



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Annual Performance Plan

Fiscal Year 2009

www.hud.gov



U.S. Department of Housing
and Urban Development

**FISCAL YEAR 2009
ANNUAL PERFORMANCE PLAN**

February 2008

How To Use this Document

The FY 2009 Annual Performance Plan (APP) is divided into two sections, plus appendices.

Section One: Quick Reference

Consult this section to find key information organized for easy reference. Key information includes:

- **Strategic Framework:** Programmatic and cross-cutting goals to address HUD's mission.
- **Introduction:** Broad overview of APP and contributing programs, initiatives, and means and strategies used to measure achievement and fulfillment of HUD's mission.
- **Table of Indicators:** Comprehensive list of FY 2009 performance indicators, with page number references to the detailed descriptions of each measure contained in Section Two.

Section Two: Performance Indicators

View this section for detailed information regarding the background, past performance, and data discussion for each performance measure.

Appendices:

- **Appendix A:** Lists amendments to the FY 2008 Annual Performance Plan.
- **Appendix B:** Provides bulleted descriptions of coordination efforts with other federal agencies.
- **Appendix C:** Provides information on the validation/verification of select data sources.

Pertinent Web Links

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

Center for Faith-Based and Community Initiatives	www.hud.gov/offices/fbci/
Community Planning and Development	www.hud.gov/offices/cpd/
Fair Housing and Equal Opportunity	www.hud.gov/offices/fheo/
Federal Housing Administration	www.fha.gov/
Field Policy and Management	www.hud.gov/offices/fpm/
Government National Mortgage Association	www.ginniemae.gov/
Healthy Homes and Lead Hazard Control	www.hud.gov/offices/lead/
Housing	www.hud.gov/offices/hsng/
Public and Indian Housing	www.hud.gov/offices/pih/
Policy and Development and Research	www.huduser.org/

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MESSAGE FROM SECRETARY JACKSON

I am pleased to issue simultaneously, for the first time, the U.S. Department of Housing and Urban Development's Fiscal Year (FY) 2009 Annual Performance Plan (APP) with the President's FY 2009 budget. This APP, in conjunction with the budget, reflects the Department's continuing commitment to its critical mission to increase homeownership, support community development, and increase access to affordable housing free from discrimination. Through the strategies and performance metrics presented here, and the resources and policy proposals outlined in the 2009 budget request, I am confident HUD will continue to successfully serve this mission. As the Department focuses on many of the most pressing issues facing our country, in FY 2009, HUD program highlights include:



- Promoting homeownership opportunities through a modernized Federal Housing Administration, which will continue to be a critical entity in improving homeownership, especially for minority and low-income populations, and first time homebuyers;
- Promoting the preservation of existing homeownership units, through housing counseling assistance and policies that address subprime mortgages;
- Strengthening communities through housing rehabilitation and improved coordination of federal resources for neighborhood revitalization;
- Ensuring housing assistance for those most in need, including providing quality housing to 4.8 million rent-assisted and public housing families, and renewed housing assistance to homeless veterans;
- Transforming public housing assistance through continued promotion of asset management and improving rental assistance through Section 8 reform;
- Making further progress towards ending chronic homelessness by targeting resources to providing permanent supportive housing and supportive services;
- Strengthening the ability of fair housing groups to enforce the laws protecting against illegal housing discrimination;
- Helping lead the federal government on tapping the potential of faith-based and community organizations to improve housing and help develop communities; and
- Continuing to improve the Department's management, internal controls, and information technology systems.

HUD's FY 2009 APP has been streamlined to those key performance indicators that best capture the significant efforts and results of the Department's programs. I am proud of the work of HUD's staff, and I hope that this synergy of mission-driven goals and resource allocations will become a model for efficient and effective government.

The Department will closely work with Congress and HUD's state, local, non-profit, and for-profit partners to meet the priority housing and community development challenges facing the nation. HUD looks forward to building on past accomplishments and contributing to new and expanded opportunities for citizens and communities in need.

Alphonso Jackson

SECTION ONE

Quick Reference

HUD's Strategic Framework

Introduction

Table of Indicators

HUD'S STRATEGIC FRAMEWORK

HUD's FY 2006–2011 Strategic Framework

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

INTRODUCTION

The FY 2009 APP reflects HUD's continuing commitment to inform the American people, the Congress, its partners and employees about the mission, goals, and work the Department seeks to accomplish, as well as the ways that HUD will measure performance and implement improvements. The APP is fully integrated with the Department's Strategic Plan for fiscal years 2006–2011. The mission statement and the six Strategic Goals of the Department are integral parts of both of these documents, reflecting and helping to ensure the continuity of HUD's policies and operations.

The Department has made every effort to present its plans in a clear manner and to establish goals and individual performance indicators that capture the real results of the Department's efforts, both outputs and significant outcomes. For the FY 2009 APP, the Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting. In addition, HUD remains committed to improving its data and measurements to provide a clearer picture of the performance of its programs. The following section of the APP details the performance indicators, with explanations, by strategic goal. The document includes appendices that describe revisions to the FY 2008 APP, coordination efforts with other federal agencies, and a discussion of data issues related to the APP.

The Department welcomes any comments or questions that may arise, and these can be addressed to the Department's Office of the Chief Financial Officer, Mr. James Martin, at (202) 708-1946.

Strategic Goal A: Increase Homeownership Opportunities

A home is the largest purchase most Americans will ever make—a tangible asset that builds equity, good credit, borrowing power, and overall wealth. For many families, the American Dream means owning their own home. HUD is dedicated to helping more Americans—especially minorities and low- and moderate-income families—realize the dream for themselves.

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

The following are some of the key performance goals HUD has established to track its continued progress in increasing homeownership opportunities in FY 2009, as well as specific program activities:

- **Creating homeownership opportunities through FHA single-family insurance.** The Federal Housing Administration (FHA) operates the federal government's single largest program to extend access to homeownership opportunities to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. New FHA legislation will modernize and invigorate the program to be more responsive to the current needs of American

families. FHA is expected to provide substantial new and first time homeownership opportunities and to assist in meeting important needs for segments of the population, such as sub-prime borrowers who are experiencing difficult financial conditions. During FY 2007, FHA's single family programs insured more than 532,000 loans (including refinanced loans) to homeowners, of whom 79.5 percent were first-time homebuyers. Among first-time homebuyers served by FHA single family programs, 33 percent were minority homeowners.

- **FHA loss mitigation.** FHA will continue to require loss mitigation techniques to minimize claims and property disposition costs when borrowers default on their mortgages and prevent thousands of families from losing their homes through foreclosure.
- **Increasing minority homeownership.** In June 2002, President Bush announced a goal of increasing the number of minority homeowners by at least 5.5 million by 2010. By the third quarter of FY 2007, there has been a net increase of 3.19 million minority homeowners. During FY 2009, HUD will sustain and track progress toward this presidential commitment by measuring the change in minority homeownership rates.
- **Providing downpayment assistance.** For FY 2009, HUD requests \$50 million for the American Dream Downpayment Initiative. Over time these funds will help approximately 6,500 low-income families for whom coming up with a downpayment is the most significant obstacle to homeownership.
- **Expanding voucher homeownership.** In FY 2009, proposed rental assistance simplification will provide greater flexibility to PHAs and will continue to allow housing choice vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in this program.
- **Improving decisions and opening doors through housing counseling.** Housing counseling has proven to be an extremely important element in both the purchase of a home and in helping homeowners keep their homes in times of financial stress. The FY 2009 budget proposes increasing funding for the Housing Counseling Assistance program to \$65 million, which is anticipated to assist over one million low- and moderate-income individuals and families.
- **Supporting affordable homeownership through government-sponsored enterprises.** Fannie Mae and Freddie Mac, two housing government-sponsored enterprises, were chartered by Congress to achieve public purposes that include providing stability in the secondary market for residential mortgages and improving access to mortgage credit, including mortgage credit for very low and low- and moderate-income families and those living in underserved areas. In FY 2005, HUD established new higher housing goal levels to increase the government-sponsored enterprises' purchases of mortgages that finance housing for very low and low- and moderate-income households and underserved communities. During FY 2009, HUD will closely monitor Fannie Mae's and Freddie Mac's performance in meeting these housing goals and subgoals.

To improve the efficiency of the market, HUD continues to strengthen its regulatory role in enforcing and reforming the Real Estate Settlement Procedures Act. HUD is also committed to taking appropriate action within its statutory authority to help eliminate unfair and abusive lending practices. Recent studies have shown that minorities, women, and the elderly are

disproportionately steered to the sub-prime mortgage market even when their credit scores warrant participation in the prime market.

HOME Investment Partnerships

The HOME Investment Partnerships program plays a key role in addressing the shortage of affordable housing in America. HOME Investment Partnerships program grantees have provided homebuyer assistance to more than 312,000 lower-income households, more than half of whom were families earning less than 60 percent of median income. Further, 152,000 lower-income homeowners have been able to rehabilitate their homes with HOME Investment Partnerships program assistance.

Voucher Homeownership

The Voucher Homeownership Program has successfully paved a path for low-income Americans to become homeowners. Strong and committed collaboration among public housing agencies, local nonprofit organizations, and lenders, as well as pre- and post-homeownership counseling for families has proven essential in making the program work. For FY 2009, the program plans to cumulatively assist over 13,000 families in achieving homeownership.

Self-help Homeownership Opportunity Program

The Self-help Homeownership Opportunity Program increases low-income homeownership by providing competitive grants to national and regional nonprofit organizations to subsidize the costs of land acquisition and infrastructure improvements. Homebuyers must contribute significant amounts of sweat equity to the construction or rehabilitation of the property. The FY 2009 HUD budget requests \$40 million for this program.

Homeownership Programs for Native Americans and Native Hawaiian Communities

Eight HUD programs help to promote homeownership for Native Americans and Native Hawaiian Communities.

- ***Indian Housing Block Grants.*** The Indian Housing Block Grant program provides grants to Indian tribes and tribally designated housing entities to provide and maintain housing for low-income Native Americans.
- ***Indian Community Development Block Grants.*** The Indian Community Development Block Grant program provides flexible sources of funding that contribute to Indian homeownership activities.
- ***Title VI Federal Guarantees for Tribal Housing.*** This program provides guarantees in support of private sector loans to Indian Housing Block Grant recipients, Indian tribes, and tribally designated housing entities.
- ***Indian Home Loan Guarantee (Section 184).*** Section 184 helps Native Americans obtain private mortgage financing for the purchase, construction, refinance, or rehabilitation of single

family homes on Indian trust or restricted land and in designated Indian areas. The program guarantees payments to lenders in the event of default.

- ***Native Hawaiian Home Loan Guarantee Fund (Section 184A).*** The Hawaiian Homelands Homeownership Act of 2000 established a loan guarantee program modeled after the Section 184 program. The guarantees secure private financing for infrastructure, or to purchase, construct, or rehabilitate single family homes on Hawaiian home lands.
- ***Native Hawaiian Housing Block Grant.*** This program, modeled after the Indian Housing Block Grant, provides block grant funding to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian home lands.
- ***Insured Mortgages on Hawaiian Homelands (Section 247).*** FHA insures loans made to native Hawaiians to purchase one- to four-family dwellings located on Hawaiian home lands. Regulations pertaining to these loans are fundamentally the same as regular Section 203(b) loans except that they are only available to native Hawaiians on Hawaiian home lands.
- ***Insured Mortgages on Indian Land (Section 248).*** FHA insures loans made to Native Americans to buy, build or rehabilitate houses on Indian land. These loans are fundamentally the same as regular Section 203(b) loans except that they are only available to Native Americans on Indian land.



Government National Mortgage Association (Ginnie Mae)

Through its Mortgage-Backed Securities program, Ginnie Mae, a wholly owned government corporation within HUD, helps to ensure that mortgage funds are available for low- and moderate-income families served by FHA, Office of Public and Indian Affairs, Veterans Affairs, and the Department of Agriculture.

Ginnie Mae has set a target of securitizing at least 94 percent of FHA single family fixed rate loans, 85 percent of VA single family loans, 95 percent of eligible FHA multifamily mortgages in FY 2009, and at least 30 percent of all Ginnie Mae single family pools issued in FY 2009 are Targeted Lending Initiative pools. Securitizing a high share of eligible FHA and VA loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market cost, creating homeownership incentives. Ginnie Mae will also be guaranteeing Home Equity Conversion Mortgages securities in FY 2009.



Predatory Lending

Tightly interwoven with reform of the mortgage origination process is HUD's commitment to stopping predatory lending. The Administration is targeting unscrupulous lenders, in part by pooling the resources of the federal government and helping agencies work together to fight abusive lending practices. As a result, HUD and program participants are becoming much more effective in tracking down lenders who target first-time homebuyers, senior citizens, and minorities for predatory practices.

