



# **HUD STRATEGIC PLAN**

**FY 2003–FY 2008**

**U.S. Department of Housing and Urban Development**  
*Mel Martinez, Secretary*



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**FY 2003–FY 2008**

*“I believe there is such a thing as the American Dream. And I believe those of us who have been given positions of responsibility must do everything we can to spotlight the dream and to make sure the dream shines in all neighborhoods, all throughout our country.”*

-President George W. Bush

**U.S. Department of Housing and Urban Development**

**March 2003**



# HUD STRATEGIC PLAN

## MESSAGE FROM SECRETARY MEL MARTINEZ

We have worked hard at the U.S. Department of Housing and Urban Development to aggressively implement President Bush's housing agenda and to fulfill our obligations to the American people. Our mission is to expand homeownership, increase access to affordable housing free from discrimination, support community development and address the housing needs of society's most vulnerable.

For many families, the American Dream means owning their own home. HUD is dedicated to helping more families—especially minorities—realize the dream for themselves. We are breaking down the barriers that lock too many families out of homeownership. We have taken significant steps to make the homebuying process itself less confusing and less expensive. In this way, we are empowering families to know the security of self-sufficiency, helping communities benefit from increased homeownership in their neighborhoods and strengthening the nation as a whole in many measurable ways.

While we are passionate about our mission to increase the ranks of America's homeowners, HUD's agenda is broad and covers every aspect of single-family and multifamily housing, the special needs of vulnerable citizens and urban and economic development.

Each year, millions of Americans—including low-income families; the elderly; individuals with disabilities; homeless men, women and children; and persons with AIDS—turn to the Department for assistance in meeting their housing needs. State and local governments depend upon HUD and its system of grants to support community development projects that revive troubled neighborhoods and spark urban renewal. Responding to such a multitude of needs demands an effective management plan that outlines specific strategic goals and provides a yardstick for measuring progress.

This Strategic Plan provides the long-term goals and objectives that will guide HUD through FY 2008 and the means by which we will determine our progress. This Plan underscores the commitment I brought to HUD to improve the Department's performance, and to produce these improvements in a manner consistent with the President's Management Agenda and the highest standards of ethics and accountability. Only by continually reassessing its strategic goals can an agency with HUD's size and scope know whether its resources are being properly allocated—and whether the people who depend upon the Department are, in fact, being served.

HUD's mission of service to others is built upon compassion, and yet compassion can be difficult to measure. And so in addition to setting goals and quantifying results, we will continue to ask ourselves the following questions:

How many minority families who dreamed the American Dream of homeownership have taken out their first mortgage? How many people experiencing chronic homelessness have taken a step up the ladder of self-sufficiency? How many neighborhoods once cloaked in despair have new hope? How many faith-based and community organizations that had been denied the opportunity to compete for federal funding are today using HUD grants to expand their reach? How many neighborhoods once facing a shortage of affordable housing have homes enough for all?

The answers to these questions are the measurements by which we will judge our success as a department guided by compassionate service to others.

As the face of HUD and the helping hands that guide those who turn to us for help, our employees are integral to our success. An organization can have the best-planned programs, processes and structures in place, but if it lacks a dedicated, skilled and ethical workforce to carry them out, the work is ultimately meaningless. I am proud of the men and women of HUD and their commitment to our mission.

The American Dream is an attainable goal. I know this because I see it achieved every day, so often by families and individuals who never imagined owning their own home or reaching economic self-sufficiency. Through HUD's work in the coming years, our communities and the entire nation will grow even stronger as more families experience the American Dream.

A handwritten signature in black ink, reading "Mel Martinez". The signature is written in a cursive, flowing style with a large, prominent "M" and "M".

Mel Martinez  
Secretary

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# Introduction

This document presents the U.S. Department of Housing and Urban Development's (HUD's) Strategic Plan for fiscal years (FYs) 2003–2008. The Strategic Plan describes HUD's newly realigned strategic goals and objectives for the next six years and its plan of action for achieving these objectives and measuring results. It outlines the challenges facing the Department and its programs, and describes its commitment to overcoming these challenges. It highlights the effective working relationships HUD has developed with other federal agencies and branches, and its renewed emphasis on creating partnerships with local governments, faith-based and community organizations and the private sector. It also describes the policies, means and strategies needed to ensure that HUD is a high-performing agency that fulfills its mission to increase homeownership, support community development and increase access to affordable housing free from discrimination.

Secretary Martinez has made a commitment to improve HUD's performance and to produce these improvements in a manner that reflects the highest standards of ethics, management and accountability. This is in keeping with President Bush's Management Agenda, which HUD is implementing actively to resolve chronic management weaknesses.

This introductory section presents a brief overview of the Strategic Plan and its development. The following section explains in detail the six strategic goals, providing a template for measurement of results. The final section links resources with results, putting forth a vision for how HUD's budget and human capital can best be utilized to achieve its strategic goals. As a reference, the appendix to this Strategic Plan contains greater detail about HUD; its strategic planning and management processes; key statutes that direct its work; and an assessment of major economic, social, demographic or other trends that may impact the direction and success of HUD's efforts.

## ***Development of this Strategic Plan***

In 2002, Secretary Mel Martinez tasked HUD leadership with fully assessing HUD's strategic mission, goals and objectives and determining how HUD's work substantively contributes to these aims. All principal areas of HUD contributed to this effort. The Secretary also requested an expedited submission of this Strategic Plan six months prior to the statutory due date, so that the Strategic Plan aligns with the FY 2004 Budget and Annual Performance Plan. These

documents reflect HUD's new realigned strategic goals and objectives, and, taken together, they provide substantial information on HUD's long-term objectives and strategies for achieving those objectives.

In preparing its new Strategic Plan, the Department obtained stakeholder feedback by meeting with representatives of Congress; consulting with staff of the Office of Management and Budget; and conducting regional stakeholder consultation meetings in Albuquerque, Cincinnati, Providence and Los Angeles and a meeting with national stakeholder groups in Washington, DC. The Department also solicited comments from citizens, stakeholders and HUD employees by publishing a draft of this plan on its Web site. The Department's leadership engaged in extensive deliberations about appropriate strategic goals, objectives and policies. This Strategic Plan reflects HUD's efforts to balance its priorities with input received from stakeholders.

## ***HUD's New Strategic Framework***

HUD's Strategic Framework consists of a "mission statement" supported by strategic goals and objectives that summarize the Department's aims over the next six years. This new strategic framework includes three programmatic strategic goals and three cross-cutting strategic goals. Programmatic goals reflect the program areas where HUD's efforts benefit families and communities. Cross-cutting goals reflect HUD priorities with a wide cross-cutting impact that affect each of HUD's program areas. Under each goal are the key strategic objectives that HUD will use to guide its performance.

**Mission Statement:** Increase homeownership, support community development, and increase access to affordable housing free from discrimination.

### **Programmatic Strategic Goals**

- Increase homeownership opportunities
- Promote decent affordable housing
- Strengthen communities

### **Cross-cutting Strategic Goals**

- Ensure equal opportunity in housing
- Embrace high standards of ethics, management and accountability
- Promote participation of faith-based and community organizations

The Department's new framework of strategic goals and objectives is shown in the following table.

## HUD's Strategic Framework

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



# HUD's Strategic Goals

- *Strategic Objectives*
- *Means and Strategies*
- *Performance Measures*



## Strategic Goal

# Increase Homeownership Opportunities

*“In areas where homeownership flourishes, neighborhoods are more stable, residents are more civic-minded, schools are better, and crime rates decline. Homeownership generates wealth for families and provides stability for children. Homeownership is the American Dream.”*

*-Secretary Mel Martinez*

### Overview

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. 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 educations or retirement. Homeownership helps stabilize neighborhoods, strengthen communities and stimulate economic growth. Holding other factors equal, homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates.

This strategic goal focuses on HUD’s activities to expand homeownership opportunities for minorities, low-income families and other Americans. HUD’s activities under this strategic goal will help to make homeownership more accessible and less expensive for millions of families.

Six strategic objectives support this goal.

#### ***Objective H1: Expand national homeownership opportunities.***

This objective reflects HUD’s goal of helping more families, particularly low- and moderate-income families, attain homeownership. Since its creation in 1934, FHA has insured almost 32 million single-family mortgages totaling \$1.6 trillion, and has served as a model for housing finance around the world.

While the overall homeownership rate for 2002 was 67.9 percent, the homeownership rate for low- and moderate-income families was only 52.0 percent. While recognizing that homeownership is not an option for everyone, HUD will focus on ensuring that the benefits of homeownership are made available to more American families.

#### ***Objective H2: Increase minority homeownership.***

The President has charged HUD with creating an unprecedented public/private partnership to eliminate barriers to minority homeownership and add 5.5 million more minority homeowners by 2010. This unique partnership will bring together government, the real estate and mortgage finance industry, affordable housing groups and advocacy organizations on a nationwide campaign to increase homeownership opportunities for minority families.

The homeownership rate for minorities in 2002 was 49.2 percent, more than 25 percentage points below the 74.5 percent homeownership rate for nonminority households.

#### ***Objective H3: Make the homebuying process less complicated and less expensive.***

Under this strategic objective, HUD is pursuing major reform of Real Estate Settlement Procedures Act (RESPA) regulations that provide basic consumer protections in the homebuying process. HUD’s efforts will require better disclosure of settlement costs, allow consumers more choices, limit excessive settlement fees and

encourage innovation and competition in the marketplace.

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*“At closing, too many American families sit down at the settlement table and discover unexpected fees that can add thousands of dollars to the cost of their loan.... They are not told who is getting their money, or what services they are receiving in return. Because this is thrust upon the buyers at the last moment, they have no opportunity to determine whether these extra costs are at all reasonable.”*

-Secretary Mel Martinez

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HUD’s efforts are founded upon a set of consumer-driven principles that guide the settlement process. These principles mandate that homebuyers have several rights:

- To receive settlement cost information early in the process, allowing them to shop for the mortgage product and settlement services that best meet their needs;
- To have the disclosed costs be as firm as possible, thereby avoiding surprises at settlement;
- To benefit from new products, competition and technological innovations that could lower settlement costs;
- To have access to better borrower education and simplified disclosure;
- To know they are protected through vigorous RESPA enforcement and a level playing field for all industry providers.

#### ***Objective H4: Fight practices that permit predatory lending.***

Recognizing the harm that predatory lending causes to neighborhoods and families—in particular low-income families—this new strategic objective is specifically devoted to eliminating practices that permit predatory lending. HUD is committed to work with other federal and state agencies and to vigorously enforce RESPA.

Predatory lending may be undertaken by creditors, brokers, or even home improvement contractors. It involves deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower’s lack of understanding of loan terms.

#### ***Objective H5: Help HUD-assisted renters become homeowners.***

HUD is committed to helping more HUD-assisted renters become homeowners through expanded use of Housing Choice Vouchers for homeownership. Homeownership vouchers cover the cost of a downpayment or the ongoing costs of a mortgage. Other policies designed to help HUD-assisted renters make progress toward self-sufficiency also contribute to the achievement of this objective.

#### ***Objective H6: Keep existing homeowners from losing their homes.***

It is not enough to help more families *become* homeowners; HUD is also increasing the focus on assisting new homeowners in maintaining their homeownership status through housing counseling, foreclosure prevention activities and better monitoring of appraisals. In particular, the loss mitigation HUD requires of lenders has proven successful. In FY 2002, of the 73,000 loss mitigations claim payments made by HUD, 69,000 resulted in families being able to remain in their homes.

### **Means and Strategies**

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

#### ***Increase homeownership opportunities for minorities, HUD-assisted renters and other families.***

Among other efforts to increase homeownership opportunities, HUD plans to:

- Provide increased funding for downpayment assistance, thereby addressing one of the principal barriers to homeownership.
- Increase funding for housing counseling and the Self-Help Homeownership Opportunities Program (SHOP). Housing counseling plays a particularly important role in helping minority families access homeownership. The increase in SHOP funds will help meet the needs of very-low-income families for whom homeownership is only possible through the contribution of sweat equity, the signature characteristic of SHOP.

- Expand the use of Housing Choice Vouchers for homeownership. These vouchers can help low-income families purchase homes by covering the ongoing costs of a mortgage or, under recent legislation, by allowing the use of one year's worth of Section 8 assistance for the downpayment on a home. HUD plans to take steps to substantially increase participation in the program, including: publishing a handbook for the Section 8 homeownership program; using incentives through HUD's funding competitions; proposing legislation to eliminate the requirement that the use of Housing Choice Vouchers for downpayment assistance be contingent on advance approval in annual appropriations acts; and exploring strategies to help housing agencies obtain the resources they may need to launch these programs and provide homeownership counseling.
- Work with the Department of Treasury to enact a tax credit for developers of affordable single-family housing.

In addition, many of HUD's core programs help low- and moderate-income families, including many minority families, to achieve the goal of homeownership.<sup>1</sup> For example:

- FHA insurance helps first-time homebuyers and other families who could have difficulties obtaining a mortgage. About one million households obtain FHA-insured mortgages in an average year.
- The HOME Investment Partnerships Program provided \$1.7 billion for housing activities, including rental housing, during FY 2002. Grantees used HOME funds to provide critical assistance to an average of 25,604 new homebuyers annually during FYs 1999–2001 and also assisted existing homeowners.
- The Community Development Block Grant (CDBG) program provided \$1.35 billion for housing activities, including rental housing, during FY 2002.
- Ginnie Mae keeps mortgages affordable by attracting capital into the residential mortgage market. Ginnie Mae's mortgage-backed securities program guaranteed the issuance of \$174.9 billion in securities during FY 2002, thereby providing capital to finance the purchase or refinance of approximately 1.5

million homes, including multifamily units. The total volume of single-family mortgage-backed securities with Ginnie Mae guarantees was \$568.4 billion on September 30, 2002.

- Programs for Native American communities expand homeownership opportunities for these disadvantaged groups.
- Through SHOP, HUD engages faith-based and community-based organizations in creating new homeowners.
- HUD funds housing counseling programs to help its partners break through the noneconomic barriers to homeownership.
- Among American households, low incomes and distressed central-city locations are strongly associated with minority status. Therefore, HUD programs that focus on lower income groups and distressed communities work effectively to expand homeownership opportunities for minorities.
- HUD promotes homeownership for minority families and persons with disabilities by enforcing the Fair Housing Act and through special marketing, outreach and education efforts of FHA.
- The Department will promote the use of FHA's new mortgage scorecard, Technology Open To All Lenders (TOTAL) Scorecard, by mortgage lenders. When used in an automated underwriting system, the scoring system will ensure that mortgage applications are evaluated fairly and uniformly.
- HUD also regulates Fannie Mae and Freddie Mac, two government-sponsored enterprises (GSEs), to ensure that they fulfill their public purposes as mandated by Congress.<sup>2</sup> Both GSEs are required to meet three housing goals each year, which are intended to expand affordable housing opportunities for people and communities traditionally underserved by the mortgage markets, including areas with a higher proportion of racial minorities.
- In addition to serving targeted markets, both GSEs—as well as Ginnie Mae—create liquidity in the mortgage markets to ensure an uninterrupted flow of mortgage funds on a nationwide basis.

<sup>1</sup> See "Aligning Resources with Results" for a comprehensive table of budget and staff resources allocated by program and strategic goal.

<sup>2</sup> The financial safety and soundness of the GSEs is regulated by the independent Office of Federal Housing Enterprise Oversight.

***Keep existing homeowners from losing their homes.***

- FHA recently implemented its Loss Mitigation Program, under which lenders have more options to help some homeowners keep their homes.
- In FY 2003, the Department is implementing an accelerated claim disposition demonstration program. Under this demonstration, loans that are almost certain to be foreclosed will be sold to a joint venture partnership that will be managed by a private-sector entity. This entity will decide on the most financially viable option to dispose of and/or restructure the loans, which may allow some families to remain in their homes.
- HUD-approved housing counseling agencies are available to provide information on services and programs that can help homeowners, with or without FHA insurance, avoid foreclosure.
- HUD's full implementation of the RESPA rule, discussed above, will foster a better understanding of the home mortgage process, thereby reducing the likelihood of a homeowner entering into a mortgage contract with unfavorable terms and increasing the likelihood that borrowers will be able to maintain their homeownership status.

***Simplify the homebuying process and counter predatory lending.***

- To empower homebuyers to shop for the best mortgage and make the best decision for their families, HUD is modifying the RESPA rules to require better, clearer upfront disclosure of

all costs associated with obtaining a home loan prior to the payment of nonrefundable fees.

- HUD also is clarifying the rules regarding disclosure of yield spread premiums and removing regulatory barriers to allow the offering of guaranteed mortgage packages.
- To address the problem of predatory lending, FHA is building on the results of a predatory lending pilot designed to provide relief to borrowers already in distress and to strengthen FHA endorsement and fraud detection procedures to prevent predatory practices from occurring in the first place.

Based in part on the experience with the predatory lending pilot program, FHA plans to take a number of steps to eliminate practices that permit predatory lending. FHA will:

- Strengthen licensing and certification requirements for appraisers on the FHA appraiser roster.
- Strengthen FHA policies and procedures for endorsing single-family mortgages for insurance, including prohibitions on the quick resale known as "property flipping."
- Enhance FHA's ability to identify and discipline perpetrators of fraud and predatory lending practices.
- Enforce RESPA in coordination with the Fair Housing Act.
- Ensure field offices implement consistent policy relative to identification and reporting of potentially predatory lending activity, customer response and public education and awareness.

## Performance Measures<sup>3</sup>

### Long-Term Performance Measures

HUD will assess its long-term success in achieving this goal by measuring the following outcomes discussed below:

- An additional 5.5 million minority households will become homeowners by 2010.
- The average closing cost of FHA-insured single-family mortgages will decrease by FY 2006.
- The share of FHA-insured home-purchase mortgages for first-time homebuyers remains above 80 percent in each year through 2008.
- Between FY 2004 and FY 2008, approximately 400,000 claims will be submitted under the Loss Mitigation Program.
- Between FY 2004 and FY 2008, 3.5 million families will receive HUD housing counseling.
- Through the Section 601 Accelerated Claims Disposition demonstration, enhance policy objectives, such as savings to the government and homeownership retention.
- Implement regulatory changes to combat predatory lending.
- Implementation of RESPA regulatory changes will reduce consumer confusion with the mortgage financing process.
- Between FY 2004 and FY 2008, 240,000 families will have purchased homes through the HOME Downpayment Assistance Initiative, Housing Choice Homeownership Vouchers, the Self-Help Opportunities Program and other targeted initiatives.

#### ***An additional 5.5 million minority households will become homeowners by 2010.***

This goal reflects a Presidential commitment to significantly increase minority homeownership. Although homeownership rates can fluctuate yearly due to many external factors, over the long term, they should increase considerably as part of targeted HUD policies and programs. This indicator reflects HUD's expectation that, over the long term, its policies will contribute to an increase in minority homeownership.

The national minority homeownership rate rose from 43 percent in March of 1994 to 49.1 percent in March of 2002. This measure projects a similar rate of increase through 2010. Achieving this challenging goal despite the changed economic circumstances will depend on a continued focus of HUD policies and resources on making homeownership opportunities available for minorities and on the significant cooperation of the private sector.

