262	456	375

Note: Braces reflect commitment level supported by the program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

**External factors**

HUD’s efforts to reduce concentrations of poverty include revitalization of distressed neighborhoods. The success of such revitalization frequently depends on explicit and successful efforts to attract new residents with a range of incomes to these neighborhoods. Yet many factors such as high taxes, crime, poor schools, and high density areas, discourage people from living in central cities, especially in poorer neighborhoods. Such factors affect HUD’s ability to promote economic integration. Even if urban neighborhoods regain their appeal for non-poor families, existing residents may fear that they will be displaced by middle-class “gentrifiers.” Choices made by State and local partners about how to use scarce resources, including HUD’s block grant programs, have a variety of direct or subtle impacts on geographic isolation of their residents.

HUD also tries to reduce the isolation of low-income people by increasing affordable housing opportunities in low-poverty neighborhoods. Suburban communities sometimes resist development of low-income housing or in-migration of households who receive rental assistance, fearing declines in community quality of life and property values. Such

fears persist despite evidence from scholars showing that subsidized housing generally does not lead to neighborhood decline. Even when tenant-based rental vouchers provide very-low-income persons an opportunity to move to better neighborhoods, many prefer to remain in or near to familiar areas.

### Coordination with other Federal agencies

- Based on the Department's successful experiences with the pilot Bridges to Work program, the Department provides advice to the **Department of Transportation** on policy issues related to their two grant programs approved by Congress, Access to Jobs and Reverse Commute.

### Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<b>Crosswalk for Strategic Objective 2.2: Minorities and low-income people are not isolated geographically in America</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>2.2.1: Segregation of racial and ethnic minorities will decline from 1990 levels by 2000.</p> <p>2.2.2: Segregation of low-income households will decline from 1990 levels by 2000.</p> <p>2.2.3: Among metropolitan families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 0.3 percentage points annually to 59.6 percent.</p> <p>2.2.4: The share of covered public housing developments that have mixed incomes increases by 1 percentage point.</p>		<p>As inner suburbs age they in turn are experiencing middle-class flight. Continued development of edge suburbs and gated communities is reinforcing patterns of income isolation. HUD's control over land use and development patterns is slight.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 2.2.1 (formerly 2.1.2):  
Segregation of racial and ethnic minorities will decline from 1990 levels  
by 2000.**

**Indicator background and context.** Development and settlement patterns that isolate racial and ethnic minorities from broader social and economic forces have a multitude of causes, as well as many impacts. This indicator reflects HUD's mandate to enforce and promote fair housing, using two measures to track the nation's progress over the long term in reducing segregation. HUD promotes housing mobility through tenant-based assistance, housing counseling, development of mixed income housing that may also be racially diverse, and through enforcement of fair housing law and the deconcentration of public housing as required by the Quality Housing and Work Responsibility Act of 1998.

An index of dissimilarity is a type of segregation index that measures the extent to which minority households are unevenly distributed among geographic areas. An isolation index is another important measure of segregation that focuses on the likelihood that a minority individual will be exposed to non-minorities. The segregation indices used for this indicator are based on the distribution of minorities within census tracts of all metropolitan areas. Early analysis of Census 2000 data suggests that patterns of racial and ethnic segregation were persistent during the 1990s.

**Data source.** HUD intends to engage staff from the Bureau of Census to validate existing 1980 and 1990 baseline data and to tabulate comparable estimates using Census 2000, and eventually the American Community Survey. Estimates based on population data from Census 2000 are expected to be available for reporting in 2003.

**Limitations/advantages of the data.** The decennial Census provides the most complete and accurate data available for analyzing settlement patterns. Census data regarding race and ethnicity in 2000 are expected to be available by early 2001. The American Community Survey will begin in 2003, but sample sizes will not be adequate for tract-level estimates until 2008. Census data from 2000 may have limited comparability to earlier censuses because changes in racial and ethnic categories may lead survey respondents to identify their heritage differently. HUD will consider these issues when using and presenting the data.

**Validation/verification of measure.** A specialist from the Bureau of Census judged that the two indices are the most appropriate measures among available indices of segregation. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. HUD will evaluate results in the light of independent research that addresses the issue of racial and ethnic comparability.

**Outcome Indicator 2.2.2 (formerly 2.2.1):**

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

**Indicator background and context.** An income segregation index (also called an index of dissimilarity) measures the extent to which poor households are unevenly distributed among geographic areas. In this case, the weighted average of the distribution of impoverished households across census tracts of all metropolitan areas will be used.

**Data source.** HUD intends to engage staff from the Bureau of Census to validate the measure, prepare baseline estimates and tabulate comparable estimates using Census 2000, and eventually the American Community Survey. Estimates based on economic data from Census 2000 are expected to be available for reporting in 2003 or 2004.

**Limitations/advantages of the data.** The decennial Census provides the most complete and accurate data available for analyzing settlement patterns. Economic data from Census 2000 will be available in 2002, but additional time will be required to compute the measures. The American Community Survey will begin collecting rolling samples in 2003, but sufficient data will not be available for tract-level estimates until 2008.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. HUD will confer with Census staff to validate the measure.

**Outcome Indicator 2.2.3 (formerly 2.2.2):**

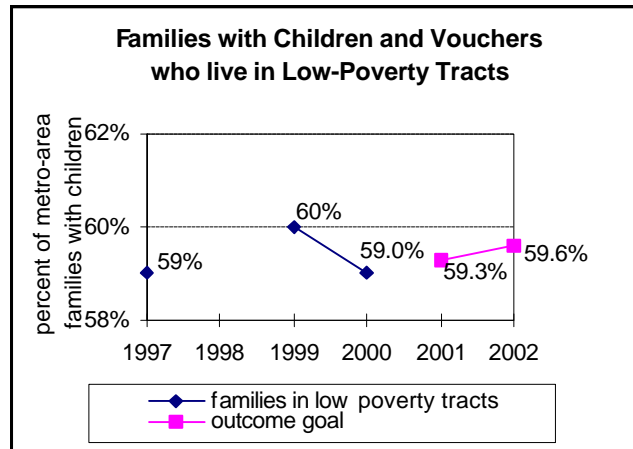
**Among metropolitan families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 0.3 percentage points annually to 59.6 percent.**

**Indicator background and context.** The tenant-based Section 8 program provides rental assistance vouchers, which tenants can apply toward rent of housing in any area. Section 8 vouchers enable poor families to escape job-poor and distressed neighborhoods, but counseling is often necessary to inform recipients of their options. This indicator measures the impact of the housing choice provided by the tenant-based Section 8 program by tracking the share of families with children that use their vouchers in census tracts with poverty rates below 20 percent. In FY 2000, 60 percent of voucher-assisted families with children lived in these low-poverty tracts. The FY 2002 goal is to increase the share by 0.3 percentage points, anticipating a similar improvement during FY 2001. The FY 2001 goal was revised downward from a 1.0 point improvement because the trend was negative during FY 2000.

**Data source.** Multifamily Tenant Characteristics System (MTCS), containing tenant data submitted by housing agencies. Tract poverty rates are from the decennial Census of Population and ACS. Estimates will be rebenchmarked using tract poverty data from Census 2000 that will be released in 2002.

**Limitations/advantages of the data.** MTCS data for Section 8 tenant-based programs are relatively complete.

Tract poverty rates may change when updated with 2000 Census data. ACS data based on rolling samples will begin to provide tract-level estimates in 2008.



**Validation/verification of measure.** MTCS includes automated checks for out-of-range and internally inconsistent data entries. HUD provides automated Section 8 deconcentration reports at the PHA and tract levels to help field offices and housing agencies promote deconcentration and verify data.

### **Outcome Indicator 2.2.4 (formerly 2.2.3):**

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

**Indicator background and context.** The Quality Housing and Work Responsibility Act of 1998 and HUD’s implementing regulations require some public housing agencies to adopt admission guidelines to encourage income mixing in “covered developments”—general-occupancy family developments that are not excluded from the requirement. Developments are excluded if they are operated by a PHA with fewer than 100 public housing units or only one general occupancy family development, or if they house only elderly persons or persons with disabilities, or for other reasons noted below. (Roughly 1,800 developments in 1,200 PHAs are not “covered” because the PHAs have less than 100 units.) Agencies are required to adopt policies to mix incomes of admitted households when the mean household income in a covered development is less than 85 percent or more than 115 percent of the PHA mean for covered developments. This indicator tracks the share of covered developments that fall within the 85-115 percent thresholds and thus are not subject to the deconcentration requirement. The FY 2002 performance goal will be established after a FY 2001 baseline is determined.

**Data source.** PIH Multifamily Tenant Characteristics System (MTCS), consisting of household data collected and submitted by housing agencies.

**Limitations/advantages of the data.** MTCS data for public housing programs are relatively complete, with reporting rates of about 91 percent of households. Income data

may not be reliable for some PHAs, but income matching studies are expected to lead to considerable improvements. Unless MTCS data are linked with other information about which developments are covered, the data may include a number of developments that the rule excludes because they have been approved for demolition or conversion to voucher assistance or because they operate under a HUD-approved mixed-finance plan.

**Validation/verification of measure.** This revised measure has greater substantive validity for performance management purposes because it conforms closely with the deconcentration regulation. MTCS includes automated checks for out-of-range and internally inconsistent data entries, and selected MTCS data elements are being verified during FY 2001 under the Data Quality Improvement Program.



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

### **Overview**

Homeownership rates remain substantially lower among minorities than among whites. At the end of FY 2000, 47.3 percent of African-American households and 46.7 percent of Hispanic households were homeowners, compared with 74.3 percent of non-Hispanic white households. Research shows that these gaps exist regardless of income. Both higher income and lower income minorities are less likely to own their homes than white households of comparable incomes. Despite the remaining gaps, African-American and Latino households made faster gains in homeownership rates than other groups over the past eight years.

Reducing these disparities is an important objective of many of HUD's programs. FHEO fair lending activities include model agreements with mortgage banking institutions around the nation and voluntary affirmative marketing agreements with the National Association of Homebuilders, National Association of Real Estate Brokers, and the Association of Real Estate License Law Officials.

Other programs that support this objective include FHA insurance, Ginnie Mae's targeted lending initiative, CDBG and HOME homeownership activities, housing counseling, GSE regulation and homeownership through Section 8 vouchers and public housing.

### **Means and strategies**

Ensuring equal opportunity in homeownership for racial and ethnic groups is a focus and responsibility for all program areas: housing, community development, public housing, and fair housing. Most HUD homeownership programs and initiatives target assistance to low- and moderate-income Americans, who are disproportionately members of racial or ethnic minorities. Initiatives aimed at central cities and distressed neighborhoods typically also benefit minorities, as do virtually all of HUD's housing counseling and fair housing programs. The fair housing programs fulfill the dual mission of cracking down on discrimination and providing education and outreach to potential homeowners, lenders, and others involved in the home buying process.

The FY 2002 budget proposes a variety of initiatives that will support this Strategic Objective through efforts to increase low-income homeownership and increase fair housing awareness and enforcement. Many of them have been described earlier in this document. These initiatives include the *Downpayment Assistance Initiative*, *Section 8 Homeownership*, the tax credit for developers of affordable single-family housing, a new *Hybrid Adjustable Rate Mortgage*, and significant increases in funds available for enforcement activities.

To reduce disparities in homeownership rates, HUD will continue to work to:

- Enforce fair housing laws to reduce the number of minority families denied mortgage credit and homeownership opportunities.
- Continue outreach nationally to lenders, real estate brokers, and builders, including signing agreements, in support of fair housing.
- Support home purchase among minorities.
- Ensure equal treatment of minorities by HUD grantees.
- Through HUD regulation of housing GSEs, encourage more mortgage funds for minority homebuyers.
- Increase Ginnie Mae activities that increase capital available for targeted efforts to underserved areas.
- Expand homeownership units available nationally and in targeted distressed communities through the Section 8 homeownership and HOME programs.
- Increase FHA endorsements for minority homebuyers through marketing, outreach and education.
- Continue comprehensive research on fair lending discrimination.
- Work with local communities to promote and encourage Fair Housing and related issues.

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

*(Dollars in Millions)*

Program	FY 1999 act.	FY 2000 act.	FY 2001 est.	FY 2002 est.
<b>Public and Indian Housing</b>				
HOPE VI	625	575	574	574
<b>Housing</b>				
Sections 202/811 (elderly and disabled)	854	911	994	1,001
Oversight of housing GSEs (Fannie Mae and Freddie Mac)	NA	NA	NA	NA
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	24	24	24	23
Fair Housing Assistance Program	16	20	22	23

Note: Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

## **External factors**

Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities to secure the income and credit history needed to become homeowners. Also, many private lenders need to continue developing credit assessment tools and loan products for traditionally underserved groups to better reach these markets.

## **Coordination with other Federal agencies**

- HUD serves on the Interagency Task Force on Fair Lending, whose members include the Departments of **Justice** and **Treasury**, the **Federal Deposit Insurance Corporation**, **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. For example, the Task Force co-issued a fair lending brochure in Spanish. The brochure, “Buscando la hipoteca más favorable: Compare, Verifique, Negocie,” describes how comparing and negotiating interest rates, fees and other payment terms may help consumers get the best financing and possibly save thousands of dollars, whether it’s a home purchase, a refinancing, or a home equity loan. The brochure also highlights some of the laws that protect consumers from unfair lending practices.
- The Interagency Task Force on Predatory Lending consists of Federal law enforcement and banking supervisory agencies jointly seeking solutions to the problem of predatory lending. The Task Force seeks also to address the allegations that many predatory lending practices violate fair housing laws. Anecdotal evidence indicates that some predatory lenders target neighborhoods and persons because of race, national origin, and gender for loans that contain abusive terms and conditions. A particular concern is possible predatory lending to older, African-American women with significant amounts of equity in their homes. (See also Strategic Objective 2.1 above.)

## **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<b>Crosswalk for Strategic Objective 2.3: Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>2.3.1: The ratio of homeownership rates of minority and nonminority low- and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003.</p> <p>2.3.2: The ratio of homeownership rates between persons with disabilities and other households increases by 0.2 percentage points annually from the 2001 baseline (also appears as 3.3.4).</p> <p>2.3.3: The ratio of home purchase mortgage disapproval rates between minority and other applicants decreases by 1 percentage point to 175.3 percent in 2001.</p>	<p>2.3.a: The share of minority homebuyers among FHA mortgage endorsements increases by 1 percentage point to 43.8 percent (also appears as 1.1.L).</p> <p>2.3.c: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases (also appears as 1.1.k.).</p>	<p>Historical patterns of discrimination and differences in education and income levels make it difficult for some groups to become homeowners.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 2.3.1:**

**The ratio of homeownership rates of minority and nonminority low- and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003.**

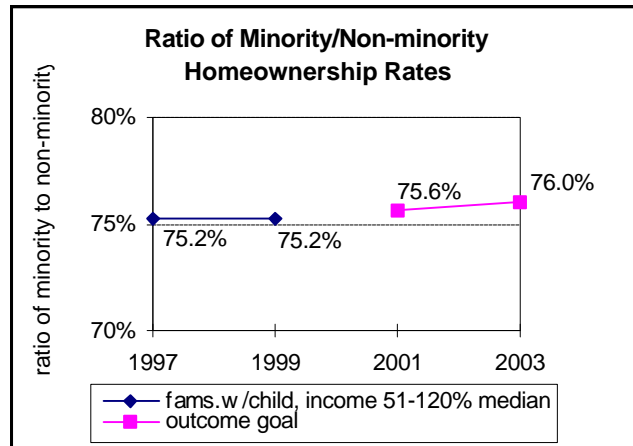
**Indicator background and context.** One of HUD's central objectives is to remove homeownership barriers and increase homeownership among minorities. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator tracks progress in reducing these barriers to homeownership among racial and ethnic minorities, as measured by the ratio of minority homeownership rates to homeownership of non-Hispanic whites. The effects of income and household type are controlled by comparing homeownership rates for low- and moderate-income families with children (those with incomes of 51 to 120 percent of area median income). The FY 2002 goal is to increase the ratio by 0.4 percentage points from calendar year 2001 levels by calendar year 2003, building on a similar goal for FY 2001.

**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.** AHS data are published biennially. Sample sizes do not support detailed income and ethnicity breaks.

**Validation/verification of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance.

HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.



### Outcome Indicator 2.3.2:

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

**Indicator background and context.** Like other American households, persons with disabilities often seek the stability and financial benefits of homeownership. A variety of economic barriers limit their ability to achieve their housing goals, including lower disposable income related to their disability, a thinner housing market for accessible homes, and extra costs of adapting existing homes. As a result, the rate of homeownership by persons with disabilities has been estimated to be as low as 5 percent, or only 7 percent of the national homeownership rate. Based on feedback used in preparing the *FY 2000-2006 Strategic Plan*, HUD will seek to determine a reliable baseline for this indicator and develop appropriate policies to remedy this large discrepancy. For purposes of this measure, persons with disabilities means households in which the head or spouse has a disability that prevents or limits work. This indicator also appears in the context of Strategic Objective 3.3, “The elderly and persons with disabilities achieve maximum independence,” where it appears as 3.3.4.

**Data source.** The Current Population Survey, conducted monthly by the Bureau of Census, collects data about whether respondents have health problems or disabilities that prevent working or limit the kind or amount of work. HUD will attempt to establish a baseline during FY 2001.

**Limitations/advantages of the data.** CPS sample sizes are adequate to produce reliable quarterly estimates of this ratio. The definition of disability in terms of ability to work may differ somewhat from evolving definitions of disability. The Bureau of Census reports that 26 percent of those with severe disabilities and 77 percent of those with non-severe

disabilities have jobs. The data also do not show whether persons became disabled before or after becoming homeowners.

**Validation/verification of measure.** The validity of the measure will be reviewed after baseline estimates are generated. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census data independently. Income maintenance programs for persons with disabilities may provide external verification of disability status.

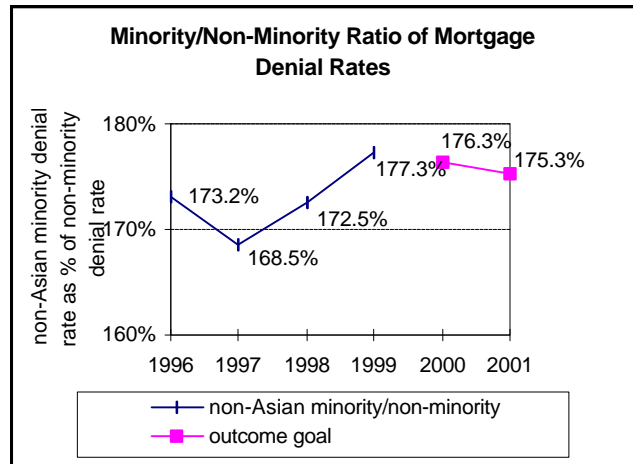
**Outcome Indicator 2.3.3 (formerly 2.3.2):**

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

**Indicator background and context.** Equal access to home loans is critical for decreasing disparities in homeownership rates. Mortgage disapproval rates for minorities are an early indicator of trends in minority homeownership rates. The primary cause of differences in mortgage disapprovals between ethnic groups is differences in average disposable income and creditworthiness. However, in some cases lenders have been shown to discriminate against minority applicants for mortgages by disapproving their mortgages while approving nonminorities who were less creditworthy or had less income. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, help encourage increased lending to minorities.

This indicator tracks home purchase mortgage disapproval rates of minorities that traditionally have had limited access to traditional housing markets—African Americans, Hispanics, Native Americans, and other minorities except Asians—and compares them to disapproval rates of non-Hispanic white applicants. In 1999, the mortgage disapproval rate for minority applicants was 77.3 percent higher than the disapproval rate for non-minority white applicants. (The Asian-American/Pacific Islander population is excluded from “minorities” for this measure because their disapproval rate of 9.9 percent in 1999 does not substantially exceed the 9.1 percent rate of the non-Hispanic white population.) The mortgage applications counted are conforming loans or loans insured by FHA, VA or RHS, and are limited to owner-occupied single-family home purchases from metropolitan areas. The FY 2002 goal is to reduce this discrepancy by one percentage point for calendar 2001, building on an equivalent goal to be achieved during 2000.

**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. This indicator 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. HUD also will exclude loans made by lenders specializing in manufactured home loans because the large number of mortgage denials from these lenders would skew the overall data.



**Limitations/advantages of the data.** The data are not able to fully demonstrate discriminatory practices because minority status is correlated with other factors that affect creditworthiness, and because lender outreach to minorities sometimes increases the denial rates even as it increases the number of minority homeowners. 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 limit for “conforming loans” has increased each year over the reported period, to \$240,000 in 1999, which could have the effect of reducing the relative denial rates of non-minority households if higher incomes place more of them near the conforming loan limit.

**Validation/verification of measure.** The FFIEC and HUD use automated data quality procedures to verify that data submissions are reasonable and accurate.

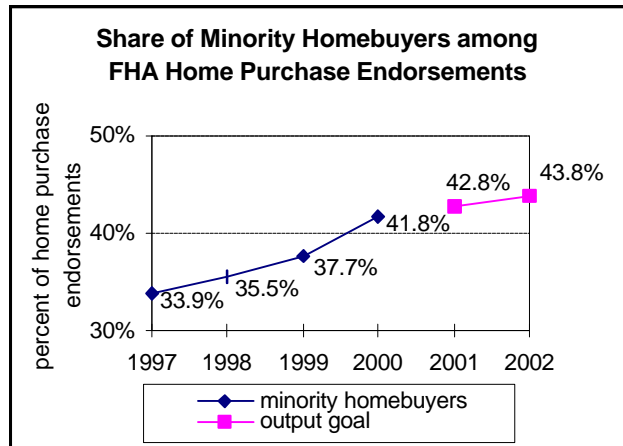
***Programmatic Output Indicator 2.3.a: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 43.8 percent.***

**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 minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. The FY 2002 goal is to increase the percentage of minority (non-white non-Hispanic) homebuyers by one percentage point, building on an equivalent improvement presumed for FY 2001.

**Data source.** FHA's Single-Family Data Warehouse, based on data submitted by direct-endorsement lenders to the F42 Consolidated Single-Family Statistical System.

**Limitations/advantages of the data.** The share of borrowers with undetermined race or ethnicity may increase as more people claim multi-racial identity.

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



***Programmatic Output Indicator 2.3.c: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.***

**Indicator background and context.** Special affordable mortgage purchases by GSEs contribute to minority homeownership because of the correlation of low incomes and minority status. This indicator is the same as Programmatic Output Indicator 1.1.k, discussed under Strategic Objective 1.1, "Homeownership is increased."



## **STRATEGIC GOAL 3: PROMOTE HOUSING STABILITY, SELF-SUFFICIENCY AND ASSET DEVELOPMENT OF FAMILIES AND INDIVIDUALS**

### **Strategic Objectives:**

- 3.1 Homeless families and individuals achieve housing stability.**
- 3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.**
- 3.3 The elderly and persons with disabilities achieve maximum independence.**

The lack of stable, affordable housing undermines the health of families and communities. It slows progress towards self-sufficiency, hinders the educational achievement of children, and reduces the effectiveness of treatment and services for persons with disabilities. It can also lead to homelessness.

HUD's affordable housing programs do more than put a roof over families' heads; they also provide the housing stability that many families need to make progress towards self-sufficiency or increase their earnings from work. 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. These programs serve three core objectives:

- By helping to increase families' earnings, they improve the quality of life for families in assisted housing;
- By helping families in subsidized rental housing to build enough assets and high enough incomes to buy a home, they free up space for other needy families; and
- They help to achieve a mix of incomes in public housing and project-based assisted housing.

Self-sufficiency is also an important objective for HUD-assisted tenants who have disabilities or who are elderly. For some persons with disabilities, progress towards self-sufficiency can be achieved by finding an adequately designed home. Other persons, those who have chronic disabilities and are often homeless, require ongoing housing and supportive services to remain stably housed and progress toward self-sufficiency. For some elderly persons, particularly those that live on fixed incomes, progress towards self-sufficiency can be achieved through housing opportunities that provide (or provide links to) supportive services that maximize independence.

In addition to programs focused on families in assisted housing, HUD has a number of programs that help to improve the economic condition of other vulnerable populations. HUD's homeless programs provide a range of housing and supportive services, including

temporary support to prevent homelessness, emergency shelter, job training and counseling linked to transitional housing, and permanent supportive housing. These services provide stepping stones to the ultimate goals of permanent housing and self sufficiency.

Other programs provide services that lead to self-sufficiency. Youthbuild focuses on improving skills and earnings among high school drop-outs. To similar effect, the CDBG program is used by many communities for job training and other economic development activities. The HOPWA program likewise is used to provide both housing and supportive services to persons with AIDS.

**Resources supporting Strategic Goal 3:  
Promote housing stability, self-sufficiency and asset development  
of families and individuals.**

<b>Budget Authority (BA) and Staffing Levels (BA is \$ in millions)</b>						
<b>Program</b>	<b>FY 2000</b>		<b>FY 2001</b>		<b>FY 2002</b>	
	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>
<b>Community Planning &amp; Development</b>						
Community Development Block Grants Fund	1,058	105	1,125	103	1,056	103
Homeless Assistance Grants	1,020	143	1,123	140	1,123	140
Urban Empowerment Zones	22	9	74	9	60	9
<b>Public &amp; Indian Housing</b>						
Housing Certificate Fund *	1,639	45	1,644	45	1,834	45
Public Housing Operating Fund	1,105	109	1,139	109	1,191	109
Public Housing Capital Fund	0	9	0	9	0	9
HOPE VI	29	46	29	46	29	41
<b>Housing</b>						
Sections 202/811 (elderly and disabled)	1	5	100	5	100	5
FHA GI/SRI	0	55	0	54	0	54
<b>Fair Housing &amp; Equal Opportunity</b>						
Fair Housing Assistance Program	0	10	0	10	0	10
Fair Housing Initiatives Program	0	9	0	9	0	9
Other Fair Housing Staff	-	16	-	20	-	20
<b>TOTAL</b>	<b>4,874</b>	<b>561</b>	<b>5,234</b>	<b>559</b>	<b>5,393</b>	<b>554</b>

\* Housing Certificate Fund BA numbers represent program levels instead of net budget authority (BA figures for this account are significantly affected by rescissions and advanced appropriations). Staff levels include Office of Housing staff working with project-based Section 8.

**Research and Evaluation Relevant to Strategic Goal 3**

The following is a selected list of major evaluation and research efforts relevant to Strategic Goal 3 that are either under way or have been completed since January 2000. Most projects under this heading are large-scale, long-term studies reflecting the importance and difficulty of self-sufficiency research.

- *Evaluation of HUD's Homeless Assistance Programs* (under way: final report expected 2002). This evaluation will assess the impact of HUD's approach to providing homeless assistance and the way communities respond to the needs of homeless persons. The core field data collection in 25 sites is expected to be completed during 2001.
- *Bridges to Work* (under way: final report expected 2002). Bridges to Work is a four-year demonstration program that links low-income work-ready central city residents

with suburban jobs, transportation, child care and other supportive services. This project has had support from the Department of Transportation.

- *Family Self-Sufficiency Program* (under way: final report expected 2006). The Family Self-Sufficiency Program provides case management services and an escrow account that increases with earned income to public housing and voucher tenants. This two-part study will document the experience of selected families who entered the program in 1996 and will track a sample of new participants for up to five years to assess long-term effects.
- *Jobs Plus* (under way: final report expected 2003). Jobs Plus tests the impact of saturation employment support services, rent reform and community building activity on jobs and earnings in high-poverty public housing projects in six cities. This project has had support from the Rockefeller Foundation.
- *Moving to Opportunity (MTO) for Fair Housing Demonstration Program* (under way: final report expected 2008). MTO is a rigorous study of the long-term effects on families and children of moving from a high poverty neighborhood to a lower poverty neighborhood. An interim evaluation report is expected in Spring 2003.
- *Neighborhood Jobs Initiative* (under way) The Neighborhood Jobs Initiative explores the feasibility of dramatically increasing employment rates in distressed inner-city communities in six cities.
- *Welfare to Work Vouchers* (under way: final report expected 2006). This mandated evaluation will provide a rigorous test of the impact of housing choice vouchers on the earnings, employment, and welfare receipt of families who are receiving, have recently received, or would be eligible to receive Temporary Assistance for Needy Families in seven sites.
- *No Place Like Home: A Report to Congress on FHA's Home Equity Conversion Mortgage Program*, May 2000. This mandated report found that the HECM demonstration (a reverse mortgage program for seniors) had been a success, with growing loan volumes, high borrower satisfaction, significant surpluses of premiums over projected claims, and a declining trend in cost of origination. It also found that higher origination fee limits, lower overall costs, higher loan limits, and wider public awareness could encourage growing participation.

## **Objective 3.1: Homeless families and individuals achieve housing stability.**

### **Overview**

The ultimate objective of homeless assistance is to help homeless families and individuals achieve housing stability and an appropriate level of self-sufficiency. The needs of homeless persons vary; some need extensive and ongoing supportive services while others need only affordable housing with minimal services. Where it once was viewed exclusively as an urban problem, research suggests that homelessness is a prevalent problem in rural areas as well.

A landmark study released in December of 1999, *Homelessness: Programs and the People They Serve*, reports that most people who become homeless have suffered severe hardships—including physical and sexual abuse, childhood trauma, poverty, poor education, disability, and disease. The report also shows that when homeless people get housing assistance and needed services—such as health care, substance abuse treatment, mental health services, education and job training—76 percent of those living in families and 60 percent of those living alone end their homeless status and move to an improved living situation. HUD’s system for providing homeless assistance grants coordinates Federal, State, and local resources and services for homeless people.

The Department is continuing to target 30 percent of homeless funds for permanent housing as directed in recent years by Congress. Targeting is necessary because of the low supply of affordable housing in many communities and because a small percentage of the homeless population uses a disproportionate share of homeless resources. Providing permanent housing for chronically homeless persons can end their homelessness while freeing up other homeless assistance resources.

HUD provides homeless assistance based on the understanding that homelessness is not caused only by a lack of shelter, but involves a variety of unmet needs—physical, economic, and social. Therefore, the coordination of housing and supportive services is crucial to breaking the cycle of homelessness. Given the variety of individual needs and locally available resources, each community can best design its own strategies to help each homeless person and family achieve permanent housing and self-sufficiency. HUD’s programs provide needed resources and set a framework to guide localities while encouraging innovation.

In addition to the Homeless Assistance Grants Programs, HUD’s public and assisted housing programs are an important resource in helping formerly homeless people move from transitional housing into the housing mainstream. These programs also are a valuable tool for homelessness prevention—allowing families with extremely low incomes to remain well-housed. Other housing and community development programs, such as

Public Housing, CDBG, HOME and HOPWA, provide resources that at local discretion may be targeted to aid the homeless.

### **Means and strategies**

The FY 2001 VA/HUD Appropriations Act reauthorizes the Interagency Council for the Homeless (ICH) through FY 2005. In coordination with the rejuvenated ICH, the Secretaries of HUD and HHS will create a Homeless Services Task Force to both identify the obstacles to using HHS mainstream service programs by homeless providers and recommend specific changes, legislative, policy and procedural, that would explore specific ways to make Federal mainstream service programs (e.g. Medicaid, TANF, Substance Abuse Block Grants, Mental Health Block Grant, Food Stamps) much more accessible to our homeless providers.

The ICH will review all Federal activities and programs to assist homeless individuals and take action to reduce duplication among Federal programs and activities serving homeless individuals.

The FY 2002 budget continues funding for Homeless Assistance Grants and Shelter Plus Care renewals at the current level of \$1.12 billion, which includes \$150 million for Emergency Shelter Grants.

In order to provide housing and promote housing stability among the homeless population, HUD will:

- Promote and facilitate a community-based process that responds comprehensively to the varying needs of homeless individuals and families by consulting with all relevant local and State groups to identify gaps and set priorities to meet those gaps.
- Develop a client-level reporting system to understand the extent of homelessness and the effectiveness of different programs supported by McKinney-Vento homeless assistance programs.
- Provide continued support for vital housing and service programs and new funding to fill housing and services gaps locally through Homeless Assistance Grants.
- Encourage HUD Homeless Assistance Grantees that serve veterans to contact their local VA agency to link their programs with existing supportive service organizations that serve veterans.
- Train and fund communities to plan and execute a comprehensive, coordinated delivery system for homeless services—from outreach, intake, and assessment through emergency and transitional housing, to permanent independent or supportive housing.