Strategic Goal B: Promote Decent Affordable Housing

The largest component of HUD's budget promotes affordable housing for families and individuals who rent. HUD programs expand opportunities for affordable, quality housing by assisting approximately 4.8 million families. These are important outcomes for HUD's largest program area and without these efforts *the number of American families experiencing worst case housing needs due to severe rent burdens and/or physically substandard housing would be substantially larger.*

In FY 2009, HUD will continue its commitment to public and assisted housing programs, as well as to expand opportunities for unassisted rental housing through FHA's mortgage insurance program and HUD's oversight of Fannie Mae and Freddie Mac. One of HUD's central strategies is to work with states and local communities to reduce regulatory barriers to the development of affordable housing. In addition, the HOME Investment Partnerships program will continue to expand affordable housing opportunities through rehabilitation, building, and purchase of affordable housing units. Important affordable housing efforts and contributions will continue to be realized under the CDBG program, for which a considerable portion of funding is associated with expanding housing opportunities. The HOME Investment Partnerships program has supported the building, rehabilitation, and purchase of 279,000 rental units, as well as provided direct rental assistance to 154,000 households.

Rental Assistance Simplification

The FY 2009 budget continues to propose the reform of the Section 8 program as a top priority for the Department. Despite tight overall fiscal constraints, approximately 60 percent of the FY 2009 budget will be targeted to affordable housing under Section 8 Housing programs. State and local PHAs administer the existing Housing Choice Voucher program. This program, funded through the Tenant Based Rental Assistance fund, provides housing to over two million households with low incomes.

HUD's Section 8 reform proposal returns flexibility to local agencies. For example, PHAs will be able to set and adjust subsidies based on local market rents, rather than depend on HUD-determined rents. PHAs will be encouraged to design their own tenant rent policies to reward work, and HUD will ease the administrative burdens and requirements.

The reform will support HUD's strategic objective of promoting self-sufficiency for families. The new program's features will reduce program costs and give PHAs greater flexibility to effectively administer their programs to meet the housing needs of low-income families.

Public Housing

During FY 2009, HUD will continue to subsidize approximately 1.2 million public housing units. These units are under the direct management of approximately 3,200 local PHAs. HUD provides operating subsidies to PHAs to cover the remaining costs after the required tenant contributions, and also subsidizes modernization costs to keep the existing public housing stock in good condition. Several initiatives and program changes started in FY 2007 will enhance public

housing operations with a key contribution provided under the transition to asset management over a multi-year period.

- ***Public Housing Operating Fund.*** During FY 2009, HUD plans to continue implementing the recommendations of the three-year study by Harvard University on the cost of operating a well-run PHA. HUD will use a new Operating Fund formula to provide operating subsidies based on the profile and needs of each public housing project. This new formula method will provide a sound, efficient, project-based management approach.
- ***Public Housing Capital Fund.*** This program provides formula grants to PHAs for major repairs and modernization of its units. The Department continues to promote the Capital Fund Financing Program, which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants for debt service, subject to annual appropriations.
- ***Revitalization of Severely Distressed Public Housing (HOPE VI).*** A principal goal of the HOPE VI program has been the demolition, replacement, and rehabilitation of the nation's severely distressed public housing units, as identified in the 1992 final report issued by the National Commission on Severely Distressed Public Housing. The Department's goal of demolishing 100,000 such units has been achieved. The FY 2009 budget continues to propose no new appropriations for HOPE VI and focuses on completing the remaining pipeline.



Other Rental Assistance Programs and Affordable Housing Efforts

- ***FHA multifamily insurance and project-based Section 8.*** FHA anticipates supporting a significant number of housing units through its multifamily insurance program. FHA multifamily housing insurance is a priority because it produces additional affordable housing by focusing on gaps where existing needs are not being fully met. Section 8 project-based housing assistance provides affordable housing for about 1.3 million low-income households in FHA-insured projects and is important in providing affordable housing opportunities and preserving affordable housing infrastructure.
- ***HOME Investment Partnerships.*** The HOME Investment Partnerships program is expected to assist almost 28,676 rental households with FY 2009 funds.
- ***Community Development Block Grant.*** CDBG grantees use a substantial amount of their funds to support rental housing activities that benefit low- and moderate-income households. During FY 2009, grantees will assist slightly more than 23,176 households through assistance for rehabilitation of multi-unit residential properties.
- ***Indian Housing Block Grant.*** This block grant is a flexible source of funding to tribes or tribally designated entities for a wide variety of affordable-housing activities. Authorized uses include both rental and homeownership assistance. Additional funds are available to Indian Housing Block Grant grantees through the Title VI Federal Guarantees for Tribal Housing.
- ***Office of Regulatory Reform.*** In FY 2004, HUD created a new Office of Regulatory Reform. Through this office, HUD will continue to conduct research and provide guidance about the nature and extent of regulatory obstacles to affordable housing, as well as improve

coordination among stakeholders. Information is shared through the Regulatory Barriers Clearinghouse (<http://www.huduser.org/rbc/index.html>).

Housing Persons with Special Needs

Programs for the elderly and persons with disabilities. Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance. A majority of these households are assisted through HUD's Section 8 and public housing programs. This assistance provides them with the opportunity to afford a decent place to live and often helps them to live independent lives.

HUD also funds housing for the elderly through competitive awards to private nonprofit organizations to develop new housing units through new construction or rehabilitation (Section 202). HUD then provides the facilities with rental assistance, enabling them to accept very low-income residents. The FY 2009 budget requests \$540 million for rental assistance contracts, capital advances, renewal need, and other costs related to Section 202 housing.

Many of the residents live in the Section 202 facilities for years; over time, these individuals are likely to become frailer and less able to live in rental facilities without additional services. Therefore, HUD also provides grants to convert all or part of existing properties to assisted-living facilities, which allows individual elderly residents to remain in their units. Grants also fund service coordinators who help elderly residents obtain supportive services from the community.

A similar program funds housing for persons with disabilities (Section 811) to enable them to live in mainstream environments. The FY 2009 budget requests \$160 million for rental assistance contracts, capital advances, voucher, renewal need and other costs related to Section 811 housing.

Housing Opportunities for Persons With AIDS. The Housing Opportunities for Persons With AIDS is targeted to providing housing assistance in coordination with supportive services for low-income persons who are living with HIV/AIDS and their families. Most grants (90 percent) are allocated by formula based on the number of cases and highest incidence of AIDS, with the remainder provided through competition for the renewal of permanent supportive housing projects, and for special projects of national significance, and for projects in non-formula areas. In FY 2009, it is anticipated that the Housing Opportunities for Persons With AIDS program housing subsidies will support about 70,500 households. Of the households currently being served, about 81 percent have extremely low incomes (incomes less than 30 percent of area median) or very low incomes (incomes of 30–50 percent of area median).

Promoting Housing Self-Sufficiency

HUD not only ensures that households live in a healthy and secure environment, but also that they have the opportunity to achieve housing self-sufficiency. Because HUD cannot serve every American family who would be eligible for its programs, the Department is working toward a better solution for transitioning people to housing self-sufficiency so others can benefit from this resource. HUD has proposed legislation that would authorize PHAs to simplify how they charge tenant rents, allowing rents based on local conditions, increased expectations, and efforts to promote housing self-sufficiency. HUD's basic programs contribute to this goal by providing

individuals and families with the housing and services that allow them to focus on recovery, job-related skill development, and obtaining work or increasing income.

Strategic Goal C: Strengthen Communities

HUD is committed to preserving, stabilizing, and revitalizing America's cities as vibrant hubs of commerce, to aiding recovery efforts in the Gulf Coast region, and to making communities better places to live, work, and raise a family. HUD's programs provide states and localities with tools they can put to work improving economic health and promoting community development.

One of HUD's strategies for strengthening communities is to improve economic and community development opportunities to low- and moderate-income households. In particular, the strategy focuses on improving coordination of federal resources for neighborhood revitalization, elimination of blight, and other community development efforts by local partners. As a part of this effort, the Administration is proposing to reform the CDBG program, one of HUD's largest programs and a key component of this goal. CDBG reform will be a significant step in targeting CDBG resources to communities that need the funds the most, such as those with high poverty and housing overcrowding issues.

Another major effort for HUD will be to continue to focus resources on disaster recovery in areas affected by hurricanes Katrina, Rita, and Wilma. To achieve this objective, HUD is currently administering \$19.7 billion in supplemental CDBG funding to states in these areas. A number of HUD programs waived requirements immediately following the hurricanes in order to provide flexibility to the hardest-hit areas.

Neighborhood health is also affected by both the physical stock of housing and the social service network for those in need. In FY 2009 HUD will continue to work to legislatively streamline HUD's homeless programs and carry out activities aimed at alleviating chronic and other forms of homelessness. In addition, HUD will assess how its own mainstream housing assistance programs can better serve the homeless population.

Finally, HUD has multifaceted programs to support control of lead-based paint hazards, provide grants for prevention of housing-related childhood diseases, and promote widespread educational efforts in both areas. Over the past several years, these programs have greatly reduced the number of children under the age of six that have elevated blood lead levels. The current long-term goal is to eliminate lead poisoning in children by 2010.

Specific program activities will include the following:

Community Development Block Grants

The CDBG Reform proposal includes (1) a proposed formula change that will direct a higher proportion of resources to areas with greater need and ensure that areas with similar needs will receive more equal funding than occurs under the existing formula; (2) bonus funds for communities that demonstrate the greatest progress in expanding homeownership and economic opportunity for residents; and (3) improved grantee accountability requirements that will lead to a more effective national program and greater local impacts. The \$19.7 billion in supplemental funding provided by Congress through the CDBG program is one of the most important ways that HUD will assist hurricane recovery efforts in the Gulf Coast.

Programs to Help the Homeless

The Administration is deeply engaged in meeting the challenge of homelessness that confronts many American communities. HUD is leading a government-wide commitment to an unprecedented goal to *end chronic homelessness*. The Administration is fundamentally changing the way the nation manages the issue of homelessness by focusing more resources on providing permanent housing and supportive services for the homeless population, instead of simply providing more shelter beds. To support the overall effort, the FY 2009 budget proposes a record level of funding of \$1.64 billion, reflecting a \$50 million increase over FY 2008 funding levels.

HUD has a multi-part strategy to assist individuals experiencing chronic and families experiencing temporary homelessness. First, to legislatively consolidate the number of homeless assistance grants and reduce the administrative burden on jurisdictions to administer multiple programs; second, to continue to focus HUD's resources on housing while working with other agencies to ensure that the supportive service needs of homeless people are met through mainstream programs; third, to increase the budget resources available for the Homeless Assistance Grants program; and, fourth, to continue to focus on ending chronic homelessness and thereby free up additional resources to reduce overall homelessness.

The FY 2009 budget also requests funding for an initiative to help address the President's goal of ending chronic homelessness. The Samaritan Initiative, as a bonus within the Continuum of Care competition, would provide resources for new housing options and case management services to chronically homeless persons.

Housing Opportunities for Persons With AIDS

In FY 2009, the Housing Opportunities for Persons With AIDS program will serve an estimated 70,500 persons, of whom many are the most vulnerable clients of HUD housing programs. Resources will be targeted to help clients achieve the important outcomes of maintaining housing stability, avoiding homelessness, and accessing care. This program goal encourages grantees to place great emphasis on permanent supportive housing results. With over 200 grantees and 850 project sponsors, The Housing for Persons With AIDS program efforts operate in all parts of the country. Under the national performance goal, grantees report success in providing 93 percent of assisted households with support resulting in stable housing and reduced risks of homelessness.

The Department proposes to update the statutory Housing Opportunities for Persons With AIDS program formula, which is used to distribute 90 percent of the appropriated funding. A revised formula would enhance the effectiveness of targeting Housing Opportunities for Persons With AIDS program resources to address the housing needs of low-income persons currently living with HIV/AIDS.

Health and Safety Programs

- ***Lead-Based Paint program.*** This program is the central element of the President's program to eradicate childhood lead-based paint poisoning as a major public health problem by 2010. Grant funds are targeted to low-income, privately owned homes most likely to expose children to lead-based paint hazards.

- *Healthy Homes Initiative.* The Healthy Homes Initiative will target approximately \$14.6 million in funding per year to prevent other housing-related childhood diseases and injuries such as asthma and carbon monoxide poisoning. A report of the President's Task Force on Environmental Health Risks and Safety Risks to Children notes that asthma alone costs the nation over \$6 billion each year. Working with other agencies such as the Centers for Disease Control and Prevention, Environmental Protection Agency, and the U.S. Department of Agriculture, HUD is bringing to the table comprehensive expertise in housing rehabilitation and construction, architecture, urban planning, public health, environmental science, and engineering to address a variety of childhood problems that are associated with housing.
- *FHA mortgage insurance for health care facilities.* FHA provides mortgage insurance for specialized programs such as nursing homes, assisted-living facilities, and hospitals. This insurance allows the construction of much-needed facilities that have little access to private-sector credit enhancement.

