



# HUD STRATEGIC PLAN

FY 2006 - FY 2011

U.S. Department of Housing and Urban Development





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March 31, 2006





## MESSAGE FROM SECRETARY ALPHONSO JACKSON



The U.S. Department of Housing and Urban Development, on behalf of and in partnership with the American people, has had substantial success in numerous important efforts: expanding homeownership, increasing access to affordable housing, fighting housing discrimination, eliminating chronic homelessness, improving communities, and affirming our nation's support for society's most vulnerable populations. This Strategic Plan sets forth HUD's vision, goals, and strategies to continue to advance our mission and remain effective stewards of our citizens' resources.

Each year, the Department successfully enables millions of individuals and families to become homeowners or to obtain safe, decent, and affordable rental housing. Each year, HUD provides resources to improve economic conditions and infrastructure in distressed communities, thereby making them more livable. We increase public awareness of fair housing laws, because this awareness, coupled with enforcement of these laws, reduces housing discrimination. Finally, the Department continues to embrace high standards of ethics, management, and accountability to assure that crucial and scarce public sector dollars are being used in programs that are financially sound and effectively administered. We at HUD will continue to document further progress in all these key areas.

We recognize, however, that though the priorities, needs, and interests of this country are great and diverse, the available resources are limited. Nevertheless, HUD will not retreat from its mission. HUD continues to strengthen its partnerships with other federal agencies, state and local governments, and private sector organizations—whether for-profit or non-profit, whether faith-based or community-based. These partnerships help advance our mission by leveraging resources and promoting innovative program goals and designs. A good example of this collaboration is our new strategic objective to assist disaster recovery in the Gulf Coast region. Mission results will be further achieved through important HUD-proposed initiatives, including legislative proposals to reinvigorate and transform the Federal Housing Administration, reform the Community Development Block Grant program, improve Public Housing and the Housing Choice Voucher program, and continue progress in reducing homelessness and ending chronic homelessness through consolidation of existing programs.

During the period this Strategic Plan is in effect, we at HUD expect to see notable achievements in a number of outcome measures and Presidential and Secretarial initiatives. The Department will continue its focus on increasing homeownership opportunities for those who aspire to become homeowners, with an added emphasis on minority homeownership to support the President's goal of adding 5.5 million minority homeowners by the end of the decade. HUD will increase affordable housing opportunities and improve housing conditions, with additional focus on housing for the elderly and persons with disabilities and AIDS, and on eliminating lead hazards. We will see performance improvements in financial management, information technology (IT), and program operations, by eliminating material audit weaknesses; modernizing and securing IT infrastructure; advancing electronic government; and fully implementing the Strategic Human Capital Management Plan to produce a high-performing and satisfied workforce.

The results of HUD's programs matter because individuals, families, and communities remain vulnerable to homelessness, discrimination, and economic downturns. This Department remains committed to serving the most vulnerable populations, fighting discrimination, and sustaining and revitalizing our nation's communities. Through HUD's work, America and its communities will grow stronger and more vibrant as more individuals and families share in the growing opportunities of this great nation.



Alphonso Jackson

Secretary

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# INTRODUCTION

This document presents the U.S. Department of Housing and Urban Development's (HUD) Strategic Plan for Fiscal Years (FYs) 2006–2011. The Strategic Plan describes HUD's strategic goals and objectives for the remainder of FY 2006 and the next five years, and its plan of action for achieving these objectives and further 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.

*HUD's mission: To increase homeownership, support community development and increase access to affordable housing free from discrimination.*

Secretary Jackson remains committed to continued improvement of HUD's performance while upholding the highest standards of ethics, management, and accountability. This is in keeping with President Bush's Management Agenda, which HUD is implementing actively to fully resolve remaining 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 framework for measurement of results. The final section links resources with results, laying out a plan for fully devoting HUD's budget and human capital to achieve the strategic goals. As a reference, the appendix to this Strategic Plan summarizes HUD's 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

During 2005, Secretary Jackson called for HUD leadership to initiate strategic planning and consultation to assess the continued suitability of

HUD's strategic goals and objectives and program efforts for achieving the Department's statutory mission. All principal areas of HUD contributed to this effort, and the planning was substantially integrated with development of the FY 2007 Budget and Annual Performance Plan. These documents reflect HUD's strategic goals and revised objectives. 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 consulting with Congress and the Office of Management and Budget; soliciting feedback at regional meetings; and inviting interest groups to a National Stakeholders Consultation in Washington, DC. The Department also solicited comments from citizens, stakeholders, and HUD employees by publishing a draft of this plan on its website. The Department's managers and leaders 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 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. HUD's mission and strategic goals remain unchanged from those established in 2003, although there have been revisions to the strategic objectives.

The strategic framework, shown in the following table, includes three programmatic strategic goals and three cross-cutting strategic goals. Programmatic goals reflect the program areas where HUD's efforts benefit people 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.

## HUD’s FY 2006–2011 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>A: Increase homeownership opportunities</b>	<b>B: Promote decent affordable housing</b>	<b>C: Strengthen communities</b>
	A1: Expand national homeownership opportunities.	B1: Expand access to and availability of decent, affordable rental housing.	C1: Assist disaster recovery in the Gulf Coast region.
	A2: Increase minority homeownership.	B2: Improve the management accountability and physical quality of public and assisted housing.	C2: Enhance sustainability of communities by expanding economic opportunities.
	A3: Make the homebuying process less complicated and less expensive.	B3: Improve housing opportunities for the elderly and persons with disabilities.	C3: Foster a suitable living environment in communities by improving physical conditions and quality of life.
	A4: Reduce predatory lending through reform, education, and enforcement.	B4: Promote housing self-sufficiency.	C4: End chronic homelessness and move homeless families and individuals to permanent housing.
	A5: Help HUD-assisted renters become homeowners.	B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.	C5: Address housing conditions that threaten health.
	A6: Keep existing homeowners from losing their homes.		
<b>Cross-Cutting Strategic Goals</b>	<b>D: Ensure equal opportunity in housing</b>		
	D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.		
	D2: Improve public awareness of rights and responsibilities under fair housing laws.		
	D3: Improve housing accessibility for persons with disabilities.		
	D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.		
	<b>E: Embrace high standards of ethics, management, and accountability</b>		
	E1: Strategically manage HUD’s human capital to increase employee satisfaction and improve HUD performance.		
	E2: Improve HUD’s management and internal controls to ensure program compliance and resolve audit issues.		
	E3: Improve accountability, service delivery, and customer service of HUD and its partners.		
	E4: Capitalize on modernized technology to improve the delivery of HUD’s core business functions.		
<b>F: Promote participation of faith-based and community organizations</b>			
F1: Reduce barriers to faith-based and community organizations’ participation in HUD-sponsored programs.			
F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.			
F3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.			

## How HUD Achieves its Goals

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. HUD's key activities directly support the strategic goals:

- 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 providing housing opportunities for populations with special needs.
- 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 public infrastructure.
- Ensure equal opportunities in housing by resolving discrimination complaints swiftly, promoting awareness of fair housing laws, improving housing accessibility for persons with disabilities, and ensuring that HUD-assisted programs provide equal opportunity.
- 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 about 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 that otherwise could not afford homeownership are helped in achieving that part of the American Dream.
- Millions of Americans – those who are low-income, as well as disabled individuals, the elderly, individuals with HIV/AIDS, and people who were once homeless – receive HUD rental or homeowner assistance, enabling them to afford a decent place to live.
- 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 use research, performance management, and technological advances to continuously improve program operations.
- For FY 2006, Congress approved a budget of more than \$34 billion for HUD programs.<sup>1</sup>

<sup>1</sup> The more than \$34 billion reflects rescissions, but does not include the \$11.5 billion provided in the disaster assistance supplemental appropriation.



**HUD'S STRATEGIC GOALS**

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**OBJECTIVES,  
MEANS AND STRATEGIES,  
PERFORMANCE MEASUREMENT,  
AND EXTERNAL FACTORS**



# Strategic Goal A: Increase Homeownership Opportunities

*“Ownership – and homeownership in particular – is the key to financial independence, the accumulation of wealth, and stronger, healthier communities.”*

*—Secretary Alphonso Jackson*



## Overview

Opening doors to homeownership is a core aspect of HUD’s mission, originating when Congress created the Federal Housing Administration (FHA) in the 1930s. Homeownership allows an individual or family to make 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. Research has shown that homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates.

Rapid changes in the U.S. housing market highlight the necessity of encouraging a balanced and reasonable approach to homeownership, as well as the continuing need to provide appropriate support for renter families to take the step to homeownership. Strategic Goal A 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, affordable, and secure for millions of families.

Six strategic objectives support this goal.

***Objective A1: 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 more than 33 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 at the end of FY 2005 was 68.8 percent – constituting a record number of homeowners – the homeownership rate for low- and moderate-income families was only 52.8 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 A2: Increase minority homeownership.***

This objective continues to support the President's goal, established in 2002, of eliminating barriers to minority homeownership and adding 5.5 million more minority homeowners by 2010. A unique public-private partnership is bringing together government, the real estate and mortgage finance industry, affordable housing groups, and advocacy organizations to work 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. Between 2002 and the end of FY 2005, 2.4 million minority homeowners had been added, on track to complete the President's goal. The minority homeownership rate climbed to 51.2 percent at the end of FY 2005.

***Objective A3: Make the homebuying process less complicated and less expensive.***

Under this strategic objective, HUD is continuing to undertake reform of Real Estate Settlement Procedures Act (RESPA) regulations that provide basic consumer protections in the homebuying process. HUD is working with industry and consumer stakeholders to improve disclosure of settlement costs; to have the disclosed costs be as firm as possible, thereby avoiding surprises at settlement; to provide consumers more choices; and to encourage innovation and competition in the marketplace. In addition, HUD will protect consumers through vigorous enforcement of RESPA and the Interstate Land Sales Act and provide a level playing field for all industry providers.

***Objective A4: Reduce predatory lending through reform, education, and enforcement.***

Predatory lending involves deception or fraud by creditors, mortgage brokers, or even home improvement contractors. Unscrupulous businesses manipulate borrowers through aggressive sales tactics or take unfair advantage of their lack of understanding of loan terms. Predatory lending is harmful not only to the consumer, but also harms the economic vitality of the community at large. Most often, those who are affected most severely are minorities, low-income families, and the elderly. Under this strategic objective, HUD is committed to eliminating practices that permit predatory lending, working with other federal and state agencies, and vigorously enforcing RESPA rules that make the real estate settlement process more transparent and prohibit the payment of kickbacks and referral fees. HUD also is taking steps to strengthen education of potential homebuyers so they can recognize malicious practices.

***Objective A5: Help HUD-assisted renters become homeowners.***

HUD is committed to helping more HUD-assisted renters become homeowners by providing greater flexibility for public housing agencies and through expanded use of Housing Choice Vouchers for homeownership. Homeownership vouchers cover the cost of a downpayment or the ongoing costs of a mortgage.



HUD also expects to increase homeownership production and sales through the HOPE VI program, increase the number of public housing families purchasing homes, and increase the number of families achieving homeownership under the Native American and Native Hawaiian housing and loan guarantee programs.

***Objective A6: Keep existing homeowners from losing their homes.***

In addition to helping families become homeowners, HUD is supporting new homeowners in maintaining their homeownership status through housing counseling, foreclosure prevention activities, and better monitoring of appraisers. Because HUD requires participating lenders to employ loss mitigation techniques, over 59 percent of families who defaulted on FHA-insured mortgages in FY 2005 were able to work out their delinquencies and remain in their homes.

**Means and Strategies**

HUD employs a number of tools to expand 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.

It also is worth remembering that a positive experience with affordable rental housing, covered in Strategic Goal B, is a stepping stone to homeownership for a majority of American families.

***Provide assistance to help minorities, HUD-assisted renters, and other families reach homeownership.***

HUD's efforts to increase homeownership opportunities include the following initiatives:

- Support homebuying by families who do not have enough cash for a traditional downpayment. HUD is providing direct downpayment assistance and plans to provide FHA the flexibility to offer mortgage insurance to homebuyers regardless of their downpayment.
- Provide housing counseling to help renter families become aware of basic requirements and potential stumbling blocks to homeownership. Housing counseling

activities are central to HUD's efforts to increase minority homeownership rates, which lag well behind the national average. Over 700,000 minority households have benefited from HUD-funded housing counseling since FY 2001, contributing to the President's goal of adding 5.5 million new minority homeowners by the end of the decade. HUD is currently seeking OMB approval to collect, for the first time, client level data that will greatly enhance reporting capabilities regarding minority homeownership. By FY 2008, HUD anticipates being able to determine the number and characteristics of households receiving pre-purchase counseling, as well as the proportion of such clients that actually purchase a home.

- Support and 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 providing a downpayment.
- Help homebuyers leverage sweat equity by financing modest repairs that do not require professional services through their FHA-insured mortgages.
- Encourage property owners and managers of FHA-insured and assisted multifamily housing properties to establish and maintain Neighborhood Networks Centers. Renters can obtain training at Neighborhood Networks Centers to acquire or enhance their job skills, allowing them to increase their income to become eligible for homeownership.

In addition, many of HUD's core programs help low- and moderate-income families, including many minority families, to achieve their dreams of homeownership.<sup>2</sup> FHA insurance, in particular, helps first-time homebuyers and other families who could have difficulties obtaining a mortgage by reducing the risk to private lenders.

- Up to one million households obtain FHA-insured mortgages in an average year.
- FHA also is undertaking special marketing, outreach, and education efforts.

<sup>2</sup> See "Aligning Resources with Results" (page 59) for a summary table of budget and staff resources allocated by program and strategic goal.

HUD has several major formula grant programs, as well as competitively funded grants, that provide important support for marginal homebuyers:

- The HOME Investment Partnerships program provided \$538 million for homeownership activities during FY 2005. Grantees use HOME funds to assist about 30,000 new homebuyers per year, in addition to helping existing homeowners.
- The Community Development Block Grant (CDBG) program provided \$1.2 billion for housing activities, including owner-occupied rehabilitation, home purchase assistance, and rental housing, during FY 2005.
- Native American Housing Block Grants, Native American and Native Hawaiian housing and loan guarantee programs, and other programs expand homeownership opportunities for these disadvantaged groups.
- Through the Self-Help Homeownership Opportunity Program, HUD engages faith-based and community-based organizations in leveraging sweat equity to create new homeowners.

### ***Help homeowners recover from disasters.***

The magnitude of the losses to homes caused by Hurricane Katrina created a pressing need for HUD to prevent needless defaults from exacerbating the economic loss. In the following ways, HUD assists households whose homes have been damaged or destroyed in Presidentially-declared disaster areas:

- FHA eases financial burdens on mortgagors with FHA-insured loans by issuing foreclosure moratoriums and requiring lenders to employ flexible loss mitigation tools.
- FHA housing rehabilitation loan products help homeowners repair their damaged properties so they can rebuild their lives.
- Under the 203(h) program, FHA also will permit 100 percent financing for the purchase of a new home by disaster victims whose residence (rental or owner-occupied) was destroyed or damaged in a disaster. The financing may be used to purchase a home anywhere in the country.
- Under the Housing Choice Voucher Homeownership Program, PIH provides mortgage loan technical assistance to

participating homeowners and their lenders in the event their home is severely damaged or destroyed.

- CDBG disaster recovery grants to support multiple aspects of rebuilding communities are discussed under Goal C.

### ***Support the fair and efficient functioning of housing and capital markets.***

It is critical that the basic functioning of housing and capital markets provides a sound foundation for program efforts targeting marginal homebuyers. HUD's enforcement of the Fair Housing Act helps provide equal opportunity for minority families, persons with disabilities, and other protected classes to become homeowners.

HUD also plays an important role in several national institutions that keep housing finance markets functioning efficiently.

- Ginnie Mae, which is part of HUD, keeps mortgages affordable by attracting capital into the residential mortgage market. Since its inception in 1968, Ginnie Mae has made affordable housing a reality for more than 32 million low- and moderate-income American households by channeling global capital into the nation's housing markets. Ginnie Mae's mortgage-backed securities

## **Strategy • Management • Results**

### **More-flexible lending**

HUD has asked Congress for legislative flexibility to offer FHA mortgage insurance for first-time homebuyers regardless of how much cash they choose to invest in the transaction.

Studies show that many renter households have sufficient income to make payments on a home, but may lack savings required to make a conventional downpayment of 10 or 20 percent. A lack of capital thus prevents these households from building equity through homeownership and benefiting from rising markets.

By removing the downpayment barrier, FHA will make homeownership a realistic option for millions more renter families each year.

program guaranteed the issuance of \$90.3 billion in securities during FY 2005, thereby providing capital to finance or refinance approximately 790,000 units of housing. The total volume of outstanding single-family mortgage-backed securities with Ginnie Mae guarantees was \$376.5 billion on September 30, 2005. FHA-insured loans and Department of Veteran's Affairs (VA) guaranteed loans constitute an important part of Ginnie Mae's portfolio.

- Ginnie Mae will continue to enhance the liquidity of its mortgage-backed securities by addressing both supply and demand. Investor demand will be increased through improved security disclosures and enhanced outreach to foreign and domestic investors. Lender supply will be increased by reducing the cost and time for issuing mortgage-backed securities, and by improving market execution due to investor demand.
- HUD also regulates Fannie Mae and Freddie Mac, two housing government-sponsored enterprises (GSEs), to ensure that they fulfill their public purposes as mandated by Congress.<sup>3</sup> These purposes include providing stability and liquidity in the secondary mortgage market; providing secondary market assistance for mortgages, including those serving low- and moderate-income families; and promoting access to mortgage credit throughout the nation, including underserved areas. The GSEs are two of the largest participants in the U.S. residential mortgage market. For example, Fannie Mae and Freddie Mac's combined single-family and multifamily mortgage purchases averaged \$1.8 trillion in 2003–2004. HUD requires the GSEs to meet three affordable housing goals and home purchase subgoals each year in order to expand affordable housing opportunities for people and communities traditionally underserved by the mortgage markets, including areas with a higher proportion of racial minorities.