**Programs supporting Objective 3.1:  
Homeless families and individuals achieve housing stability.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
Urban Empowerment Zones	45	55	185	150
Homeless Assistance Grants	975	1,020	1,123	1,123

Note: Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

**External factors**

Success in aiding the homeless to achieve housing stability is affected by a variety of factors beyond HUD’s control and depends critically on the efforts of a wide variety of community partners. The incidence of homelessness is affected by macroeconomic forces such as unemployment levels, structural factors such as the supply of low-skilled jobs and the availability of low-cost housing. Personal factors such as domestic violence, substance abuse, disabilities, and the extent of a person’s educational or job skills may also contribute to homelessness.

Local governments and service providers have substantial discretion in their use of homeless assistance and other Federal and local funding. Participation levels by partners—including State and local agencies, nonprofit organizations, service providers, housing developers, neighborhood groups, private foundations, the banking community, local businesses, and current and former homeless persons—will substantially determine the success of homeless families and individuals in becoming more self-sufficient.

**Coordination with other Federal agencies**

- HUD is a member of and will chair the Interagency Council on the Homeless. HUD’s sister Council agencies include the Departments of **Health and Human Services, Agriculture, Commerce, Education, Energy, Justice, Labor, Defense, Interior, Transportation** and **Veterans Affairs**, the **Social Security Administration**, the **Federal Emergency Management Agency**, the **Government Services Administration**, and the **Postmaster General**. The Council, a working group of the White House Domestic Policy Council, coordinates federal programs supporting homeless families and individuals to minimize duplication and improve overall results.

- HUD and **HHS** have worked on several initiatives to better integrate HUD housing and HHS service resources. HUD and HHS's Health Care Financing Administration (HCFA) are working together to combine HUD housing resources and HCFA services to integrate persons with severe disabilities into the community rather than in congregate living situations. This assistance could be combined with home-based health care, mental health counseling and other services funded through HHS.
- In 1997, HUD and **HHS** provided funds for technical assistance to five cities for integrating local service systems to reach the most difficult to serve portion of the homeless population, those with multiple diagnoses. Intensive and follow-up technical assistance was provided. The TA curriculum used for these sites was converted into a user guide for all communities and is now available on the web.
- HUD and **HHS** recently formed an ad hoc working group to identify HHS resources which could provide for supportive services that otherwise might be paid for by HUD's Supportive Housing Program (SHP). By reducing the demand for supportive service funding in SHP, more funds from this program can be dedicated to housing, particularly permanent housing. The working group, which meets regularly, is identifying and discussing the programmatic features of various HHS mainstream and other programs. In addition the group is identifying existing barriers in these programs to providing supportive services to homeless persons being housed in HUD's homeless assistance programs. Medicaid, Medicare, the Substance Abuse Block Grant, the Mental Health Services Block Grant, Temporary Assistance for Needy Families, Health Care for the Homeless and Ryan White are among the HHS programs being examined. HHS recently developed a letter, in cooperation with HUD, to be sent to numerous HHS grantees which encourages them to become involved in HUD's homeless assistance planning process and to consider partnering with providers of housing for homeless persons.
- HUD worked with the **Veterans Affairs** to identify VA local agency contacts so recently awarded HUD homeless assistance grantees could better coordinate HUD housing assistance with VA-provided services to homeless veterans.

## **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.



<b>Crosswalk for Strategic Objective 3.1: Homeless families and individuals achieve housing stability</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>3.1.1: The share of those homeless persons leaving HUD transitional housing who move to permanent housing increases by 0.5 percentage point.</p> <p>3.1.2: At least 20,000 formerly homeless persons move into HUD McKinney-Vento funded permanent housing.</p>	<p>3.1.a: The share of the population living in communities with a Continuum of Care system increases by 0.5 percentage point.</p> <p>3.1.c: At least 115,000 people move into HUD-funded transitional housing.</p> <p>3.1.d: At least 90 percent of EZ and EC projects achieve local goals in serving homeless persons (also appears at 4.2.d).</p> <p>3.1.e: The number of communities with Homeless Management Information Systems increases.</p>	<p>Homelessness has multiple and interacting causes including low job skills, substance abuse, mental illness and disabilities, and shortages of affordable housing.</p> <p>Homeless assistance is affected by the level of funding appropriated by Congress and by local use of funds.</p> <p>The Department of Health and Human Services has four programs that fund services for the homeless population, and Veterans Affairs serves homeless veterans.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 3.1.1:**

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

**Indicator background and context.** 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 share of persons leaving transitional housing that move to permanent housing has declined recently. Many homeless persons who leave transitional housing do so after staying only one or two months, before they have completed service plans or find permanent housing. Even for potential graduates, there may not be sufficient permanent housing available to meet their needs, or the permanent housing may not have appropriate services. An evaluation of HUD’s homeless assistance programs is underway. Results, which will be available in early FY 2002, will help improve understanding of the impact of local policies upon graduation rates.

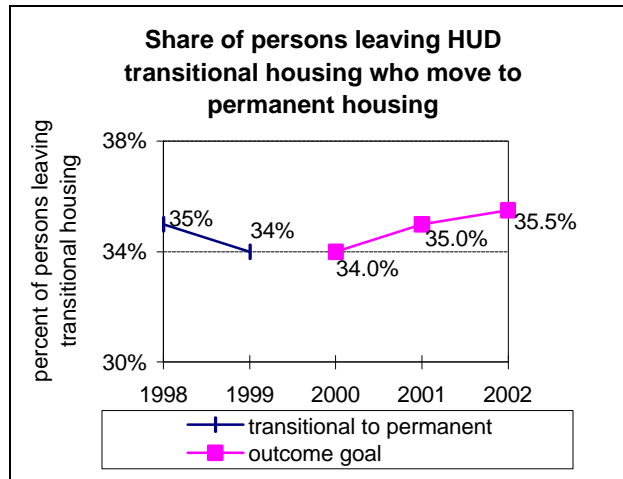
Since FY 1999, The Department’s appropriations language has specified that at least 30 percent of Housing Assistance Grants funds be used for permanent housing for the homeless. A sample of Annual Performance Reports for projects operating in 1998 and 1999 shows that the share of persons in transitional housing that moved to permanent housing declined from 35 to 34 percent. The FY 2002 goal is to increase by 0.5 percentage point over anticipated FY 2001 results of 35 percent.

**Data source.** Annual Progress Reports (APRs) submitted by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** Paper APRs are being entered in a database to provide reliable estimates on an interim basis. HUD intends to develop a client-based electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates, providing significantly more reliable estimates.

**Validation/verification of measure.**

CPD field staff monitor grantees on a sample basis to verify APRs.



### Outcome Indicator 3.1.2:

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

**Indicator background and context.** The assistance to homeless persons provided under the McKinney-Vento Homeless Assistance Act is an interagency effort that recognizes the multiple types of problems that homeless persons face. HUD's use of homeless assistance funds for permanent housing is a critical element in the broader program because it provides long-term stability that is essential to achieving full self-sufficiency. The supportive services available under the Homeless Assistance Grants continue to be available to persons and families who have made the transition to permanent housing, whether they arrive from transitional housing, emergency shelters, or from non-housing situations such as the streets.

This measure tracks the number of formerly homeless persons who move into permanent housing funded under the McKinney-Vento Homeless Assistance Act. For FY 2002, HUD's target is to help at least 20,000 formerly homeless persons achieve permanent housing through these programs. 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 several prior year's appropriations.

**Data source.** In past years, the primary source of data for homeless programs has been grant application data of awarded projects. With funding provided by Congress, HUD has been able to enter and analyze data about accomplishments reported by grantees in a significant number of Annual Performance Reports. This database will be used to report on this indicator. HUD intends to develop a client-based electronic APR.

**Limitations/advantages of the data.** Accomplishments data reported in APRs are expected to represent program results more reliably than planning estimates used in

previous years. Conversion to direct electronic reporting will eliminate transmission lags of the paper-based reporting system and increase response rates, providing significantly more reliable estimates.

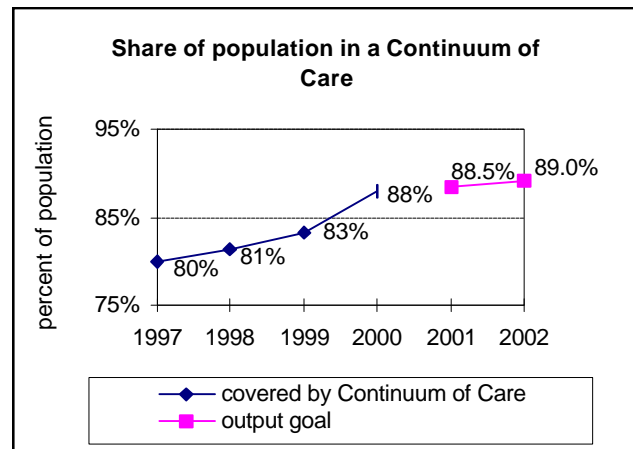
**Validation/verification of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports.

***Programmatic Output Indicator 3.1.a: The share of the population living in communities with a Continuum of Care system increases by 0.5 percentage point.***

**Indicator background and context.** HUD’s approach to homeless assistance allows communities to determine the local sources and solutions of homelessness and to respond appropriately. Continued participation in the planning process develops local capacity to identify and cooperatively resolve problems concerning populations that often remain largely invisible. HUD urges communities to develop comprehensive approaches that respond to the service needs of the homeless and develop their self-sufficiency. This indicator tracks the share of the population that lives in areas covered by these comprehensive systems. In 2000, the share of the population covered increased by five percentage points to 88 percent. However, because many of the remaining areas are less suited to forming a Continuum of Care, progress is likely to be much slower in future years.

**Data source.** CPD’s Special Needs Assistance Programs/Continuum of Care (SNAPs/CoC) administrative data, containing data from local homeless plans.

**Limitations/advantages of the data.** The share of homeless persons living in Continuum of Care communities may be higher or lower than the share of the general population because homeless persons may be distributed differently.



**Validation/verification of measure.** CPD directors review the estimated geographic coverage of the system.

***Programmatic Output Indicator 3.1.c: At least 115,000 people move into HUD-funded transitional housing.***

**Indicator background and context.** An important stepping stone toward permanent housing for homeless persons is the availability of transitional housing with supportive services to stabilize their lives. Beginning in 2002, this indicator tracks the number of persons who move into transitional housing funded through HUD’s Homeless Assistance

Grants. The measure includes persons who move into HUD McKinney-Vento funded transitional housing during 2002. These projects are funded with several prior year's appropriations.

**Data source.** In past years, the primary source of data for homeless programs has been grant application data of awarded projects. With funding provided by Congress, HUD has been able to enter and analyze data about accomplishments reported by grantees in a significant number of Annual Performance Reports. This database will be used to report on this indicator. HUD intends to develop a client-based electronic APR.

**Limitations/advantages of the data.** Accomplishments data reported in APRs are expected to represent program results more reliably than planning estimates used in previous years. Conversion to direct electronic reporting will eliminate transmission lags of the paper-based reporting system and increase response rates, providing significantly more reliable estimates.

**Validation/verification of measure.** CPD field staff verify quality of data in grantee reports when monitoring grantees.

***Programmatic Output Indicator 3.1.d: At least 90 percent of EZ and EC projects achieve local goals in serving homeless persons.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is an important tool for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to assist homeless persons. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.d, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

***Programmatic Output Indicator 3.1.e: The number of communities with Homeless Management Information Systems increases.***

**Indicator background and context.** Homeless Management Information Systems (HMISs) help homeless service providers improve services and planning by providing the technological capacity to track the usage of homeless services by specific individuals and families over time. This information can also help to more accurately determine the size, characteristics and the needs of the community's homeless population.

There are 12 communities now participating in a technical assistance project to collect unduplicated counts of homeless service users. These communities are included in the study if at least 75 percent of emergency shelter beds in the community reported during 1999. Another four have established HMISs with at least 50 percent reporting but not yet 75 percent reporting.

The Conference Report that accompanied the FY 2001 VA-HUD appropriations act directed HUD to take the lead in working with communities to establish MIS systems and

analyze jurisdictional homeless data within three years. This indicator will measure progress in accomplishing this objective by tracking the number of communities that have implemented community-wide HMISs as well as those seeking to update or expand the coverage of their existing systems. The Department expects to establish a baseline of the number of communities with HMISs and the proportion of emergency shelter, transitional housing, and permanent supportive housing beds covered by the system during FY 2002.

**Data source.** New questions on the FY 2001 McKinney-Vento community homeless plan ask for information about Homeless Management Information Systems. HUD expects to have an analysis of responses by October, 2001.

**Limitations/advantages of the data.** This is the first time HUD has collected data on local HMISs. There is no penalty to a community who does not wish to submit this information as part of its homeless plan.

**Validation/verification of measure.** CPD field staff verify quality of data in homeless plans.

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

### **Overview**

Central to HUD's mission of promoting stronger communities are its activities to help low-income working families acquire skills that will increase their earnings and to help families on welfare make progress towards self-sufficiency. HUD also seeks to help low-income families accumulate assets so that they can achieve homeownership, pursue educational opportunities, start a new business, and attain other important personal goals.

There is considerable overlap between the families served by HUD programs and those that receive various forms of income support and self-sufficiency assistance. In 1999, for example, some 1,250,000 families with children in public housing, in project-based Section 8 developments and with rental vouchers received Temporary Assistance for Needy Families (TANF) cash assistance. Many states are using the flexibility of welfare reform to create a wide range of supports for former welfare recipients and other low-income workers.

Welfare reform has brought with it major changes in what is expected of poor families. There are now time limits on benefits, work requirements, and the possibilities of benefit sanctions for not cooperating with the new requirements. Because of the changes to welfare, a strong job economy, and active public-private partnerships at all levels, there has been a dramatic drop in caseloads nationwide.

However, research shows that moving from welfare to work does not always increase overall family income. Nationally there is increasing attention to the need to ensure that low-income workers receive adequate support in terms of income, child care, health care, and transportation. Efforts are increasing to assist low-income workers not only with job retention but also with career advancement.

HUD has a variety of tools available to help families achieve self-sufficiency and economic independence by increasing income as well as by building assets. In many communities, HUD-supported housing serves as a platform where other agencies can conveniently provide services to low-income families. To facilitate linkages between tenants in HUD-assisted housing and services in the community, HUD funds service coordinators through the Family Self-Sufficiency program.

HUD's HOPE VI public housing revitalization program also currently supports an array of services to help families become self-sufficient. HUD provides funds that can be used, at the discretion of local agencies, for the direct provision of such services as employment training, child care and homelessness prevention. The Department is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.

Finally, HUD has adopted a number of policies intended to promote self-sufficiency and asset development. For example, PHAs may adjust their rent policies to reduce the financial disincentives to increasing an assisted household's earnings that have been present in some of our programs. The escrow accounts provided through the Family Self-Sufficiency program support asset development, as do Section 8 Homeownership vouchers.

The Department of Labor (DOL) has completed the initial implementation of the Workforce Investment Act of 1998, creating a system of One-Stop Career Centers throughout the nation. HUD customers are coordinating their efforts with those of the numerous other agencies that are One-Stop partners. DOL's Welfare-to-Work program has been extended through 2003, and will continue to serve families served by HUD programs.

Given these recent significant changes in both our nation's welfare and workforce development systems, it is critical that HUD staff, HUD-funded agencies, and families that receive their services all understand how these various systems work and interconnect. Only in this way can we ensure that these families receive the services they need.

### **Means and strategies**

For FY 2002, the Administration has proposed a number of new initiatives that will help residents improve their job skills and develop assets. These initiatives will provide:

- \$80 million for *Community Technology Centers* to help local communities create or expand computer technology centers in low-income areas. These centers will provide an opportunity for low-income children and parents to learn vital computer skills.
- A tax credit for financial institutions that match private Individual Development Accounts. These are savings accounts set up by low-income families to help them save for a first home, pay for education, or start a business.
- Funding to help families build assets through homeownership. HUD has proposed \$200 million for the Downpayment Assistance Initiative, which will provide grants to help make homeownership affordable to low-income families.
- Homeownership assistance by allowing families in the Section 8 voucher program to use up to one year's worth of voucher assistance for the downpayment on a home. Alternatively, families will have the option of using their Section 8 vouchers to meet the ongoing costs of a mortgage. (This initiative is discussed in further detail under the means and strategies of Objective 1.1.)

In addition to the new initiatives, HUD's housing programs contribute to this objective by providing low-income families with the stability they may need to focus on obtaining work or increasing their earnings. A number of HUD programs seek to maximize these benefits by helping to link families in assisted housing to services in the community. HUD's homeownership assistance programs also help families accumulate assets. Other HUD programs, such as CDBG, HOPWA and the homeless programs, make funds available to

local communities that can be used either to provide housing or to provide services to help families make progress towards self-sufficiency, avoid homelessness, or maintain a stable living environment. During FY 2002, HUD will use its many available tools to:

- Increase enrollment in the Family Self-Sufficiency program among both public housing residents and Section 8 voucher holders. Family Self-Sufficiency helps families increase both their income and assets.
- HUD will continue to provide assistance to help local agencies create Neighborhood Networks Centers and other computer centers in assisted multifamily and public housing developments.
- Help families prepare for work and remain working through Step-Up, and other HUD programs, including those using CDBG funds and those located in Empowerment Zones and Enterprise Communities.
- Provide Resident Opportunity and Self-Sufficiency (ROSS) grants to public housing agencies, resident organizations and non-profit organizations acting on behalf of residents to fund job and business development training, link residents to jobs, create credit unions and support services such as child care, transportation and family counseling.
- Enforce requirements of Section 3 of the HUD Act of 1968 to expand employment and training opportunities for low-income residents through HUD-funded construction, rehabilitation, or other public construction.
- Through Jobs Plus and Moving to Work demonstration programs, identify successful practices and replicable models for increasing the employment and earnings potential of public housing residents.
- Expand homeownership opportunities for low-income families through the Section 8 Homeownership Voucher program, regulation of Fannie Mae and Freddie Mac and the provision of FHA insurance, thereby creating more opportunities for asset building through the accumulation of equity in the home.
- Disregard some or all income of newly employed families in public housing for a minimum of two years when setting public housing rents so families can keep more of their earnings as they meet the costs of going to work, and give PHAs discretion to continue disregards.
- Provide high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation through the Youthbuild program.
- Encourage the use of Section 8 vouchers and HOME funding for tenant-based housing assistance to help families move to neighborhoods with better access to jobs, transportation and other supportive services.
- Fund and support multi-service centers that house childcare, after-school programs, computer labs, employment services, training, recreation and healthcare at HOPE VI



*Goal 3: Promote Housing Stability, Self-Sufficiency and Asset Development*

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sites. HUD is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.

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

(Dollars in Millions)

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
Community Technology Centers Initiative	0	0	0	[80]
Youthbuild	[43]	[43]	[60]	[60]
Resident Opportunity and Self-Sufficiency	[55]	[55]	[55]	[55]
Section 108 Loan Guarantees/Loan Commitments	{432}	{412}	{1,258}	{609}
Section 108 Program account	11	10	30	15
Homeless Assistance Grants	975	1,020	1,123	1,123
Urban Empowerment Zones	45	55	185	150
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec.8 Project-based & Tenant-based)	10,327	11,481	13,910	15,717
Incremental Vouchers	0	[347]	[452]	[197]
FSS Coordinators	[25]	[25]	[45]	[47]
Public Housing Operating Fund	2,818	3,138	3,235	3,385
Public Housing Capital Fund	3,000	2,884	2,993	2,293
HOPE VI	625	575	574	574
<b>Housing</b>				
Section 202 (elderly)	660	710	777	783
FHA GI/SRI Commitment Level	{16,924}	{9,308}	{21,000}	{21,000}
FHA GI/SRI Program Account	308	262	456	375
Neighborhood Networks	0	0	0	0

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal. The funding for the Housing Certificate Fund does not include Rescissions or Advanced Appropriations.

**External factors**

A healthy economy with an increase of jobs in the service sector has made it easier for many low-skilled or inexperienced workers to enter the workforce in recent years. If the

economy continues to slow, however, it may become more difficult for families to make this transition or to retain current employment. Opportunities for better paying jobs continue to be concentrated in technical fields for which many recipients of HUD assistance are not prepared. Jobs continue to grow faster in suburban areas, while families making the transition from welfare are more likely to live in inner-city or rural areas. Many of the educational, training, and service programs available to help families make the transition to self-sufficiency are operated by local recipients of Federal funds from agencies other than HUD, and these agencies traditionally have not made special efforts to serve residents of public and assisted housing.

### **Coordination with other Federal agencies**

The Department works closely with a number of Federal agencies including the Departments of **Labor** and **Health and Human Services** to ensure the successful implementation of welfare reform.

- HUD is a member of DOL's Interagency Coordinating Committee for the Workforce Investment Act. HUD encourages HUD-funded employment and training programs as well as subsidized housing providers to coordinate and partner with DOL's national system of One-Stop Employment Centers.
- HUD served on the Interagency Program Committee for two major national DOL conferences in 2000, the Welfare-to-Work Conference and the Joint Employment and Training Technology Conference.
- HUD worked with HHS in 2000 to develop guidance and a model cooperative agreement for Public Housing Agencies and local welfare agencies to help PHAs meet the requirements for such an agreement in the public housing reform legislation. 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.
- In support of HHS welfare efforts HUD serves on the Interagency Committee on Supports for Low-Income Workers, 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 collaborates with HHS and DOL in educating HUD customers, community organizations, and state and local agencies about the Workforce Investment Act and federal welfare regulations through interagency broadcasts on HUD's satellite broadcast system.
- HUD has an interagency agreement with HHS to study the impact of HUD housing assistance on families leaving welfare. This study, nearing completion, tracks the differences in the areas of housing quality, employment, and return to work between families who receive HUD housing assistance and those who do not. (See also

objective 5.2.) HUD is working with HHS to identify additional opportunities to address housing issues in their welfare reform research.

**Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<p align="center"><b>Crosswalk for Strategic Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets</b></p>		
<p align="center">Outcome Indicators</p>	<p align="center">Programmatic Output Indicators</p>	<p align="center">External Factors</p>
<p>3.2.1: Maintain the percentage rate of earnings gained by employed adult TANF recipients or former recipients over a six-month period (interagency indicator).</p> <p>3.2.2: The share of recipients of welfare-to-work vouchers who hold jobs at time of annual recertification increases.</p> <p>3.2.3: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.</p> <p>3.2.4: The number of public housing and Section 8 voucher households that have accumulated assets through the Family Self Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.</p>	<p>3.2.a: At least 85 percent of EZ and EC projects achieve local goals in providing social services (see table under 4.2.d).</p> <p>3.2.b: The share of housing agencies scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points.</p>	<p>The welfare time limits under welfare reform terminate assistance for many welfare recipients, sometimes when they have few employable skills. It is not clear whether recipients in States with stringent time limits will be more or less likely to escape poverty, but comprehensive supportive services are likely to be critical success factors.</p> <p>The new public housing law permits housing agencies to pursue income-mixing policies, including establishing admission preferences for working families.</p> <p>General economic and labor market conditions directly influence rates of work, poverty, and welfare.</p> <p>Bankable assets may not reflect all the activities that families undertake to increase self-sufficiency. They may determine that education, for example, is a more productive use for their income.</p>

<b>Crosswalk for Strategic Objective 3.2:                      Poor and disadvantaged families and individuals                      become self-sufficient and develop assets</b>		
<p>3.2.5: The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point.</p> <p>3.2.6: The share of welfare families that move from welfare to work each year while assisted by tenant-based Section 8 increases by 2 percentage points.</p> <p>3.2.7: The share of welfare families that move from welfare to work each year while assisted by project-based Section 8 increases from the FY 2001 baseline.</p> <p>3.2.8: Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point (also appears as 4.1.5).</p>	<p>3.2.c: Among Consolidated Plan jurisdictions with housing agencies, the share that have included housing agency representatives in consolidated planning efforts reaches 90 percent (also appears as 1.2.p).</p> <p>3.2.d: A total of 124,900 jobs will be created or retained through CDBG and 30,000 through Section 108 (also appears as 4.1.e).</p> <p>3.2.e: A total of 3,774 youths are trained in construction trades through Youthbuild.</p> <p>3.2.f: Employment of persons while in HUD transitional housing increases by 50 percent.</p>	<p>General economic and labor market conditions directly influence the rate of transition from welfare to work.</p> <p>Low-income and entry-level jobseekers are more likely to be affected by macroeconomic cycles.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 3.2.1:**

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

**Indicator background and context.** This outcome indicator measures the improvement in TANF recipients’ income six months after becoming employed, and represents an interagency goal with HHS, which administers the Temporary Assistance for Needy Families welfare program. The goal is significant to HUD because of the Nation’s need to increase self-sufficiency and because of the large overlap of the welfare and housing-assisted populations. Welfare recipients who lose public assistance under welfare reform time limits and then fail to obtain adequate employment will reduce their rent contribution, increasing operating subsidies for public housing. More importantly, HUD wants welfare terminees to become self-sufficient to free assisted housing resources for other families.

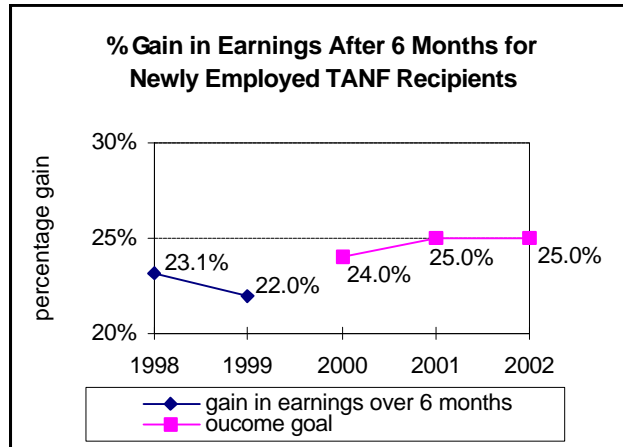
In 1999, newly employed TANF recipients or former recipients experienced a 22 percent gain in earnings after being employed for six months. This level was below the 1998 level

of 23.1 percent. The goal for 2001 was to increase the gain to 28 percent in an equivalent period, however, it is unlikely to be met given the current trend. There is evidence that the remaining TANF population faces more obstacles to stable, high quality employment, making it increasingly difficult to improve upon or even maintain the current rate of earnings increase. The 2002 goal is to maintain the FY 2001 level.

**Data source.** Tabulations provided by the HHS, based on TANF administrative data from most States and Unemployment Insurance data in remaining States.

**Limitations/advantages of the data.** HHS performs extensive clean-up of TANF administrative data. No further analysis by HUD is necessary.

**Validation/verification of measure.** HUD has no independent data for verification of HHS data or analysis.



### Outcome Indicator 3.2.2:

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

**Indicator background and context.** HUD's welfare-to-work vouchers provide a major source of support to help former welfare recipients obtain and keep jobs. Housing assistance provides stability and housing security at a critical point in the transition to work, when work experience is too low to obtain a job paying a living wage. This indicator tracks the work success of former welfare recipients who are assisted by welfare-to-work vouchers, as determined by the share of recipients employed when housing agencies recertify their incomes after one year.

**Data source.** Multifamily Tenant Characteristics System (MTCS), consisting of household data submitted electronically by housing agencies. The baseline for households receiving vouchers in FY 2000 will be determined in FY 2001, capturing their work status after one year of assistance.

**Limitations/advantages of the data.** MTCS data for the tenant-based program are relatively complete, representing over 95 percent of households, and are judged to be reliable for this measure. Although HAs are not required to recertify tenant incomes at precise 12-month intervals, variations of several months have little impact on this measure's validity.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

**Programmatic Output Indicator 3.2.a (formerly 3.2.a.5): At least 85 percent of EZ and EC projects achieve local goals in providing social services.**

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD’s primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to improve health care, serve the elderly and youth, and provide other social and supportive services tailored to local needs. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.d, which supports Strategic Objective 4.2, “Disparities in well-being among neighborhoods and within metropolitan areas are reduced.”

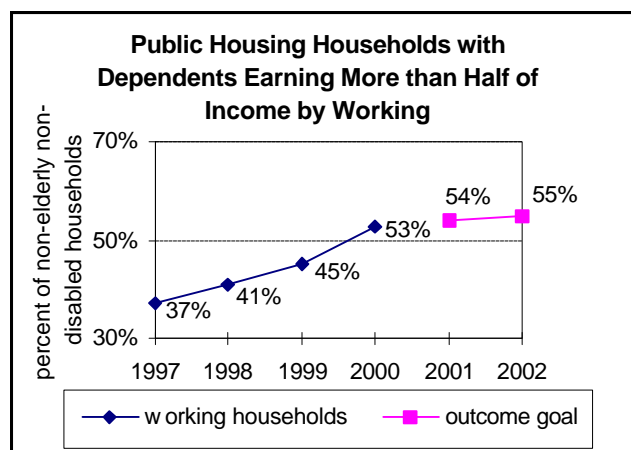
**Outcome Indicator 3.2.3:**

**Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.**

**Indicator background and context.** The Quality Housing and Work Responsibility Act of 1998 allows public housing agencies to admit some higher income families, who usually are working households. The legislation also permits PHAs to exclude new earned income from tenant rent calculations and gives tenants the option of paying flat rents that do not increase as income increases. The FSS and ROSS programs help PHAs promote work among public housing families. This indicator tracks the success of housing agencies in attracting working families and in promoting work participation among existing residents. In 2000, 53 percent of non-elderly non-disabled families with dependents in public housing received a majority of their income from earnings, up from 45 percent in 1999. The FY 2002 performance goal is based on a projected accomplishment of 54 percent working families in FY 2001.

**Data source.** PIH Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing agencies.

**Limitations/advantages of the data.** MTCS data are judged to be reliable for this measure. The data are free of sampling error because they represent a near-census of assisted households. The reporting rate near 95 percent leaves little risk of nonresponse error, although an unknown level of measurement error is possible when PHAs fail to verify tenant-provided information.



**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

**Outcome Indicator 3.2.4 (formerly 3.2.6):**

**The number of public housing and Section 8 voucher households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.**

**Indicator background and context.** HUD is committed to increasing the number of programs and enrollments in the Family Self-Sufficiency Program (FSS), its principal asset building tool. FSS promotes the development of local strategies for helping families obtain employment that will enable them to build assets and achieve economic independence and self-sufficiency. FSS provides participating families with opportunities for educational services, job training, counseling, and other services while they are receiving housing assistance. Both Section 8 voucher holders and public housing residents are eligible to participate in FSS programs.

The essential elements of the FSS program include (1) voluntary participation of families through a five-year self-sufficiency contract; (2) case management and service coordination; (3) a Program Coordinating Committee made up of representatives of the housing agency, local government and service providers; and (4) escrow savings accounts, a significant asset-building tool. As participants' earnings increase, a proportion of their increased rental payments is deposited into an interest-bearing escrow account. They receive these funds upon successful fulfillment of their self-sufficiency contract.

This indicator tracks the number of public housing and voucher-assisted households who participate in FSS and have positive escrow balances, and the average escrow amount for graduates during the fiscal year.



**Data source.** Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing agencies. The baseline for average escrow amount for graduates will be determined in FY 2001.

**Limitations/advantages of the data.** MTCS data are judged to be reliable for this measure. The data are free of sampling error because they represent a near-census of assisted households. Housing agencies have limited incentive to probe deeply or verify tenant-reported assets.

Households with FSS Escrow Balances		
	Feb. 2001	FY 2002 goal
<b>Public Housing households</b>		
FSS Participants	7,092	7,801
Number with Escrow Assets	2,735	2,872
Avg. Escrow Amount for Graduates	not avail.	tbd
<b>Tenant Based Section 8 households</b>		
FSS Participants	47,755	52,531
Number with Escrow Assets	15,603	16,383
Avg. Escrow Amount for Graduates	not avail.	tbd

**Validation/verification of measure.** MTCS includes automated checks for out-of-range and internally inconsistent data entries. Selected MTCS data elements are being verified during FY 2001 under the Data Quality Improvement Program. HUD performed a quality control study during FY 2000 that revealed that among tenants with rent calculation errors (including owner-administered programs), asset income was the primary source of the error in only 3.9 percent of cases.

***Programmatic Output Indicator 3.2.b (formerly 3.2.c): The share of housing agencies scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points.***

**Indicator background and context.** The Family Self-Sufficiency program requires housing agencies to sign self-sufficiency progress contracts with specified numbers of Section 8 and public housing tenants. FSS helps tenants build assets by funding escrow accounts with increased tenant rent payments resulting from increased earnings. The Quality Housing and Work Responsibility Act freed housing agencies from the requirement to offer FSS programs to new tenants beyond the originally specified numbers. However, PHAs still must complete existing programs by attaining the original target for the number of graduates of FSS. This indicator uses one component of the SEMAP system to track PHA compliance with FSS obligations for tenant-based programs. To score at least eight points, at least 60 percent of mandatory FSS slots must be filled and at least 30 percent of FSS families must have escrow account balances.