Research and Technology

- *University Partnership grant programs.* The FY 2009 budget requests funding for four University programs as part of the Office of Policy Development and Research program budget. Through these programs, HUD helps colleges and universities, including minority institutions, engage in a wide range of community development activities and neighborhood revitalization.

Strategic Goal D: Ensure Equal Opportunity in Housing

HUD is committed to working cooperatively with all stakeholders to promote and enforce U.S. fair housing and civil rights laws. These laws help ensure that all households, regardless of race, color, religion, sex, national origin, disability and familial status, have fair and equal access to rental housing and homeownership opportunities. HUD's Office of Fair Housing and Equal Opportunity contributes to fair housing enforcement and education by directly enforcing federal fair housing laws, which involves, among other things, investigating complaints brought by victims of discrimination or fair housing organizations. In appropriate cases, HUD's Office of the General Counsel issues charges of discrimination, and litigates cases on behalf of the complainant before an administrative law judge. Central HUD strategies in ensuring equal opportunity in housing are to encourage local creativity in promoting housing choice, to educate the public about fair housing rights and responsibilities, and to increase attention to accessibility of housing for persons with disabilities that is mandated by civil rights laws. These efforts support the outcome of increasing access to the nation's housing stock so that all Americans can choose to live where they want to live, and are reflected in the following two primary grant programs that fund state and local fair housing efforts:

Fair Housing Assistance Program

The Fair Housing Assistance Program provides funds to state and local government entities that administer laws substantially equivalent to the Federal Fair Housing Act. The requested

FY 2009 appropriations of \$25 million, will sustain the following: (1) funding for the National Fair Housing Training Academy to effectively train FHAP employees in conducting fair housing investigations; (2) funding for discrimination cases processed by a projected 112 state and local fair housing agencies; and (3) funding to assist new state and local enforcement agencies with start-up costs. The Department will continue to focus on the efficient processing of complaints by substantially reducing the number of “aged” complaints under both HUD and Fair Housing Assistance Program responsibility in order to support the goal of ending housing discrimination.

Fair Housing Initiatives Program

This program provides grant funds for nonprofit Fair Housing Initiatives Program agencies nationwide to directly target discrimination through education, outreach, and enforcement. The program for FY 2009 is funded at \$26 million and is structured to respond to the findings of the three-year Housing Discrimination Study and related studies that reflect the need to expand education and enforcement efforts nationally as a result of continuing high levels of discrimination. The requested funds also will continue to support the following special initiatives:

- ***Education and Outreach Initiative.*** Education and outreach are critical components of HUD’s ongoing efforts to prevent or eliminate discriminatory housing practices. The FY 2009 budget request will enable grantees to conduct at least 300 community events that reach 180,000 individuals with information about their rights and responsibilities under the Fair Housing Act.
- ***Fair Housing Accessibility FIRST.*** Promoting the fair housing rights of persons with disabilities is a departmental priority and will remain an important initiative within the Fair Housing Initiatives Program. Fair Housing Act accessibility design and construction training and technical guidance are being implemented through *Fair Housing Accessibility First*.
- ***Private Enforcement Initiative.*** This initiative provides funding to private, tax-exempt organizations to investigate reports of discrimination, develop evidence on behalf of victims, and pursue complaints with government agencies and in the courts. Private enforcement initiative grantees are the nation’s experts in “testing.” Because housing discrimination is rarely overt, these grantees investigate complaints of discrimination by sending trained “testers” to inquire about housing availability and record their experiences.

Ensuring that HUD-funded entities comply with fair housing and civil rights laws

HUD regularly monitors recipients of HUD federal financial assistance. The Department is increasing attention on training and monitoring funded entities, conducting “front-end reviews” of documents such as fair housing marketing plans, and enforcing civil rights related program requirements, such as site and neighborhood standards. Competitive grant applications are reviewed to ensure that applicants meet affirmative fair housing, nondiscrimination, and Section 504 accessibility requirements in their programs and activities.

Program offices forward their concerns and observations to the Office of Fair Housing and Equal Opportunity for further review: to attempt voluntary resolution of compliance issues; and, when

necessary, proceed with enforcement actions to ensure full compliance with fair housing and civil rights laws.

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

HUD's goal of embracing high standards of ethics, management, and accountability is achieved through rebuilding and better managing its human capital, as well as improving its internal controls and systems. HUD is also committed to improving accountability and service delivery through creating and fostering constructive partnerships with PHAs and other intergovernmental bodies. HUD's priorities under this goal are largely reflected in specific agreements made by the Department as part of the President's Management Agenda (PMA), which is designed to improve the efficiency and effectiveness of the federal government and to address significant management deficiencies at individual agencies. The PMA includes the following:

Strategic Management of Human Capital

Strategic management of HUD's most important asset, its "human capital," is the key to management accountability. 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. HUD is committed to ensuring that its employees have the skills and knowledge they need to achieve HUD's mission and that institutional knowledge is sustained. Clear lines of succession will help the Department recruit high-performing employees and ensure that customer service will not suffer due to retirements and staff turnovers. The means and strategies that HUD will apply to better utilize its human capital include the following:

- Continued monitoring of the implementation of HUD's Strategic Human Capital Management plan by the Human Capital Steering committee.
- Continued implementation of the workforce plans that address mission-critical skill gaps.
- Continued use of the Resource Estimation and Allocation Process (a departmental resource management process) and the Total Estimation and Allocation Mechanism (an automated information system that validates the Resource Estimation and Allocation Process) and the Corrective Action Plan system in developing budget requests and as part of the process of assessing hiring needs and making hiring decisions.
- Continued improvement in internal communications and employee involvement to allow HUD to be a more cohesive organization that exhibits greater comprehension of, commitment to, and capacity for achieving departmental goals.
- Continued support of the workforce through expanded opportunities for professional development, including the enhancement of such initiatives as the creation of a comprehensive training curriculum using the HUD Virtual University, the Emerging Leaders program, the HUD Intern program, and Operation Brain Trust—a program that captures the critical knowledge of experienced HUD professionals before they retire, transferring it to new or less experienced employees.

Competitive Sourcing

Competitive Sourcing is a government wide initiative designed to ensure that the government acquires commercially available services at the best value for the taxpayer, regardless of whether such services are provided by the private sector or federal government. The Department is committed to using competitive sourcing as a means of achieving efficiencies, increasing cost-effectiveness, and improving services, while minimizing program risks.

Improving Financial Management

This initiative is designed to improve controls over financial transactions and the quality of financial information so that agencies and the Congress can use the information to make informed decisions about federal programs; reduce the risk of fraud, waste, and abuse; and manage federal programs more effectively. Success is measured against clear and specific performance criteria, including:

- Accurate and timely financial information;
- Integrated financial and performance management systems that support day-to-day operations;
- Financial systems that meet federal requirements; and
- Continuation of clean and timely audit opinions with no material weaknesses.

A major initiative of the Department is the modernization of its core financial systems through the HUD Integrated Financial Management Improvement Project. This initiative is a multiyear effort that will result in more seamless and integrated financial management processes throughout the Department.

Significant improvements in financial management systems and controls have enabled HUD to receive clean financial statement audit opinions from the Inspector General for the past eight years. The Department also has eliminated its longstanding material weaknesses cited by the Inspector General. The audit, however, did identify two new material weaknesses in FY 2007. The auditors' reporting of these new issues is partially due to revisions to the Statement of Accounting Standard Number 112, which raised the bar and required agencies to demonstrate that stronger financial management and internal controls were in place. While HUD management disagrees with the auditor's assessment, HUD has developed and is implementing corrective actions to remediate the deficiencies. HUD has received a "green" score under the President's Management Agenda for financial performance.

Expanded Electronic Government

HUD continues to be an active partner in the federal electronic government initiatives to improve the efficiency of public sector business through the use of the Internet. As an active interagency partner, 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. Three examples of HUD's use of e-government to provide citizens better services follow:

Grants.gov. This federal portal allows potential grantees to receive email notification of funding opportunities from every federal agency, identify the opportunity, and apply on line using a single registered identification number and password. HUD has made available on Grants.gov all HUD competitive funding opportunities that the system is able to accommodate.

E-Rulemaking. HUD is one of the first agencies to migrate to E-Rulemaking's Federal Docket Management System. The system provides a single electronic point for citizens to participate in the federal government's rulemaking function.

HomeSales.gov. HUD and its multi-agency partners launched the e-government project HomeSales.gov in September 2004. HomeSales.gov integrates information from the three largest inventories of federal real property assets—HUD, Veterans Affairs, and United States Department of Agriculture—to provide a single point of entry for prospective homebuyers to access all homes for sale from these agencies. In addition to this combined agency portal, prospective purchasers can locate available properties through links on www.HUD.gov and www.FHA.gov.

The following are examples of improvements to the management of HUD's Information Technology portfolio that are underway:

Information Technology Project Management. Vision 2010 is a multi-year plan that will modernize HUD's business and information management environment. HUD's Enterprise Architecture transition strategy outlines a methodology for this modernization. Access to business information will increase through simple, self-service utilities, which will improve the efficiency and effectiveness of interactions between HUD employees, business partners, and citizens.

Data Quality Improvement. Reliable information is critical for effective management and accountability. HUD's Enterprise Data Management Group, which operates under the oversight of an agency-wide Data Control Board, continues to make strides in addressing data quality deficiencies. The Enterprise Data Management Group has focused initial efforts on assessing critical data elements that HUD uses to measure and manage performance.

Information Security. The Federal Information Security Management Act of 2002 establishes specific security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD's Information Technology Security Office will continue to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use, and modification, which will include these actions:

- Continue the Certification and Accreditation effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems have been certified and accredited;
- Prioritize and remedy high priority risks; and
- Ensure 90 percent of HUD employees and contractors will have completed information technology security and awareness training.

Performance Improvement Initiative

The Performance Improvement initiative requires agencies to use performance goals and results as an integral element in program operations and budget formulation. This initiative has heightened awareness of the need for clear, measurable program goals and indicators to make budget and resource allocation decisions based on performance results. HUD again developed its FY 2009 budget submission to the Office of Management and Budget with an emphasis on collecting and using higher quality performance information. Program evaluations, research, and a focus on outcome indicators continue to better allow decision-makers to make connections between budget dollars and what programs actually produce. HUD has completed the Office of Management and Budget's Program Assessment Rating Tool evaluation on 34 major program areas, representing nearly 100 percent of HUD's budget, to identify areas in need of actions to improve the focus of performance measures and establish efficiency measures.

Elimination of Improper Payments

This initiative was established in conjunction with the requirements of the Improper Payments Information Act of 2002. The Act requires agencies to annually assess improper payment risks and measure and report programs/activities that may be susceptible to improper payment levels in excess of a \$10 million threshold. The specific objectives are as follows:

- Establish an annual agency-wide risk assessment process that identifies all programs at risk of significant improper payments;
- Provide for annual estimates of improper payment levels in at-risk programs;
- Analyze the causes of improper payments in at-risk programs to serve as the basis for setting reduction goals and corrective action plans;
- Provide annual reporting of progress and results in attaining improper payment reduction goals.

HUD is considered the leader in this effort since it was the first federal agency to achieve a "green" score for the PMA goals for reducing improper payments. Improper payments in HUD programs occur primarily in public and assisted housing programs. In 2000, a HUD Quality Control Study estimated approximately \$3.2 billion in gross improper payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administrator errors and tenant income reporting errors. By the end of 2005, follow-up studies showed that gross improper payments due to program administrator and income reporting errors had decreased to approximately \$1.5 billion, a reduction of over 55 percent since 2000. Continued success in this area is contingent on the expansion of computer matching processes to verify tenant income, on HUD's ability to sustain adequate level of monitoring of program administrator performance, and on the proposed legislative action to simplify the overly complicated rent calculations.

Faith-based and Community Organizations

HUD is one of several Departments that are leading the government-wide effort to promote participation of faith-based and other community organizations. This effort will strengthen the governments' efforts and results through the increased participation of new organizations with energy, vision, and important mission goals.

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

HUD continues to successfully facilitate intra-departmental and interagency cooperation geared toward meeting the needs of faith-based and community organizations. The Department has achieved notable success in eliminating regulatory barriers to program participation by faith based and other community organizations. The primary focus of HUD's Center for Faith-Based and Community Initiatives is on research, expanding outreach, training, technical assistance, and coalition building. HUD is focused on acknowledging the value of the vision, commitment, and expertise of faith-based and community organizations throughout the country.