***Sustain homeownership for those who have attained it.***

For homeownership to fulfill its potential in providing a stable environment and building

household wealth, it is critical that households enter homeownership with financing appropriate for their needs.

- HUD's reform of RESPA rules will foster 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.
- To prevent predatory lending, FHA has completed a number of measures to strengthen FHA endorsement and fraud detection procedures. These include prohibitions on quick resale of FHA properties known as "property flipping," stronger certification requirements for FHA appraisers, and greater vigilance for potential predatory lending activity. HUD will continue to aggressively pursue administrative actions against program participants who engage in predatory lending. Participants include appraisers, real estate agents, brokers, and loan officers.
- The Office of Native American Programs (ONAP) works with tribes and tribally designated housing entities to educate them and tribal members about predatory lending. Through their promotion of the Section 184 Indian Home Loan Guarantee program, regional loan guarantee specialists in each Area ONAP office provide training and written guidance on how to recognize and avoid the predatory lender.

Low- to moderate-income Americans are increasingly turning to the non-prime mortgage market to finance home purchases. However, risky features of non-prime loans, such as the high interest rates and prepayment penalties, dramatically increase the likelihood of default. Many homebuyers are simply unaware of less expensive and safer options, such as FHA-insured loans, for which they could qualify.

Housing counseling is the most cost effective way to educate individuals and arm them with the knowledge they need to avoid unnecessarily high interest rates and predatory practices that can result in foreclosure. Anticipated improvements in the quality and types of housing counseling data available will ultimately enable HUD to track the results of housing counseling for individuals being victimized by predatory lending, painting a much

<sup>3</sup> The financial safety and soundness of the GSEs is regulated by the independent Office of Federal Housing Enterprise Oversight.

clearer picture of the impact of housing counseling to address this critical housing issue.

The Department is currently seeking OMB approval to collect, for the first time, client-level data through HUD's Client Activity Reporting System (CARS). HUD anticipates that by FY 2008, new data will begin to reveal the number of cases of predatory lending being addressed by counselors from HUD-approved agencies, as well as the outcomes associated with each of those cases. Additionally, HUD will be able to examine the new data by demographic and other characteristics, enabling the Department and counseling agencies to better focus resources for outreach, education, training, and other purposes to combat predatory lending more effectively.

When homeowners get into financial difficulties and allow their mortgages to become delinquent, default poses a risk both for their own household and for FHA's insurance funds. FHA has implemented a number of tools to address these risks:

- 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.
- FHA's Loss Mitigation program provides numerous options for lenders to help homeowners keep their homes rather than proceeding to foreclosure.
- HUD has implemented an accelerated claim and asset disposition demonstration program. Under this demonstration, FHA sold loans that were highly likely to be foreclosed to a joint venture partnership under private-sector management. The managing entity determined the most financially viable option to dispose of and/or restructure the loans, which allowed some families to remain in their homes.

Finally, the CDBG and HOME programs also help low-income homeowners control their housing costs by assisting with needed repairs, weatherization, and energy efficiency improvements.

## Performance Measures for Strategic Goal A

HUD employs an integrated performance management approach that uses long-term goals in parallel with tracking indicators and annual performance goals that are published in the Annual Performance Plan and reported in the annual Performance and Accountability Report.

Annual goals are supported by HUD's internal Management Plan, which establishes program and operational management goals that are specific to program offices, as well as field offices. HUD will assess its long-term success in achieving this strategic goal by measuring the outcomes discussed below.

<b>Performance Measures</b>
<ul style="list-style-type: none"> <li>• An additional 5.5 million minority households become homeowners by 2010, and the share of first-time minority homebuyers among FHA home purchase mortgages remains above 35 percent.</li> <li>• The share of FHA-insured home purchase mortgages for first-time homebuyers will remain above 71 percent through 2011.</li> <li>• The share of first-time minority homebuyers among FHA home purchase mortgages remains above 35 percent.</li> <li>• Between FY 2006 and FY 2011, 48,000 households will purchase homes through the HOME Downpayment Assistance Initiative.</li> <li>• Between FY 2006 and FY 2011, over 739,000 households will receive homeownership assistance with CDBG, HOME, HOPWA, and IHBG funds.</li> <li>• Increase the number of families achieving homeownership under HUD's Native American and Native Hawaiian housing and loan guarantee programs by guaranteeing 2,000 loans annually by FY 2011.</li> <li>• Between FY 2006 and FY 2011, approximately 219,000 claims are expected to be submitted under the FHA Loss Mitigation program.</li> </ul>

- Between FY 2006 and FY 2011, 6.5 million families will receive HUD housing counseling.
- At least 30 percent of clients receiving pre-purchase counseling will become mortgage-ready within 90 days.
- Minority clients will be at least 50 percent of total clients receiving housing counseling.
- More than 50 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure.
- Take the following steps to promote FHA loan products as affordable mortgage options:
  - Make FHA business processes more compatible with those used in the mortgage industry.
  - Streamline FHA programs to make them more accessible to homebuyers.
  - Expand FHA products to meet the changing financial and housing needs of the public.
- Ginnie Mae will maintain liquidity in the market for single-family mortgages, VA loans and eligible multifamily loans through FY 2011:
  - Securitize at least 95 percent of FHA single-family mortgages.
  - Securitize at least 95 percent of VA mortgages.
  - Securitize at least 95 percent of eligible FHA multifamily mortgages.
- Implementation of RESPA regulatory changes will improve the mortgage finance process.
- Enforcement of RESPA and the Interstate Land Sales Act will reduce unnecessary housing costs.
- Between FY 2006 and FY 2011, a total of 10,000 new homeownership units will be created through the HOPE VI program.
- Increase homeownership closings under existing PIH programs by 10,000 by FY 2011.
- Through the HOPE VI Community and Supportive Services program, 800 public housing families will become homeowners between FY 2006–FY 2011, from a FY 2005 baseline of 2,454 families.
- Ensure that the default rate in the SHOP program does not exceed the comparable rate for FHA-insured loans.
- Through the SHOP program, create \$225 million in household equity by 2011, as measured by the cumulative total of purchase price less outstanding mortgage balance at closing for assisted households.
- FHA increases the percentage of at-risk loans that substantively comply with FHA program requirements.
- Release an upgraded default data reporting system to accommodate lenders' monthly electronic reporting of loans with a delinquency of 30 days or more and to enable lenders to report such data via an FHA Connection Interface to this system.
- Publish a rule requiring FHA lenders to use the new default data reporting system to submit monthly electronic data on all loans that are 30 days or more delinquent.
- Publish regulations for FHA mortgage insurance programs that increase lender compliance and accountability.

## External Factors

No strategy is complete if it fails to consider the external or environmental forces that support or constrain success. Owner-occupied homes constitute the nation's largest form of privately held capital, so it would be particularly unrealistic to expect HUD's program efforts alone to be decisive in the future of American homeownership. Below are some of the social, economic, and institutional factors that affect HUD's success in achieving its goals.

- National and regional economic conditions have a strong impact on the homeownership rate and on several performance measures related to HUD homeownership programs. Market interest rates have had an important role in the affordability of homeownership. Counteracting the positive effect of affordable credit are recent substantial increases in home prices in some regions. As a result, first-time homeownership has become less attainable for low- and moderate-income families and their opportunities to capture future capital gains are reduced.
- As Hurricane Katrina demonstrated, natural disasters and other events can have substantial regional impacts on the housing stock, homeownership rates, and economic conditions that affect mortgage default.
- 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.
- 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 Federal Bureau of Investigation also has reported a sharp increase in mortgage fraud during 2004, which raises lending costs for banks even if the scams do not directly involve consumers.
- 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. Current discrimination in the homebuying market also reduces housing options available to minority households.
- 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 B: Promote Decent Affordable Housing

*“While increasing homeownership is one of HUD’s top priorities, we realize that is not a viable option for everyone. That is why one of HUD’s largest programs promotes affordable housing for families and individuals who rent.”*

—Secretary Alphonso Jackson



## Overview

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

An estimated 5.18 million very low-income renters had worst-case needs for rental assistance in 2003. Most of these severe needs consisted solely of severe rent burdens: rents exceeding half of household incomes. In most metropolitan

areas, a high demand for housing means that the market does not yield monthly rents reasonable for families with modest incomes.

While recognizing the primacy of the private market, there is clearly a role for the federal government in addressing the challenges of housing affordability in America. Current policies provide a multi-faceted federal approach that directs resources in a measured and targeted manner to meet priority housing needs, and proposed reforms will strengthen these efforts. HUD offers direct rental assistance primarily through its Section 8 program, while also

increasing the production of affordable units through public housing development, HOME, and other grant programs that support housing construction and rehabilitation. Through its FHA mortgage insurance programs, the Department facilitates the development of affordable rental housing and helps insure that the financial markets provide adequate funding for affordable housing, as well as long-term, low cost financing for preservation of privately owned subsidized housing. The Department's efforts are complemented by federal tax credits that stimulate rental housing construction and rehabilitation, as well as by other federal programs serving specific populations, such as veterans and the rural poor.

This Strategic Plan spans a transition phase for public and assisted housing programs. In recent years, HUD has strengthened these programs by demolishing obsolete public housing, changing the voucher program from a unit-based to a dollar-based system, and expanding opportunities for tenants to transition from rental housing to homeownership. Under this plan, HUD will continue to reform and improve the public housing and voucher programs, as public housing agencies convert to asset-based management and implement proposed legislative reforms. These reforms are needed because 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. The proposed reforms would increase local discretion, enabling PHAs to improve efficiency and maximize the number of families receiving assistance. In addition, HUD grant programs provide local grantees with significant levels of flexibility to use funds in a way that best meets their communities' needs.

***Objective B1: Expand access to and availability of decent, 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 housing and assisted housing programs. HUD's largest program, the Housing Choice Voucher program, is a \$15 billion asset that currently provides rental assistance to 1.8 million low-income families. Additionally, approximately one million families live in public housing.

Through the HOME program, HUD provides states and localities with flexible funding they can use to produce affordable rental housing. Through the use of FHA insurance, HUD provides flexible, long-term insurance for private investors and lenders to support the production and preservation of affordable rental housing. The Department also funds a number of rental assistance programs geared to special populations: the Housing Opportunities for Persons with AIDS (HOPWA) program and homeless assistance programs are two important examples. Within the constraints of its budget, HUD seeks to provide affordable housing opportunities to as many families as possible. HUD's several housing assistance programs together reduce the potential number of families with worst case housing needs by about half.

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.

The Department, through FHA's multifamily mortgage insurance programs, improves the affordability of rental housing and of healthcare facilities, such as nursing homes and assisted living facilities. FHA mortgage insurance is often used in conjunction with Low Income Housing Tax Credits and other federal, state, and local subsidies to produce and support affordable housing.

***Objective B2: Improve the management accountability and physical quality of public and assisted housing.***

The Department will build on recent successes in improving the management accountability of public and assisted housing. HUD has instituted a comprehensive evaluation system for the public housing program and assisted multifamily housing program, and will develop a new system for the evaluation of the Housing Choice Voucher program. The current assessment systems identify PHAs in need of technical assistance from HUD staff. As a result, the number of units managed by PHAs designated "troubled" has declined since 2003, and HUD will continue to track this measure. The Department also will continue to hold PHAs accountable through measures that track the timely performance of HOPE VI grants and PHAs' submission of data to HUD.

HUD is committed to improving the quality of HUD's public and assisted housing and ensuring that all subsidized families live in units that meet



basic quality standards. By reducing energy consumption and increasing the amount of leveraged private financing, PHAs can free up capital and operating funds for the development and modernization of existing properties.

Stewardship and preservation of the current assisted housing stock is critical for achieving this strategic goal. 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 B3: Improve 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 strategy is to maximize the independence of these households. HUD’s programs, where appropriate, promote community-based living opportunities for the elderly and persons with disabilities, and make 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. Another approach is broader: to increase awareness and compliance with accessibility laws in the multifamily housing market.

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 programs for affordable supportive rental housing for the target populations. The Section 811 program also provides rental assistance vouchers to persons with disabilities through the Mainstream program.

Through the Designated Housing Program, HUD is providing technical assistance to PHAs to encourage the designation of housing for the elderly, persons with disabilities, and the elderly combined with persons with disabilities when the local demographics support the need for the program. The technical assistance provides guidance to meet the Designated Housing Plans’ statutory requirements contained in Section 7 of

the U.S. Housing Act of 1937. HUD tracks and monitors the Designated Housing Plans.

***Objective B4: Promote housing self-sufficiency.***

This objective, together with Objective A.5, “Help HUD-assisted renters become homeowners,” reflects the Department’s intention to maximize the role of public and assisted housing as a springboard to advance low-income families toward housing self-sufficiency and homeownership. Recent research suggests that severe rent burdens are often temporary.<sup>4</sup> As federal resources are limited, it is critical to structure housing programs to help as many families as possible by promoting independence rather than long-term dependence on housing assistance.

***Objective B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.***

The period covered by this Strategic Plan will include major transitions for HUD’s public housing and voucher programs. To improve the efficiency, effectiveness, and long-term sustainability of these key rental housing programs, the Department is pursuing reforms across regulatory and legislative levels. Themes of the efforts include:

- Simplifying programs and burdensome administrative requirements;
- Giving PHAs greater flexibility;
- Requiring more accountability of PHAs;
- Encouraging tenant work contributions;
- Lessen intrusion in families’ lives; and
- Containing program costs.

HUD also has implemented regulatory change requiring PHAs to transition to asset-based management, representing a major evolution in the way PHAs manage their inventory of public housing. Beginning in 2007, under this new, private-market approach, operating subsidies will be allocated based on property costs typical of the broader multifamily management industry. PHAs that own and operate 250 or more units are

<sup>4</sup> See “Affordable Housing Needs: A Report to Congress on the Significant Need for Housing,” HUD Office of Policy Development and Research, 2006.

required to operate using the asset management model. HUD will work with PHAs, providing training, guidance, and technical assistance to effect the transition.

## 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 Section 8 voucher program, currently known as Housing Choice Vouchers program, the project-based Section 8 program, and the public housing program. A substantial share of HUD's budget is devoted to renewals of Housing Choice Voucher and project-based Section 8 contracts, as well as to operating and capital funds that support public housing. In addition, the Office of Housing continues to preserve affordable housing through the Multifamily FHA insurance program and the Mark-to-Market and Mark-Up-to-Market programs, giving property owners feasible options for continuing to provide affordable housing.

Proposed reform of the HUD Section 8 voucher program and public housing – discussed later in this chapter – will create possibilities for an expanded pool of low-income families to access affordable assisted housing.

A number of HUD's programs and initiatives listed below help to annually increase the number of families that obtain access to affordable rental housing:

- The HOME Investment Partnerships program – since 1992, participating jurisdictions have spent more than 52 percent of HOME on rental housing;
- The Supportive Housing programs for the elderly (Section 202) and for the disabled (Section 811);
- The Housing Opportunities for Persons with AIDS, or HOPWA, program;
- The Native American Housing Block Grant program;
- The CDBG program; and
- FHA multifamily insurance.

Other federal programs, in conjunction with the FHA multifamily insurance program, 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 is undertaking several efforts:

- Expand the amount of leveraged private sector financing to make more public housing units available for occupancy by eligible families;
- Increase the timely performance of projects currently in the HOPE VI pipeline to get units built and available to families more quickly;
- Transition the management of public housing to asset-based management and propose legislative reforms to the Housing Choice Voucher program.

HUD also will work to ensure that the stock of assisted, privately owned housing is not diminished as a result of opt-outs, pre-payments, and other changes, and that the adverse impacts of such events upon 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:

- Renew HAP contracts on all subsidized units that meet housing quality standards, subject to the availability of appropriations.
- Preserve the HUD-assisted private housing stock by using the Mark-to-Market program to restructure mortgage debt and Section 8 rent subsidies. An estimated 75 percent of the Mark-to-Market projects are restructures that use FHA insurance.
- Increase rents in certain areas through the Mark-Up-to-Market program to remove the financial incentive for owners to opt out of a housing assistance contract.
- Execute and enforce use agreements as part of the sale of HUD-owned property or as a condition of prepayment of FHA multifamily insurance.

- Refinance older Section 202 elderly housing with FHA insurance to permit modernization and repairs.
- Encourage owners of multifamily assisted rental housing to maintain affordability by offering incentives, including increased distributions, higher rents to facilitate a transfer to a nonprofit, and structured refinancing with FHA insurance to recapitalize properties for rehabilitation or other purposes.
- Provide enhanced housing vouchers to families so they can continue to live in the same property when project-based rental assistance has been terminated.
- Conduct research cooperatively with federal and private partners to identify and accelerate the diffusion of cost-saving innovations in housing construction.
- Maintain a regulatory barriers clearinghouse for sharing information on how to alleviate obstructions to the development of affordable housing.

***Help public and assisted housing developments and assisted families recover from disasters.***

The Gulf Coast hurricanes of 2005 created the need for HUD to aid recovery of public housing authorities and private owners of subsidized developments in Presidentially-declared disaster areas. To assist the recovery, FHA and the Real Estate Assessment Center (REAC) have been inspecting projects to assess the damage, identifying vacant units in disaster areas, and offering disaster victims priority status in multifamily projects.