**Data source.** Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to MTCS and on findings of independent audits of program compliance under the Single Audit Act. The baseline will be determined in FY 2002 from SEMAP ratings

**Limitations/advantages of the data.** MTCS data for tenant-based programs are complete, with reporting rates of 100 percent of families. SEMAP is new and imposes an extensive set of new standards that some auditors may lack the knowledge to implement.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors and invalid data by housing agencies. Reporting related to the FSS SEMAP indicators is subject to review by independent auditors under the Single Audit Act.

**Outcome Indicator 3.2.5 (formerly 3.2.4):**

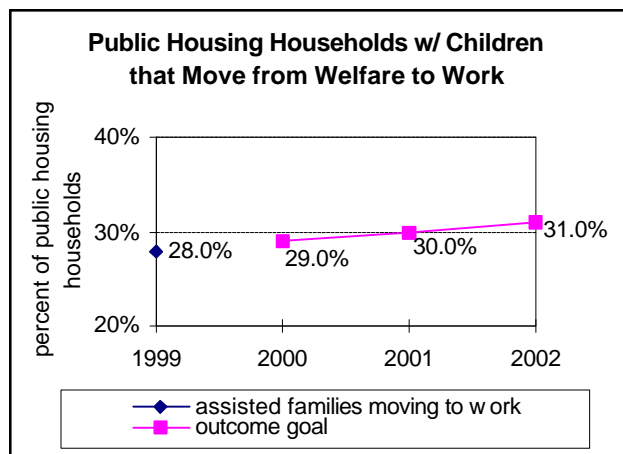
**The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point.**

**Indicator background and context.** HUD wants housing agencies to help public housing residents move from welfare to work by helping families obtain needed services and by building work incentives into the administration of the public housing program. PHAs have a variety of self-sufficiency programs that promote work. Under the recently enacted public housing reform law, housing agencies are required to use best efforts to coordinate efforts with local welfare agencies.

This indicator tracks the work participation outcomes for welfare families while they reside in public housing, as determined by primary income source. Primary income source is defined as welfare income or wage income exceeding 50 percent of total income. Among public housing families with dependents who were on welfare in 1998, 28 percent of those who still resided in public housing a year later were working. The FY 2002 goal is based on anticipated improvement to 30 percent moving from welfare to work in the 2000-2001 period.

**Data source.** PIH Multifamily Tenant Characteristics System consisting of household data submitted electronically by housing agencies.

**Limitations/advantages of the data.** MTCS data are judged to be reliable for this measure. The data are free of sampling error because they represent a near-census of assisted households, with about 95 of public housing households reported. The high reporting rate leaves little risk of nonresponse error, although an unknown level of measurement error is possible when PHAs fail to verify tenant-provided information. Annual recertifications of tenant income for MTCS may not capture short spells of work or welfare.



**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

**Outcome Indicator 3.2.6 (formerly 3.2.5):**

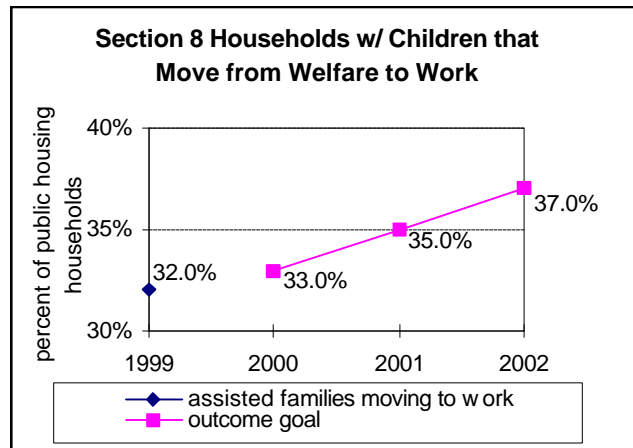
**The share of welfare families that move from welfare to work each year while assisted by tenant-based Section 8 increases by 2 percentage points.**

**Indicator background and context.** Tenant-based Section 8 assistance is one of HUD’s best tools to help families escape welfare dependency, because families are free to move to neighborhoods that are close to jobs. In addition, most housing agencies administering Section 8 have implemented Family Self-Sufficiency programs to help families become economically independent. This indicator tracks work participation outcomes for welfare families assisted by tenant-based Section 8 vouchers, excluding welfare-to-work voucher families (who are covered by Indicator 3.2.2) when the data become available to identify them separately. Welfare status or work status is defined by primary source of income, meaning welfare income or wage income exceeding 50 percent of total income.

In the tenant-based program during the 1998-1999 period, 32 percent of all families with children who were on welfare in 1998 were working a year later. The FY 2002 performance goal is based on anticipated improvement to 33 percent moving to work in the 1999-2000 period.

**Data source.** PIH Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing agencies.

**Limitations/advantages of the data.** MTCS data are judged to be reliable for this measure. The data are free of sampling error because they represent a near-census of assisted households. Annual recertifications of tenant income for MTCS may not capture short spells of work or welfare. MTCS data for tenant-based programs are essentially complete.



**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

**Outcome Indicator 3.2.7 (formerly 3.2.5.5):**

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

**Indicator background and context.** Welfare families in assisted multifamily developments are also subject to the new rules of TANF, and their transition to self-sufficiency is beneficial for both the assisted residents and the Section 8 program. The Neighborhood Networks and Community Technology Centers programs strongly promote self-sufficiency in the assisted multifamily program by helping property owners, managers, and residents develop computer centers where residents can learn job skills, telecommute, and develop microenterprises. As private businesspersons, assisted multifamily owners have fewer regulatory responsibilities than do PHAs regarding promotion of self-sufficiency. This indicator tracks movement to work among welfare recipients who receive project-based Section 8 rent subsidies in privately-owned multifamily housing.

**Data source.** Office of Housing's F87 Tenant Rental Assistance Certification System (TRACS), consisting of household data submitted electronically by multifamily managers. The baseline change in employment status for the 1999-2000 period will be determined in FY 2001.

**Limitations/advantages of the data.** TRACS data are judged to have adequate reliability for this measure. The data have minimal sampling error because they represent a near-census of households in assisted developments. In FY 2000, as the responsibility for reporting has shifted to private project managers, reporting has declined. HUD anticipates having to train private managers to input data in a timely manner, which will result in incomplete reporting for FY 2000, 2001, and 2002. Automatic logical data checks minimize the risk of recording error in electronic data submissions.

**Validation/verification of measure.** TRACS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

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

**Indicator background and context.** Both States and cities are required to develop Consolidated Plans to assess needs and determine strategies for allocating HUD grants. Consolidated Plans must consider the full range of community needs to be valid guidelines, and the families served by housing agencies represent an important component of area needs. This indicator is discussed in the context of promoting affordable rental housing as Programmatic Output Indicator 1.2.p.

**Outcome Indicator 3.2.8 (formerly 3.2.7):**

**Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point.**

**Indicator background and context.** The unemployment rate of youth indicates the extent to which entry-level or unskilled jobseekers are finding employment. Youth have higher rates of unemployment than other age groups. The unemployment rate is defined as the percentage of those who want to work (the labor force) but who do not have jobs. This indicator tracks the unemployment rate for the 16- to 19-year-old labor force in central cities. HUD contributes to job readiness for entry-level workers through Youthbuild training, Neighborhood Networks, and the new Community Technology Centers initiative. HUD creates jobs through Section 3 enforcement, Community Development Block Grants, Section 108 loan guarantees, and Empowerment Zone programs. The 2002 goal is based on projected accomplishment of 15.9 percent unemployment in 2001.

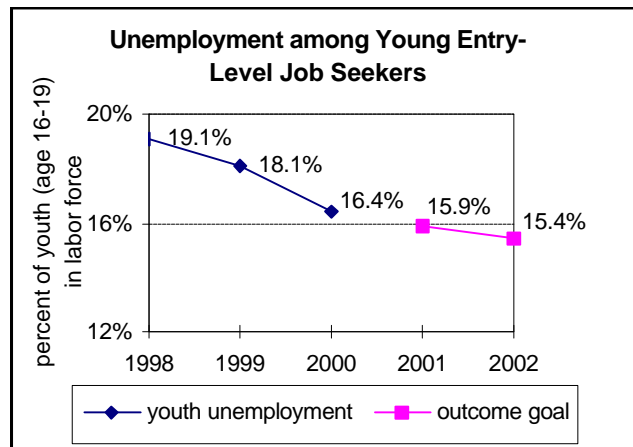
**Data source.** Annual calendar year estimates by the Bureau of Labor Statistics (BLS) using data from the Current Population Survey and unemployment insurance program data.

**Limitations/advantages of the data.**

BLS does not publish this data for individual central cities and metropolitan areas, but unpublished data are available annually for the aggregate of all central cities. Youth are not a perfect proxy for all entry-level unemployed persons because they may have more computer-related skills or other differences in human capital.

**Validation/verification of measure.**

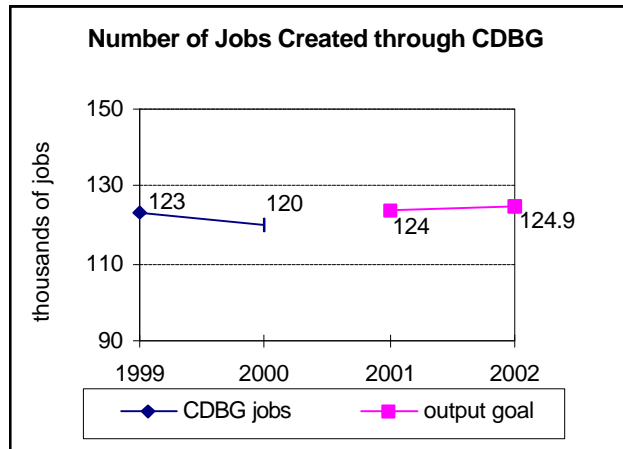
It is not feasible for HUD to verify Bureau of Labor Statistics data independently.



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

**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. This indicator also appears in the context of increasing the number of jobs in urban and rural communities, as Programmatic Output Indicator 4.1.e.

The estimates for CDBG are the expected number of jobs created or retained during the fiscal year, based on the average job creation or retention per grant dollar as reported by grantees and projected outlays. The estimates for Section 108 are based on grantee applications funded during the fiscal year. The indicator will be converted to actual full-time-equivalent jobs created or retained with cumulative outlays as HUD enhances data systems.



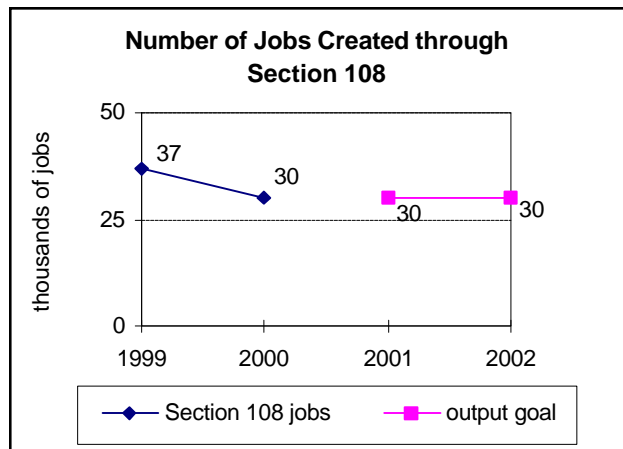
**Data source.** Estimates for CDBG are based on the Integrated Disbursement Information System (IDIS); estimates for Section 108 are from HUD's Application Project Database.

**Limitations/advantages of the data.**

HUD is currently working to increase the accuracy and completeness of IDIS data. Section 108 grantees report projected rather than actual job creation activity.

**Validation/verification of measure.**

Field staff review grantee reports to assess accuracy and monitor to ensure that reported jobs are directly related to expenditure and that low-and moderate-income persons receive the required share of positions.



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

**Indicator background and context.** Youthbuild offers 16- to 24-year-old high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation. The \$60 million budget for FY 2002 is expected to train 3,774 youth. For FY 2002, HUD has moved to setting annual, rather than cumulative targets.

**Data source.** CPD's Office of Economic Development tabulates information from grantee applications.

**Limitations/advantages of the data.** Data are based on grantee projections and do not represent actual accomplishments. The type and duration of training varies between projects.

**Validation/verification of measure.** CPD Field staff monitor grantees to ensure that they are meeting the objectives identified in their applications.

***Programmatic Output Indicator 3.2.f: Employment of persons while in HUD transitional housing increases by 50 percent.***

**Indicator background and context.** Stable employment is a critical step for homeless persons to achieve self sufficiency. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. The Supportive Housing Program, the largest component of homeless assistance funds, provides job training and employment counseling in addition to other service needs of homeless persons. This indicator tracks the rate of employment among adults who leave McKinney-Vento funded transitional housing compared with those who enter. Because homeless persons tend to have few marketable job skills, they are disproportionately affected by economic cycles. The targeted increase of 50 percent is based on preliminary data. The goal may have to be adjusted when more complete data become available.

**Data source.** Annual Progress Reports submitted by Homeless Assistance grantees. The FY 2001 baseline will be available in early FY 2002.

**Limitations/advantages of the data.** Data only show the employment status of homeless persons as they leave transitional housing, and do not capture the quality and long-term stability of employment.

**Validation/verification of measure.** HUD Field staff verify data quality by monitoring grantees.

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

#### **Overview**

This new strategic objective reflects the Department's continued emphasis on the needs of the growing population of elderly Americans and a clear commitment to support the needs of persons with disabilities and their families to live independently. For these two groups, the term "self-sufficiency" reflects not just financial independence, but independent and assisted living. Elderly people often want to remain in their homes as long as possible, aging in place. Persons with disabilities need homes that are accessible and have structural or technological features that empower them. They may choose to live in neighborhoods where social networks are stronger or where they do not need to drive to obtain daily needs. When people are forced to rely on others for occasional, daily or continual assistance, the physical characteristics of their homes can support or deny such help. They may choose to move to a multifamily assisted living facility where service coordinators are on staff, where daily needs are provided, or where more extensive care is provided.

One way to promote independence of the elderly and persons with disabilities is through a comprehensive approach that begins with simple physical modifications for independent living and adds support services as needed through complete health care assistance. This Annual Performance Plan begins the process of articulating this strategy under a separate objective and reinforcing the Department's capacity to meet the spectrum of needs.

#### **Means and strategies**

In FY 2002, HUD will continue its strong support for programs that help the elderly and persons with disabilities access suitable and affordable housing and achieve maximum independence. Among other proposals, the FY 2002 budget provides:

- \$20 million as a set-aside within the CDBG account for the Improving Access Initiative. This initiative will provide grants to help organizations that are exempt from the Americans with Disabilities Act and have limited resources to make their facilities accessible to persons with disabilities. Among other eligible organizations are civic organizations and religiously affiliated service providers.
- \$277 million for the Housing Opportunities for Persons with AIDS (HOPWA) program, an increase of \$20 million over FY 2001 levels. This will support an increase in the number of jurisdictions eligible for funding based on increases in the number of persons with AIDS as reported to the Centers for Disease Control and Prevention.

In fiscal years 2001 and 2002, HUD will implement a number of new policies designed to assist the elderly and persons with disabilities. These policies, which were authorized in



the American Homeownership and Economic Opportunity Act of 2000 and the FY 2001 VA-HUD Appropriations Act, will:

- Expand eligibility for the Assisted Living Conversion Program to include not only Section 202 projects but all HUD multifamily projects with project-based Section 8, as well as Section 236 and Section 221(d)(3) projects.
- Allow non-profit sponsors of Section 202 and 811 developments to form limited partnerships with for-profit entities to compete for low-income housing tax credits and give sponsors greater discretion in how funds are used to meet the needs of elderly and disabled households.
- Make prepayment and refinancing of Section 202 projects more attractive to owners, and ensure that at least 50 percent of the annual savings are used in a manner that directly benefits elderly and disabled residents (e.g. through modernization of common areas or individual dwelling units, construction of assisted living facilities, or financing service coordinators or congregate services).
- Encourage service coordinators to assist low-income elderly or disabled families living near, as well as those as residing in, Section 202 projects.
- Implement the Pilot Program for Section 8 Homeownership Assistance for Disabled Families, using Section 8 Homeownership Vouchers.

In addition to implementing these new provisions, HUD will continue to utilize its core programs to help low-income seniors and persons with disabilities obtain suitable and affordable living environments. Among other steps, HUD will:

- Provide mortgage insurance to finance the construction and rehabilitation (or purchase or refinance of existing projects) of assisted living facilities through the Section 232 program.
- Permit housing rental vouchers to be used for the housing costs in assisted living facilities.
- Increase affordable housing and rental subsidies for older or disabled renters through Sections 202/811, and convert elderly housing or create new assisted living facilities to meet the growing needs of the oldest elderly.
- Through CDBG and HOME, provide formula grants to States and large jurisdictions that may be used for producing, rehabilitating, or subsidizing rents of housing affordable to low-income elderly or disabled households.
- Fund service coordinators who provide personal assistance with daily activities, provide transportation to medical appointments or shopping, establish health and wellness programs in the community, and make physical improvements to provide space for support services.
- To assist persons with disabilities in obtaining and retaining employment, provide temporary income disregards for persons returning to work and extend to more HUD

programs deductions for disability-related expenses, such as medical and attendant care or child care.

- Provide Home Equity Conversion Mortgages (HECMs), or “reverse” mortgages, to allow senior homeowners to convert accumulated equity in their homes to income in the form of monthly payments, a lump sum or a line of credit. HECMs can help elderly homeowners adapt their homes to accommodate changing physical needs, or simply pay medical and living expenses to maintain their quality of life.
- Promote model building codes for housing accessible for persons with disabilities.

In addition to these programs, HUD's public housing and Section 8 programs provide support for the elderly and persons with disabilities. HUD's office of Fair Housing and Equal Opportunity fights housing discrimination in the private housing market, including the enforcement of accessibility standards.

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

Program	FY 1999 act.	FY 2000 act.	FY 2001 est.	FY 2002 est.
<b>Housing</b>				
Sections 202/811 (elderly and disabled)	854	911	994	1,001
<b>Community Planning and Development</b>				
Improving Access Initiative	0	0	0	[20]
Homeless Assistance Grants	975	1,020	1,123	1,123
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Section 8 Project-based & Tenant-based Assistance)	10,327	11,481	13,910	15,717
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	24	24	24	23
Fair Housing Assistance Program	16	20	22	23

Note: Brackets reflect funding as a set-aside. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

### External factors

The Nation's population of elderly citizens is growing rapidly as the baby boom generation matures, and as improved medical treatments and healthier lifestyles allow people to live longer. The share of the population who are elderly (65 and older) is projected to increase from 13 percent to 20 percent of the population by 2030, with rapid growth beginning

around 2010. The fastest growing segment of the elderly population is already those aged 85 and older. Elderly women outnumber elderly men and are most likely to live alone.

The Supreme Court ruled in 1999 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 will be moving into communities at a time when affordable housing is increasingly scarce. This decision will increase the need for accessible housing and housing that is linked to supportive services.

### **Coordination with other Federal agencies**

- HUD and the **Department of Health and Human Services** 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 and the **Federal Housing Finance Board** have a MOU that sets forth the policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds for subordinate financing of Section 202 and Section 811 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlines the approval process and decreases the amount of time it takes for financing to become available for these projects which house elderly and disabled persons.
- As part of the **Presidential Task Force on Employment of Adults With Disabilities**, HUD proposed and designed a national pilot project implemented in 1999 to learn how Federally-supported service programs might better lead to employing adults with disabilities, especially adults who are members of racial, ethnic, and language minority communities.

### **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<b>Crosswalk for Strategic Objective 3.3:                      The elderly and persons with disabilities achieve maximum independence</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>3.3.1: The number of assisted-living units that HUD supports through FHA insurance and conversion of Section 202 elderly units increases from the FY 2001 baseline.</p> <p>3.3.2: The number of elderly households living in a public or assisted housing development that is served by a service coordinator for the elderly increases by 10 percent for private assisted housing.</p> <p>3.3.3: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments, and neighborhoods.</p>	<p>3.3.a: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 291 projects to initial closing under Sections 202 and 811.</p> <p>3.3.b: At least 10 Section 202 developments will complete conversion of units to assisted living by FY 2003.</p> <p>3.3.c: By FY 2002, assisted-living facilities in at least five States will house elders using housing vouchers combined with Medicaid or other third-party funding for services.</p>	<p>The number of elderly households is projected to increase dramatically in the coming decades.</p>
<p>3.3.4: The ratio of homeownership rates between persons with disabilities and other households increases by 0.2 percentage points annually from the 2001 baseline (also appears as 2.3.2).</p> <p>3.3.5: The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline (also appears as 2.1.4).</p>	<p>3.3.d: The Improving Access Initiative will fund ADA-exempt civic and religious organizations to make their facilities accessible to persons with disabilities.</p>	<p>Homeownership among persons with disabilities is affected by their income levels.</p> <p>The adoption of accessibility features is influenced by their cost.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 3.3.1:**

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

**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 funds the conversion of units in Section 202 properties (multifamily housing for the elderly) to assisted living units, which include basic medical care. HUD also is developing a third category of support for assisted living: the provision of Section 8 rental assistance vouchers that can be used to pay for the housing component of assisted living, and that can be linked with Medicaid funding for health services to create a completely affordable assisted living package.

**Data source.** FHA's DAP system identifies HUD-insured assisted living properties. Data about 202 conversions are available from the Office of Housing's Section 202 conversion grant database, consisting of annual progress reports submitted by grantees. The baseline for FY 2001 will be provided in FY 2002.

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

**Validation/verification of the measure.** Grantee reports will be verified by monitoring.

**Outcome Indicator 3.3.2 (formerly 1.2.4):**

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

**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 Self-Sufficiency (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. ROSS grants for service coordinators currently are limited to renewals of expired elderly coordinator grants, so public housing has no programs intended to increase the number of service-enhanced elderly developments.

In 2000 HUD received a significant increase in funding for service coordinators in multifamily assisted housing, from \$13 million in FY 1999 to \$50 million in FY 2000 and 2001. The FY 2000 funds provided coordinators for over 28,000 housing units, helping close the gap between the number of developments with service coordinators and those that need them for a population that is aging in place. HUD is requesting \$50 million again in FY 2002. The FY 2002 goal is to increase elderly households served by 10 percent from a FY 2001 baseline. 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. The FY 2000 baseline will be determined in FY 2001.

**Limitations/advantages of the data.** Administrative data capture only projects with service enhancements funded under the Service Coordinator program. The number of public housing developments with service coordinators has not been aggregated at the project level, but this is not a significant limitation for this indicator because funding limited to renewals makes the number stable.

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

**Outcome Indicator 3.3.3 (formerly 1.2.4.5):  
Service-enriched housing increases the satisfaction of elderly families  
and individuals with their units, developments, and neighborhoods.**

**Indicator background and context.** Two demonstration programs, the HOPE for Elderly Independence Demonstration and the Congregate Housing Services Program, as well as an evaluation of the Service Coordinator program have shown that frail elderly residents report higher quality of life and increased independence in developments that have service coordinators on staff. Even elderly persons who are not “frail”—defined as needing help with three activities of daily living—will have greater ability to age in place when service coordinators provide appropriate support for independent living.

This indicator tracks the satisfaction of elderly residents (62 and older) in privately-owned assisted housing, comparing the satisfaction of elderly households in developments with and without service coordinators. The FY 2002 performance goal will be determined following analysis of baseline data.

**Data source.** Data regarding reported satisfaction of elderly residents comes from the REAC Resident Assessment Subsystem (RASS), based on surveys of residents of public housing and private assisted housing. The FY 2000 baseline for public housing will be determined in FY 2001. Assisted multifamily developments with service coordinators are identified from the Service Coordinator program administrative database, as discussed for Outcome Indicator 3.3.2. The FY 2000 baseline for multifamily will be determined by the end of FY 2001.

**Limitations/advantages of the data.** The data are statistically representative of the population. Sample sizes of the elderly subpopulation in developments with service coordinators may not support precise estimates in a single year, but precision will increase with annual replications of the survey. Public housing developments with service coordinators cannot be identified from national data bases.

**Validation/verification of the measure.** Pretests of resident survey instruments have established the validity of resident satisfaction surveys by demonstrating a high correlation

between responses and objectively verifiable conditions in the development. Annual replications of the survey will verify results by drawing different samples.

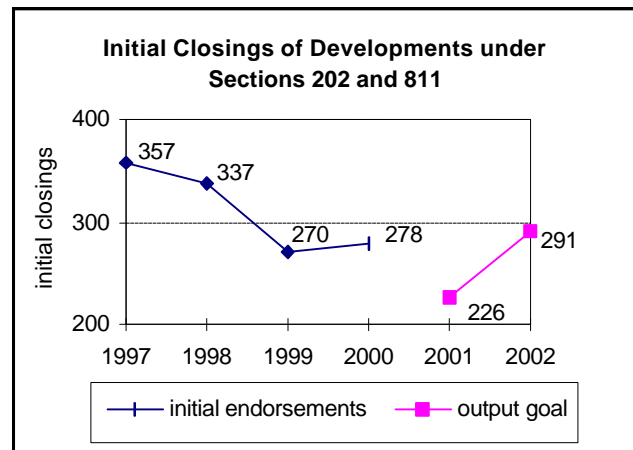
**Programmatic Output Indicator 3.3.a (formerly 1.2.g): Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 291 projects to initial closing under Sections 202 and 811.**

**Indicator Background and Context.** During fiscal years 1996-2000, annual appropriations for Section 202 housing for the elderly averaged \$641 million. In FY 2001, Section 202 received \$710 million for new projects. Section 202 and 811 projects can be difficult to bring to closing because sponsors usually must find other sources of funding for project features not fundable by the program but necessary to meet the needs of the population, and because 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). Because of an increased appropriation and increasing pipeline, the FY 2002 performance goal represents a substantial increase from the FY 2001 goal of 226. The Department far exceeded its FY 2000 projections by bringing 278 projects to initial closing.

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

**Limitations/advantages of the data.** The DAP system became operational in FY 2000. The data consist of a straightforward and easily verifiable count of initial closings.

**Validation/verification of measure.** HUD's office of Housing receives copies of the closing document that will be used to verify data system entries.



**Programmatic Output Indicator 3.3.b (formerly 1.2.g.5): At least 10 Section 202 developments will complete conversion of units to assisted living by FY 2003.**

**Indicator background and context.** HUD's FY 2000 appropriations included funds to convert Section 202 multifamily projects for the elderly to assisted living. The conversions may involve entire projects or a subset of their units. This funding responds to the projected increase in demand for assisted living accommodations caused by the aging of the baby boom generation.

Conversions to assisted living will be subject to state licensing requirements, creating potentially lengthy conversion timetables. This indicator tracks the number of Section 202 developments that complete their modifications under the Section 202 conversion program within a reasonable period.

**Data source.** Office of Housing's Section 202 conversion grant database, consisting of annual progress reports submitted by grantees.

**Limitations/advantages of the data.** Self-reported data require verification by field staff during monitoring visits.

**Validation/verification of the measure.** No historical data exist to support projections of the number, size and complexity of the funded projects. Therefore the validity of the performance goal is undetermined, and the goal may require recalibration as funds are awarded. Grantee reports will be verified by monitoring.

***Programmatic Output Indicator 3.3.c (formerly 1.2.h): By FY 2002, assisted-living facilities in at least five States will house elders using housing vouchers combined with Medicaid or other third-party funding for services.***

**Indicator background and context.** Currently just over half the States have approved Medicaid waivers for assisted living for the elderly. HUD will make these waivers usable in combination with housing subsidies because, in FY 2000, HUD was given authorization to allow housing agencies to use housing vouchers in assisted-living developments. This indicator tracks the number of states that implement this important policy to make assisted living affordable.

**Data source.** PIH Multifamily Tenant Characteristics System (MTCS), containing household data submitted electronically by housing agencies. A data element will be added to this system identifying Section 8 tenant-based assistance used in assisted-living developments. MTCS is being integrated into the Public and Indian Housing Information Center (PIC) System. Beginning in June 2001, PIC will collect tenant data on the basis of buildings and units rather than merely projects, which will support analysis of elderly and non-elderly buildings within a project.

**Limitations/advantages of the data.** MTCS data for tenant-based households are essentially complete. The conversion from paper-based to electronic reporting in June 1998 means that all MTCS tenant data were based on electronic submissions from 2000 forward.

**Validation/verification of measure.** MTCS includes automated checks for out-of-range and internally inconsistent data entries.



**Outcome Indicator 3.3.4:**

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

**Indicator background and context.** Like other American households, persons with disabilities often seek the stability and financial benefits of homeownership. A variety of economic barriers limit their ability to achieve their housing goals, including lower disposable income related to their disability, a thinner housing market for accessible homes, and extra costs of adapting existing homes. This indicator is discussed fully as 2.3.2, where it supports Strategic Objective 2.3, “Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.”

**Outcome Indicator 3.3.5: The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline.**

**Indicator background and context.** The Fair Housing Act requires public areas and some apartments in newly constructed multifamily housing to be accessible to persons with disabilities. Compliance with this law helps ensure that critical market-rate independent living is available in the continuum of housing options for persons with disabilities. This performance indicator is discussed fully as 2.1.4 under Objective 2.1, “Housing discrimination is reduced.”

***Programmatic Output Indicator 3.3.d: The Improving Access Initiative will fund ADA-exempt civic and religious organizations to make their facilities accessible to persons with disabilities.***

**Indicator background and context.** Many community based, civic and religiously affiliated organizations are exempt from the accessibility requirements of the Americans with Disabilities Act (ADA). In FY 2002, HUD is proposing the Improving Access Initiative to provide funding for these ADA-exempt organizations so that they can make their facilities accessible to persons with disabilities. HUD’s goal for FY 2002 is to implement the program and begin providing assistance. In future years, HUD will measure the number of buildings made accessible.

**Data source.** A new data source will have to be developed to track the number of buildings made accessible.

**Limitations/advantages of the data.** Counting buildings is straightforward and easily verifiable, but it does not describe the extent of accessibility modifications or the number of persons with disabilities that are affected.

**Validation/verification of measure.** HUD field staff will monitor grantees to assess whether they complete their proposed accessibility modifications.



## **STRATEGIC GOAL 4: IMPROVE COMMUNITY QUALITY OF LIFE AND ECONOMIC VITALITY**

### **Strategic Objectives:**

- 4.1 The number, quality, and accessibility of jobs increase in urban and rural communities.**
- 4.2 Economic conditions in distressed communities improve.**
- 4.3 Communities become more livable.**

Despite recent signs of a weakening economy, America's unemployment rate is still low by historical standards. Employment rates have increased for both women and minorities. But concentrations of poverty and joblessness continue to have devastating effects on the social and economic fabric of communities across the country. Many cities face three fundamental opportunity gaps—jobs, housing, and education—that are critical to reducing poverty and attracting and retaining middle-class families. Many rural communities are struggling as well, especially in Appalachia, the Mississippi Delta, Indian Country, and the Southwest border regions and migrant farm worker communities. Despite the long economic expansion, many of these areas have alarmingly high unemployment and poverty rates.

HUD's programs, particularly Community Development Block Grants, provide many of the tools and resources that localities need to improve quality of life and economic vitality in poorer neighborhoods. HUD's multiple housing resources also support this objective by increasing the quality of housing in distressed neighborhoods and by reducing concentrations of poverty.

To help empower local communities to improve their quality of life and economic vitality, HUD will continue its strong support for the CDBG program and HUD's other core economic development programs. HUD will also facilitate a national dialogue on growth management issues and examine its programs to identify ways to strengthen the capacity of community organizations, including faith-based organizations, key players in improving the quality of life in many communities.