Outreach and Technical Assistance to Faith-Based and Community Groups

HUD will continue to execute a comprehensive outreach and technical assistance plan for faith-based and community organizations, helping more of these organizations apply for HUD's formula and competitive grants. Gaining access to local funds will be facilitated by making grant application processes more transparent. The Center will keep faith-based and community organizations informed of educational and grant opportunities through its website, web casts, e-mail, and public forums. HUD will continue to help faith-based and community-based organizations build capacity to compete for funding to strengthen communities and create new projects.



Annual Department-Wide Inventory

In coordination with the White House Office of Faith-Based and Community Initiatives, an annual department-wide inventory is conducted to identify barriers that decrease participation of faith-based and community organizations in the delivery of social services. This review includes training faith-based and community organizations on Equal Treatment regulations, conducting studies of barriers created by rules, regulations, executive orders, internal policies, and outreach activities that either discriminate against or otherwise discourage the participation of faith-based and community organizations in HUD programs.



Pilot Projects and Partnering with HUD Program Offices

The Center for Faith-based and Community Initiatives will continue to partner with HUD program offices to establish mutual goals and identify opportunities to assist the offices in carrying out their strategic plans and objectives, with particular emphasis on strengthening and expanding faith-based and community partnerships. The Center for Faith-based and Community Initiatives will continue to develop pilot programs and projects to increase faith-based and community organizations knowledge of HUD program office activities, and the participation of faith-based and other community organizations in various program opportunities designed to create better communities.

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A.1: HUD’s major programs will promote affordable housing opportunities for individuals and families. The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting their families in their purchase. The Office of Community Planning and Development will promote affordable housing opportunities to 145,834 low- and moderate-income households by providing homeownership assistance.	28
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A.6: The share of first time homebuyers among FHA home purchase endorsements is 73 percent.	34
A.7: The share of first time minority homebuyers among FHA first time home purchase endorsements is 33 percent.	35
A.8: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.	36
A.9: Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2009.	36
A.10: More than 80 percent of total mortgagors that complete counseling for resolving or preventing mortgage delinquency will successfully avoid foreclosure.	37
A.11: The share of FHA-insurable real estate owned properties that are sold to owner-occupants is 90 percent.	38
A.12: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.	38
A.13: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.	39
A.14: Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.	40
A.15: FHA ensures that the percentage of at risk loans that substantively comply with FHA program requirements is at least 85 percent.	41
A.16: Loss mitigation claims are 55 percent of total claims on FHA-insured single family mortgages.	42
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A.17: Ginnie Mae securitizes at least 94 percent of eligible single family fixed rate FHA loans.	43
A.18: Ginnie Mae securitizes at least 85 percent of VA single family fixed-rate loans.	43
A.19: At least 30 percent of all Ginnie Mae single family pools issued are Targeted Lending Initiative pools.	44
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B.1: Rental households and rental units will be assisted through major HUD programs.	49

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B.4: FHA endorses at least 1,000 multifamily mortgages.	53
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B.6: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.	54
B.7: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.	55
B.8: Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 5 percent.	56
B.9: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.	57
B.10: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	57
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B.12: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2008 level.	59
B.13: For both Section 202 and Section 811, at least 70 percent of projects that are initially closed in FY 2009 will have completed the process within 24 months; and, of these, 25 percent will have completed the process within 18 months.	59
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B.15: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages.	60
Public and Indian Housing	60
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B.18: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing, and (c) the share of units that have functioning smoke detectors.	62
B.19: The percent of public housing units under management of troubled housing agencies.	62
B.20: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.	63

B.21: The HOPE VI Revitalization program demolishes 882 units and completes 4,481 new and rehabilitated units.	63
B.22: Ensure that unit production is completed for 103 HOPE VI grants awarded from FY 1993 through FY 2004.	64
B.23: The Department will approve and facilitate \$635 million of activity using alternative financing methods (e.g., the HOPE VI program, bonds through the Capital Funding Financing Program, energy performance contracts, etc.).	64
B.24: The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.	65
B.25: The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.	66
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C.1: At least 17,000 units of rental housing will be in development or in service by September 2009 in the areas most affected by the 2005 Gulf Coast hurricanes.	71
C.2: At least \$9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments to 145,000 households in Louisiana and Mississippi by September 2009.	72
C.3: At least \$700 million will be obligated by states to the local projects for restoration and enhancement of infrastructure throughout the five Gulf Coast states receiving supplemental CDBG Disaster Recovery Funding by September 2009.	73
C.4: Expand use of CDBG for economic opportunity by creating or retaining at least 36,090 jobs.	73
C.5: Increase economic opportunity through the use of CDBG funds in 66 percent of entitlement grantees that have unemployment rates above the national unemployment rate.	74
C.6: Grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons.	75
C.7: Sole proprietors will claim \$183 million in Renewal Community and Empowerment Zone wage credits.	76
C.8: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2009.	76
C.9: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 77 percent.	77
C.10: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 65 percent.	78
C.11: The employment rate of persons exiting HUD homeless assistance projects will be 20 percent.	78
C.12: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will be maintained at 80 percent in 2009.	79
FHA/Housing	79
C.13: At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities.	79
C.14: The share of multifamily properties insured by FHA in underserved areas is maintained at 33 percent of initial endorsements.	80
C.15: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.	81

C.16: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.	82
C.17: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.	83
Public and Indian Housing	83
C.18: Overcrowded households in Indian Country shall be reduced by one percent.	83
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C.19: The number of children under the age of six who have elevated blood lead levels will be 210,000 or less in 2009.	84
C.20: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 11,800 units lead safe in FY 2009.	84
Fair Housing and Equal Opportunity	89
D.1: Increase the impact of Fair Housing Act enforcement by increasing the efficiency of fair housing complaint processing.	89
D.2: Recipients of Fair Housing Initiative Program education and outreach grants will hold at least 300 activities, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.	90
D.3: Increase the number of HUD-assisted units made accessible as a result of Voluntary Compliance Agreements.	90
Cross-Departmental	92
E.1: HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.	92
E.2: By the end of FY 2013, HUD will have an integrated enterprise-wide financial management system that is compliant with all laws and regulations.	93
E.3: The rate of program errors and improper payments in HUD’s rental housing assistance programs will continue to be reduced.	93
E.4: HUD employees continue to become increasingly satisfied with the Department’s performance and work environment.	95
Community Planning and Development	96
E.5: Financial management and targeting of CPD program resources to meet the needs of underserved populations are maximized through the monitoring of 20 percent of grantees for compliance with program requirements.	96
FHA/Housing	96
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E.7: Respond to 2,000 inquiries, complaints and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.	97
E.8: The FHA Mutual Mortgage Insurance Fund meets congressionally-mandated capital ratio targets.	98

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E.9: HUD will reduce mission critical skill gaps by 25 percent in the identified leadership and management competency of the Management Competency plan.	99
E.10: Eighty percent of HUD fellows and interns are retained and targeted for mission-critical positions in HUD offices.	99
E.11: HUD financial statements receive an unqualified audit opinion.	100
E.12: HUD will test, train, and exercise the Continuity of Operations and Continuity of Government capabilities.	100
E.13: Continue to modernize HUD’s business operations to improve agency efficiency and effectiveness, maintain well-managed information technology investments aligned with priorities defined in the enterprise Transition Strategy, and promote cross agency and internal collaboration and reuse through business modernization planning (segment architecture development) for core mission areas and shared services.	101
E.14: HUD will meet specified information technology-related security requirements.	101
E.15: The Office of the Chief Information Officer will perform Data Management Maturity assessments of three major HUD information systems and report on their level of maturity.	103
E.16: HUD partners become more satisfied with the Department’s performance, operations, and programs.	103
E.17: Policy Development and Research work products will be high quality and useful to customers.	104
Center for Faith-Based and Community Initiatives:	108
F.1: The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department’s SuperNOFA process for FY 2009 compared to FY 2008.	108
F.2: Comprehensive outreach programs are conducted for faith-based and community organizations throughout the nation to increase partnerships and provide information on HUD programs and resources.	109
F.3: The Center for Faith-based and Community Initiatives will work cooperatively with the HUD program offices to build and expand partnerships between Faith-based and Community Organizations and its traditional local grantees and sub-grantees.	110

SECTION TWO
Performance Indicator Detail

Strategic Goal A: Increase Homeownership Opportunities

Strategic Objectives:

- A1** *Expand national homeownership opportunities. This objective reflects HUD's goal of helping more families, particularly low- and moderate income families, attain homeownership.*
- A2** *Increase minority homeownership. This objective reflects HUD's specific commitment to eliminate barriers to homeownership.*
- A3** *Make the home-buying process less complicated and less expensive. This objective reflects HUD's work with the housing community and federal and state agencies to further consumer-friendly efforts to improve the settlement process.*
- A4** *Reduce predatory lending through reform, education, and enforcement. This objective reflects HUD's commitment to working with other federal and state agencies to vigorously enforce the Real Estate Settlement and Procedures Act and the Fair Housing Act to reduce predatory lending practices.*
- A5** *Help HUD-assisted renters become homeowners. This objective reflects HUD's commitment to helping more HUD-assisted renters become homeowners by providing greater flexibility for public housing agencies and by expanding the use of Housing Choice Vouchers for homeownership.*
- A6** *Keep existing homeowners from losing their homes. This objective reflects HUD's support of homeowners in maintaining their homeownership status through housing counseling, foreclosure prevention activities, and better monitoring of appraisers.*

The following are key performance goals HUD has established to track its continued progress in increasing homeownership opportunities in FY 2009.

Cross-Departmental

A.1: HUD's major programs will promote affordable housing opportunities for individuals and families. The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting their families in their purchase. The Office of Community Planning and Development will promote affordable housing opportunities to 145,834 low- and moderate-income households by providing homeownership assistance.

A number of HUD programs help increase the number of individuals and families that achieve homeownership. Each of the major programs are generally focused on a particular housing program delivery constituency, such as state and local governments (CPD), public housing agencies (PIH), and private sector lenders and owners (Housing/FHA). FHA is the largest contributor to the Homeownership total but data are available only through actual FY 2007. Also, the FHA single family indicator is a tracking indicator that will be reported on after the end of the fiscal year.

Homeownership/Home Rehabilitation Assistance (in units)

	2004 actual	2005 actual	2006 actual	2007 actual	2008 goal	2009 goal
CDBG (homeownership assistance)	NA	7,530	7,628	6,919	7,143	6,084
CDBG (owner-occupied rehabilitation)	116,285	124,544	131,508	117,830	123,148	103,605
HOME (new homebuyer assistance)**	28,517	23,413	46,556	28,891	24,464	23,730
HOME (existing-homeowner rehabilitation)**	10,112	14,832	16,821	11,221	8,675	8,415
ADDI (American Dream Downpayment Initiative)	2,263	8,894	9,096	6,094	2,800	2,500
SHOP (homeowners assistance)	<u>1,735</u>	<u>2,277</u>	<u>1,857</u>	<u>1,877</u>	<u>1,500</u>	<u>1,500</u>
TOTAL Community Planning and Development	158,912	181,490	213,466	172,832	167,730	145,834
Indian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	5,296*	7,684*	6,571*	4,916*	4,349	4,415
Native Hawaiian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	NA	72	23	65	101	65
HOPE VI	1,239	1,284	718	1,841	800	720
Section 184 home loan guarantees	619	634	1,139	1,340	1,500	1,700
Section 184A home loan guarantees	0	10	1	0	50	100
Voucher Program	<u>552</u>	<u>3,069</u>	<u>2,407</u>	<u>2,901</u>	<u>1,200</u>	<u>2,000</u>
TOTAL Public and Indian Housing	7,706	12,753	10,859	11,063	8,000	9,000
TOTAL FHA Single Family	<u>725,816</u>	<u>440,908</u>	<u>398,086</u>	<u>422,940</u>	<u>N/A</u>	<u>N/A</u>
TOTAL	892,434	635,151	622,411	774,565	175,931	155,005

*These figures have been revised from those reported in the Performance and Accountability Report due to subsequent adjustments to the database.

**Unlike CDBG, all HOME assisted units must be brought up to code upon completion of the rehabilitation. HOME funds cannot be used in weatherization only or emergency rehabilitation projects that do not result in all structural and component systems meeting code requirements.