Through the Katrina Disaster Housing Assistance Program and local PHAs, HUD is providing up to 18 months of transitional housing assistance to the thousands of households displaced by Hurricane Katrina who were previously HUD assisted. Under the supplemental appropriation, HUD’s efforts will expand to include some previously ineligible families, as well as households displaced by Hurricane Rita.

Through waivers provide by HUD, PHAs have obtained some relief as they direct resources to disaster-affected families.

The Gulf Opportunity Zone Act is helping to meet the critical housing need caused by Hurricane Katrina by excluding employer-provided housing benefits worth up to \$600 per month from employees’ taxable income, while also giving employers a tax credit for providing such housing.

***Request legislative remedies to address long-standing problems in public housing and Housing Choice Voucher programs.***

HUD has proposed legislation to reform public housing and vouchers. The State and Local Housing Flexibility Act (SLHFA) builds on changes made in the FY 2005 budget that shift the Tenant Based Section 8 program – which assisted 4.8 million individuals in FY 2005 – from a “unit-based” to a “budget based” system, allowing

**Strategy • Management • Results**

***Asset Management of Public Housing***

In FY 2005, HUD published a rule to change the funding mechanism for operating public housing to make it more cost-effective. Implementation of this new funding formula will be in FY 2007. The new formula funds individual public housing properties rather than the sum of units owned by a public housing authority. In the process, properties that are obsolete or excessively costly will be identified, and new economic incentives for PHAs to address these conditions will be created.

Asset-based funding is rooted in a detailed model of operating costs of comparable privately owned properties. The study was completed and the funding model created by Harvard’s Graduate School of Design. In keeping with the high stakes involved for PHAs, HUD undertook extensive negotiations for the rulemaking and sought the endorsement of an advisory committee.

Finally, HUD plans to continue its efforts to expand families’ access to affordable private-market housing through several activities:

- Offer FHA multifamily mortgage insurance, especially in underserved areas.
- A recently published rule has simplified and deregulated many aspects of the project-based voucher program.

PHAs more flexibility in the way they allocate voucher funds.

The legislation includes the following key elements:

- Making permanent the “budget based” system for allocating Tenant-Based Section 8 funds to PHAs, while increasing options for communities to react to changing needs. Specifically, the Act would give PHAs: (1) the ability to set their own market rents based on local conditions, rather than relying on HUD to predict rents for every market in the nation; and (2) the option to simplify and design tenant policies that will provide incentives for work, save money, and allow them to serve even more families.
- Giving PHAs an expanded range of options for determining rents for public housing units. Some of the notable options include the use of a flat amount of rent for each dwelling unit that it owns and operates, based on the rental value of the unit; a tiered system of rents based on tenant income; or a structure based on rent as a percentage of tenant income. Regardless of the rent method chosen, each PHA must establish a minimum amount of rent that is to be paid, thus ensuring a minimum amount of rent receipts.
- The legislation also builds on the success of the Moving to Work (MTW) demonstration by making MTW a permanent program. The MTW program would provide full fungibility and flexibility of operating, capital, and voucher funds, as well as allow PHAs to develop innovative, locally-designed housing and self-sufficiency strategies.

The SLHFA proposal provides incentives and regulatory flexibility empowering local housing agencies to maximize the efficiency of their funding in this time of increasing budgetary constraints.

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

Improving the performance of housing intermediaries in meeting HUD's physical condition 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. By the end of

FY 2005, both multifamily and public housing units had shown significant improvement, with 96 percent of multifamily and 85 percent of public housing units meeting the standards. The Department has several current tools and is developing others to continue to improve the

## **Strategy • Management • Results**

### ***Measuring and reducing rent subsidy errors***

Research conducted by the Office of Policy Development and Research (PD&R) in 2000 measured errors in HUD's subsidy payments for assisted housing, and found that gross erroneous payments related to program sponsor errors and omissions totaled \$2.2 billion. Another \$1 billion of errors was found to be caused by intentional tenant misreporting of income.

HUD initiated a series of monitoring and corrective actions based on this research. By the end of 2004, follow-up studies showed that gross improper payments due to program sponsor and income reporting errors had decreased to approximately \$1.2 billion, a reduction of 62 percent over four years. Related studies of program sponsor billing errors for the Office of Housing indicate that these errors are being reduced as well.

These efforts have made HUD an exemplar of success concerning the erroneous payments reduction goal of the President's Management Agenda. PD&R continues to measure assisted housing subsidy errors on an annual basis, and the Offices of Housing and Public and Indian Housing are continuing and refining the intensive monitoring and training efforts that account for the success of this program.

A major HUD initiative in 2006 is to implement an income matching system for tenants of public housing and voucher programs. This system should significantly reduce both tenant misreporting of income and income measurement error by program sponsors, and better focus program resources on those most in need of assistance.

physical quality and management accountability of public and assisted housing:

- Continue to use REAC's Public Housing Assessment System (PHAS) to assess public housing management and conditions. Local field offices intervene to improve a PHA's overall condition when it is designated as "troubled." The local field office provides assistance by entering into a memorandum of agreement with the PHA to facilitate timely and appropriate improvement in each weak area identified through PHAS. Field offices may obtain additional assistance for "troubled" PHAs from the Recovery and Prevention Corps (RPC).
- Support the transition to asset management of public housing by developing property-based management tools, notices, accounting and budgeting guidance, training, and technical assistance.
- Move toward the next-generation system for assessing housing agencies' voucher programs under the Section 8 Tenant-Based program.
- Continue to monitor privately owned assisted multifamily housing through Section 8 contract administrators who perform management and occupancy reviews, and through physical inspections on 100 percent of their portfolios.
- 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. Through this program, the Office of Affordable Housing Preservation has created 955 escrows totaling over \$230 million to improve developments or address repairs that existed prior to mortgage restructuring. These escrows cover over 80,000 housing units, of which nearly 62,000 units in 734 projects have been rehabilitated to date. To ensure ongoing viability of projects, HUD also requires owners who are restructuring mortgages to increase their annual deposits to replacement reserve accounts. Through 2005, restructuring has resulted in increases from \$245 to \$484 per unit per year in average replacement reserves. In addition, HUD has increased the amount of replacement reserves at closing by over \$257 million.
- Use REAC data on the financial soundness of privately owned assisted multifamily housing, physical quality of the stock, and satisfaction of the residents to refer substandard properties to the Departmental Enforcement Center (DEC). The Office of Multifamily Housing Programs oversees more than 30,000 properties comprising over 2.5 million units, with particular emphasis on privately owned properties that REAC identifies as substandard in one or more areas.
- Multifamily properties with REAC scores between 0 and 60 are referred to DEC. HUD requires repairs to be completed on these properties within 60 days. If property conditions do not meet HUD requirements, HUD will force compliance or take appropriate enforcement action. For some noncompliant multifamily development owners, DEC makes civil referrals to the Department of Justice or criminal referrals to HUD's Inspector General.
- Implement a mandatory conversion rule during FY 2006 to accelerate the removal of public housing units that are beyond repair.
- Work with the Department of Justice to make Weed and Seed grants available for their anti-crime, anti-drug activities. PHAs also have flexibility to use their operating subsidies for security purposes.

HUD's Rental Housing Integrity Improvement Project (RHIP) is contributing to substantial reductions of errors in income and rent determinations for the public housing, Housing Choice Voucher, and assisted Multifamily programs (see sidebar). RHIP is making further progress on several fronts:

- Developing and implementing the Enterprise Income Verification System, a tool for program administrators to verify tenants' income in a more effective and timely way to eliminate most remaining improper payments caused by administrator errors and tenant underreporting of income;
- Institutionalizing the use of Rental Integrity Monitoring reviews, which monitor program processing using risk-based targeting indicators and confirm that necessary corrective actions have been effective;
- Implementing stronger performance incentives and sanctions for HUD's intermediaries and tenants;

- Assessing PHA billing errors for the public housing and voucher programs and implementing corrective actions;
- Automating billing verifications;
- Providing education on program processes and benefits for tenants, program administrators, and HUD monitoring staff;
- Simplifying the rent and subsidy structure for public housing and voucher programs to the extent allowed by current law or proposed legislation, if passed.

HUD also will provide resources to PHAs to improve their conditions and protect the nation's investment in the public housing stock. The Department is strengthening the three primary mechanisms for providing financial support for public housing:

- Expand and strengthen the new Capital Financing Program, which leverages federal funds and attracts private capital to address the backlog in public housing capital improvement needs. PHAs can now borrow from banks and issue bonds using their Capital Fund grants as collateral or debt service. HUD is also developing a new rule that would allow PHAs to use either Capital or Operating funds for financing activities.
- Put public housing on sound financial footing by requiring asset-based management consistent with that in the private sector and providing funding at the project level rather than PHA-wide funding. These changes are consistent with recommendations from a Congressionally-mandated study conducted by the Harvard University Graduate School of Design. Asset management will enable PHAs to hold managers and other employees accountable and will provide PHAs information regarding the true cost of specific developments.
- Support the timely completion of HOPE VI projects, which have succeeded in demolishing the most severely distressed public housing and are replacing them with mixed-income neighborhoods and developments. HUD will maintain the necessary monitoring and oversight staff and contracts to successfully use the remaining multi-billion dollar pipeline of funding.

### ***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 have the following benefits:

- 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.
- HUD now allows nonprofit sponsors of Section 202 developments to form limited partnerships with for-profit entities, enabling them to compete for low-income housing tax credits, and also to take advantage of mixed financing approaches.
- Support recapitalization of Section 202 projects by encouraging prepayments and refinancing with multifamily insurance programs so 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 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.

**Strategy • Management • Results*****Reduce operating costs through energy efficiency***

HUD's comprehensive Energy Action Plan is aimed at reducing a growing cost of operating public and assisted housing, as well as housing financed through HUD's formula and competitive grant programs. The Department spends some \$4 billion each year on utilities – more than 10 percent of its budget – through subsidies to renters, private building owners, or public housing agencies. Energy efficiency improvements could yield significant cost savings to the Federal government, property owners, and building residents: reducing HUD's energy bills by just five percent could yield a savings of \$1 billion by FY 2011.

The Energy Action Plan is aimed at expanding the use of Energy Star products and appliances through HUD programs, incorporating energy efficient construction and building management techniques in public and assisted housing, in rental housing supported through the HOME and CDBG programs, and in key competitive grant programs, such as the Section 202/811 programs. It is primarily an operational plan aimed at upgrading the energy efficiency of existing housing by putting proven energy-efficient products and appliances to work immediately through existing programs. This is accomplished through education and outreach, interagency cooperation, market-based incentives, public-private partnerships, and research and development of energy-efficient technologies.

Through HUD's Phase II Energy Plan, HUD will continue to implement strategies to reduce energy and other utility costs. Actions will include providing information, technical assistance, and training to HUD customers and partners, promoting Energy Efficient Mortgages for new homebuyers, providing incentives for energy efficiency in competitive grant programs, streamlining performance contracting in public housing, encouraging the adoption of the Energy Star Qualified New Homes label for newly-built or substantially rehabilitated housing, and exploring incentives for energy efficiency in assisted multifamily housing.

- Provide affordable housing and rental subsidies for older renters through Section 202, and convert elderly housing to assisted living, or create new assisted living facilities.
- Provide substantial numbers of affordable housing units for elderly households through HUD's public housing and Section 8 programs, and through supportive service interagency agreements.

***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:

- Permitting people with disabilities to use their Section 8 rental vouchers to make mortgage payments to purchase their own homes.
- Continuing 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.
- Through the Mainstream Housing Opportunities for Persons with Disabilities program, awarding vouchers to PHAs and nonprofit organizations to enable persons with disabilities access to affordable private housing of their choice.
- Through a memorandum of understanding with the Department of Justice and Internal Revenue Service, 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.

HUD's Shelter Plus Care grants provide about \$300 million annually in support of rental assistance for homeless individuals living with disabilities, and grantees match the funding with supportive services. In addition, HUD is continuing to vigorously enforce the Fair Housing Act and other federal laws prohibiting discrimination against people with disabilities.

- In FY 2006, HUD will award more than \$19 million in fair housing grants to fund organizations leading the fight against housing discrimination.
- HUD will continue its 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.

***Promote housing self-sufficiency.***

Federal resources for housing assistance are scarce in proportion to total housing needs. Accordingly, public housing is intended to be a transitional program rather than a permanent institution, particularly for families who are neither elderly nor have disabilities. Returning the program to its roots will ensure that many more needy families can benefit from a period of stable housing assistance on their path to the American dream.

The Family Self-Sufficiency (FSS) program is one of HUD's tools for helping families in the voucher and public housing programs build assets, increase their incomes, and move to homeownership.

- Participating families establish personal goals and work with a service coordinator who provides referrals for supportive services, such as child care, transportation, education, or job training.
- FSS has an escrow component that helps families build savings. As a family's earnings increase, 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.

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

- The Resident Opportunities and Self Sufficiency (ROSS) program links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient.
- HUD supports the creation of Neighborhood Networks centers and other computer centers in assisted multifamily housing developments and provides grants for these centers in public housing. The technology centers help low-

and moderate-income residents gain knowledge and job skills through the use of computer learning.

- HUD is expanding enforcement of Section 3 of the HUD Act of 1968, which ensures that HUD-funded construction projects simultaneously create employment and training opportunities for low-income residents.

***Reduce regulatory barriers to the development of affordable housing.***

In FY 2003, HUD established "America's Affordable Communities Initiative: Bringing Homes within Reach through Regulatory Reform." This major Department-wide effort is focused on reducing the costs of developing affordable housing. A team of senior HUD staff is developing new approaches and incentives that can motivate local efforts, as well as reviewing and reforming HUD's own regulations that may be barriers to expanded housing affordability.

HUD is working with state and local governments (and their representative organizations), homebuilders, and nonprofit organizations to support coalition building that can address the regulatory barrier issue at the local level. Through the Regulatory Barriers Clearinghouse, the Department maintains and disseminates important information on regulatory barriers to local governments and housing providers, as well as new strategies and solutions developed by local communities. Annual "Robert Woodson Awards" are given to state and local governments who exemplify the very best effort in regulatory reform.

HUD has made regulatory reform a priority in competitive grant programs, awarding additional points to applicants located in areas where there has been significant regulatory reform. Further, the Initiative Office carefully reviews all proposed HUD regulations to ensure that they enhance rather than restrict housing affordability.

***Reform and strengthen housing programs for populations with special needs.***

HUD's Section 202 and Section 811 programs for elderly households and persons with disabilities are unique among HUD programs in providing the only construction financing program for affordable supportive housing for the target population. The Department's objective is to strengthen the programs by using the results of



on-going comprehensive evaluations to develop better techniques, methods, and procedures.

To date, there have been a number of concerns that have been expressed about the Section 202 and Section 811 programs, including relatively high project costs, lengthy project development schedules, inadequate capital advance funds, and insufficient funding that results in reduced units being developed.

The Office of Policy Development and Research (PD&R) recently completed its first study of the Section 202 program, which assessed whether the program was effective in meeting the needs of the elderly, as well as the program's delivery mechanisms, outputs, and outcomes. The completed report of the program found that the Section 202 program produced good quality housing and is rated very highly by its residents. PD&R is currently conducting a second study,

which will assess whether the Section 811 program has been effective in meeting the needs of persons with disabilities.

In addition to studies by PD&R, the Department is proposing the following measures to help improve the effectiveness of the Section 202 and 811 programs:

- encouraging the use of mixed financing models that use appropriated funds to leverage private dollars;
- ensuring that sufficient funds are made available to sponsors;
- creating alternative allocation strategies;
- developing strategies that shorten development times; and
- supporting inter-agency efforts to provide assistance to elderly households.

## Performance Measures for Strategic Goal B

HUD employs an integrated performance management approach that uses long-term goals in parallel with tracking indicators and annual performance goals that are published in the Annual Performance Plan and reported in the annual Performance and Accountability Report.

Annual goals are supported by HUD's internal Management Plan, which establishes program and operational management goals that are specific to program offices, as well as field offices. HUD will assess its long-term success in achieving this strategic goal by measuring the outcomes discussed below.