**Resources supporting Strategic Goal 4:  
Improve community quality of life and economic vitality.**

<b>Budget Authority (BA) and Staffing Levels (BA is \$ in millions)</b>						
<b>Program</b>	<b>FY 2000</b>		<b>FY 2001</b>		<b>FY 2002</b>	
	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>
<b>Community Planning &amp; Development</b>						
Community Development Block Grants Fund and Section 108	2,194	164	2,331	161	2,176	161
Urban Empowerment Zones	33	8	111	8	90	8
Brownfields	25	19	25	18	25	18
<b>Public &amp; Indian Housing</b>						
Public Housing Operating Fund	549	54	566	54	592	54
Public Housing Capital Fund	0	29	0	29	0	29
Drug Elimination Grants	310	160	309	160	0	160
Indian Housing Block Grant	148	37	162	39	162	39
Indian Housing Loan Guarantees	1	1	1	1	1	1
HOPE VI	115	48	115	48	115	45
<b>Housing</b>						
FHA MMI/CMHI	2	5	2	5	2	5
FHA GI/SRI	0	26	0	26	0	26
<b>Fair Housing &amp; Equal Opportunity</b>						
Fair Housing Assistance Program	0	10	0	10	0	10
Fair Housing Initiatives Program	0	8	0	8	0	8
<b>TOTAL</b>	<b>3,377</b>	<b>569</b>	<b>3,622</b>	<b>567</b>	<b>3,163</b>	<b>564</b>

**Research and Evaluation Relevant to Strategic Goal 4**

A number of major evaluation and research efforts relevant to Strategic Goal 4 are either under way or have been completed since January 2000.

**Community and Economic Development**

- *Interim Impact Assessment of the Empowerment Zones and Enterprise Communities Initiative* (under way: report expected in mid-2001). This report will document the activities and achievements of six urban Empowerment Zones and 12 urban Enterprise Communities during their first five years of operation.

- *Faith-Based Organizations and Community Development* (underway: final report expected mid-2001). This report will review the role of faith-based organizations in community development activities.
- *CPD Economic Development Loan Study* (on-going: final report expected June 2002). This study of third-party lending activities under the CDBG, EDI and Section 108 programs will report on the number of communities that engage in third-party lending, the types of economic development that result, and the size and quality of the resulting loan portfolio.
- *Community Outreach Partnership Centers (COPC) Evaluation* (under way: final report expected mid-2001). This evaluation of projects funded by COPC will assess the program's effects in developing a community orientation within universities; creating on-going partnerships between universities and their surrounding communities; and carrying out specific community development initiatives.
- *Impact of CDBG on Community Redevelopment* (on-going: final report expected late in 2001). This study will assess the impact of substantial CDBG investments in selected neighborhoods on household income, employment, business activity, homeownership, and housing investment.

#### ***Trends in Urban Development and the Health of Cities***

- *State of the Cities Reports* (ongoing, annual). These mandated reports summarize the latest data on the condition of U.S. cities and outline the Administration's policy initiatives to improve the conditions of cities and their residents.
- *State of the Cities Data Systems* (ongoing). This project provides public access to Federal statistical information on metropolitan areas, central cities, and suburbs, including County Business Patterns, local area unemployment, and FBI crime data.
- *Examining Public Finance* (ongoing, various completion dates). These multiple projects will examine various aspects of municipal finance, including differences between cities and suburbs in taxation and government spending; how cities have adapted fiscal structures to changes in the economy; the fiscal impacts of inter- and intra-metropolitan migration; and the relationship between intra-metropolitan fiscal disparities and demographic factors.

#### ***Growth Management***

- *Growing Smart* (under way: final report expected in FY 2002). This project will produce model land-use planning and development statutes for states and local governments to use as they revise their laws to better address the challenges of rapid population growth in the 21<sup>st</sup> century. The primary products will be a Legislative Guidebook and a User's Guide, which will contain the model statutes and summaries of states' approaches to the various topics addressed in these statutes.

- *Regional Smart Growth Assessments* (on-going). This project will assess the impact of regional growth management policies. It will include a quantitative assessment of policy outcomes, particularly as they relate to HUD objectives of affordable housing, equality of opportunity, quality of life, and economic vitality. It will also include a qualitative analysis of the processes associated with developing and implementing regional growth management policies.
- *Regional Approaches to Affordable Housing* (on-going, final report expected December, 2001). Affordable housing and regional cooperation are both important issues in growth management. This project will produce a practical source book of existing and potential innovative approaches to providing affordable housing on a region-wide, multi-jurisdictional basis.
- *Barriers to Urban Redevelopment* (on-going, various completion dates). Redevelopment is an essential element of comprehensive growth management strategies. As part of its continuing efforts to help communities address barriers to urban redevelopment, HUD will develop and disseminate a series of guidance materials on financing the redevelopment of urban brownfields. HUD also will soon release a major study on the barriers to housing rehabilitation in America's urban communities.

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

### **Overview**

While the problems confronting struggling communities cannot be reduced to merely economic terms, the search for solutions usually includes jobs. Higher employment levels in higher wage jobs benefit the entire community. An adult who becomes employed is better able to provide for his or her family, gain self-esteem, offer a positive role model for the next generation, purchase and maintain a home, invest in the community, and support local merchants. Moreover, strong, diverse, local economies are better able to handle the shocks and challenges of a changing global marketplace.

Communities use HUD funds for physical development projects, such as roads, sewers, and other infrastructure that make them more attractive locations for business investment and job creation. They use HUD funds to provide loans and other financial assistance directly to businesses looking to create or retain jobs within their borders. They also use HUD funds for education, job-training, and other services that support the workforce in targeted low-income communities to make the area more attractive to prospective employers.

### **Means and strategies**

HUD targets economic development grants and loan guarantees to distressed areas in order to leverage private sector, nonprofit and locally controlled resources to create jobs. CDBG grants—HUD’s largest source of community and economic development funding—provide resources to help poorer, slow-growing, distressed cities. Within these cities, funds are targeted by statute to low- and moderate-income residents as the primary beneficiaries.

HUD works to promote relationships between EZ/ECs and potential partners including other federal agencies, industry groups and non-profits. Other HUD programs complement these efforts by encouraging training for low-income individuals, improving access to metropolitan jobs, and recycling contaminated industrial lands.

In administering these programs, HUD will:

- Encourage communities to use CDBG grants to leverage private, nonprofit, and other public funding for economic development efforts and infrastructure investments that increase the number of quality jobs.
- Work to integrate CDBG and other job creation programs.
- Support Empowerment Zones, Enterprise Communities and Renewal Communities to create jobs and business opportunities for residents of economically distressed parts of

urban and rural America. (Renewal Communities are discussed in further detail under the Means and Strategies of Objective 4.2.)

- Encourage communities to use loan guarantees, Brownfields Grants and other economic development tools to create and retain jobs, particularly jobs for low-income persons.
- Implement the Community Technology Center Initiative, which provides funds to establish or expand technology centers in high-poverty urban communities.
- Continue to encourage the establishment of Neighborhood Networks centers in assisted housing developments.
- Continue to develop user-friendly community mapping software and consolidated planning processes to help communities determine spending priorities and to show how HUD dollars can be used to create comprehensive approaches to job development and community revitalization.
- Encourage communities to use program incentives and comprehensive planning to implement geographically targeted strategies, such as those in Empowerment Zones, Enterprise Communities and Renewal Communities, to address the employment needs of entire distressed neighborhoods.
- Link job-creation efforts to training and other services for low-income individuals to qualify them for newly created jobs. (See objective 3.2.)
- Through the university partnership programs, help colleges and universities develop partnerships with local governments, private companies and nonprofit organizations working on community revitalization and economic development.
- Through the approximately 30 percent of HUD's CDBG funds that go through states to small towns, support public facilities and economic development across the country. Public facilities and economic development spending frequently support job creation.



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

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
Youthbuild	[43]	[43]	[60]	[60]
Community Development Loan Guarantees/Loan Commitments	{432}	{412}	{1,258}	{609}
Community Development Loan Guarantees Program Account	11	10	30	15
Brownfields	25	25	25	25
Urban Empowerment Zones	45	55	185	150

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

**External factors**

The country's recent economic growth has produced millions of new jobs, including many in central cities and other older communities. Still, there are mismatches between the number of low-skilled jobs and the number of people looking for those jobs. 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 are compounded by mismatches between the locations of available jobs and the residences of the unemployed. Many older communities have adopted aggressive strategies to alleviate these mismatches but they face numerous barriers to success. Their tax rates generally exceed rates in newer communities because they struggle to provide quality services despite declining tax bases. Land development is complicated by scarcity of land, scattered and/or absentee ownership, real or perceived contamination, and the need for clearance or rehabilitation of existing physical structures. Job development is complicated by large concentrations of poor residents. Many school systems attempt to provide the education and job skills essential for their students (who often face greater obstacles to learning), but have fewer resources as tax bases decline and capital maintenance costs increase.

Rural communities often face additional challenges because of the changing structure of the farming industry, underinvestment, weak infrastructure, limited services, and few community institutions. Rural labor forces are more narrowly based and more dispersed. Both urban and rural communities are further affected by the extent to which their State provides financial assistance to overcome these obstacles. While ultimately job creation is dependent upon the investment decisions of the private sector, the coordinated efforts of all levels of government, along with the private sector, are needed to address these challenges.

Community Development Block Grant funds, by far the largest HUD expenditure for this objective, are used for a variety of eligible activities at the discretion of the participating jurisdiction (entitlement city or State). Each jurisdiction makes its own decision about how to use CDBG funds. When communities do choose to address job growth for low-income individuals, there are wide variations of approach for which measurement of outcomes is difficult. For example, one community may support infrastructure to increase business development in certain areas, while others may directly apply CDBG funds to readying individuals for employment.

### **Coordination with other Federal agencies**

- HUD is part of the **National Brownfields Partnership**, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim brownfields. HUD provides technical assistance to the participating communities and encourages the use of HUD programs.
- HUD works closely with **Environmental Protection Agency** on brownfield redevelopment to help communities take a site from remediation to re-use.
- The Department recently signed a memorandum of understanding with the **Army Corps of Engineers** to bring their skills in cost benefit analysis, site planning and construction to lower the cost of brownfields redevelopment. Communities can use HUD CDBG funds as the non-federal match for Army Corps of Engineer programs, thereby leveraging federal resources to redevelop these properties.

### **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

Crosswalk for Strategic Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>4.1.1: Maintain or increase the number of jobs accessible to city residents by keeping the three-year average ratio of city job growth to city population growth at least 100 percent.</p> <p>4.1.2: Among jurisdictions where unemployment is twice the national rate, the average unemployment rate decreases over a 12 month period.</p>	<p>4.1.a: At least 85 percent of EZ and EC projects achieve local goals in helping residents find jobs (see table under 4.2.d).</p>	<p>Decentralizing land use creates new jobs in outer-ring suburbs that cannot be reached by transit-dependent unemployed persons in central cities.</p> <p>The Small Business Administration is the largest Federal source of capital for small business creation and expansion. Currently SBA programs are not targeted to central cities, with the exception of the One Stop Capital Shop program for EZ/ECs.</p>
<p>4.1.4: Among persons in families with one or more workers, the share who are in poverty decreases by 0.3 percentage point annually to 7.7 percent in 2001.</p> <p>4.1.5: Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point to 15.4 percent (also appears as 3.2.8).</p>	<p>4.1.d: Brownfields Economic Development Initiative grants combined with Section 108 loan guarantees will support the creation of 5,400 jobs (also appears as 4.2.f).</p> <p>4.1.e: A total of 124,900 jobs will be created or retained through CDBG and 30,000 through Section 108 (also appears as 3.2.d).</p>	<p>State and local grant recipients have full discretion involving many categories of uses for CDBG grants.</p> <p>Macro-economic growth at a national level is a strong influence on localized job growth as well.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 4.1.1:**

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

**Indicator background and context.** Cities historically have been job centers, but the capacity of suburban areas for commercial and industrial development has led to a diminishment, but not elimination of this role. Cities remain places of above-average poverty and joblessness, however, and creating jobs in cities is a fundamental means of reducing these concentrations. This indicator is meant to provide information, over time, about how city job growth compares with city population growth. However, because of the lag in the data, the reported results will not be affected by the Department’s actual activities in FY 2002.

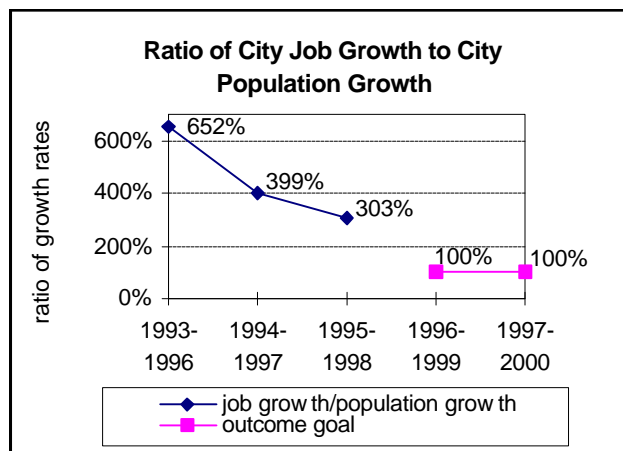
During the period of 1991 to 1993, a time of very slow job creation, jobs in central cities actually declined. To ensure that cities remain job centers and continue to provide

accessible jobs for low-income residents, HUD will strive to maintain the ratio of job creation to population growth in central cities at or above 100 percent over the long term, as measured by a retrospective rolling average over three years. While the three-year average fluctuates significantly, this ratio has been substantially above 100 percent for the past three reporting cycles. For example, during the 1995-1998 period, about 1.75 million city jobs were created while city population grew by 0.58 million, yielding a ratio of 303 percent. Nonetheless, this goal is established on the premise that in order to avoid increased urban unemployment, city job growth should continue to exceed city population growth. For FY 2002, the Department will track data for the 1997-2000 period.

**Data Source.** Special tabulations of the Census Bureau's County Business Patterns data for 114 central cities.

**Limitations/advantages of the data.**

The data are available annually with a 3-year lag, which limits the usefulness for assessing current program activities. The data cover only the 100 largest central cities plus 14 additional central cities to ensure at least one city in every State. The business cycle and demographic trends make this measure volatile on an annual basis and limit the validity of precise performance targets, but the three-year rolling average helps reduce the variance substantially.



**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify County Business Patterns independently.

**Outcome Indicator 4.1.2:**

**Among jurisdictions where unemployment is twice the national rate, the average unemployment rate decreases over a 12 month period.**

**Indicator background and context.** Locally-concentrated unemployment is one indicator of cities or suburbs that are not sharing in national economic growth. Higher unemployment rates in cities increase barriers to self-sufficiency and constrain the success of welfare-to-work initiatives because welfare recipients must compete with more non-recipient jobseekers. HUD programs that create jobs in poor communities, those that promote job mobility, and those that help families make progress towards self-sufficiency all contribute to reducing concentrations of unemployment. This indicator establishes a goal to observe positive improvements in unemployment conditions in those jurisdictions where the problem is significantly more severe than that faced by the nation as a whole.

In 1999, 42 of 512 central cities for which unemployment rate data are available had unemployment rates of at least 8.4 percent, twice the U.S. rate of 4.2 percent. Their average unemployment rate declined from 10.2 percent in 1999 to a preliminary estimate of 9.6 percent in 2000. Preliminary data also show that among the 36 central cities with unemployment rates at least twice the U.S. rate of 4.0 percent in 2000, the baseline average unemployment rate was 10.3 percent. The FY 2002 goal is to improve unemployment rates in jurisdictions with more than twice the national unemployment rate (as identified using 2001 data) by 0.2 percentage points more than the change in national unemployment rates.

**Data source.** Monthly statistical estimates by the Bureau of Labor Statistics (BLS using data from the Current Population Survey (CPS), a monthly survey conducted by the Bureau of the Census.

**Limitations/advantages of the data.** The data are available monthly with only a two-month lag. BLS does not publish data for central cities that had 1990 populations below 25,000 or for the area defined as the central city of the Honolulu, Hawaii, metropolitan area.

**Validation/verification of measure.** The Bureau of Labor Statistics employs rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.

***Programmatic Output Indicator 4.1.a: At least 85 percent of EZ and EC projects achieve local goals in helping residents find jobs.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is an important tool for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to create jobs for zone residents and others. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.d, which supports Strategic Objective 4.2, “Economic conditions in distressed communities improve.”

**Outcome Indicator 4.1.4:**

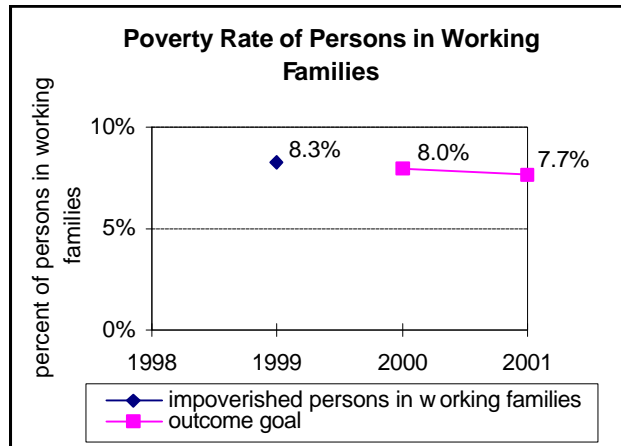
**Among persons in families with one or more workers, the share who are in poverty decreases by 0.3 percentage point annually to 7.7 percent in 2001.**

**Indicator background and context.** Community and economic development programs are designed to alleviate poverty by providing jobs for previously unemployed people. However, communities receive little benefit if new jobs do not pay enough to lift families from poverty. Job creation efforts should be linked with human capital development to ensure that workers are productive enough to support higher wages. This indicator measures the quality of job creation and economic and community development programs in terms of increasing the economic capacity of communities and reducing their poverty. This is measured by tracking the prevalence of poverty among working families, defined as

those with one or more full-time workers. The FY 2002 goal is to reduce the calendar year 2001 poverty rate among working families by 0.3 percentage points from calendar year 2000 levels, based on the accomplishment of an equivalent improvement for FY 2001 from the calendar year 1999 baseline of 8.3 percent.

**Data source.** The cited data were reported in the Bureau of Census Current Population Report P60-210, "Poverty in the United States," based on the Current Population Survey.

**Limitations/advantages of the data.** The CPS is the primary source of information on the labor force characteristics of the civilian noninstitutional population. CPS data provide a reliable measure at the national level and are available monthly with a two-month lag.



**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.

#### **Outcome Indicator 4.1.5:**

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

**Indicator background and context.** Entry-level jobseekers, including many persons moving from welfare to work, are having increasing difficulty finding well-paying work in an age when skills command increasing premiums. Yet on-the-job training is one of the best ways to develop skills, especially for persons who struggled in school. This indicator tracks the mismatch between the low-skilled labor force and the opportunities available to them, and is described in full under Strategic Objective 3.2, "Poor and disadvantaged families and individuals become self-sufficient and develop assets," as Outcome Indicator 3.2.8.

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

**Indicator background and context.** The Brownfields National Partnership Action Agenda established a comprehensive Federal approach to redevelop contaminated or potentially contaminated commercial and industrial land (brownfields) and return it to productive use. The FY 1999 appropriations legislation also made cleanup and redevelopment of brownfields permanently eligible activities for CDBG funds. HUD estimates that during FY 2002, brownfield funds, in conjunction with Section 108 loan

guarantees, will be committed for approximately 25 sites. This indicator tracks over time the estimated number of jobs created with FY 2002 grants. (This indicator also appears as 4.2.f.)

**Data source.** CPD's Integrated Disbursement Information System.

**Limitations/advantages of the data.** Grantee reports of permanent job creation are difficult to verify. In some cases job creation may be a hidden cause of job loss in other areas.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

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

**Indicator background and context.** This indicator is included under Strategic Objective 3.2, "Poor and disadvantaged families and individuals become self-sufficient and develop assets," as Programmatic Output Indicator 3.2.d.

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

### **Overview**

Pockets of poverty continue to have an adverse impact on the social and economic fabric of communities across the country. In 2000, HUD determined that 67 cities—one in eight—are “doubly burdened” with high unemployment and with a significant population loss or high poverty. These communities are frequently encumbered with aging infrastructure, declining tax base and poor schools. Concern about disinvestment and decline has moved beyond the central cities’ borders. Older, inner-ring suburbs are beginning to display the signs of decline that were once typical only of central cities. Many rural communities experience similar disinvestment as businesses close or relocate. While new businesses are being created to accommodate expanding suburban populations, those that require low-wage, unskilled workers are unable to find them.

HUD was founded with the intention of improving communities, especially those that are deteriorating. CDBG is the most flexible aid provided by the Federal Government to localities, and a significant proportion of CDBG funds goes to improving conditions in low-income communities. HUD also supports the redevelopment of distressed communities through its Empowerment Zones and Enterprise Communities, Brownfield Economic Development Grants, Section 108 loan guarantees and HOME programs.

### **Means and strategies**

Operating under a recent executive order establishing a White House Office of Faith-Based and Community Initiatives, HUD has established a center for Faith-Based and Community Initiatives. The center will “coordinate a national effort to expand opportunities for faith-based and other community organizations and to strengthen their capacity to better meet the social needs in America’s communities.” During FY 2002, this center will be expanded to enhance its effectiveness. HUD will also examine its programs and policies to identify ways to strengthen the capacity of faith-based and community organizations and to reduce any barriers they have to accessing HUD funding.

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). Businesses in Renewal Communities will be eligible for various federal tax incentives, including:

- zero percent capital gains from sale of qualified assets;
- a 15 percent wage credit for qualified workers;
- a tax deduction for qualified commercial construction and revitalization expenses;



- work opportunity tax credits for hiring qualified youth.

They will also benefit from tax relief and regulatory streamlining provided by the State and local government in which the RC is located. HUD is charged with selecting the 40 urban and rural Renewal Communities and ensuring that States and local governments fully implement their plans for providing tax and regulatory relief in their RCs. HUD will shortly publish a rule specifying: 1) eligibility requirements for selection as an RC; 2) the process by which States and local governments can nominate areas for designation as RCs; and 3) HUD's process for selecting the RCs from those areas nominated.

As part of its efforts to improve economic conditions in distressed communities. HUD will:

- Focus CDBG funds and Section 108 loans on low- and moderate-income neighborhoods to improve neighborhood conditions and infrastructure there.
- Through the Consolidated Plan process, identify poorer areas and encourage communities to use Federal grants and local resources for priority needs.
- Ensure that more housing capital is available to promote homeownership in underserved areas by establishing suitable GSE goals.
- Encourage use of FHA and Ginnie Mae resources in poorer neighborhoods to improve housing conditions and raise homeownership rates.
- Through the HOPE VI program, provide funds for the demolition and revitalization of severely distressed public housing. The HOPE VI program will expire in FY 2002. The Department is evaluating the program and will submit authorizing language in the coming year to extend and amend the program to meet the highest priority needs.
- Focus an array of tools and the attention of public and private partners on distressed communities through the EZ/EC program.
- Encourage neighboring communities to work together to plan and coordinate their growth strategies.
- Clean up and redevelop underutilized, contaminated land through the Brownfields Economic Development program.
- Encourage and support economic revitalization efforts in the Colonias, urban and rural areas near the U.S.-Mexico border which suffer from significantly higher rates of poverty, substandard housing, and higher housing costs (as a percentage of income) than the nation as a whole.

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

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
Community Technology Centers	0	0	0	[80]
Native American Community Development Block Grants	[67]	[67]	[71]	[69]
Community Development Loan Guarantees/Commitment Level	{432}	{412}	{1,258}	{609}
Community Development Loan Guarantees/Program Account	11	10	30	15
Urban Empowerment Zones	45	55	185	150
Brownfields Redevelopment	25	25	25	25
<b>Public and Indian Housing</b>				
Public Housing Operating Fund	2,818	3,138	3,235	3,385
Public Housing Capital Fund	3,000	2,884	2,993	2,293
HOPE VI	625	575	574	574
Indian Housing Block Grants	620	620	649	649
Indian Housing Loan Guarantee Program/Commitment Level	{69}	{72}	{72}	{234}
Indian Housing Loan Guarantee Program/Program Account	10	6	6	6
<b>Housing</b>				
FHA MMI Commitment Level	{123,546}	{94,161}	{160,000}	{160,000}
FHA MMI Program Account	329	491	490	497
FHA GI/SRI Commitment Level	{16,924}	{9,308}	{21,000}	{21,000}
FHA GI/SRI Program Account	308	262	456	375
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	24	24	24	23
Fair Housing Assistance Program	16	20	22	23

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

### **External factors**

CDBG, HUD's primary source of community and economic development funding, helps ensure that greater resources continue to flow toward poorer, slow-growing, distressed areas. 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 CDBG funds. Therefore HUD's direct impact on specific and measurable results under this objective is somewhat limited.

Because many distressed communities are dependent on State governments for resources, the decision at the State level about whether to direct resources towards these communities will have a major impact on results under this objective. In addition, the success of distressed communities in improving their economic conditions depends heavily on broad macro-economic trends in the region and nation. As the long period of economic expansion appears to be slowing, there is potential for economies of distressed communities to retrench, especially if they are not broadly diversified or built on strong assets.

### **Coordination with other Federal agencies**

- 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 funds components of **Native eDGE**, an interagency initiative designed to facilitate sustainable economic development within American Indian and Alaska Native communities. Native eDGE includes a telephone call center, a publications clearinghouse, a web site, and a technical assistance information center. The web site links seventeen federal agencies, educational institutions, and organizations through a single portal so that tribes, Native Americans, lending institutions, and private businesses can collaborate to promote economic growth.

### **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<b>Crosswalk for Strategic Objective 4.2: Economic conditions in distressed communities improve</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>4.2.1: The number of central cities that are doubly burdened with high unemployment and either a significant population loss or high poverty is reduced by 2 cities.</p> <p>4.2.2: The average income in doubly burdened cities increases relative to the national average.</p> <p>4.2.3: The homeownership rate in underserved neighborhoods ceases to decline by 2005.</p> <p>4.2.4: The share of impoverished persons who live in neighborhoods with extreme poverty decreases by 2 percentage points from 2000 levels by 2005.</p> <p>4.2.5: Neighborhoods with substantial levels of CDBG investment will show improvements in such dimensions as household income, employment, business activity, homeownership and housing investment.</p> <p>4.2.6: Neighborhoods with substantial levels of HOPE VI investment will show improvements in such dimensions as household income, employment, homeownership and housing investment.</p>	<p>4.2.a: Increase FHA single-family mortgage lending in underserved communities by 5 percent.</p> <p>4.2.b: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.</p> <p>4.2.c: The HOPE VI Revitalization Development program for public housing relocates 2,637 families, demolishes 7,340 units, completes 13,875 new and rehabilitated units, and occupies 12,523 units (also appears as 1.2.b).</p> <p>4.2.d: EZ and EC projects achieve local goals in seven activities.</p> <p>4.2.e: HUD will implement the Technology Centers initiative and track the number of centers developed and people served.</p> <p>4.2.f: Brownfields Economic Development Initiative grants combined with Section 108 loan guarantees will support the creation of 5,400 jobs (also appears as 4.1.d)</p>	<p>Local employment shocks such as plant closings can have large impacts on the high unemployment threshold.</p> <p>Average income is affected by residential location decisions as well as employment opportunities.</p> <p>Economic conditions frequently have greater impact—both positive and negative—on distressed communities than do economic and community development efforts.</p> <p>External and program factors that improve city quality of life and city schools could have important secondary effects by slowing or reversing middle-class flight from central cities.</p> <p>Legal and technical issues surrounding brownfields cleanup can delay results.</p>

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 4.2.1:**

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

**Indicator background and context.** In *State of the Cities 2000*, HUD determined that 67 cities—one in eight—are “doubly burdened” according to HUD’s index of distress. The nation is making progress, as one in seven cities was doubly burdened a year earlier. The Department’s long-term goal in the *Strategic Plan* is to continue to reduce the number of

doubly burdened cities by 20 percent, to 54 cities, by 2006. Doubly burdened cities are defined as those that have unemployment rates 50 percent higher than the national average, combined with either a population loss of 5 percent since 1980 or poverty rates of 20 percent or higher. Preliminary 2000 data suggest that the baseline would be 69 cities. The FY 2002 goal is to reduce the number of doubly-burdened cities by two with reference to a 2001 baseline, rebenchmarked using 2000 Census data.

**Data source.** The decennial Census and Current Population Surveys conducted by the Bureau of Census. For unemployment rates, local area unemployment statistics from the Bureau of Labor Statistics. Beginning in 2003, data from the American Community Survey can be aggregated to track changes at the city level.

**Limitations/advantages of the data.** CPS monthly sample sizes are inadequate to support estimates of population change and poverty at the jurisdiction level without averaging.

**Validation/verification of measure.** The definition of doubly-burdened will be reviewed and validated using 2000 Census data. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify decennial Census, CPS or ACS data independently.

#### **Outcome Indicator 4.2.2:**

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

**Indicator background and context.** CDBG and other community development programs make distressed communities more desirable places to live by increasing economic opportunity for poor families and improving conditions to attract middle-class families. Increases in household incomes boost the tax base and permit improvements in public services and quality of life. This indicator tracks average income in “doubly burdened” cities, which are defined as those that have unemployment rates 50 percent higher than the national average, combined with either a population loss of 5 percent since 1980 or poverty rates of 20 percent or higher. The FY 2002 goal is to achieve an increase in the ratio of incomes of doubly burdened cities relative to the national average income, as compared with a calendar year 2001 baseline.

**Data source.** Census Bureau’s Current Population Survey. Doubly burdened cities are identified with data from the decennial Census and Current Population Survey and with local area unemployment data from the Bureau of Labor Statistics.

**Limitations/advantages of the data.** CPS sample sizes support an annual estimate of the national average household income in doubly burdened cities, but not for individual cities or suburbs. Additional disaggregation by city size may become necessary if the results in the largest cities overwhelm results in the other cities. After 2003, American Community Survey data will be available biennially or annually for the largest metropolitan areas.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS or ACS data independently.

**Outcome Indicator 4.2.3 (formerly 4.2.1):**

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

**Indicator background and context.** This indicator goes beyond HUD's goal of increasing homeownership in central cities and aging inner suburbs to recognize the value of homeownership in preventing neighborhood decline. Many communities use the CDBG and HOME programs to stabilize and encourage homeownership. FHA Section 223(e) mortgage insurance also supports homeownership in underserved neighborhoods. This indicator tracks the success of communities in slowing or reversing declining homeownership rates in "underserved" neighborhoods, defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts.

**Data source.** Bureau of Census, decennial Census and American Community Survey. Long-form data from the 2000 Census data will be available in 2002. ACS annual data eventually will support national summary estimates of homeownership in identified tracts.

**Limitations/advantages of the data.** ACS will begin to collect rolling samples in 2003, and sample sizes will be sufficient to update determinations of underserved tracts in 2008.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify ACS data independently.

**Outcome Indicator 4.2.4 (formerly 4.2.1.5):**

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

**Indicator background and context.** Nationwide, in 1998, 12.7 percent of all persons lived in impoverished households, down from 13.3 percent in 1997. However, poverty is not evenly distributed—state poverty rates varied from 9 percent to 23 percent—so in many neighborhoods the poverty rate is much higher. Accumulating evidence shows that high-poverty neighborhoods can have long-term negative impacts on residents, and especially on children whose experience is limited to poor neighborhoods. Concentrations of poor families, inadequate community facilities and poor economic conditions create tipping effects that drive away more and more middle-income households, reducing the tax base while increasing needs for local services.

This indicator tracks progress in helping poor residents live in neighborhoods with greater income diversity and in reducing the number of high poverty neighborhoods. In 1990, more than one in five Americans lived in areas defined by poverty rates of 20 percent or higher, and 31 percent of such residents were themselves impoverished. This measure uses a higher threshold: extreme-poverty neighborhoods, defined as census tracts where the poverty rate is 40 percent or higher.

**Data source.** From the Bureau of Census, the decennial Census and American Community Survey. Long-form 2000 Census data will be available in 2002.

**Limitations/advantages of the data.** Economic data from the Census are based on relatively large samples so sampling error is acceptable for this measure. However, the Census is available only at long intervals. The ACS will have the advantage of providing tract-level estimates on an annual rolling average basis beginning in 2008.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. Although the appropriate threshold for tipping effects from poverty concentration has not been definitively established, the 40 percent threshold used here is the highest threshold commonly used in the literature on neighborhood outcomes.

#### **Outcome Indicator 4.2.5 (formerly 4.2.1.7):**

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

**Indicator background and context.** The impact of Community Development Block Grants on low-income neighborhoods is difficult to determine because grantees have extensive flexibility to allocate funds according to local needs and priorities. This indicator begins the process of fully utilizing available data to evaluate program outcomes in impacted neighborhoods. The performance goals will be determined following analysis of baseline data. Identifying concentrations of funding in individual neighborhoods may require aggregation of funding data from three or more fiscal years.