COMMUNITY PLANNING AND DEVELOPMENT: CPD will promote affordable housing opportunities to 145,834 low- and moderate-income households by providing homeownership assistance and housing rehabilitation assistance from the Community Development Block Grant (CDBG), HOME Investment Partnerships, and Self-help Homeownership Opportunity programs. The CDBG program is a flexible block grant program that provides grantees wide discretion in their use of funds, and the use of CDBG funds for the rehabilitation of owner-occupied housing units continues to be one of the primary activities assisted by grantees. Such rehabilitation, along with the use of CDBG to assist low- and moderate-income persons to become homeowners, helps to maintain and expand existing housing stock and reduce demand for rental housing. For FY 2009, HUD has two separate goals under this category for CDBG: owner-occupied units rehabilitated, 103,605; and assistance directly contributing to homeownership, 6,084. The CDBG goals are based on historical accomplishments reported by grantees, an assumed appropriation of \$3 billion for FY 2008 and FY 2009, estimated spend-out rates, and a three percent reduction due to the impact of inflation. The FY 2009 goal shows a decrease from the estimated FY 2008 level due also to the fact that the actual number of homeowners assisted in FY 2007 was lower than the goal for that year. The number of units assisted is primarily a function of grantee funding decisions and local level implementation.

The HOME Investment Partnerships program plays a key role in addressing the shortage of affordable housing in America. These funds can be used to expand access to homeownership by subsidizing down payment and closing costs, as well as the costs of acquisition, rehabilitation, and new construction for homebuyers, existing homeowners, and renters. During FY 2009, 23,730 households are projected to become homeowners with HOME Investment Partnerships program assistance. In addition to assisting homebuyers, the program will help 8,415 existing homeowners rehabilitate their homes up to standard condition in FY 2009, and also supports homeownership by assisting current homeowners in retaining that status. The FY 2009 goal shows a decrease from the estimated FY 2008 level due to the effects of inflation on housing production—calculated at 3 percent annually—together with the reduction in HOME Investment Partnerships program funding in recent years.

The Self-help Homeownership Opportunity Program increases homeownership for low income families, particularly those with incomes up to 65 percent of area median income by providing competitive grants to national and regional nonprofit organizations to subsidize the costs of land acquisition and infrastructure improvements. Homebuyers must contribute significant amounts of sweat equity to the construction or rehabilitation of the property. This indicator tracks the number of homeowners assisted with funding from the Self-help Homeownership Opportunity Program, reflecting completed units. Under this program, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related work with volunteers, which vastly reduce labor costs. The program's allowable average assistance level per unit is \$15,000 and the FY 2009 assistance goal is maintained at the FY 2008 goal level of 1,500 households.

PUBLIC AND INDIAN HOUSING: PIH programs will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. PIH manages the following programs in support of the Department's strategic goal for providing homeownership opportunities:

- The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian Country and in Hawaii.
- The HOPE VI program, which has a goal to create 10,000 new homeownership units between FY 2006 and FY 2011.
- The Section 184 Loan Guarantee program promotes homeownership among Native Americans by providing access to market-rate financing.
- The Section 184A Loan Guarantee program for Native Hawaiians provides guaranteed loans to qualified Native Hawaiians.
- The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving to Work programs increase homeownership among low-income and minority households by allowing PHAs to provide voucher assistance to first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

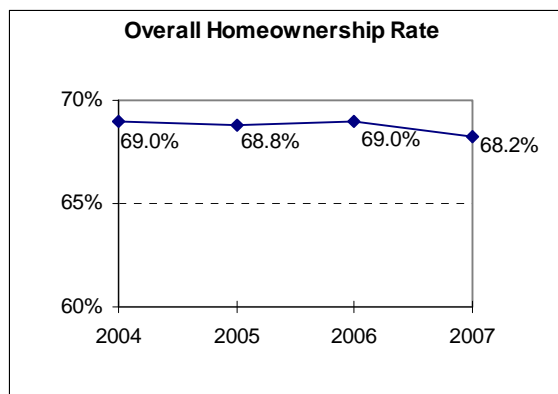
OFFICE OF HOUSING/FHA: FHA contributes to the homeownership rate through the annual volume of FHA-insured loans. Their goals are described more fully under A.5 and A.6.

Data on CDBG and HOME accomplishments are from the Integrated Disbursement and Information System. Self-help Homeownership Opportunity Program data are from progress reports submitted by grantees.¹ Indian Housing Block Grant and Native Hawaiian Housing Block Grant data come from grant recipients through annual performance reports from which data are captured in the performance-tracking database of each regional Office of Native American Programs and then aggregated into a national database at headquarters. For the HOPE VI program, data are captured in the progress reporting system, which consists of quarterly progress reports submitted by grantees. Section 184/184A administrative records are maintained by the Office of Native American Programs' Office of Loan Guarantee. The data for the closings under the Housing Choice Voucher, Family Self Sufficiency, and Moving to Work programs are from the Public and Indian Housing Information Center – 50058 module, consisting of household data reported by PHAs.²

A.2: Improve national homeownership opportunities in support of first time homebuyers.

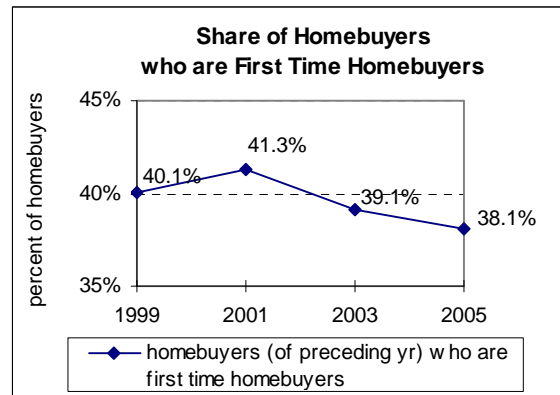
Under this tracking indicator, two performance measures are reported, but targets are not defined because of the disproportionate impact of the economy and financial markets.

- Overall homeownership rate (tracking)—summarizes the share of households that have achieved the “American dream” of homeownership. The national homeownership rate for all households in the third quarter of calendar year 2007 was 68.2 percent.
- Percentage of first-time homebuyers among recent homebuyers (tracking)—reflects ongoing success in making homeownership available to a wider array of households. The most recent



available data show that 38.1 percent of homebuyers in calendar year 2005 (purchasing during the previous year) were first time homebuyers.

Increased homeownership produces beneficial outcomes by creating stronger neighborhoods, providing better opportunities for child development, and encouraging good citizenship. The homeownership rate has reached record levels in recent years, but excesses in the subprime mortgage market have contributed to increased defaults among recent homebuyers. Homeownership is not practical or desirable for all households, although it is desirable to improve the opportunities. HUD is striving to increase and support homeownership among subgroups that face greater barriers, including minority and low-income families, as well as families in central cities.



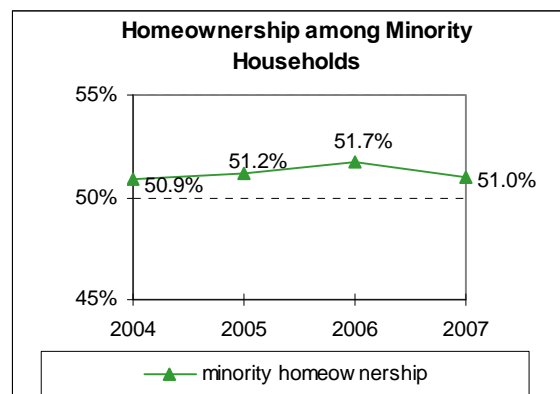
HUD programs helped families take advantage of strong economic conditions to purchase homes while avoiding subprime financing to increase homeownership in recent years. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new homeowners (if total households remain constant). Such results are well within the scope of HUD program impacts reported through a number of performance indicators. For example, FHA insured more than 422,000 first time homebuyer single family mortgages in FY 2007. Proposed legislation to modernize FHA programs will, if adopted, begin improving financing options for vulnerable homebuyers. A range of other HUD programs contribute to homeownership, including CDBG, HOME, the Self-Help Homeownership Opportunities Program, public housing homeownership program, HOPE VI grants, various Indian assistance programs, and HUD's fair housing activities.

National homeownership rates are based on third-quarter calendar year estimates from the Current Population Survey, corresponding to the final quarter of the fiscal year. The rate of first time homebuying is based on American Housing Survey data, which represent homeowners who reported, during the (odd) year shown, that they moved during the previous (even) year.³

A.3: The homeownership rate among targeted households.

This tracking indicator comprises three measures that help HUD understand the degree of progress in promoting homeownership among underserved populations. Targets are not defined because of the disproportionate impact of the economy and financial markets relative to program outcomes.

- Minority homeownership rate (tracking)—
This targeted group directly supports the President's long-term goal described below.

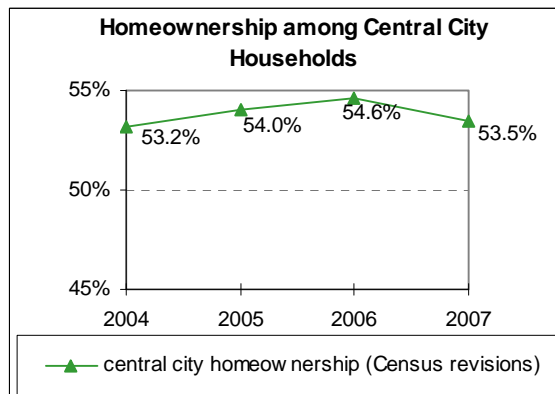
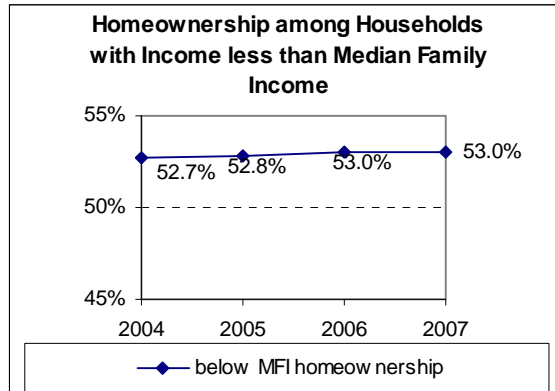


In the third quarter of 2007, 51.0 percent of minority households were homeowners, a reduction from the third quarter of 2006 level of 51.7 percent.

- Homeownership among households with income below the national median income (tracking)—The homeownership rate of these households was 53.0 percent in the third quarter of 2007, unchanged from a year earlier.
- Homeownership rate in central cities (tracking)—This rate was 53.5 percent in the third quarter of 2007, down significantly from 54.6 percent a year earlier.

A number of HUD programs support targeted homeownership increases, as reflected by program-focused outcome goals. FHA single-family mortgage insurance, homeownership vouchers, direct homeowner assistance, and enforcement of equal opportunity in housing all play a role. HUD’s housing counseling program helps members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership. HUD’s largest block grant programs, CDBG and HOME, each have a sizable homeownership component. The HOME program, for example, assisted nearly 35,000 homeowners during FY 2007.

All three measures are based on third-quarter estimates from the Current Population Survey, corresponding to the last quarter in HUD’s fiscal year.⁴



A.4: Add 5.5 million minority homeowners between 2002 and 2010.

This indicator supports the goal of the President’s Minority Homeownership Initiative of adding 5.5 million minority homeowners between mid-2002 and the end of the decade. The long-term goal is supported and informed by an annual performance goal and two tracking measures:

- Cumulative minority homeowners added during the President’s Initiative—Through the third quarter of 2007, an estimated 3.74 million minority homeowners (68 percent of the goal) have been added while 62 percent of the time has elapsed. The FY 2009 goal is to remain on pace in adding minority homebuyers through the end of the fiscal year.
- Gap between homeownership rates of minorities and non-Hispanic white alone households (tracking)—During the third quarter of calendar year 2007, the minority homeownership gap was 24.3 percentage points, the same record low result recorded in the third quarter of 2006.

- Minority mortgage disapproval rates (tracking)—An important early indicator of trends in minority homeownership and of access to home loans. During calendar year 2006, minority groups experienced denial rates ranging from 14.7 percent to 25.3 percent, and averaged 22.0 percent, compared with 11.2 percent for white alone. The data do not in themselves demonstrate discriminatory practices.

Denial Rates* for Mortgage Applications by Race and Ethnicity

Race/Ethnicity of Primary Borrower	2004	2005	2006
Hispanic/Latino	16.3%	18.0%	21.9%
Native American/Alaska Native alone	15.8%	16.9%	19.3%
Asian alone	11.7%	13.7%	14.7%
Black/African American alone	19.6%	21.4%	25.3%
Native Hawaiian/Pacific Islander alone	13.9%	15.2%	18.4%
White alone	9.5%	10.5%	11.2%
Two or more races	12.4%	14.7%	14.7%
Other/Unknown/Missing	17.3%	16.9%	18.2%
Total	12.5%	13.8%	15.9%
All minority**	16.5%	18.4%	22.0%

* Excludes denials at the preapproval stage.