<b>Performance Measures</b>
<ul style="list-style-type: none"> <li>• Expand affordable rental housing by 1.346 million units through the Low-Income Housing Tax Credit, CDBG, HOME, HOPWA, and IHBG funds, by FY 2011.</li> <li>• Increase the proportion of FHA Multifamily insurance used with Low-Income Housing Tax Credits from the baseline level of 24 percent of endorsements used with LIHTC.</li> <li>• The total number of remaining years of affordability provided for low-income households residing in units produced from the investment of HOME funds will be 1.15 million years by FY 2011, up from 980,000 currently.</li> <li>• The number of HOME production units completed (includes rental units produced, new homebuyers, and existing homeowners assisted) will be 243,000 by FY 2011.</li> <li>• HOPE VI projects will complete all unit production within an average period of 7 years from execution of the grant agreement, and by 2011, all HOPE VI grants from 1993 to 2004 will have completed all unit production.</li> <li>• The HOPE VI program will leverage a projected total of \$4 billion in private sector financing between 2006 and 2011.</li> <li>• The Capital Fund Financing program will leverage a projected total of \$315 million in private financing for public housing projects between 2006 and 2011.</li> <li>• Implement the Public Housing Energy Efficiency program to control energy consumption in public housing properties and, by FY 2008, develop a baseline and specify annual percentage reduction in energy consumption to be achieved in public housing by FY 2011.</li> </ul>

- The share of public housing units that meet HUD-established physical standards will increase from 85.1 percent to 87.5 percent by 2011.
- Unoccupied units in public housing that are not HUD-approved vacancies decline by 5 percent by 2011.
- Reduce the number of Exigent Health and Safety deficiencies per property by 10 percent annually among PHAs that are designated as troubled by PHAS and have 5 or more deficiencies per property.
- Revamp the Section 8 Management Assessment Program and create a more efficient and accurate assessment tool for the Housing Choice Voucher program by 2008.
- The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards will be maintained at no less than 95 percent, and substandard properties will continue to improve.
- Reform the Section 202 and 811 programs to further improve the efficiency and outcomes for each program.
  - For Section 202 program, increase the admission of frail elderly and make facilities and service improvements so that residents can “age in place.”
  - For the Section 811 program, increase the housing inventory and accomplish more rapid development of these projects.
- The percentage of HOPWA clients who maintain housing stability, avoid homelessness, and access care each year will be sustained at 80 percent for 2008 through 2011.
- Increase the number of Neighborhood Networks Centers and maintain the existing Neighborhood Networks Centers in multifamily housing developments and public housing.
- Between FY 2006 and FY 2011, the number of families counseled in homeownership readiness by PHAs through the ROSS program will increase by 830 to 4,148, and the number of counseled families who purchase homes will increase by 75 to 372.
- Implement property-based funding, accounting and monitoring for public housing:
  - By 2007, 20 percent of all PHAs will have acceptable asset-based accounting systems in place.
  - By 2008, 50 percent of all PHAs will have acceptable asset-based accounting systems in place.
  - By 2008, 10 percent of all PHAs will have substantially converted to asset-based management.
  - By 2009, 90 percent of all PHAs will have acceptable asset-based accounting systems in place.
  - By 2009, 25 percent of all PHAs will have substantially converted to asset-based management.
  - By 2010, 50 percent of all PHAs will have substantially converted to asset-based management.
  - By 2011, all PHAs will have converted to asset-based management and accounting.

## **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 partners.

The continued growth in the number of elderly persons, fueled in part by the baby-boom generation, is projected to accelerate during the period covered by this plan. This demographic wave will continue to challenge those working to ensure access to diverse housing opportunities for the elderly population.

As Hurricane Katrina forcefully demonstrated in 2005, natural disasters remain capable of displacing many families, disrupting housing markets, and creating acute needs for decent affordable housing, especially for very low-income households.

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



# Strategic Goal C: Strengthen Communities

*“HUD continues to improve the way we do business with those providing housing and services to the people and places that need it most.”*

*—Secretary Alphonso Jackson*



## Overview

The federal community development programs administered by HUD target their benefits to low- and moderate-income people and have been successful in stabilizing and revitalizing communities across the nation. Through the programs of HUD’s Office of Community Planning and Development (CPD), HUD supports the development efforts of states, local communities, and other HUD partners.

A key component of this goal is the Community Development Block Grant program that has built and rehabilitated homes, fueled business development to create jobs, and improved the overall health of our nation’s communities. The

Bush Administration proposes to reform the CDBG program to more effectively contribute to local community and economic progress. Formula changes will be proposed to direct more of the program’s base funding to communities that cannot meet their own needs and bonus funds will be available to communities that demonstrate the greatest progress in expanding homeownership and opportunity for their residents.

Additionally, the HOME program helps strengthen communities by expanding the availability of homeownership and affordable rental housing. CPD also administers HUD’s

homeless programs, which are an essential part of the Administration's strategy for eliminating chronic homelessness.

A new focus for this strategic goal is to strengthen the effectiveness of federal efforts to provide economic and community development opportunities to low-income households. HUD is working with grantees, interested parties, and other federal agencies to develop and implement performance measures and outcomes for these programs.

Other HUD offices contribute to this goal through maintaining and promoting quality affordable housing in neighborhoods, reaching out to communities through University Partnerships, making affordable capital available to construct and modernize hospitals, and fostering international exchanges on housing, community development, and urban planning.

This strategic goal has five objectives:

***Objective C1: Assist disaster recovery in the Gulf Coast region.***

During 2005, Hurricanes Katrina, Rita, and Wilma ravaged Louisiana, Mississippi, Alabama, Florida, and Texas and displaced hundreds of thousands of people. The people and infrastructure of the city of New Orleans were hit particularly hard. HUD is working with the Federal Emergency Management Agency to meet the emergency housing needs. The Department also has estimated that over 125,000 housing units were severely damaged or destroyed by Hurricanes Katrina, Rita, and Wilma, and another 179,000 units received major damage. As Congress looked toward long-term reconstruction strategies, it provided \$11.5 billion through the CDBG program in December 2005. The Department has requested that Congress provide additional supplemental funding of \$4.2 billion for community development and continued rental assistance for Louisiana. Under this objective, HUD will use supplemental appropriations to support the recovery of housing and critical infrastructure in the Gulf region so the citizens can rebuild their communities and lives.

***Objective C2: Enhance sustainability of communities by expanding economic opportunities.***

Communities cannot be viable places to live without economic resources. 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. Grantees may also use CDBG funds to invest in infrastructure and housing improvements, which can spur further economic growth. HUD, in consultation with grantees and other interested parties, has developed a performance measurement framework for the formula grant programs (CDBG, HOME, HOPWA, and Emergency Shelter Grants) that will focus on three objectives, one of which is creating economic opportunities. Through this framework, HUD will be able to measure the extent to which the formula programs are supporting this strategic objective.

HUD funds promote economic development even when that is not the primary purpose. Section 3 of the Housing and Urban Development Act of 1968 requires that when HUD provides financial assistance to grantees in economically distressed areas, the resulting jobs, training, and contracts will be given to low- and very-low-income persons in those areas to the greatest extent feasible.

***Objective C3: Foster a suitable living environment in communities by improving physical conditions and quality of life.***

Decent public services and amenities, safe, clean streets, adequate infrastructure, and homes free from environmental hazards are among the many factors that influence quality of life for members of a community. A range of HUD programs target funds to address such quality-of-life issues in low-income communities and households.

For example, local communities often use CDBG funds for roads, sewers, and other infrastructure investments, or for community centers, parks, and other assets that help to strengthen and revitalize their low-income neighborhoods. HUD also funds housing development and rehabilitation through CDBG, HOME, Youthbuild, and Lead Hazard Control grants, and provides FHA mortgage insurance to make private capital more available for homeownership, affordable rental housing, and healthcare facilities.

***Objective C4: End chronic homelessness and move homeless families and individuals to permanent housing.***

HUD is committed through its Continuum of Care to ending chronic homelessness. 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. Estimates of the number of persons experiencing chronic homelessness range from 150,000 to 200,000. Even when housing is available, disabilities sometimes make it difficult for chronically homeless persons to remain in that housing for long periods unless they also have supportive services, including case management and regular healthcare.

While those experiencing chronic homelessness are often the most visible of the homeless population, there is also a substantial number of families and individuals who experience a more temporary crisis, such as loss of employment or eviction, and become homeless. HUD's approach to replacing homelessness with housing stability relies on three coordinated efforts:

- Preventing homelessness;
- Developing permanent and transitional housing for both those persons experiencing chronic homelessness and the growing numbers of homeless families;
- Coordinating housing assistance with supportive services.

Given the variety of individual needs and locally available resources, communities are in the best position to design 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.

HUD allocates the federal government's largest amount of targeted homeless assistance under the McKinney-Vento Homeless Assistance Act through its annual Continuum of Care (CoC) competition and by formula through the Emergency Shelter Grants program. Communities also address homeless needs through the use of CDBG, HOME, and HOPWA programs and through the use of HUD's other

mainstream housing programs, such as Housing Choice Vouchers and the public housing program.

***Objective C5: Address housing conditions that threaten health.***

A safe housing stock is a critical precondition for safe, livable communities. Along with its responsibility for HUD-assisted private housing and public housing, HUD addresses hazards in unassisted private housing. The Department regulates the construction and inspection of manufactured housing. HUD also remains committed to reducing mold and other residential health and safety hazards through a comprehensive, cost-effective Healthy Homes approach, and to eliminating the poisoning of children by lead-based paint in older homes. The Department makes housing, especially for low-income families, safe from these residential environmental hazards through grants; in the case of lead hazards, HUD also does so by regulating the sale or lease of older housing, and by regulating assistance to older housing. HUD's research improves methods for detecting, assessing, and controlling these residential environmental hazards. 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**

***Support 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 a new rule, HUD is ensuring that CDBG-funded economic development creates new economic activity and new jobs rather than relocating (or "pirating") jobs from other areas.
- Under the Community Renewal Tax Relief Act,<sup>5</sup> HUD has designated 40 areas of pervasive poverty, unemployment, and general distress as Renewal Communities. Businesses in Renewal Communities are 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 Housing insurance has led the way for insuring housing investments in neighborhoods where the private sector is not ready to risk capital. This initial development has spillover benefits and helps communities attract further investment.
- 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, 341 hospital mortgages have been insured for approximately \$11.9 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. HUD has a long-standing relationship with HHS to administer this program, in which HHS provides architectural and engineering services, helps evaluate applications, and supports monitoring of the hospitals.
- 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.
- Through the Good Neighbor Next Door program, HUD sells selected FHA homes at a discount directly to law enforcement officers, firefighters, emergency medical technicians, and teachers, thereby revitalizing designated neighborhoods. This initiative expands on the success and increases the efficiency of more narrowly targeted programs. The Department also encourages the use of FHA-insured loans in distressed neighborhoods to improve housing conditions, raise homeownership rates, and stabilize neighborhoods.
- HUD encourages grantees to certify Section 3 residents and businesses and provide more permanent job opportunities in fields other than construction. This is 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

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<sup>5</sup> Incorporated by reference in the Consolidated Appropriations Act of 2001 (P.L. 106-554).



settlements are generated as a result of noncompliance.

- HUD also supports the redevelopment of distressed communities through the HOME, University Partnership programs, and the Indian Community Block Grant program.

***Provide resources and information to make housing safer.***

HUD provides financial resources for communities to address their own lead paint hazards through the Lead Hazard Reduction Grant programs. 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.

Along with the Environmental Protection Agency, HUD regulates the disclosure of lead paint when homes are rented or sold, and takes legal action against housing providers who neglect to inform new occupants of hazards.

Through HUD's Lead-Based Paint Hazard Reduction and Healthy Homes programs, local organizations receive funds to eliminate the residential lead-based paint hazards that threaten low-income children. In 2003, HUD and the Centers for Disease Control and Prevention began requiring funded programs to develop formal plans to eliminate lead poisoning in their jurisdictions. The plans address coordination of governmental and private-sector efforts, data-driven screening for elevated blood lead among high risk populations, and elimination of lead paint hazards in housing, particularly in homes with more than one child with elevated blood lead.

HUD's Healthy Homes Initiative funds organizations to address housing-related health and safety hazards that impact the health of low-income residents, particularly children. Because of the increased prevalence of asthma in children, HUD's commitment to creating healthier homes includes the reduction of allergens and asthma triggers, such as mold, moisture, and pests. As part of this Initiative, HUD works to develop and standardize cost-effective methods for identifying and controlling hazards in the home.

HUD is responsible for regulating manufactured housing, which provides homes for approximately 10 percent of the nation's households. From the

establishment of HUD's standards in 1976 through the most recent survey in 1998, the rate of annual fire deaths in manufactured housing declined by 54 percent. Through the Manufactured Housing Improvement Act of 2000, HUD's responsibilities for manufactured housing will by the end of FY 2006 encompass the following areas:

- Update and enforce standards for construction and safety of manufactured homes.
- Develop a national installation program for states that do not establish their own programs.
- Develop a national dispute resolution program for states that do not establish their own programs.

HUD also is advancing the safety of the nation's housing through innovative research. The Healthy Homes program supports research, demonstrations, and public education on housing conditions related to preventable children's diseases and injuries, such as asthma and carbon monoxide poisoning.

Through the Partnership for Advancing Technology in Housing, cooperative research with federal and private partners is advancing knowledge of building technologies that are more durable and safer in natural disasters, as well as more affordable and energy efficient. The program is accelerating transfer of these advanced technologies and techniques to builders.

HUD's objective of fostering a suitable living environment includes ensuring program compliance with the 1969 National Environmental Policy Act and related laws, such as those for flood plains, wetlands, and historic preservation.

***CDBG Reform.***

The Administration proposes to reform the CDBG program to more effectively contribute to local community and economic progress. This effort comprises both legislative and administrative reforms.

HUD continues to work with local stakeholders to identify performance measures that make the CPD programs more result-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

After extensive consultation with grantees and other stakeholders, HUD published a final notice in 2006 that establishes a new performance framework for CPD formula programs. HUD is updating its data systems to facilitate reporting based on the new standardized performance measures. This framework improves HUD's ability to capture program outcomes and will better inform budget and policy decisions.

The CDBG Reform proposal includes changes to the funding formula to target resources to communities that need them most, such as those with high poverty and unemployment rates. It also includes bonus funds for communities that demonstrate the greatest progress in expanding homeownership and opportunity for residents. CDBG and all other federal community and economic development programs will operate within a new, broader framework of clear goals, crosscutting community progress indicators, and common standards for the award of bonus funding.

### ***Assist communities in recovering from disasters.***

HUD played a crucial role in the federal government's short-term response to the Gulf Coast hurricanes. For a summary of HUD's broad array of disaster recovery efforts in the aftermath, see the Appendix.

In December 2005, HUD received a supplemental appropriation of \$11.5 billion for CDBG disaster relief grants to support hurricane recovery in the Gulf Coast. Through grants to affected areas, these funds will provide for a wide range of recovery activities, such as rebuilding infrastructure and housing, delivery of essential public services, and economic development.

The Gulf disaster is unique because of its scale. HUD hurricane recovery programs funded in FY 2006 complement the provisions of the Gulf Opportunity (GO) Zone Act of 2005, which President Bush signed into law on December 21, 2005. The law promotes reinvestment by businesses affected by Hurricane Katrina. As businesses rebuild or purchase new equipment, the GO Zone Act and related legislation will help in important ways:

- Increase expensing allowances for capital investment by small businesses, and for demolition and cleanup expenses for all businesses.

- Accelerate "bonus" depreciation for property and equipment, and allow uninsured losses to be carried back five years as a tax deduction.
- Make people affected by Hurricane Katrina eligible for the Work Opportunity Tax Credit.
- Exclude the value of employer-provided housing up to \$600 per month from each employee's taxable income, and give employers a tax credit for providing such housing.

### ***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 annually allocates over \$1.1 billion in McKinney-Vento Act funds through 450 local Continuum of Care (CoC) planning jurisdictions. A Continuum of Care is a broadly representative public-private planning process that assesses local needs, determines local priorities for funding within national goals, and assesses local performance in ending chronic homelessness and moving homeless families and individuals to permanent housing. In order to target funds to serve the chronic homeless, HUD has developed a "Samaritan Initiative" that provides bonus funding for CoCs submitting a permanent housing project dedicated to serving chronically homeless persons. In the 2005 national competition, HUD funded 4,940 projects totaling \$1.1 billion in 452 CoCs. Of these, 611 were new projects. There were 233 "Samaritan bonus" projects that received a total of over \$100 million in funding.
- HUD will continue to seek tighter coordination and integration of its 10-year planning efforts to end chronic homelessness through standardizing homeless and chronic homeless planning components contained in its two resource-driven local planning structures: (1) the Consolidated Plan with homeless and chronic homeless elements that are submitted by states and 1,128 jurisdictions that receive over \$5.8 billion in CDBG, HOME, HOPWA, and ESG program

funding; and (2) the annual plan for addressing homelessness and ending chronic homelessness submitted by over 452 CoC planning jurisdictions. HUD is actively seeking to coordinate these jurisdictional CoC and Consolidated Plans with other 10-year plans.

- HUD will continue to work directly with other federal agencies, and through the U.S. Interagency Council on Homelessness, on collaborative efforts to address homeless needs and to end chronic homelessness. One tangible result of this effort is the \$35 million Chronic Homeless Initiative between HUD and the Departments of HHS and Veterans Affairs that weaves together housing and social services for homeless people with addictions, mental illness, prisons histories, and other root causes of persistent homelessness. Another is the jointly funded initiative between HUD and Department of Labor for \$13 million focusing on the housing and employment needs of chronically homeless persons.
- HUD also recently funded a new initiative, “Housing for Persons Who Are Homeless and Addicted to Alcohol,” to assist chronically homeless individuals who have a long-term addiction to alcohol. The initiative funds 12 pilot programs in 11 cities that serve approximately 555 persons. These programs received two-year grants totaling \$10 million in funding, and were developed in collaboration with the U.S. Interagency Council on Homelessness.
- As homeless families and individuals obtain better access to the mainstream services they need, and as the coordination between HUD and other federal agencies coalesces, HUD is working to 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 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 healthcare, correctional, mental health, and substance abuse treatment institutions.

- HUD will 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 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 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. In doing so, HUD will take steps to ensure adequate legal protections for privacy and confidentiality of homeless clientele, particularly victims of domestic violence.
- Encourage states and communities to improve discharge planning from their healthcare, 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. Existing targeted technical assistance efforts under way to veteran service organizations will also be expanded.

- Research methods to measure and optimize the cost of achieving housing stability for various populations.

***International exchanges on housing and urban issues.***

In coordination with the White House and the State Department, HUD's Office of International Affairs supports the diverse international interests of the Department, implements cooperative exchange programs with other governments and international organizations, and promotes multinational research collaboration. These activities include arranging HUD briefings for visiting foreign government officials on American research and experience on housing and urban regions and organizing U.S. involvement in international conferences.

HUD's international activities are carried out from within the Office of Policy Development and

Research and generally focus on topics in housing finance, building technology and regulatory reform, urban economic development, post-disaster reconstruction strategies, and urban planning, particularly GIS applications. The Department's authority for this work is found in the Housing Act of 1957 which gives broad latitude to the Secretary of Housing and Urban Development 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..."