**Data source.** During FY 2000, HUD contracted researchers to identify and measure outcomes of concentrated CDBG investment in neighborhoods and to identify threshold factors related to effectively focused CDBG investments. The research is expected to be completed during FY 2001 and will shape this indicator for FY 2002. CDBG investment levels for years beginning in FY 1999 will be determined from IDIS for activities with address data. The CDBG activities and funding will be matched with census tracts and linked with data from the decennial Census, and with HMDA data in the case of housing investment impacts. The American Community Survey will provide data comparable to the Census.

**Limitations/advantages of the data.** Grantees are not required to report addresses for some activities. Some eligible CDBG activities cannot be identified with geographic

locations because the activities are citywide or because the activities serve individuals. In some cities, CDBG funds are distributed across eligible areas uniformly without targeting particular neighborhood. HMDA data include both home purchases and rehabilitation activity, but represent only that portion of housing investment that is financed with mortgages. ACS data will be available at the tract level beginning in 2008.

**Validation/verification of measure.** The methodology for identifying meaningful thresholds for “substantial investment” and for defining neighborhood boundaries will be validated under the existing research contract. The Bureau of Census performs extensive data quality procedures on Census data, and HUD will not verify the data independently.

**Outcome Indicator 4.2.6 (formerly 4.2.1.9):  
Neighborhoods with substantial levels of HOPE VI investment will show improvements in such dimensions as household income, employment, homeownership and housing investment.**

**Indicator background and context.** The HOPE VI Revitalization Partnership program encourages partnerships with communities and housing developers to demolish distressed public housing and rebuild mixed-income neighborhoods. This indicator begins the process of fully utilizing available data to evaluate program outcomes in affected neighborhoods. The performance goals will be determined following analysis of baseline data. This indicator will be shaped into measurable form during FY 2001 and FY 2002 on the basis of the developmental research currently underway for Indicator 4.2.5, which deals with similar issues.

**Data source.** HOPE VI investment levels will be determined from HOPE VI administrative data. The addresses of existing public housing developments are known, and the addresses will be matched with census tracts and linked with data from the decennial Census for household demographic and economic data, and with HMDA data to determine housing investment impacts. The American Community Survey will provide data comparable to the Census. MTCS will provide additional information about the characteristics and incomes of public housing residents before and after redevelopment.

**Limitations/advantages of the data.** Some HOPE VI developments may disperse public housing residents into scattered site housing, making analysis of change more difficult. HMDA data include both home purchases and rehabilitation activity, but represent only that portion of housing investment that is financed with mortgages. ACS data will be available at the tract level beginning in 2008.

**Validation/verification of measure.** The methodology for identifying meaningful thresholds for “substantial investment” and definition of neighborhood boundaries is undetermined, and will need careful validation. The Bureau of Census performs extensive data quality procedures on Census data, and HUD will not verify the data independently.



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

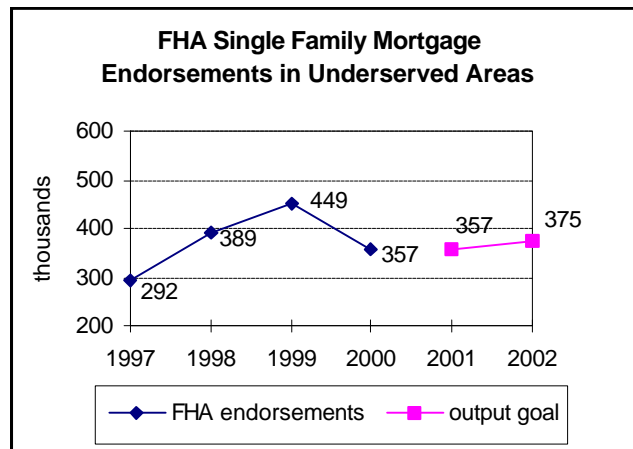
**Indicator background and context.** FHA’s role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and nonminority neighborhoods. FHA lending in these 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. The FY 2001 goal shown below is based on a projection of FY 2001 performance. The achievement of this goal is strongly influenced by National economic conditions.

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

**Limitations/advantages of the data.** HUD is not aware of significant data problems affecting this indicator.

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



**Programmatic Output Indicator 4.2.b: Fannie Mae and Freddie Mac meet or surpass 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 the housing 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. About half of the population in underserved areas live in central cities.

Thus, success of the GSEs in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership in underserved neighborhoods.

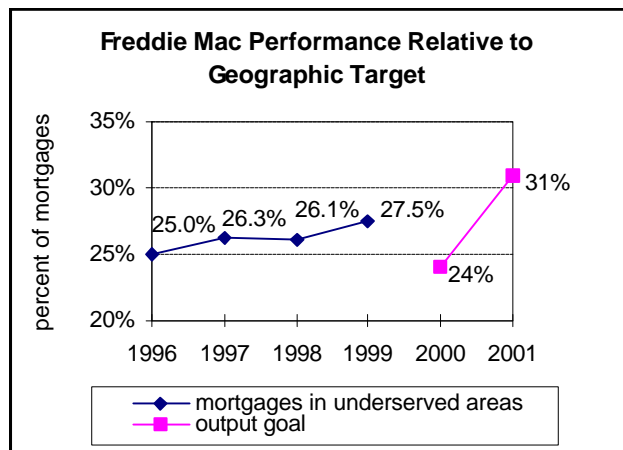
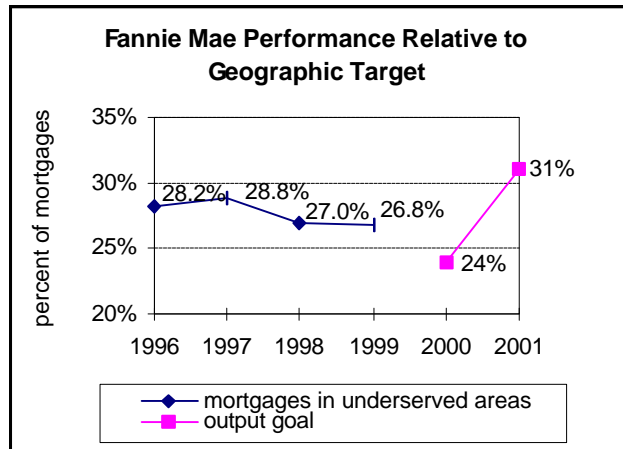
**Data source.** HUD's GSE database.

**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 GPRA purposes on a one-year lagged basis.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to 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 procedures. GSE financial activities are verified by independent audits.



**Programmatic Output Indicator 4.2.c (formerly 4.2.b.3): The HOPE VI Revitalization Development program for public housing relocates 2,637 families, demolishes 7,340 units, completes 13,875 new and rehabilitated units, and occupies 12,523 units.**

**Indicator background and context.** HOPE VI is a major initiative to restore the troubled neighborhoods that have grown up around large public housing developments. Housing agencies work with communities to plan and implement plans by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles including income mixing and defensible space. This indicator is the same as Programmatic Output Indicator 1.2.b, which is discussed in detail under Strategic Objective 1.2 in the context of increasing affordable housing for low-income households.

**Programmatic Output Indicator 4.2.d (formerly 4.2.b.5): EZ and EC projects achieve local goals in seven activities.**

**Indicator background and context.** The Empowerment Zone/Enterprise Community program is an important tool for economic and community development in distressed

communities. The 89 designated communities develop their own performance plans for revitalization of EZs and ECs, and HUD awards grants to urban EZs on the basis of the quality of their plans. This indicator reflects HUD's commitment to empowerment with accountability for its partners, because communities are assessed in terms of the performance relative to the benchmarks in their plans. This indicator is based on Implementation Plans completed during the performance year. Each EZ and EC is assessed in terms of their performance relative to the output measures identified in their plans. The data represent the percentage of defined EZ and EC projects for which communities achieve their goals in each of seven categories, where "achieving" is defined as completing at least 95 percent of goals that each grantee has identified in their Implementation Plan, measured at the time the plan is declared complete. These categories are:

- Residents receiving homeownership assistance (Programmatic Output Indicator 1.1.k);
- New affordable housing units completed (Programmatic Output Indicator 1.2.q);
- Rehabilitated affordable housing units completed (Programmatic Output Indicator 1.2.q);
- People served under homeless assistance programs (Programmatic Output Indicator 3.1.d);
- Residents served by social service programs (Programmatic Output Indicator 3.2.a.5);
- Residents that find gainful employment (Programmatic Output Indicator 4.1.a);
- Residents served by public safety and crime prevention programs (Programmatic Output Indicator 4.3.i).

**Data source.** CPD's Performance Measurement System (PERMS) for EZs and ECs, based on annual progress reports submitted by grantees following the June 30 program year end.

**Limitations/advantages of the data.** Grantees report cumulative achievements to PERMS, so measuring incremental progress requires additional analysis. Grantees have the ability to reduce performance goals to reflect implementation difficulties, and local benchmarks may not establish high enough standards to stimulate outstanding performance.

**Validation/verification of measure.** Regulations establish criteria for valid local benchmarks. Field staff verify a sample of data entries representing a majority of program dollars for each EZ/EC. An evaluation of the EZ/EC program will provide comparison data for verification.

Goals Identified in Implementation Plans	Percent of EZ/EC Projects Achieving Planned Goals			
	1999 (act.)	2000 (act.)	2001 (goal)	2002 (goal)
Residents receiving homeownership assistance	79%	81%	90%	90%
New affordable housing completed	75%	91%	85%	85%
Rehabilitated affordable housing completed	70%	88%	80%	80%
Homeless residents served by homeless assistance programs	100%	84%	90%	90%
Residents served by social service programs	91%	73%	90%	85%
Residents find gainful employment	81%	70%	90%	85%
Residents served by public safety and crime prevention programs	94%	91%	90%	90%

***Programmatic Output Indicator 4.2.e (formerly 4.2.b.7): HUD will implement the Technology Centers initiative and track the number of centers developed and people served.***

**Indicator background and context.** For FY 2002, HUD has requested \$80 million to create or expand community technology centers in high poverty urban communities and provide technical assistance to those centers. Building on existing HUD and Department of Education programs, the Community Technology Centers initiative will provide computer access, after-school programs, adult and family literacy, and career and small business development. Computer technology is a critical element of success in today's business world and job market, but many people in poor urban communities do not have access to adequate computer training or facilities. Technology centers will narrow that gap and help urban jobseekers compete for the growing number of high-tech jobs. HUD's goal for FY 2002 is to implement the Community Technology Centers program and begin measuring the number of centers developed and people served. Once the program is operational, this indicator will be modified to reflect the program's statutory and regulatory mission.

**Data source.** A new data source will have to be developed as part of the implementation of the program.

**Limitations/advantages of the data.** The size and scope of technology centers may vary depending on the needs of different communities. Grantees will have the responsibility for reporting accomplishments.

**Validation/verification of measure.** Community centers will be monitored by HUD field staff.

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

**Indicator background and context.** The Brownfields National Partnership Action Agenda established a comprehensive Federal approach to redevelop contaminated or potentially contaminated commercial and industrial land (brownfields) and return it to productive use. This indicator, which tracks over time the estimated number of jobs created with FY 2002 grants, is discussed fully under Strategic Objective 4.1 “The number, quality, and accessibility of jobs increase in urban and rural areas,” as programmatic output indicator 4.1.d.

## **Objective 4.3: Communities become more livable.**

### **Overview**

The *FY 2000-2006 Strategic Plan* responded to HUD's stakeholders by expanding this objective from one focused narrowly on community safety and crime prevention to a broader objective of helping local communities to improve their quality of life. Through this change, the Annual Performance Plan captures more of the local impacts of HUD's community and economic development programs.

This objective reaches beyond the explicit economic focus of the other objectives to include quality of life measures such as families' satisfaction with their neighborhoods, and the positive impacts of public services and improvements that result from funds spent to revitalize poor neighborhoods.

One of HUD's priorities for FY 2002 is to help local communities better manage the challenges of growth. Many communities are experiencing rapid growth that requires them to address difficult quality of life issues like traffic congestion, the availability of affordable housing, preservation of natural resources and the adequacy and timely provision of the public facilities and services needed to accommodate growth. While these are local issues that require local solutions, HUD has an important role to play at the national level. During the coming year, HUD will facilitate a national conversation on growth management issues and help to develop tools that local communities can use to better manage their growth.

To help promote sensible and responsible growth, HUD will work with local communities to promote reinvestment in the urban core and ensure the continued availability of affordable housing. Reinvesting in urban areas can help both to alleviate the growth pressures on newer communities and to ensure that cities benefit from overall economic growth. As local decisions on growth management issues can affect the cost of housing, HUD will continue to work to expand access to affordable housing nationwide.

### **Means and strategies**

HUD's greatest impact in this area is through its flexible block grant programs, particularly the Community Development Block Grant program. Through CDBG, communities perform a variety of related activities from sidewalk repair to building parks and open space; from eliminating blight to creating business opportunities. To help local communities to improve their quality of life, HUD will:

- Examine HUD's programs and policies to identify ways to strengthen the capacity of faith-based and community organizations to reduce any barriers that may impede their access to HUD funding, consistent with the administration-wide effort to better support the work of these groups. (See discussion under Means and Strategies for Objective 4.2.)

- Facilitate a national conversation on growth management issues and help to develop tools that local communities can use to better manage their growth. To help promote sensible and responsible growth, HUD will work with local communities to promote reinvestment in the urban core and ensure the continued availability of affordable housing. Reinvesting in urban areas can help both to alleviate the growth pressures on newer communities and to ensure that cities benefit from overall economic growth. Because local decisions on growth management issues can affect the cost of housing, HUD will continue to work to expand access to affordable housing nationwide.
- Use the full range of programs to help distressed communities redevelop so poor conditions do not push residents to the urban fringe.
- Promote regional cooperation and citizen involvement through the Consolidated Plan process, homeless assistance consortia, and HOME consortia.
- Work to improve quality of life of rural communities by encouraging states to use CDBG to effectively reach the needs of low- and moderate-income communities.
- Promote Operation Safe Home, which coordinates crime reduction efforts of PHA residents and managers with those of Federal and local law enforcement agencies.
- Help to reduce crime and drug use in public housing by encouraging housing agencies to partner with local police departments and to access federal and state anti-drug and anti-crime resources.
- Provide funding for the demolition and revitalization of the most distressed public housing developments through HOPE VI. The Department is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.
- Accelerate the rehabilitation and resale of HUD-owned and foreclosed homes in designated Asset Control Areas (ACAs). Through this initiative, local governments and non-profits purchase all HUD-foreclosed homes in selected areas within Revitalization Areas at a discounts, then rehabilitate and sell the homes to eligible families. Any excess proceeds generated through the sales are reinvested back into the ACA program in other forms, including municipal improvements.

**Programs supporting Objective 4.3: Communities become more livable.**

(Dollars in Millions)

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
Community Technology Centers	0	0	0	[80]
Youthbuild	[43]	[43]	[60]	[60]
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-based)	10,327	11,481	13,910	15,717
Public Housing Operating Fund	2,818	3,138	3,235	3,385
Public Housing Capital Fund	3,000	2,884	2,993	2,293
HOPE VI Revitalization of Severely Distressed Public Housing	625	575	574	574
<b>Housing</b>				
FHA GI/SRI Commitment Level	{16,924}	{9,308}	{21,000}	{15,513}
FHA GI/SRI Program Account	308	262	456	319
Neighborhood Networks	0	0	0	0

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

**External factors**

Many societal factors influence neighborhoods' stability and many federal, State and local players are involved in the effort to make communities more livable.

Cities and older suburbs face significant obstacles beyond their control when trying to improve community quality of life. Services, such as education and public safety, that can have a significant long-term impact, become increasingly expensive as cities age and their populations become poorer. These services also are frequently in higher demand by residents of these communities. At the same time, the resources available for such services decrease as tax bases decline or fail to keep pace with the growth experienced in newer jurisdictions. Such communities often become dependent upon State and local governments for resources. The decision at the State and local level about whether to direct resources towards distressed neighborhoods will have a major impact on results under this objective.



Neighborhood quality of life will be directly affected by State and local decisions to address growth issues. States, as regional decision makers, have a distinct role in overcoming jurisdictional disparities relating to economic development, infrastructure, housing and transportation. Several State governments have begun to adopt growth management strategies that promote quality of life improvements in older communities. Whether States adopt such policies will affect the outcomes under this objective.

### **Coordination with other Federal agencies**

- Working with 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 expand opportunities for faith-based and other community organizations and to strengthen their capacity to better meet the social and economic needs in America's communities.
- HUD has several interagency agreements with the **Department of Justice**. Examples include an agreement with the National Institute of Justice to evaluate drug elimination strategies, an agreement with DARE (Drug Abuse Resistance Education) to provide training and technical assistance for teens in public housing developments, and an agreement that provides public housing agencies access to National Crime Information Center data.
- As discussed under objective 4.2 above, HUD is part of the **National Brownfields Partnership**, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim brownfields.

### **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

Crosswalk for Strategic Objective 4.3: Communities become more livable		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>4.3.1: Among low- and moderate-income residents, the share with a good opinion of their neighborhood increases in cities, suburbs, and nonmetropolitan areas.</p> <p>4.3.2: The share of central city households reporting accumulations of trash, litter, or junk on the streets decreases by 0.4 percentage points by 2003.</p> <p>4.3.3: The rate of growth in urban land per decade or per year decreases to be equal to, or less than, the rate of growth in U.S. population between 2000 and 2005 (potential interagency goal).</p>	<p>4.3.a: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases (also appears as 5.1.e).</p> <p>4.3.b: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.</p> <p>4.3.c: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.</p> <p>4.3.d: Among all CDBG direct beneficiaries identified, the share that have low incomes remains at or exceeds 62 percent.</p> <p>4.3.e: COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.</p>	<p>Grantee decisions regarding the types of activities undertaken with block grant funds and the degree of targeting on the most severe needs will result in greater or lesser impact on each outcome.</p> <p>Economic conditions have a variety of impacts on environmental conditions and neighborhood quality of life. Neighborhoods with concentrations of low- and moderate-income families may be more vulnerable to such forces.</p> <p>Local governments have primary control over land use decisions and development patterns.</p>
<p>4.3.4: The capital used to rehabilitate housing in underserved neighborhoods increases by 3 percent.</p>	<p>4.3.f: Maintain the number of single-family properties rehabilitated under Section 203(k).</p> <p>4.3.g: The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent.</p>	<p>The Community Reinvestment Act creates incentives to increase private lending activity in distressed neighborhoods, resulting in estimated commitments by private lenders of a trillion dollars to low-income communities in the latter half of the 1990s.</p> <p>Market interest rates and rent levels affect the volume of loans, the location of developments for which loans are sought, and the level of default risk.</p>
<p>4.3.5: The share of public housing residents who feel safe or very safe increases by 1 percentage point.</p>	<p>4.3.h: At least 90 percent of EZ and EC projects achieve local goals in serving residents with public safety and crime prevention programs (see table under 4.2.d).</p>	<p>Changes in national economic conditions and drug usage and distribution, as well as local fluctuations in crime patterns and law enforcement, may affect crime reduction outcomes.</p>

\*Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 4.3.1 (formerly 4.2.4):**

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

**Indicator background and context.** “Overall opinion of neighborhood” is a proxy measure of whether a community is a good place to live. Neighborhood satisfaction of low- and moderate-income residents (incomes less than 80 percent of median) is especially significant to HUD because of the statutory targeting of block grants. This indicator tracks opinion of neighborhood separately for central city, suburban, and nonmetropolitan residents. “Good opinion of neighborhood” is defined as a response of 7 through 10 on a 10-point scale assessing “overall opinion of neighborhood.”

Between 1997 and 1999, the satisfaction of low- and moderate-income residents with their neighborhoods improved substantially in cities, less so in suburbs, and declined in non-metropolitan areas. A majority of low- and moderate-income residents express satisfaction with their neighborhoods, regardless of location, but satisfaction is somewhat lower in city neighborhoods. The FY 2002 goal is to improve satisfaction by 1.0 percentage point among city residents and by 0.3 points among suburb and rural residents, compared with 2001 results. The 2001 targets shown reflect the goals of the FY 2001 APP, rebenchmarked from calendar year 1999 baselines.

**Data source.** American Housing Survey, conducted by the Bureau of Census.

**Limitations/advantages of the data.** AHS data are available biennially as national averages, and are available for GPRA reporting for the following fiscal year. Levels of satisfaction with the economy and with life in general may cause fluctuations from year to year.

<b>The Share of Low- and Moderate-Income Residents with a Good Opinion of their Neighborhood</b>				
	<b>1997</b>	<b>1999</b>	<b>2001 (goal)</b>	<b>2003 (goal)</b>
Cities	66.3%	70.2%	71.2%	72.2%
Suburbs	81.1%	83.0%	83.4%	83.7%
Non-metropolitan areas	83.2%	82.3%	82.5%	82.8%

**Validation/verification of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data. For this indicator, HUD will compare results with independent survey evidence regarding quality of life and general satisfaction.

**Outcome Indicator 4.3.2 (formerly 4.3.3):**

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

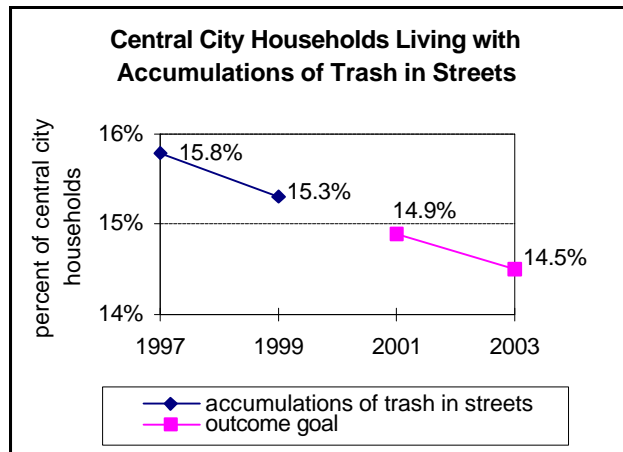
**Indicator background and context.** Accumulations of trash and junk create hazards to public health and safety by supporting vermin and by endangering pedestrians and motor traffic. Visibly distressed neighborhoods also become a magnet for crime. HUD affects the environmental conditions in cities in several ways. Communities have flexibility to use CDBG funds for neighborhood improvement. The Department's increased attention to the management of public and assisted housing is expected to contribute to improvements in the immediate neighborhoods.

In calendar year 1999, 15.3 percent of central city households reported accumulations of trash within 300 feet of their units. The FY 2002 goal is to improve by an additional 0.4 percentage points by 2003, assuming achievement of an equivalent FY 2001 goal.

**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.** AHS data are published biennially. Changes in the survey instrument prevent valid comparison with estimates from pre-1997 surveys.

**Validation/verification of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance.



**Outcome Indicator 4.3.3 (formerly 4.2.3):**

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

**Indicator background and context.** This indicator helps to inform the national conversation on growth management by providing one measure of the extent of “sprawl.” Some observers have argued that sprawl is undesirable and an inefficient use of scarce resources. These observers argue that sprawl contributes to population loss in central cities, loss of farmland and open space, expensive additions to infrastructure and traffic congestion.

This potential interagency indicator tracks the extent to which growth in the number of acres located in urbanized areas diminishes to equal, or even be less than, the growth in

U.S. population. According to this indicator of sprawl, excessive conversion of land to urban use has been falling, although the rate of growth in urban land still exceeded U.S. population growth during the 1980s. Between 1970 and 1980, when population grew by 11 percent, the amount of urban land grew by 37 percent. Between 1980 and 1990, population grew almost as quickly as in the previous decade, by 10 percent, while growth in urban land area fell to 18 percent, less than half that of the previous decade.

Between 1990 and 2000, U.S. population grew by 13.2 percent, exceeding projections. Although growth in the land in urbanized areas should be less than 18 percent during the 1990s because of growth management initiatives, it is unlikely that it will be as low as 10 percent. To continue progress in this indicator, the goal for the 2000-2005 period is that land area of urbanized areas increase at a rate less than or equal to actual population growth—projected to increase by 4.5 percent during the 2000-2005 period, according to the most recent “middle” series of Census Bureau projections.

**Data source.** Estimates of U.S. population are available annually from the U.S. Census Bureau, but at present urbanized areas, which are defined in terms of density, are only identified once per decade. Urbanized areas have not been defined for Census 2000 because the Census Bureau has not yet finalized the criteria. The American Community Survey will produce reliable estimates of population by census tract at mid-decade, allowing redefinition of urbanized areas as of 2005.

**Limitations/advantages of the data.** The data should be the most reliable available for this purpose, despite the disadvantage of being available so infrequently.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. The Bureau reviews and revises the criteria for urbanized areas after each decennial census.

***Programmatic Output Indicator 4.3.a (formerly 4.2.c): The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.***

**Indicator background and context.** Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA grants. Grantees are able to choose from a wide array of activities, so the quality of planning for self-defined objectives is critical. Consolidated Plans that contain specific goals for housing and for community development encourage community leaders to plan more carefully and to be more responsive and accountable to citizens over the life of the plans.

Grantees are required to submit their next Consolidated Plans in FY 2005. HUD’s goal is to increase the percentage of the FY 2005 cohort of plans that incorporate substantive performance goals, as compared with current Consolidated Plans.

**Data source.** CPD’s Grants Management Process (GMP, C07A) system.

**Limitations/advantages of the data.** Qualitative judgments about plan quality are necessarily subjective. CPD continually seeks to improve the objectiveness of its assessment tools including defining the parameters for measurement.

**Validation/verification of measure.** Plan assessments will be verified by random resampling to determine the variance of scores.

***Programmatic Output Indicator 4.3.b (formerly 4.2.d): The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.***

**Indicator background and context.** Entitlement communities are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met. Of the roughly \$3.5 billion in CDBG entitlement funds spent during FY 2000, 93.7 percent were used to benefit low- and moderate-income households, down slightly from 94.1 percent in FY 1999.

**Data source.** CPD program data compiled from Annual Performance Reports submitted by grantees.

**Limitations/advantages of the data.** When funds are used to serve a neighborhood, they are presumed to serve low- and moderate-income residents if more than 50 percent of the residents have low or moderate incomes.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

***Programmatic Output Indicator 4.3.c (formerly 4.2.e): The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.***

**Indicator background and context.** Whereas the prior indicator measures the targeting of CDBG grants by entitlement communities, this indicator measures the targeting of CDBG funds by States. Like entitlement communities, States are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met. States used 97.4 percent of the roughly \$1.5 billion of CDBG funds they spent in fiscal year 2000 to benefit low- and moderate-income persons.

**Data source.** CPD program data compiled from Annual Performance Reports submitted by grantees.

**Limitations/advantages of the data.** When funds are used to serve a neighborhood, they are presumed to serve low- and moderate-income residents if more than 50 percent of the residents have low or moderate incomes.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

***Programmatic Output Indicator 4.3.d (formerly 4.2.f): Among all CDBG direct beneficiaries identified, the share that have low incomes remains at or exceeds 62 percent.***

**Indicator background and context.** The prior two indicators measure the share of all CDBG funds that benefit low- and moderate-income persons. This indicator measures the share of direct beneficiaries that have low-incomes. Direct beneficiary activities are those that benefit individuals directly rather than serving a geographic area. These activities can include job creation and retention and the provision or rehabilitation of housing. They can also include activities that exclusively benefit a clientele who are presumed to be principally low- and moderate-income persons such as homeless persons, elderly persons, illiterate adults, migrant farm workers, abused children, battered spouses, severely disabled persons and persons living with AIDS. .

CDBG grantees target CDBG benefits to low-income residents at a level greater than their proportion of the population. An evaluation has shown that in 1989 about one-third of all households in CDBG cities were classified as low income (below 50 percent of median), and of the CDBG funds spent for direct benefit activities, 56 percent of all of the beneficiaries were low income. Of the FY 2000 funds that supported direct beneficiary activities, 62.7 percent benefited low-income persons. There is no statutory requirement to target direct beneficiary activities to low-income households. Achievement of this goal will depend on decisions made by over 1,000 CDBG grantees.

**Data source.** Integrated Disbursement Information System.

**Limitations/advantages of the data.** Grantees must document that a majority of beneficiaries of housing and job programs meet low/mod income thresholds, and similarly document limited clientele activities unless the clientele can be generally presumed to have low- and moderate-incomes. Grantees may submit inaccurate data for a number of reasons including internal record-keeping problems, data entry errors, or limited experience in using HUD data systems. Also, because of certain statutory presumptive low/mod benefit provisions, some job creation and retention activities may qualify as meeting the low/mod benefit requirements without having to collect household income data for employees hired to fill low and moderate income jobs. Thus, data on low income beneficiaries will not be available.

**Validation/verification of measure.** CPD field staff monitor grantees on a risk-priority basis, including checks to ensure that data reported in IDIS correspond to source documents.

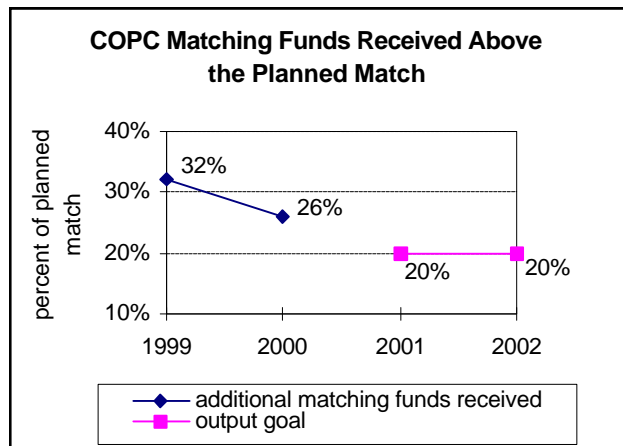
**Programmatic Output Indicator 4.3.e (formerly 4.2.g): COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.**

**Indicator background and context:** The Community Outreach Partnership Centers (COPC) program provides funds to colleges and universities for a wide variety of technical assistance and applied research activities. The underlying purpose of these activities is to strengthen the commitment of colleges and universities to their communities and local organizations within those communities, build the capacity of community-based organizations and highlight role models for other partnerships between universities and community-based organizations.

This indicator demonstrates the satisfaction that community-based organizations, local governments, foundations, private businesses, and the schools themselves have with COPC-funded activities by measuring new financial commitments to continue, expand, and in some cases institutionalize, the work. The performance goal is to observe increases in matching funds of at least 20 percent above match commitments, as measured for COPC grantees whose grants closed each calendar year.

**Data source.** COPC administrative data, consisting of semiannual and final progress reports submitted by grantees, augmented in some cases by applications for the FY 1999 "New Directions" COPC competition.

**Limitations/advantages of the data.** Estimates reflect COPC grants that have closed since the last performance reporting period. The value of more intangible contributions (e.g., pro bono services) may be inflated or simply unreported if valuation is too difficult.



**Validation/verification of measure.** Financial statements of grantees are subject to independent audits. PD&R staff monitor grantee activities on the basis of progress reports.

### **Outcome Indicator 4.3.4 (formerly 4.2.5):**

**The capital used to rehabilitate housing in underserved neighborhoods increases by 3 percent.**

**Indicator background and context.** Historically, deterioration of aging and distressed neighborhoods has been exacerbated by the unwillingness of private banks to extend credit in declining neighborhoods. The Community Reinvestment Act promotes lending for



rehabilitation in such neighborhoods, which is often combined with funding from HUD programs such as CDBG and HOME. This indicator tracks the volume of private lending in “underserved” neighborhoods, defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts.

In 1999, lenders originated home improvement loans in underserved areas totaling \$6.078 billion, continuing the trend of increases. The FY 2002 goal is to increase the volume by 3.0 percent in calendar year 2001, building on the goal of a 1.0 point increase in 2000 in the FY 2001 APP, and incorporating an adjustment for inflation.

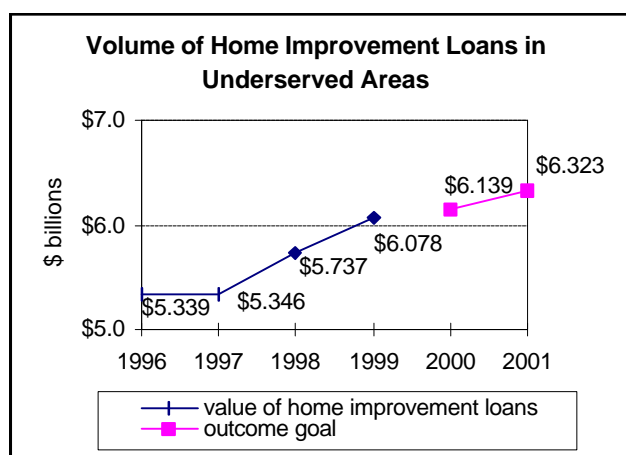
**Data source.** The Home Mortgage Disclosure Act database, consisting of lending data submitted by depository institutions and for-profit non-depository institutions (e.g., mortgage companies) to their regulators. For neighborhood characteristics, the decennial Census of Population, with future updates from the American Community Survey.

