



U.S. DEPARTMENT  
OF HOUSING AND  
URBAN DEVELOPMENT

FISCAL YEAR 2007

# PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS



**INCREASE HOMEOWNERSHIP**

**SUPPORT COMMUNITY DEVELOPMENT**

**INCREASE ACCESS TO AFFORDABLE HOUSING**

**FREE FROM DISCRIMINATION**

This Highlights version of the Performance and Accountability Report (PAR), the full PAR and prior year reports are available at:

[www.hud.gov/offices/cfo/reports/cforept.cfm](http://www.hud.gov/offices/cfo/reports/cforept.cfm)

The following is a list of direct web links to HUD program offices:

- Center for Faith-Based and Community Initiatives [www.hud.gov/offices/fbci/index.cfm](http://www.hud.gov/offices/fbci/index.cfm)
- Community Planning and Development [www.hud.gov/offices/cpd/](http://www.hud.gov/offices/cpd/)
- Fair Housing and Equal Opportunity [www.hud.gov/offices/fheo/](http://www.hud.gov/offices/fheo/)
- Federal Housing Administration [www.hud.gov/offices/hsg/hsgabout.cfm](http://www.hud.gov/offices/hsg/hsgabout.cfm)
- Field Policy and Management [www.hud.gov/offices/fpm/](http://www.hud.gov/offices/fpm/)
- Government National Mortgage Association [www.ginniemae.gov/](http://www.ginniemae.gov/)
- Government Sponsored Enterprises [www.hud.gov/offices/hsg/gse/gse.cfm](http://www.hud.gov/offices/hsg/gse/gse.cfm)
- Healthy Homes and Lead Hazard Control [www.hud.gov/offices/lead/](http://www.hud.gov/offices/lead/)
- Multifamily Housing [www.hud.gov/offices/hsg/hsgmulti.cfm](http://www.hud.gov/offices/hsg/hsgmulti.cfm)
- Single Family Housing [www.hud.gov/offices/hsg/sfh/hsgsingle.cfm](http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm)
- Public and Indian Housing [www.hud.gov/offices/pih/](http://www.hud.gov/offices/pih/)
- Policy Development and Research [www.huduser.org/](http://www.huduser.org/)

# Message from the Secretary

February 1, 2008

I am pleased to share, with the American Public, highlights from our Annual Performance and Accountability Report (PAR) for Fiscal Year 2007. This report highlights HUD's contributions as the nation's chief provider of housing to those most in need, whether it be by increasing homeownership, providing support for community development, or increasing access to affordable rental housing, free from discrimination. This is our mission and this report presents our progress in meeting our strategic and annual performance goals. The full FY 2007 PAR can be found at [www.hud.gov/offices/cfo/reports/cforept.cfm](http://www.hud.gov/offices/cfo/reports/cforept.cfm).



Highlights of the Department's accomplishments for 2007 include:

- **Eliminated "High Risk" Designation.** In January 2007, for the first time since 1994, the Government Accountability Office removed HUD's single-family housing mortgage insurance and rental housing assistance programs from the list of "High Risk" federal programs. This significant outcome resulted from HUD's multi-year effort to strengthen internal controls to reduce both the risks of FHA's housing mortgage insurance programs and the level of improper rental housing assistance payments. FHA's demonstrated ability to manage its risks and assure the financial soundness of its self-sustaining programs is a key consideration as we seek congressional approval of FHA reforms that will enable FHA to offer homebuyers lower risk and less cost alternatives to the subprime lending market. Since 2001, HUD has reduced the level of improper rental assistance payments, as a percentage of total assistance payments, from 17.1 percent to 5.5 percent, a reduction of \$1.9 billion.
- **FHASecure.** HUD will help nearly one-quarter of a million homeowners avoid foreclosure and the loss of their homes by enhancing FHA's refinancing program. In August, 2007, HUD launched a new foreclosure avoidance initiative called FHASecure. This mortgage insurance program is geared toward borrowers who have good credit, but who have been caught up in the subprime lending wave and may not have made all of their payments on time because of resetting interest rates. For the first time, FHA is able to offer many of these homeowners an affordable option to refinance their existing mortgage so they can make their payments and keep their homes. This change, in addition to other existing FHA products, will bring the total number of families that FHA estimates it will help to avoid foreclosure next fiscal year to approximately 240,000.
- **Increased Minority Homeownership.** HUD helped increase the minority homeownership rate from 49.2 percent in 2002 to 51.0 percent in 2007. The proportional gain represents approximately 3.74 million additional minority homeowners since mid-2002. The continued progress supports the challenging 2002 Presidential goal of adding 5.5 million new minority homeowners by the end of the decade in 2010.

## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

- **Targeted Rental Assistance.** HUD expended over \$27.5 billion for rental assistance to house approximately 4.8 million families in need, 3.6 million through direct rental assistance and 1.2 million in public housing.
- **Community Development.** HUD continued to assist communities, awarding \$3.7 billion in FY 2007 to state and local governments to target their own community development priorities. The Community Development Block Grant program allows the communities to prioritize and use the funds to best serve the community, with oversight by HUD. With regard to CDBG-funded housing activities during FY 2007, grantees reported that more than 117,800 owner-occupied housing units and 37,000 rental units were rehabilitated with CDBG funds, while more than 6,900 households received direct homeownership assistance. With regard to job creation and retention activities, grantees reported more than 39,000 jobs were created or retained through the use of CDBG funds.
- **Response to Natural Disasters.** The Department continues to be a major participant in the federal government's response to the hurricanes of 2005 by coordinating the long-term housing solutions for Gulf Coast residents displaced by Hurricanes Katrina, Rita, and Wilma.
  - The Disaster Housing Assistance Program assists displaced families in the Gulf States, helps them to rebuild their lives, get on a path to self-sufficiency, and have the opportunity to return to their home, if they choose. HUD is assisting approximately 28,500 families referred by FEMA under this program, and assured payments to landlords as of December 1, 2007.
  - In FY 2007, \$6.2 billion of HUD's CDBG Disaster Assistance Grant funding for the Gulf Coast States was disbursed to the five states affected by the hurricanes. The disbursed funds were primarily directed to the states of Louisiana and Mississippi for compensation payments to more than 59,000 homeowners in Louisiana and more than 15,000 in Mississippi.
  - HUD also created the nation's first National Housing Locator (NHL) system to facilitate rental housing assistance in disaster areas. The intergovernmental NHL web site was launched in January 2007 as a direct response to lessons learned from Hurricane Katrina – most notably the need for a nationwide, single point of entry, easily searchable system to identify available rental housing in times of disaster.
- **Lead Hazard Control.** The number of children under the age of 6 with elevated blood lead levels has been reduced to approximately 235,000 from a level in excess of 890,000 in the 1990 to 1994 time period. This downward trend is a result of HUD's efforts – in partnership with the Centers for Disease Control and Prevention, the Environmental Protection Agency, and other agencies – to control lead hazards in housing through grants and enforcement of HUD's lead regulations, expanded outreach on this issue, and expansion of the required public-private infrastructure to implement the program. HUD's goal is to eliminate this totally avoidable epidemic – lead poisoning caused by housing – by the end of the decade.
- **Management Excellence.** The Department was upgraded to a score of “Green” on the Improved Financial Performance initiative of the President's Management Agenda. This improvement was a result of HUD's seventh consecutive unqualified audit opinion on its annual consolidated financial statements, elimination of its remaining longstanding material weaknesses, meeting all accelerated financial reporting requirements, initiating FHA activity



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

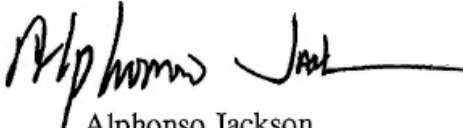
based costing, and development of improved financial reporting to enhance budget and program execution, with plans for continued improvement. The Department has “Green” scores on five of nine Presidential initiatives and is working to improve the scores on the initiatives not currently “Green.”

By law, I am required to make certain assurances concerning the reliability and completeness of the data contained in this report. The following provides that assurance.

The Federal Managers’ Financial Integrity Act (FMFIA) requires that the Secretary report to the President and the Congress on the adequacy of management controls in safeguarding resources. Based on the year-end assurances given by principal agency officials, the Office of Inspector General’s unqualified audit opinion on HUD’s consolidated financial statements, and the lack of any material internal control weakness issues, I assert that HUD’s internal controls and financial systems comply with Sections II and IV of the FMFIA. Further discussion of my assurances and plans for further improvement of our financial management during FY 2008 can be found in the Financial Management Accountability section of the full FY 2007 PAR.