** Includes “two or more races,” but excludes “other/unknown/missing.”

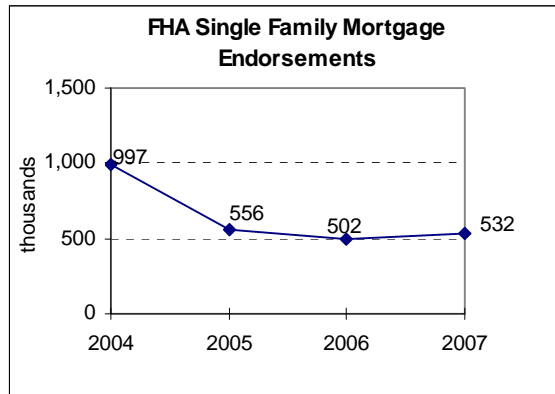
An important component of the long-term success of this goal is to maintain first time minority homebuyers as a substantial proportion of FHA’s mortgage insurance business. In part, this will occur by implementing FHA modernization to make affordable financing available to more households, so that they need not rely unnecessarily on subprime lenders. Homeownership counseling also is critical in improving homeownership readiness and sustainability.

Gross additions of minority homeowners are measured biennially with the American Housing Survey and updated on an interim basis by adding positive net changes based on the Current Population Survey. The minority homeownership gap is based on fiscal-year averages of quarterly estimates from the Current Population Survey. Mortgage denial rates are based on calendar year data submitted by lenders to the Home Mortgage Disclosure Act database.⁵

FHA/Housing

A.5: The number of FHA single family mortgage insurance endorsements nationwide.

This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured loans, and thus, is a key component of the Department's priority outcome of improving the national homeownership rate and fulfilling the President's 2002 commitment to create 5.5 million new minority homeowners by 2010. FHA insures mortgages issued by private lenders, thereby increasing access to mortgage capital so overall homeownership opportunities increase, which also has important implications for first time and minority homeownership rates because a significant proportion of FHA participants are first time minority homeowners.

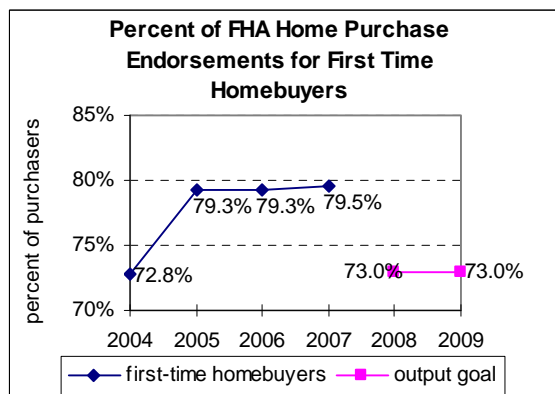


Currently the Department is seeking legislation to modernize FHA single family mortgage insurance activities to better achieve its mission of reducing barriers to homeownership. FHA Modernization efforts would assist FHA in recapturing a portion of market share it has lost because of existing structural limitations. Modernization would allow FHA to reach more prospective homeowners, as well as provide a safe alternative from sub-prime and exotic loan products. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the dominant effect of market factors in the annual volume achieved, the Department has decided to continue tracking the results of this measure without establishing a numeric goal for FY 2009.

The data originate in the Computerized Homes Underwriting Management System and for convenience are reported from FHA's Single Family Housing Enterprise Data Warehouse.⁶

A.6: The share of first time homebuyers among FHA home purchase endorsements is 73 percent.

FHA insurance enables the private mortgage market to provide financing for first time homebuyers as well as for minority and lower-income buyers. In the past 10 years, FHA has endorsed more than 7.5 million purchase-money mortgages for insurance. HUD will help achieve the outcome of increasing the overall homeownership rate, as well as reducing the homeownership gap between whites and minorities, by maximizing FHA endorsements for first time homebuyers. Consequently, this

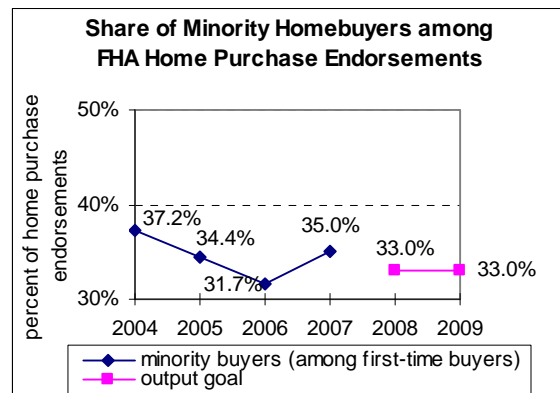


indicator, which measures the share of first time homebuyers among FHA endorsements for home purchases, contributes to the President's goal of adding 5.5 million new minority homeowners by 2010. The FY 2009 goal maintains the FY 2008 goal to ensure that 73 percent of home purchase mortgages endorsed for insurance by FHA are to first time homebuyers. Although 79.5 percent of home purchase endorsements were made to first time homebuyers during FY 2007, this performance measure is strongly influenced by macroeconomic factors beyond FHA's control, which include interest rate changes and lender choices concerning the type of mortgage transactions on which they focus their business. With the loss of FHA market share in recent years, current market conditions, and pending legislative changes, FHA has kept this indicator's goal at an attainable level.

The data originate in the Computerized Homes Underwriting Management System and for convenience are reported from the FHA Single Family Housing Enterprise Data Warehouse.⁷

A.7: The share of first time minority homebuyers among FHA first time home purchase endorsements is 33 percent.

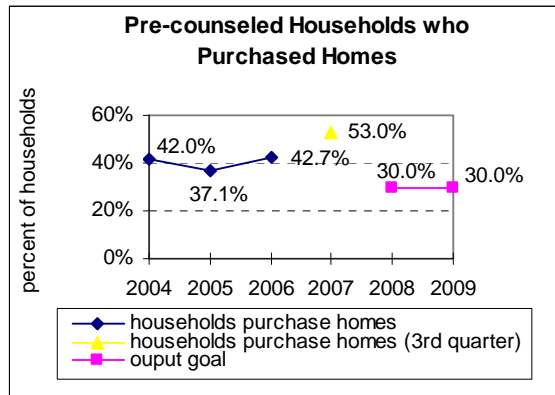
FHA-insured mortgages are a major source of mortgage financing for minority as well as lower-income buyers. Increasing the number of FHA endorsements for first time minority homebuyers will help fulfill the President's commitment of adding 5.5 million new minority homeowners by 2010 and reducing the homeownership gap between whites and minorities as well as increasing the overall homeownership rate. During FY 2007, the minority homeownership gap sustained the record low of 25 percentage points. The FY 2009 goal for FHA is to ensure that first time minority homebuyers represent 33 percent of first time home purchase mortgages endorsed for insurance by FHA. This goal continues to be an aggressive goal that is significantly constrained by the housing market and economic conditions. FHA hopes to recapture a portion of the market share that was lost to subprime lenders in recent years. Many first time minority homebuyers acquired subprime loans to finance their homes. Passage of FHA modernization legislation in FY 2008 will reduce statutory barriers and increase FHA's flexibility to respond to changes in the marketplace. As a result, FHA will be able to reach more prospective homebuyers to provide an alternative to subprime loans with high interest rates and closing costs, as well as expensive repayment penalties.



The data originate in the Computerized Homes Underwriting Management System, based on data submitted by direct-endorsement lenders, and for convenience are reported from FHA's Single Family Housing Enterprise Data Warehouse.⁸

A.8: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

Clients tracked through this indicator include those individuals receiving housing counseling for pre-purchase reasons, including clients preparing to purchase a home or working to become mortgage-ready. Counseling has a critical role in the home buying process because it helps educate homebuyers so that they make smart choices about the myriad of mortgage financing options available. Housing counseling will strongly support the Department's FHA modernization efforts by helping borrowers benefit from FHA mortgage insurance products and avoid more expensive and riskier financing options. The FY 2009 performance goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling attain the outcome of purchasing a home or becoming mortgage-ready within 90 days.

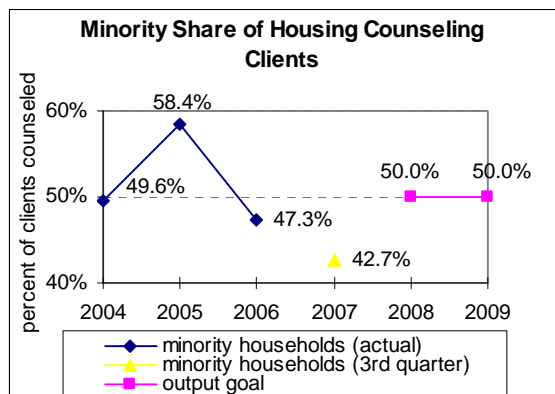


Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD's control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients that are ready for homeownership achieve it. Reported results from the first three quarters of calendar year 2007 indicate 23,770 clients out of 44,823 receiving pre-purchase counseling from HUD approved agencies purchased a home or become mortgage-ready within 90 days. This outcome of 53 percent exceeded the FY 2007 goal of 30 percent.

The data are electronically submitted to HUD's Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902).⁹

A.9: Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2009.

The Housing Counseling Assistance program is an integral part in helping to achieve the outcome of increasing the minority homeownership rate. It supports the President's initiative to add 5.5 million minority homebuyers by 2010. The FY 2009 performance goal is to ensure that minority clients are at least 50 percent of total clients receiving HUD-funded housing counseling. More than 1,414,632 minority households have benefited from HUD-funded housing counseling activities since FY 2001.

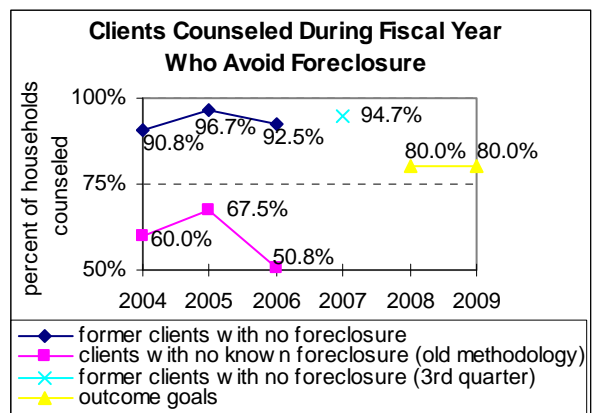


Clients tracked through this indicator include those receiving various forms of housing counseling—from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD’s control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients that are ready for homeownership achieve it.

The data are electronically submitted to HUD’s Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). The data include the total number of clients, the type of counseling they received, and the results of the counseling. In FY 2008, an additional source for this data known as the Housing Counseling Program Outcome Logic Model, form HUD-96010, was made available.¹⁰

A.10: More than 80 percent of total mortgagors that complete counseling for resolving or preventing mortgage delinquency will successfully avoid foreclosure.

Default counseling is a cost-effective way to address the rising number of families nationwide at risk of foreclosure, while contributing to economic growth and stability of individuals, families, and communities across the country. This indicator measures the outcome of FHA-funded housing counseling in preventing foreclosure for homeowners who are at risk of default or have already defaulted, and are seeking help to remain in their homes and meet the responsibilities of homeownership. The FY 2009



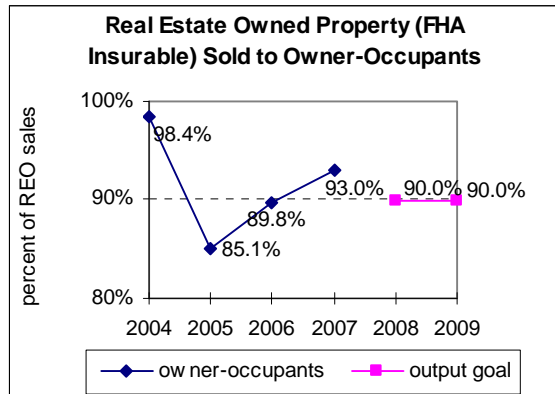
performance goal is to ensure that more than 80 percent of mortgagors that complete counseling for resolving or preventing mortgage delinquency successfully avoid foreclosure.

Reporting from the first three quarters of calendar year 2007 indicates that 94.7 percent, or 12,024 out of 12,690 mortgagors seeking help with resolving or preventing mortgage delinquency, had successfully avoided foreclosure.

The data are electronically submitted to the Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). In FY 2008, an additional source for this data will be the Housing Counseling Program Outcome Logic Model, form HUD-96010.¹¹

A.11: The share of FHA-insurable real estate owned properties that are sold to owner-occupants is 90 percent.