#### ***The average closing cost of FHA-insured single-family mortgages will decrease by FY 2006.***

Reforming RESPA and increasing enforcement will prevent additional closing costs from being added and will increase competition for lending services. As a result, the costs of obtaining a mortgage should decrease.

HUD is preparing a closing cost database based on a representative sample of HUD-1 forms from loans endorsed by FHA during FY 2001. HUD-1 forms, which are required by RESPA for all residential mortgages, list closing costs associated with loans, title insurance, attorneys, settlement agents, taxes, escrow accounts and other payments in the transaction. This database will facilitate statistical analysis of closing costs. The Department will replicate this study in five years (FY 2006), allowing assessment of changes in closing costs. The projected outcome is a reduction in closing costs.

<sup>3</sup> Two sets of performance indicators are specified for each strategic goal. The first set of measurements, discussed in the main text, reflects the projected long-term outcomes of the policies employed to achieve the goal. The second set of measurements, listed in the text boxes titled "Intermediate Measures Supporting this Goal," reflects shorter term results that HUD plans to track closely over the next year or two to determine if progress is being made in achieving the goal. Both sets of measures will be included in the Annual Performance Plan.

***The share of FHA-insured home-purchase mortgages for first-time homebuyers remains above 80 percent in each year through 2008.***

FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower income buyers. HUD supports the overall homeownership rate through FHA endorsements for first-time homebuyers. This performance measure tracks the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding refinanced loans made for home improvements or other reasons. This performance goal of 80 percent is HUD’s benchmark that reflects the continued high performance achieved since FY 1998.

***Between FY 2004 and FY 2008, approximately 400,000 claims will be submitted under the Loss Mitigation Program.***

This measure tracks 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: by paying down the delinquency (cure), by a pre-foreclosure sale with FHA perhaps paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA’s insurance losses, making FHA financially more sound and enabling it to help more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate.

***Between FY 2004 and FY 2008, 3.5 million families will receive HUD housing counseling.***

The Department is placing more emphasis on housing counseling, and counseling is a requirement for several programs such as Section 8 homeownership. An increase in housing counseling funding in FY 2003 will not only increase the number of homebuyers and homeowners counseled but also allow the Department to provide technical assistance to improve the capacity of its housing counseling agencies. Those counseled include homebuyers, homeowners, homeless clients and families seeking affordable rental housing. In particular, new counseling resources will help more members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership.

***Through the Section 601 Accelerated Claims Disposition (ACD) demonstration, enhance policy objectives, such as savings to the government and homeownership retention.***

Under authority from Section 601 of the National Housing Act in 1999, HUD has implemented a demonstration program to reform the single-family claims and property disposition process and maximize recoveries on claims paid. Under the demonstration, FHA takes assignment of notes and transfers them to private parties for servicing, foreclosure avoidance, property management and asset disposition. FHA utilizes a structured financing, retaining an equity interest in the property, but will not take ownership of property. HUD aims to shorten the time in which servicers can file a claim for default, address defaults by aligning private sector interests with HUD’s objectives, reduce its real estate owned (REO) portfolio and increase the value of single-family assets and recovery to FHA. In addition, delinquent borrowers with mortgages included in the sale will have a greater range of options to remain in their homes. To the extent possible, this public/private partnership will help borrowers retain homeownership by reinstating or restructuring existing loans and then packaging them for resale. In FY 2003, FHA will conduct an evaluation of the ACD demonstration to determine, among other things, the extent to which it enhances HUD’s ability to achieve policy objectives, such as savings to the government and homeownership retention.

***Implement regulatory changes to combat predatory lending.***

HUD will publish in FY 2003 regulations to help reduce predatory lending, including a rule that prohibits quick re-sales, or “flipping,” of FHA-insured properties. Other rules will govern lender accountability for appraisals, limitations on nonprofit participation, revisions to Credit Watch, changes to the Section 203(k) rehabilitation loan insurance program, lender compliance and accountability enhancements, duties and responsibilities of loan correspondents and sponsors and appraiser qualifications. HUD will continue to review and analyze the long-term impact of these strengthened regulations. Once implemented, the impact of these rules is expected to grow over time.

***Implementation of RESPA regulatory changes will reduce consumer confusion with the mortgage financing process.***

The complexity of the mortgage process and the confusion it causes among borrowers places an enormous burden on families shopping for mortgage loans. The proposed RESPA regulation addresses the need for more consumer understanding of the mortgage process, simpler



disclosures at the shopping stage and more reliable estimates of settlement costs. A study will be undertaken in 2006 to analyze the extent to which consumer confusion is still a problem and indicate whether further action is needed.

***Between FY 2004 and FY 2008, 240,000 families will have purchased homes through the HOME Downpayment Assistance Initiative, Housing Choice Homeownership Vouchers, the Self-Help Opportunities Homeownership Program and other targeted initiatives.***

This measure tracks the number of homeowners assisted with Housing Choice Homeownership Vouchers, the

HOME Downpayment Assistance Initiative, SHOP and other homeownership funds. Over five years, HUD expects to assist 200,000 new homeowners through the HOME Downpayment Initiative, 26,000 new homeowners through SHOP and 12,000 new homeowners with Housing Choice Homeownership Vouchers. These projections assume funding levels equivalent to those in the Administration's FY 2003 budget request.

### Intermediate Measures Supporting this Goal

- By the end of FY 2003, FHA will:
  - prevent the issuance of FHA mortgage insurance on properties that have been transferred within three months.
  - publish regulations for FHA mortgage insurance programs that increase lender compliance and accountability, codify the responsibilities of loan correspondents and sponsors and strengthen appraiser qualifications.
  - publish regulations designed to reduce defaults by limiting nonprofit participation in FHA programs and strengthening the Section 203(k) rehabilitation loan program.
- Beginning in the third quarter of FY 2003, field offices will report a consolidated listing of all activities related to predatory lending to HQ through the regional directors on a quarterly basis.
- Eighty percent of FHA-endorsed home-purchase mortgages each year will be for first-time homebuyers.
- In FY 2003, 78,000 claims will be submitted under the Loss Mitigation Program.
- In FY 2004, 700,000 families will receive housing counseling.
- In FY 2003, FHA will conduct an evaluation of the Accelerated Claims Disposition demonstration.
- The number of minority households assisted in becoming homeowners through the HOME program increases.

### External Factors

- National and regional economic conditions have a strong impact on the homeownership rate and on several performance measures related to HUD homeownership programs.
- State and local grantees under the CDBG program have discretion about whether to use funds for homeownership, rental housing, or other community and economic development activities.
- In some cases, economic growth supported by community development activities results in higher, unaffordable housing costs.
- 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.
- With respect to predatory lending, a variety of state and federal authorities regulate home mortgage lending, and none have a formal definition of predatory lending. Therefore it is difficult to quantify the scope of predatory lending practices, whether market-wide or specific to FHA.
- The impacts of HUD efforts may be limited by structural, economic and social influences on neighborhood housing markets. These include the lack of financial sophistication of disadvantaged households, language barriers to understanding the intricacies of the American real estate finance and lending markets and the numerous actors and inherent complexity of the home purchase and mortgage processes.



## Strategic Goal

# Promote Decent Affordable Housing

*“We will measure success by the number of Americans who have moved out of assisted housing and are climbing the ladder of self-sufficiency. At the same time, we acknowledge that HUD provides a vital safety net for many in society; we take this obligation seriously, and will continue to fulfill it.”*

*-Secretary Mel Martinez*

### Overview

Promoting decent affordable housing is a central part of HUD’s mission. To this end, HUD seeks to expand access to affordable rental housing, improve the physical quality and management accountability of public and assisted housing, increase housing opportunities for the elderly and persons with disabilities and help HUD-assisted renters make progress toward self-sufficiency.

Success in achieving the goal of promoting decent affordable housing will require the cooperation, support and initiative of local communities. Clearly, the federal government has a role in helping to address the challenges of housing affordability in America. The government provides tax credits to stimulate rental housing construction and rehabilitation, block grants that can be used for housing production, rental assistance to low-income citizens and insurance and guarantee programs. But success in meeting the nation’s affordable housing needs cannot be achieved without devolving decision-making authority to the state and local level. No one is in a better position to address a community’s specific affordable housing concerns than the community leaders themselves.

#### ***Objective A1: Expand access to affordable rental housing.***

To help low-income families afford the costs of rental housing, HUD provides rental assistance to more than four million households through public and assisted housing programs. HUD also funds a number of rental assistance programs geared to special populations, such as the Housing Opportunities for Persons with AIDS (HOPWA) program and homeless assistance programs,

and through the HOME program provides states and localities with flexible funding they can use to produce affordable rental housing. Within the constraints of its budget, HUD seeks to provide affordable housing opportunities to as many families as possible.

HUD also will work to develop creative solutions to the problems presented by local regulatory barriers and other obstacles to the development of affordable rental housing.

#### ***Objective A2: Improve the physical quality and management accountability of public and assisted housing.***

HUD is committed to improving the quality of HUD-assisted housing and ensuring that all subsidized families live in units that meet basic quality standards. Through the use of management tools that track the housing quality of public and assisted housing, the Department will continue to work with its partners toward meeting this objective.

The Department also plans to focus on improving the management accountability of public and assisted housing. Public and assisted housing programs have suffered from a number of serious management weaknesses, including: the lack of a comprehensive evaluation system; the failure to accurately calculate tenant incomes and rents, leading to subsidy overpayments; the failure to maintain subsidized developments in adequate condition; and, in extreme cases, severe mismanagement or even fraud.

As part of the effort to preserve affordable housing through the Mark-to-Market program, HUD sets

appropriate market-level rents for HUD-assisted housing—thereby eliminating subsidy overpayments—and incorporates policies and procedures to ensure good management and good physical condition at properties that have gone through the program.

***Objective A3: Increase housing opportunities for the elderly and persons with disabilities.***

Elderly households and persons with disabilities have special needs that require flexible housing strategies. HUD’s strategies supporting this objective are intended to maximize the independence of these households. These strategies should focus on promoting community-based living opportunities for the elderly and persons with disabilities where appropriate and making supportive services available to residents of rental housing, enabling them to live as independently as possible in the most integrated setting. One way HUD supports independence for persons with disabilities is to promote visitability in all HUD-funded projects.

HUD’s Section 202 and 811 programs for elderly households and persons with disabilities are unique among HUD programs in providing the only construction financing program for affordable supportive rental housing for the target populations.

***Objective A4: Help HUD-assisted renters make progress toward self-sufficiency.***

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

Efforts to promote self-sufficiency among residents of public and assisted housing serve four core objectives:

- By helping increase the capacity for family earnings, improving the quality of life for families in subsidized housing;
- Assisting families in subsidized housing to acquire sufficient assets and incomes high enough to buy a home;
- By helping families in subsidized housing to become homeowners or afford the costs of unsubsidized rental housing, freeing up space for other needy families;
- Helping to achieve a mix of incomes in public housing and project-based assisted housing.

## Means and Strategies

### ***Expand access to affordable rental housing.***

- HUD has three major rental assistance programs that collectively provide rental subsidies to more than four million households nationwide: the Housing Choice Voucher program (also known as Section 8 voucher program), the project-based Section 8 program and public housing. A substantial share of HUD’s budget is devoted to renewals of Housing Choice Voucher and project-based Section 8 contracts, as well as the operating and capital funds that support public housing. In addition, the Office of Housing continues to preserve affordable housing through the Mark-to-Market and Mark-Up-to-Market programs.
  - A number of HUD’s programs and initiatives help to annually increase the number of families that obtain access to affordable rental housing. These programs include:
    - Incremental housing vouchers,
    - The HOME Investment Partnerships program; since 1992, participating jurisdictions have spent more than 55 percent of HOME on rental housing,
    - The Supportive Housing for the Elderly (Section 202) program,
    - The Supportive Housing for the Disabled (Section 811) program,
    - The HOPWA program,
    - The Native American Housing Block Grant program,
    - The CDBG program and
    - FHA multifamily insurance.
  - In addition to the programs administered by HUD, other federal programs play a significant role in expanding access to affordable rental housing. These include the Low-Income Housing Tax Credit and tax-exempt bonds—both of which were significantly expanded in recent years—as well as programs of the Rural Housing Service at the Department of Agriculture.
- To further expand the number of residents that benefit from the existing supply of subsidized rental housing, HUD will work to:
- Expand the number of households that receive HUD rental assistance by improving the utilization of Housing Choice Vouchers (see below for specific steps);

- Make it easier for families to successfully use Housing Choice Vouchers. Among other recently-adopted policies, HUD has taken steps to improve the accuracy of Fair Market Rents (FMRs) by increasing funding for the rent surveys used to calculate FMRs; allowing housing authorities experiencing difficulties using vouchers to adopt a higher 50th percentile FMR; publishing a Housing Choice Voucher handbook to help local housing authorities improve their programs; and implementing the Section 8 Management Assessment Program (SEMAP) that gives incentives to public housing authorities (PHAs) to improve the performance of their voucher programs;
- Improve the utilization of public housing capital funds by local PHAs that have large amounts of unobligated and unspent capital funds;
- Revitalize and transform public housing projects to retain them as affordable housing in decent neighborhoods.

HUD also will work to ensure that the stock of assisted housing is not diminished as a result of opt-outs, prepayments and other changes in the housing stock, and that the extent to which these events adversely affect tenants is minimized. In particular, the expiration of long-term Section 8 project rental subsidies (Housing Assistance Payments or HAP contracts) can leave properties vulnerable to being removed from the nation's stock of affordable housing. HUD will continue the following affordable housing preservation activities:

- Subject to the availability of appropriations, HUD will offer to renew HAP contracts on all subsidized units that meet housing quality standards.
- The Mark-to-Market program's alignment of owner incentives will continue to preserve the privately owned HUD-assisted affordable housing stock.
- To maintain the supply of affordable housing that already exists, HUD will increase rents in certain areas through the Mark-Up-to-Market program to preserve assisted multifamily units where an owner might otherwise opt out of a housing assistance contract.
- In some cases, HUD will execute and enforce use agreements as part of the sale of HUD-owned property and/or as a condition of prepayment of FHA multifamily insurance.
- HUD will use other available incentives to encourage owners of multifamily assisted rental housing to maintain affordability. These incentives can include increased distributions, increased rents to facilitate a transfer to a nonprofit and structured

refinancing to recapitalize a property for rehabilitation or other purposes.

- HUD will ensure that, as a result of changes in the stock of public and assisted housing, all eligible low-income tenants are protected from increases in rents and all project-based units lost are replaced with housing vouchers or new units.

Finally, HUD plans to continue its efforts to expand families' access to affordable private-market housing through activities such as:

- Multifamily mortgage insurance.
- Research that seeks to reduce the construction and operating costs of housing.
- The maintenance of a regulatory barriers clearinghouse for sharing information on how to address local regulatory barriers to the development of affordable housing.

### ***Improving physical conditions and management accountability.***

Improving the performance of housing intermediaries in meeting HUD's physical standards for public and multifamily housing is a high priority for this administration and was, therefore, included in the President's Management Agenda (PMA) for HUD. In 2000, only 70 percent of public housing units and 85 percent of privately owned, multifamily assisted housing met these standards. In the PMA, HUD set 2005 goals of 84 percent for public housing and 92 percent for multifamily assisted housing. In February 2002, public housing units met the 2005 standard, well before the original target date. As a result, a new goal was established, and HUD expects to raise the proportion of all public and assisted units meeting HUD's physical standards to 92 percent by 2005.

The Department has several current tools and is developing others to improve the physical quality and management accountability of public and assisted housing. HUD plans to:

- Continue to monitor privately assisted multifamily housing through Section 8 contract administrators who perform management and occupancy reviews, and through physical inspections on 100 percent of their portfolios.
- More fully develop the Public Housing Assessment System (PHAS) so that it will assess multiple dimensions of public housing management and conditions, and identify PHAs that are troubled in order to improve their operations.
- Fully implement and improve the SEMAP, used to objectively measure PHA performance related to

their Housing Choice Voucher programs, and identify troubled agencies for remedial measures.

- Use the Mark-to-Market program to ensure that the management of HUD-assisted, privately-owned housing meets its operating obligations, resulting in the ongoing maintenance of proper physical standards at these properties. To date, repairs and rehabilitation of over 45,000 units have been accomplished with over \$60 million in repair escrows funded through the Mark-to-Market program. HUD estimates an increase of \$100 million in repair escrow funds through the life of the Mark-to-Market program. Additionally, significant increases in reserve for replacement account deposits and 30-year use agreements will ensure the maintenance of this resource.
- Use data from the Real Estate Assessment Center (REAC) on the financial soundness of providers of assisted multifamily housing, physical quality of the stock, and satisfaction of the residents to refer substandard properties to the Departmental Enforcement Center (DEC). The DEC is responsible for working with multifamily properties that have been identified as substandard in one or more areas by REAC. For some noncompliant multifamily development owners, the DEC makes civil referrals to the Department of Justice or criminal referrals to HUD's Inspector General. HUD has recently instituted a system of referrals to the DEC for multifamily properties with REAC scores between 30 and 60. For those properties, HUD will require repairs to be completed within 60 days. If property conditions do not meet HUD requirements, HUD will force compliance or take appropriate enforcement action.
- Require assessments of lead-based paint risk for all pre-1960 multifamily housing that receives over \$5,000 per unit in project-based Section 8 assistance, and complete lead hazard assessments by the end of FY 2003 for assisted multifamily housing constructed between 1960 and 1977.

HUD is implementing the Rental Housing Integrity Improvement Project (RHIP) to reduce error in income and rent determinations. RHIP comprises a number of efforts:

- Develop tools to assist housing agencies and assisted housing owners in the determination of income and calculation of rent;
- Introduce a quality control program to monitor the performance of housing intermediaries;

- Assess opportunities to simplify current laws and regulations regarding income and rent determinations to improve program compliance;
- Expand local efforts to match income data against state records.

Several means were employed, beginning in FY 2002, to improve the utilization of Housing Choice Vouchers by PHAs:

- Give substantial weight to utilization rates in determining PHAs' ratings under SEMAP;
- Allocate new incremental vouchers to PHAs with utilization rates above 97 percent;
- Implement a new tracking system to measure current utilization rates, so that underutilizers can be identified earlier and corrective actions taken; and
- Provide remediation services to PHAs with troubled Section 8 programs, which generally have low rates of Section 8 utilization.

HUD also will provide resources to PHAs to improve their conditions and protect the nation's investment in the public housing stock. HUD plans to:

- Ensure effective and timely use of the Public Housing Capital Fund, which provides formula grants to PHAs to address new modernization requirements and reduce the backlog of rehabilitation and modernization requirements.
- Establish a new Capital Financing Program to attract private capital to address the backlog in public housing capital improvement needs and put public housing developments on sound financial footing in the future by focusing on property-based planning and management. Authorization for the program was requested as part of the FY 2003 budget request.
- Support the completion of HOPE VI projects, which fund the demolition and revitalization of severely distressed public housing. Changes have been made to ensure project readiness and timely use of funds that will speed up the production of units.