Additionally, the Federal Financial Management Improvement Act of 1996 requires agencies to implement and maintain financial management systems that are in substantial compliance with OMB Circular A-127 and other Financial System Integration Office requirements, federal accounting standards, and the United States Government Standard General Ledger at the transaction level. This is the third year in which the Department has reported substantial compliance with these requirements. In general, the performance and financial data in this report are complete and reliable, and any data limitations noted in Section II, Performance Information, or Section III, Financial Information of the full PAR, are not considered significant to overall information reliability and usefulness.

The Department is honored to serve as a strong advocate for increasing homeownership, particularly among minorities, creating affordable rental housing opportunities for low-income Americans, and supporting the homeless, elderly, those with disabilities, and people living with AIDS. We pledge to continue our work to serve the most vulnerable populations, fight discrimination, and revitalize America’s communities.

  
Alphonso Jackson  
Secretary





## **THE MISSION OF HUD**

**INCREASE HOMEOWNERSHIP,  
SUPPORT COMMUNITY DEVELOPMENT, AND  
INCREASE ACCESS TO AFFORDABLE HOUSING  
FREE FROM DISCRIMINATION.**

These words, from HUD's Strategic Plan, go to the heart of the United States Housing Act of 1937 which declared it a national policy to "assist the several states and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income and to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs."

Subsequent legislative and political changes have broadened the scope of the nation's housing policy, and in 1965 the United States Congress established the Department of Housing and Urban Development (HUD) as an Executive, Cabinet-level agency, to:

- Foster the orderly growth and development of the nation's urban areas,
- Coordinate Federal activities affecting housing and urban development,
- Provide technical assistance and information to aid state, county, town, village, or other local governments in developing solutions to community and metropolitan development problems,
- Encourage effective regional cooperation in the planning and conduct of community and metropolitan development programs and projects,
- Encourage and develop the fullest cooperation with private enterprise in achieving the objectives of the Department, and
- Conduct continuing comprehensive studies, and make available findings, with respect to the problems of housing and urban development.

## **HUD'S STRATEGIC PLAN**

In order to accomplish this mission, HUD has developed a Strategic Plan (available online at [http://www.hud.gov/offices/cfo/reports/hud\\_strat\\_plan\\_2006-2011.pdf](http://www.hud.gov/offices/cfo/reports/hud_strat_plan_2006-2011.pdf)) consisting of six Strategic Goals, as shown in the chart on the next page. The three programmatic goals reflect the three elements of the HUD Mission: to increase homeownership, support community development, and increase access to affordable housing free from discrimination. The three cross-cutting goals support each of the three programmatic goals.

Also shown in the chart are the Strategic Objectives that HUD has determined to be essential for accomplishing those goals. It is from the Strategic Objectives that the Annual Performance Plan is devised, which enumerates the various performance indicators and targets that measure HUD's progress. The main focus in this document is on the key performance indicators pertaining to the three programmatic Strategic Goals and one Cross-cutting Goal pertaining to Fair Housing.



HUD's STRATEGIC FRAMEWORK

STRATEGIC GOALS

Programmatic Goals

Cross-Cutting Goals

<p><b>GOAL A</b> Increase Homeownership Opportunities</p> <p>Indicators: 25 Met: 20 Missed: 5 Appropriated Funds: \$3.1B Staff: 1,189</p>	<p><b>GOAL B</b> Promote Decent Affordable Housing</p> <p>Indicators: 23 Met: 19 Missed: 4 Appropriated Funds: \$25.4B Staff: 2,888</p>	<p><b>GOAL C</b> Strengthen Communities</p> <p>Indicators: 30 Met: 26 Missed: 4 Appropriated Funds: \$4.7B Staff: 797</p>	<p><b>GOAL D</b> Ensure Equal Opportunity in Housing</p> <p>Indicators: 10 Met: 7 Missed: 3 Appropriated Funds: \$46M Staff: 559</p>	<p><b>GOAL E</b> Embrace High Standards of Ethics, Management and Accountability</p> <p>Indicators: 25 Met: 22 Missed: 3 Appropriated Funds: \$4.9B Staff: 3,275</p>	<p><b>GOAL F</b> Promote Participation of Faith-Based and Community Organizations</p> <p>Indicators: 4 Met: 4 Missed: 0 Appropriated Funds: \$1.5M Staff: 8</p>
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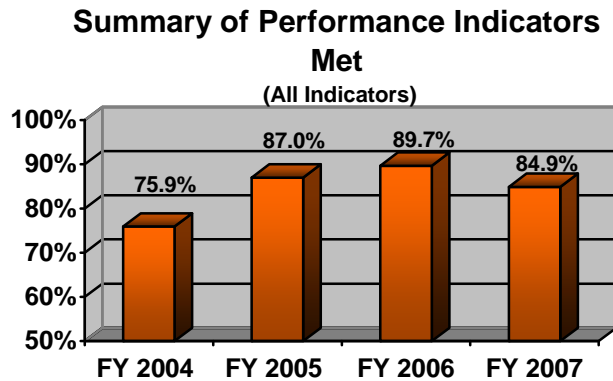
STRATEGIC OBJECTIVES

Expand national homeownership opportunities	Expand access to and availability of decent, affordable rental housing	Assist disaster recovery in the Gulf region	Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination	Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance	Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs
Increase minority homeownership	Improve the management accountability and physical quality of public and assisted housing	Enhance sustainability of communities by expanding economic opportunities	Improve public awareness of rights and responsibilities under fair housing laws	Improve HUD's management and internal controls to ensure program compliance and resolve audit issues	Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources
Make the home-buying process less complicated and less expensive	Improve housing opportunities for the elderly and persons with disabilities	Foster a suitable living environment in communities by improving physical conditions and quality of life	Improve housing accessibility for persons with disabilities	Improve accountability, service delivery and customer service of HUD and its partners	Encourage partnerships between faith-based /community organizations and HUD grantees and subgrantees
Reduce predatory lending through reform, education and enforcement	Promote housing self-sufficiency	End chronic homelessness and move homeless families and individuals to permanent housing	Ensure that HUD-funded entities comply with fair housing and other civil rights laws	Capitalize on modernized technology to improve the delivery of HUD's core business functions	
Help HUD-assisted renters become homeowners	Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program	Address housing conditions that threaten health			
Keep existing homeowners from losing their homes					



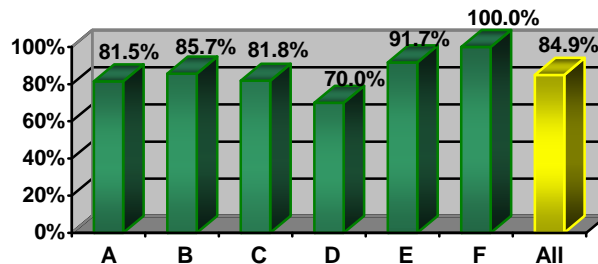
## HUD's Performance

Below are three graphs comparing HUD's performance: a) on all performance indicators over the past four years, b) for all FY 2007 performance indicators by Strategic Goal, and c) for all FY 2007 performance indicators by Program Office.



The Department attributes the drop in the percentage of performance indicators met primarily to the downturn in the economy as it has affected the housing industry (see the section entitled Risks, Trends, and Factors Affecting Goals contained in Section I of the full FY 2007 PAR available online at <http://www.hud.gov/offices/cfo/reports/2007/2007par.pdf>) as well as from a relative reduction in funding available for HUD program monitoring, assistance, enforcement, and for needed IT systems improvement. For a broader explanation of HUD's means, strategies, and plans for accomplishing its Strategic Goals, see the introduction to Section II, the Performance Section, of the full FY 2007 PAR.

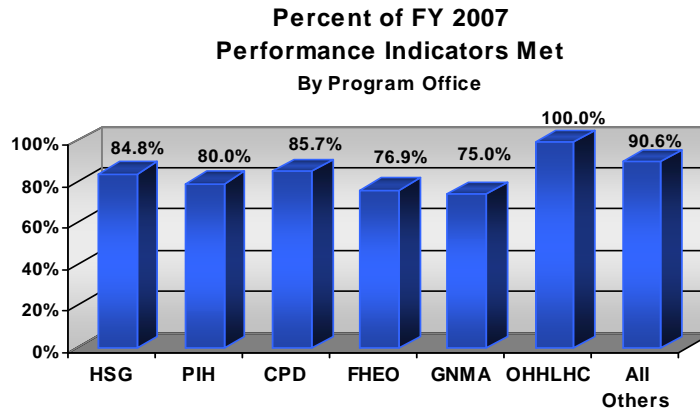
**Percent of FY 2007 Performance Indicators Met**  
(by Strategic Goal)



The chart above reflects similar results for HUD's three Strategic Program Goals A, B, and C, with an average of 83.1 percent of performance goals met. Strategic Program Goal D consists of 10 Fair Housing and Equal Opportunity performance measures, of which two were missed due to an increased emphasis on addressing backlogged complaints and one due to a facility change that slowed performance. Goal E measures management and ethics and, while not a topic for this report, demonstrates HUD's commitment to excellence in management. Goal F measures five indicators of HUD's commitment to promote Faith-Based and Community Organizations' participation in HUD programs.