**Limitations/advantages of the data.**

HMDA data have adequate reliability for this measure and are available annually with a one-year lag. The lending volume data are not adjusted for inflation.

HMDA data are known to under-represent total market activity for several reasons. Lending institutions are exempt from reporting if their assets fall below threshold levels, if they are located in rural areas or if they meet certain other criteria that have little impact on this measure. Some loans that are originated by mortgage brokers in the name of affiliated institutions may be excluded if brokers wrongly categorize them as a loan purchases rather than originations. Approximately 4 percent of total loan volume in 1999 did not have adequate geographic data, an improvement from 10 percent in 1996. The 2000 Census will be available in 2002 to update tract data. ACS data will have sample sizes sufficient to update tract data by 2008.

**Validation/verification of measure.** Underserved area definitions will be reviewed and validated using 2000 Census data. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. No comparable data support independent verification of HMDA data.



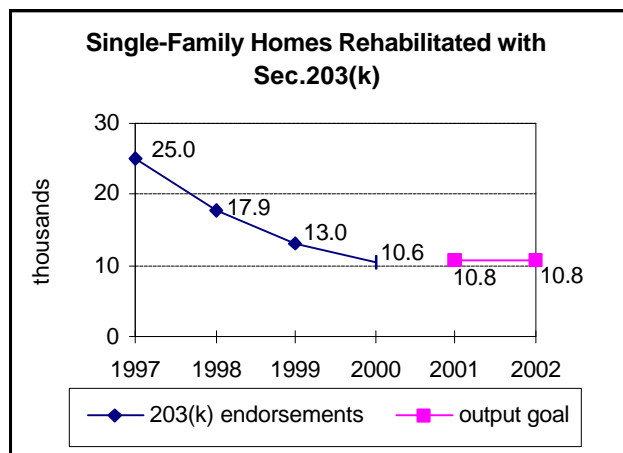
**Programmatic Output Indicator 4.3.f (formerly 4.2.h): Maintain the number of single-family properties rehabilitated under Section 203(k).**

**Indicator background and context.** FHA's Section 203(k) program addresses the problems that homebuyers often face when they want to buy a home that is in need of repair—either first mortgage financing is not available because the property does not meet code, or else the buyer has to obtain a high-cost second mortgage to finance the repairs. With a 203(k) insured loan, both the property acquisition and the repairs can be financed in a single loan at costs comparable to those of a first mortgage. This makes additional existing homes affordable for moderate-income families and improves older urban neighborhoods. The FY 2002 performance goal is to stabilize the program's declining volume at the FY 2001 level while assessing alternatives for management of the 203(k) program.

**Data source.** FHA's Computerized Homes Underwriting Management System (CHUMS, F17), which tracks single-family mortgage insurance applications from initial receipt through endorsement.

**Limitations/advantages of the data.** The data represent a simple and easily verifiable count of endorsements.

**Validation/verification of measure.** FHA performs computerized checks of data quality, and FHA staff verify loan transactions using quality assurance sampling methods.



**Programmatic Output Indicator 4.3.g (formerly 4.2.i): The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent.**

**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 number of units in multifamily properties within “underserved” neighborhoods that are newly endorsed by FHA. To focus on newly financed housing, endorsements for refinanced mortgages are excluded, as are Section 202 and Section 811 properties. Underserved neighborhoods are defined in metropolitan areas as census tracts

either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts. The FY 2002 goal is to increase the number of units by 5 percent, building on an equivalent FY 2001 goal. The achievement of this goal is influenced by National economic conditions.

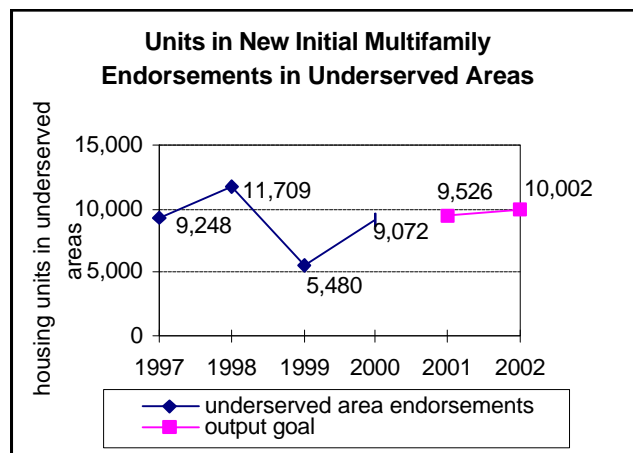
**Data source.** For project locations and unit counts, FHA’s DAP system. For tract poverty rates and minority share, the decennial Census of Population, updated with the American Community Survey. PD&R determines which census tracts meet the definition of “underserved” for HUD’s role in oversight of 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 of measure.**

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



**Outcome Indicator 4.3.5:**

**The share of public housing residents who feel safe or very safe increases by 1 percentage point.**

**Indicator background and context.** Public housing agencies and resident management councils conduct a variety of activities to reduce crime. This indicator tracks the level of security perceived by residents of public housing, measured as the share of those who report they feel “safe or very safe” in their units, their building, and the parking area.

**Data source.** REAC’s Resident Satisfaction Assessment Subsystem (RASS).

**Limitations/advantages of the data.** RASS data consist of a nationally-representative random sample of public housing

Residents who feel safe or very safe in:	2000 Baseline	2001 Expected	2002 Goal
their units	72.3%	73.3%	74.3%
their building	67.7%	68.7%	69.7%
the parking area	59.6%	60.6%	61.6%

households. Isolated incidents may create short-term distortions in long-term tenant satisfaction.

**Validation/verification of measure.** A PD&R study to pretest and validate resident satisfaction surveys of Section 8 households showed that responses were reliable with respect to physical conditions, supporting the validity of surveys for assessing public safety of residents.

***Programmatic Output Indicator 4.3.h (formerly 4.3.a): At least 90 percent of EZ and EC projects achieve local goals in serving residents with public safety and crime prevention programs.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is an important tool for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to prevent crime, enhance law enforcement and improve public safety. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.d, which supports Strategic Objective 4.2, "Economic conditions in distressed communities improve."

## **STRATEGIC GOAL 5: ENSURE PUBLIC TRUST IN HUD**

### **Strategic Objectives:**

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

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

The Department is committed to continued improvement of its programs and operations to ensure that tax dollars are used properly and effectively, that programs accomplish what they promise, and that HUD will do more with less and do it better. This Strategic Goal reflects HUD's commitment to quality program management, which in turn, helps our partners perform well and fulfills our fiduciary obligation to uphold the public trust. This Goal also reflects a strategic objective of providing quality research, program evaluations, and information to support the continual improvement of HUD's programs and a robust national discussion of housing and community and economic development policies.

The *FY 2000-2006 Strategic Plan* extensively describes the importance of HUD's partners to the success of its mission. These partners include Federal, State and local agencies as well as private sector businesses and nonprofit organizations. As HUD's vision statement indicates, empowering these partners—as well as our customers—is one of the Department's central strategies. HUD understands that empowerment is an expansion of capacity that must be accompanied by a corresponding degree of responsibility and accountability.

HUD is also continuing to better target its research efforts towards timely and relevant policy issues and evaluations of HUD programs that support performance measurement under GPRA.

**Resources supporting Strategic Goal 5:  
Ensure public trust in HUD.**

<b>Budget Authority (BA) and Staffing Levels (BA is \$ in millions)</b>						
<b>Program</b>	<b>FY 2000</b>		<b>FY 2001</b>		<b>FY 2002</b>	
	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>	<b>BA</b>	<b>Staff</b>
<b>Community Planning &amp; Development</b>						
Community Development Block Grants Fund	0	33	0	32	0	32
HOME Investment Partnerships Program	0	13	0	13	0	13
Homeless Assistance Grants	0	16	0	16	0	16
HOPWA	0	2	0	2	0	2
<b>Public &amp; Indian Housing</b>						
Housing Certificate Fund <sup>a/</sup>	2,184	212	2,191	211	2,445	211
Public Housing Capital Fund	0	27	0	29	0	29
<b>Housing</b>						
Sections 202/811 (elderly and disabled)	0	246	0	244	0	244
FHA MMI/CMHI	59	195	59	194	61	194
FHA GI/SRI	0	523	0	518	0	518
Other Housing Programs <sup>b/</sup>	0	43	0	43	0	43
<b>Policy Development &amp; Research</b>						
Research and Technology	45	155	53	164	43	174
<b>Other HUD Staff</b> <sup>c/</sup>	-	2,744	-	2,849	-	2,849
<b>TOTAL</b>	<b>2,288</b>	<b>4,209</b>	<b>2,303</b>	<b>4,315</b>	<b>2,549</b>	<b>4,325</b>

a/ Housing Certificate Fund BA numbers represent program levels instead of net budget authority (BA figures for this account are significantly affected by rescissions and advanced appropriations). Staff levels include Office of Housing staff working with project-based Section 8.

b/ Includes programs that have not received appropriations in recent years, but are still operating.

c/ Other staff include Departmental Management, CFO, OGC, CIO, CPO, REAC, DEC, Admin, ODEEO, and FDOS.

**Research and Evaluation Relevant to Strategic Goal 5**

The following is a selected list of major evaluation and research efforts relevant to Strategic Goal 5 that are either under way or have been completed since January 2000.

- *Quality Control for Rental Assistance Subsidies Determinations* (under way: final report expected FY 2001). This study will provide national estimates of administrative and other errors in rent determination in public and assisted housing, and, for the first time, will report on the reasonableness of rents in the housing choice voucher program.
- *Evaluating Methods for Monitoring and Improving HUD-Assisted Housing Programs*, January 2001. This mandated study evaluates HUD's quality assurance

systems for housing assistance programs. The report finds that the new HUD systems represent an improvement in an indispensable Federal monitoring role, but deficiencies exist in the areas of collaboration with industry, accuracy of physical inspections, incentives for improvement and administrative capacity.

- *HUD 2020 Review* (under way: final report expected FY 2001). This study will survey HUD partners including community development directors, public housing agency directors, Fair Housing Assistance Program (FHAP) directors, mayors, multifamily owners, and non-profit providers about their capability to achieve intended results, their level of satisfaction with the Department, and their perceptions of recent management improvements at HUD.
- *NPR (National Partnership for Reinventing Government) Survey 2000*, December 2000. The third annual NPR survey of HUD staff reported that HUD was ahead of other agencies in reducing attendance paperwork, in furnishing employees with electronic access to information needed to do their jobs, and in organizing teams to handle tasks, where appropriate. However, HUD had not streamlined the hiring process, simplified travel regulations, taken corrective action when employees failed to meet performance standards, rewarded innovation, or clearly communicated what “good” performance was; the Department’s performance in these areas was about the same as that for the Federal government as a whole.
- *Assessing the Usefulness of Products of the Office of Policy Development and Research* (under way: final report expected FY 2001). This study will report the numbers and affiliations of the users of PD&R publications and databases, the frequency of citation of PD&R products in relevant journals, and the opinions of customers about the value and reliability of those products.
- *Report on Community Development Block Grant Recipients*, November 2000. The second annual report on customer satisfaction with the CDBG funding process, information provision, and customer service found that delivered service surpassed recipients’ expectations, and that significantly fewer recipients had complained to HUD in the past year, but that HUD’s handling of complaints received a relatively low average score.

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

### **Overview**

HUD is committed to quality management of its programs. This Strategic Objective ensures that HUD remains focused on the continuous improvement of the organization and functions and on responding to the needs of HUD's partners as well as the private sector responds to the needs of its customers.

This objective articulates the Department's continued efforts to address its management challenges and to make HUD a high-performing agency. The improvements are reflected in tangible performance objectives and accomplishments. Specific areas of progress, which are more fully discussed at the end of this chapter, include human resource issues such as resource allocation, data improvement, compliance and monitoring activities, enforcement activities, and procurement reforms. These efforts dovetail with the Department's establishment of performance-based systems for HUD's programs and performance-based requirements for HUD's managers.

HUD recently adopted a more businesslike structure to better achieve its public purposes—to better support its partners and its lines of business. The new structure defined a clear mission divided into identifiable functions for each separate business line. It centralized some operations to realize economies of scale while decentralizing newly enhanced customer assistance functions to improve service delivery and innovation. It made better use of technological advances to improve efficiency in service delivery and processing, while making information on HUD's programs and resources more widely available through the Internet and other technology.

Through its Financial Systems Integration Project, HUD improved the financial capabilities of the Department, starting with the complete modernization and integration of previously outdated, multiple financial systems into a single financial system that reflects state-of-the-art capabilities. The accuracy and usefulness of financial reporting for HUD's insured, assisted and public housing have been vastly improved through the newly established Section 8 Financial Management Center, the Single-Family Homeownership Centers, and the Multifamily HUB and Program Centers.

HUD is examining and improving the financial conditions of the entire public and assisted housing inventories through the Real Estate Assessment Center and the Departmental Enforcement Center. These streamlined efforts will give the Department a clear understanding of the financial conditions of these housing providers and produce the kinds of remedial actions needed.

Quality assurance and data integrity are part of the development and verification of performance measurement data. Department-wide efforts in this arena are being made through a technology investment board and through the implementation of a data quality



improvement plan described at the end of this chapter. Throughout this Plan, validation and verification efforts have been described in the context of performance indicators.

The Department has also dramatically improved its procurement procedures and operations through installation of a Chief Procurement Officer, who reports directly to the Deputy Secretary, and through a variety of procurement reforms.

The HUD Training Academy uses a sophisticated mix of multimedia distance learning and on-the-job training to develop new employee skills in information systems management, procurement, civil rights enforcement, asset development and management, program and real estate administration, and economic development and customer service.

The Department is currently working with National Academy of Public Administration (NAPA) to implement as well as further develop the optimum methodology for resource management throughout the Department through the Resource Estimation and Allocation Process (REAP). This tool will enable the Department to effectively estimate, allocate, and monitor its workforce resources.

### **Means and strategies**

Continued attention to upholding the public trust in HUD is crucial to the future of the agency. To help its employees and partners effectively deliver results to all of its customers, HUD will act to:

- Support accomplishment of HUD's APP by helping all HUD managers shape business and operating plans that achieve results for customers and local communities.
- Conduct regular surveys of employees, partners, and customers and use results to focus program enhancements.
- Increase citizen access to information on HUD programs and their local implementation, both through citizen participation in the Comprehensive Plan process and through electronic means such as Community 2020 mapping software and HUD's World Wide Web home page.
- Examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.
- Fully implement the Resource Estimation and Allocation Process (REAP).
- Train employees and improve equipment for higher productivity.
- Work to develop a long-term staffing strategy to meet the rapid increase in retirements expected over the next several years.
- Improve data quality and certify compliance of program data systems with OCIO standards.
- Continuing a performance based appraisal process for all managers and executives that links performance objectives and standards to strategic goals and objectives.

- Through REAC assessments, rate key partners, including PHAs and private owners of assisted housing, for financial management and physical upkeep. Low performing PHAs are referred to the Troubled Agency Recovery Center and Office of Public and Indian Housing for remedial action.
- Through REAC, review the quality of single-family appraisers using statistical indicators to select product. Poor appraisers are referred to the Departmental Enforcement Center and Homeownership Centers for removal from the FHA appraisal registry.
- Through REAC, rate the performance of Independent Public Accountants that perform financial audits of PHA and multifamily assisted properties. Poor performers are referred to the Enforcement Center for debarment.
- Review the following programs to determine how to increase the rates of obligation and expenditure of funds: Section 8 vouchers and project-based renewals, Section 202 grant funds, Community Development Block Grant funds, and the Public Housing Capital Fund.
- Through HUD's Mortgagee Review Board, levy fines against lending institutions and restrict their dealings with the Federal Housing Administration (FHA) when they violate federal lending policies.
- Increase the effectiveness of Consolidated Plans in promoting high performance.
- Work with partners in the mortgage lending industry to reduce predatory lending. FHA is sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.

In 2001 the Department established the HUD Virtual University (HVU) as a source of education and training for all HUD organizations and employees. A core curriculum of courses will enhance critical skills in management, leadership, team-building, communications and project management. A second major core curriculum will provide information technology courses ranging from software training to systems administration and programming. The HVU also will provide a variety of performance support tools such as job aids, search capability, individual development plans, self-assessment and on-line mentoring.

**Programs supporting Objective 5.1: HUD's workforce and partners are empowered, capable, and accountable for results.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1999 act.</b>	<b>FY 2000 act.</b>	<b>FY 2001 est.</b>	<b>FY 2002 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants Fund	4,743	4,809	5,113	4,802
Community Development Block Grants Formula	[4,218]	[4,236]	[4,399]	[4,399]
HOME Investment Partnerships Program	1,600	1,636	1,796	1,796
Homeless Assistance Grants	975	1,020	1,123	1,123
HOPWA	225	232	257	277
<b>Public and Indian Housing</b>				
Housing Certificate Fund	10,327	11,481	13,910	15,717
Public Housing Capital Fund	3,000	2,884	2,993	2,293
<b>Housing</b>				
Sections 202/811 (elderly and disabled)	854	911	994	1,001
FHA MMI/CMHI Program Account	329	491	490	497
FHA GI/SRI Program Account	308	262	456	375
<b>Management and Administration</b>				
Salaries and Expenses	990	1,005	1,070	1,097

Note: Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations. Salaries and Expense numbers include appropriations and transfers from FHA, Ginnie Mae, and CPD.

**External factors**

The large number of HUD agents and grantees implementing HUD's programs in the field greatly complicates monitoring and performance measurement. The assumption underlying the distribution of grants by formula is that local decision-makers are best positioned to respond to local housing needs and market conditions, so local choices of activities to fund produce the most cost-effective results.

**Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

<b>Crosswalk for Strategic Objective 5.1:                      HUD and HUD's partners effectively deliver results to customers</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>5.1.1: HUD employees become more satisfied with the Department's performance and work environment.</p>	<p>5.1.a: The Resource Estimation and Allocation Process initiative will be fully implemented and will establish a baseline for estimating resource requirements and prioritizing staffing allocations by program and office.</p> <p>5.1.b: HUD continues to improve the workforce to reflect the nation's diversity by increasing the representation of under-represented groups by 0.3 percentage point.</p> <p>5.1.c: Ensure that contractors produce results by obligating not less than 20 percent of total eligible service contract dollars using outcome or performance-based service contracting techniques (for new contracts over \$25,000).</p> <p>5.1.d: HUD financial statements receive unqualified audit opinions.</p>	<p>Adequate staff levels and appropriations may not be provided to HUD.</p> <p>Restricted outside recruitment and hiring due to limited financial resources can adversely impact the Department's ability to improve its representation of minorities and women in the work force.</p>
<p>5.1.2: HUD partners become more satisfied with the Department's performance, operations and programs.</p>	<p>5.1.e: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases (also appears as 4.3.a).</p> <p>5.1.f: HUD reviews 35 percent of Consolidated Plan Grantees and 10 percent of grants on site for compliance with their plans.</p> <p>5.1.g: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 147, and the number that carry balances above 2.0 times their most recent grant decreases by 15 percent.</p>	<p>The large number of HUD agents and grantees vastly complicates monitoring and performance measurement.</p> <p>Devolution of decisions regarding priority needs and preferable tools to local grantees is appropriate for CDBG, HOME, and other grant programs because of the variety of housing market conditions, but complicates monitoring and performance measurement.</p>

<b>Crosswalk for Strategic Objective 5.1: HUD and HUD's partners effectively deliver results to customers</b>		
<p>5.1.3: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.</p> <p>5.1.4: The number of public housing units managed by troubled housing agencies that are assigned to a TARC as of October 1, 2001 decreases by 15 percent by September 30, 2002.</p> <p>5.1.5: The share of tenant-based Section 8 units managed by troubled housing agencies decreases by 5 percentage points.</p> <p>5.1.6: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 5 percentage points.</p> <p>5.1.7: The share of units that meet HUD-established physical standards increases by 3 percentage points to 73.9 percent of public housing units and 89.5 percent of assisted multifamily units (also appears as 1.3.3)</p>	<p>5.1.h: The unit-weighted average PHAS score increases by 5 percent.</p> <p>5.1.i: The household-weighted average SEMAP score increases.</p> <p>5.1.j: The share of tenant-based Section 8 units managed by housing agencies that score highly for income verification increases.</p> <p>5.1.k: The share of tenant-based Section 8 units managed by housing agencies that score highly for determination of rent reasonableness increases.</p> <p>5.1.L: The share of households for which rent determinations are correct increases by 15 percent from FY 2000 levels for public housing, project-based Section 8 and tenant-based Section 8 by FY 2003.</p> <p>5.1.m: The DEC will improve management by multifamily housing partners by reducing the multifamily cases in the DEC as of September 30, 2001 by 80 percent, by closing 75 percent of all cases received in FY 2002 that have been in the DEC for 180 days, and by completing all cases received in FY 2002 and closed in FY 2002 in an average of 180 days.</p>	<p>HUD rental assistance is administered through thousands of PHAs and private landlords, and while accountability is improving, HUD's impact on day-to-day operations is limited.</p>
<p>5.1.9: HUD automated data systems are rated highly for usefulness, ease of use, and reliability.</p>	<p>5.1.n: During FY 2002, eight mission-critical data systems will be assessed and those systems will be certified by the end of FY 2003.</p> <p>5.1.o: The share of HOME-assisted rental units for which occupancy information is reported increases by 3 percentage points.</p> <p>5.1.p: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.</p>	<p>Development and improvement of electronic monitoring systems can disrupt normal processes for HUD grantees and PHAs. Data conversions and system improvements need buy-in and system upgrades frequently require additional time and expenses from HUD partners.</p>

<b>Crosswalk for Strategic Objective 5.1: HUD and HUD's partners effectively deliver results to customers</b>		
	5.1.q: Sanctions are taken or forbearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.  5.1.r: The share of FHA single-family appraisals determined to be unacceptable is reduced.	

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 5.1.1:  
HUD employees become more satisfied with the Department's performance and work environment.**

**Indicator background and context.** HUD has increasingly been moving its organizational focus from process to customer-driven results. To support continued empowerment that serves customers, we will use periodic employee surveys to ensure that staff are satisfied with their physical and organizational work environment and with the performance of the organization, measured along several dimensions.

In FY 2000, HUD utilized a survey performed by the National Performance Review to assess this objective. That survey showed the following results. Seventy-two percent of HUD employees said the overall quality of work done in their work group was favorable. Sixty-seven percent stated they had service goals aimed at meeting customer expectations. Sixty-two percent reported that supervisors or team leaders understand and support employees' family/personal life responsibilities. However, only 51 percent of employees felt that managers communicate the organization's mission, vision, and values, and only 37 percent felt that recognition and rewards are based on merit.

**Data source.** HUD will initiate a new employee satisfaction survey in 2001. After results from the survey are analyzed, the Department will determine the appropriate time period for repeating the survey to assess improvement under this indicator.

**Limitations/advantages of the data.** Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some employees and dissatisfy others. Therefore the performance goal will establish an acceptable level of employee satisfaction to attain over time rather than constantly increasing satisfaction.

**Validation/verification of measure.** Unproven survey instruments will be validated by pretesting.

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

**Indicator background and context.** The Department is currently implementing a resource management system called Resource Estimation and Allocation Process (REAP) throughout HUD. The REAP methodology was developed in conjunction with the National Academy of Public Administration. The REAP approach will allow the Department to estimate, allocate and validate resources for effective and efficient program administration and management. In FY 2000, the REAP approach was pilot tested in two areas and in FY 2001 and FY 2002, REAP will be implemented, in phases, throughout HUD. REAP will be a key tool supporting the Department-wide effort to manage staffing resources and workload. REAP also will provide a foundation for HUD's long-term human capital strategies, including succession planning.

**Data Source.** A comprehensive workload and staffing baseline will be developed using the Total Estimation and Allocation Mechanism (TEAM)

**Limitations/advantages of the data.** The TEAM system will provide a comprehensive resource database for estimating and allocating staff resources. Because it is a quantitative system, however, it will inherently lack a qualitative level of assessment.

**Validation/verification of measure.** The REAP approach was validated by pilot testing in two program areas. CFO staff analysts will continue to validate the REAP data. TEAM will collect actual workload accomplishments and staff usage and compare it to the baseline.

***Programmatic Output Indicator 5.1.b (formerly 5.1.a): HUD continues to improve the workforce to reflect the nation's diversity by increasing the representation of under-represented groups by 0.3 percentage point.***

**Indicator background and context.** It is the policy of HUD to prohibit discrimination in employment because of race, color, religion, sex, national origin, age, and disability, and to promote the full realization of equal employment opportunity through a continuing Affirmative Employment Program. This program involves increasing the diversity of the applicant pool for job openings. When an opening is posted, the Department also sends notices to organizations that represent women and minorities and educational institutions with a high rate of women and minority enrollment. HUD's affirmative employment efforts do not include any hiring preference based on race or gender. HUD's Hispanic representation of 7.0 percent has consistently remained below the Hispanic Civilian Labor Force (CLF) representation of 8.1 percent for the past several years. HUD's first diversity goal is to increase the share of Hispanics to 7.6 percent of employees in FY 2002, based on estimated achievement of 7.3 percent representation in FY 2001. Similarly, HUD intends to increase the representation of white females to 27.6 percent to close the gap with the CLF representation of 35.5 percent.

**Data source.** HUD employment data tabulated in the Department's Equal Employment Opportunity Management Analysis System (EEMAS).

	FY 1997 act.	FY 1998 act.	FY 1999 act.	FY 2000 act.	FY 2001 goal	FY 2002 goal
Hispanic representation	6.4%	6.6%	6.8%	7.0%	7.3%	7.6%
White female representation	28.4%	28.0%	27.7%	27.0%	27.3%	27.6%

**Limitations/advantages of the data.** EEMAS data are believed to be accurate and reliable.

**Validation/verification of measure.** EEMAS data are reviewed by the EEOC.

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

**Indicator background and context.** The procurement of contract services is essential to the accomplishment of HUD's mission. As recommended by the Inspector General and the General Accounting Office, HUD has made improvements to its contracting procedures to ensure that contracts for services are timely, cost-effective and produce specified results and that they place a financial incentive on the achievement of desired outcomes. These objectives are at the heart of performance-based contracting (PBC), an initiative sponsored by OMB's Office of Federal Procurement Policy for application throughout the Executive branch. PBC is designed to ensure that contractors are given the freedom to determine how to meet the Government's performance objectives, that appropriate levels of quality are achieved, and that payment is made only for services that meet these levels. This measure was changed for FY 2002 to reflect a share of contract dollars rather than a total dollar figure, and to exclude small contracts under \$25,000.

**Data source.** The HUD Procurement System (HPS), an automated database containing information about all procurement contracts awarded by the Department.

**Limitations/advantages of the data.** Contracting staff enter data into HPS as they complete each contract action. The system has a data field to identify that a contract has performance-based features.

**Validation/verification of measure.** CPO staff analysts will verify that contracts that are identified as performance-based in HPS in fact contain required features and are accurately recorded.

***Programmatic Output Indicator 5.1.d (formerly 5.1.a.0): HUD financial statements receive unqualified audit opinions.***

**Indicator background and context.** The Department introduced this indicator into its APP goal structure to maintain a focus on improving and enhancing HUD's financial



systems. HUD received a disclaimer of an audit opinion on its FY 1999 financial statements when major systems conversion efforts disrupted normal account reconciliation activity and precluded timely preparation of financial statements and completion of the audit by HUD's Office of Inspector General.

For FY 2000, the Chief Financial Officer and program management successfully addressed the OIG's audit disclaimer issues and received an unqualified audit opinion. This unqualified opinion was in large part a result of HUD actions to: complete the reconciliation of the FY 1999 funds balance with Treasury accounts; enhance the conversion of transactions to HUD's new standard general ledger system (HUDCAPS), substantially improving the acceptance of transactions and the performance of account reconciliation efforts; improve the year-end closing process to assure that all adjustments are made through the general ledger, with adequate supporting documentation; and continue corrective actions on previously identified material weaknesses and reportable conditions.

The receipt of an unqualified audit opinion on HUD's FY 2000 consolidated financial statements is important in restoring 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.

**Data source.** HUD financial statement audits are performed by the Office of Inspector General (OIG) and contracted resources directed by the OIG.

**Limitations/advantages of data.** Financial statement audits review the adequacy of data systems and internal controls, as well as compliance with laws and regulations, and identify weaknesses that are material to the presentation of HUD's financial statements. An unqualified audit opinion does not mean that the audit has identified no material weaknesses.

**Validation/verification 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.

### **Outcome Indicator 5.1.2:**

#### **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, non-profit and for-profit entities provide service delivery for a majority of HUD programs. Increasing their satisfaction with HUD makes them more willing to support HUD and achieve common

objectives. Partner groups are currently being surveyed to assess both partner satisfaction with the Department generally and perceptions of the recent management improvements at HUD. The partner groups surveyed include: community development directors, public housing agency directors, Fair Housing Assistance Program (FHAP) directors, mayors, multifamily owners, and non-profit providers.

**Data source.** HUD developed the survey instrument for six partner groups and cleared this instrument through OMB. Results from the baseline survey will be available in July of 2001. Once the first survey is reviewed and baseline data is analyzed, the Department will determine the appropriate time period to repeat the survey to assess ongoing progress on this indicator.

**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. Therefore the performance goal will establish an acceptable level of partner satisfaction to attain over time rather than constantly increasing satisfaction.

**Validation/verification of measure.** The survey instrument was pretested to determine appropriate validation and verification procedures. Focus groups were conducted in 2000 to assess partner needs and opinions as they relate to reporting program results.

***Programmatic Output Indicator 5.1.e (formerly 5.1.c): The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.***

**Indicator background and context.** Measurable success by HUD's partners supports the public trust by demonstrating cooperation and the recognition that accountability for achieving meaningful results with taxpayer resources is shared across all levels of government. This indicator is also included under Strategic Objective 4.3 as Programmatic Output Indicator 4.3.a.

***Programmatic Output Indicator 5.1.f (formerly 5.1.d): HUD reviews 35 percent of Consolidated Plan Grantees and 10 percent of grants on site for compliance with their plans.***

**Indicator background and context.** Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA formula grants, following a process that includes and documents citizen participation. Consolidated Plans must include action plans that set forth specific goals for meeting community needs. This indicator tracks the extent of monitoring activity by HUD field staff to ensure that grantees implement their plans to ensure that low-income families are helped and distressed neighborhoods are redeveloped. Because 100 percent of Consolidated Plan grantees are now regularly reviewed remotely, remote reviews are no longer tracked through this indicator. The indicator was modified for this APP to increase the share of grantees that are reviewed onsite and the share of grants administered by those grantees that are reviewed onsite. In FY 2000, 530 grantees (51 percent) were reviewed onsite for

compliance with their plans. In FY 2001, the Department has adopted a tighter definition of monitoring visits.

**Data source.** CPD administrative data systems.

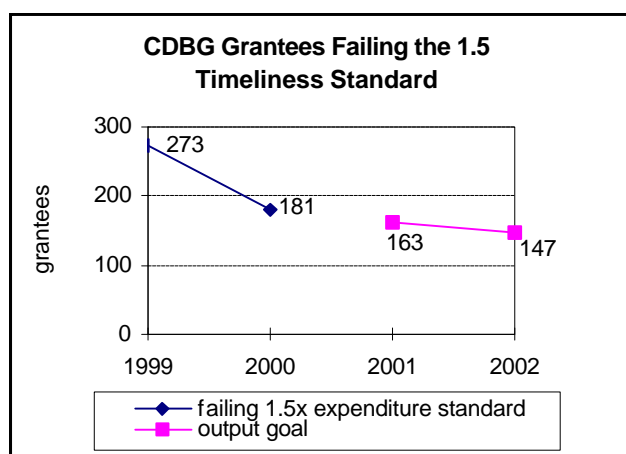
**Limitations/advantages of the data.** Administrative data do not support assessments of the quality of reviews.