### ***Increase housing options for the elderly.***

HUD is implementing a number of new policies designed to assist the elderly. 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 and with Section 236 and Section 221(d)(3) insurance.

- Allow nonprofit sponsors of Section 202 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 the elderly.
- 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 the residents.
- Encourage service coordinators to assist low-income elderly families living near, as well as those residing in, multifamily assisted housing designated for the elderly and people with disabilities.

In addition to implementing these new provisions, HUD will continue to use core programs to help low-income seniors obtain suitable and affordable living environments that support independence:

- Provide mortgage insurance to finance the construction and rehabilitation of assisted living facilities through the Section 232 program.
- Permit housing rental vouchers to be used for the housing costs in assisted living facilities.
- Provide affordable housing and rental subsidies for older renters through Section 202, and convert elderly housing to assisted living or creating new assisted living facilities.
- 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.
- Through HUD’s public housing and Section 8 programs, provide substantial numbers of affordable housing units for elderly households.
- More closely monitor the use of Section 202/811 grant funds. The Section 202 and 811 programs are unique in providing the only construction-financing programs for affordable supportive rental housing. Through close monitoring, the Department has substantially reduced the number of grants outstanding where there was no evidence of progress. Less than two years ago, there were more than 100 of these projects in the development pipeline. As of the end of FY 2002, there are only

26 projects predating 1997 that have not reached initial closing. This represents only 1.3 percent of the 2,058 projects that were funded during that timeframe. Funds recaptured from these cancelled projects are available and used for new grants.

### ***Increase housing opportunities for persons with disabilities.***

President Bush launched the New Freedom Initiative in 2001, with an executive order charging HUD and five other federal agencies to improve access to services and opportunities for community integration of persons with disabilities. HUD has several key initiatives to implement the President’s order:

- Revising HUD’s Section 8 rent subsidy program to permit people with disabilities to use vouchers to make mortgage payments to purchase their own homes.
- Implementing a pilot program in 11 states called Project Access, a joint effort between HUD and the Department of Health and Human Services (HHS), designed to ease the transition of nonelderly persons with disabilities from nursing homes into community living.
- Expanding rental choices and ensuring that housing vouchers are being used effectively by offering technical assistance to PHAs and nonprofit organizations having difficulty in utilizing housing vouchers. Preference is given in the awarding of general-purpose vouchers to housing authorities that agree to use a specified percentage for persons with disabilities.
- Signing a Memorandum of Understanding with the Department of Justice and Internal Revenue Service to ensure that multifamily properties within the Low-Income Housing Tax Credit Program, the number-one producer of low-income housing, comply with federal accessibility standards.

In addition, HUD is continuing to vigorously enforce the Fair Housing Act and other federal laws prohibiting discrimination against people with disabilities.

- Through voluntary compliance agreements between HUD and the housing authorities in the District of Columbia and Boston, an additional 1,200 fully accessible housing units will become available in those cities.
- In FY 2003, HUD will award more than \$16 million in Fair Housing grants to fund organizations leading the fight against housing discrimination.
- HUD recently entered into an historic partnership with the National Association of Home Builders

aimed at ensuring that multifamily housing complies with the Fair Housing Act's design and construction requirements.

- HUD has launched two major education and outreach initiatives to make certain that more apartments and condominiums are built to be accessible to people with disabilities.
- HUD's Shelter Plus Care program provides \$100 million a year in grants to help provide rental assistance and supportive services to homeless individuals living with disabilities.

### ***Promote self-sufficiency.***

The Family Self-Sufficiency (FSS) program is HUD's primary tool for helping families in the Housing Choice Voucher and public housing programs build assets and increase their incomes.

- To help families achieve their goals, FSS families work with a service coordinator who provides referrals for appropriate supportive services in the community such as childcare, transportation, education, or job training.
- FSS has an escrow component that helps families build savings. As a family's earnings increases, an amount equal to the increase in the family's rent is deposited in an escrow account that they can use to purchase a home, obtain higher education, or achieve other personal goals.

HUD plans to work to significantly expand participation in the FSS program by:

- Reaching out and providing technical assistance to housing agencies;
- Using the performance measures of the SEMAP to support incentives for active FSS participation for housing agencies in HUD's funding competitions;
- Examining program rules to determine if additional changes are needed to increase participation.

A number of additional programs help families in public and assisted housing make progress toward self-sufficiency. These include:

- Continuing to support the creation of Neighborhood Networks centers and other computer centers in assisted multifamily housing developments. These multiservice community technology centers help low- and moderate-income residents gain knowledge and skills through the use of computer learning to prepare themselves for the job market and attain self-sufficiency.
- Expanding enforcement of Section 3 of the HUD Act of 1968, which ensures that HUD-funded construction, rehabilitation, or other public construction expands employment and training opportunities for low-income residents. HUD will further ensure that contract opportunities are awarded to Section 3 Business Concerns for all nonexempt contracts. The Department will focus on education and outreach to its internal and external clients.



## Performance Measures

### Long-Term Performance Measures

HUD will assess its long-term success in achieving this goal by measuring the following outcomes discussed below:

- Improve the Public Housing Assessment System (PHAS).
- The average SEMAP score increases.
- Among households living in assisted multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percent per year.
- The utilization rate of Housing Choice Vouchers increases to 98 percent by 2006 and stays above 98 percent through 2008.
- By FY 2008, increase the proportion of those entering HUD's housing assistance programs who "graduate" from assistance within five years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.
- Increase the amounts of leveraged private capital in public housing.
- Increase the timely performance of HOPE VI grants.
- Continue to enhance the quality of life of the elderly and persons with disabilities through developments funded under Sections 202 and 811 that meet their physical needs and provide supportive services.
- Between FY 2004 and FY 2008, over 1.2 million households will receive housing assistance with CDBG, HOME, HOPWA and Native American Housing Block Grants (NAHBG).

#### ***Improve the Public Housing Assessment System (PHAS).***

In FY 2003, an improved and simplified assessment system will enable HUD to enhance the livability, management, accountability and resident satisfaction of the nation's public housing system. The new PHAS will track HUD's progress toward increasing the capability and accountability of PHA partners. HUD will, for the first time, perform extensive quality reviews of 350 housing agencies on an annual basis to ensure that PHAs are accurately certifying their management performance. HUD will also continue to step up its efforts to identify and root out poor performing audit firms that audit PHAs. As measured through the new PHAS, HUD expects PHA scores to increase through FY 2008.

#### ***The average SEMAP score increases.***

The SEMAP was fully implemented in 2002. SEMAP provides HUD with an essential tool for measuring the quality of housing agency administration of the Housing

Choice Voucher program. SEMAP tracks housing agency performance on a broad range of indicators of program administration, including voucher utilization, compliance with housing quality standards and correct calculation of rental subsidy.

#### ***Among households living in assisted multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percent per year.***

The REAC evaluates the financial management of privately owned multifamily properties based on generally accepted accounting principles. The REAC Financial Assessment Subsystem involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed and scored, resulting in standard and substandard designations. Multifamily financial scores are determined at the project level for every subsidized development—meaning properties that have Section 8 contracts,

outstanding mortgages with interest subsidies, or both—and are household-weighted to focus attention on the greatest problems nationally. For the reporting period in 2001, the share of households living in subsidized multifamily properties that had substandard financial management was 29.5 percent.

***The utilization rate of Housing Choice Vouchers increases to 98 percent by 2006 and stays above 98 percent through 2008.***

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 and vouchers, reducing the number of vouchers available to help families. For 2001, the national lease-up rate for units was 89.6 percent, and the funding utilization was 91.3 percent. This indicator reflects HUD's expectation that its policies will substantially increase the utilization of Housing Choice Vouchers such that, by 2006, the rates for both funding and units reach 98 percent.

***By FY 2008, increase the proportion of those entering HUD's housing assistance programs who "graduate" from assistance within five years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.***

A key role of HUD's public and assisted housing programs is to provide low-income families with housing stability that can help them make progress to self-sufficiency. In FY 2004, HUD will establish the baseline proportion of those families who have been assisted for fewer than five years that are leaving federally assisted housing because they can afford adequate housing on their own. This will include determining the duration of tenancy and changes in their employment, and homeownership since they first received housing assistance. In FY 2008, HUD will determine whether a later sample group of entrants into housing assistance fared better with regard to achieving self-sufficiency than the initial group. Success in this measure will also allow HUD to serve more people with housing assistance needs. This performance measure excludes the elderly persons HUD serves but includes disabled persons who can work.

***Increase the amounts of leveraged private capital in public housing.***

By 2008, HUD will increase the amount of leveraged private-sector financing by over three times the amount leveraged in FY 2001. This leveraging promises to improve physical conditions for public housing residents by increasing the amount of capital improvements to a level that is considerably greater than that supported by Public Housing Capital Fund appropriations. This leveraging will increase the livability and sustainability, as well as greatly help to preserve the nation's supply of affordable housing. By FY 2008, HUD will be attracting at least \$150 million of private capital for public housing on an annual basis.

***Increase the timely performance of HOPE VI grants.***

By 2008, HUD will ensure that 100 percent of all HOPE VI affordable housing units funded through FY 2001 will be built. The Department is more closely monitoring the performance of existing HOPE VI grantees. Program reforms geared toward tracking projects, streamlining processing, monitoring and assisting housing authorities and ensuring completion of the existing projects will result in the replacement of severely distressed public housing projects with mixed-income, mixed-finance developments in revitalized neighborhoods. This policy affects 68,700 affordable housing units.

***Continue to enhance the quality of life of the elderly and persons with disabilities through developments funded under Sections 202 and 811 that meet their physical needs and provide supportive services.***

HUD's Section 202 and 811 programs for elderly households and persons with disabilities provide construction financing for affordable supportive rental housing for target populations. These properties can enhance the resident's quality of life by providing physical improvements such as wheelchair accessibility and grab-bars and services that support their daily activities. In its survey of residents of multifamily properties, HUD will include a subset of questions specially designed to measure how well these programs are meeting the physical and supportive service needs of the elderly and persons with disabilities. The results of this survey will be used to analyze the benefits of Section 202/811 housing.

***Between FY 2004 and FY 2008, over 1.2 million households will receive housing assistance with CDBG, HOME, HOPWA and NAHBG.***

Because of 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 economic conditions and local discretion.

Grantees use their discretion to decide what types of housing assistance to provide with HOME and NAHBG funds. In the case of CDBG and HOPWA funds, housing assistance is one of several eligible activities from which grantees may choose.

### **Intermediate Measures Supporting this Goal**

The Department will track:

- The number of households who have accumulated assets through the FSS program, and the average escrow amount of FSS graduates.
- The share of households living in FHA multifamily developments that have substandard financial management.
- The average PHAS score.
- The average SEMAP score.
- The utilization of Housing Choice Vouchers.
- The percentage of HOME project funds and number of units of rental production.
- The number of households receiving housing assistance with CDBG, HOME, HOPWA, and NAHBG.

In addition:

- In FY 2004, HUD will establish the baseline proportion of those families who have been assisted for fewer than five years that graduate from HUD assistance because they can afford adequate housing on their own.
- For FY 2003, Section 202/811 tenants will continue to have an overall satisfaction rate above 80 percent.
- During FY 2004, Section 202/811 tenant satisfaction rates shall be compared to similar survey data for the low-income elderly as reported in the American Housing Survey.
- In FY 2003, all Section 202/811 projects initially funded in FY 1997 and earlier, with the exception of projects that are the subject of litigation, shall go to initial closing or be cancelled.
- Use FY 2002 results, based on projects funded in FY 2000, to provide a baseline for improving the timely completion of Section 202/ 811 projects.
- For FY 2004, close 75 percent of projects funded in FY 2002 within 24 months of funding.
- By the end of FY 2003, 95 percent of the active inventory of substandard assisted multifamily properties inspected are repaired or are subjected to the appropriate enforcement action.
- The share of HUD-assisted multifamily properties observed with exigent health and safety or fire safety deficiencies decreases by 0.6 percent by the end of FY 2003.
- In 2005, the share of public and assisted housing units that meet HUD's physical standards will exceed 92 percent.

## **External Factors**

Many external factors affect the supply of affordable rental housing for low-income families and for the elderly and persons with disabilities. These include local rental markets, building codes and land use regulations, state and local program decisions and the actions of HUD's many other partners. The continued growth in the number of elderly persons, fueled in part by the

baby-boom generation, will continue to challenge those working to ensure access to diverse housing opportunities for this population.

Finally, broad economic factors that affect opportunities for low-income workers will directly affect HUD's ability to assist HUD-assisted renters as they make progress toward self-sufficiency.

## Strategic Goal

# Strengthen Communities

*“Communities flourish when they have the freedom to put local solutions to work solving local problems. HUD has its most positive impact on the local level when we empower communities—through new tools and resources—to chart their own destinies.”*

*-Secretary Mel Martinez*

### Overview

Through the programs of HUD’s Office of Community Planning and Development (CPD), HUD supports the community and economic development efforts of states, local communities and other HUD partners. For nearly 30 years, Community Development Block Grant (CDBG) funds have built and rehabilitated homes, fueled business development to create jobs and improved the overall health of our nation’s communities. Instead of trying to impose a one-size-fits-all program on every locality, CDBG-funded programs are designed by each community to best meet unique local needs. Additionally, the HOME program helps strengthen communities by expanding the availability of homeownership and affordable rental housing. CPD also is responsible for administering HUD’s homeless programs, which are an essential component of the Administration’s bold strategy for eliminating chronic homelessness in ten years.

Other HUD Offices contribute to this goal through maintaining and promoting quality affordable housing in neighborhoods, reaching out to communities through University Partnerships and fostering international exchanges on housing, community development and urban planning.

This strategic goal has four objectives:

#### ***Objective C1: Provide capital and resources to improve economic conditions in distressed communities.***

A key objective of HUD’s community and economic development programs is to help improve economic conditions in distressed communities. Economic development is a key activity under the CDBG program. Funded activities include job creation and retention, as

well as education, training and services that strengthen the workforce.

Section 3 of the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, HUD will ensure that jobs, training and contracts are given to low- and very-low-income persons residing in the economic distressed areas where federal financial assistance is provided to HUD’s recipient agencies.

#### ***Objective C2: Help organizations access the resources they need to make their communities more livable.***

Helping communities become more “livable” means addressing quality-of-life issues as well as economic factors. Livability reflects the positive impacts of public services and improvements that result from funds spent to revitalize poor neighborhoods, along with intangible benefits such as community volunteerism.

Many communities use HUD resources for projects designed to improve livability. For example, CDBG funds are used for roads, sewers and other infrastructure investments, or for community centers, parks and other assets that help to strengthen and revitalize low-income communities. HUD also funds housing development and rehabilitation through CDBG, HOME, Youthbuild and Lead Hazard Control grants.

#### ***Objective C3: End chronic homelessness and move homeless families and individuals to permanent housing.***

HUD is committed to ending chronic homelessness within ten years—by 2011. HUD’s working definition of a person experiencing chronic homelessness is an unaccompanied individual with a disabling condition

who has been continuously homeless for a year or more or has had recurring episodes of homelessness. Even when housing is available, their disabilities sometimes make it difficult for them to remain in that housing for long periods unless they also have supportive services including case management and regular health care. Although there are no reliable counts, the Millennial Housing Commission Report “Meeting Our Nation’s Housing Challenges” estimates the number of persons experiencing chronic homelessness to be between 150,000 and 200,000.

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*“For too many years, Washington waited until a person became homeless before taking action. Today we come together to commit the combined resources of the federal government as we move beyond managing homelessness toward a more holistic approach, including a greater emphasis on preventing individuals from becoming homeless in the first place.”*

*-Secretary Mel Martinez, July 2002 Meeting of the Interagency Council for the Homeless*

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While those experiencing chronic homelessness are often the most visible of the homeless population, there is also a substantial problem of families and individuals who experience a more temporary crisis, such as loss of employment or eviction, and become homeless. HUD will forge a three-pronged attack that will focus on:

- The prevention of homelessness;
- The development of needed permanent and transitional housing for both those persons experiencing chronic homelessness and the growing numbers of homeless families;
- The coordination of housing and supporting services.

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 homeless assistance programs will continue to foster local initiatives by providing flexibility while providing incentives to meet important national objectives including ending chronic homelessness.

#### ***Objective C4: Mitigate housing conditions that threaten health.***

A safe housing stock is a critical precondition for safe, livable communities. Along with responsibility for HUD-assisted private housing and public housing, HUD

addresses hazards in unassisted private housing. The Department is committed to eliminating the poisoning of children by lead-based paint in older homes. Along with the Environmental Protection Agency, HUD regulates the disclosure of lead paint when homes are rented or sold. HUD provides financial resources for communities to address their own lead paint hazards through the Lead Hazard Control Grant program. HUD’s Healthy Homes program conducts research, demonstrations, and public education on how other housing conditions are related to other preventable children’s diseases and injuries, such as asthma and carbon monoxide poisoning. The CDBG program also provides resources to communities for a wide range of community development and housing activities, including for lead hazard control separately or as part of housing rehabilitation, counseling and health services.

Through innovative research, HUD is also advancing the safety of the nation’s housing. In addition to the evaluation of lead hazard reduction programs, HUD supports research and development of housing construction that resists natural disasters such as hurricanes, floods, earthquakes, tornados and firestorms.

In addition, for persons with HIV and other chronic health challenges, the risks of homelessness pose a direct threat to their health, stability and relative wellness. The Department’s homeless assistance programs and the HOPWA program are vital tools in reducing the health consequences for persons who are homeless or at severe risk of homelessness.

## **Means and Strategies**

### ***Supporting community and economic development.***

HUD funds a variety of programs that support the community and economic development efforts of state and local communities. HUD’s strategy focuses on providing and coordinating resources for neighborhood revitalization and other community development efforts by local partners. By employing these resources for building local economies and developing community assets, communities can leverage local contributions to address their priority problems:

- The CDBG program is HUD’s most important community development program and is one of the most flexible grant programs provided to localities by the federal government. A significant proportion of CDBG funds supports improving conditions in lower income and distressed communities.