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS



In order to most efficiently and effectively fulfill the Mission of HUD, the Department has established the following program offices:

- Office of Housing and the Federal Housing Administration (HSG in the above chart),
- Public and Indian Housing (PIH),
- Community Planning and Development (CPD),
- Office of Fair Housing and Equal Opportunity (FHEO),
- Government National Mortgage Association (GNMA, also called Ginnie Mae), and
- Office of Healthy Homes and Lead Hazard Control (OHHLHC).

Each office has a primary focus on one or more of the Strategic Goals of HUD's Mission, and their programs are generally focused on a particular housing program delivery constituency, such as state and local governments (CPD), public housing agencies (PIH), private sector lenders and owners (Housing/FHA), or the secondary mortgage market (Ginnie Mae). Additionally, HUD has a number of other administrative, financial, and support offices, including the Center for Faith-Based and Community Initiatives, that directly support the Mission goals and/or provide valuable support to the six major program offices.

The following is a synopsis of HUD's largest program offices, their performance in meeting key performance indicators, and their most notable accomplishments and challenges:



# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

## OFFICE OF HOUSING AND FEDERAL HOUSING ADMINISTRATION (FHA)

The goal of the Office of Housing is to provide vital public services through its nationally administered housing programs. These programs include various mortgage insurance, homeownership subsidy, housing counseling, rental subsidy, and grant programs that are designed to provide housing to low- and moderate-income households.

### Major Programs

- **FHA Single/Multifamily Insurance** - insures mortgages to guarantee payments, making it much easier for homeowners and landlords to borrow funds needed from private lenders.
- **Section 8 Project-Based Rental Assistance** – serves to maintain nearly 1.25 million units of affordable rental housing for lower income families.
- **Section 202 Housing for the Elderly and Section 811 Housing for the Disabled** – provides interest-free capital advances to finance the construction, rehabilitation, or acquisition of affordable housing with rental assistance and supportive services for the elderly and persons with disabilities.
- **Housing Counseling** – provides various forms of housing counseling including: homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing and homeless clients.

More information about the Office of Housing can be found at: <http://www.hud.gov/offices/hsg/>

### FY 2007 SELECTED MEASURES FOR THE OFFICE OF HOUSING

	Performance Indicators	Year	Target	Actual Results
Goal A: Increase Homeownership Opportunities	A1.3: The number of FHA single-family mortgage insurance endorsements nationwide.	2004	N/A	997,000
		2005	N/A	556,000
		2006	N/A	502,000
		2007	N/A	532,000
	A1.4: The share of first time homebuyers among FHA home-purchase endorsements.	2004	N/A	72.8%
		2005	79.0%	79.3%
		2006	71.0%	79.3%
		2007	71.0%	79.5%
	A1.8: The percentage of clients receiving pre-purchase counseling who purchase a home or become mortgage-ready within 90 days.	2004	N/A	42.0%
		2005	30.0%	37.1%
		2006	30.0%	42.7%
		2007	30.0%	53.0%
	A2.5: The share of first time minority homebuyers among FHA first time home-purchase endorsements.	2004	N/A	37.2%
		2005	N/A	34.4%
		2006	35.0%	31.7%
		2007	35.0%	33.0%
A6.2: The percentage of mortgagors seeking help with resolving or preventing mortgage delinquency that successfully avoid foreclosure.	2004	N/A	90.8%	
	2005	N/A	96.7%	
	2006	N/A	92.5%	
	2007	80.0%	94.7%	

For this chart and all following charts, N/A means “not applicable” (i.e., the measure could be a new goal, a change in reporting structure, or a tracking indicator for which no performance goal could reasonably be set).



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

Goal B: Promote Decent Affordable Housing	Performance Indicators	Year	Target	Actual Results
	<b>B1.4: FHA endorses multifamily project mortgages.</b>	2004	1,000	1,497
		2005	1,000	1,017
		2006	1,000	1,016
		<b>2007</b>	<b>1,000</b>	<b>881</b>
<b>B2.3: The share of assisted and insured privately-owned multifamily properties that meet HUD-established physical standards.</b>	2004	94.7%	94.4%	
	2005	95.0%	96.0%	
	2006	95.0%	95.0%	
	<b>2007</b>	<b>95.0%</b>	<b>93.8%</b>	
<b>B2.5: The share of assisted and insured multifamily properties that meets HUD's financial management compliance is maintained at no less than 98 percent.</b>	2004	95.0%	98.0%	
	2005	95.0%	98.0%	
	2006	98.0%	98.0%	
	<b>2007</b>	<b>98.0%</b>	<b>99.0%</b>	
<b>B3.1: Increase the availability of affordable housing (via capital advances for expansion) for the elderly and persons with disabilities by bringing 200 projects to initial closing under Sections 202 and 811.</b>	2004	250	305	
	2005	250	302	
	2006	250	315	
	<b>2007</b>	<b>200</b>	<b>245</b>	

Goal C: Strengthen Communities	Performance Indicators	Year	Target	Actual Results
	<b>C3.2: The share of multifamily properties in underserved areas insured by FHA.</b>	2004	25.0%	34.0%
2005		25.0%	43.0%	
2006		25.0%	41.0%	
<b>2007</b>		<b>33.0%</b>	<b>46.0%</b>	

### ACCOMPLISHMENTS AND CHALLENGES

The next four sections discuss the FY 2007 performance of the Office of Housing/FHA with respect to selected measures pertaining to HUD's Strategic Goals for increasing homeownership opportunities, promoting decent affordable rental housing, and strengthening communities.

#### GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

**Measure A1.3:** While FHA's **insurance endorsements** dramatically dropped from FY 2004 to FY 2005 and in FY 2006, they began to rise again in FY 2007. This increase is primarily due to the collapse of the subprime mortgage market. The subprime market consists of mortgages designed to serve people who lacked the credit history or income to qualify for a regular or "prime" mortgage. Prospective borrowers who had opted for subprime loans in recent years have begun to choose the dependability and safety of FHA's traditional products.

**Measure A1.4: First-time homebuyers** continued to make up a large percentage (79.5 percent) of FHA's single family endorsements. This favorable trend towards FHA by first-time home buyers significantly exceeded the goal of 71.0 percent.

**Measure A2.5:** A significant share of first-time buyers are **minority homebuyers**. Though the minority homebuyer goal of 35.0 percent was not met, the actual number of minority first-time homebuyers assisted by FHA increased by an estimated 241,000 homebuyers since June 2006. FHA continues to contribute to the President's aggressive 2002 national goal to increase minority homeownership by 5.5 million households by the end of the decade in 2010. As of the



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

third quarter of 2007, there has been a net increase of 3.19 million (additions of 3.74 million less reductions of 0.55 million) minority homeowners, representing 58 percent of the President's goal.

**Measure A1.8:** HUD provides **pre-purchase counseling** to those who are preparing to purchase a home or working to become mortgage-ready. In the third quarter of FY 2007, HUD substantially exceeded its goal of 30 percent with 53 percent of those receiving pre-purchase counseling able to purchase a home or become mortgage-ready within 90 days.

**Measure A6.2:** HUD also tries to assist those in danger of losing their homes due to foreclosure through its counseling efforts. Results from the first three quarters of calendar year 2007 show that 12,024 out of 12,690 mortgagors receiving assistance successfully avoided foreclosure, exceeding its goal of 80.0 percent with a 94.7 percent success rate.

The President and the Secretary announced the **FHASecure** Program in August 2007 as a temporary program that will provide refinancing opportunities to homeowners for various types of adjustable rate mortgages (ARMs). FHASecure is designed to increase liquidity in the mortgage market and help people who have good credit, but who have missed or been late on some payments because of rising mortgage payments due to ARMs that have "reset." This program and other FHA efforts will provide an estimated 240,000 homeowners with options to help make their payments and keep their homes next year. For more information visit the FHASecure Internet web site at: <http://www.fha.gov/fhasecure>.

### GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

**Measure B1.4:** FHA's **Multifamily Housing Mortgage Insurance** programs endorsed 881 mortgages totaling \$4.19 billion in FY 2007, providing 90,614 housing units/beds across every state, but two. While this was short of HUD's goal of 1,000 endorsements, the downward trend over the last four years can be attributed, in part, to a weakening housing market beyond the Department's control. HUD's FY 2007 goal also anticipated a level of refinancing activity that did not materialize due to rising interest rates.