**Validation/verification 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.

**Programmatic Output Indicator 5.1.g (formerly 5.1.e): The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 147, and the number that carry balances above 2.0 times their most recent grant decreases by 15 percent.**

**Indicator background and context.** Entitlement communities have extensive flexibility to use CDBG for locally defined purposes. However, they must use funds for national objectives and implement their activities in fiscally responsible ways. To meet timeliness standards, grantees may not have undrawn funds in their line of credit exceeding 1.5 times the value of the most recent grant, as measured 60 days before the following grant. The Department monitors over 1000 entitlement communities. In FY 1999, there were 273 grantees that failed to meet the 1.5 timeliness standard. By the end of FY 2000, HUD reduced the number to 181. As grantees move into compliance with the regulatory standard, others come out of compliance. Successfully reducing the total number of untimely grantees requires adequate resources so the Department can provide technical assistance to those communities.

The FY 2002 goal regarding the 1.5 timeliness standard is to reduce the number of substandard grantees by 10 percent from FY 2001 levels, building on an equivalent goal for FY 2001. The FY 2002 goal for the 2.0 timeliness standard—a more extreme level of untimeliness—is to reduce the number by 15 percent from the baseline to be established at the end of FY 2001. The FY 2002 target shown in the second chart is based on an anticipated reduction of 10 percent in FY 2001.



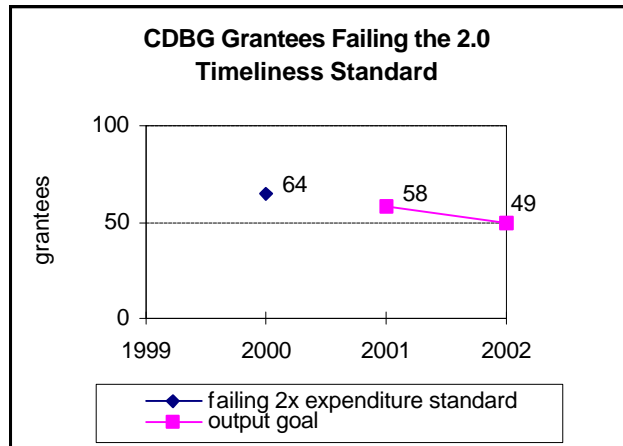
**Data source.** CPD’s Integrated Disbursement Information System.

**Limitations/advantages of the data.**

Determinations of compliance are reliable because the data represent actual disbursements.

**Validation/verification of measure.**

There is little evidence that slow spend-out is correlated with the type of activities that grantees select, but complex projects or activities may lead to slow spend-out for some grantees. Field staff verify that grantees document expenditure of funds by performing on-site monitoring. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers.



**Outcome Indicator 5.1.3:**

**The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.**

**Indicator background and context.** The recipients of HUD housing assistance form one of the largest groups of direct customers of HUD. HUD influences resident satisfaction by demanding quality management from housing agencies and private multifamily developments. During FY 2000, REAC conducted a random sample survey of 279,470 public housing tenants. Eighty-seven percent of those surveyed were satisfied or very satisfied with their overall living conditions. REAC adapted the multifamily housing protocol in FY2000 and began assessing this tenant group in December of 2000; therefore the baseline for multifamily assisted housing will be determined during FY 2001. This indicator tracks the percentage of respondents who are satisfied or very satisfied with “overall living conditions.”

**Data source.** Data regarding resident satisfaction come from the REAC Resident Satisfaction Assessment Subsystem (RASS), based on surveys of residents of public housing and assisted multifamily housing.

**Limitations/advantages of the data.** The RASS survey is based on statistically valid samples of households. The response rate is well above average for similar survey instruments.

**Validation/verification of measure.** Analysis of results of a pilot survey showed good correlation between resident satisfaction scores and physical condition scores. Annual survey samples will verify estimates and increase confidence in their statistical reliability.

**Outcome Indicator 5.1.4:**

**The number of public housing units managed by troubled housing agencies that are assigned to a TARC as of October 1, 2001 decreases by 15 percent by September 30, 2002.**

**Indicator background and context.** PIH and REAC use the Public Housing Assessment System (PHAS) to evaluate the performance of public housing agencies 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 change in the number of units managed by “troubled” agencies that have successfully returned to “standard” status by the end of the fiscal year due to intervention by Troubled Agency Recovery Centers (TARCs). Further refinements may be necessary as the assessment process matures.

**Data source.** TARC portfolio system, which captures the date a PHA is transferred to the TARC 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 are statistically representative of public housing projects and households respectively. Congress has requested HUD not to take an adverse action against a PHA based solely on PHAS. At this time, PHAs are declared troubled on the basis of the management operations indicator (MASS).

**Validation/verification 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.

**Outcome Indicator 5.1.5:**

**The share of tenant-based Section 8 units managed by troubled housing agencies decreases by 5 percentage points.**

**Indicator background and context.** This indicator tracks the share of tenant-based Section 8 assistance that is vulnerable to poor management. The Section Eight Management Assessment Program (SEMAP) designates a housing agency as troubled if its composite SEMAP score is below 60 percent or an independent auditor is unable to provide a clear opinion of conformance with generally accepted accounting principles. SEMAP rates housing agencies based on compliance with requirements for tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, lease-up rates, FSS participation, MTCS reporting, and correct rent calculations.

**Data source.** PIC Section Eight Management Assessment Program, based on data reported by PHAs to MTCS and on findings of independent audits of program compliance under the Single Audit Act. The baseline will be determined in FY 2002 from SEMAP ratings.

**Limitations/advantages of the data.** SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.

**Validation/verification of measure.** The performance goal may need recalibration when complete SEMAP data are available.

### **Outcome Indicator 5.1.6:**

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

**Indicator background and context.** REAC is evaluating the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. REAC plans a similar assessment of tribal properties. 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. PHA scores represent an aggregate of all properties owned or controlled by the agency. Multifamily financial scores determined at the project level for every subsidized development—meaning properties that have Section 8 contracts, outstanding mortgages with interest subsidies, or both.

This indicator tracks the share of public housing and the share of multifamily tenants who live in developments with financial management rated as substandard by the REAC assessment. For the reporting period in 2000, the share of households living in subsidized multifamily properties that had substandard financial management was 28.6 percent, the share for public housing was 11.3 percent.

**Data source.** REAC Financial Assessment Subsystem (FASS).

**Limitations/advantages of the data.** The financial assessment is an American Institute of Certified Public Accountants validated process. Further refinements may be necessary as the assessment process matures. A few very large PHAs may generate substantial movement in this measure.

**Validation/verification of measure.** REAC performs Quality Assurance Reviews of the audited financial statements submitted by Independent Public Accountants of PHAs and multifamily property owners. 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.

**Outcome Indicator 5.1.7:**

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

**Indicator background and context.** This indicator contributes to increasing the public trust because deteriorated public and assisted housing creates poor perceptions of HUD management capability. The indicator also appears in the context of increasing safe and affordable rental housing as Outcome Indicator 1.3.3.

***Programmatic Output Indicator 5.1.h (formerly 5.1.f): The unit-weighted average PHAS score increases by 5 percent.***

**Indicator background and context.** This indicator tracks HUD progress toward increasing the capability and accountability of public housing agency partners and increasing the satisfaction of residents. The Public Housing Assessment System (PHAS) provides an indication of the quality of the housing stock and management conditions that each public housing resident lives with. For this measure, each PHAS score at the PHA level is weighted by multiplying by the number of public housing units in the PHA and then weighted scores are averaged across all public housing units. For FY 2000, based on advisory scores, the unit-weighted average PHAS score was 78.7. The PHAS scoring indicators were modified during FY 2000, and the system is currently undergoing further review. PHAS scores in FY 2001 and beyond may not be entirely comparable with the FY 2000 baseline.

**Data source.** REAC's PHAS, comprising scores determined by PASS, MASS, FASS, and RASS assessment subsystems.

**Limitations/advantages of the data.** PASS and RASS are statistically representative of public housing projects and households respectively. Congress has requested HUD not to take an adverse action against a PHA based solely on PHAS.

**Validation/verification 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. The PHAS weighting system will be validated through consultation with industry representatives.

***Programmatic Output Indicator 5.1.i (formerly 5.1.g): The household-weighted average SEMAP score increases.***

**Indicator background and context.** This indicator tracks HUD progress toward increasing the capability and accountability of housing agency partners and increasing the

satisfaction of residents. Section Eight Management Assessment Program (SEMAP) scores are multiplied by the number of households in the housing agency and then averaged across all households. The first PHAs required to report SEMAP scores were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline and goal will be determined.

**Data source.** SEMAP, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records.

**Limitations/advantages of the data.** SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.

**Validation/verification of measure.** SEMAP data are reviewed by independent auditors.

***Programmatic Output Indicator 5.1.j (formerly 5.1.h): The share of tenant-based Section 8 units managed by housing agencies that score highly for income verification increases.***

**Indicator background and context.** Tenant income verification is a critical tool that housing agencies have to control the costs of providing tenant-based assistance by preventing tenant fraud. The income verification component of SEMAP awards a high score of 20 points when incomes of 90 percent of households have been verified by third parties and income allowances are calculated correctly. The FY 2002 performance goal will be determined following analysis of baseline data.

**Data source.** SEMAP, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The first PHAs required to certify as to their performance under SEMAP were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline and goal will be determined.

**Limitations/advantages of the data.** Ratings for this SEMAP indicator are based on the PHA's certification, which is subject to verification by independent audit.

**Validation/verification of measure.** HUD undertakes periodic quality control surveys to verify income calculations, and these samples can be used as a measure of validity. SEMAP data are reviewed by independent auditors.

***Programmatic Output Indicator 5.1.k (formerly 5.1.i): The share of tenant-based Section 8 units managed by housing agencies that score highly for determination of rent reasonableness increases.***

**Indicator background and context.** Determination of whether rents are reasonable (i.e., not greater than the market value of the housing unit) is another tool that housing agencies have to control costs in the Section 8 program by ensuring that landlords do not charge



excessive rents. HUD awards housing agencies a high score of 20 points for the rent reasonableness component of SEMAP when 98 percent of randomly-sampled tenant files have documented determinations that the rent for the unit is reasonable in accordance with the housing agency's written method. The FY 2002 performance goal will be determined following analysis of baseline data.

**Data source.** SEMAP, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The first PHAs required to certify as to their performance under SEMAP were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline will be determined.

**Limitations/advantages of the data.** Ratings for this SEMAP indicator are based on the PHA's certification, which is subject to verification by independent audit.

**Validation/verification of measure.** SEMAP data are reviewed by independent auditors.

***Programmatic Output Indicator 5.1.L (formerly 5.1.j): The share of households for which rent determinations are correct increases by 15 percent from FY 2000 levels for public housing, project-based Section 8 and tenant-based Section 8 by FY 2003.***

**Indicator background and context.** Housing agencies and assisted multifamily managers determine tenant incomes and allowable deductions and calculate appropriate rents. Because rents typically are determined as a percentage of income, tenants have incentive to underreport income and assets, which directly increases subsidy costs. Program sponsors have incentives to simplify the treatment of income and deductions from income, or may do so because of lack of knowledge of HUD requirements.

HUD undertakes periodic quality control studies to measure the accuracy of income and rent determination procedures, which complement efforts to measure income determination errors resulting from tenant fraud. This indicator tracks the results of these rent verification studies for public housing, assisted private multifamily programs, and tenant based (voucher) programs. Rents are considered to be correct if they are within \$5 of the quality control rent. Tenants who choose to pay flat rents rather than a percentage of income are excluded from the measure. In FY 2000, the share of households with correct rent determinations was 40 percent.

**Data source.** Assisted housing quality control studies, conducted periodically under contract by PD&R. The next study is planned for FY 2003.

**Limitations/advantages of the data.** The quality control study is based on a nationally representative sample of developments in public housing, Section 236, and Section 8 programs. The study will incorporate an income matching component to obtain a more comprehensive measure of error and to determine if fraud-prone households can be better identified.

**Validation/verification of measure.** The quality control study provides statistically valid verification of rent calculations by housing agencies and multifamily managers. It represents a complete replication of the income and rent determination process for tenants in the sample, and thus provides a sound basis for evaluating the accuracy of the process other than for problems resulting from tenant fraud.

***Programmatic Output Indicator 5.1.m (formerly 5.1.k): The DEC will improve management by multifamily housing partners by reducing the multifamily cases in the DEC as of September 30, 2001 by 80 percent, by closing 75 percent of all cases received in FY 2002 that have been in the DEC for 180 days, and by completing all cases received in FY 2002 and closed in FY 2002 in an average of 180 days.***

**Indicator background and context.** The Departmental Enforcement Center (DEC or EC) has central responsibility for ensuring that troubled multifamily properties return to sound operation. Troubled properties are referred to DEC by both the Office of Multifamily Housing and the Real Estate Assessment Center. 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, 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 to determine appropriate remedies, which include debarments, suspensions, and Limited Denials of Participation. The DEC also refers some cases to the Department of Justice and Office of the Inspector General for criminal and civil proceedings.

For FY 2002, the DEC is establishing three complementary performance measures and goals to cover the processing of cases by the satellite offices. These measures more fully reflect the difficulty of working through some of the more complex cases, while providing appropriate motivation to the satellite offices to process cases in a timely manner and to reduce the backlog of cases.

**Data sources.** REMS, Departmental Tracking System and DEC's Monthly Management Report (MMR).

**Limitations/advantages of the data.** The data have no problems affecting this indicator.

**Validation/verification of measure.** DEC satellite offices will verify data and ensure that documentation is adequate before entering data into REMS and the MMR. DEC will update data quality assurance procedures following implementation of REMS and DTS. Additionally, DEC conducts regular quality management reviews of each satellite office that include reviewing files and documentation supporting data submissions. Monthly analysis of data submitted in the MMR uncovers unusual data occurrences for Enforcement and Financial Analysts to clarify and/or correct.

**Outcome Indicator 5.1.9:**

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

**Indicator background and context.** The Department seeks to assess the usability, usefulness, and life-cycle costs of HUD data systems. In FY 2000, HUD developed the IT Performance Measurement Methodology to provide the ability to rate systems, and then pilot tested the methodology on five systems: the Grants Management Process, the Real Estate Management System, the Integrated Disbursement Information System, the Title Eight Automated Paperless Office Tracking System and the Integrated Business System.

The Chief Information Officer (CIO) has developed performance measures for the five systems, to be tracked on a quarterly basis beginning in FY 2001. Based on the results of the pilot, the CIO will expand the number of systems managed on a performance basis. Performance measures will eventually be established in the Information Technology Investment Portfolio System (I-TIPS) for the entire portfolio. This approach ensures that HUD complies with the Clinger-Cohen Act, OMB guidance, and GAO recommendations. It also enables HUD management to be assured that the systems are producing reliable data that will meet user needs and help HUD manage its business.

During 2001 and 2002, HUD will develop summary measures of system performance that are suitable for GPRA reporting.

**Data source.** CIO administrative database, consisting of system performance metadata reported by program owners of data systems.

**Limitations/advantages of the data.** The performance management and reporting methodology for data systems remains at a developmental stage.

**Validation/verification of measure.** The CIO is an independent reviewer of system performance reported by program offices.

***Programmatic Output Indicator 5.1.n (formerly 5.1.L.1): During FY 2002, eight mission-critical data systems will be assessed and those systems will be certified by the end of FY 2003.***

**Indicator background and context.** Over the years HUD's program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices ultimately are responsible for the quality of their data, including data provided by business partners.

The Office of the Chief Information Officer (OCIO) oversees information technology investments and ensures that information systems support core business processes and achieve mission critical goals. In 2000, OCIO launched an enterprise-wide initiative, the Data Quality Improvement Program (DQIP). The CIO has partnered with the CFO and the program offices to use DQIP to provide accurate complete, consistent, timely, and

valid data to achieve Departmental data quality improvement. During 2000, the first four Data Quality Plans were completed:

- HUD Central Accounting System (HUDCAPS)
- FHA Subsidiary Ledger/MSA for Housing
- Real Estate Management System (REMS)
- Tenant Assessment Subsystem (TASS)

During FY 2001, data from these systems were brought up to CIO standards and certified, and an additional three systems were assessed. During FY 2002, critical data from eight additional mission-critical information systems will be assessed, and those will be cleaned and certified by the end of FY 2003.

**Data source.** OCIO administrative database.

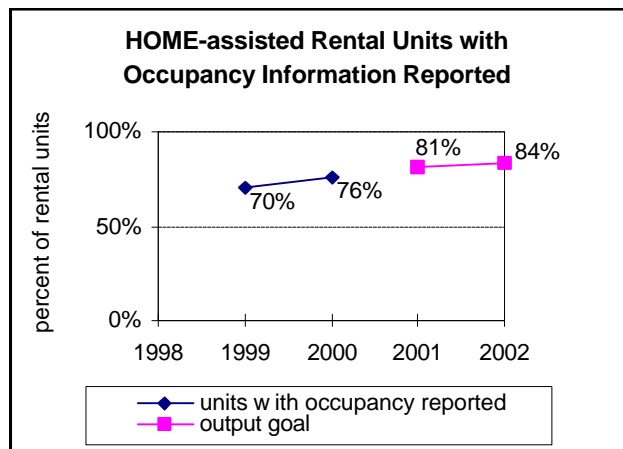
**Limitations/advantages of the data.** System certification is based on verified conformance of critical data elements with business rules of the relevant program.

**Validation/verification of measure.** The OCIO database identifies the objective criteria for evaluating data quality and the results of the assessment. Some data systems are independently validated by GAO and IG audits.

***Programmatic Output Indicator 5.1.o (formerly 5.1.m.1): The share of HOME-assisted rental units for which occupancy information is reported increases by 3 percentage points.***

**Indicator background and context.** This indicator tracks the level of reporting by Participating Jurisdictions (PJs) of household occupancy data for HOME rental units into the IDIS, which collects data for HUD's block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and 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 historical average reporting rate for these households is 70 percent. For FY 2000, the share of HOME-assisted rental units for which occupancy information was reported was 76 percent, a 6 percentage point gain over FY 1999. In FY 2000, HUD completed a major data cleanup effort of HOME data in the Integrated Disbursement Information System, resulting in the higher reporting percentage. HUD intends to achieve full reporting over time, allowing for



normal vacancies and initial rent-up. The FY 2002 goal is to increase reporting by 3 percentage points above levels achieved in FY 2001.

**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 of measure.** CPD field staff will monitor grantees on a random-sample basis.

***Programmatic Output Indicator 5.1.p (formerly 5.1.m.5): The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.***

**Indicator background and context.** This indicator tracks the level of reporting of CDBG grant activities into the IDIS system, which collects data for HUD's block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and HOPWA.

Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities justified under three national objectives that serve residents with low and moderate incomes: low/mod jobs (LMJ), low/mod housing (LMH) and low/mod limited clientele (LMC). To meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 90 percent of activities funded under these objectives within three months after project completion. Typical accomplishments reported for the three objectives are numbers of jobs created, units constructed, and minority persons served. The remaining national objectives, low/mod area benefit and slums/blight, are not included in this indicator. Recent reporting rates for accomplishments data were approximately 50 percent of activities under the three national objectives.

**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 of measure.** CPD field staff will monitor grantees on a random-sample basis.

***Programmatic Output Indicator 5.1.q (formerly 5.1.n): Sanctions are taken or forbearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.***

**Indicator background and context.** MTCS data about the renters assisted with public housing or tenant-based Section 8 are necessary for several outcome indicators in this APP. In addition, Field staff use MTCS data to monitor housing agencies. The level of MTCS reporting is a criterion in both the PHAS and the SEMAP assessment systems for

housing agencies. Housing agencies that reach the 85 percent threshold have few barriers to full reporting. This indicator tracks HUD's internal progress in improving the quality of this important data system. In FY 2000, HUD met this goal by sanctioning all of the 509 PHAs with below 85 percent reporting rates that were not granted forbearance for cause. Sanctions included reduction of administrative fees and ineligibility for HOPE VI funding. Between January 1999 and the end of FY 2000, PIH has increased MTCS reporting rates from 83 percent to 100 percent for Section 8 and from 72 percent to 95 percent for public housing. In 2001, the MTCS system is being migrated into the integrated business system of PIH, the Public and Indian Housing Information Center (PIC). Continued tracking of the tenant data collection is critical during this transition period.

**Data source.** Low reporting rates are identified by automated MTCS reports that specify reporting rates for each housing agency and flag poor reporters.

**Limitations/advantages of the data.** The identification of poor reporters is straightforward and easily verifiable.

**Validation/verification of measure.** MTCS verifies the quality of tenant data by performing checks on data ranges and internal consistency. MTCS data and summary statistics, updated monthly, are electronically available to housing agencies and field offices for verification, validation, analysis and monitoring purposes.

***Programmatic Output Indicator 5.1.r: The share of FHA single-family appraisals determined to be unacceptable is reduced.***

**Indicator background and context.** Single-family homes that are being financed with FHA-insured loans need accurate appraisals of property value to prevent undue risk to the FHA fund. HUD's monitoring and oversight of these appraisals have been considered a material weakness of the Department. As part of FHA's single-family appraisal reform efforts, REAC will review a share of all appraisals made, with a focus on those designated "high risk." In order to conduct these reviews, REAC has created a series of statistical indicators to select appraisals for review. These indicators are compared to the entire volume of loans expected to be endorsed for FHA single-family mortgage insurance. The risk-based process currently selects approximately 35,000 appraisals for review. A subsystem electronically assigns reviews to a contractor in the field, where they are completed and transmitted back to the REAC. After an internal quality assessment, the results are forwarded to the Homeownership Centers for adjudication.

Performance under this indicator will be supported by closer training and monitoring of appraisers. The Department significantly increased the requirements for appraisers to disclose readily observable defects in the home to the buyer. HUD created new disclosure forms to provide better information to consumers prior to the purchase. With these requirements came the need to increase training for all FHA roster appraisers. Therefore, a new appraisal handbook was developed and an exam was written to test appraiser knowledge of the new requirements. During FY2002, REAC will test all new appraiser applicants in policies and procedures.

This measure is based on the ratio between appraisals requiring adjudication and total FHA appraisals. HUD's appraisal reform efforts should reduce this number significantly over time. Baseline data will be available in FY 2002.

**Data source.** The results of the field reviews are maintained in the Single-Family Appraisal Subsystem (SASS), which is maintained by REAC. The results of the appraisal sanctions are maintained in the Computerized Homes Underwriting Management System (CHUMS) Appraisal Sanctioning Screen.

**Limitations/advantages of data.** Data from SASS and CHUMS are believed to be accurate and reliable for this measure.

**Validation/verification of measure.** REAC staff review data submitted through SASS, and CHUMS is regularly audited by Housing.

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

### **Overview**

The Department of Housing and Urban Development Act of 1965 gave HUD a clear legislative mandate to “provide for full and appropriate consideration, at the national level, of the needs and interests of the Nation’s communities and of the people who live and work in them.” In the Department of Housing and Urban Development Act of 1970, Congress further authorized and directed HUD to “undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department....”

Fulfilling this mandate requires relevant, thorough research on local conditions, national and international trends and on the strengths and weaknesses of HUD’s current programs. It also requires timely, objective recommendations on policy and program improvements. Research improves HUD’s ability to monitor and evaluate programs, provides guidance for improving program efficacy and helps the Department respond to evolving opportunities as American communities grow and change. Research, monitoring and evaluation also support many components of the Government Performance Results Act, by enabling the Department to report its successes, identify areas of concern, and better target its resources to the changing needs of America’s communities.

The Housing Act of 1957 states, “The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means....” In coordination with the White House and the Department of State, HUD periodically enters into bilateral agreements with other nations to facilitate exchange of information related to housing, planning, development and construction. The Department’s international activity has also included the provision of international technical assistance to Central America and the Caribbean for reconstruction after the hurricanes of 1998.

### **Means and strategies**

Supporting the Secretary as well as decision makers in HUD’s program offices, HUD’s Office of Policy Development and Research (PD&R) takes the lead in designing and overseeing research, monitoring and evaluating current programs, recommending program modifications and developing new policy and program proposals.

As part of its research agenda, HUD will:

- Monitor national and local economic, housing, and demographic trends affecting housing and urban policies and programs.



- Ensure availability and accuracy of essential data on housing and demographic trends and help disseminate this information to the public. The American Housing Survey, conducted by the Bureau of Census for HUD, is the Nation's primary data source about housing conditions. HUD maintains an AHS listserv to promote and facilitate use of the AHS.
- Provide annual estimates of critical program parameters such as fair market rents and median family incomes for all local areas in the U.S.
- Provide research and analysis in support of ongoing program operations and new policy initiatives of FHA.
- Provide research and analysis in support of the Department's regulation of Fannie Mae and Freddie Mac.
- Monitor and improve program databases.
- Evaluate existing programs through both quick-turnaround studies and long-term systematic research to determine what works and what fails to work.
- Establish targeting criteria for households and geographic areas to direct program resources to best meet needs and reduce housing and community problems.
- Ensure that international experiences are considered when developing HUD policies and programs.
- Test approaches to the creation of international networks for the exchange of data and information.
- Design, conduct or oversee research to promote new technologies in housing including the areas of planning, design, construction, operation, maintenance, repair and replacement.
- Design GPRA measurements and establish and assess performance goals for all HUD programs.
- Work with outside experts and HUD's partners to identify priorities for the research agenda.
- Design, conduct, or oversee research to expand the knowledge base and monitoring tools needed for improved policy and practice nationwide.
- Continue to sponsor a grant program to Ph.D. candidates to help them complete doctoral dissertation on HUD-related topics.
- Improve dissemination of relevant research to all interested audiences.
- Work through interagency groups to achieve consensus on housing and urban issues.
- Establish non-binding Memorandums of Understanding with other nations, subject to the approval of the Secretary of State, to facilitate exchange of information related to housing, development and construction.

HUD recognizes the importance of the work being conducted by two Congressional Commissions in FY 2001 and FY 2002: the *Millennial Housing Commission* and the *Commission of Affordable Housing and Health Care Facility Needs in the 21<sup>st</sup> Century*. HUD is eager to assist Congress in assembling factual information on the extent of the nation's housing needs, analyzing HUD's programs, and developing proposals for improving current housing programs.

HUD, in close coordination with the State Department, engages in cooperative information sharing exchanges with a limited number of foreign governments to both share American experiences with housing and urban development issues and learn new perspectives from other nations' experiences. Current bilateral exchanges, which are in various stages of planning and implementation, include those with Mexico on planning and development in the border region; with China on the design of large multifamily housing developments in new urban neighborhoods; with Israel on housing finance programs for low income households; and with South Africa on fair housing and fair lending policies in urban revitalization efforts. Because requests to engage in international exchanges frequently arise out of unanticipated circumstances, the Department may enter into additional information exchanges in the future.

**Programs supporting Objective 5.2: HUD leads housing and urban research and policy development nationwide**

*(Dollars in Millions)*

Program	FY 1999 act.	FY 2000 act.	FY 2001 est.	FY 2002 est.
<b>Policy Development and Research</b>				
Research and Technology	38	35	53	43

Note: Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. Allocations by each Strategic Objective are not currently available. Estimated allocations by Strategic Goal are in the table of resources supporting each Strategic Goal.

**Coordination with other Federal entities**

HUD runs cross-cutting research projects jointly with a variety of federal agencies. Examples include:

- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council (FFIEC)** is the governing board that is responsible for collecting and disseminating this information. HMDA provides information about how mortgage credit is provided across the country and is invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data

- on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research—for example, on a data and policy analysis project with the OCC on mortgage denial rates. (See also objective 1.1.)
- HUD led the National Survey of Homeless Assistance Providers and Clients, which was co-directed by the **Department of Health and Human Services**. Participating agencies were the Departments of **Veterans Affairs, Agriculture, Commerce, Education, Energy, Justice, Labor, and Transportation**, plus the **Social Security Administration** and the **Federal Emergency Management Agency**. This national survey provided updated information about the providers of homeless assistance and the characteristics of homeless persons who use services.
  - HUD has an interagency agreement with **HHS** to study the impact of HUD housing assistance on families leaving welfare. This study, nearing completion, tracks the differences in the areas of housing quality, employment, and return to work between families who receive HUD housing assistance and those who do not. (See also objective 3.2.) HUD is working with HHS to identify additional opportunities to address housing issues in their welfare reform research.
  - Through our Bridges to Work demonstration program, HUD is working with the **Department of Transportation** to evaluate the impact of providing transportation to jobs for families leaving welfare. Bridges to Work is a four-year demonstration program that links low-income work-ready central city residents with suburban jobs, transportation, child care and other supportive services.
  - HUD has an Interagency Agreement with the **Department of Justice's National Institute of Justice** to evaluate drug elimination strategies.
  - HUD coordinated with the **Department of State** to enter into MOUs to facilitate information exchange with counterpart housing officials from Mexico, Israel, China and South Africa.
  - HUD is part of a federal interagency working group working on housing and community development issues for the **United Nations Committee on Human Settlement**.

Through a close working relationship with **USAID**, HUD is engaged in managing a technical assistance program for post-hurricane reconstruction in several countries in Central America and the Caribbean. This program will extend through December of 2001.

### **Performance goals**

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2002. A detailed discussion of each outcome and output indicator follows the crosswalk.

Crosswalk for Strategic Objective 5.2: HUD leads housing and urban research and policy development nationwide		
Outcome Indicators	Programmatic Output Indicators	External Factors
5.2.1: PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity, and influence.	5.2.a: HUD research products are used more widely, as measured by the number of citations in the policy literature.	

Performance goals are for FY 2002 unless otherwise noted.

**Outcome Indicator 5.2.1:**

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

**Indicator background and context.** The intellectual products of PD&R further all five of HUD's Strategic Goals. Insofar as stakeholders and users see themselves as making contributions toward accomplishing some or all of HUD's Strategic Goals, it is therefore appropriate to assess the usefulness of PD&R products in these efforts. An exploratory study of the opinions of users of PD&R products is currently being completed. The study utilizes data from a) requests and electronic downloads of PD&R publications and b) informal discussions with a diverse group of 75 stakeholders and users. The data will form a baseline that will enable a formal, structured survey of users as well as the establishment of long-term performance goals for PD&R.

Downloading publications is an increasingly popular way to retrieve PD&R and HUD documents. From December 1999 to November 2000, customers downloaded more than 608,000 files from PD&R's Web site. The stakeholders and users interviewed include academics, nonprofit researchers, building professionals, trade and manufacturing associations, financial institutions, and housing advocacy groups. This indicator will track both the type and number of publications requested and the opinions of stakeholders and persons who request PD&R products on whether PD&R research is useful to their work. Products are defined as research publications, data files, and internal work products in support of program disciplines.

**Data Source.** Records of requests of reports and of reports downloaded from PD&R's Web site, along with informal discussions with stakeholders and users, were used for the exploratory survey. Once final results from the survey are analyzed, the Department will determine how best to conduct a formal more structured survey of users and establish long-term performance goals. A survey of Congressional and other Federal users and stakeholders will be included at a later date.

**Limitations/advantages of the data.** Respondent opinions about the influence of PD&R products will be subjective.

**Validation/verification of measure.** For the exploratory survey, opinions of discussion partners about the influence of PD&R products are not statistically representative of HUD's stakeholders and users. Any future formal survey will be pretested to ensure validity.

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

**Indicator background and context.** The academic community frequently uses the number of citations of a paper to indicate its policy relevance and usefulness. This indicator tracks the citations of published HUD reports in the policy literature. Each year PD&R releases an average of 60 publications, many of which PD&R develops and disseminates on an ongoing basis. The primary means of distribution is PD&R's clearinghouse, HUD USER, which currently serves more than 17,000 active customers and approximately 1,500 new users each year. The implementation of the HUDUSER web site and marketing efforts through a new listserv contributed to a 60 percent increase in the circulation of top PD&R documents. The Department is currently completing a literature citation analysis for PD&R documents. The performance goal will be established following analysis of baseline data.

**Data source.** Social Science Citation Index.

**Limitations/advantages of the data.** The index is widely recognized and trusted by researchers.

**Validation/verification of measure.** No other source of aggregated citation data is known that would support verification.

## Major Management Challenges

Although HUD is no longer listed by the General Accounting Office as a “high-risk” agency, many of its major programs continue to bear this label. Addressing the Department’s long-standing management challenges is a top Secretarial priority for FY 2002.

The General Accounting Office (GAO) and the HUD Office of Inspector General have identified a similar list of program and management issues that represent priority areas for improvement, including the Federal Housing Administration’s single-family mortgage insurance program, subsidy overpayments in HUD’s rental assistance programs, the need to rationalize the allocation of staff resources, and the need for further improvements and integration of our financial and information systems.

