




U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0001

THE SECRETARY

December 12, 2003

MEMORANDUM FOR: All Community Development Block Grant,
Emergency Shelter Grant, HOME Investment
Partnerships, and Housing Opportunities for
Persons with AIDS Grantees

FROM: Mel Martinez 

SUBJECT: New HUD Rule on Faith-Based Organizations and
Activities

On December 12, 2002, President Bush issued Executive Order 13279, which requires federal departments to treat all organizations fairly and without regard to religion in federal programs. In response, on September 30, 2003, HUD issued a new rule requiring equal treatment of faith-based organizations. The new rule is based on the principle that faith-based organizations should be treated on a level playing field with all other organizations when applying for Federal funding. The rule affects eight Community Planning and Development programs, including the following formula grant programs: the Community Development Block Grant Entitlement (and because it is rooted in Constitutional principles, the rule also serves as a safe harbor for the State CDBG program), HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS (HOPWA) programs. The new rule is an important part of HUD's implementation of the Executive Order.

Specifically, the new rule makes clear the following:

- Faith-based organizations are eligible for HUD funding on an equal footing with any other organization. Organizations competing for HUD funding, including faith-based organizations, should be assessed on their merits and how well they perform eligible activities, not on their religious or secular character.
- As with any mission-oriented organization, faith-based organizations retain their independence over their governance and expression of their beliefs. They may constitute their boards on a religious basis, display religious symbols and icons, and retain their civil right to hire only employees that share their beliefs, to the extent consistent with governing HUD program statutes.

- Direct HUD funds may not be used to support inherently religious activities such as worship, religious instruction, or proselytization. A faith-based organization may still engage in such activities so long as they are voluntary for program participants and occur separately in time or location from the activities directly funded under a HUD program.
- Faith-based organizations, like all organizations under HUD-funded programs, must serve all eligible beneficiaries without regard to religion. For example, an organization receiving HUD funds may not restrict HUD-funded services to people of a particular religion or religious denomination.
- Faith-based organizations may receive HUD funds to acquire, rehabilitate, or repair buildings and other real property, so long as the funds only pay the percentage of the total cost attributable to HUD activities. Faith-based organizations are no longer required to form a separate, secular organization to receive HUD funds for real property as they were under HUD's former regulations. However, HUD funds may not be used to acquire or improve sanctuaries, chapels, and other rooms that a HUD-funded congregation uses as its principal place of worship.
- Finally, the new rule applies to state or local funds, if a state or local government commingles its own funds with the HUD funds covered by the rule.

The new rule is a significant step forward in the effort to ensure that faith-based organizations have an equal opportunity in federal programs. As a recipient of HUD formula funding, it is your responsibility to ensure that this new rule is clearly communicated and fully implemented. HUD will be issuing more comprehensive departmental guidance in the near future to assist you in this endeavor.

Any employee who has managerial or operational responsibilities for HUD formula funding should be familiar with the rule. All applications, requests for proposals, guidance documents, handbooks, and other materials published in conjunction with HUD formula funding should comply with the rule. All language in contracts and grant agreements should also comply with the rule.

We encourage you to be proactive in your outreach to faith-based organizations that have not been traditional partners. In all of your HUD-related documents, your inclusion of language similar to that found in the new rule will be an important demonstration of your commitment to the equal treatment of faith-based organizations.

HUD also expects truly broad outreach as part of the citizen participation requirements in your Consolidated Planning process. A wide array of community-based organizations--faith-based and secular, large and small--should participate in the planning process to ensure that HUD resources are best serving the community as a whole. Transparency, openness, and inclusion are the hallmarks of an effective Consolidated Plan.

We at HUD appreciate the good work that you do every day to improve the lives of those in your communities. Your commitment to low-income families and neighborhoods is evidence of the compassion that makes America great.