**Measure B2.3:** The results of the most recent physical inspections conducted on the multifamily housing portfolio of 30,173 properties shows that 28,294 met or exceeded HUD's **physical condition standards**. This represents 93.8 percent of the inventory, a very high proportion. While this represents a slight increase of substandard properties of less than one percent, this is an aging housing stock, and the 6 percent of properties with substandard conditions are under management improvement operating plans or are facing an enforcement action to bring those projects up to acceptable standards.

**Measure B2.5:** HUD exceeded its 98 percent **financial compliance** goal by achieving a 99 percent rate of insured and assisted properties with no financial compliance deficiencies. This better assures that those properties can meet their operating needs and HUD's physical condition standards, and reduces the risk of defaults and claims on FHA-insured mortgages.

**Measure B3.1:** The **Section 202/811 Programs** provide capital advances for the expansion of the number of units available to assist the elderly and the disabled. In FY 2007, there were 245 initial project closings, exceeding the goal by 23 percent. This resulted in 5,590 additional Section 202 units for the elderly and 1,123 additional Section 811 units for disabled households.

### GOAL C: STRENGTHEN COMMUNITIES

**Measure C3.2: FHA multifamily insurance in underserved communities** is an important contributor to strengthening the social and economic fabric by providing affordable housing in areas of critical short supply. FHA programs include those that insure loans for new construction and substantial rehabilitation of multifamily rental units. These programs improve the quality and affordability of rental housing, increase their availability in underserved neighborhoods, and promote revitalization of those neighborhoods. The share of insured multifamily properties in underserved areas insured by FHA continued its upward trend increasing from a rate of 41.0 percent for FY 2006 to 46.0 percent for FY 2007.

### OTHER ACCOMPLISHMENTS/CHALLENGES

In addition to the above noted selected measures, reducing the level of **improper payments** has been a challenge for all of HUD's complex Rental Housing Assistance Programs – given the size, complexity and decentralized administration of the programs – and significant progress has been made in reducing improper payments. For both the Multifamily and Public and Indian Housing portfolios, HUD has reduced its combined baseline gross improper rental assistance payment estimates by over 55 percent since 2000. As program funding has grown, HUD has also reduced the improper payment rate from 17.1 percent of rental assistance payments in FY 2000 to 5.5 percent of payments in FY 2007. As a result of HUD's improved controls and progress on this issue, HUD's Rental Housing Assistance Programs were removed from the Government Accountability Office's "High Risk" federal programs watch list in FY 2007. Further information on the improper payment issue is provided in the Improper Payments Information Act Reporting Details found on pages 432 through 438 of Section IV of the full FY 2007 PAR.

Another challenge to HUD's ability to promote homeownership is the competitive nature of the private lending market. While FHA continues to make homeownership possible for families and individuals who are either unserved or underserved by the conventional market, many prospective homeowners have been unable to participate in FHA financing options due to the rigid restrictions placed on FHA loans by the authorizing legislation. Some of those who might otherwise have applied for an FHA insured loan have become victims of predatory lending, subprime balloon notes, and other unscrupulous practices. As part of the President's FY 2007 budget submission, FHA submitted a **modernization proposal** requesting legislative flexibility to support key FHA policy objectives to:

- Increase the FHA loan limits,
- Create a new risk-based insurance premium structure for FHA,
- Enhance downpayment flexibility requirements,
- Simplify requirements for condominium loans,
- Expand use of Home Equity Conversion Mortgages ("reverse mortgages"), and
- Increase access to pre-purchase and post-purchase counseling for low- and moderate-income homeowners.

Passage of this legislation will reduce statutory barriers and increase FHA's flexibility to respond to changes in the marketplace. This will allow FHA to serve more prospective homebuyers by providing lower risk and lower cost alternatives to subprime loans.





## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

**Neighborhood Network Centers** do make a difference in resident's lives, like the Santa Maria Village Neighborhood Networks Learning Center located in a 200-unit complex in Austin, TX. The Neighborhood Networks program is a community based initiative whose goal is to provide a resource and computer center at each HUD property. The Center's main goal is to help residents obtain professional skills to be gainfully employed and ultimately become homeowners.



### Government National Mortgage Association (GNMA)

GNMA (also known as "Ginnie Mae") is a wholly-owned government corporation within HUD that administers the Mortgage-Backed Securities (MBS) program. GNMA provides guarantees for pools of mortgages that are issued by private mortgage institutions and insured by various government programs including HUD. The MBS program contributes to the growth of the mortgage-backed securities market in the United States through its guarantees. This allows lenders to reinvest funds otherwise tied up in existing mortgages, thereby leading to increased availability of funds as well as to the expansion of homeownership opportunities for American families. GNMA also provides incentives for lenders to increase loan volumes in traditionally underserved areas.

**Major Programs:**

- **Mortgage-Backed Securities Guarantees** (GNMA Securities Outstanding: \$427.6 Billion)  
For more information concerning Ginnie Mae, go to: <http://www.ginniemae.gov>, or to view an online copy of Ginnie Mae's annual report to Congress, go to: <http://www.ginniemae.gov/ReportToCongress>

**FY 2007 SELECTED MEASURES FOR GNMA**

Goal A: Increase Homeownership Opportunities	Performance Indicators	Year	Target	Actual Results
Goal A: Increase Homeownership Opportunities	A1.5: Securitize eligible single family fixed rate FHA loans.	2004	85.0%	87.3%
		2005	85.0%	92.7%
		2006	90.0%	91.4%
		2007	93.0%	93.0%
	A1.6: Securitize eligible single family VA loans (New).	2004	N/A	N/A
		2005	N/A	N/A
		2006	N/A	N/A
		2007	83.0%	92.0%



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

Goal B: Promote Decent Affordable Housing	Performance Indicators	Year	Target	Actual Results
	<b>B1.5: Securitize eligible FHA multifamily loans.</b>		2004	80.0%
		2005	80.0%	91.1%
		2006	90.0%	96.9%
		<b>2007</b>	<b>95.0%</b>	<b>98.0%</b>

### ACCOMPLISHMENTS AND CHALLENGES

The following three sections discuss the FY 2007 performance of the GNMA with respect to selected measures pertaining to HUD’s Strategic Goals for increasing homeownership, promoting decent affordable housing, and other challenges facing GNMA.

#### GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

**Measure A1.5:** Through the **securitization of eligible single-family fixed rate FHA loans**, GNMA continues to address the specific need of promoting liquidity and the flow of investment capital. GNMA continued the upward trend, increasing that share from 91.4 percent to 93.0 percent

**Measure A1.6:** This is the first year HUD has set goals for the **securitization of VA single family mortgages** similar to those for FHA. Those goals were substantially exceeded reaching a rate of 92.0 percent. GNMA was able to meet its goal by guaranteeing securities that provide the best execution from a pricing standpoint, by reducing issuers’ back-end processing cost, and by improving security disclosures.

#### GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

**Measure B1.5:** GNMA strives to maintain a strong supply of decent, affordable rental housing. By promoting access to mortgage credit and enhancing the liquidity of mortgage investment, GNMA has increased the availability of affordable rental housing for millions of Americans. This year, GNMA **securitized** 98.0 percent of eligible **FHA multifamily mortgages**, exceeding its goal of 95.0 percent.

#### OTHER ACCOMPLISHMENTS/CHALLENGES

During FY 2007, the increase of default risk introduced uncertainty into the secondary mortgage market, along with other capital markets. This has potential both to 1) influence demand for GNMA’s mortgage-backed securities, and 2) limit the availability and increase the cost of the underlying loans. To alleviate the challenge, GNMA plans to strengthen oversight and the pool verification matching process. GNMA is also creating a new security backed by FHA-insured Home Equity Conversion Mortgage loans (reverse mortgages) that will provide efficient market pricing for these loans (see additional discussion in the section on Risks, Trends, and Factors Affecting Goals in Section I of the full FY 2007 PAR).



# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

## OFFICE OF PUBLIC AND INDIAN HOUSING

The goal of the Office of PIH is to ensure safe, decent, and affordable rental housing; create opportunities for residents' housing self-sufficiency; and ensure fiscal integrity by all program administrators and participants.

### Major Programs

- **Section 8 Housing Choice Voucher** – Provides vouchers to eligible families seeking housing in the private market and in a neighborhood of their choice.
- **Public Housing Operating Funds** – Helps Public Housing Agencies meet project operating and management costs.
- **Public Housing Capital Funds** – Provides financing for capital improvements (developing, rehabilitating, and demolishing units), replacing housing, and funding management improvements.
- **Indian Housing Block Grants and Home Loan Guarantees** – Provides funding for housing development in Indian areas, provides housing assistance to eligible families, and helps promote homeownership for Native Americans by providing loan guarantees to private lenders to increase the availability of mortgages and other financing for housing.