- Under the Community Renewal Tax Relief Act,<sup>4</sup> HUD has designated 40 areas of pervasive poverty, unemployment and general distress as Renewal Communities (RCs). Businesses in Renewal Communities will be eligible for federal tax incentives as well as tax relief and regulatory streamlining provided by state and local jurisdictions. HUD also has designated a third round of Empowerment Zones (EZs), which will receive all the tax benefits of current EZs even though grants will not be available.
- HUD's multifamily Neighborhood Networks centers will continue to strengthen communities by: (1) Providing services for adults, youth and seniors. Adults receive job training and placement, education and supportive services. Youth improve their academic achievement. Seniors become connected to their community and on-line services and information, and often youth in the community become involved with seniors through the center. (2) Helping to reduce property crime and vandalism, thereby producing safer communities. (3) Providing local employers with skilled workers. (4) Supporting service providers. And (5) benefiting taxpayers, as residents of HUD housing become more economically self-sufficient and rely less on government subsidies.
- Under the Section 242 program, HUD helps hospitals access affordable financing for capital projects. Uses for HUD hospital loans include new construction, modernization and refinancing. Since the program began in 1968, 311 hospital mortgages have been insured for approximately \$9 billion. Clients range from small rural hospitals to major urban medical centers. These hospitals serve as community anchors, providing not only needed healthcare services, but also jobs that range from entry level to professional. Many of the hospitals are in distressed communities and in areas designated as medically underserved. Often, they are the largest employers in their communities. Without access to capital through HUD-insured loans, some hospitals would not have been able to afford the repairs, renovations and equipment to remain open.
- Through the Lead-Based Paint Hazard Reduction and the Healthy Homes Program, HUD funds local organizations to eliminate the residential lead-based paint hazards that threaten low-income children.
- By establishing suitable goals for the government-sponsored enterprises, Fannie Mae and Freddie Mac, HUD ensures that more housing capital is available to promote homeownership and affordable rental housing in underserved areas.
- HUD encourages use of FHA loan programs and purchase of HUD homes in distressed neighborhoods to improve housing conditions and raise homeownership rates.
- Through the proposed Colonias Gateway Initiative, help rural communities and neighborhoods along the 1,500-mile Mexican border meet their substantial community development needs.
- Encourage grantees to certify Section 3 residents and businesses and provide more permanent job opportunities in fields other than construction. This will be done through monitoring and compliance reviews and technical assistance, encouraging grantees to enter into training agreements with universities and state- and locally funded training agencies. HUD will require that Section 3-related grievances are processed and settlements are generated as a result of noncompliance.
- HUD also supports the redevelopment of distressed communities through the University Partnership programs and the Indian Community Block Grant program.

***Streamline the consolidated planning process, making it more results-oriented and useful to communities.***

While the diversity of community development efforts makes them difficult to measure and quantify, HUD is working with local stakeholders to identify performance measures that make the consolidated planning process more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. Streamlining the consolidated planning process was identified in the PMA as an important area for HUD's focus. The Department issued guidance clarifying current consolidated planning requirements in November 2002. The reform initiative is based on the conviction that community revitalization efforts are most effective if they are tailored to local circumstances and reflect the views of local stakeholders. HUD also is looking at how technology can play a larger role in making improvements in the consolidated planning process.

- Input from city, county and state representatives from around the country suggested some streamlining changes would enhance the usefulness of the consolidated planning and reporting process.

<sup>4</sup> Incorporated by reference in the Consolidated Appropriations Act of 2001 (P.L. 106-554).

These changes include: 1) integration with existing plans and reporting documents, 2) use of standardized templates, 3) replacement of the Community 2020 mapping software with a Web-based system, 4) decreasing narrative required, 5) receiving more guidance from HUD on reporting performance and 6) a more flexible Integrated Disbursement and Information System (IDIS) that allows simple adjustments in performance measurements and easy collection and organization of data.

- Performance measures for broad formula programs such as CDBG are best when tailored to local circumstances and reflective of local visions of success. HUD will build on local efforts in demonstrating performance by designing performance measurement strategies that link goals and objectives to annual reporting of projects while maintaining local flexibility. HUD will be sharing these models with grantees and pilot testing performance measures in selected communities during 2003. Other steps will include the development of standardized measures that grantees can use and improved use of benchmarks.

### ***End chronic homelessness and move homeless families and individuals to permanent housing.***

The primary focus of HUD's efforts to end chronic homelessness and address the needs of other homeless households is to provide both flexible and targeted resources to communities as well as to encourage planning and coordination to maximize the impact of these resources.

- HUD's FY 2001 Appropriations Act reauthorized the Interagency Council on the Homeless (ICH) through FY 2005. The Secretaries of HUD, HHS and Veterans Affairs (VA) have created an interagency working group to both identify the obstacles to enrollment of homeless people in mainstream service programs and recommend specific changes—legislative, policy and procedural—that would make federal mainstream supportive service programs (e.g., Medicaid, Temporary Assistance for Needy Families, Substance Abuse Block Grants, Mental Health Block Grant, Food Stamps) more accessible to homeless people. One tangible result of this interagency effort is a \$35 million joint venture by the three federal agencies to help weave together housing and social services for homeless people with addictions, mental illnesses, prison histories and other root causes of persistent homelessness.

- As homeless families and individuals better access needed mainstream services, and as the coordination between HUD and other federal agencies coalesces, it is HUD's goal to work to concurrently reduce the proportion of HUD homeless funds used for the provision of social services and to increase the proportion used for housing.
- A key tool for ending chronic homelessness will be to provide permanent supportive housing—housing combined with services. The Department has and will continue to ensure that at least 30 percent of all available homeless funding is awarded for permanent housing. Providing permanent supportive housing will significantly reduce the cost of medical, mental health and criminal justice resources that are used for persons experiencing chronic homelessness. In fact, recent research has demonstrated that providing permanent supportive housing costs about the same as leaving an individual on the streets and having him or her cycle through the various disconnected health care, correctional, mental health and substance abuse treatment institutions.
- HUD will carefully scrutinize the policies of its mainstream housing programs to determine whether additional mainstream housing resources can be brought to bear on the problem of homelessness, including both persons experiencing chronic homelessness and homelessness among families.
- HUD's internal task force to reduce barriers to persons with special needs in accessing HUD's housing and community development resources has identified numerous initiatives that HUD program offices will pursue with providers of assistance to persons who are homeless and persons with HIV/AIDS. Two examples include an initiative by Ginnie Mae that will provide the right of first refusal to homeless service organizations on the purchase of Ginnie Mae manufactured housing inventory, and a new FHA requirement that 10 percent of all HUD-owned multifamily units conveyed to state and local governments with right of first refusal will be designated for homeless persons.
- HUD is also collaborating with other federal agencies in efforts to better connect HUD program recipients with resources made available to address health, human services, job development, education and other services that are needed by persons with special needs. The results of these efforts should help ensure that HUD recipients achieve their housing mission with improved access to the related social services provided by other federal programs.



Finally, HUD will continue to:

- Assist communities in developing the Congressionally mandated Homeless Management Information Systems (HMISs) to track homeless persons moving through emergency shelter, transitional housing and into permanent housing. HMISs will identify the characteristics of homeless persons and track milestones, including access to benefits, educational opportunities and employment.
- Encourage states and communities to improve discharge planning from their health care, foster care, youth facilities and criminal justice programs, so that, upon discharge, people move to stable permanent housing rather than becoming homeless.
- Provide extensive technical assistance to applicants and potential applicants for the Department's homeless assistance programs. In addition to a continuation of the local, regional and national technical assistance resources already in place, HUD will inaugurate targeted technical assistance specifically tailored to faith-based organizations and organizations serving homeless persons living in Colonias areas. Existing targeted technical assistance efforts under way to veteran service organizations will also be expanded.

### ***International exchanges about urban issues.***

The Housing Act of 1957 gives broad latitude to the Secretary to "...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, where such exchange or assembly is deemed by him to be beneficial." Such exchanges can improve the knowledge base related to strengthening communities in the United States and abroad.

In coordination with the White House and the Department of State, HUD's Office of International Affairs, part of HUD's Office of Policy Development and Research, supports the diverse international interests of the Secretary, implements cooperative exchange programs with foreign governments and international organizations and promotes research collaboration between governments in housing finance, building technology, community planning and development and national urban policy. Over the next few years, it is likely that the Department will enter into other bilateral and multilateral cooperative programs as it identifies common urban policy research interests with foreign governments and international organizations.

## **Performance Measures**

### **Long-Term Performance Measures**

HUD will assess its long-term success in achieving this goal by measuring the following outcomes discussed below:

- The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.
- The share of state CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent.
- Neighborhoods in which significant CDBG investments have been made will demonstrate increases in measurements of neighborhood health.
- By FY 2008, over 400,000 jobs will be created or retained through CDBG.
- The number of communities that have implemented HMIS is maximized.
- The number of persons experiencing chronic homelessness declines by up to 50 percent by FY 2008.
- The number of children who have elevated blood lead levels will be less than 260,000 by 2004 and less than 56,000 by 2008.

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

Entitlement communities are required to use at least 70 percent of their CDBG 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 approximately \$3.5 billion in CDBG entitlement funds spent during FY 2001, 94.9 percent were spent on activities that had benefit for low- and moderate-income households, up from 93.7 percent in FY 2000.

***The share of state CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent.***

Whereas the prior measure relates to the targeting of CDBG grants by entitlement communities, this measure relates to the targeting of CDBG funds by states. Like entitlement communities, states are required to use at least 70 percent of their CDBG 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 96.4 percent of the roughly \$1.5 billion of CDBG funds they spent in FY 2001 on activities that had benefit for low- and moderate-income persons.

***Neighborhoods in which significant CDBG investments have been made will demonstrate increases in measurements of neighborhood health.***

This performance measure will help the Department assess the contribution of CDBG and other HUD economic development programs that are intended to improve conditions in distressed communities. Neighborhood health will be measured at the census tract level based on indicators such as median housing prices, income levels, number of new businesses, housing vacancy rates, crime, labor force participation, overcrowding of housing units, the incidence of single-parent households and the incidence of households receiving public assistance. Since grantees make the key choices on priorities to pursue, which activities to fund and how to design them, HUD will seek their input. Consolidated Plan Initiative pilots will help inform options for this measure. HUD will use data from the American Community Survey (ACS) as well as other sources such as the Home Mortgage Disclosure Act and Dun and Bradstreet, for which there is a positive correlation between CDBG expenditure and the

indicator(s) to measure improvements in neighborhoods in which significant CDBG investments have been made. The ACS will begin collecting rolling samples in 2003 and beginning in 2008 will have sufficient data for tract-level estimates for 2005. In the interim, HUD will continue to work with stakeholders to develop a viable methodology for assessing neighborhood health and CDBG investment over time. Implementation is dependent on anticipated improvements to IDIS.

***By FY 2008, over 400,000 jobs will be created or retained through CDBG.***

Many communities choose to use a significant portion of their CDBG grants to improve the local economy and help their citizens find productive work. In FY 2001, entitlement communities used \$283 million—8.3 percent of their funds—for economic development, and states used \$206 million or 18.9 percent. 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 number of communities that have implemented HMIS is maximized.***

Counting homeless individuals and families is both difficult and expensive. Rather than relying on special national surveys to measure progress in achieving this goal, HUD will instead utilize the evolving infrastructure of HMISs. Although at present only a small percentage of all jurisdictions have HMISs, the number will increase significantly in the coming years. HUD is working toward attaining a nationally representative sample of jurisdictions through HMISs to measure progress under this goal.

This performance measure will estimate the incidence of homelessness in HMIS jurisdictions to see if the expected outcome—a decline in homelessness—is achieved. Initially, the measure will use data from all valid HMIS systems. Once a nationally representative sample of jurisdictions has HMISs, this measure will utilize data from that sample.

***The number of persons experiencing chronic homelessness declines by up to 50 percent by FY 2008.***

While there is currently no way to accurately measure the number of persons who experience chronic homelessness, HUD is working with other federal agencies and communities to develop definitions and methods for estimating the extent of chronic homelessness and progress under this goal. The targeted reduction of 50 percent represents substantial progress toward the ten-year goal of eliminating chronic

homelessness. HUD will develop an estimate of the total number of persons experiencing chronic homelessness in the United States by December 2003. This estimate will serve as the baseline for this performance measure.

***The number of children who have elevated blood lead levels will be less than 260,000 by 2004 and less than 56,000 by 2008.***

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. This indicator reflects an aggressive goal of reducing the number of children with EBL to 260,000 by 2004 and 56,000 by 2008.

While substantial progress has been made in reducing the number of children with EBL, additional progress is needed to address this significant health threat. Local data collected by the Centers for Disease Control and Prevention (CDC) from 19 states showed that the proportion of children under the age of six who tested with EBL decreased from 10.5 percent in 1996 to 7.6 percent in 1998. By 1999, preliminary results indicated that the mean blood lead level had declined 26 percent from the 1991–94 period. The CDC is expected to release updated estimates of children with EBL in 2004 and annually thereafter through its National Health and Nutrition Examination Survey (NHANES). Blood lead level estimates are the best performance measure of the HUD lead hazard control program. HUD's recently-completed national Survey of Lead-Based Paint in Housing shows that the number of housing units with lead-based paint declined from 64 million in 1990 to 38 million in 2000. HUD will repeat this survey in 2004.

EBL is more common among low-income children living in older housing. In addition to HUD's lead-based paint hazard control grant program and regulations concerning federally-assisted housing, other factors causing the decrease in the number of children with EBL are demolition, substantial rehabilitation and hazard control financed by the private sector or local and state government and ongoing public education.

### Intermediate Measures Supporting this Goal

- During FY 2004, a total of 84,000 jobs will be created or retained through CDBG.
- During FY 2004, the share of CDBG funds that qualify as benefiting low- and moderate-income persons remains or exceeds 96 percent for states and 92 percent for entitlement communities.
- By 2004, 300 Continuums of Care will report to HUD the institutional discharge activities that will help to prevent homelessness.
- By December 2003, HUD will develop an estimate of the total number of persons experiencing chronic homelessness in the United States.
- The proportion of HUD homeless funding spent on housing activities increases and the proportion spent on social services declines.
- The number of communities with at least 75 percent of their beds covered by HMIS will increase by 50 during FY 2004.
- Of those in HUD's homeless projects, 45,000 will become employed and 80,000 will become permanently housed in 2004; from 2004–08, a total of 175,000 people will become employed, and a total of 250,000 will move into permanent housing.
- Achievement of milestones for reforming the consolidated planning process:
  - Design pilot of alternative planning procedures and identify communities prepared to test them by March 31, 2003;
  - Evaluate the pilots to inform policy, legislative and regulatory changes needed to implement this initiative by March 31, 2004;
  - Review needed changes to grants management system requirements to support local setting and tracking of performance and aggregation of results relative to national program goals by September 30, 2004.

## External Factors

### *Community and economic development*

The success of distressed communities in improving their economic conditions depends heavily on broad macro-economic trends in their region and the nation. The recent economic slowdown also has led to higher unemployment rates, reduced revenues and lower spending on public services by states and localities. A rapidly changing global economy has made it challenging for Americans to compete when capital is highly mobile, markets for goods and services are widely dispersed and wages for low-skilled employment are much lower in many locations abroad.

Local shortages of low-skilled jobs are compounded by mismatches between the locations of available jobs and the residences of the unemployed. Many older urban communities have adopted aggressive strategies to

alleviate these mismatches, but they face numerous barriers including tax rates, scarcity of land, scattered and/or absentee ownership, large concentrations of poor residents, blighted/vacant properties and schools with fewer resources.

Rural communities often face additional challenges because of the changing structure of the farming industry, underinvestment, weak infrastructure, limited services and few community institutions.

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.

### ***Homelessness***

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



## Strategic Goal

# Ensure Equal Opportunity In Housing

*“Housing discrimination is not only illegal, it contradicts in every way the principles of freedom and opportunity we treasure as Americans. The Department of Housing and Urban Development is committed to ensuring that for everyone seeking a place to live, all housing is Fair Housing.”*

*-Secretary Mel Martinez*

### Overview

Part of HUD’s core mission has always been to help families find affordable and decent housing. This mission will be fulfilled when all Americans have an equal opportunity to buy or rent housing that matches their individual needs. Unfortunately, discrimination against minorities and persons with disabilities exists. These include architectural barriers, refusals to rent or sell, denials of financing and a lack of housing options. These barriers have resulted in an exclusion of some individuals from the diverse housing opportunities that should be available to them. HUD is committed to ending the practice of discrimination through enforcement of fair housing laws as well as through educating lenders, housing providers, developers, architects, homeseekers, landlords and tenants about rights and obligations in complying with the laws. Working with state and local partners—as well as the private sector—the Department is involved in a cooperative effort to increase access to the nation’s housing stock so that more Americans can afford to live where they want to live.

Over the past three years, HUD has conducted several key studies to determine the levels of fair housing awareness and the types of discrimination that people experience. HUD’s Housing Discrimination Study 2000 (HDS 2000) provides the most rigorous nationwide estimates of housing discrimination since HUD’s 1989 Housing Discrimination Study. HDS 2000 found that African-American renters and homebuyers and Hispanic homebuyers experienced significant declines in discrimination between 1989 and 2000, while the discrimination rate against Hispanic renters remained virtually unchanged during the same period. Nonetheless, the overall level of housing discrimination experienced by African Americans and Hispanics remains high.

HUD’s 2002 Housing Awareness Study “How Much Do We Know?” measured the general public’s knowledge of fair housing laws and their prohibitions against rental and sales discrimination. Although the study indicated that fair housing education and enforcement had greatly increased awareness, it also found that many Americans still do not recognize unlawful discrimination when it occurs. For example, 46 percent of people surveyed did not know that it is illegal for real-estate agents to limit a home search to certain neighborhoods based on the race of the home seeker and the racial composition of the neighborhood. When asked about differential treatment of families with children, an alarming 62 percent of those surveyed were not aware that such different treatment was illegal.

In 2001, HUD studied pre-application lending discrimination in two major metropolitan areas. The “All Other Things Being Equal” study found that while minorities and whites receive equal treatment in the majority of cases, there are patterns of unequal treatment that systematically favor whites. For example, African Americans received less information about the loans and less follow-up than white homebuyers with similar economic histories. In one city, Hispanic borrowers were quoted a loan amount that was on average \$10,000 less than the amount quoted to whites with identical economic profiles. These differences in treatment, even at the pre-application stage, influence a family’s decision about what home to choose and the amount of the loan and type of loan they can afford.

These studies provide HUD with important information to fulfill its mission and ensure equal opportunity in housing.

***Objective FH1: Resolve discrimination complaints on a timely basis.***

HUD is responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws. The Fair Housing Act makes it unlawful to discriminate in housing against persons based on race, color, religion, sex, national origin, disability or familial status. Unfortunately, discrimination is still a reality for many Americans—including racial and ethnic minorities, families with children and persons with disabilities. The Department investigates all complaints filed by individuals who believe they have experienced discrimination in housing. Resolving these complaints on a timely basis reflects HUD’s commitment to continuing and improving this important aspect of its work.

***Objective FH2: Promote public awareness of fair housing laws.***

This strategic plan is the first to make increasing public awareness of fair housing law a strategic objective. To raise public awareness of fair housing laws, HUD’s Office of Fair Housing and Equal Opportunity (FHEO) works in a cooperative effort with builders, landlords, tenants and other stakeholders 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. The “How Much Do We Know?” study, described above, suggests that prior efforts to boost awareness of fair housing laws may have been successful but that more work is needed to increase public awareness of these basic protections.

***Objective FH3: Improve housing accessibility for persons with disabilities.***

The Department has a series of programs that help to improve the accessibility of housing to persons with disabilities, including rental housing programs and fair housing enforcement activities. As a result of HUD’s enforcement efforts under Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination in federally assisted programs or activities, HUD anticipates an increase in accessible housing. HUD also has a statutory responsibility to ensure that individuals are not subjected to discrimination on the basis of disability in any program or activity receiving HUD assistance. HUD engages in educational efforts to acquaint the public and building community with the rules regarding accessibility and enforces compliance with the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act.

**Means and Strategies**

HUD and its office of Fair Housing and Equal Opportunity will promote fair housing through a number of continuing and expanded programs, activities and strategies.