As international exchanges serve to expand the knowledge base available to all concerned with these complex socio-economic issues, they support the development of new policies designed to strengthen communities both here and abroad. The Department will continue its bilateral and multilateral cooperative programs with other governments based on common policy research interests.

## Performance Measures for Strategic Goal C

HUD employs an integrated performance management approach that uses long-term goals in parallel with tracking indicators and annual performance goals that are published in the Annual Performance Plan and reported in the annual Performance and Accountability Report.

Annual goals are supported by HUD's internal Management Plan, which establishes program and operational management goals that are specific to program offices, as well as field offices. HUD will assess its long-term success in achieving this strategic goal by measuring the outcomes discussed below.

### Performance Measures

- HUD will assist Louisiana, Mississippi, Alabama, Texas, and Florida in planning and implementing programs to aid in community and economic recovery of the areas destroyed by the hurricanes. HUD will expeditiously review and approve disaster recovery plans submitted by these states. (Metrics will be developed over FY 2007 to measure progress in recovery.)
- By 2011, median home loan values as reported by Home Mortgage Disclosure Act (HMDA) data will increase in 60 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments. (Baseline studies, if available, will guide further refinement of this measure.)
- Eliminate the blighting influence of 25,000 vacant, boarded up, or abandoned properties by 2011.
- By 2011, 322,486 (2006-2011) jobs will be created or retained through CDBG.
- Increase economic opportunity through use of CDBG funds in communities that are above the national unemployment rates.
- 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.
- Support the availability of decent, affordable rental housing by endorsing at least 33 percent of FHA-insured multifamily mortgages in underserved areas annually through 2011.
- Increase and maintain the number of Neighborhood Networks Centers in FHA-insured and assisted multifamily housing properties.
- The percentage of formerly homeless persons who remain housed in HUD permanent housing projects for more than 6 months will be 75 percent by 2011.
- By 2011, HUD will create 40,000 new units of permanent housing for chronically homeless individuals.
- By 2011, 65 percent of households leaving transitional housing will directly move to permanent housing.
- By 2011, 25 percent of homeless persons will be employed upon exiting HUD homeless assistance projects.
- HUD will work with other federal partners to eliminate lead poisoning in children nationwide by 2010.
- By 2011, the Healthy Homes Initiative will reduce allergen levels in 5,000 homes and consequently decrease asthmatic episodes in at least 3,000 children.

## 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. Regional economic adjustments may result in periods of higher unemployment rates, reduced revenues, and lower spending on public services by states and localities. A rapidly changing global economy has made it challenging for Americans to compete when capital is highly mobile, markets for goods and services are widely dispersed, and wages for low-skilled employment are much lower in many locations abroad.

Local shortages of low-skilled jobs may be 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.

Although deteriorated lead-based paint in older housing remains the most common source of lead exposure for children, the Centers for Disease Control report that other lead sources increasingly are recognized, particularly among certain racial or ethnic populations.

### *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 D: Ensure Equal Opportunity In Housing

*“The very fabric of our nation is the rich diversity of our people. At HUD we are more committed than ever to ensuring that everyone has the opportunity to live where they choose, free from discrimination.”*

—Secretary Alphonso Jackson



## Overview

Battling housing discrimination remains a core element of HUD’s mission. In order for all Americans to have an equal opportunity to buy or rent housing that matches their individual needs, discrimination against minorities and persons with disabilities must be eliminated in all our communities. Architectural barriers, refusals to rent or sell, denials of financing, and steering buyers away from certain neighborhoods are some of the forms discrimination now takes. These discriminatory actions exclude people from the

diverse housing opportunities that should be available to them.

HUD is committed to ending the practice of discrimination. To do this, HUD enforces fair housing laws and educates 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 obtain housing of their choice.

Since 2000, HUD has conducted several key studies to determine the frequency of discrimination in the housing market and the public's level of fair housing awareness.

HUD's multi-year Housing Discrimination Study 2000 (HDS 2000) found that while housing discrimination has decreased overall during the preceding decade – notably, by 12 percentage points for African American homebuyers – it continues to affect the lives of millions of Americans. All major minority groups – including African Americans, Hispanics, Native Americans, Asians and Pacific Islanders – were found to experience high levels of consistent adverse treatment in at least 21 percent of rental settings.

In July 2005, HUD released its first study of housing discrimination against persons with disabilities. The study, "Discrimination Against Persons with Disabilities: Barriers at Every Step," examined the Chicago-area rental market and found that hearing-impaired people experienced consistent adverse treatment 50 percent of the time when using a telephone-operator relay to search for rental housing. Persons in wheelchairs experienced consistent adverse treatment 32 percent of the time when they visited rental properties.

HUD's 2002 Housing Awareness Study "How Much Do We Know?" indicated that fair housing education and enforcement had greatly increased awareness, but 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. "All Other Things Being Equal" found that while minorities and whites receive equal treatment in the majority of cases, there were 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 D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.***

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

In recent years, HUD has made significant strides in reducing its inventory of "aged cases" and is now focused on increasing the number of cases processed within 100 days, the statutory threshold for timeliness.

***Objective D2: Improve public awareness of rights and responsibilities under fair housing laws.***

HUD views enforcement of fair housing laws as going hand-in-hand with increasing public awareness of those laws and the avenues for reporting violations. Many people remain unaware of protections provided by the law, and according to "How Much Do We Know?" only 5 percent of the people who believe they experienced housing discrimination contact a government agency, a fair housing organization, or a lawyer. To address these findings, HUD launched an award-winning multi-media campaign in 2003 to expand awareness of fair housing laws and methods for filing complaints. These efforts contributed greatly to a 14 percent increase in the number of discrimination complaints reported to



HUD and substantially equivalent fair housing agencies between 2003 and 2005.

HUD will continue to work in cooperative effort with tenants, builders, landlords, and other stakeholders to improve understanding and compliance with Fair Housing laws.

***Objective D3: Improve housing accessibility for persons with disabilities.***

This strategic objective reflects a concerted effort by HUD to reduce barriers that limit the housing options for persons with disabilities and create more accessible units. In addition to the Fair Housing Act, HUD enforces Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination in federally assisted programs or activities; Title II of the Americans with Disabilities Act of 1990; and the Architectural Barriers Act of 1968.

HUD's 2005 study "Discrimination Against Persons with Disabilities: Barriers at Every Step" revealed high levels of discrimination against persons with disabilities. The study found that at least one-third of the advertised rental properties in the Chicago area were not accessible to wheelchair users. In other words, a person who uses a wheelchair is limited to about two-thirds of the Chicago-area rental market from the outset.

As a result of enforcement done in tandem with ongoing educational efforts to acquaint the public and building community with rules regarding accessibility, HUD anticipates a continued increase in the number of accessible units. HUD also will provide more homeownership opportunities to persons with disabilities through enforcement of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973.

***Objective D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.***

Title VI of the Fair Housing Act requires federal agencies to ensure that their programs provide equal opportunity in housing. This new strategic objective focuses on the cross-cutting nature of fair housing issues and invigorates the Department's compliance enforcement activities, including accessibility of housing for persons with disabilities under Section 504.

## Means and Strategies

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

***Provide for efficient and effective enforcement of fair housing laws.***

FHEO will 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.

FHEO also administers 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 organizations to educate the public and housing industry about fair housing laws and investigate allegations of discrimination.

FHEO will encourage, support, and expand the network of state and local agencies that work as HUD's partners through these programs. FHEO seeks to build this capacity in unserved and underserved areas, such as those not already served by substantially equivalent agencies.

FHEO is taking steps to improve the efficiency and quality of case processing and investigation.

- HUD provides advanced training for HUD and grantee staff in theory and techniques of fair housing investigation. The National Fair Housing Training Academy, launched in 2004, was established to ensure quality investigations and consistent case processing. In the coming years, the Academy will continue to offer quality-standardized instruction, expanding the skill and capacity of fair housing organizations.
- Through a partnership with the Offices of General Counsel (OGC) and Policy Development and Research, FHEO is pilot-testing a new case processing protocol involving early and continued investigation

coordination between FHEO and OGC. Evidence from other fair housing agencies suggests the new protocol may result in more effective and efficient management, leading to shorter processing times and higher quality investigations. The study involves three of HUD's ten regions, and over the course of one year will affect approximately 1,600 fair housing complaints.

- HUD will continue its partnership with the Department of Justice to aggressively handle criminal acts of housing discrimination and cases that involve either a pattern and practice of discrimination or discriminatory zoning and land use activities.
- HUD has established an Office of Systemic Investigations to address complex, systemic, and secretary-initiated complaints more effectively.

HUD also will monitor the government-sponsored enterprises' compliance with fair housing requirements, as well as with the Federal Housing Enterprises Financial Safety and Soundness Act (FHEFSSA).

***Raise awareness of fair housing laws among housing industry professionals and the general public.***

By sponsoring public outreach events and multimedia campaigns, HUD educates the public, homeowners, renters, housing industry professionals, lenders, and HUD grantees about the Fair Housing Act's prohibitions against discrimination and the assistance available to them if they experience discrimination.

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

The Department supports building industry compliance with fair housing laws by continuing

the Fair Housing Accessibility FIRST program, which provides training and technical assistance for industry professionals on meeting accessibility requirement.

HUD will provide more homeownership opportunities to persons with disabilities through enforcement of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973.

HUD administers housing programs for the disabled, including the Section 811 rental housing program, Housing Opportunities for Persons with AIDS, Mainstream Housing Opportunities for Persons with Disabilities, and other rental assistance for persons with disabilities.

***Ensure that HUD-funded entities comply with fair housing and other civil rights laws.***

The Department regularly monitors a variety of housing programs. HUD provides training and technical assistance to funded entities, conducts front-end reviews of documents (such as affirmative fair housing marketing plans), enforces civil rights related program requirements (such as site and neighborhood standards), and reviews applications to the SuperNOFA programs to ensure that the applicants meet affirmative fair housing, nondiscrimination, and Section 504 requirements in their programs and activities. Further, HUD's Office of Fair Housing and Equal Opportunity designed a checklist to assist other program offices in determining an agency's compliance with applicable laws. HUD program offices work together to determine the appropriate corrective measures to take when an entity does not comply with its civil rights requirements. FHEO will utilize the information collected to provide outreach to entities to ensure full compliance with fair housing laws.

## Performance Measures for Strategic Goal D

HUD employs an integrated performance management approach that uses long-term goals in parallel with tracking indicators and annual performance goals that are published in the Annual Performance Plan and reported in the annual Performance and Accountability Report.

Annual goals are supported by HUD’s internal Management Plan, which establishes program and operational management goals that are specific to program offices, as well as field offices. HUD will assess its long-term success in achieving this strategic goal by measuring the outcomes discussed below.

Performance Measures
<ul style="list-style-type: none"> <li>• By the end of FY 2011, at least 85 percent of open HUD fair housing complaints will be completed within 100 days, excluding recommended cause, pattern and practice, and systemic complaints, increasing by 5 percentage points annually from the FY 2006 baseline of 60 percent.</li> <li>• By the end of FY 2011, at least 65 percent of open FHAP fair housing complaints will be completed within 100 days, excluding recommended cause, pattern and practice, and systemic complaints, increasing by 2 percentage points in FY 2006, and thereafter by 3 percentage points annually, from the FY 2005 baseline of 48 percent.</li> <li>• To improve the quality and rigor of investigations, increase the proportion of complaints that use testing as evidence by 6 percentage points from the FY 2006 baseline by FY 2011.</li> <li>• Decrease the percentage of minorities that were found to experience consistent adverse treatment in the rental market by 2 percentage points by 2011. (This performance measure is contingent upon the availability of funds to measure results by conducting a Housing Discrimination Study.)</li> <li>• By 2011, HUD will increase public awareness of the Fair Housing Act’s prohibitions of discrimination against families with children by 6 percentage points from the baseline of 44 percent in 2005.</li> <li>• By 2011, HUD will increase public awareness of the Fair Housing Act’s prohibitions against racial steering by 4 percentage points from the baseline of 58 percent in 2005.</li> <li>• Ensure that civil rights limited monitoring reviews are conducted during on-site monitoring reviews of HUD-funded recipients by responsible HUD program offices, with referral to FHEO for review and appropriate action.</li> <li>• Through development of a national strategy, FHEO will conduct 280 compliance and monitoring reviews by 2011.</li> <li>• HUD will take corrective action on all findings resulting from civil rights limited monitoring reviews.</li> <li>• HUD-assisted units made accessible as a result of Voluntary Compliance Agreements will be verified by FHEO and a database of those accessible units will be maintained beginning 2007 through 2011.</li> </ul>

## External Factors

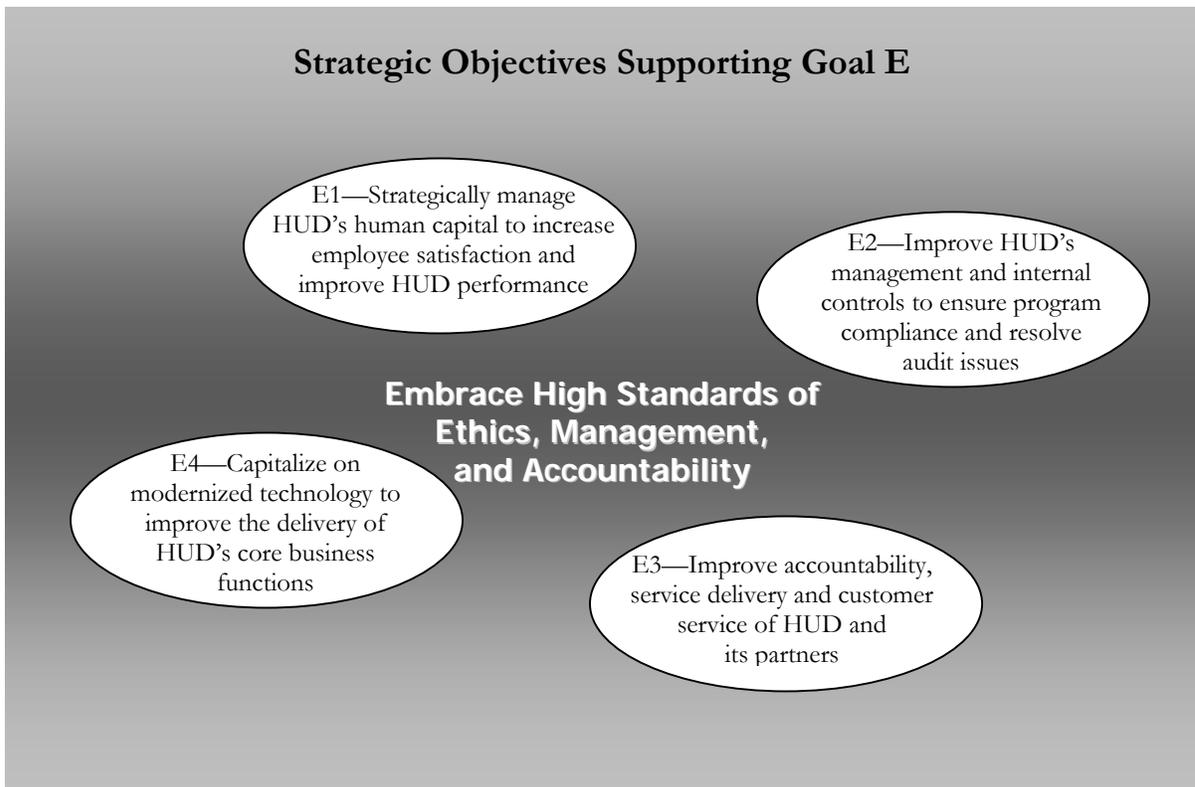
Social, cultural, and economic conditions influence the acceptance of minorities and persons with disabilities. Local policies and practices affecting the development and construction of housing will continue to have some influence on the levels of discrimination, income isolation, and disparate homeownership rates.



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

*“I’ve never measured an agency’s success by the number of programs it runs. Instead, I measure success by the number of people we serve, and the number of families that are living better, more fulfilling lives today because they were helped by the people of HUD at a critical time in their lives.”*

—Secretary Alphonso Jackson



## 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 they were provided. The Secretary has made stronger ethics, effective

management, and accountability a top priority throughout the Department’s operations. This goal guides the planning, investment, and management of human and other resources to achieve performance improvements in financial management, information technology, and program operations.

The President’s Management Agenda (PMA) is designed to improve the efficiency and

effectiveness of the federal government and to address significant management deficiencies at individual agencies. Building on the PMA and feedback from the Government Accountability Office (GAO), HUD has made significant progress in its financial systems and rental assistance program management. In the years to come, the Department will sustain its commitment to these areas while improving performance and maintaining the highest standards of ethics, management, and accountability.

The PMA provides the framework for this strategic goal's means and strategies, as it addresses HUD's management challenges and high-risk programs through five initiatives to improve government-wide performance. The five areas of focus are human capital, expanded electronic government, improved financial management, competitive sourcing, and budget and performance integration. The PMA also includes two HUD-specific initiatives to correct long-standing management control weaknesses and improper payment issues. Under an eighth initiative, HUD will improve program delivery by enabling increased participation by faith-based and community organizations.

Four objectives under Goal E articulate the Department's long-term efforts to address management challenges and to become an increasingly high-performing agency.

***Objective E1: Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.***

This strategic objective stresses the importance HUD places on its most valuable resources, its employees, recognizing that it is only through their efforts that HUD's mission will be carried out. HUD's goals are to recruit, develop, and retain a workforce of employees renowned for professional leadership, management, and technical competency, while ensuring that they have opportunity to gain the widest possible ranges of skills and experiences.