More information about the Office PIH can be found at: <http://www.hud.gov/offices/pih/>.

### FY 2007 SELECTED MEASURES FOR THE OFFICE OF PUBLIC AND INDIAN HOUSING

	Performance Indicators	Year	Target	Actual Results
Goal A: Increase Homeownership Opportunities	A2.9: Section 184 mortgage financing of \$197.3 million is guaranteed for Native American homeowners during FY 2007.	2004	N/A	\$62.3
		2005	\$150.0	\$76.8
		2006	\$120.0	\$172.2
		2007	<b>\$197.3</b>	<b>\$223.9</b>
	A5.1: The cumulative homeownership closings under the homeownership option of the Housing Choice Voucher/Housing Certificate Fund.	2004	1,674	2,052
		2005	4,000	5,121
		2006	6,000	7,528
		2007	<b>8,000</b>	<b>10,429</b>



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

Goal B: Promote Decent Affordable Housing	Performance Indicators	Year	Target	Actual Results
	<b>B1.10: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by 2011. (When a new assessment system under development becomes functional, HUD will develop new performance goals. In the interim, the Department will report this measure as a tracking indicator.)</b>	2004	N/A	100.0%
		2005	N/A	97.0%
		2006	N/A	90.0%
		<b>2007</b>	<b>N/A</b>	<b>93.0%</b>
<b>B2.2: The share of public housing units that meet HUD established physical inspection standards.</b>	2004	87.4%	85.0%	
	2005	85.0%	85.1%	
	2006	85.1%	85.8%	
	<b>2007</b>	<b>85.0%</b>	<b>85.7%</b>	
<b>B2.6: The percentage reduction of public housing units under management of troubled housing agencies. (When a new assessment system under development becomes functional, HUD will develop new performance goals.)</b>	2004	N/A	43.5%	
	2005	N/A	33.0%	
	2006	N/A	31.0%	
	<b>2007</b>	<b>N/A</b>	<b>33.9%</b>	
<b>B2.7: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.</b>	2004	N/A	N/A	
	2005	N/A	N/A	
	2006	N/A	6.1%	
	<b>2007</b>	<b>N/A</b>	<b>4.5%</b>	

### ACCOMPLISHMENTS AND CHALLENGES

The following three sections discuss the FY 2007 performance of the Office of Public and Indian Housing with respect to selected measures pertaining to HUD's Strategic Goals for increasing homeownership opportunities, promoting decent affordable rental housing, and for other significant accomplishments for the Office of Public and Indian Housing.

#### GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

**Measure A2.9:** Homeownership rates on reservations have been historically low. Lenders have been hesitant to assume the risk of providing mortgage financing for property that cannot be used as collateral due to the unique status of reservation lands. HUD's **Section 184 Program** provides credit subsidies that support loan guarantees to address this problem. This year, the goal of \$197.3 million was exceeded by more than 13.5 percent, guaranteeing \$223.9 million in loans. The Section 184 mortgage financing program had a successful year due to a team approach used to educate tribes and individual Native Americans about the benefits of homeownership. HUD relied on a network of approved lenders to finance mortgage transactions through a public/private partnership.

**Measure A5.1:** By FY 2007, **10,429 households have become homeowners** through the Housing Choice Voucher, Family Self-Sufficiency and Moving to Work homeownership programs, exceeding the FY 2007 cumulative goal of 8,000 closings.

#### GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

**Measure B1.10:** The Housing Choice voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. The **utilization rate** increased 3 percent from the



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

previous year toward the goal of 97 percent by 2011. Although this is an improvement, HUD continues to encourage greater utilization through outreach to PHAs and by linking future administrative fee payments to PHA leasing levels.

**Measure B2.2:** The share of public housing units that meet **HUD’s physical condition standards** has been holding relatively constant near 85 percent for the past four years. To improve the physical quality of public housing and achieve program efficiencies, PIH is implementing the recommendations of a three-year study by Harvard University on the cost of operating a well-run PHA. HUD is using a new formula to provide operating subsidies based on the profile of each public housing project’s size, location, age of facilities, and occupancy. Also in keeping with the Harvard Study and negotiated rulemaking on the Operating Fund Program, all PHAs of 250 or more units are required to convert to project-based asset management for budgeting, accounting, and management reporting. This greater focus at a project-level will improve the PHAs ability to address operating issues and thus improve the effectiveness of resources, which in turn improve the physical quality of the public housing stock. PIH exceeded its goal to have project-based accounting implemented at 20 percent of PHAs in FY 2007, with 30 percent actually implemented.

**Measure B2.6:** During FY 2007, HUD reduced the number of **housing units managed by housing agencies rated as “substandard” or “troubled”** by 34 percent from the previous year, returning them to at least a rating of “standard.” At the beginning of FY 2006, there were 197 troubled PHAs administering 71,391 low-rent housing units. Program improvements positively affected the management and conditions at over 24,166 low-rent housing units of the 73 PHAs removed from troubled agency status in FY 2007. However, relative reductions in federal funding for the Public Housing Operating and Capital Funds are having an adverse impact on PHAs’ ability to better manage and maintain the public housing stock.

**Measure B2.7:** HUD tracks the amount of **Housing Choice Voucher Program funds** managed by “troubled” PHAs. While plans are under way to implement a new performance assessment system and project-based asset management, in FY 2007 the portion of Housing Choice Voucher payments managed by troubled PHAs declined from 6.1 percent in FY 2006 to 4.5 percent.

### OTHER ACCOMPLISHMENTS OR CHALLENGES

In addition to the above selected measures, in FY 2007, PIH, in partnership with the Office of the Chief Information Officer, created the nation’s first **National Housing Locator (NHL)** system for rental housing assistance in disaster areas. The intergovernmental NHL web site (<https://hudapps.hud.gov/nhls/>) was launched in January 2007 as a direct response to lessons learned from Hurricane Katrina, most notably the need for a nationwide, single point of entry, easily searchable system identifying available rental housing in times of disaster.

Legislative change is needed to provide PHAs with the flexibility to manage their programs according to local needs and priorities. Congress did not enact HUD’s proposed State and Local Housing Flexibility Act of 2005 to streamline the program and give more flexibility to PHAs to administer the program to better address local needs within their set annual funding amount.

PIH is in the process of overhauling its systems, processes, training, and operations in order to ensure that PHAs comply with the conversion to project-based asset management.

Implementation will put a strain on budgetary resources and will put PIH’s performance of the





## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

following oversight functions at risk, all of which are essential for the implementation of project-based asset management:

- Accept project-level financial statements from PHAs
- Conduct project-level property inspections
- Conduct on-site management reviews
- Accept project-level operating subsidy submissions from PHAs
- Perform project-based performance assessments

In FY 2007, the PIH Office of Capital Improvements approved 23 proposals under the Capital Fund Financing Program involving approximately \$191 million in financing through PHA leveraging of their capital funds. The financed funds were used for the modernization and development of public housing at 37 PHAs.



### **Grand Ronde Tribal Housing Authority Rental Units**

This housing development in Grand Ronde, Oregon included 72 rental units; 36 of the units are designated for low-income families and 36 units are market-rate rentals. The project was funded by the Confederated Tribes of Grand Ronde and HUD Indian Housing Block Grant funds.

# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

## OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

The Office of CPD administers a variety of housing, community, and economic development grant programs, as well as HUD's homeless assistance programs. Together, these programs promote decent housing, a suitable living environment, and expanded economic opportunities for low- and moderate-income persons. These goals are achieved through partnerships with and among all levels of the government and the private sector, including for-profit and non-profit organizations.

### Major Programs

- **Community Development Block Grants (CDBG)** – Provides grants to units of general local governments and states for the purpose of developing viable urban and rural communities by providing decent housing, a suitable living environment, and by expanding economic opportunities.
- **Disaster Assistance** – Provides supplemental CDBG disaster assistance to areas impacted by disasters, such as Hurricanes Katrina, Rita, and Wilma in 2005. The Gulf Coast states have designed programs to address a number of immediate and longer term needs including homeowner compensation programs, housing for renters, state and local infrastructure reconstruction, economic development, public services, rent support, and restoration of homeless services.
- **HOME Investment Partnerships Program** – Provides funding to states and localities to create, often in partnership with local non-profit groups, affordable housing for low-income households.
- **Homeless Assistance Grants Program** – Provides Federal support to address the needs of one of the nation's most vulnerable populations.
- **Housing Opportunities for Persons with AIDS (HOPWA)** – Provides funding to states and cities for assistance to low-income persons living with HIV/AIDS and their families.