***Resolve discrimination complaints on a timely basis and promote public awareness of fair housing laws.***

- Investigate and resolve (as appropriate) housing discrimination complaints under the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act and Section 109 of Title I of the Housing and Community Development Act of 1974.
- Encourage, support and expand the network of state and local agencies that enforce laws that are “substantially equivalent” to the federal Fair Housing Act. Encourage, support and expand 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, lenders, recipients, grantees and project sponsors about fair housing laws.
- Work with the Department of Justice to enforce the Fair Housing Act, to aggressively handle criminal acts of housing discrimination (e.g., hate crimes) and cases that involve either a pattern and practice of discrimination or discriminatory zoning and land use activities.
- Work with the Departments of Treasury and Justice to ensure that Low-Income Housing Tax Credit projects are in compliance with the Fair Housing Act.
- Administer two primary grant programs that help to reduce the incidence of housing discrimination—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, to educate the public and housing industry about fair housing laws, investigate allegations of discrimination and help combat predatory lending practices.



- Monitor the government-sponsored enterprises' (GSEs') compliance with fair housing requirements and the Federal Housing Enterprises Financial Safety and Soundness Act (FHEFSSA).

***Improve the accessibility of housing to persons with disabilities.***

- Provide more homeownership opportunities to persons with disabilities through FHA.
- Administer housing programs for the disabled, including the Section 811 rental housing program; Housing Opportunities for People With AIDS; Mainstream Housing Opportunities for Persons

with Disabilities; and other rental assistance of nonelderly persons with disabilities.

- Track the number of building professionals such as architects, builders and code officials who are educated through training events, seminars and workshops sponsored by HUD and the industry regarding Fair Housing Act accessibility guidelines and requirements for new construction or who otherwise learn of these requirements.

**Performance Measures**

**Long-Term Performance Measures**

HUD will assess its long-term success in achieving this goal by measuring the following outcomes discussed below:

- Awareness of fair housing laws increases from the 2001 baseline.
- The number of newly accessible HUD-assisted housing units, as a result of HUD's efforts to enforce Section 504 of the Rehabilitation Act of 1973, increases by 7,500 by 2008.
- By the end of FY 2008, no more than 20 percent of the open fair housing complaints, excluding pattern and practice and systemic complaints, will be aged over 100 days.
- By the end of FY 2008, no more than 35 percent of FHAP aged complaints, excluding pattern and practice and systemic complaints, will be aged over 100 days.
- From FY 2003 through FY 2008, the percentage of architects and builders indicating awareness of the design and construction requirements of the Fair Housing Act increases.

***Awareness of fair housing laws increases from the 2001 baseline.***

Broader awareness of fair housing laws is critical to reducing discriminatory actions. HUD completed a national survey of fair housing awareness in 2001 that found relatively widespread knowledge of some core fair housing protections and prohibitions, yet a more limited understanding of others. The baseline survey showed that, while almost half of the general public can correctly identify as unlawful six or more of eight scenarios describing illegal conduct, almost one-quarter of persons surveyed knew the law in two or fewer of the eight scenarios. This indicator tracks the effect of HUD-conducted or funded fair housing public information campaigns on public understanding of their rights and responsibilities under the law.

HUD plans a similar survey in FY 2006 to determine whether awareness of the fair housing laws has improved. By 2006, HUD's goal is to increase awareness so the number of persons correctly identifying six or more of the eight scenarios will increase from 51 percent to 55 percent. The number of persons getting two or less correct would decrease from 16 percent to 12 percent.

***The number of newly accessible HUD-assisted housing units, as a result of HUD's efforts to enforce Section 504 of the Rehabilitation Act of 1973, increases by 7,500 by 2008.***

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination because of disability in federally assisted programs. HUD's implementing regulations generally require that a minimum of 5 percent of housing units be accessible to persons with disabilities. An additional 2 percent must be accessible to persons with hearing or vision impairments. HUD conducts compliance reviews of recipients of HUD assistance to determine if they are complying with Section 504. When recipients are found to be in apparent noncompliance with Section 504, HUD may enter into a Voluntary Compliance Agreement with the recipient to correct the noncompliance. As a result of these efforts, HUD expects to have legally binding agreements to create 1,500 newly accessible units per year, or an additional 7,500 units by 2008.

***By the end of FY 2008, no more than 20 percent of the open fair housing complaints, excluding pattern and practice and systemic complaints, will be aged over 100 days.***

Efficient enforcement of processing is an important dimension of the fair housing performance of HUD. Speedy processing encourages victims of discrimination to file complaints and increases the likelihood that violations will be punished. This measure tracks the processing time for complaints handled by HUD, including time for determination of jurisdiction and for conducting investigations and conciliation, excluding pattern and practice and systemic complaints. Complaints alleging either pattern and practice or systemic violations (either geographically or throughout an industry) are excluded because they typically require broader and more complex investigations. At the end of FY 2001, 37 percent of fair housing complaints in the HUD inventory were aged. At the close of FY 2002, the percent of aged complaints fell to 29 percent. HUD

expects the percentage of HUD aged fair housing complaints will decrease annually by 2 percent.

***By the end of FY 2008, no more than 35 percent of FHAP aged complaints, excluding pattern and practice and systemic complaints, will be aged over 100 days.***

The FHAP provides grants to state and local agencies to enforce laws that are substantially equivalent to the Fair Housing Act. This measure tracks the processing time for complaints handled by HUD, including time for determination of jurisdiction and for conducting investigations and conciliation. Complaints alleging either pattern and practice or systemic violations (either geographically or throughout an industry) are excluded because they typically require broader and more complex investigations. HUD expects the proportion of FHAP complaints that are aged, excluding pattern and practice complaints, to decrease by 2 percentage points annually. At the end of FY 2001, 69.3 percent of these fair housing complaints were aged. At the end of FY 2002, 48 percent were aged. By the end of FY 2008, no more than 35 percent of open FHAP complaint inventory will be aged.

***From FY 2003 through FY 2008, the percentage of architects and builders indicating awareness of the design and construction requirements of the Fair Housing Act increases.***

HUD will work with housing industry associations such as the National Association of Home Builders and other federal agencies such as the Department of Justice and the Internal Revenue Service to devise methods for sampling the multifamily housing industry to measure the impact of HUD training, technical guidance and marketing initiatives on the awareness level of architects, builders and others regarding the accessibility requirements of the Fair Housing Act. During FY 2003, HUD will work to develop a baseline level of awareness among multifamily builders.

**Intermediate Measures Supporting this Goal**

- The percentage of fair housing complaints aged over 100 days in the HUD inventory decreases 2 percentage points per year.
- The percentage of fair housing complaints aged over 100 days in the FHAP inventory decreases 2 percentage points per year.
- Create 1,500 newly accessible units annually through legally binding agreements as a result of enforcement of Section 504.

## **External Factors**

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



## Strategic Goal

# Embrace High Standards of Ethics, Management and Accountability

*“Public service is a public trust, and the public’s confidence is earned, not assumed. We hold ourselves to the highest ethical standards and are guided each day by our insistence on accountability with results.”*

*-Secretary Mel Martinez*

### Overview

To achieve the Department’s other strategic goals effectively, it is essential that HUD employees and HUD’s partners embrace high standards of ethics, management and accountability. Because HUD manages public programs using public resources, HUD is accountable for ensuring that government funds are handled properly and achieve the purposes for which those resources were provided. The Secretary has made stronger ethics and accountability a top priority. Part of putting compassionate conservatism into action means using resources efficiently and effectively so HUD has the means to help others live the American Dream. This goal cuts across all of the Department’s programs and applies to each employee and each partner organization that contributes to HUD’s mission. This goal also stresses the importance HUD places on its most valuable resources—its employees and program partners—recognizing that it is only through their efforts that HUD’s mission will be carried out. The importance of these resources is reflected in the development of HUD’s Strategic Human Capital Management Plan to guide its efforts in this area through 2008.

The Department has already improved its management and operations. The General Accounting Office (GAO) recognized HUD’s progress in addressing HUD programs deemed to be high-risk.<sup>5</sup> GAO’s report indicated that the remaining programs requiring additional improvement are single-family mortgage insurance and rental housing assistance. Additionally, GAO has identified human capital management and the

need for a strategic approach to managing HUD’s staff as the most pressing management challenge facing HUD. Other key management challenges are information systems, including financial management systems, and acquisitions management. Recent feedback from HUD employees has indicated a need to improve internal communications and employee involvement.

Four objectives under this goal articulate the Department’s long-term efforts to address management challenges and to become an increasingly high-performing agency.

#### ***Objective EM1: Rebuild HUD’s human capital and further diversify its workforce.***

This strategic objective raises the visibility of human capital issues as a mission-critical management challenge at HUD. HUD’s goal is to develop and maintain a workforce where its employees are renowned for their professional leadership, management and technical competency and have the opportunity to gain the widest possible range of skills and experiences.

The impending retirement of over half of HUD’s workforce over the next several years poses a significant threat to HUD’s operations. As GAO has recognized, this is a government-wide problem. HUD views it as an opportunity to attract and develop a new cadre of employees to take on the future challenges of housing and being able to make a difference in the lives of millions of Americans and American families. In the future, all employees of HUD will have the knowledge and skills to manage information effectively. An adequate diversity of skills and backgrounds in HUD’s workforce will increase exponentially its ability to successfully respond to constituent needs. Critical to

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<sup>5</sup> U.S. General Accounting Office, “Major Management Challenges and Program Risks: Department of Housing and Urban Development,” January 2003.

HUD's success in managing human capital will be an increased emphasis on internal communications.

***Objective EM2: Improve HUD's management, internal controls and systems and resolve audit issues.***

HUD will remain focused on the continuous improvement of the organization and functions, and respond as effectively to the needs of its partners as the private sector responds to its customers. As a large organization with multiple responsibilities, HUD must maintain strong internal controls to ensure that HUD effectively meets its responsibilities, including the elimination of fraud, waste and abuse of federal resources.

As discussed in more detail below, HUD's most significant management challenges are to:

- Complete Department-wide organizational changes;
- Improve financial management systems;
- Ensure adequate and sufficiently trained HUD staff;
- Improve FHA single-family origination and real estate owned (REO) property oversight; and
- Improve the effectiveness and efficiency of public and assisted housing program administration.

***Objective EM3: Improve accountability, service delivery and customer service of HUD and its partners.***

HUD's extensive use of the partnership model is a fundamental aspect of the Department's operations. This objective highlights HUD's goal of improving the performance of its partners as well as the goal of the President's Management Agenda (PMA) to improve the performance of intermediaries. HUD's partners include state and local governments, nonprofit organizations, for-profit organizations and even other federal agencies. HUD has a legal and financial relationship with 4,500 PHAs and numerous private housing providers. Approximately 4,000 localities and service providers administer HUD's community development programs. Private partners also participate in housing finance programs that insure mortgages and guarantee mortgage-backed securities totaling over a half trillion dollars.

***Objective EM4: Ensure program compliance.***

The increased devolution of authority in many of HUD's programs has given housing agencies and local administrators the opportunity to adapt the programs to meet local conditions and priorities. At the same time, it

has increased the challenges involved in HUD's monitoring efforts to ensure accountability.

To balance the competing objectives of devolution and accountability, HUD will continue to focus on improving enforcement and regulatory oversight throughout its programs. This will be accomplished by strengthening HUD's field offices so they have the staff and authority to properly monitor local use of HUD resources, continuing to strengthen HUD's remote monitoring capacity through information technology and other means, and targeting monitoring resources to areas most at risk of abuse. Giving HUD's partners a clear set of performance and accountability standards is the best way to ensure accountability.

***Objective EM5: Improve internal communications and employee involvement.***

HUD will take steps over the duration of this plan to improve internal communications and employee involvement. The outcome of these actions will be a more cohesive organization that exhibits greater comprehension of, commitment to and capacity for achieving departmental goals. The need for increased use of two-way communication tools linking all organizational levels within the Department was identified through results of HUD's 2002 Organizational Assessment Survey (OAS). More than half of HUD employees responding indicated the need for an increase in communications between different organizational levels, and many said they are generally ill informed on organizational conditions and issues related to their job. New tools will ensure an active feedback loop capable of disseminating mission and policy information, while also encouraging employee input. The result will be a more cohesive organization with greater comprehension of departmental goals and increased commitment and capacity for achieving them.

## **Means and Strategies**

***Dealing with mission-critical management challenges.***

In February 2002, HUD's Inspector General (IG) identified five management challenges faced by HUD. Addressing these challenges is an extremely high priority for the Department. The IG findings provide a roadmap for the management challenges HUD intends to address under this goal. These same priorities are reflected in specific agreements made by the Department as part of the PMA. The PMA also includes five government-wide efforts in the areas of human resources, eGovernment, competitive sourcing, financial performance and budget and performance integration, as well as other HUD-specific goals. Information on how HUD plans to meet

these challenges is described below. A number of performance indicators are included in HUD's Annual Performance Plans to track the successful completion and ongoing benefits of these management milestones.

- **Complete Department-wide organizational changes.** During FY 2002, HUD improved internal management by consolidating several independent offices under existing program offices. The formerly independent offices included the Real Estate Assessment Center (REAC), the Departmental Enforcement Center (DEC), the Office of Multifamily Housing Assistance Restructuring and offices of the Chief Information Officer and Chief Procurement Officer. HUD has also reorganized its Office of the Chief Information Officer and consolidated the security functions into the Office of Security and Emergency Planning. These efforts consolidated staff expertise into organizations where it was already concentrated, improved management's span of control and substantially resolved the management reforms begun several years ago. Field offices have been empowered to solve local problems through the appointment of regional directors and field office directors with clear lines of authority for operational management.
- **Improve financial management systems.** Recent substantial improvements in financial controls have enabled HUD to receive clean audit opinions for three consecutive years. Weaknesses in FHA information systems have been a recurring source of audit deficiencies. These problems will be resolved by the phased implementation of an integrated financial system for FHA by the end of 2006. The first phase, implementation of FHA's new core general ledger system, was completed in October 2002. In addition, HUD is undertaking a thorough and rigorous assessment of all its financial systems. Known as the HUD Integrated Financial Management Improvement Project (HIFMIP), this effort is expected to be fully completed by FY 2007. Through this and other efforts, HUD plans to sharply reduce the number of financial management systems that fail to comply with the Federal Financial Management Improvement Act. The Department also has acted to ensure timely management decisions on all audit recommendations made by the IG, and is taking steps during FY 2003 to cut in half the number of overdue final actions on these recommendations.
- **Ensure adequate and sufficiently trained HUD staff.** During FY 2002, the Total Estimation and Allocation Mechanism (TEAM) was implemented to provide information about workload accomplishments and staff utilization. TEAM establishes a foundation for better allocation of staff

resources according to workload during the early years covered by this Strategic Plan. Human capital issues are also examined annually under Quality Management Reviews.

Building on this foundation, HUD will prepare a comprehensive, strategic workforce plan. This comprehensive plan will identify the kind of work to be done now and in the future; knowledge, skills and abilities of staff to do this work; capabilities and development needs of staff and appropriate deployment across organizations; and strategies for identifying and filling gaps. HUD will then work to close these gaps and reinforce high levels of ethical standards through the following means and strategies:

- Developing an education curriculum for core competencies;
  - Establishing guidelines for minimum annual continuing education training and development requirements;
  - Maintaining a skills inventory and training profile on each employee;
  - Establishing an ethics training, briefing and information dissemination program.
- **Improve FHA single-family origination.** FHA single-family mortgage insurance programs may experience problems arising from inadequate monitoring and reviews of lender underwriting and property appraisals. To address these problems, FHA has implemented a process that removes nonperforming nonprofits and 203(k) consultants from the roster of approved program participants. Additional regulations are being processed that will further strengthen the oversight of program participants. These regulations will establish an Appraiser Watch system to measure the performance of individual appraisers, establish procedures for ensuring that all approved appraisers meet the requirements of the Appraisal Qualifications Board, require lenders to exercise more oversight of appraisers they employ and track the performance of lenders who underwrite loans. The Department is also promulgating a final rule to prohibit property flipping on FHA-insured mortgages. Several rules are also under development to increase the required qualifications of lenders who participate in the FHA program.
  - **Improve oversight of FHA REO property.** The REO program disposes of the homes that become HUD property through mortgagor default. The HUD IG determined that HUD's oversight of Management and Monitoring (M&M) contractors who manage and sell REO properties was

inadequate, and that insufficient public benefit was received from discounted sales of REO properties to nonprofit organizations. The Department has implemented procedures to monitor its M&M contractors, including onsite reviews, physical property inspections and data collection. Monthly performance letters are issued to each M&M contractor, and the contractor's response to identified deficiencies is resolved through verified corrective action. The Department also employs a risk analysis model on a monthly basis to track trends in M&M contractor performance. Finally, the Department performs a quarterly assessment of the M&M contractors targeted to three specific areas of performance: sales, property maintenance and contract compliance. This increased monitoring has resulted in significant improvement in the operation of the REO process. The inventory has been reduced to less than 30,000 properties, from 51,000 in FY 1999, and the net return to the government is the highest in the history of the program.

- **Improve the effectiveness and efficiency of public and assisted housing program administration.** One outcome of the inadequate monitoring of public and assisted housing providers has been the large number of incorrect rental subsidy determinations and associated loss of subsidy resources. HUD is addressing this issue with the Rental Housing Integrity Improvement Project (RHIIIP), which will significantly reduce erroneous rent determinations in these programs during the course of this Plan. In addition, underutilization and recapture of funds have been significant problems for the Housing Choice Voucher Program. HUD will take steps to improve the delivery of these rental and homeownership subsidies by simplifying the administration and strengthening the management of this program. HUD also has implemented management assessment systems for public housing, assisted multifamily housing and voucher programs. Studies of these systems will validate the reliability of the information collected about program conditions and management. In addition, Section 8 Contract Administrators currently review and certify 100 percent of billing invoices for accuracy.

### ***Using human capital effectively.***

Human resources are the indispensable key to accountable management. Using innovative human resource programs and flexibilities, HUD will recruit, develop, maintain and nurture a workforce that is strong in its diversity of skills, experiences and backgrounds. HUD will strive to maintain a work environment that encourages all employees to participate, learn and grow well into the 21st century.

HUD is implementing a strategic human capital resources planning process to identify and justify staff resources and ensure staff are available and have the necessary skills to carry out HUD's mission. Key issues addressed by the human capital plan are workforce succession, retention, recruitment, training and placement. A well-trained, well-equipped and strategically placed staff is necessary to implement other means and strategies for this and the other five strategic goals. The Human Capital Steering Committee (made up of representatives from the major program areas at HUD) has drafted a Strategic Human Capital Management Plan for the agency. The Plan is designed to ensure that HUD is a mission-focused agency, has a high quality workforce and has an effective succession plan.