The eligibility of over half of HUD's workforce for retirement over the next several years poses a significant challenge for HUD's operations. As GAO has recognized, this retirement issue is a government-wide problem. HUD, however, views it as an opportunity to attract and develop a new cadre of employees to take on the future

challenges of housing and community development. In the future, all employees of HUD will have the knowledge and skills to manage information effectively. The continued implementation of HUD's Strategic Human Capital Management plan remains critical to the Department's success in managing this invaluable resource and continuing to strengthen internal communications.

***Objective E2: Improve HUD's management and internal controls to ensure program compliance 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 the following:

- Improve financial management systems;
- Ensure adequate and sufficiently trained HUD staff;
- Improve origination of FHA single-family mortgage insurance and oversight of real estate owned property;
- Improve the effectiveness and efficiency of public and assisted housing program administration;
- Ensure grantee compliance with relevant regulations and statutes.

***Objective E3: 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 the HUD and PMA goal of improving the performance of HUD partners or 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 E4: Capitalize on modernized technology to improve the delivery of HUD's core business functions.***

As technology continues to reshape our world, the Department must transform business using information technology innovations and solutions that meet and exceed the rising expectations of our business partners and the citizens we serve. HUD is already recognized as a technology leader, delivering secure, reliable, and well-managed information technology (IT) solutions that increase the accessibility and availability of services, funding opportunities, and program-related information to our business partners and the general public.

Using HUD's new Enterprise Architecture and its IT Strategic Plan as a foundation for decision-making, the Department will modernize HUD's business processes and IT through its five-year Vision 2010 initiative. Vision 2010 will focus on core business and enterprise IT investments to optimize HUD business practices and improve internal efficiency and decisionmaking. The key approach is to provide integrated web-based solutions to enhance HUD's ability to meet Departmental goals and "just in time" customer demand for HUD's programs.

## **Means and Strategies**

***Use human capital effectively.***

According to the PMA, "human capital strategies are linked to organizational mission, core values, goals and objectives and result in building, sustaining, and effectively deploying the skilled, knowledgeable, diverse, and high performing workforce needed to meet the current and emerging needs of government and its citizens."

Human resources are the indispensable key to management accountability. Thus, HUD's three strategic priorities for human capital are: (1) a mission-focused agency, (2) a high-quality workforce, and (3) an effective succession plan.

Effective succession planning will ensure that the Department's employees have the skills and knowledge they need to achieve HUD's mission

and that institutional knowledge is sustained. As a result, customer service will not suffer due to retirements, and clear lines of succession will help the Department retain high-performing mid- and entry-level employees.

The following means and strategies will be applied to effectively utilize human capital:

- The Human Capital Steering Committee, which is chaired by the Assistant Secretary for Administration and comprises executives from the major program areas, will continue to monitor implementation of the Strategic Human Capital Management Plan and provide leadership and guidance on associated issues.
- The Department completed a comprehensive workforce analysis that resulted in workforce plans for each of its core business program offices that include 65 percent of the agency's workforce. These workforce plans address mission-critical skill gaps. HUD will continue to implement these workforce plans.
- HUD implemented a departmental resource management process, called Resource Estimation and Allocation Process (REAP), which allows HUD to allocate resources efficiently to improve performance and coordinate policy, performance, and staffing-related budget resources. The Total Estimation and Allocation Mechanism (TEAM) is an automated information system that validates REAP data by capturing actual information on workload accomplishments and time usage by HUD employees. Program managers will continue to use this information in developing budget requests and as part of the process of assessing hiring needs and making hiring decisions.
- HUD continues to take steps to improve internal communications and employee involvement so that HUD will be a more cohesive organization that exhibits greater comprehension of, commitment to, and capacity for achieving departmental goals. Another Organizational Assessment Survey was conducted during FY 2005 to measure employee satisfaction with HUD's work environment. HUD will implement action plans to address areas in need of improvement.
- HUD will continue to support the workforce through expanded opportunities for professional development. The Department identified mission-critical occupational series

that will be affected significantly by projected retirements. HUD implemented training and development strategies to meet the needs of HUD's core business functions and develop talented leadership from within the organization. These initiatives included the creation of a comprehensive training curriculum using the HUD Virtual University, the Emerging Leaders program, and Operation Brain Trust – a program that captures the critical knowledge of experienced HUD professionals before they retire and transfers it to new or less experienced employees.

### ***Improve financial management.***

Recent substantial improvements in financial management systems and controls have enabled HUD to receive clean financial statement audit opinions from the Inspector General (IG) for the last six years. Weaknesses in FHA information systems, which were a recurring source of audit deficiencies, have been significantly addressed to date and will be resolved completely by December 2006.

All systems that do not comply with the Federal Financial Management Improvement Act will be eliminated by the end of FY 2007. By the end of 2005, non-compliant systems had been reduced to two, down from 17 in FY 2002.

In addition, the Department is modernizing its core financial systems through the HUD Integrated Financial Management Improvement Project. HUD's goal is to provide a user-friendly system that improves the availability and use of financial information to better inform HUD's business decisionmaking process.

HUD also intends to eliminate the two remaining material weaknesses identified by the IG for FY 2005, dealing with the FHA Credit Reform estimation process, and risk analysis monitoring in FHA's single-family insured mortgage program.

The Department also has acted to ensure timely management decisions on all audit recommendations made by the IG, and is taking steps during FY 2006 to cut in half the number of overdue final actions on these recommendations. The number of overdue actions has dropped from 122 in 2001 to 16 in 2005.

### ***Manage information.***

Reliable information is critical for effective management and accountability. HUD has a number of strategies to improve the use of data coming into the Department so that captured data elements become useful information to assist HUD in its decisionmaking. 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 actions against 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.
- Apply principles of business process analysis and enterprise architecture to improve HUD's management and internal controls, improve systems, resolve audit issues, and improve service delivery to all customers.
- Continue to improve quality and integrity of program data. Efforts managed by the Chief Information Officer include assessing and certifying data quality in mission-critical systems and employing performance-based system development practices.

### ***Modernize information technology.***

The HUD Information Technology Modernization Strategy, Vision 2010, represents a significant shift in the way HUD designs, invests in, plans for, develops, and implements IT in support of its business. Action plans and performance measures help ensure successful implementation. The modernization plan identifies several core strategies:

- Allocate increased Development, Modernization, and Enhancement (DME) funding to improve access and capabilities for HUD clients and staff, while furthering HUD's IT modernization plan to streamline



business processes and support sharing of system capabilities in a service-oriented architecture.

- Increase use of reusable components and shared services.
- Collaboratively define business needs, functional requirements, and architectures with business and IT stakeholders.
- Develop and implement an enterprise information security program that meets all information security and privacy-related regulations, statutes, and federal laws.

### ***Advance E-Government capabilities.***

The federal Electronic Government (E-Government) initiatives are improving the efficiency of public sector business through the power of the Internet. As an active partner in these initiatives, HUD is capitalizing on efforts to introduce shared solutions, retire redundant or obsolete systems, and provide innovative technological tools to increase access to programs, services, and information. The Department will continue to focus on key E-Government efforts, including:

- *Grants.gov.* This federal portal allows partners to receive email notification of funding opportunities from every federal agency, find the opportunity, and apply on line using a single registered ID and password. In recent years, HUD has taken steps to make all of its competitive funding opportunities available on Grants.gov. In the future, all funding opportunities will be available on Grants.gov. Over 5,000 applications were submitted via Grants.gov for HUD programs in FY 2005, and HUD is committed to working with our partners to increase the number of successfully submitted applications in FY 2006 and beyond.
- *E-Rulemaking.* With the public launch of Regulations.gov, citizens can easily access and participate in the rulemaking process. HUD is one of the first agencies to migrate to E-Rulemaking's Federal Docket Management System, collaboratively designed to assist federal agencies in managing and organizing materials and comments associated with rulemakings. The system provides access to materials that previously were difficult to review and cumbersome to handle, especially when large quantities of paper were involved.

- *GovBenefits.gov.* This portal, devoted to informing citizens about their eligibility for public benefit programs, continues to increase awareness of available HUD benefit programs that support the Department's strategic goals.
- *Business Gateway.* This portal provides information to the business community about HUD housing and community development compliance. HUD currently maintains 139 forms or instruction documents in the Forms Catalog on Business Gateway to increase awareness and availability.
- *Geospatial One-Stop.* HUD is a federal spatial data producer and distributor, and a contributor of metadata to the Geospatial One-Stop geographic information portal. Sharing geospatial data allows federal agencies to reduce costs and improve overall federal spatial readiness by making its large repository of current and historical data discoverable and accessible to the public.
- *E-Authentication.* HUD is a member of the E-Authentication Federation and is working towards the implementation of an approved E-Authentication infrastructure for a common, interoperable authentication service. The service will provide authentication that is appropriate for the level of risk and business needs.

Federal E-Government efforts related to standard "lines of business" are striving to develop integrated solutions to common administrative functions. The following government-wide initiatives represent a significant HUD investment of budgetary and staff resources:

- *Financial Management Line of Business.* HUD has been an active participant in this project team, and has developed the HUD Integrated Financial Management Improvement Project (HIFMIP) to reflect a Department-wide scope consistent with these principles. HIFMIP integrates the Department's currently independent efforts to modernize financial systems into a single core financial system with a qualified external service provider.
- *Grants Management Line of Business.* HUD is actively helping define requirements, streamline grant-related processes, and improve reporting.
- *Human Resources Management Line of Business.* Under this initiative, HUD's human resource functions have been moved to an approved human resources Shared Service Center

provided by the Department of Treasury. The transition has significantly reduced investment risk, avoided millions of dollars in costs, and assured delivery of a mature, capable human resources system. Further improvements to human resource functions will occur under this effort in support of HUD's mission.

- *Information Systems Security Line of Business.* HUD is actively participating in this effort to guide improvements in the effectiveness and consistency of information systems security across the federal government. The effort will deliver government-wide security solutions, applied across the federal government, that meet current and future mission and security demands.

HUD also is increasing citizen access to information on HUD's programs through citizen participation in the Consolidated Plan and Continuum of Care programs. These programs related to community development and homelessness allow for citizen input and decision-making at the community level rather than a "top-down" federal government solution imposed on communities.

### ***Enhance monitoring and enforcement.***

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

- Continue implementing the RHIIP to reduce improper payments 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 and properly bill HUD subsidies. Efforts include developing and implementing an upfront income verification tool for housing providers, institutionalizing a quality control program – including oversight and monitoring of program administrators' performance, stronger performance incentives, and sanctions for tenants and housing providers – 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 Recovery and Prevention

Corps in the Office of Public and Indian Housing for remedial action.

- Continue to refine and improve REAC physical inspection processes and financial assessments of multifamily insured and subsidized properties.
- 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 the Departmental Enforcement Center, review the physical and financial condition of multifamily housing properties for noncompliance with HUD regulatory and contractual requirements and take appropriate action to obtain compliance or sanctions. The DEC will continue to suspend and debar participants in any HUD program who are not responsible business partners.
- Through Housing's 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.
- Continue the monitoring and oversight of privately owned properties with Section 8 assistance by using Performance-Based Contract Administrators to assure compliance with HUD's occupancy and subsidy payment policies.
- Through HUD's Mortgagee 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. Continue FHA's practice of sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.
- Continue to hire, train, and retain a quality program monitoring and enforcement workforce capable of ensuring greater accountability for results by program participants.

- Continue to ensure enhanced field office oversight of Neighborhood Networks Centers through continued support for the Neighborhood Networks Strategic Tracking and Reporting Tool.

***Work with partners to strengthen performance management.***

Much of the work and progress toward HUD's mission is accomplished through the efforts of the Department's partner organizations. HUD is taking a number of steps to improve our shared ability to demonstrate success resulting from these efforts. Such accountability has become increasingly important because of the rigorous evaluation of the Performance Assessment Rating Tool, which the Office of Management and Budget is applying to all federal programs.

The Office of Community Planning and Development participated in an extensive process of planning and negotiation with OMB and community development stakeholders who administer CPD formula grants. The process resulted in a new outcome performance measurement system for CPD's formula grant programs: Community Development Block Grants, HOME, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS.

The implementation of the CPD outcome performance measurement system and its use by grantees will enable HUD to collect information on the outcomes of activities funded with CPD grants. HUD is developing enhancements to the Integrated Disbursement and Information System (IDIS) that will enable grantees to report new performance data and will allow HUD to summarize national results and benefits of these programs. The IDIS enhancements will become available in 2006.

HUD also has instituted performance management principles throughout competitive grant programs, which are funded at about \$2.2 billion annually. This effort is integrating performance measurement and budgeting for these diverse programs. Since FY 2002, HUD has required grant applicants to submit a logic model when seeking funding. Developing a logic model creates a framework for program planning, performance measurement, and evaluation by requiring grantees to document several things:

- Which of HUD's strategic goals the grant activity will support;
- Specific activities that are crucial to success;
- Products or outputs generated as a result of the activity;
- The outcomes expected to result;
- How the data will be collected;
- The methodology used to evaluate success; and
- The evaluation of Return on Investments to assess the impact of their programs on the community being served.

HUD has compiled the data and evaluated grantees' logic models for the first several years, which has highlighted opportunities to streamline and develop more consistent and useful performance measures at the Departmental level. HUD has developed an electronic reporting structure on the basis of the logic models, and will be implementing a performance reporting system in the near future.

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:

- Periodically survey HUD's customers and partners to assess programs, policies, and monitoring, as well as the Department's relationship with these stakeholders. These assessment efforts parallel and complement HUD's internal employee surveys.
- Consult with community development partners to finalize the new Consolidated Plan Management tool.
- Support management improvements by troubled housing providers. The Office of Public and Indian Housing, through local field offices and the Recovery and Prevention Corps, helps troubled housing agencies improve management to achieve standard or high-performing status. The Office of Multifamily Housing and the Departmental Enforcement Center work similarly with private housing providers presenting management troubles. These efforts are discussed under Goal B.

## Performance Measures for Strategic Goal E

HUD employs an integrated performance management approach that uses long-term goals in parallel with tracking indicators and annual performance goals that are published in the Annual Performance Plan and reported in the annual Performance and Accountability Report.

Annual goals are supported by HUD's internal Management Plan, which establishes program and operational management goals that are specific to program offices, as well as field offices. HUD will assess its long-term success in achieving this strategic goal by measuring the outcomes discussed below.

<b>Performance Measures</b>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• Once the process is completed for identifying all skill gaps in mission-critical positions, HUD will reduce by 80 percent all identified skill gaps by 2011, contingent upon adequate funding.</li> <li>• Employee satisfaction will increase by 5 percent from the 2005 baseline by 2011.</li> <li>• HUD will eliminate all remaining material weaknesses by FY 2008.</li> <li>• Continue the Rental Housing Integrity Improvement Program Initiative and institutionalize processes into PIH's annual Management Plan.</li> <li>• Reduce gross improper payments to less than 2.5 percent of appropriated annual funds under the tenant-based voucher, public housing, and project-based rental assistance programs.</li> <li>• Properly align PIH Headquarters and Field Office operations to facilitate the implementation of asset-based management in public housing.</li> <li>• Require PHAs to develop an emergency evacuation plan in coordination with local, state, and federal government.</li> <li>• Increase the number of performance assessments received from Neighborhood Networks Centers.</li> <li>• Ensure that IT investments better promote enterprise collaboration by 2008, as measured by the level of technical standardization and use of off-the-shelf systems, reusable components, and shared services.</li> <li>• Increase the percentage of customers and business partners who are satisfied with the security, rapidness, and reliability of HUD-provided data and information.</li> <li>• Certify and accredit all information systems prior to their operation; reduce the number of outstanding security vulnerabilities by 25 percent per quarter; and provide topical security awareness training to all HUD users annually.</li> <li>• Revise and implement standards for the timeliness and accuracy of critical PIH management data, with the goal of achieving 97 percent timeliness and accuracy of tenant characteristics data and 99 percent of electronic financial statements for the public housing and voucher programs.</li> </ul>

## **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.

Emerging information technologies have proven both a potent opportunity and an area of difficulty

for HUD. Complexities arise from external factors, such as the pace of innovation, contradictory pressures for change, the need for information security, including security against hackers, and federal procurement requirements. Other factors include insufficient authority to mandate submission of quality data, as well as the large scale of some of HUD's legacy systems and program operations.



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

*“HUD’s efforts build on the Administration’s commitment to place faith-based and community organizations on an equal footing with other organizations that serve low-income Americans and revitalize distressed neighborhoods.”*

—Secretary Alphonso Jackson



## 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 federal 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, taking full advantage of their capacity to provide quality services to communities and families.

***Objective F1: Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.***

HUD's activities under this objective will help to maximize full participation by faith-based and community organizations, by identifying barriers that inhibit participation and by assessing procurement and other internal policies and practices. Building on regulatory reforms put in place in 2003 and 2004, HUD will pursue remediation to any additional barriers, regulatory or otherwise, that emerge.

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. Additionally, some smaller faith-based and community groups lack knowledge about the more technical aspects of identifying, applying for, and administering government funds.

***Objective F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.***

Faith-based and community 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 have the trust of low-income residents. However, some smaller grassroots and faith-based institutions have lacked access to information and critical networking contacts, and lack complete capacity to make themselves eligible to receive federal funding. In response, HUD's Center for Faith-Based and Community Initiatives (CFBCI) 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, the Department intends to provide higher quality services to the nation's communities.