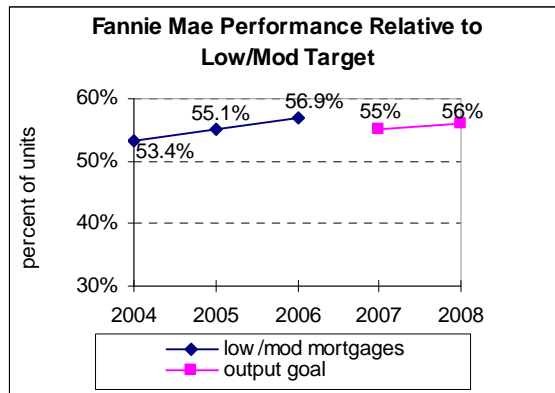
This indicator is a measure of the Department’s success in achieving the outcomes of expanding homeownership opportunities and helping stabilize neighborhoods. FHA acquires real estate owned properties when owners default on FHA-insured mortgages. These properties become departmental assets and are a resource for increasing the availability of affordable homes to potential homebuyers. HUD will continue to focus on increasing sales of its FHA-insurable real estate owned homes directly to families who will occupy them rather than to investors. During FY 2007, 92.5 percent of FHA-insured real estate owned single family properties were sold to owner-occupants. The FY 2009 goal is to maintain the FY 2008 goal to ensure that at least 90 percent of FHA-insurable real estate owned properties are sold to owner-occupants.



In January 2008, the Asset Management Information System became the primary data source for the Department’s real estate owned properties. The Asset Information Management System is a web-based, user friendly system.¹²

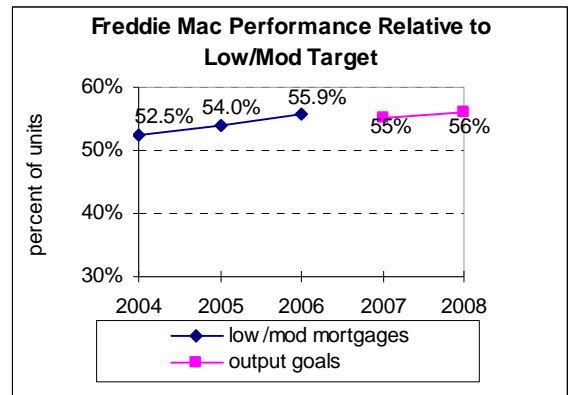
A.12: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

Fannie Mae and Freddie Mac, two housing government-sponsored enterprises that HUD oversees, are private corporations with public purposes that include providing stability in the secondary market for residential mortgages and promoting access to mortgage credit throughout the nation. To fulfill their public purposes, Congress requires that each government-sponsored enterprise achieve annual affordable housing goals, including a goal that targets families with low and moderate incomes. HUD sets the level of an annual Low-and-Moderate Income goal target. HUD’s targets for low- and moderate-income mortgage purchases for these two government-sponsored enterprises aid in expanding homeownership and rental opportunities



for these income groups (defined as households with incomes less than or equal to the area median income).

Beginning in 2005, HUD increased the Low- and Moderate-Income goal from 50 percent to 52 percent. The Low- and Moderate-Income goals for 2006, 2007, and 2008 also were increased to 53, 55, and 56 percent respectively. Goal levels for 2008 remain in place until such time as HUD publishes a new regulation resetting the goal levels. HUD expects to establish new goal levels for 2009 by rulemaking. HUD's low- and moderate-income targets measure the two government-sponsored enterprises' purchase performance relative to all



eligible mortgages that finance housing for families earning no more than the area median income. These include mortgages for both purchasing and refinancing single family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader low- and moderate-income target, HUD has also implemented a home purchase subgoal under the Low- and Moderate-Income housing goal. This subgoal targets Fannie Mae's and Freddie Mac's performance in serving the homeownership segment of the low- and moderate-income market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by Fannie Mae and Freddie Mac that finance the purchase of single family, owner-occupied properties located in metropolitan areas. In 2006, the Low- and Moderate-Income Home Purchase subgoal was 46 percent for each government-sponsored enterprise. This target increases to 47 percent for 2007 and 2008. HUD established the home purchase subgoal to encourage the government-sponsored enterprises to improve their efforts in expanding homeownership opportunities for these income groups (defined as households with incomes less than or equal to the area median).

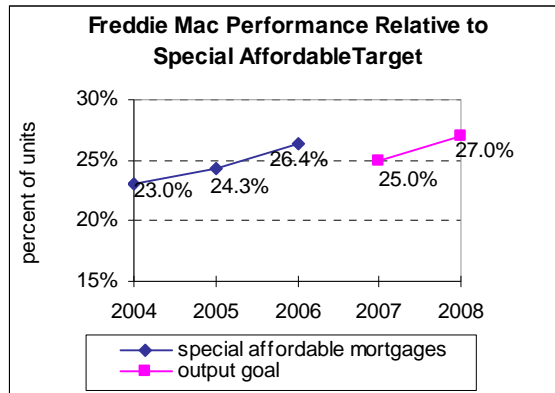
The data for this performance indicator come from HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.¹³

A.13: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.

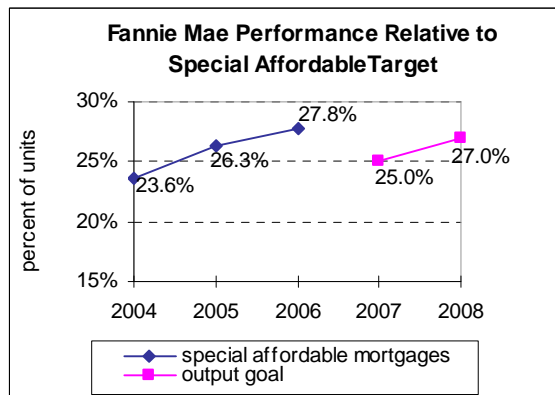
One of the three public purpose goals that HUD sets for Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) (two housing government-sponsored enterprises) is a Special Affordable Housing goal that targets families earning very low incomes no greater than 60 percent of area median income, or families earning low incomes no greater than 80 percent of area median income and living in low income areas.

FY 2009 ANNUAL PERFORMANCE PLAN
Section Two

For this indicator, low-income areas are defined as: (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income, and (2) non-metropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater. Increasing homeownership and rental opportunities for these families will contribute to the outcome of increasing affordable housing opportunities for lower income families.



The Special Affordable Housing goal was increased to 23 percent for 2006 and was raised to 25 percent for 2007. Since 2008 the goal has been capped at 27 percent. HUD's special affordable housing targets measure the two government-sponsored enterprises' purchase performance relative to all eligible mortgages. These include mortgages for both purchasing and refinancing single family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.



In addition to the broader target for special affordable housing, HUD has implemented a home purchase subgoal under the Special Affordable Housing goal. This subgoal targets the two government-sponsored enterprises' performance in serving the homeownership segment of the special affordable housing market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by Fannie Mae and Freddie Mac that finance the purchase of single family owner-occupied properties located in metropolitan areas. In 2006, the Special Affordable Home Purchase subgoal was 17 percent for each of the two government-sponsored enterprises. This target was increased to 18 percent in 2007 and 2008. The purpose of this subgoal is to encourage Fannie Mae and Freddie Mac to improve homeownership opportunities in metropolitan areas for very low-income families and low-income families living in low-income metropolitan areas.

The data for this performance indicator come from HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.¹⁴

A.14: Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.

The Real Estate Settlement Procedures Act is a consumer protection statute administered by HUD. This Act helps consumers be better shoppers in the homebuying and mortgage loan process by requiring that consumers receive disclosures at various times in the transaction and by prohibiting practices, such as

paying kickbacks, which increase the cost of settlement services. The Act also provides consumers with protections relating to the servicing of their loans, including proper escrow account management. The Department currently receives questions and complaints from consumers, industry, and other state and federal regulatory agencies by mail, telephone, and email. It also receives requests for assistance from consumers. The Department’s responses to the inquiries and complaints received are a measure of its public assistance and enforcement activities.

HUD’s Office of Real Estate Settlement Procedures Act and Interstate Land Sales tracks inquiries and responses regarding the homebuying and mortgage process, as well as questions and complaints from industry, consumers, and state and federal regulators regarding practices that violate the Real Estate Settlement Procedures Act. Recent efforts by this office to increase public awareness of its enforcement of the Act have helped bring additional violations to HUD’s attention, and have enabled the Department to provide greater assistance to the public, particularly consumers.

Real Estate Settlement Procedures Act complaint and response data will be compiled from the PO 30 Case Tracking System and website e-mail box.¹⁵

A.15: FHA ensures that the percentage of at risk loans that substantively comply with FHA program requirements is at least 85 percent.

This indicator monitors efforts to reduce fraud and compliance problems in FHA relative to the number of “at risk” single family loans reviewed that do not contain substantive findings. A substantive finding is defined as a failure to adhere to FHA program requirements (pertaining to the origination and/or servicing of mortgage loans) such that it materially affects the insurability of the loan. FHA’s Quality Assurance Division reviews lenders on the basis of a methodology that focuses on high early default and claim rates in addition to other risk factors that represent “at risk” loans. Samples of defaulted loans (90 days or more delinquent) that are originated by the targeted lenders are then evaluated for findings. This indicator represents the number of loans without material findings divided by the number of loans reviewed. HUD established the initial target on the basis of the three-year average for FY 2002–FY 2004, which is 85 percent. Of the loans originated by FHA-approved lenders and reviewed in FY 2007, 96.8 percent were determined to have no material findings. The comparison ratio far exceeded the program goal.

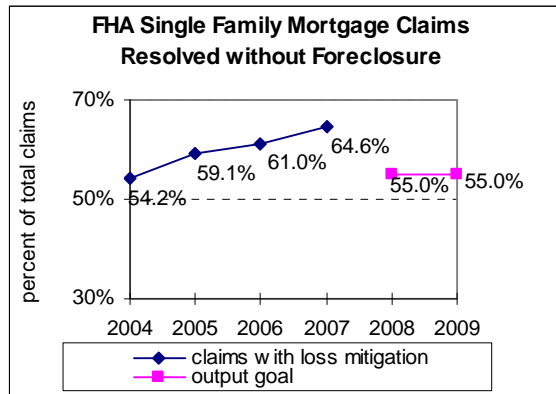
Proportion of FHA “At Risk” Loans Found in Compliance

	FY 2004	FY 2005	FY 2006	FY 2007
At-Risk Loans Reviewed	21,442	18,451	15,724	12,813
Loans without Material Findings	18,866	16,565	14,866	12,406
Proportion Complying	0.838	0.89	0.95	0.968

Loan review and findings data are drawn from FHA Approval, Review & Recertification Tracking System.¹⁶

A.16: Loss mitigation claims are 55 percent of total claims on FHA-insured single family mortgages.

This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. Improved loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, keeps FHA financially sound, and enables it to help more borrowers. The net benefit of \$152 million paid in home retention claims in FY 2006 equates to



\$2 billion in loss avoidance for the FHA insurance funds. Reductions in foreclosure claim expenses are a key component of departmental budget estimates for FY 2008. For these reasons, achieving this outcome goal will help HUD increase the overall homeownership rate.

A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure including: by paying down the delinquency (cure), a pre-foreclosure sale with FHA paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. The use of loss mitigation as a share of total claims increased from 46.1 percent in FY 2001 to 64.6 percent in FY 2007. The FY 2009 goal is to ensure that 55 percent of the total number of claims is resolved through loss mitigation techniques.

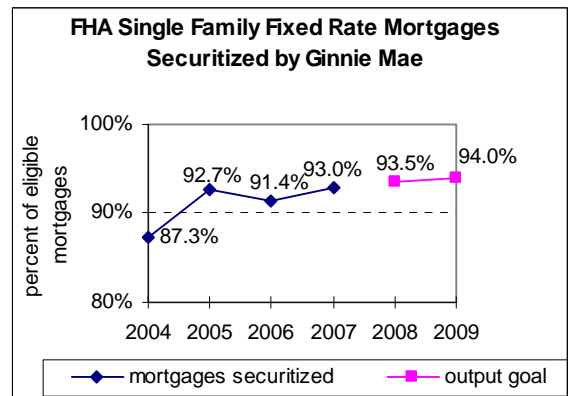
While loss mitigation actions do not permanently stabilize many borrowers' financial status, approximately 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period. HUD's programmatic objective is to sustain the high level of participation in loss mitigation, even as the Office of Housing tightens programmatic requirements designed to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

The data originate in the Single Family Insurance System – Claims Subsystem, and for convenience are reported from FHA Single-Family Housing Enterprise Data Warehouse, Loss Mitigation Table. The resolutions that are counted as loss mitigation are forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, and deeds-in-lieu of foreclosure. A small and decreasing number of "other" resolutions that were previously counted, along with supplemental claims, are now excluded. Total claims comprise loss mitigation claims plus conveyance claims.¹⁷

Ginnie Mae

A.17: Ginnie Mae securitizes at least 94 percent of eligible single family fixed rate FHA loans.