- To become a mission-focused agency, employees will be aligned to fulfill the strategic goals efficiently and effectively. This will be accomplished through better deployment of the workforce, more careful alignment of business activities with HUD's mission and more consistent attention to addressing management challenges.
- To attain a high quality workforce, HUD will improve the recruitment, development and management of a high quality and diverse workforce. This will result in employees who have the knowledge, skills and abilities needed to perform their jobs; are empowered to do their jobs; and are rewarded for good performance and held accountable for marginal or unsatisfactory performance.
- Lastly, it is critical for HUD to have effective succession planning. This means that staff who retire over the next five years will be succeeded by qualified staff who are prepared to continue quality service and program delivery. It also implies that technical knowledge will be captured, documented and institutionalized to support sustainable high performance. Effective succession planning ensures that HUD's capacity to achieve its mission is replenished with fresh skills and knowledge; maintains the resource of institutional knowledge; provides for high levels of customer service even after waves of retirements; and retains high-performing mid-level and junior employees because clear lines of succession are established.

### ***Managing information.***

Reliable information is the second critical factor needed to increase accountability. HUD has a number of strategies to improve the use of information. In recent years, the Department has greatly expanded the use of performance information to manage programs and operations, to guide budget decisions, to inform



stakeholders about program results and to strengthen enforcement of partners who fail to act with integrity. A number of the efforts described below are reflected and supported by performance goals in HUD's Annual Performance Plan:

- Continue to use the annual Management Plan process to specify operational goals that support the goals established in the Annual Performance Plan. The overall Management Plan is integrated with Field Management Plans that reflect local resources, needs and opportunities.
- Maintain a strong research program focused on program evaluations to assess the effectiveness of HUD programs and develop recommendations for program improvements.
- Strengthen and replace financial management systems to improve the integrity of financial data and to ensure that accounts can be fully audited.
- Apply principles of business process analysis and evaluation, target enterprise architecture objectives and integrate common processes to improve HUD's management and internal controls, improve systems, resolve audit issues and improve service delivery to all customers.
- Continue to improve the Internet content, policy, technology and reliability of program data and certify compliance of program data systems according to the standards of the Chief Information Officer, the principles of enterprise architecture and performance-based system development practices. HUD's data quality initiative includes assessment of data elements in mission-critical systems, correcting data problems and certifying the systems. Information integrity also is being improved with a series of computer security projects and by implementing HUD's information quality policy for disseminated information.
- Increase citizen access to information on HUD's programs and their local implementation. This is accomplished through citizen participation in the Consolidated Plan process, as well as through electronic government. These "eGov" efforts include satellite broadcasts, Webcasts, HUD's award-winning Internet site and the HUD USER Web site, which focuses on research dissemination. Electronic government also is being implemented for core business purposes, beginning with eGrants.
- Implement the RHIIP to reduce overpayments of 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. Efforts include developing software tools for housing providers, introducing a quality control program—including income matching—to monitor their performance, as well as exploring program simplification opportunities.
- Through the REAC, 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, rate the performance of Independent Public Accountants that perform financial audits of PHA and multifamily assisted properties. Poor performers are referred to the Departmental Enforcement Center for debarment.
- Through Housing's new Office of Regulatory Affairs and Manufactured Housing and the Office of General Counsel, protect consumers through investigations and enforcement actions under the Real Estate Settlement Procedures Act, the Interstate Land Sales Full Disclosure Act and the Manufactured Housing Construction and Safety Standards Act.
- Through FHA's Office of Single Family Housing, implement new protocols for the monitoring of FHA appraisers.
- Through HUD's Mortgage Review Board, levy fines against lending institutions and restrict their dealings with the FHA when they violate federal lending policies.
- Work with participants 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.
- Hire, train and retain a quality program monitoring and enforcement workforce capable of ensuring greater accountability for results by program participants.

### ***Enhancing monitoring and enforcement.***

A cornerstone of effective management and accountability consists of HUD's program monitoring, enforcement and regulatory oversight activities:

### ***Working with partners.***

HUD's principal management and senior managers also are working closely with HUD's partners to jointly improve management operation and controls and strengthen incentives. HUD will:

- Periodically survey HUD's customers and partners to assess programs, policies and monitoring, as well as the Department's relationship with these stakeholders.
- Provide technical assistance to improve voucher utilization.
- Distribute additional vouchers to areas of high utilization.
- Consult with community development partners to streamline the Consolidated Plan development process.
- Through the Troubled Agency Recovery Centers and the Office of Public and Indian Housing, help troubled housing agencies improve management to achieve standard or high-performing status.
- Review the following programs to determine how to increase the rates of obligation and expenditure of funds: Housing Choice Vouchers, elderly housing grant funds (Section 202) and the Public Housing Capital Fund.

### ***Building a communications loop.***

To improve internal communications and employee involvement, HUD will implement several strategies:

- **Effective communication vehicles.** HUD will assess its communication vehicles to look at the function, effectiveness and audience of all internal communication vehicles used at HUD. This assessment will also determine potential new vehicles and communication channels.
- **Improve upward communication.** HUD will design a system of upward communication that seeks, acknowledges, responds to and uses employee feedback.
- **Engage the field.** HUD management will work with field directors to understand communication weaknesses unique to each office. This information will be used to build general communication strategies sensitive to the needs of field employees and specific initiatives responsive to individual offices.

## **Performance Measures**

### **Long-Term Performance Measures**

HUD will assess its long-term success in achieving this goal by measuring the following outcomes discussed below:

- HUD's budget documents clearly link allocated resources to anticipated results, and policy directions and resources are linked to specific strategic goals.
- HUD will modernize its financial management and information systems.
- HUD will strengthen controls over rental housing assistance payments.
- HUD will strengthen controls over FHA's single family housing program risks.
- By 2008, HUD will have implemented its human capital strategic plan and will have its workforce training, retention and recruitment policies in place and determined acceptable by an independent review.
- The satisfaction of HUD partners with the Department's performance, operations and programs increases.
- Employee satisfaction will increase from the 2002 baseline by 2008.

***HUD's budget documents clearly link allocated resources to anticipated results, and policy directions and resources are linked to specific strategic goals.***

The PMA provides the guiding principle for budget and performance integration. HUD will develop its annual budget with a focus on collecting and using quality performance information, utilizing full cost accounting principles and emphasizing program evaluations and research to inform decisionmaking. HUD views the integration of performance and budgeting as an iterative process that will reflect shorter-term, intermediate and long-term results. Over time, the effort will require improved information and data in order to better mesh performance and budgeting efforts. Additional data will depend in part on systems and data development and pursuing needed program evaluations. The Department will work closely with OMB, other federal Departments, the Congress and its many partners to continue to improve and measure program performance.

***HUD will modernize its financial management and information systems.***

The PMA includes a specific focus on improving financial management performance. One of the key components of improving HUD's financial management performance is the modernization of financial systems, one of HUD's highest priorities. HUD financial systems currently fail to meet federal financial management requirements and applicable federal accounting standards. FHA has partially converted its private-sector accounting systems to comply with generally accepted federal accounting standards. The Office of the Chief Financial Officer (OCFO) is leading a Department-wide effort to assess HUD's financial systems and carry out a program to bring the Department into compliance by FY 2007. Modernizing HUD's financial systems will not be easy. Notwithstanding, HUD has the sustained leadership commitment, time and resources to achieve success.

To guide and support HUD's systems modernization efforts, the Chief Information Officer (CIO) is leading a number of Information Technology (IT) management improvement efforts, including:

- Refinement and institutionalization of HUD's IT Investment Management (ITIM) Process.
- Completion of HUD's Enterprise Architecture (EA) initiative to provide Department-wide documentation of HUD's current business and technology systems architecture baseline, as a basis for both better managing HUD's current information systems and better meeting future information systems needs through development of a "target architecture" for future systems development.

- Implementation of a performance-based, outcome-oriented infrastructure contract, called HUD IT Services (HITS), to provide improved services and innovative IT solutions.
- IT project management reviews at the highest levels to focus executive attention on projects needing direction.
- The use of Integrated Procurement Teams to manage and implement the transition of IT support contracts to performance-based contracts.
- Implementation of HUD's Enterprise Security Program to provide protection of HUD's critical infrastructure, both physical and information systems. This entails developing and implementing effective security procedures; security awareness and training; disaster recovery/contingency planning; and monitoring compliance and effectiveness of security procedures, policies and standards.

***HUD will strengthen controls over rental housing assistance payments.***

The PMA includes the reduction of overpaid rental housing assistance as a separate HUD-specific initiative, with an overall goal of a 50 percent reduction in the \$2 billion net annual assistance overpayment estimate by 2005. HUD has developed a comprehensive corrective action plan to address the root causes of these erroneous payments. Efforts are under way to reestablish an adequate program oversight capacity, through enhanced staffing, guidance, training, systems and enforcement. Improved guidance, training and automated tools for its third-party program administrators are also being provided. Improved computer matching and data sharing on assisted tenant income have the potential to reduce much of the estimated payment error. HUD has interim goals to reduce the overpaid assistance by 15 percent in 2003 and 30 percent in 2004, and there are plans to measure HUD's progress in meeting those targets.

***HUD will strengthen controls over FHA's single family housing program risks.***

The number of program participants that fail to meet FHA's performance standards and compliance requirements will be significantly reduced. FHA is committed to fighting the practice known as property flipping to reduce the risk of loss to the FHA fund. Other FHA efforts will protect homebuyers from predatory lending practices. In addition, FHA's Appraiser Watch process automatically targets housing appraisers with poor performance records for monitoring, or even disqualified from program participation, when they hit certain unacceptable performance thresholds. FHA's Credit Watch,

Neighborhood Watch and other program monitoring and enforcement efforts are also being strengthened.

***By 2008, HUD will have implemented its human capital strategic plan and will have its workforce training, retention and recruitment policies in place and determined acceptable by an independent review.***

Under the PMA, HUD's five-year Human Capital Management Strategy aligns its human capital with its mission, goals and organizational objectives, and eliminates the skill gaps or deficiencies in mission critical occupations. HUD will address needed improvements in organizational structure, succession planning, recruiting and hiring, training and performance incentives, evaluation and recognition. A baseline of existing gaps in staff knowledge, skills and abilities will be established in 2004, and implementation of the Human Capital Management Strategy will result in a decrease in that baseline through 2007. This effort will also support other long-term performance measures under this strategic goal, such as integrating budget and performance and providing the skills needed to better manage information technology and reduce risks in the rental housing assistance and single-family housing programs.

***The satisfaction of HUD partners with the Department's performance, operations and programs increases.***

In 2001, HUD published the results of a survey of key HUD partners concerning their satisfaction with the

Department's service and programs. A goal of the Department is to ensure a high level of satisfaction among those groups who are needed to implement HUD's program effectively. In 2003, HUD will replicate the 2001 survey to determine how partners' satisfaction has changed over time.

***Employee satisfaction will increase from the 2002 baseline by 2008.***

In the spring of 2002, HUD conducted a Web-based OAS. The survey was designed by the Office of Personal Management to measure HUD employees' satisfaction with their workplaces. The survey measured personal experiences, job satisfaction and 17 dimensions of organizational climate that are key to high performance (balancing work and family life, leadership, teamwork, fairness). The survey was complemented by results from 22 focus groups at eight HUD locations nationwide.

The OAS results will be used to set priorities in the areas that were identified as needing improvement, to help develop new performance goals and to create plans that focus on the areas where HUD can achieve the greatest progress through 2008 to address key organizational concerns. The 2002 OAS will be the baseline against which HUD measures progress in employee satisfaction and its transformation into a high performing organization.

### Intermediate Measures Supporting this Goal

- The number of noncompliant financial management systems decreases.
- Complete assessment of HUD financial systems by FY 2004.
- Achievement of milestones for implementing the FHA integrated financial management system by 2006.
  - Implement the U.S. Standard General Ledger and credit reform accounts;
  - Implement automated funds control processes;
  - Automate FHA's interface with HUD's departmental general ledger;
  - Eliminate manual accounting processes.
- Achievement of milestones in the RHIP process and interim targets for error reduction.
  - Complete regulatory simplification;
  - Develop structured forms and tools for rent determination;
  - Complete training for rent determination;
  - Implement automated tenant data sources for rent determination;
  - Implement risk-based monitoring of housing providers.
- Implement actions including a communication assessment, to address challenges raised in the 2002 Organizational Analysis Survey by 2004 and 2007.
- Complete follow-on Organizational Analysis Survey by 2005 and 2008.
- Complete a comprehensive, strategic workforce plan in 2004.
- Complete an integrated human resources/training/workforce management system (HIHRTS) in 2005.

### External Factors

The large number of HUD agents and grantees implementing HUD's programs in the field greatly complicates monitoring and performance measurement. For instance, the assumption underlying the distribution of grants by formula is that local decisionmakers are best positioned to respond to local housing needs and market conditions, and that local choices of activities that should be funded produce the most effective results.



## Strategic Goal

# Promote Participation of Faith-Based and Community Organizations

*“Faith-based and community groups are a force for tremendous good – but we know they could do so much more to help ease the suffering in our neighborhoods. And so we are tearing down the barriers and opening the door of opportunity for America’s ‘armies of compassion.’ They are eager to serve; we are offering them every encouragement.”*

*-Secretary Mel Martinez*

### Overview

In January 2001, President Bush created the White House Office of Faith-Based and Community Initiatives and charged it with lifting up this nation’s charitable service organizations and encouraging their good works. Roadblocks—including outright bias, arbitrary and burdensome regulations and general confusion over the way the federal government has addressed the separation of church and state—often have prevented HUD and other federal agencies from expanding its partnerships with America’s faith-based groups. HUD’s goal is to break down the barriers and substantially strengthen and expand its partnerships with faith-based and community groups to take full advantage of their capacity to provide quality services to communities and families.

#### ***Objective FC1: Reduce regulatory barriers to participation by faith-based and community organizations.***

HUD’s activities under this objective will help to maximize full participation by faith-based and community-based organizations, by identifying regulatory barriers that inhibit participation and by assessing procurement and other internal policies and practices.

Although HUD enjoys a long history of partnering with faith-based and community groups, many have been at a disadvantage. Some have been required to strip themselves of their religious identity and to separate their faith from their good works. In some instances, other impediments have either prohibited or discouraged participation by faith-based and community organizations. Additionally, some smaller grassroots and

faith-based institutions have lacked access to information, critical networking contacts and complete capacity to be successfully eligible to receive federal funding.

#### ***Objective FC2: Conduct outreach to inform potential partners of HUD opportunities.***

Faith- and community-based organizations, large and small, can play a significant role in helping HUD to achieve its core mission. Among other assets, many of these organizations have a detailed knowledge of the needs of low-income communities and the trust of low-income residents. Led by its Center for Faith-Based and Community Initiatives (CFBCI), HUD will reach out to groups—especially the smaller grassroots organizations that tend to be excluded—and help them with educational seminars, technical assistance and other services. By increasing the involvement of faith-based and community organizations in HUD’s programs, HUD intends to provide higher quality services to the nation’s communities.

#### ***Objective FC3: Expand technical assistance resources deployed to faith-based and community organizations.***

One of the constraints faced by faith-based and community nonprofit organizations is a lack of capacity to expand their operations to effectively implement new programs or absorb new increments of funding. Expanding technical assistance to these organizations will help increase their professionalism and efficiency as they benefit from the lessons learned by larger

organizations. Training will include topics of capacity building, resource development strategies, the importance of generating partnerships and strategic planning.

***Objective FC4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.***

The goal of utilizing faith-based and community grassroots organizations to advance the mission of HUD ultimately hinges on the extent to which these organizations are able to access resources at the local level. HUD annually awards on the order of \$2 billion in competitive grants for which nonprofit organizations are eligible. By comparison, \$6 billion is potentially available through the CDBG and HOME programs—and more still through PHAs. Some local government entities may have limited experience in working with nonprofit, community-based service providers, and so the CFBCI will play a leading role—initially in a few target cities—in bringing together local government and community organizations to discuss the unmet needs of the community and the capacity of faith communities to respond to those needs.

Additionally, the CFBCI seeks to encourage access to local funds by creating a greater transparency of the grant making processes. To this end, HUD will publicize the local grant opportunities, the points of contact and examples of recent grants to faith-based and community grassroots organizations.

## **Means and Strategies**

A number of specific strategies have potential to help match some of the vast resources of the federal government with the vision, commitment and expertise of community-based religious and voluntary organizations that are on the frontlines. Planned activities include the following:

- Eliminating regulatory language that creates unnecessary barriers for faith-based groups;
- Eliminating or modifying requirements that are not mandated by statute or regulation and act as impediments;

- Expanding technical assistance to faith-based and community groups, many of these groups are served through HUD's capacity building grants;
- Expanding outreach and field development;
- Publicizing successful programs of faith-based service delivery relevant to HUD's mission, with the aim of encouraging other groups to use these programs as a model;
- Facilitating the formation of partnerships between formula grantees of HUD (community development and public housing officials) and local faith-based and community grassroots organizations;
- Creating pilot programs within each of HUD's principal operating units (Housing, PIH, CPD) for the purpose of demonstrating the potential of faith-based and community grassroots organizations to advance the mission of HUD;
- Designating faith-based liaison officers at the regional and field offices to advance the Initiative within a local context;
- Building partnerships between the federal government and corporations, foundations and nonprofit organizations, including the Corporation for National Community Service.

HUD established the CFBCI in compliance with Executive Order 13198. CFBCI will partner with the comparable centers at the Departments of Education, Justice, Labor and Health and Human Services to advance the Initiative. Among other activities, the Center will:

- Plan and conduct interagency events and conferences designed to educate and train faith-based and community organizations on equal access issues and partnership opportunities;
- Launch pilot and demonstration projects that bring program resources and other resources of these agencies together to serve faith-based and community organizations. These will include establishing a resource center and interagency Web site for the Initiative. Specific areas for which interagency coordination is planned beginning with FY 2003 include HUD's Family Self-Sufficiency program and HUD's activities in Colonias, homelessness and predatory lending.



## Performance Measures

### Long-Term Performance Measure

HUD will assess its long-term success in achieving this goal by measuring the following outcome discussed below:

- Participation of faith-based and community-based organizations in HUD programs increases, as evidenced by the number of grant applications for and partnerships in HUD programs.

#### *Participation of faith-based and community-based organizations in HUD programs increases, as evidenced by the number of grant applications for and partnerships in HUD programs.*

One measure of HUD's success in making programs accessible to faith-based and grassroots community organizations is the number of grant applications these groups submit to HUD. The number of grant applications submitted each year represents the effective demand for federal resources by grassroots organizations, as well as a threshold level of capacity.

The organizations demonstrate a higher threshold of capacity when they are able to submit applications that are qualified and competitive enough to merit grant awards. Further, as faith-based and community-based organizations are educated about HUD housing and community development programs, HUD expects increased participation of these organizations as partners in its programs. By FY 2004, HUD intends to establish a baseline number of applications submitted by faith- and community-based grantees and to set a target for improvement. By FY 2005, HUD intends to establish a mechanism for tracking other participation in HUD programs and to set a target for improvement.

### Intermediate Measures Supporting this Goal

- Establish a baseline number of applications by faith- and community-based grantees and a target for increased participation by FY 2004.
- Create recording mechanisms for analyzing competitive grant applications for faith-based groups by FY 2004.
- Create recording mechanisms for analyzing formula grant applications for faith-based groups by FY 2005.

## External Factors

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



# Aligning Resources with Results

This section provides in-depth background information on three key aspects of HUD's implementation of this plan: the budget and staff resources that are aligned with each Strategic Goal; the interagency partnerships that contribute additional resources and strategies; and the program evaluations and performance information that are crucial to budgeting for results.