***Objective F3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.***

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. Therefore, the CFBCI will work to bring 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 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 which 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 for the purpose of demonstrating the potential of faith-based and community grassroots organizations to advance the mission of HUD;
- Maintaining faith-based liaison officers at the regional and field offices to advance the President’s 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 is partnering with

similar centers in other federal agencies to advance the Initiative, including those at the Departments of Education, Justice, Labor, Commerce, Veterans Affairs, Agriculture, and Health and Human Services. The Center’s activities in support of federal partnerships include the following:

- Plan and conduct interagency events and conferences designed to educate and train faith-based and community organizations on equal access issues and partnership opportunities;
- Continue pilot and demonstration projects that bring program resources and other resources of these agencies together to serve faith-based and community organizations.

### Performance Measures for Strategic Goal F

HUD employs an integrated performance management approach that uses long-term goals in parallel with tracking indicators and annual performance goals, which are published in the Annual Performance Plan and reported in the annual Performance and Accountability Report.

Annual goals are supported by program and operational management goals in an internal Management Plan, which are specific to program offices, as well as field offices. HUD will assess its long-term success in achieving this strategic goal by measuring the outcomes discussed below.

<b>Performance Measures</b>
<ul style="list-style-type: none"> <li>• Participation of faith-based and community-based organizations in HUD programs continues to increase, as evidenced by the number of grant applications for and partnerships in HUD programs.</li> <li>• Evaluate the number of applications by faith-based and community grantees against the previous year’s baseline.</li> <li>• Identify and eliminate the barriers to participation by faith-based and community organizations in HUD-sponsored programs.</li> <li>• Implement and monitor the recording mechanisms for analyzing competitive grant applications for faith-based groups.</li> <li>• Implement and monitor the recording mechanisms for analyzing formula grant applications for faith-based groups.</li> <li>• Provide technical assistance and/or training to a significant number of potential faith-based and community-based applicants for HUD-sponsored programs.</li> <li>• Encourage HUD’s block grant recipients to create partnerships with faith-based and community organizations.</li> <li>• Encourage faith-based and community organizations to enter into local and regional consolidated planning processes so as to participate in block-grant funding opportunities.</li> </ul>

## 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; and

- Validating and monitoring actual resource utilization.

The allocation of HUD's resources toward each of the strategic goals in FY 2005 is summarized in the table below. The strategic goals are not being revised in this Strategic Plan. However, some shifts in congressional resource allocation will occur in connection with hurricane recovery during FY 2006–2011. For FY 2006, Congress passed a \$11.5 billion supplemental appropriation for the Community Development fund in support of Gulf Coast recovery. In the absence of the Gulf recovery funding, the majority of HUD's budget authority is designated for affordable housing and strengthening communities, reflecting the resource-intensive nature of rental assistance and CDBG funding for communities. This distribution also reflects the self-financing nature of much of FHA's homeownership activity.

**Allocation of HUD Resources in FY 2005 by Strategic Goal**

	Budget Authority (BA; \$1,000)	Salaries and Expenses (S&E; \$1,000)	Full-Time Equivalent Staff (FTE; paid positions)
Goal A: Increase Homeownership Opportunities	\$2,542,592	\$105,434	1,035
Goal B: Promote Decent Affordable Housing	25,749,684	326,856	3,176
Goal C: Strengthen Communities	5,486,392	82,396	782
Goal D: Ensure Equal Opportunity in Housing	170,085	62,184	610
Goal E: Embrace High Standards of Ethics, Management, and Accountability	2,097,017	526,603	3,131
Goal F: Promote Participation of Faith-Based and Community Organizations	129,595	7,567	66
<b>Total Resources</b>	<b>\$36,175,365</b>	<b>\$1,111,040</b>	<b>8,800</b>

## Interagency Partnerships

HUD relies extensively on partnerships to accomplish its mission. While such partnerships may not be commonly recognized as resources supporting HUD's mission, they are in fact resources, and many of HUD's goals could not be met without the active participation of partners.

HUD's partners include numerous organizations in the private sector, including both for-profit and nonprofit organizations, as well as state and local governments. Other federal agencies also are critical to HUD's success, while HUD likewise supports the missions of other agencies. The interagency cooperation that is planned during the period covered by this Strategic Plan is summarized for each strategic goal below.

### ***Strategic Goal A: 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 Office of Thrift Supervision, and the Federal Reserve Board. In addition, HUD will work with the Department of Justice, the Federal Trade Commission, and state attorneys general, and regulators on joint enforcement actions.
- HUD also will continue to work cooperatively with the above regulatory agencies to collect data under the Home Mortgage Disclosure Act (HMDA). The Federal Financial Institutions Examination Council 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. In 2005, the Office of Federal Housing Enterprise Oversight required GSEs to begin reporting cases of mortgage fraud. These data will greatly enhance understanding of the scope and nature of mortgage fraud.
- 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, 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 Assistance 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 B: Promote decent affordable housing***

- HUD has a cooperative agreement with the Department of Health and Human Services (HHS) to implement the National Directory of New Hires (NDNH) database. This allows HUD to conduct quarterly data matching of HHS employment information with HUD public housing and Housing Choice Voucher

- (HCV) program participants nationally. The data matching is projected to minimize the \$1.2 billion in improper payments stemming from tenant underreporting of income. Access to the NDNH database provides public housing agencies that administer HUD programs in local communities the information they need to validate tenant-reported income of individuals participating in HUD's public housing and HCV programs.
- In 2005 and 2006, the Federal Emergency Management Agency (FEMA) contracted with HUD to operate the Katrina Disaster Housing Assistance Program (KDHAP). Under the program, HUD-assisted renters and homeless individuals displaced by the Gulf Coast hurricanes can receive housing assistance for up to 18 months. In 2006, HUD continued to operate the program under 2006 supplemental funding.
  - 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 USDA Rural Housing Service. 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 is continuing a pilot program in 11 states called Project Access, a joint effort between HUD and HHS, designed to ease the transition of nonelderly persons with disabilities from nursing homes into community living.
  - 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 and the Energy Policy Act of 2005 by promoting more widespread construction to meet Energy Star qualifications and use of Energy Star products in HUD's inventory of public, assisted, and insured housing, and by CDBG and HOME grantees.
  - 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 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 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, as well as 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 and HUD continue to educate over 4,000 PHAs to support Welfare to Work vouchers.
- HUD works with the Department of Education to inform residents through Neighborhood Networks Centers of the financial aid opportunities available to them to further their education.
- HUD works with the National Aeronautics and Space Administration (NASA) through Neighborhood Networks Centers to provide opportunities for residents of FHA-insured and assisted multifamily housing properties to be exposed to career possibilities in the areas of science and math.

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

- HUD is a member of the U.S. 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 General Services Administration, the Office of Management and Budget, the National Corporation for National Community Services, and the U.S. Postal Service. The Council coordinates federal programs supporting homeless families and individuals to minimize duplication and improve overall results.
- Through a MOU with the Internal Revenue Service (IRS), HUD is helping link low-income individuals and families to free tax preparation, electronic filing, and asset building assistance. The partnership promotes a national tax assistance program

using the IRS Volunteer Income Tax Assistance program.

- 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 is collaborating with HHS and the White House Office of National AIDS Policy in assisting our community partners in addressing the challenges from the HIV epidemic. These efforts involve the coordination of training and technical assistance for providers of housing, healthcare, and other social services for persons with HIV/AIDS, including participation by grassroots and faith-based community organizations. 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 in addressing the special needs associated with HIV and in helping 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 Standards 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 FEMA that will help reduce the risk and economic impacts of floods.
- As part of HUD's commitment to the environment, the Department works with the Council on Environmental Quality to enhance environmental compliance and with the Department of Energy to foster energy savings and innovation. HUD also is a member of the Advisory Council on Historic Preservation and actively supports the integration of historic preservation in the administration of its programs.
- In a partnership that has lasted 37 years, HHS assists HUD in administering its program of mortgage insurance for hospitals. HHS provides architectural and engineering services, helps HUD evaluate applications, and supports HUD's monitoring of the hospitals in the portfolio. The departments recently signed a new Interagency Agreement that extends this partnership for another five years.
- 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 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.

***Strategic Goal D: 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 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.
- 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, or language minority communities.

***Strategic Goal E: 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 F: 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 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. The effort will strengthen the capacity of faith-based and other community organizations to better meet the social and economic needs in America's communities.



# Policy Development, Program Evaluations, and Related Research

## Research and Evaluation

HUD's Office of Policy Development and Research (PD&R) has a long-term research planning process designed to provide a solid foundation for future policy development. The process results in the identification of a large number of research and evaluation projects with high technical merit, and the selection of the most necessary and timely of those projects within the limited resources available in any given year. Pursuant to HUD's FY 2006 appropriations act, the National Research Council will conduct an evaluation of the research plan of the Department and provide recommendations about the future course of needed research.

PD&R's research mandate is not limited to HUD programs. Since its inception, PD&R has committed significant resources to measure and understand America's housing and neighborhood circumstances. PD&R-supported surveys cover two basic aspects of housing – the stock of existing housing and the flow (or construction) of new housing units.

PD&R has sponsored the American Housing Survey, a comprehensive survey of housing units and neighborhoods, for over 35 years. The survey collects information on all aspects of America's housing: physical condition, size, age, quality, type of structures, features and equipment, heating, plumbing, kitchens, tenure, rents and values, financing, and mortgages. To support comparison of the housing stock with the housing needs of the American people, it also collects information about the size of households, and the age, race, sex, immigration status, education, and marital status of their members, the financing of their housing units, and the amounts and sources of their incomes. This information supports assessments of the degree to which Americans are able to find affordable housing, the level of unmet housing needs, and the variation of unmet needs among different types of families.

The production of new housing is an important form of investment in the U.S. economy. The flow of new housing units supports this country's ability to provide safe and sanitary housing at

reasonable costs to all Americans. To measure the size of this flow, HUD sponsors the Survey of Construction (Starts, Completions, and Sales), the Survey of Placement of New Manufactured (Mobile) Housing Units, and the Survey of Absorption of New Apartments.

## How Evaluation Has Influenced This Strategic Plan

Since HUD's largest housing assistance program, the Housing Choice Vouchers (HCV) program, got its start in 1974 with a carefully-designed experiment and evaluation, the Department has sought to ground policy decisions in objective research. A number of strategic objectives and specific strategies identified in this strategic plan have been similarly shaped by research:

- HUD's promotion of minority homeownership is influenced by studies, such as "The Importance of Wealth and Income in the Transition to Homeownership" (2004). This study shows that both household wealth and current income are important factors in achieving homeownership, while wealth is even more critical for successful minority transitions. There is some evidence that wealth may be diminishing in importance as a prerequisite for achieving homeownership.
- Flexibility for PHAs to establish term limits, and graduation bonuses to create incentives for transitions to self-sufficiency – these policies reflect the broader implementation of concepts examined in "Housing Agency Responses to Federal Deregulation: An Assessment of HUD's 'Moving To Work' Demonstration" (2004).
- A 2004 study of the costs of operating public housing led to negotiated rule-making with PHAs and has enabled HUD's transition to asset-based management of individual developments rather than providing operating subsidies for entire PHAs.
- Quality control studies, which measure the accuracy of tenant rent determinations for assisted housing programs, have played a critical role in HUD's successful progress in reducing erroneous payments in connection

with the President's Management Agenda. Also arising from this work is proposed legislation to simplify the calculation of tenant rents.

- HUD's strategic objective to improve public awareness of rights and responsibilities under fair housing laws grows out of a 2001 study that revealed limitations in public understanding of what types of conduct constitute illegal housing discrimination. HUD is conducting follow-up research on this topic.

## Evaluation Strategy

PD&R is in the process of substantially increasing program evaluation activity to support an Executive branch 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.

## Forthcoming 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. This section also summarizes the impact that certain prior research projects have had on HUD policy.

These efforts consist primarily of the work of PD&R, although several evaluations being conducted by other organizations also are included. Additional information on HUD program evaluations and research, including copies of recently issued reports, may be found on the website for PD&R: [www.huduser.org](http://www.huduser.org).

### **Strategic Goal A: 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. In 2007, PD&R expects to begin an evaluation of the effect of homeownership counseling.
- **Affordable housing goals for GSEs.** Past PD&R analyses have provided a foundation for establishing the GSE housing goals to ensure that the institutions do their utmost to help make housing affordable. In 2006 PD&R will analyze the 2005 performance of the GSEs, Fannie Mae and Freddie Mac, against the affordable housing goals and subgoals that became effective in 2005. These goals are intended to ensure that the GSEs do their part to expand affordable housing opportunities, especially homeownership, for low-income and minority families and families living in underserved areas. PD&R will also analyze the GSEs' performance relative to that of other institutions in the mortgage market.
- **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 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 mortgage insurance premiums. An evaluation of the Accelerated Claims Disposition Demonstration, which involves FHA payment of certain claims prior to foreclosure and immediate transfer of the property to a joint venture in which FHA retains an interest, is well under way.

In 2006, PD&R expects to begin an evaluation of the duration of homeownership of families assisted by HOME. In 2008, PD&R will begin a similar study of homeownership supported by CDBG. This year, the Office of Public and Indian Housing plans to evaluate PIH homeownership programs, including Section 32 public housing homeownership and lessons learned from Section 5(h).

- **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 safety, durability, affordability, and energy efficiency. The long-term research and evaluation strategy of the Partnership for Advancing Technology in Housing (PATH) will be posted by late spring of 2006.<sup>6</sup> Other areas of needed research include expanded research in support of modernization of the Manufactured Housing

Construction and Safety 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.

- **Real Estate Settlement Procedures Act (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 consumer-test new Good Faith Estimate forms, estimate savings from RESPA reform, and assess any impacts of RESPA reform.
- **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 analyzing 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 guide 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. One basis for PD&R's analysis will be the new Home Mortgage Disclosure Act data on high-cost lending.

### ***Strategic Goal B: 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.

<sup>6</sup> See [http://www.pathnet.org/sp.asp?mc=about\\_path](http://www.pathnet.org/sp.asp?mc=about_path).

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 the HCV program to distill lessons for states in implementing the new Housing Assistance for Needy Families program. In 2006, PD&R will begin a study to try to develop alternative methods for developing the Fair Market Rents necessary for the operation of the HCV program, as well as other housing assistance programs. In coming years, PD&R expects to begin an assessment of rent reasonableness in the voucher program (2008) and an assessment of the geographic patterns in how voucher holders access affordable units (2009).
- **Helping HUD-assisted renters make progress toward housing self-sufficiency.** PD&R has several evaluations under way designed to advance this objective, including: the Family Self-Sufficiency program assessment; the Effects of Housing Vouchers

study; and the Moving to Opportunity for Fair Housing evaluation. 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. Also underway, is a PIH evaluation of its programs that promote homeownership, including Section 32, Section 24/9 and ROSS Homeownership Supportive Services. In 2009, PD&R is planning an evaluation of Employee Assistance Programs for homeownership.

- **Other affordable housing topics under consideration.** Other program evaluations under consideration for FY 2006 and beyond include: an evaluation of assisted living conversions and other initiatives to appropriately house the aging elderly; a study of the HCV administrative fee structure; a study of landlord relations in the HCV program; a study of the outcomes for people leaving housing assistance; and a study of both the factors leading owners to opt out of the project-based Section 8 program, and the effectiveness of policies to preserve this housing stock. Some specific projects that are planned for future years are an assessment of LIHTC projects that are at least 15 years old and an evaluation of the reasons people leave assisted housing.

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

- **Ending chronic homelessness.** PD&R is actively engaged in research designed to support the Secretary's goal of ending chronic homelessness. Projects include researching effective strategies for meeting the needs of on-the-street homeless individuals and evaluating the effectiveness of HUD-funded permanent supportive housing for persons with disabilities, including serious mental illness. In FY 2008, PD&R expects to begin an evaluation of the effectiveness of the Shelter Plus Care program.
- **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 place. 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. PD&R is continuing work to assess the cost-effectiveness of different approaches toward dealing with the homelessness problem. Additionally, during FY 2006, PD&R and CPD plan to begin a major evaluation of the outcomes associated with the Supportive Housing program.

- **Evaluating outcomes of the Healthy Homes Initiative.** The Office of Healthy Homes and Lead Hazard Control is evaluating the effectiveness of its Healthy Homes Initiative grants in assessing and mitigating mold, allergens, lead, carbon monoxide, and other environmental health and safety hazards.<sup>7</sup>
- **Disaster recovery in the Gulf Coast region.** PD&R will support reconstruction following the 2005 hurricanes and improved response capacity for future emergencies. In 2006, PD&R will assess the post-disaster housing markets in the region and may be able to offer technical help to state and local planners.

In 2007, PD&R hopes to provide technical assistance to devastated Gulf communities that will lead to the acceptance and integration of improved housing designs into local building codes and community plans for areas vulnerable to storm and flood. HUD will also try to help jurisdictions to harmonize the building codes in the region. PD&R plans to encourage the use of innovative housing technologies in reconstructed housing by 2008. This effort will include information and technology transfer, technical assistance to state and local governments, and outreach to the design and construction industry so that the appropriate use of innovative technologies is understood.

By 2009, PD&R intends to create Internet-based tools and imputation methodologies so that damage estimates will be more precise and more quickly available after emergencies. PD&R will develop designs for rapid recovery, permanent housing that can be constructed affordably and quickly following a

disaster by 2010, for use by agencies that have mandates to build such housing.