The following discussion of major management challenges for the Department is designed to more fully describe the major issues facing HUD. This section describes recent progress and the activities that are being implemented or planned and are expected to yield future performance improvements. The Department believes that these efforts will help to improve the overall performance of the Department and reduce fraud, waste and abuse.

In their January 2001 report on HUD’s “Major Management Challenges and Program Risks,” the GAO reported that:

*“Recognizing the progress HUD has made and consistent with our criteria for determining high risk, we are redefining and reducing the number of HUD programs deemed to be high risk.... However, significant weaknesses (i.e., internal controls, information and financial management systems, organizational deficiencies, and staffing problems) still persist in two of HUD’s major areas which remain at high-risk—single-family mortgage insurance and rental housing assistance. In addition, HUD needs to continue addressing management challenges in two other areas—information and financial management systems and human capital.”*

The Department has corrective action plans in place to address the management challenges identified by the GAO and the related material weakness areas reported by the HUD Inspector General. HUD will use the performance measures established for this Strategic Goal to track the results of our management improvements and to identify where further improvements are needed.

## Data Quality and Information Technology Improvements

As shown by the extensive discussion in this APP, reliable and verifiably high quality data systems are a vital tool for performance management. The management and operation of data systems has been an ongoing challenge for the Department. A number of department-wide, or “enterprise,” efforts are being implemented with leadership from the Chief Information Officer as discussed below.

**Data quality.** HUD's recent, current, and planned data quality efforts reflect the importance of the issue to the Department's GPRA efforts. Reviewers of the Department's Annual Performance Plans have noted that without quality data, the overall exercise will not succeed. Acting under the authority provided by the Clinger-Cohen Act of 1996, the Office of the Chief Information Officer (OCIO) developed a Data Quality (DQ) Program for the purpose of assessing and improving the quality of data within HUD's mission critical information systems.

In FY 2000, the OCIO established the HUD-wide Data Control Board (DCB) and initiated its Data Quality Program for four systems. By the end of FY 2001, data quality plans will be developed for selected data in seven mission-critical systems. These information systems will be assessed, the identified data quality problems will be corrected and the root causes of problems will be fixed. Those systems will earn data quality certifications based on established objective criteria.

In response to the recommendations of a recent National Academy of Public Administration (NAPA) study, the OCIO will begin in the 3<sup>rd</sup> quarter of FY 2001 to review data quality concerns as it relates to performance measurement data used in HUD's Annual Performance Plans (APP). The OCIO will also review the program areas' data quality assurance plans that support performance data. The OCIO will begin to work with the program areas to ensure that their quality assurance plans for performance measurement data identify data quality standards and specific definitions and determine data quality certification criteria. In FY 2002, the OCIO will add eight more mission-critical information systems for assessment and will begin certification of those systems (indicator 5.1.n).

In FY 2000, HUD completed and pilot tested an IT Performance Measurement Methodology to provide the ability to rate systems. In FY 2001, HUD began tracking specific performance measures for five mission-critical data systems. By FY 2002, HUD will develop summary measures and a baseline that are suitable for GPRA reporting (see indicator 5.1.9).

**Information Technology strategies.** The Department instituted the Technology Investment Board Executive Committee (TIBEC) in late FY 1999 based on guidance from the General Accounting Office and the requirements of the Clinger-Cohen Act (section 5122(a) and (b)). All proposed Information Technology (IT) investment initiatives must be submitted through the IT capital planning selection process in order to obtain funding approval. Project success is evaluated and lessons learned are considered in proposing and managing new investments.

In addition, the Office of the Chief Information Officer (OCIO) conducts formal reviews of the Department's IT investment portfolio. These reviews are conducted in collaboration with the Office of the Chief Financial Officer (OCFO), the Office of the Chief Procurement Officer (OCPO) and the Office of Administration (OA). These senior management reviews are performed by the Department's TIBEC (with the administrative and analytical support of the Technology Investment Board Working Group (TIBWG)) and consist of both annual IT portfolio "Select" and quarterly portfolio "Control"

evaluation reviews. The IT Capital Planning and Investment Control processes are directly linked to HUD's managerial and organizational improvements and strategies and to the Department's Strategic Plan and Annual Performance Plan.

The OCIO leads the effort to integrate IT activities with the overall effort to refocus and retrain HUD's workforce to carry out the Department's mission. Specifically, the OCIO will:

- Train IT project managers to manage projects to cost, schedule and performance.
- Develop, implement and institutionalize an efficient repeatable IT investment process to select HUD's IT portfolio; manage and control the initiatives to cost and schedule, and evaluate investment after implementation.
- Improve service delivery to internal and external customers by identifying and leveraging technology to support HUD's core business processes.

**Enterprise Security Program.** HUD has become increasingly dependent upon automated information systems, networks, and the Internet to carry out our mission. HUD has developed the policies for the Critical Infrastructure Assurance program and created a handbook and training program. HUD senior management officials recognize that adequate security measures and safeguards for information resources are critical factors for providing effective and efficient delivery to customers.

**Financial Management Systems and IT Improvements.** The Financial Systems Integration (FSI) project was re-scoped and completed in November 2000 to establish HUDCAPS as the Department's core standard general ledger system in substantial compliance with the requirements of the Joint Financial Management Improvement Program.

Under FSI, HUD modernized and integrated HUD's financial systems to produce a single Department-wide general ledger with interfaces with Ginnie Mae, the Federal Housing Administration and legacy accounting systems. HUDCAPS facilitated the preparation of statements that supported the annual audit of HUD's finances resulting in an unqualified audit opinion. The accounting and financial management system provides Department-wide financial information, improves financial management and integration of financial and programmatic systems, and provides necessary management information to carry out HUD's mission.

HUD's Travel Management System, with an on-line interface with HUDCAPS, was also made available Department-wide in FY 2001.

HUD has implemented management information systems, the Empowerment Information System and Community 2020 geographic information system, to support better management of HUD's programs. HUD also has standardized data elements to provide accurate and timely information from the financial management and Community 2020 systems.



Significant improvements have been made in HUD's funds control over its substantial Section 8 rental subsidy programs and in other areas.

HUD has made progress in improving HUD's program systems. For example, the Office of Housing successfully implemented the first three phases of its Real Estate Management System to provide operational support for more effective monitoring and oversight of HUD's multifamily housing mortgage insurance and other assistance programs. Substantial progress also has been made in the implementation of Internet-based applications for collecting and assessing program performance monitoring data on HUD's extensive housing programs participant universe.

### **FY 2000 Consolidated Financial Statement Audit**

In the past, HUD has struggled to be able to generate financial statements upon which the Office of the Inspector General (OIG) could render an "unqualified opinion." While the OIG was able to render an unqualified opinion on HUD's FY 2000 financial statements, HUD recognizes that this is a necessary, but not a sufficient, step towards ensuring the adequacy of its financial data and financial data reporting systems. In FY 2002, HUD will seek to build on this progress and address the material weaknesses identified by the OIG.

In its independent audit report, "Audit of the HUD Fiscal Year 2000 Financial Statements" (March 2001), the Office of the Inspector General (OIG) issued an unqualified audit opinion on HUD's financial statements. This accomplishment represents progress in resolving issues that resulted in a disclaimer of an audit opinion on the OIG's fiscal year (FY) 1999 financial statement audit. HUD successfully addressed the OIG's prior audit disclaimer issues in FY 2000, as follows:

- The reconciliation of the FY 1999 funds balance with Treasury accounts was completed, and the OIG auditors accepted HUD's FY 1999 account balances with no need for restatement.
- The systems interface for converting transactions to HUD's new standard general ledger system (HUDCAPS) was enhanced to substantially improve the acceptance of transactions and the performance of account reconciliation efforts.
- The year-end closing process was improved to assure that all adjustments are made through the general ledger, with adequate supporting documentation.
- Corrective actions on previously identified material weaknesses and reportable conditions continued to progress, with some weaknesses eliminated.

However, the FY 2000 audit also noted remaining material weaknesses that the Department continues to address to strengthen internal management controls. The Department has developed corrective action plans for eliminating each of these remaining material weaknesses. The Department believes that progress has been made in resolving HUD's material weaknesses, in conjunction with our work in addressing previously identified GAO high risk areas, but that further steps are needed to fully correct these problems.

The following table displays the eight material weaknesses that were identified as of the beginning of FY 1999. The second column describes the current status of the material weaknesses per the FY 2000 IG audit, as well as a description of corrective actions taken to date and planned for FY 2002.

Material Weaknesses	Current Status and Strategies for FY 2001 and FY 2002
<p>1. HUD needs to complete organizational changes to more effectively manage HUD resources.</p>	<p>All major organizations have been restructured and realigned with a new integrated cross-program approach to carrying out HUD's mission. This Material Weakness (MW) was eliminated in the OIG's FY 1999 Financial Statement Audit Report, although some remaining corrective actions need to be more fully completed to eliminate contributing causes to other material weakness issues.</p>
<p>2. FHA must address staff and administrative resource issues.</p>	<p>Significant progress has been made, including: marketing and management (M&amp;M) contracts on HUD-owned properties; servicing of single-family Secretary-held mortgage notes; implementation of Homeownership Centers (HOCs); improvement of staff skills through training; and implementation of REAC and DEC to better use HUD's resources through automated remote monitoring systems, risk-based targeting of asset management and specialized compliance enforcement activities. This MW was eliminated in the OIG's FY 1999 Financial Statement Audit Report.</p>
<p>3. Improve monitoring of multifamily housing projects.</p>	<p>Substantial progress has been achieved through implementation of REAC and EC, and the Office of Housing's transfer of the Housing Assistance contract workload to Contract Administrators. Improved controls are in place and effectively operating to address the physical condition and financial compliance of Multifamily Projects. While OIG has refocused this issue on remaining weaknesses in rental subsidy calculations on the subsidized portion of the Multifamily housing portfolio, management considers this MW closed, and has combined the rental subsidy calculation issues with MW No. 5, below.</p>

Material Weaknesses	Current Status and Strategies for FY 2001 and FY 2002
<p>4. FHA must continue to place more emphasis on early warning and loss prevention for insured mortgages.</p>	<p>FHA and REAC have made significant progress in providing automated systems and tools to identify at-risk multifamily projects. This MW was downgraded to a Reportable Condition (RC) based on the FY 1999 FHA financial statement audit work. Other progress includes improvements in the quality of Single-Family appraisals and initiation of a system development effort for a lender assessment subsystem for all FHA lenders. In FY 2001 and 2002, further progress will be made on portfolio engineering, complete development of the REMS system and REMS data cleanup, and further improved automated risk assessment tools over appraisers, lenders and service contractors.</p>
<p>5. HUD needs to do more to ensure that subsidies are based on correct tenant income.</p>	<p>This MW area has been expanded to include other types of identified program error and internal control weaknesses. The MW will be addressed through a comprehensive Rental Housing Integrity Improvement Project (RHIIP) that better addresses the root causes of housing subsidy program error, with planned systems improvements for more efficient processing and stronger controls.</p>
<p>6. HUD needs to complete improvements in its Financial Management Systems.</p>	<p>The Department has made recognized progress in financial systems integration efforts. During FY 2000, the Department re-scoped the Financial Systems Integration (FSI) Project and completed the project in November 2000, establishing HUDCAPS as the core standard general ledger system for the Department, in substantial compliance with the requirements of the Joint Financial Management Improvement Program. The Chief Financial Officer also established a vision for the next generation core financial management system, and began the initiation phase of that project.</p>

Material Weaknesses	Current Status and Strategies for FY 2001 and FY 2002
<p>7. FHA information technology systems must be improved to support business processes more effectively.</p>	<p>The Office of Housing has made progress toward an integrated multifamily system through the implementation of REMS. Further, housing data will be in the enterprise data warehouse, which will allow reporting by program, geographic area, or other variations. An FHA document, <i>Vision of Financial Management</i>, was produced to model the current state and document several phases of needed improvement. A commercial -off-the-shelf (COTS) software package was purchased for a new FHA subsidiary ledger system. Specific plans and target dates for implementing the COTS package have been developed and are in process of implementation.</p>
<p>8. FHA Federal Basis &amp; Budgetary Reporting must be improved</p>	<p>The issue of controls over estimating the FHA Liability for Loan Guarantee was removed as a component of this material weakness in the OIG's FY 1999 FHA financial statement audit work. Further FHA improvements to the documentation of processes—implemented to conform to general accepted accounting principles applicable to Federal entities—resulted in OIG's elimination of this MW in its FY 2000 Financial Audit.</p>

### Resource Management and Human Capital Issues

During FY 2002, HUD will review staffing levels against program needs to rationalize the distribution of staff resources. HUD's efforts will be aided by the new *Resource Estimation and Allocation System (REAP)*, which will help the Department assess where staffing should be increased or decreased to effectively administer its programs and to assist with recruitment, retention and training. HUD is also working to develop a long-term staffing strategy to meet the rapid increase in retirements expected over the next several years. Currently, the average HUD employee is 50 years old with 17 years of Federal service. To ensure HUD's continued ability to deliver its programs in an effective and timely manner, HUD must develop a strategy for replacing these workers as they retire.

**Streamlining and consolidation.** HUD staffing allocations were considerably reordered through the full implementation of the June 1997 management reform plan. HUD established consolidated centers for Enforcement, Troubled Agency Recovery, Real Estate Assessment, Section 8 Financial Management, Accounting, Multifamily Development, Home Ownership, Grants Management, Special Applications, Administrative Service,

Employee Service, and Title I Financial Operations. This consolidation has streamlined program administration and management functions.

The organization of “back office” processing centers was completed to consolidate HUD’s expertise and capacity for handling high volumes of repetitive transactions or specialized services, on a national scale. Additional functions where HUD had insufficient staff capacity were outsourced for performance by contractors. The increased outsourcing and operation of the new processing centers freed remaining staff to focus on program performance and monitoring.

**Recruitment, retention and training.** The Department recognizes that recruitment and retention of skilled employees is critical as is training employees to further develop their skills. The Department has been expanding training, in large part through HUD’s training academy. HUD has recently added to this effort by establishing a Virtual University, which will allow all HUD employees to access further skill training using WEB based technology.

## **Grants Management**

Over the past several years, the Department has been improving its management and operational practices regarding its portfolio of grants, subsidies and contracts. Agency staff have worked to streamline grant application processes, identify areas for streamlining and elimination of paperwork, and enhance other means of coordination between programs. A significant example of streamlining is HUD’s Consolidated Plan which combines four separate formula programs into a single planning and application process so that State and local governments can better manage their HUD program dollars.

On a larger scale, HUD now publishes all its competitive grant NOFAs at one time in a “SuperNOFA.” Grant funding opportunities were previously announced at various times, and often had varying policies and requirements for applications. With the SuperNOFA, HUD has established standardized policies and language for major elements across the competitive grant process. HUD is continuing this streamlining effort using a collaborative reengineering process focused on Legal Joint Application Design sessions with the Office of General Counsel to streamline application forms, develop common award documents, and standardize terms and conditions for formula and competitive grant awards.

As part of a government-wide effort to improve the grants management process, the Department has taken a number of steps to streamline management of its grant programs. HUD is considering creating a department-wide Internet-based system for managing its grants.

## **Management Control Program**

**Business and Operating Plan.** To provide increased accountability, a Business and Operating Plan (BOP) process was established to involve and unify the entire Department—both headquarters and field—in the development, coordination and

implementation of office goals and action plans that achieve the goals identified in the Strategic and Annual Performance Plans (APP). The BOP produces the intermediate outputs and outcomes that support the Department's strategic goals, overall Annual Performance Plan strategies and specific program indicators. The BOP process allows the Department to manage its processes and resources to accomplish specific goals, and is monitored monthly to assure progress and make necessary adjustments.

**Management Control Program.** Under the direction of the CFO, the Department issued revised Management Control Program and Audits Management System Handbooks in February 1999 to strengthen HUD's Management Control Program. HUD field staff training on Management Control Program concepts and requirements was continued in FY 2000 and FY 2001. The Deputy Secretary, Principal Staff, Office of the CFO and program elements have instituted a system to track and implement corrective actions on areas of significant management concern. The Department has extended an effort to focus program managers on the performance of Front-End Risk Assessments to identify and mitigate risks by planning to provide adequate controls in new or substantially revised programs.

Additionally, the Department has completed a series of initiatives designed to increase HUD's ability to apply remote monitoring and risk-based on-site monitoring techniques. The FY 2000 Compliance and Monitoring Initiative resulted in the conduct of a four-day Compliance and Monitoring Training Program designed to bring consistency and uniformity to HUD's monitoring processes in Headquarters and the Field. Thirteen training sessions were held and over 1,200 employees with monitoring and compliance responsibilities received training. Additional sessions are being conducted in FY 2001.

**Strengthened Internal Controls in Major Programs.** A primary theme, cutting across the past reported material weaknesses and reportable conditions in HUD's housing programs, is that HUD's internal controls do not provide reasonable assurance that:

- Housing quality standards are met,
- Program beneficiaries and costs are in accordance with tenant income eligibility requirements, and
- Other program statutory and regulatory requirements are adhered to.

REAC has developed and implemented automated assessment subsystems that provide a basis to address each of these concerns across the entire portfolio of over 33,000 public and multifamily housing program participants. Extensive data quality controls are built into the subsystems and corresponding processes. HUD has also developed an automated system, SEMAP, to assess all agencies administering Section 8 vouchers so the Department can better address these concerns. REAC assessment systems and SEMAP are major sources of performance data for performance indicators presented in this plan.

**FHA Fraud Reduction and Improved Program Controls.** Inadequate information systems have weakened FHA's ability to monitor lenders that use its guarantees and contributed to HUD's failure to obtain an unqualified opinion from its auditors in 1999. A

fraudulent scheme known as “property-flipping” recently highlighted internal weaknesses in FHA’s single-family systems and controls. To combat this scheme, FHA last year implemented emergency foreclosure moratoria to protect borrowers in areas where property flipping was prevalent. During FY 2002, FHA will strengthen the integrity of its internal systems and controls to eliminate the need for foreclosure moratoria and other emergency responses. Actions will include improving the loan origination process and providing better monitoring of lenders and appraisers.

**Income and Rent Determinations.** The Department will also take steps to improve income and rent determinations to reduce subsidy overpayments. HUD overpays hundreds of millions of dollars in low-income rent subsidies due to the incomplete reporting of tenant income, the improper calculation of tenant rent contributions, and the failure to fully collect all outstanding rent. During FY 2002, HUD will implement a number of measures to resolve this problem, including the development of tools to assist housing agencies and assisted housing owners in the determination of income and calculation of rent and the introduction of a quality control program to monitor the performance of these intermediaries. HUD also plans to review the current laws and regulations regarding income and rent determinations to ascertain whether their simplification would facilitate program compliance.

**Utilization of HUD Funds.** The Department is greatly concerned that some recipients of HUD funding are either failing to utilize all of the funds provided by HUD or failing to obligate and spend the funds in a timely manner. These practices significantly diminish the effectiveness of HUD’s programs. HUD will be reviewing the following programs to determine how to increase the rates of expenditure of funds: Section 8 vouchers and project-based renewals, the Section 202 program, CDBG, and the Public Housing Capital Fund.





## **APPENDIX: BRIEF DESCRIPTION OF HUD PROGRAMS**

### **Brownfields**

The Brownfields Redevelopment Program makes competitive economic development grants in conjunction with Section 108 loan guarantees for qualified projects. These grants are targeted to the 450,000 former vacant or underutilized industrial and commercial properties that may contain low to moderate levels of contamination. The grants are used to redevelop and clean up brownfields so that the areas can be returned to productive, job-creating uses and to address the economic development needs of communities in and around such sites. Economic development grants are used to enhance the security of Section 108 guarantees or to improve the feasibility of proposed projects, and to support business development activities. Section 108 loans enable communities to borrow funds from the primary market and repay loans over time.

### **Capacity Building for Community Development and Affordable Housing**

This program supports the National Community Development Initiative (NCDI) which is a public/private partnership that helps build the capacity of community-based development organizations. The current phase of the program will expand the efforts of Community Development Corporations (CDCs) into investments in economic development, workforce development, child care and community safety.

### **Community Development Block Grant Program**

Community Development Block Grant (CDBG) is a formula program that allocates 70 percent of grants to units of general local government 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 main purpose of the Community Outreach Partnership Center (COPC) program is to provide fund to community colleges, four-year colleges, and universities to establish and operate outreach centers to address the problems of urban and rural areas. Through its COPC, 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.

### **Community Technology Centers Initiative**

The Community Technology Centers initiative will enhance the existing Department of Education CTC program and expand the HUD Neighborhood Networks efforts by providing competitive grants to create or expand community technology centers in high poverty urban communities and provide technical assistance to those centers. Eligible applicants will include State educational agencies, local educational agencies, institutions of higher education, for-profit business, public or private non-profit organizations, or a consortium of such entities that have the capacity to expand access to computers and related services in eligible communities.

Funds will be used to: (1) pay for a coordinator and staff; (2) acquire equipment and infrastructure; (3) provide after-school, adult education, and family literacy, career development, and small business activities; (4) and provide home access to computers and technology.

### **Down Payment Assistance Initiative**

This initiative is part of a Presidential initiative which will increase and accelerate first-time home ownership by low-income families. Funds will be provided on a competitive basis and will be administered by State housing finance agencies, and will assist over 130,000 first-time low-income home buyers each year. Funds will be matched on a 3 to 1 basis up to \$1,500 per family.

### **Empowerment Zones/Enterprise Communities (EZ/EC)**

The goal of the EZ/EC initiative is to create 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 non-profit entities in each community. In Empowerment Zones, communities receive \$100 million in HUD grant funds which are combined with wage tax credits and other incentives. Enterprise Communities receive smaller levels of grant funds from HUD. The EZ/EC framework is embodied in four key principles: strategic vision for change; economic opportunity; sustainable community development; and community-based partnerships.

### **Fair Housing Assistance Program (FHAP)**

The FHAP provides assistance to State and local agencies that administer fair housing laws certified by the Department as substantially equivalent to Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988. The assistance includes support for enforcement activities including complaint processing, training, technical assistance, data and information systems, and joint activities to increase fair housing enforcement. 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)**

The FHIP was established by the Housing and Community Development Act of 1987 for the purpose of eliminating and preventing housing discrimination. This program provides a coordinated approach to: (1) further the purposes of the Fair Housing Act; (2) guarantee the rights of all people to seek housing in an open market free of discrimination; and (3) inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP provides funding to help private, nonprofit fair housing organizations and public entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. The Department provides funding under three distinct categories of FHIP: the Private Enforcement Initiative, the Education and Outreach Initiative, and the Fair Housing Organizations Initiative.

### **Federal Housing Administration**

The Federal Housing Administration (FHA) provides 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. By insuring mortgages, FHA makes it much easier for homeowners to borrow the funds they need. Lenders are more willing to provide loans because they know that, in the case of a borrower default, the Federal Government will protect them from losses. Most FHA loans for homeownership are insured through the Mutual Mortgage Insurance Fund. Other loans for purchasing homes, such as manufactured housing, home equity conversion mortgages (HECMs) for seniors, rehabilitation and acquisition mortgages, and condominiums, are insured through the GI/SRI Fund.

FHA, through its GI/SRI fund, also insures loans for the development, rehabilitation, and refinance 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**

Ginnie Mae, the Government National Mortgage Association, was created in 1968 through amendment of Title III of the National Housing Act. Ginnie Mae, a wholly-owned government corporation within HUD, was established to support Federal housing initiatives by providing market liquidity for federally insured 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 United States. The securitization of Federal Housing Administration, Rural Housing Service, and Veterans Affairs mortgages increases the liquidity of funds available to 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 89 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. Between the time of its inception in FY 1997 and the end of FY 2000, the targeted lending initiative securitized approximately \$11.3 billion.

## **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. HBCU grants are funded through CDBG, and as required by the CDBG legislation, activities carried out with HBCU grants by these colleges and universities must either benefit low- or moderate-income persons, aid in the prevention of slums and blighted conditions, or meet other community development needs having a particular urgency.

### **HOME Investment Partnerships Program**

The main purpose of the HOME program is to increase the supply and affordability of housing and to promote homeownership for low-income families.

States and localities have the flexibility to use HOME funds for a wide range of affordable housing activities for low- and very-low-income families. The jurisdictions outline how they will use the grants in their Consolidated Plan submissions. Eligible activities include rehabilitation, new construction, acquisition for homeownership and rental housing, and tenant-based rental assistance. The funds are allocated by formula: 60 percent to local governments 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 (PHAs) 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. As part of this, the intent of the program is also to revitalize neighborhoods where the housing is located and to decrease the concentration of very low-income families. HUD is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.

## **Housing Certificate Fund**

Through its Section 8 program, HUD provides rental assistance to both tenant-based and project-based programs to expand affordable housing opportunities for very low-, low-, and moderate-income families:

**Housing Choice Vouchers.** The Housing Choice Voucher program is administered through public housing agencies and other State and local designated entities. The voucher program is based on the tenant paying 30 percent of their adjusted income for rental purposes with the voucher subsidizing the remaining adjusted costs. With a voucher, a low-income family can seek housing in the private housing market in a neighborhood that it desires.

**Project-Based Section 8.** Through its project-based Section 8 program, HUD provides rental assistance to families in assisted FHA-insured properties to ensure that these properties remain affordable to low-income families.

**Section 8 Contract Renewals/Amendments.** Contract renewals provide funding to renew expiring Section 8 rental assistance contracts covering certificates, vouchers, moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation. This funding is required to maintain the current inventory of assisted rental housing.

## **Housing Counseling Assistance**

The Housing Counseling program provides a broad range of counseling services to tenants, prospective homeowners, and homeowners to improve housing opportunities with an emphasis on obtaining and maintaining homeownership.

The Department certifies and/or recertifies public and private nonprofit agencies that provide HUD approved counseling assistance. Counseling can cover property maintenance, financial management, and other matters to assist tenants and homeowners in improving their housing conditions and meeting their homeownership responsibilities.

## **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 grants and rental assistance to eligible private nonprofit organizations to construct, rehabilitate, or purchase housing for very-low-income elderly or disabled individuals. In addition, Section 8 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.** Section 808 of NAHA authorized the use of service coordinators within existing projects for the elderly or frail elderly to enable residents who are elderly, especially those who are frail or handicapped, to live independently. Services provided

include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

**Conversion to Assisted Living.** These funds will be available as competitive grants to existing HUD elderly subsidized (Section 202) projects that convert some or all units to assisted living.

### **Housing Opportunities for Persons with AIDS**

HOPWA provides States and localities with resources and incentives to devise long-term, comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families. Statutorily, 90 percent of appropriated funds are distributed by formula to qualifying States and metropolitan areas on the basis of the number and incidence of AIDS cases reported to the Centers for Disease Control and Prevention by March 31 of the year preceding the appropriation year. The remaining 10 percent of funds are distributed through a national competition.

Competitive grants (10 percent of the appropriation) are available to States and local governments and private, nonprofit entities for projects of national significance. They are also available to States and local governments for projects in areas that do not qualify for a formula allocation. Recipients of either formula or competitive grants must use HOPWA assistance consistent with a HUD-approved Consolidated Plan, except for activities undertaken on a nationwide basis. Eligible activities include: housing information and coordination services; short-term supported housing and services; rental assistance; single-room occupancy dwellings; community residences and services; program development; and administrative costs.

### **Improving Access Initiative**

This initiative will provide grants to American with Disabilities Act (ADA)-exempt community-based, civic, and religiously affiliated organizations with limited resources. These ADA-exempt organizations will be eligible to compete for grants to make their facilities accessible to persons with disabilities.

### **Indian Housing Block Grants**

This program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. IHBG provides housing services through six eligible activities and provides training and technical assistance:

- Development: acquisition, new construction, reconstruction, and moderate or substantial rehabilitation of affordable housing;
- Indian Housing Assistance: modernization and operating assistance for housing previously developed or operated under a contract between HUD and a TDHE;

- Housing Services: housing counseling for rental or homeownership assistance, establishment and support of resident management organizations;
- Housing Management Services: management services that may include preparation of work specifications, loan processing, inspections, tenant selection;
- Crime Prevention and Safety Activities: safety, security, and law enforcement measures and activities;
- Model Activities: approval of 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); and
- Law Enforcement: housing for law enforcement officers on Indian reservations or other Indian areas.

### **Indian Housing Loan Guarantee Fund**

This program provide loan guarantees for Native American families and Tribally Designated Housing Entities (TDHEs, formerly IHAs) to purchase, construct, and/or rehabilitate single-family homes on restricted land and in designated Indian areas.

### **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 abatement/hazard control infrastructure by promoting State legislative action to establish LBP contractor certification programs, stimulating State and local efforts at hazard reduction, and creating demand for such credentials by private contractors.

The technical studies component of the program contains five types of activities: (1) technical assistance for State and local agencies, private property owners, HUD programs and Field Offices, and professional organizations; (2) quality control to ensure that the evaluation and control of lead-based paint hazards are done properly in HUD-associated housing; (3) 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; (4) technical studies and evaluation to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education; and (5) 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 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.

Every company that builds manufactured homes must provide HUD with the plans for each model produced. The manufacturer must issue a certification that each section built meets Federal standards. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the defect. In certain cases, HUD may require repair or replacement of the defective section(s), or a refund.

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 American Community Development Block Grants**

This program, funded with in the Community Development Block Grants Fund, targets aid to Native American communities to generate commercial activity, housing, and job opportunities. It will also support the development of a new Native American Economic Development Access Center which will provide information and technical assistance concerning economic development assistance.

### **Operation Safe Home**

These funds are used to combat violent crime in public housing complexes by bringing together a coalition of Federal and local crime-fighting forces.

### **Partnership for Advancing Technology in Housing (PATH)**

PATH supports both a public-private partnership and an integration of Federal efforts to reduce the time to market of new housing technologies, cutting the energy use and environmental impact of new homes, increasing housing durability, reducing natural hazard risk, and reducing the monthly cost of housing and the cost of new housing.

### **Public Housing Capital Fund**

This program provides funds to Public Housing Authorities (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 are authorized for buildings or entire developments that are not viable. Funds also may be used for replacement housing.

### **Public Housing Drug Elimination Grants**

This program provides grants to PHAs and Tribally Designated Housing Entities (TDHEs) for their anticrime, antidrug efforts to reduce and eliminate drug-related crime in and around public housing developments.

### **Public Housing Operating Fund**

This program provides subsidies to assist Public Housing Agencies in funding the operation and maintenance of their properties for low-income families. The Performance Funding System 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). Businesses in Renewal Communities will be eligible for various federal tax incentives, including:

- zero percent capital gains from sale of qualified assets;
- a 15 percent wage credit for qualified workers;
- a tax deduction for qualified commercial construction and revitalization expenses;
- work opportunity tax credits for hiring qualified youth.

They will also benefit from tax relief and regulatory streamlining provided by the State and local government in which the RC is located. HUD is charged with selecting the 40 urban and rural Renewal Communities and ensuring that States and local governments fully implement their plans for providing tax and regulatory relief in their RCs.

### **Research and Technology (R&T)**

PD&R 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, with \$5 million in obligations in 1998. These activities help old and new programs operate more effectively by providing independent information about program implementation and impacts.

### **Resident Opportunity and Self-Sufficiency**

Resident Opportunity and Supportive Services (ROSS) program provides residents of public housing with services that are necessary to improve their quality of life, including academic skills training, health care, micro-enterprise and small business development, and social services.

### **Revitalization of Severely Distressed Public Housing**

See “HOPE VI.”

### **Rural Housing and Economic Development**

This program awards competitive grants to assist rural communities, Native American communities, and colonias in capacity building for the development of rural housing and for conducting rural economic development activities.

HUD works closely with the U.S. Department of Agriculture and other Federal agencies (Economic Development Administration, Appalachian Regional Commission and Department of the Interior) to structure a more effective response to the housing and economic development needs of the Nation’s rural areas.

### **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. The commitment level requested for FY 2002 will include Section 108 loan guarantees made in conjunction with the accelerated Brownfields Redevelopment Program, as well as all other loan guarantee applications received in connection with the regular CDBG program.

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.

## **Self-Help Homeownership Opportunity Program**

The Self-Help Homeownership Opportunity Program (SHOP) provides competitive grants to nonprofit housing organizations 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 loan guarantees for Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities who need additional funds to engage in eligible affordable housing activities but are unable to borrow from other sources.

## **Urban Empowerment Zones**

There are three rounds of Empowerment Zones/Enterprise Communities (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.

## **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. Youthbuild activities are also eligible activities under CDBG.

Funds are awarded on a competitive basis using the selection criteria in the statute along with other factors published by HUD in the regulations and the Notice of Funding Availability.

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