More information about the Office of CPD can be found at: <http://www.hud.gov/offices/cpd/>

### FY 2007 SELECTED MEASURES FOR THE OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Goal A: Increase Homeownership Opportunities	Performance Indicators	Year	Target	Actual Results
	A1.9: The number of homebuyers who have been assisted with the HOME Investment Partnerships Program.	2004	47,190	30,780
	2005	34,806	32,307	
	2006	33,501	55,652	
	2007	30,221	34,985	

Goal B: Promote Decent Affordable Housing	Performance Indicators	Year	Target	Actual Results
	B1.3: The number of rental assisted household and rental housing units with CDBG, HOME, Housing Opportunities for Persons with AIDS, Indian Housing Block Grants, and Native Hawaiian Housing Block Grants.	2004	N/A	143,424
2005		131,720	157,733	
2006		126,773	177,757	
2007		135,929	141,787	



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

Goal C: Strengthen Communities	Performance Indicators	Year	Target	Actual Results
	<b>C2.3: The share of CDBG entitlement funds that benefit low- and moderate-income persons.</b>	2004	92.0%	94.9%
		2005	92.0%	95.3%
		2006	92.0%	95.1%
		<b>2007</b>	<b>92.0%</b>	<b>94.8%</b>
<b>C4.3: The percentage of homeless persons in HUD transitional housing at the beginning of the year who have moved into permanent housing.</b>	2004	N/A	59.4%	
	2005	N/A	60.0%	
	2006	61.0%	62.4%	
	<b>2007</b>	<b>61.5%</b>	<b>68.9%</b>	
<b>C4.5: Create new permanent housing beds for chronically homeless persons.</b>	2004	N/A	N/A	
	2005	N/A	N/A	
	2006	N/A	4,397	
	<b>2007</b>	<b>4,000</b>	<b>3,865</b>	

### ACCOMPLISHMENTS AND CHALLENGES

The next four sections discuss the FY 2007 performance of the Office of CPD with respect to selected measures pertaining to HUD's Strategic Goals for increasing homeownership opportunities, promoting decent affordable rental housing, strengthening communities, and other significant CPD accomplishments.

#### GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES

**Measure A1.9:** The number of homebuyers who have been assisted with the **Home Investment Partnerships program** exceeded its goal by 4,764 (16 percent). (Note: Higher than usual numbers in FY 2006 represent a more complete reporting of results as part of a data improvement effort.)

#### GOAL B: PROMOTE DECENT AFFORDABLE HOUSING

**Measure B1.3:** HUD employs a number of assistance programs including rehabilitation of rental housing to meet the affordable rental housing needs of various low-income and special needs populations. Yearly results through these individual programs may vary depending on available appropriations, economic conditions, and local discretion. The number of **Rental Households/Rental Units receiving aid** in FY 2007 totaled 141,787. The various programs that contributed to this achievement were: CDBG (rental units rehabilitated), HOME (tenant based assistance), HOME (rental units completed), Housing Opportunities for Persons with AIDS, and Indian Housing Block Grants. Specific results for each program can be found in the full PAR in Section II, pages 166 through 170.

#### GOAL C: STRENGTHEN COMMUNITIES

**Measure C2.3:** HUD has consistently met this measure. In FY 2007, 94.8 percent of CDBG funds were expended for activities that primarily benefit low- and moderate-income persons, exceeding the goal by 2.8 percent.

In FY 2007, HUD proposed that Congress consider legislation to modernize CDBG's formula for allocating funding based on need. This legislation would help ensure that resources are targeted to areas with the greatest need due to demographic change. There have not been any



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

substantial changes to the CDBG entitlement formula since 1978 or to the State CDBG formula since its introduction in 1981.

**Measure C4.3:** Providing permanent Housing and **ending chronic homelessness** is one of the first steps toward self-sufficiency and the goal of homeownership. HUD continues to improve its effectiveness in assisting homeless persons to move from transitional housing into permanent housing. In FY 2007, 68.9 percent of homeless persons leaving transitional housing moved into permanent housing.

**Measure C4.5:** The chronically homeless persons are often the most visible and difficult-to-serve homeless population. The coordination of housing and supportive services is crucial to the outcome of improving self-sufficiency, stability, and ultimately breaking the cycle of chronic homelessness. The **creation of new permanent housing units** for this population is one of HUD's primary strategies for working toward the goal of ending chronic homelessness. In FY 2006, HUD set an ambitious goal in its first reporting year toward a goal of 20,000 new permanent housing beds in the next five years. Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to achieving this goal. HUD missed its annual goal of 4,000 new beds in FY 2007, however, to date, HUD has created 8,262 beds. As production increases, HUD should meet its five year goal, having already achieved 41.3 percent of this goal over the last two years.

### OTHER ACCOMPLISHMENTS OR CHALLENGES

In addition to the selected measures, in FY 2007, CPD also provided **disaster assistance** in response to the hurricanes of 2005. On December 30, 2005, President Bush signed an appropriation which provided \$11.5 billion in CDBG disaster supplemental funding to the states of Alabama, Florida, Louisiana, Mississippi and Texas to address the affects of Hurricanes Katrina, Rita, and Wilma. In June 2006, President Bush signed into law an appropriation of an additional \$5.2 billion in CDBG supplemental funds for distribution to the five states. The states have designed programs to address a number of immediate and longer term needs including: homeowner compensation programs, housing for renters, state and local infrastructure reconstruction, economic development, public services, rent support, and restoration of homeless services. During FY 2007, the states expended more than \$6.2 billion of the available funds, with the vast funds having been disbursed primarily for the homeowner compensation programs in Louisiana and Mississippi.



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

The city of Rogers, located in northwest Arkansas, is home to a national award winning affordable housing project with a unique, eco-friendly design. Built by Habitat for Humanity of Benton County, the project resulted from a partnership with several key entities including the City's Community Development Block Grant Program and the University of Arkansas Community Design Center and Ecological Department.



Photos above: 1) Foundation being laid for a "green" Habitat Trails subdivision in Rogers, Arkansas; 2) framing going up; and 3) outside of one of the eco-friendly homes.

### Healthy Homes and Lead Hazard Control

The Office of Healthy Homes and Lead Hazard Control directs programs that address the health and safety needs of homes: the Lead Hazard Control Program, the Healthy Homes Initiative, and enforcing lead safety regulations. The Office provides funds to state and local governments, and to the private sector, to develop and implement cost-effective ways to reduce lead-based paint hazards and other residential safety and health hazards. The Office enforces the Lead Disclosure Rule and supports enforcement by Program Offices of the Lead Safe Housing Rule.

#### **Major Programs:**

- **Lead Hazard Control Program** – Provides grant funds targeted to help low-income, privately owned homes that are most likely to expose children to lead-based paint hazards.
- **Healthy Homes Initiative** – Provides grants and contracts to address housing-related hazards.

More information about the Office of Healthy Homes and Lead Hazard Control can be found at: <http://www.hud.gov/offices/lead/>





# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

## FY 2007 SELECTED MEASURES FOR THE OFFICE OF HEALTHY HOMES AND LEAD HAZARD CONTROL

Goal C: Strengthen Communities	Performance Indicators	Year	Target	Actual Results
	C5.2: Decrease the number of children under the age of 6 who have elevated blood levels.	2004	N/A	N/A
2005		N/A	N/A	
2006		270,000	270,000	
2007		240,000	235,000	
C5.3: Units will be made lead safe through Lead Hazard Control Grant programs.	2004	8,390	8,811	
	2005	9,500	7,500	
	2006	9,250	9,638	
	2007	10,500	10,602	
C5.5: As part of a 10-year effort to eradicate lead hazards, units will be made lead safe pursuant to enforcement of the Department's lead safety regulations.	2004	N/A	14,867	
	2005	N/A	7,576	
	2006	N/A	6,037	
	2007	8,800	9,696	

### ACCOMPLISHMENTS AND CHALLENGES

The next two sections discuss the FY 2007 performance of the OHHLHC with respect to selected measures pertaining to HUD's Strategic Goal for strengthening communities, and other significant OHHLHC accomplishments.

#### GOAL C: STRENGTHEN COMMUNITIES

**Measure C5.2:** HUD's efforts to **to control lead hazards in housing**, in partnership with the Centers for Disease Control and Prevention, Environmental Protection Agency, and other agencies, have reduced the number of children with elevated blood lead levels from 890,000 in the 1990 to 1994 time period to 235,000 children for 2007.

**Measure C5.3:** Contributing to this reduction, HUD's **Lead Hazard Control grants** made over 10,600 low-income housing units lead safe in FY 2007, and over 95,300 units since the program's inception in FY 1993.

**Measure C5.5: Enforcing HUD's lead safety regulations** is an essential component of reaching the President's 10 year goal of eradicating lead poisoning in children as a major public health problem by 2010. During FY 2007, HUD made 9,696 additional homes lead-free, exceeding its goal by 10 percent.