- **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 D: 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 updated the major study conducted in 1989 that 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 expanded this research by developing testing methods for detecting housing discrimination against persons with disabilities and by conducting the first-ever assessment of housing discrimination against Native Americans. Other recent studies have assessed the level of public awareness, rights, and responsibilities under the fair housing laws. PD&R will continue to support the efforts of the Office of Fair Housing and Equal Opportunity 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. PD&R has under way a study to assess how conformance with multifamily building guidelines has changed in recent years.
- **Other fair housing topics under consideration.** Among the studies that are being considered for the future are: (1) an engineering study to improve cross-slopes on accessibility ramps, (2) an evaluation of the

<sup>7</sup> Information about Healthy Homes Initiative grants may be found at: <http://www.hud.gov/offices/lead>.

Fair Housing Training Academy, (3) a study to help improve Title VIII case processing, (4) data collection and analysis related to occupancy patterns in LIHTC units, and (5) an evaluation of HUD's compliance with race and ethnicity data requirements.

***Strategic Goal E: 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 2007 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.** HUD conducts 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 F: Promote participation of faith-based and community organizations***

- **Building the capacity of faith-based and grassroots nonprofit organizations.** 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. PIH and PD&R have underway a demonstration in which faith-based organizations provide mentoring to HOPE VI residents. In 2007, PD&R will evaluate this initiative. In 2010, PD&R plans to study the unique contribution faith-based organizations make to the programs they administer.

# APPENDIX

The appendix provides a broader, contextual view of four areas affecting HUD's strategies and performance: (a) a description of performance management at HUD and the development of this Strategic Plan; (b) an assessment of major economic, social, demographic, or other trends that have potential to affect achievement of HUD's goals; (c) a background summary of HUD's response to the Gulf Coast disaster; and (d) the key statutes that define HUD's mission and operations.

## Strategic Planning and Performance Management at HUD

### The Performance Management Cycle

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.

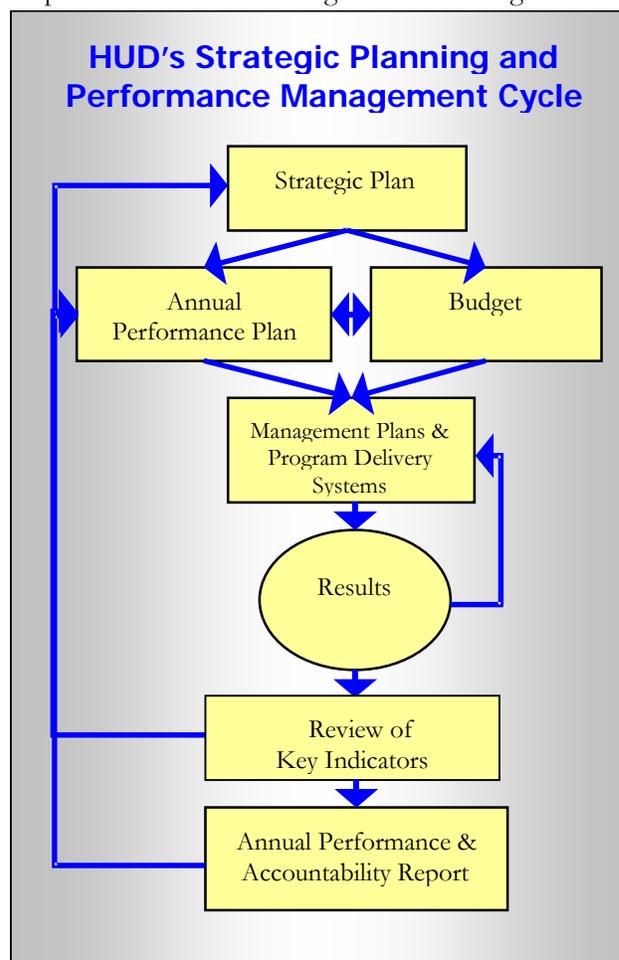
The Strategic Plan, the initial step in this performance management cycle, defines the strategic goals and objectives for the Department's work and establishes a vision of what HUD seeks to achieve during the next six years. The Government Performance and Results Act requires agencies to submit a new Strategic Plan to Congress at least once every three years. HUD last submitted a Strategic Plan in March 2003.

Each year HUD also develops and submits an Annual Performance Plan (APP) to Congress in conjunction with the President's Budget. The APP identifies the performance goals and results HUD intends to accomplish during the year with the resources in its budget request. The APP also establishes the specific performance measures that will help HUD gauge progress in achieving the strategic goals and objectives articulated in the Strategic Plan. The FY 2007 APP will be submitted to Congress in early 2006.

After 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 that 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 field 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 each year, the President prepares a Management Agenda with HUD that includes specific action items. 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. These progress reviews and the results of ongoing oversight of field operations provide essential information for appropriate corrective actions and policy adjustments to ensure that HUD achieves its performance goals.

At the end of each fiscal year, HUD prepares a Performance and Accountability Report (PAR) that reports on HUD's performance in the prior fiscal year and the extent to which HUD achieved the goals of the APP. The FY 2006 PAR will be submitted to Congress in November 2006.

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.

## How HUD Developed this Strategic Plan

HUD began the active development of this Strategic Plan in 2005 with an internal review and brainstorming process under the leadership and direction from the Secretary and the principal staff. As in the Department's previous efforts, internal discussions were followed by a period of structured consultation. HUD informed congressional staff and the Office of Management and Budget about the Department's plans for updating the Strategic Plan.

In a related and concurrent effort, the Office of Community Planning and Development conducted five regional sessions during the summer of 2005 to obtain public comment on the proposed performance measurement system (published in the *Federal Register*, June 10, 2005). These sessions were held in San Francisco, Philadelphia, Detroit, Atlanta, and Austin. The 1,100 attendees were primarily CPD formula program grantees and nonprofit organizations that use these grant funds. Attendees discussed the need to have performance measures that captured and documented the breath and depth of their work, spanning community and economic development, housing, and homelessness efforts. As a result of this process, CPD designed a performance system to address the feedback they

received, and also brought the feedback to bear on HUD's strategic plan development.

During December 2005, HUD developed a draft strategic framework, which defines the Department's mission, strategic goals, and strategic objectives. Staff from PD&R and the CFO office facilitated an intensive series of meetings with senior officials from every program office to propose, discuss, and debate potential goals and objectives. Revisions were limited to the strategic objectives, reflecting strong continuity in the Department's goals and strategies.

HUD circulated the draft strategic framework to an extensive list of stakeholders, who also were invited to a National Stakeholders Meeting in January 2006. This consultation meeting took place at HUD headquarters in Washington, DC, as well as at HUD field offices that were connected via satellite broadcast. Participating stakeholders totaled about 340. The numerous comments and suggestions they provided were documented by contract staff. During the same period, HUD's strategic planning staff met with congressional staff to obtain their views.

In response to concerns expressed by stakeholders at the National Stakeholders Meeting and congressional consultation meetings, HUD made a number of additional revisions to the strategic objectives. Most of the changes strengthened the wording of strategic objectives, but the most substantive change was the addition of Objective C1. The new objective reflects the evolving role that Congress outlined for HUD through a supplemental appropriation addressing the Gulf Coast recovery needs arising from Hurricanes Katrina and Rita. This congressional action occurred after the first phase of HUD's internal strategic planning was substantially completed.

The draft Strategic Plan was posted on [HUD.gov](http://HUD.gov) for a 30-day public comment period and reviewed by the Office of Management and Budget. Approximately 200 pages of emailed comments were received, summarized, and analyzed by HUD's strategic planning staff and program area staff.

During and following the public comment period, HUD staff focused on developing performance indicators and goals that reflect a balance of each program's statutory authority, constituent input, planned reforms, and measurable results. At each step along the way, principal staff provided



valuable input to what will be the guiding document for all program offices for years to come.

Two strategic objectives were further modified in response to stakeholder comments. Numerous additional improvements, clarifications, and

changes in emphasis appear in this document as a result of this consultation and feedback process with HUD's partners. The stakeholder comments also will be considered in other departmental processes, such as budget development and program management decisionmaking.

## 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 that have 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.

In recent years, the employment situation has been steadily improving. The Bureau of Labor Statistics reports that by December 2005, 3.6 million jobs had been added to non-farm payrolls since the business cycle trough in November 2001, and households reported an increase of 6.6 million employed persons over the same period. As a result, the unemployment rate was at a relatively low level of 5.1 percent during 2005.

Interest rates continue to remain near the low levels that have stimulated demand for homeownership in recent years. Low mortgage interest rates help reduce the total cost of homeownership, making it more affordable for more families. To the extent that interest rates increase, growth in the homeownership rate is likely to slow.

### Housing Markets

During 2005, the volume of sales of new homes and existing homes again broke records. Several years of rapid appreciation of owner-occupied housing, combined with low mortgage interest rates, have stimulated great demand for home purchases.

Along with this activity has come innovation in the variety, and in some cases the risks, of

mortgage products being offered. Risks are not fully known with respect either to potential stagnation or depreciation of home prices or to mortgage default. Housing counseling has emerged as an increasingly important tool for ensuring that homebuyers make wise choices.

On a national basis, rental vacancy rates remained at or near record high levels of 10 percent during 2005. Such high vacancy rates generally improve affordability of rents. Even so, affordable housing is less available in some markets, for a variety of reasons, including the additional burden of compliance with state and local regulations. HUD research using the most recent available data shows that the incidence of worst case needs for affordable housing remains stable at about 4.9 percent of U.S. households. These are very low-income renters who pay more than 50 percent of their incomes for rent or whose units have severe physical inadequacies.

### Demographics

The U.S. Census Bureau projects that the elderly population (aged 65 and over) will increase by 5.2 million between 2000 and 2010, and by an additional 14.4 million by 2020. This aging population will increase the demand for housing that is appropriate for elderly families, with special need for additional assisted living opportunities later on.

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 constrained by language barriers, discrimination, and, in some cases, lack of credit history.

### Disasters

In recent years, the nation has been reminded of the potential for natural or other disasters to cause acute problems related to housing and urban development. The existing national scope of HUD's programs gives them flexibility and

capacity to respond to disaster-related needs in support of policy priorities without requiring major increases in administrative complexity and scale.

### **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.

## **Gulf Coast Disaster Response**

This section offers a brief background summary of how HUD responded to Hurricanes Katrina, Rita, and Wilma.

### **Coordinated Response to Disaster**

The key to effective response to emergencies is preparation and coordination. HUD established a working group in preparation for Hurricane Katrina's landfall, and in response to the devastation, rapidly scaled it up to a new Hurricane Recovery and Response Center (HRRC) – an emergency management center staffed with professionals from every program office. The HRRC has since become the HUD Assistance and Recovery Team (HART), comprising Senior Advisors to the Secretary and Deputy Secretary on matters related to the Department's hurricane response.

HART continues to fulfill several vital roles in the federal disaster response: coordinating the response efforts of program offices, deploying HUD employees for disaster recovery work through FEMA mission assignments, providing timely information to FEMA about HUD housing resources available for evacuees, and updating interagency agreements with FEMA.

HUD's response efforts will evolve to meet any new responsibility assigned to the agency. Yet, the success of the HART "command center" approach offers valuable lessons for future disasters, and sets HUD on a path of better preparedness and coordination, as demonstrated by activities highlighted throughout this Strategic Plan.

### **Program office contributions to disaster recovery**

The response of HUD program offices to the Gulf Coast hurricanes illustrates the range of activities necessary to fulfill HUD's mission in such emergencies.

**Office of Community Planning and Development.** CPD programs – especially CDBG and HOME – are useful for addressing both the immediate and long-term recovery needs that arise from natural disasters. In the wake of disasters, CPD uses its waiver authority to streamline grant programs so grantees can reprogram their existing HUD funds for disaster relief. For example, waivers for the Gulf Coast disaster provided greater flexibility in the use of HOME and American Dream Downpayment Initiative funds to help low-income families receive tenant-based rental assistance, and rehabilitate and buy homes. CPD also is making the supplemental CDBG appropriation available swiftly for recovery efforts consistent with the comprehensive reconstruction plans each of the five states is developing.

**Office of Housing.** FHA moved quickly to prevent stricken homeowners from experiencing needless default and foreclosure because of the hurricanes (see Goal A). FHA also identified approximately 42,000 HUD-affiliated multifamily units available nationwide as a resource for housing evacuees, and waived a number of program rules to ensure that assistance would be timely. FHA is assisting numerous mortgagors of damaged multifamily properties in developing long-term restoration plans, including identifying funding sources, and similarly is consulting with hospital owners about the availability of FHA

mortgage insurance on the financing they need to repair or rebuild hospitals.

**Office of Public and Indian Housing.** PIH continues to administer the Katrina Disaster Housing Assistance Program (discussed under Goal B) in coordination with FEMA, and soon after the hurricane identified 39,000 vacant public housing units and available vouchers nationwide that were available for evacuees. PIH assisted the Housing Authority of New Orleans in quickly setting up headquarters operations in Houston and a satellite office in Dallas, enabling it to begin assisted residents within a week, and also worked closely with the Houston Housing Authority. HUD made available capital funds to repair and replace existing public housing that was directly affected by Hurricane Katrina. The Office of Native American Programs consulted with every tribe affected by Hurricane Katrina and made Imminent Threat funds available to the tribes.

**Office of Fair Housing and Equal Opportunity.** FHEO is working to ensure that housing discrimination does not become a barrier to repopulation of hurricane-affected areas.

FHEO is providing training on fair housing issues in the disaster area both directly and through partner organizations. Immediately following the disaster, FHEO staff obtained immediate relief for evacuees facing discrimination before there was a need to file formal complaints. HUD also worked with FEMA to create new design specifications for fully accessible manufactured housing to ensure that temporary housing was available for people with disabilities.

**Support offices.** HUD's support offices also play important roles in a coordinated response. The Center for Faith-based and Community Initiatives is ensuring effective exchange of information about successful local public-private partnerships to assist evacuees. The Office of Policy Development and Research serves as a clearinghouse for housing and geographic data. As a federal authority on housing markets, PD&R has provided analytical support for estimating damage, developed payment standards for emergency rental vouchers, assessed housing availability nationwide, and identified strategies to accelerate the construction of housing in impacted areas.

## 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 serving 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:

### Key HUD-Related Statutes

- |      |   |      |   |
|------|---|------|---|
| 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.”   | 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.” |
| 1937 | <b>United States Housing Act of 1937:</b> Created the public housing program, through which local public housing authorities were given responsibility for constructing and operating housing projects, with program direction and financial support provided by the United States Housing Authority. | 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).   |
| 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.”                                      | 1968 | <b>Civil Rights Act:</b> Prohibited discrimination in housing and gave HUD responsibility for administering those provisions.   |
| 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.  | 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.  |
|      |   | 1973 | <b>Rehabilitation Act of 1973:</b> Section 504 of this act prohibits discrimination on the basis of disability in any program or activity that receives financial assistance from any federal agency.   |
|      |   | 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.  |

- 1974 **Manufactured Housing Construction and Safety Standards Act of 1974:** Provided for pre-emptive national construction and safety standards for design and construction of manufactured homes.
- 1974 **Real Estate Settlement Procedures Act of 1974 (RESPA):** 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 **Housing and Urban-Rural Recovery Act:** 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 **Stewart B. McKinney Homeless Assistance Act and the Stewart B. McKinney Homeless Assistance Amendments Act of 1988:** Created new programs to assist the homeless, including the Continuum of Care programs: Supportive Housing, Shelter Plus Care, and Single Room Occupancy, as well as Emergency Shelter Grants.
- 1988 **Fair Housing Amendments Act:** Expanded the scope of fair housing provisions of the 1968 Civil Rights Act and gave HUD additional enforcement responsibilities.
- 1988 **Housing and Community Development Act of 1988:** 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.
- 1989 **Department of Housing and Urban Development Reform Act:** Enacted 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 6 to lead-based paint hazards, such as deteriorated lead paint, lead dust, and lead in soil, in federally assisted and federally owned housing.

1994	<b>Multifamily Housing Property Disposition Reform Act of 1994:</b> Amended disposition requirements for multifamily mortgages. Created the Economic Development Initiative program.		senior citizens, and Native Americans.
1996	<b>Native American Housing Assistance and Self-Determination Act:</b> Established Indian housing block grant and loan guarantee programs.		
1997	<b>Multifamily Assisted Housing Reform and Affordability Act of 1997:</b> 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	<b>Quality Housing and Work Responsibility Act of 1998 (a.k.a. Public Housing Reform Act):</b> Made significant changes in the public housing and Section 8 tenant-based programs to deregulate high-performing public housing agencies, promote mixed-income communities, establish targets for allocation of units and vouchers, and create incentives for residents to become self-sufficient.		
1999	<b>Preserving Affordable Housing for Senior Citizens and Families into the 21<sup>st</sup> Century Act:</b> 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.		
2000	<b>American Homeownership and Economic Opportunity Act:</b> Expanded homeownership opportunities for low-income Americans, including the disabled,	2000	<b>Manufactured Housing Improvement Act of 2000:</b> Established a federal advisory committee to recommend revisions to HUD's construction and safety standards and regulations for manufactured homes, and to propose model installation standards. Also requires HUD to establish national installation and dispute resolution programs to operate in those states that do not have their own programs.
		2000	<b>Community Renewal and New Markets Initiative of 2000:</b> 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.
		2003	<b>American Dream Downpayment Act:</b> Authorized up to \$200 million annually for the American Dream Downpayment Initiative to provide downpayment assistance and home repair for low- income families to promote and increase homeownership.
		2005	<b>Gulf Opportunity Zone Act:</b> Promoted reinvestment by businesses affected by Hurricane Katrina through tax provisions for business investment, hiring, and provision of employee housing.
		2005	<b>Department of Defense Appropriations Act for FY 2006:</b> Appropriated \$11.5 billion for the Community Development Fund to support disaster relief, long-term recovery, and restoration of infrastructure in the Gulf Coast region affected by the 2005 hurricanes.