## Budget and Staff

The Department's ability to achieve the targets set forth in this Strategic Plan depends on the level and allocation of budgetary and human resources. HUD strives to allocate resources efficiently by evaluating programs, consulting with stakeholders and measuring performance.

HUD has instituted a series of measures to increase accountability and performance. One such measure is the adoption of resource management methodology. HUD has implemented the Total Estimation and Allocation Mechanism (TEAM), an online tool for measuring the allocation of staff resources. TEAM provides several benefits for the Department:

- Estimating resources for budget formulation, execution and analysis;
- Linking resources to performance measures specified in the Annual Performance Plan under the Government Performance and Results Act;
- Validating and monitoring actual resource utilization.

## Interagency Partnerships

In addition to private partners and state and local governments, HUD relies extensively on other federal agencies to help accomplish its mission. The interagency cooperation that is planned during the period covered by this Strategic Plan is summarized for each strategic goal below.

### ***Strategic Goal: Increase homeownership opportunities***

- Ginnie Mae will continue to guarantee mortgage-backed securities backed by pools of mortgages that are insured by the FHA and the Department of Agriculture's Rural Housing Service (RHS) or guaranteed by the Department of Veterans Affairs (VA).
- To implement and enforce the Real Estate Settlement Procedures Act (RESPA) effectively,

HUD will enhance coordination with the major banking regulators including the Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency, the National Credit Union Association, the Office of Thrift Supervision and the Federal Reserve Board. In addition, HUD will work with the Department of Justice, the Federal Trade Commission, the Internal Revenue Service and state attorneys general on joint enforcement actions.

- HUD also will continue to work cooperatively with these five regulatory agencies to collect data under the Home Mortgage Disclosure Act (HMDA). 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 will continue to work with agencies such as the Department of the Treasury to address predatory lending. 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.
- HUD cooperates with the Department of Justice to enforce fair housing laws that prohibit discrimination on the basis of minority status or disability. HUD also serves on the Interagency Task Force on Fair Lending, whose members include the Departments of Justice and the Treasury, the FDIC, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The Task Force coordinates fair lending activities across all federal agencies.
- Under a plan approved by the Federal Housing Finance Board, HUD formed a new partnership with the Federal Home Loan Bank (FHLB) of Seattle to buy up to \$100 million in loans guaranteed by HUD under Title VI of the Native American Housing and Self Determination Act. HUD guarantees of principal and interest will help create an incentive for other financial institutions to extend financing to Native American communities.

### ***Strategic Goal: Promote decent affordable housing***

- HUD will continue to work with the Department of the Treasury to ensure efficient use of the Low-Income Housing Tax Credit (LIHTC). HUD has done significant research on the tax credit program to inform LIHTC policy. HUD sets the maximum LIHTC rents by publishing estimates of 60 percent of area median income, and identifies Difficult Development Areas and Qualified Census Tracts—areas where tax credits can be taken on a higher percentage of a project’s “qualified basis.” HUD’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 a Memorandum of Understanding (MOU) with the 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 will work with the Environmental Protection Agency (EPA) and the Department of Energy in a partnership that supports the goals of the President’s National Energy Policy by promoting more widespread use of EnergyStar products in HUD’s inventory of public, assisted and insured housing.
- HUD and the Federal Housing Finance Board signed a MOU in 1999 that sets forth the policy for approving the use of 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.
- HUD will continue to work closely with a number of federal agencies, including the Departments of Health and Human Services (HHS) and Labor, to ensure the successful implementation of welfare reform policies designed to help low-income families make progress toward self-sufficiency. HUD 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 also encourages HUD-funded employment and training programs as well as subsidized housing providers to: (1) establish and maintain Neighborhood Networks centers for the implementation of such programs; and (2) coordinate and partner with the Department of Labor’s national system of One-Stop Employment Centers.

- HUD has worked with HHS to develop guidance and a model cooperative agreement for public housing agencies (PHAs) and local welfare agencies. PHAs are encouraged to enter into cooperative agreements with local welfare agencies to target services and assistance to welfare families who receive housing assistance and to reduce fraud and noncompliance with program requirements.
- HUD and HHS work collaboratively to increase the availability of assisted living facilities for low-income seniors, especially through coordination with states that have Medicaid waivers and can spend Medicaid funds on assisted living services.
- HUD signed a MOU with the FDIC to establish a national partnership to promote financial education using Money Smart, FDIC’s financial education curriculum. FDIC is sending an educational package to over 4,000 PHAs across the United States, as well as to HUD’s Public and Indian Housing Directors and Coordinators. The curriculum may be used in HUD-sponsored programs such as Resident Opportunities and Self-Sufficiency, Family Self-Sufficiency and Welfare to Work vouchers.

### ***Strategic Goal: Strengthen communities***

- Through the White House Office of Faith-Based and Community Initiatives, an Administration-wide effort to better support the work of faith-based and community organizations, HUD and four other agencies are working to coordinate a national effort to strengthen the capacity of faith-based and other community organizations to better meet the social and economic needs in America’s communities.
- HUD is a member of the Interagency Council on the Homeless. The other federal Departments represented on the Council include the Departments of Agriculture, Commerce, Defense, Education, Energy, HHS, Justice, Labor, Interior, Transportation and VA, the Social Security Administration, the Federal Emergency Management Agency, the Government Services

Administration, the Office of Management and Budget, the National Corporation for National Community Services and the Postmaster General. The Council coordinates federal programs supporting homeless families and individuals to minimize duplication and improve overall results.

- HUD will continue to work with the Departments of HHS and VA to better integrate HUD housing for homeless persons with HHS and VA service resources. The three agencies will continue to sponsor policy academies with state agencies to bring senior state and local policymakers together to discuss how to improve access to mainstream federal service programs by persons who are homeless.
- HUD's Office of Native American Programs coordinates 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 18 federal agencies, tribes, Native Americans, lending institutions, nonprofits, foundations and private businesses through a single portal so they can collaborate to promote sustainable economic growth in Indian country.
- HUD is a member of the Interdepartmental Task Force on HIV/AIDS and is collaborating with the White House Office of National AIDS Policy and other federal agencies in addressing the challenges from the HIV epidemic. These efforts will involve the coordination of training and technical assistance for providers of housing, health care and other social services for persons with HIV/AIDS. In addition, HUD is collaborating with the Centers for Disease Control and Prevention (CDC) on a study of the connections of homelessness or stable housing to HIV transmission and the progression of HIV disease, to assist CDC in gaining understanding and help prevent HIV transmission.
- HUD works with the Department of Justice and the EPA to enforce the Lead Disclosure Rule of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which requires that landlords and sellers of housing constructed prior to 1978 provide each purchaser or tenant with information about lead hazards.
- HUD is working on the Healthy Homes Initiative with the CDC, the EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology and the National Institute of Environmental Health

Sciences. Under the initiative, HUD awards grants to public and private organizations and makes agreements with other federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries.

- HUD is continuing joint research with the Federal Emergency Management Agency that will help reduce the risk and economic impacts of floods.

### ***Strategic Goal: Ensure equal opportunity in housing***

- 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 the Treasury, the FDIC, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency and Office of Thrift Supervision to provide guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations.
- The Interagency Working Group on Limited English Proficiency (LEP), chaired by the Office of the Assistant Attorney General Civil Rights Division of the Department of Justice, consists of representatives from all Federal Civil Rights offices. The group is working together to ensure effective and efficient implementation of Executive Order 13166 and Title VI of the Civil Rights Act of 1964 as it relates to LEP issues. The Group will ensure that persons with limited English proficiency will have meaningful access to funded and federally conducted programs and activities.
- HUD and the Department of Justice continue to coordinate their fair housing enforcement activities, especially with respect to responding quickly and effectively to Fair Housing Act complaints that involve criminal activity (e.g., hate crimes), a pattern and practice of housing discrimination, or the legality of state and local zoning or other land use laws or ordinances.
- HUD will continue to work with the Departments of Justice and the Treasury to ensure that LIHTC projects are in compliance with the Fair Housing Act. Under a MOU, 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.

- HUD is partnering with HHS to help states and communities comply with *Olmstead v. L.C.* by providing community living options for persons with disabilities. In the pilot initiative, HUD is supplying vouchers and technical assistance, while HHS, working through state Medicaid agencies, is providing Nursing Home Transition Grants, Medicaid funds and other resources to facilitate the transition to community living.
- 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.

organizations on partnership opportunities, launch pilot and demonstration projects and build partnerships between corporations, foundations and nonprofit organizations. The Corporation for National Community Service will also play a role, and the Department of Agriculture will also be invited to participate.

***Strategic Goal: Embrace high standards of ethics, management and accountability***

- HUD will continue to rely on the Department of Justice to accept civil referrals of multifamily development owners who have troubled management. Criminal referrals are sent to HUD's Inspector General.
- HUD will continue to show leadership in housing and community development policy by supporting cooperative research efforts. These include the National Survey of Homeless Assistance Providers and Clients (involving HHS, along with a number of other agencies); an Interagency Agreement with the Department of Justice's National Institute of Justice to evaluate drug elimination strategies; and coordination with the Department of State to enter into MOUs to facilitate information exchange with counterpart housing officials from other countries.
- HUD continues to participate in the interagency FedStats task force to facilitate electronic data dissemination. FedStats is intended to provide an interagency clearinghouse for statistical data that will transform existing information searches from a fragmented, agency-focused process to a more unified and customer-oriented one.

***Strategic Goal: Promote participation of faith-based and community organizations***

HUD's CFBCI will partner with the Centers for Faith-Based and Community Initiatives at the Departments of Education, HHS, Justice and Labor to plan and conduct interagency events and conferences. The conferences are designed to educate and train faith-based and community

## Policy Development, Program Evaluations, Related Research

HUD's Office of Policy Development and Research (PD&R) has launched a long-term research planning process designed to provide a solid foundation for future policy development. The process involves identifying and anticipating the key housing and community development issues likely to face the nation in 2010 or 2020 and then structuring a long-term research agenda to inform the development of policies that can have a major impact in addressing these issues. PD&R is also conducting a series of internal policy reviews of key issues and HUD programs to develop shorter-term policy options that HUD and other agencies can use to improve program effectiveness and efficiency.

### *Evaluation Strategy*

PD&R is in the process of substantially increasing program evaluation activity to support an Administration-wide effort to carefully evaluate the performance and impacts of government programs, including HUD programs. PD&R's ability to carry out this expanded level of program evaluation activity will depend on the availability of adequate appropriations. Based on input from the Secretary and program offices within HUD, PD&R is developing a program evaluation plan to ensure that evaluations advance key policy objectives and that major HUD programs are reassessed at regular intervals.

While PD&R regularly evaluates each of HUD's principal programs, there currently is no fixed timetable that dictates specific intervals for evaluating a particular program. Rather, decisions about when to evaluate programs are made on the basis of input from the Secretary, program offices and PD&R, in light of current policy needs, recent program experience and budget constraints. While early implementation evaluations and impact evaluations are generally conducted for significant new programs, most evaluations of mature programs focus in depth on particular issues that need research.

### *Evaluation and Research*

PD&R currently has an active docket of program evaluations and related research designed to help improve program performance and inform the Department's policy development process. This section describes, by strategic goal, HUD's recent and ongoing program evaluations and related research by PD&R, as well as the impact that certain prior research projects have had on HUD policy. Additional information on

HUD program evaluations and research, including copies of recently issued reports, may be found on the Web site for PD&R: [www.huduser.org](http://www.huduser.org).<sup>6</sup>

### **Strategic Goal: Increase homeownership opportunities**

- Increasing minority homeownership.** The President has established an ambitious goal to create 5.5 million more minority homeowners by 2010. In support of this objective, PD&R has initiated studies of the reasons for the racial and income gaps in homeownership and the early homeownership experiences of low-income families. Work in this area is being expanded to include topics such as the extent of any supply-side constraints on lower income homeownership opportunities and the effectiveness of policies and programs aimed specifically at boosting minority homeownership and helping low-income and minority families to remain homeowners.
- Affordable housing goals for GSEs.** PD&R research and analysis supports the review and establishment of new affordable housing goals for the government-sponsored enterprises, Fannie Mae and Freddie Mac. These goals play a significant role in ensuring that the GSEs do their part to expand homeownership opportunities for low-income and minority families. Among other activities, PD&R will analyze newly available census data to revise the areas classified as "underserved" for the purposes of the affordable housing goals. Prior analyses have provided the foundation for establishing the GSE housing goals to ensure that the institutions do their utmost to help make housing affordable.
- Evaluations of HUD homeownership programs.** To better understand the impact of HUD homeownership programs and determine how they can be improved, PD&R will initiate or continue work on a number of program evaluations, including evaluations of Housing Choice Voucher homeownership, homeownership activity under HOME, FHA single-family insurance and programs that concentrate homeownership investments in particular neighborhoods. Past research in this area has led to significant improvements in HUD's homeownership programs. For example, an evaluation of the FHA assignment program led to

<sup>6</sup> Additional research and evaluations are conducted by HUD's Office of Healthy Homes and Lead Hazard Control. Information on the work of this Office may be found on the internet at: <http://www.hud.gov/offices/lead>.

termination of that program and institution of new FHA loss mitigation tools. PD&R analysis also has contributed to the development of mortgage scorecards for use in FHA's automated underwriting and to the restructuring of FHA mortgages insurance premiums.

- **Providing essential data on homeownership and other housing issues.** A significant portion of PD&R's budget is dedicated to funding major ongoing housing market surveys that provide critical data on the state of the nation's housing stock and markets. These surveys include the American Housing Survey, the Residential Finance Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption and the Survey of New Manufactured Homes Placements.
- **Building technology.** PD&R will undertake research to explore new approaches for production, rehabilitation and maintenance of housing to enhance affordability and energy efficiency. Other areas of needed research include expanded research in support of modernization of the Manufactured Safety and Standards Act, research on the needs of special users including the disabled and the elderly, energy research and technological research to support HUD's own assisted housing programs.
- **RESPA analysis.** Since the passage of RESPA in 1974, PD&R has helped to shape its implementation and enforcement. PD&R economists have worked to help the Department simplify and improve the mortgage origination process so that consumers can benefit from lower settlement service prices. PD&R will help the Department evaluate comments on the proposed RESPA rule, prepare a final rule and assess its impact.
- **Reducing closing costs.** Closing costs contribute to the upfront cost of buying a home, but there is little empirical work in this area because of the lack of a useful database. PD&R is currently creating a database of FHA mortgages that can provide reliable information on closing costs for the nation as a whole, for each of the 50 states and for certain cities and metropolitan areas. Analysis of this database will help to inform policymaking on strategies for reducing closing costs.
- **Predatory lending.** PD&R will continue its analysis of the subprime lending market to help policymakers distinguish between legitimate subprime lending activity that helps to expand homeownership opportunities for low-income and minority families, and predatory lending that takes advantage of these families. PD&R will also examine the role of mainstream lenders in our inner cities.

### **Strategic Goal: Promote decent affordable housing**

- **Regulatory barriers to the production of multifamily and single-family housing.** State and local regulations operate as a significant barrier to the production of affordable housing. Various studies estimate that construction and development costs can be reduced as much as 35 percent through new regulatory tools and processes. PD&R research will help policymakers better understand the nature and effects of these barriers and options for overcoming them. Among other impacts, past research has identified opportunities for streamlining rehabilitation codes to stimulate greater rehab activity to preserve existing housing. Additional research topics under consideration include regulatory barriers in the form of land use, building code and other regulatory impediments and opportunities to reduce the cost of land and infrastructure—the fastest rising component of housing costs.
- **Development and evaluation of new strategies for expanding access to affordable housing.** These include strategies for facilitating access to financing for construction and land acquisition and expanding access to information on the availability of land suitable for the development of affordable housing.
- **Improving the quality and management accountability of public and assisted housing.** PD&R is working to help improve management of public and assisted housing, including a cross-cutting analysis of housing quality in HUD's various rental housing programs—public housing, Housing Choice Vouchers and the project-based Section 8 program.
- **Strengthening the Housing Choice Voucher Program.** PD&R has a long-standing research program focused on evaluating and improving the voucher program, which is HUD's largest affordable rental housing program. Among other things, PD&R plans to mine the wealth of research on Housing Choice Vouchers to distill lessons for states in implementing the new Housing Assistance for Needy Families program.
- **Helping HUD-assisted renters make progress toward self-sufficiency.** PD&R is presently evaluating a number of programs designed to advance this objective, including: the Family Self-Sufficiency Program; the Welfare-to-Work Housing Voucher program; the Jobs Plus program; and the Moving to Opportunity Program. PD&R is also closely analyzing HUD administrative data to establish a benchmark for assessing the efficacy of



future efforts to increase the incomes of families in public and assisted housing. Work on these priorities will continue in future years.

- **Other affordable housing topics under consideration.** Other program evaluations under consideration for FY 2003 and beyond include: an evaluation of assisted living conversions and other initiatives to appropriately house the aging elderly; a study of the Housing Choice Voucher administrative fee structure; a study of landlord relations in the Housing Choice Voucher program; a study of the outcomes for people leaving housing assistance; and a study of the factors leading owners to opt out of the project-based Section 8 program and the effectiveness of policies to preserve this housing stock.

### Strategic Goal: Strengthen communities

- **Ending chronic homelessness.** PD&R is actively engaged in research designed to support the Secretary's goal of ending chronic homelessness in ten years. Projects include researching effective strategies for meeting the needs of on-the-street homeless individuals and evaluating the effectiveness of HUD-funded permanent housing for persons with disabilities.
- **Preventing homelessness.** To effectively address the challenge of homelessness, it is essential to focus on preventing families and individuals from becoming homeless in the first instance. To help develop more effective policies for preventing homelessness, PD&R will be researching the causes of homelessness, with a focus on procedures for discharging individuals from various publicly funded institutions, including jails and mental health institutions.
- **Improving the usefulness of the Consolidated Plan.** PD&R is actively involved in the Presidential Management Agenda goal of streamlining the Consolidated Plan and making it more useful to communities. Among other activities in FY 2003, PD&R will help to assess the efficacy of pilot strategies to streamline the consolidated planning process and help improve the usefulness of data that HUD provides communities for use in analyzing housing and community needs through the development of improved geographical information systems (GIS) templates.
- **Evaluating the formulas for distributing HOME, CDBG and other Funds.** PD&R will analyze the impact of new census data on formulas for distributing HUD funding, including HOME and CDBG funds, as well as HIV surveillance data for Housing Opportunities for Persons with AIDS

funds, to determine whether changes to these formulas are necessary to ensure the effective targeting of HUD funds.

- **Improving the lives of residents of the Colonias.** PD&R is engaged in an ongoing research effort to support the Secretary's goal of helping to improve the lives of residents of the poor areas along the U.S.-Mexico border known as "Colonias." Among other things, PD&R's research program is designed to better understand the nature of the problems faced by residents of the Colonias and analyze policy options for addressing these problems.
- **State of the Cities Data Base.** PD&R maintains and updates the State of the Cities Data System, which provides community and economic development practitioners with a centralized source of a variety of economic, demographic and housing data. Practitioners and researchers use the data system to track local conditions in cities and suburbs across the nation.