#### OTHER ACCOMPLISHMENTS/CHALLENGES

In addition to the above selected measures, the OHHLHC, in FY 2007, reduced allergen levels in 975 housing units through interventions using Healthy Homes principles, and continued the **"Healthy Homes for Healthy Kids"** campaign. This campaign was initiated by HUD in April of 2006. This three-year, 30-city outreach effort will inform parents about health and safety hazards in the home, including information on lead paint, mold, moisture, and pests like mice and cockroaches.



# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

## FAIR HOUSING AND EQUAL OPPORTUNITY

The Office of Fair Housing and Equal Opportunity (FHEO) strives to create equal housing opportunities by enforcing the Federal laws that prohibit discrimination in housing on the basis of race, color, religion, sex, national origin, disability, familial status, and age.

### Major Programs

- **Fair Housing Assistance Program** - Provides formula-based grants to state and local agencies that administer and enforce fair housing laws that are substantially equivalent to the Fair Housing Act.
- **Fair Housing Initiatives Program** – Provides grant funds competitively to private and public entities formulating or carrying out local, regional, and national programs that assist in eliminating discriminatory housing practices.
- **Enforcement** – Implements and enforces the Fair Housing Act and other civil rights laws.

More information about FHEO can be found at: <http://www.hud.gov/offices/fheo/index.cfm>.

### FY 2007 SELECTED MEASURES FOR THE OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY

Goal D: Ensure Equal Opportunity in Housing	Performance Indicators	Year	Target	Actual Results
	D1.1: Increase the percentage of fair housing complaints closed in 100 days.	2004	N/A	N/A
2005		75.0%	77.0%	
2006		60.0%	73.0%	
2007		65.0%	63.0%	
D1.2: Percentage of Fair Housing Assistance Program complaints closed in 100 days.	2004	N/A	N/A	
	2005	45.0%	48.0%	
	2006	50.0%	51.0%	
	2007	53.0%	46.0%	
D2.1: Attendance and public events held by recipients of Fair Housing Initiatives Program education and outreach grants. (Number of events/attendees)	2004	N/A	N/A	
	2005	150/120,000	405/519,000	
	2006	200/160,000	697/250,799	
	2007	300/180,000	1,486/247,201	

### ACCOMPLISHMENTS AND CHALLENGES

The following sections discuss the FY 2007 performance of the Office of Fair Housing and Equal Opportunity with respect to selected measures pertaining to HUD's Strategic Goals and other challenges.

#### GOAL D: ENSURE EQUAL OPPORTUNITY IN HOUSING

**Measure D1.1: Enforcement of fair housing laws** is crucial to enhancing housing opportunities for all of our citizens. The ability to provide a fair, effective, expeditious, and efficient fair housing complaint process is essential to maintain public confidence that victims of housing discrimination will receive relief from discriminatory housing practices and that violators will be disciplined. HUD did not meet its goal this year, largely due to the substantial increase in new cases and emphasis on resolving the backlog of older more complex cases.

**Measure D1.2:** The Fair Housing Act authorizes HUD to establish a program (FHAP) which certifies state and local jurisdictions to **assist in fair housing enforcement**. HUD and partner agencies closed over 3,177 cases within 100 days, representing 46 percent of all cases closed during the year. However, the case closure rate fell behind due to the increased number of



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

filings, and increased emphasis on closing older cases, resulting in a longer average period to close cases.

**Measure D2.1:** The first step towards reducing discrimination and unfair practices is to **increase public awareness** of fair housing laws, housing discrimination, lending discrimination and predatory lending, as well as educating the public about what they can do and where to go for assistance. HUD has continued to surpass its education and awareness goals for both number of events and attendance.

### OTHER ACCOMPLISHMENTS/CHALLENGES

HUD's public education program is now showing positive results as reflected in the substantial increase in complaint filings during FY 2007. This presents a challenge to HUD in managing and closing the resulting case loads in an expeditious manner, as reflected in the results of Measures D1.1 and D1.2 above.

### PRESIDENT'S MANAGEMENT AGENDA

In FY 2002, the Office of Management and Budget (OMB) published the President's Management Agenda (PMA), as set forth by President George W. Bush, to implement government reform that is citizen-centered, results-oriented, and market-based. The Secretary and Deputy Secretary have emphasized, and HUD's Strategic and Annual Performance Plans reflect, activities designed to achieve the outcome goals of the PMA.

The following is a summary table of HUD's FY 2007 PMA results. OMB instituted a "stoplight" scoring system to evaluate the status and progress of each agency. As of the latest annual reporting cycle, ending June 30, 2007, HUD earned five GREEN scores, two YELLOW, and two RED status scores. OMB also rates agencies on their progress for each of these initiatives. HUD earned GREEN progress scores on all initiatives on the June Report.



# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

## THE PRESIDENT'S MANAGEMENT AGENDA

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
<b>Strategic Management of Human Capital</b> <i>Build, sustain, and deploy effectively a skilled, knowledgeable, diverse and high-performing workforce aligned with mission objectives and goals.</i>	●	●	●	●	●	●
<b>Competitive Sourcing</b> <i>Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.</i>	●	●	●	●	●	●
<b>Improved Financial Performance</b> <i>Provide world-class financial services that support strategic decision-making, mission performance, and improved accountability to the American public.</i>	●	●	●	●	●	●
<b>Expanded E-Government</b> <i>Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulations) so that Americans can receive high-quality government service.</i>	●	●	●	●	●	●
<b>Performance Improvement Initiative</b> <i>Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management.</i>	●	●	●	●	●	●
<b>HUD Management and Performance</b> <i>Eliminate the GAO-designated high-risk program areas and material internal control weaknesses not addressed by the other initiatives of the PMA.</i>	●	●	●	●	●	●
<b>Faith-Based and Community Initiatives</b> <i>Reduce barriers to participation by faith-based and community organizations; conduct outreach and provide technical assistance to strengthen their capacity to attract partners and secure resources; and encourage partnerships with HUD's traditional grantees.</i>	N/A	●	●	●	●	●
<b>Eliminate Improper Payments</b> <i>Reduce improper payment risks, measure improper payment levels and report on progress in reducing those levels in accordance with the Improper Payments Information Act of 2002.</i>	N/A	N/A	N/A	●	●	●
<b>Credit Program Management</b> <i>Ensure direct and guaranteed loan programs to ensure that HUD's credit programs are reaching the targeted borrowers at an acceptable, manageable risk level.</i>	N/A	N/A	N/A	N/A	●	●



## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

### INDEPENDENT AUDITOR'S REPORT [EXCERPTS]

Below are excerpts from HUD's financial audit for FY 2007. This independent audit was performed by the Office of the Inspector General (OIG) of HUD. External accounting firms conducted the independent audits of GNMA and FHA. Audit results provide an important indication of the financial performance, reliability, and management of the public funds entrusted to HUD. The result of this audit represents the eighth consecutive year that HUD has received an unqualified or "clean" audit opinion.

The HUD OIG opined, "...based on our audit and the reports of other auditors, the accompanying fiscal years 2007 and 2006 principal financial statements present fairly, in all material respects, the financial position of HUD as of September 30, 2007 and 2006 and its net costs, changes in net position, and budgetary resources for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America."

Two auditor identified material weaknesses relating to FHA were identified in the OIG Audit Report and summarized in the table below. A copy of the full audit report and HUD response can be found on: <http://www.hud.gov/offices/oig/reports/files/ig08F0003.pdf>

<b>AUDIT OPINION: UNQUALIFIED OR "CLEAN"</b>							
2000	2001	2002	2003	2004	2005	2006	2007
✓	✓	✓	✓	✓	✓	✓	✓

Restatement (of Financial Statements): NO
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Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
HECM Risk Assessment	0	1	0	0	1
HECM Credit Subsidy	0	1	0	0	1
<b>Total material Weaknesses</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>

The material weaknesses assessed in internal controls in FY 2007 related to the need to

- Develop a risk assessment and systems development plan for FHA's Home Equity Conversion Mortgage (HECM) systems and transactions; and
- Enhance the HECM credit subsidy cash flow model.

While HUD management disagrees that these issues warranted reporting as material weaknesses, corrective actions have been planned to address these issues in FY 2008.

The Department and FHA reported no material weaknesses for their Federal Managers' Financial Integrity Act reporting in the FY 2007 Performance and Accountability Report and the FHA FY 2007 Annual Management Report, respectively.





## FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS

### FINANCIAL STATEMENTS [EXCERPTS]

Following are excerpted tables from selected financial reports that provide an overview of HUD's financial position. More detailed and comprehensive statements can be found in "Section III: Financial Information" of the full FY 2007 PAR.