### Strategic Goal: Ensure equal opportunity in housing

- **Housing discrimination.** PD&R has an active research program designed to better understand the extent and nature of housing discrimination. Activities include a major study of the extent of housing discrimination in 2000 in the rental and homeownership markets (funded through the Fair Housing Initiatives Program, or FHIP). This study will update an earlier major study conducted in 1989, which found a substantial amount of differential treatment of minorities seeking to buy or rent housing and led to the authorization for the FHIP. PD&R also is developing pilot testing methods for detecting housing discrimination against persons with disabilities and conducting the first-ever assessment of housing discrimination against Native Americans. Another recent study assessed the level of public awareness of the fair housing laws. PD&R will continue to support the efforts of FHEO in this area in coming years.
- **Housing accessibility.** PD&R research helps to assess compliance with accessibility standards and to develop strategies for making the marketplace more aware of those standards. A recent study found that most new multifamily properties comply with some of the accessibility standards, but few comply with all of them.

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

- **Program evaluation activity.** In an effort to strengthen the accountability of HUD programs for results, PD&R plans to substantially increase

funding for HUD program evaluations in FY 2003 and future years. Based on input from the Secretary and program offices within HUD, PD&R will develop a plan for program evaluation activity to ensure that it advances key policy objectives and leads to regular periodic evaluations of major HUD programs.

- **Research specific to performance management and the Government Performance and Results Act.** PD&R will continue its research program to improve HUD's ability to measure the direct effects of HUD's programs. The American Housing Survey, program evaluations and special-purpose research efforts provide and validate performance data about program impacts.
- **Reducing errors in income and rent determinations.** PD&R supervises periodic evaluations of the income and rent determinations of HUD's rental assistance programs to gauge the magnitude of errors and develop recommendations for reducing them.

**Strategic Goal: Promote participation of faith-based and community organizations**

- **Building the capacity of faith-based and grassroots nonprofits.** Prior research by PD&R identified the lack of organizational capacity as a key obstacle to the funding (or expansion of funding) of many smaller nonprofit groups active in the housing and community development areas, including faith-based groups. Future research in coordination with HUD's Center for Faith-Based and Community Initiatives will assess effective strategies for strengthening these groups' capacity and will identify improved criteria for assessing capacity among smaller groups.

# Appendix

The appendix briefly covers four areas: (a) what HUD does and whom HUD serves; (b) the performance management cycle at HUD; (c) an assessment of major economic, social, demographic or other trends outside the Department with a potential to impact achievement of the Department's goals; and (d) the key statutes that govern HUD's operations.

## About HUD

### *Mission*

HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management and accountability and forge new partnerships—particularly with faith-based and community organizations—that leverage resources and improve HUD's ability to be effective on the community level.

### *What Does HUD Do?*

By working closely with other federal agencies and branches, as well as with local governments, faith-based and community organizations and the private sector, HUD provides a coordinated and comprehensive response to America's housing and community development needs. Among the key activities of the Department are to:

- Increase homeownership opportunities by fighting predatory lending, simplifying the homebuying process, helping HUD-assisted renters become homeowners and insuring loans for first-time and low-income homebuyers to increase access to the benefits of homeownership.
- Promote decent affordable housing by expanding access to affordable rental housing, improving the physical quality and management of public housing and increasing housing opportunities for vulnerable populations.
- Strengthen communities by eliminating chronic homelessness, mitigating housing conditions that threaten health and providing grants to communities to help meet locally defined needs for housing, economic development and infrastructure.
- Ensure equal opportunities in housing by resolving discrimination complaints swiftly, promoting public awareness of fair-housing laws and improving housing accessibility for persons with disabilities.

- Promote participation of faith-based and community organizations by removing the regulatory barriers that discourage these organizations from partnering with HUD.

### *Whom Does HUD Serve?*

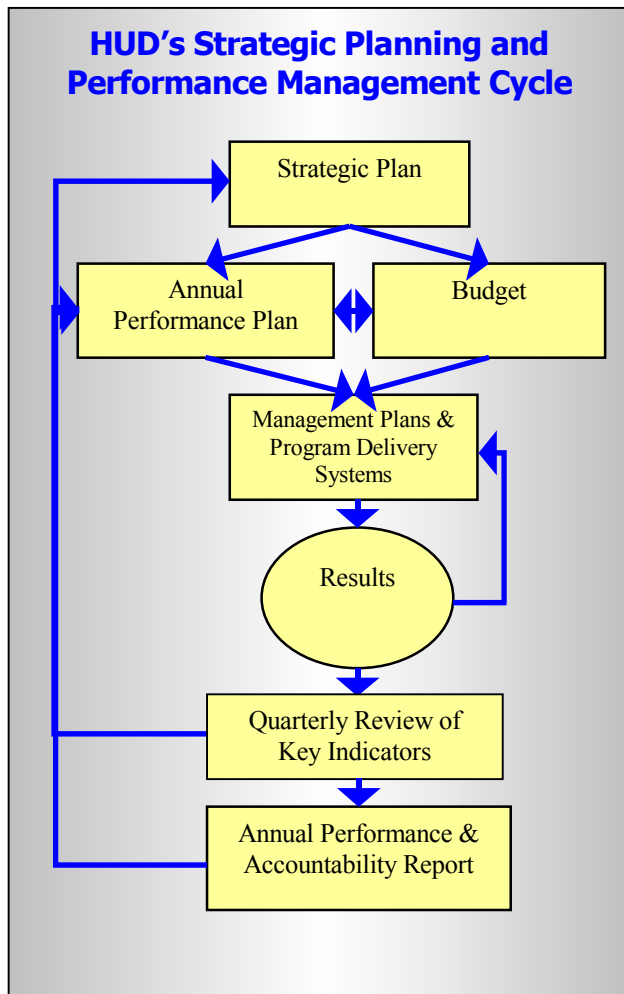
HUD has more than 9,000 employees and 81 field offices, with a presence in all 50 states, the nation's capital and Puerto Rico. Here are a few examples of the people and communities that benefit from HUD's programs:

- Through the Federal Housing Administration and Government National Mortgage Association (Ginnie Mae), both part of HUD, families who otherwise could not afford homeownership are helped in achieving that part of the American Dream.
- Millions of Americans—disabled individuals, the elderly, individuals with HIV/AIDS and people who were once homeless—receive HUD rental assistance, enabling them to afford a decent place to live. Through expansion of its successful Section 8 homeownership program, the Bush Administration is committed to helping more families move from renting to owning.
- Every state and more than 1,000 cities receive Community Development Block Grants, and a large portion also participate in the HOME Investment Partnerships and other grant funding, helping them to meet locally defined needs for housing, community development and basic services.

To fulfill its mission, HUD works closely with Congress and other federal agencies, and builds partnerships with local governments, faith-based and community organizations and the private sector. HUD's headquarters staff and field offices work with cities, counties, states, lenders, nonprofits and members of the housing industry. HUD strives to make its programs efficient and flexible. In FY 2002, Congress approved a budget of more than \$31 billion for HUD programs.

## The Performance Management Cycle at HUD

This section briefly describes how HUD uses the Strategic Plan. The diagram shows the integrated set of strategic planning and performance management tools that HUD uses to produce results. Together, the tools ensure better planning and accountability for results consistent with HUD's mission.



The Strategic Plan, the initial step in this performance management cycle, defines the strategic goals and objectives for the Department's work and establishes a vision of what HUD seeks to achieve during the next six years. Agencies are required to submit a new Strategic Plan to Congress at least once every three years. The last Strategic Plan was submitted in the fall of 2000.

Each year HUD develops and submits an Annual Performance Plan (APP) to Congress in conjunction with the President's Budget to identify the performance goals and results HUD intends to accomplish during the year with the resources in its budget request. The APP establishes the specific performance measures that will help us gauge progress in achieving the strategic goals and objectives articulated in the Strategic Plan. The FY 2004 APP will be submitted to Congress in February or March 2003.

Once Congress acts on HUD's budget proposal for a fiscal year, all HUD organizations, both in headquarters and the field, establish annual Management Plans to ensure the day-to-day management processes and program operations support the achievement of the measurable results contained in the APP. The field office plans identify the coordinated strategies and actions each office will implement to respond to local needs and to contribute to the achievement of the goals and objectives articulated in the APP.

In addition to the internal HUD Management Plans, the President prepares a Management Agenda with HUD that includes specific action items. The first iteration of the President's Management Agenda (PMA) was announced in conjunction with the FY 2003 budget submission in early 2002.

Progress in achieving milestones in both the internal Management Plans and the PMA is tracked on an ongoing basis and reviewed at Executive Management Meetings held monthly by the Deputy Secretary with principal staff. In addition, beginning in FY 2003, the Secretary will hold quarterly meetings with principal staff to review progress in achieving key APP indicators and meeting implementation milestones. These progress reviews and the results of ongoing oversight of field operations provide essential information for appropriate corrective actions and policy adjustments to ensure performance goals are achieved.

At the end of the fiscal year, HUD prepares a Performance and Accountability Report (PAR) that reports on HUD's performance in the prior FY and the extent to which HUD achieved the goals of the APP. The FY 2002 PAR will be submitted to Congress in February 2003.

The annual process of planning, budgeting, managing and reporting on performance will go through several cycles during the life of this Strategic Plan. The longer Strategic Plan cycle is completed when information about results, including program evaluations, is combined with stakeholder input to inform and shape Departmental strategies for a revision of the Strategic Plan.

## Perspective and Outlook

An essential element of a strategic overview of HUD's role is an assessment of major economic, social, demographic or other trends outside the Department with a potential to affect achievement of the Department's goals. Several aspects of the nation's economy and demography are worthy of note because of their current or potential impact on HUD operations.

### *Economy*

The ability of families to afford their housing costs is strongly influenced by the economy, and in particular, by interest rates and unemployment levels.

Unemployment rates rose during the recent recession but are expected to decline as the economy recovers. Family incomes declined slightly in 2001 according to the Census Bureau.

Interest rates are currently low, which is a driving force in making homeownership affordable for more families. An increase in interest rates could slow the growth in homeownership.

### *Housing Markets*

On a national basis, rental vacancy rates are at or near record high levels. Even so, there are some markets, for a variety of reasons, including the additional burden of compliance with state and local regulations, where affordable housing is less available.

### *Demographics*

Continuing growth in the elderly population during the coming decade will create new demand for housing that is appropriate for elderly families, including assisted living opportunities.

There is a growing population of Hispanic households in the United States, including many new immigrants. The ability of these households to access mainstream housing resources may be impacted by language barriers, discrimination and (in some cases) lack of credit history.

The 1999 Supreme Court ruling in *Olmstead v. L.C.* required states to place persons with disabilities in community settings rather than institutions when treatment professionals determine that community placement is appropriate. This decision affects the need for accessible housing and housing linked to supportive services.

### *Welfare Reform*

Many HUD tenants also receive income from welfare. Some HUD-assisted tenants have done well under welfare reform, moving completely from welfare to work or increasing their earnings. The long-term budgetary impact for HUD and housing providers is still being evaluated.

### *Devolution and Local Control*

The Quality Housing and Work Responsibility Act of 1998 continued the trend toward devolution of responsibility for HUD's housing programs, delegating more authority to state and local housing agencies. HUD's ability to achieve its goals is heavily contingent on the performance of its partners.

Local jurisdictions have local authority to create building codes and zoning requirements. Through this authority, jurisdictions often create regulatory barriers that prevent the development of affordable housing or lead to increased costs.

## Key Statutes

The Department of Housing and Urban Development is the Executive Branch Agency, established by Congress, whose chief responsibility is the implementation and enforcement of federal housing and community development statutes passed by Congress. Through the years, Congress has passed legislation that not only created the programs that HUD is responsible for administering, but also established HUD's overall goals and mission. While there have been a multitude of programs established by Congress over the years, the goals and mission of the Department have generally focused on the need for innovative and comprehensive solutions to housing and community development problems, an emphasis on HUD's service to disadvantaged individuals and distressed neighborhoods and a reliance on partnerships as a means to achieve results.

The following is a list of key statutes that define HUD's mission:

- |      |   |           |  |
|------|---|-----------|--|
| 1934 | <b>National Housing Act:</b> Created the Federal Housing Administration "to encourage improvements in housing standards and conditions (and) to provide a system of mutual mortgage insurance."   | 1968      | <b>Housing and Urban Development Act:</b> Established rental and homeownership programs for lower income families and created, within HUD, the Government National Mortgage Association (Ginnie Mae).  |
| 1937 | <b>United States Housing Act of 1937:</b> Created the public housing program.   | 1968      | <b>Civil Rights Act:</b> Prohibited discrimination in housing and gave HUD responsibility for administering those provisions.  |
| 1949 | <b>Housing Act of 1949:</b> Established grant programs to assist state and local governments with community planning and urban renewal. It also established the national "...goal of a decent home and a suitable living environment for every American family."  | 1971      | <b>Lead-Based Paint Poisoning Prevention Act:</b> Required the Secretary to establish procedures to eliminate as far as practicable the hazards of lead-based paint poisoning.   |
| 1959 | <b>Housing Act of 1959:</b> Established the Section 202 Supportive Housing for the Elderly program and FHA Mortgage Insurance for Nursing Homes program.  | 1974      | <b>Housing and Community Development Act of 1974:</b> Created Community Development Block Grants for state and local governments "to promote the development of viable urban communities" and also established Section 8 rent subsidies for low-income families.   |
| 1965 | <b>Department of Housing and Urban Development Act:</b> Created the Department in order "...to achieve the best administration of the principal programs of the Federal Government which provide assistance for housing and for the development of the Nation's communities, to assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban, or metropolitan development...and 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." | 1974      | <b>Real Estate Settlement Procedures Act of 1974 (RESPA):</b> Required that the costs of real estate settlement services be disclosed to the consumer and forbade the payment of referral fees, kickbacks, splits of fees and unearned fees for these services. RESPA governs almost every individual residential mortgage transaction involving a mortgage loan in the United States. |
|      |   | 1983      | <b>Housing and Urban-Rural Recovery Act:</b> Created the housing voucher program as an addition to Section 8 rent certificates and repealed authority to make new commitments under the Section 8 project-based program.   |
|      |   | 1987-1988 | <b>Stewart B. McKinney Homeless Assistance Act and the Stewart B. McKinney Homeless Assistance Amendments Act of 1988:</b> Created new programs to assist the homeless.  |
|      |   | 1988      | <b>Fair Housing Amendments Act:</b> Expanded the scope of fair housing provisions of the 1968 Civil Rights Act and gave HUD additional enforcement responsibilities.   |
|      |   | 1988      | <b>Housing and Community Development Act of 1988:</b> Made housing vouchers a permanent program; allowed sale of public housing to resident management corporations, giving residents the ability to manage and buy their developments; and authorized enterprise zones.   |

- 1988 **Anti-Drug Abuse Act of 1988:** Established the Public Housing Drug Elimination Program.
- 1989 **Department of Housing and Urban Development Reform Act:** Established over 50 legislative reforms to help ensure ethical, financial and management integrity.
- 1990 **National Affordable Housing Act of 1990 (a.k.a. Cranston-Gonzalez Act):** Created programs to empower and help the most needy through a variety of economic incentives, low-income homeownership opportunities and other housing and economic development programs. Created the HOME Investment Partnership, Housing Opportunities for Persons With AIDS (HOPWA) and Shelter Plus Care programs. Also established the Section 811 Supportive Housing for Persons With Disabilities program and the HOPE programs.
- 1992 **Housing and Community Development Act of 1992:** Established the Youthbuild and Low Income Housing Preservation and Homeownership programs. Also created a comprehensive lead paint hazards reduction program, HUD risk-sharing programs with housing finance agencies and GSEs and the Indian housing loan guarantee program.
- 1992 **Federal Housing Enterprises Financial Safety and Soundness Act:** Strengthened HUD's regulatory authority over Fannie Mae and Freddie Mac, the two housing government-sponsored enterprises regulated by HUD, to improve access to affordable housing for very-low-, low- and moderate-income families and families living in underserved areas. The Act established the framework by which HUD establishes the level of three housing goals that the GSEs are required to achieve annually. The Act also expanded HUD's new program approval and general regulatory authority over the GSEs. In addition, the Act established the Office of Federal Housing Enterprise Oversight as an independent office within HUD to examine the safety and soundness of the GSEs.
- 1992 **Lead-Based Paint Hazard Reduction Act:** Addressed the need to control exposure of children under the age of six to lead-based paint hazards, such as deteriorated lead paint, lead dust and lead in soil, in federally assisted and federally owned housing.
- 1994 **Multifamily Housing Property Disposition Reform Act of 1994:** Amended disposition requirements for multifamily mortgages. Created the Economic Development Initiative program.
- 1996 **Native American Housing Assistance and Self-Determination Act:** Established Indian housing block grant and loan guarantee programs.
- 1997 **Multifamily Assisted Housing Reform and Affordability Act of 1997:** Established the Mark-to-Market Program (M2M) and the Office of Multifamily Housing Assistance Restructuring (OMHAR) through the end of FY 2001. Under this program, individual projects in HUD's multifamily portfolio of insured Section 8 housing projects are restructured by resetting rents to market levels and reducing mortgage debt, if necessary, to permit a positive cash flow. *In 2001, Congress extended M2M and OMHAR through 2004.*
- 1998 **Quality Housing and Work Responsibility Act of 1998 (a.k.a. Public Housing Reform Act):** Made significant changes in the public housing and Section 8 tenant-based programs. Substantially deregulated high-performing public housing authorities, decreased poverty concentrations in public housing and promoted mixed-income communities, ensured that a threshold share of units and housing vouchers remain available for the truly needy and created incentives for residents to become self-sufficient.
- 1998 **VA-HUD Appropriations Act for Fiscal Year 1999:** Increased FHA's single-family loan limits, giving HUD the opportunity to provide more affordable mortgages to first-time, minority and central-city homebuyers, and substantially amended FHA Single Family Property Disposition requirements.
- 1999 **Preserving Affordable Housing for Senior Citizens and Families into the 21<sup>st</sup> Century Act:** Enabled HUD to develop a broad range of housing options to meet the changing housing needs of senior citizens, and authorized Mark-up-to-Market, which protects low-income renters by minimizing the number of owners that choose to opt out of the project-based housing assistance program.
- 1999–2000 **VA-HUD Appropriations Acts:** For FY 1999, Congress approved 50,000 new housing vouchers to help individuals and families with worst case housing needs and help families move from welfare to work. This was the first significant appropriation of new vouchers for the Department since FY 1994.  
  
For FY 2000, Congress approved 60,000 new vouchers, demonstrating renewed commitment to reduce the severe shortage of affordable housing.

- 2000 **American Homeownership and Economic Opportunity Act:** Expanded homeownership opportunities for low-income Americans, including the disabled, senior citizens and Native Americans.
- 2000 **Community Renewal and New Markets Initiative of 2000:** Encouraged economic development in low- and moderate-income rural and urban communities. Created the New Markets Tax Credit and the Renewal Communities program; expanded the Empowerment Zones program; and increased the supply of Low Income Housing Tax Credits and Private Activity Bonds.