#### Summarized Financial Data

*(Dollars in Millions)*

	<b>2007</b>	<b>2006</b>
Total Assets	\$111,074	\$123,063
Total Liabilities	\$20,361	\$17,323
Net Position	\$90,713	\$105,740
FHA Insurance-In-Force	\$399,960	\$395,777
Ginnie Mae Mortgage-Backed Securities Guarantees	\$427,600	\$409,990
Other HUD Program Commitments	\$65,472	\$72,355

Figures may not agree with statements because of rounding.

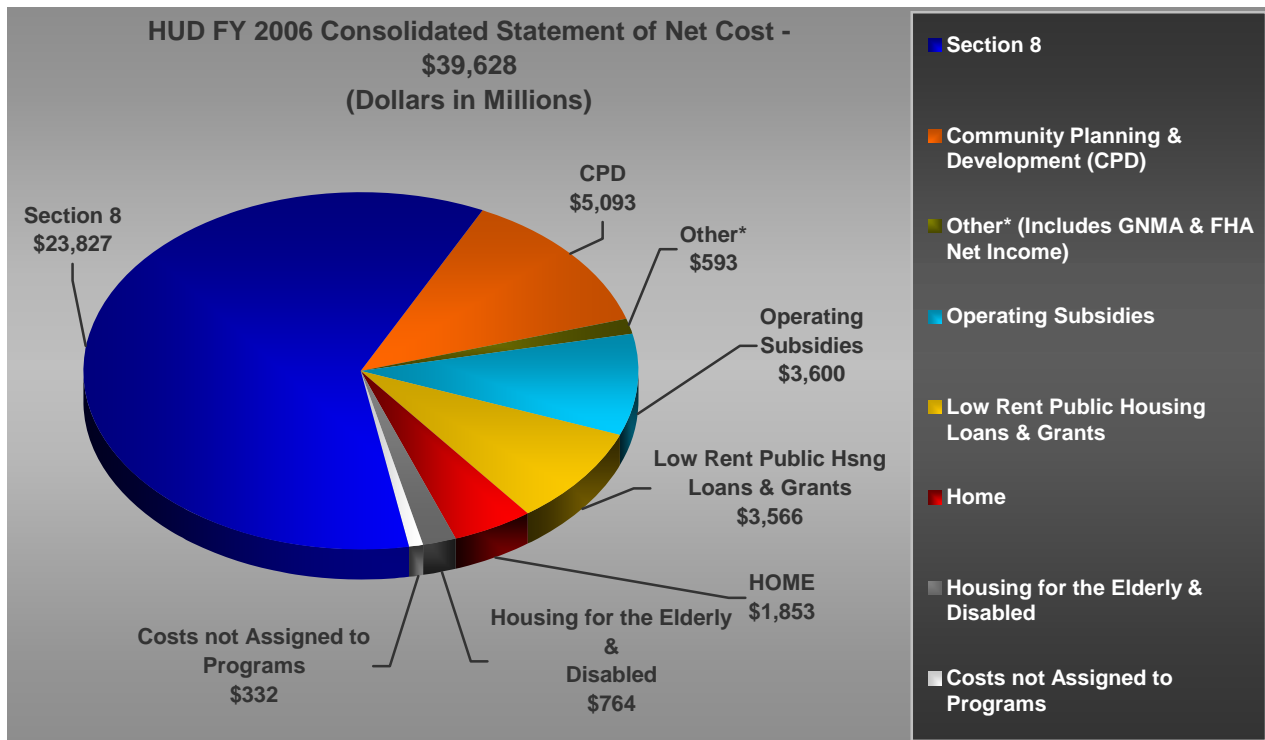
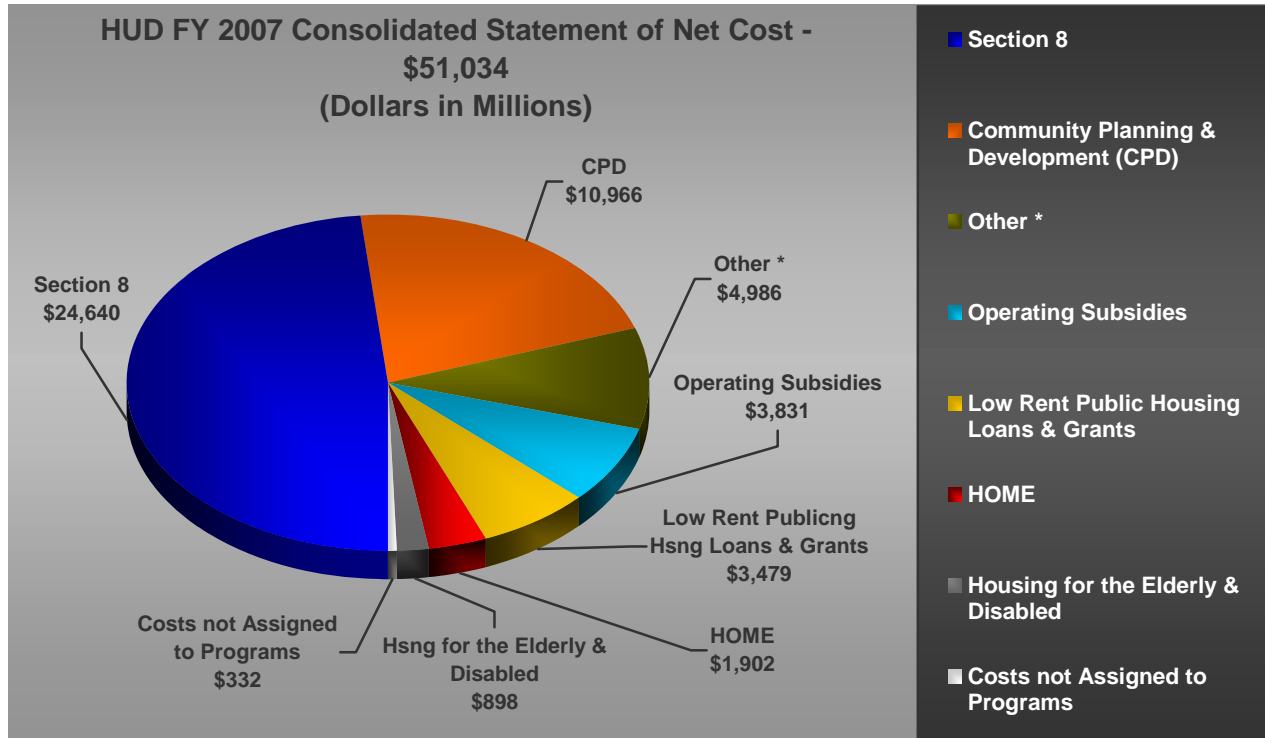
#### Consolidated Balance Sheet (condensed) As of September 30, 2007 and 2006

*(Dollars in Millions)*

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Total Intragovernmental Assets	\$100,324	\$111,847
Credit Program Receivables and Related		
Foreclosed Property	9,567	10,045
Other Assets	1,183	1,171
<b>TOTAL ASSETS</b>	<b>\$111,074</b>	<b>\$123,063</b>
<b>LIABILITIES</b>		
Total Intragovernmental Liabilities	\$9,272	\$9,919
Loan Guarantees	7,551	3,589
Other Governmental Liabilities	3,537	3,815
<b>TOTAL LIABILITIES</b>	<b>\$20,360</b>	<b>\$17,323</b>
<b>NET POSITION</b>		
Unexpended Appropriations - Earmarked	(\$376)	(\$376)
Unexpended Appropriations	54,871	66,616
Cumulative Results of Operations - Earmarked	13,266	12,504
Cumulative Results of Operations	22,953	26,996
<b>Total Net Position</b>	<b>90,714</b>	<b>105,740</b>
<b>Total Liabilities and Net Position</b>	<b>\$111,074</b>	<b>\$123,063</b>



# FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT HIGHLIGHTS



\* In these two charts, the "Other" category consists of net cost for HUD's Smaller Program Areas and two major program areas, FHA, and GNMA. FHA and GNMA are primarily non-appropriated programs for which there is no net cost to the taxpayer.



If you have any questions or comments, please call

Frank Murphy  
Assistant Chief Financial Officer for Financial Management  
at 202-402-3466.

Written comments or suggestions for improving this report  
may be submitted by mail to:

U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> St. SW, Room 2210  
Washington, DC 20410  
Attention: Frank Murphy  
Assistant Chief Financial Officer for Financial Management

Or by e-mail to  
[Frank.J.Murphy@hud.gov](mailto:Frank.J.Murphy@hud.gov)

For additional copies of this report, please call the  
CFO's Office for Financial Management  
at 202-402-6544  
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[www.hud.gov/offices/cfo/reports/cforept.cfm](http://www.hud.gov/offices/cfo/reports/cforept.cfm)