Ginnie Mae helps create liquidity in the secondary market for residential mortgages by securitizing a high share of eligible single family fixed rate FHA loans. The securitization of FHA single family fixed rate mortgages increases the availability of funds for lenders making these loans and thereby decreases the cost associated with making and servicing the loans. The outcome is lower mortgage costs for homebuyers who use federal government housing credit, thereby increasing the number of potential homeowners.



Since 1970, Ginnie Mae has guaranteed the issuance of over \$2.6 trillion in mortgage-backed securities helping Americans achieve their dream of homeownership. In FY 2007, Ginnie Mae securitized 93 percent of eligible single family fixed rate FHA loans. In FY 2009, Ginnie Mae is requesting \$200 billion in new commitment authority that will provide housing for more than 600,000 additional families. In FY 2009, Ginnie Mae will securitize at least 94 percent of eligible single family fixed-rate FHA loans.

Data for this indicator are based on Ginnie Mae's database of monthly endorsements by FHA and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System.¹⁸

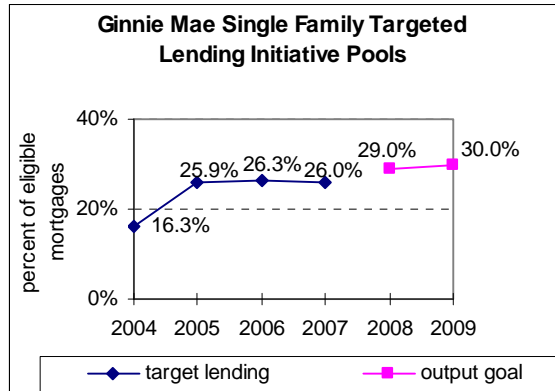
A.18: Ginnie Mae securitizes at least 85 percent of VA single family fixed-rate loans.

Approximately one-third of Ginnie Mae business is securities guarantee by VA. Securitizing a high share of VA guaranteed loans increases the liquidity of funds in the market for mortgage credit. The presence of government-backed securities lowers market cost, creating homeownership incentives. This indicator reflects the ratio between the reported number of VA guarantees and the total number of Ginnie Mae Veteran's Affairs single family fixed-rate securities guaranteed. Other players in the secondary market have increased the level of competition for VA loans in recent years. In FY 2007, Ginnie Mae securitized 92 percent of eligible single family fixed-rate VA loans. The FY 2009 goal is to securitize at least 85 percent.

Data for this indicator are based on Ginnie Mae's database of monthly guarantees by VA and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System.¹⁹

A.19: At least 30 percent of all Ginnie Mae single family pools issued are Targeted Lending Initiative pools.

Ginnie Mae established the Targeted Lending Initiative in FY 1996 in order to provide incentives for lenders to increase loan volumes in the following traditionally under-served areas: HUD-designated Renewal Communities, Urban Enterprise Zones, Urban Empowerment Zones, Native American Lands, Rural Empowerment Zones, and Rural Enterprise Communities. Ginnie Mae expanded the Targeted Lending Initiative in FY 2004 to include the colonias (poor rural communities, almost always unincorporated, that lie in a 150-mile-wide strip



along the U.S.-Mexico border between Texas and California). Most recently, Ginnie Mae expanded the program to include those census tracts that were declared disaster areas as a result of Hurricane Katrina.

The Targeted Lending Initiative program offers discounts ranging from one to three basis points on Ginnie Mae’s six basis point guaranty fee, depending on the percentage of Target Lending Initiative—eligible loans within the security. The reduced guaranty fee gives lenders an incentive to originate loans in Target Lending Initiative areas. In FY 2007, 26 percent of all single family pools issued received Targeted Lending Initiative credit. In FY 2009, at least 30 percent of all Ginnie Mae single family pools issued will be Targeted Lending Initiative pools.

Data for this indicator are based on Ginnie Mae’s monthly Master Pool file detailing characteristics of Targeted Lending Initiative pools securitized by Ginnie Mae.²⁰

Supplemental Data Information for Strategic Goal A:

Reliability, Validation, and Improvement

¹CPD has pursued a variety of enhancements to the Integrated Disbursement and Information System, which, along with on-going data clean-up efforts, have resulted in continuous improvements in data quality for the CDBG and HOME programs. The HOME program relies on participating jurisdictions to enter data into the Integrated Disbursement and Information System. By regulations, participating jurisdictions have 120 days to enter data into the system after a project’s final funds are drawn upon. Thus, historically, there has been a time lag between the time when project construction is complete or assistance is provided and the time when this information is entered into the data system. For the Self-help Homeownership Opportunity Program, no data limitations are known to affect this measure. The data shown for FY 2004 and FY 2005 are not entirely consistent with the FY 2003 data, and also differ from data reported in the Department’s Performance and Accountability Report due to data cleanup; the data are tallied on a fiscal year basis (October 1 through September 30) rather than the July 1–June 30 period used as a basis of the Performance and Accountability Report. The FY 2006 result previously reported in the Performance and Accountability Report has changed due to a subsequent adjustment to the database.

²Accomplishments for the Indian Housing Block Grant program recorded in the database by the first day of October each year generally include reports from grantees whose fiscal year ended June 30 or earlier, because grantees have 90 days after their year-end to submit their annual report. The Native Hawaiian Housing Block

Grant program has a single grantee, the Department of Hawaiian Home Lands; the data are consistently reported. Data in the HOPE VI progress reporting system had previously been judged to be reliable for this measure. However, there was a lapse in the contract with the data provider in 2007. As of October 2007, a new contract is in place and the contractor is re-establishing the database. It is assumed that this process will be completed prior to FY 2009, and the system will provide reliable data as in the past. The Office of Loan Guarantee's data for Sections 184 and 184A consist of a straightforward and easily verifiable count of administrative records. The status of a household receiving homeownership vouchers is a relatively straightforward and easily verifiable statistic.

Field staff from the Office of Native American Programs verifies program data when monitoring grantees. To simplify reporting for Indian Housing Block Grant, HUD officials and grantees have been collaborating to revise the annual data collection forms. For the HOPE VI program, submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD Headquarter staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers. For the Sections 184 and 184A programs, the director of the Office of Loan Guarantee will verify counts. For the Housing Choice Voucher, Family Self Sufficiency, and Moving to Work programs, automated checks on data ranges and internal consistency are performed to help ensure the accuracy of tenant data. The Department has developed an Internet-based resident characteristics report that has made monthly Form 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis, and monitoring purposes. An Office of Policy Development and Research voucher homeownership program evaluation has also been published and distributed to HUD PHAs. The program evaluation provides detailed information on long-term success of homeownership vouchers. In addition, a detailed homeownership guidebook is currently being drafted to provide detailed information to PHAs on how to create and implement a successful voucher homeownership program.

³Both surveys are conducted by the Census Bureau, and provide reliable, nationally representative data. Changes in the estimated homeownership rate exceeding 0.25 percentage points are statistically significant with 90 percent confidence. American Housing Survey data are available only biennially with a time lag. Calendar year 2007 data will become available in the third quarter of 2008. Information on first-time status was missing for 4.4 percent of homebuyers surveyed in 2003, so those households were excluded. For validation, verification, and improvement of measure, see discussion of the Current Population Survey and American Housing Survey in Appendix C.

⁴Current Population Survey data are free of serious problems, and the sample size is sufficient to report this measure with low variance. Changes in homeownership rates are statistically significant with 90 percent confidence when they exceed 0.53 percentage points for minority homeownership and 0.43 points for households with incomes below median family income. The estimates shown reflect Census 2000 population information and housing unit controls and survey procedures that allow respondents to select more than one race. For validation, verification, improvement of measure, see discussion of the Current Population Survey in Appendix C.

⁵American Housing Survey data are available only biennially with a time lag. Calendar year 2007 data will become available in the third quarter of 2008. Current Population Survey data have the advantage of being nationally representative, reliable and widely recognized. The data are based on a sample survey and thus are subject to sampling and nonsampling error.

Home Mortgage Disclosure Act data are available with a one-year lag (calendar 2007 data will become available in August 2008). The mortgage applications counted are conforming loans or loans insured by FHA, Veterans Administration, or the Rural Housing Service and are limited to owner-occupied single-family home purchases. Beginning with 2004 data, the covered loans are limited to owner-occupied single-family home purchases in core-based statistical areas. This measure excludes refinance mortgages, which have a higher proportion of subprime lenders, and manufactured home mortgages, because a recent increase of reporting by manufactured home lenders under the Home Mortgage Disclosure Act causes difficulties in interpreting the overall data. New Census Bureau race and ethnicity categories are used for this indicator beginning with 2004, so the 2004 estimates are not directly comparable with those for preceding years. Although largely reliable, the data do not in themselves demonstrate discriminatory practices for several reasons. First, minority status is

correlated with other characteristics of applicants that affect their creditworthiness. Second, lender outreach to minorities sometimes increases the denial rates even as it increases the number of minority homeowners. Further, there is no reliable way to identify loans from subprime lenders in Home Mortgage Disclosure Act data, and the effect of subprime loan applications on home purchase denial rates is unclear. Loan denials at the pre-approval stage are excluded, although new but incomplete data suggest that initially denied or unaccepted pre-approvals may account for at least one percent of all loans.

Interim estimates of gross additions based on the Current Population Survey are verified and replaced when updated American Housing Survey data become available. Also see the discussion of the Current Population Survey in Appendix C.

For the HMDA data, the Federal Financial Institutions Examination Council and HUD use automated data quality procedures and other checks to verify that data submissions are reasonable and accurate. HUD assessed the impact of several technical factors on the reported results. New data for 2004 made possible the direct exclusion of manufactured home loans rather than loans by manufactured home loan specialists. This change contributes 0.6 percentage point to the denial rate of white alone households, reducing disparities in denial rates. In addition, estimates beginning with 2004 are based on rounding the “conforming” loan limit for Government Sponsored Enterprise mortgage purchases up to the nearest \$1,000, which was found to have negligible impact.

⁶The data have no deficiencies affecting this measure. Direct-endorsement lenders enter FHA data, with monitoring by FHA. As part of the Department’s data quality initiative, the Computerized Homes Underwriting Management System was identified by the Enterprise Data Management Group as passing 6-sigma quality tests (reflecting fewer than 3.4 errors per million) for validity, completeness, and consistency.

⁷FHA data on first time homebuyers are more accurate than estimates of first time homebuyers in the conventional market. Direct-endorsement lenders enter client data, with monitoring by FHA. As part of the Department’s data quality initiative, the Computerized Homes Underwriting Management System was identified by the Enterprise Data Management Group as passing 6-sigma quality tests (reflecting fewer than 3.4 errors per million observations) for validity, completeness, and consistency. Headquarters and field staff from CPD verify program data when monitoring grantees, and grantee reports are subject to independent audits.

⁸See endnote 6.

⁹The final housing counseling activity data needed to report this measure will become available early in FY 2008. HUD approved housing counseling agencies are given 90 days following the end of a calendar year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided. The data include the total number of clients, the type of counseling received, and the results of the counseling. Beginning in FY 2008, an additional source for this data will be the Housing Counseling Program Outcome Logic Model, form HUD-96010. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The level of counseling provided to individual clients can vary significantly. To improve the quality of the housing counseling activity information received by HUD, the Department implemented an automated data collection instrument that enabled it to collect client-level data beginning in FY 2008. HUD is completing the development of the client level data database and electronic client level data submission.

¹⁰A major limitation of the data collection instrument is that it is difficult for counselors to collect demographic information from individuals participating in group education sessions. The lack of confidentiality and privacy discourages many client responses. HUD is working with counselors to encourage greater confidentiality in the collection of demographic information from clients.

¹¹The data include the total number of clients, the type of counseling they received, and the results of the counseling. HUD approved counseling agencies are given 90 days after the end of the calendar year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided. Since FY 2007, HUD has been using an improved methodology to calculate this measure so that only clients who have completed counseling are counted. The prior method included those still receiving counseling as well as those that prematurely left counseling or for whom follow-up information could not be attained and the outcome is unknown. Excluding incomplete data provides a more valid measure of the intended outcome. For comparison, both the old and new measures are presented in the chart. Each data point

represents clients who participated in counseling during that particular fiscal year. Grantees report results 90 days after the fiscal year end, creating a reporting lag for this indicator. Mortgagors can go in and out of default status, so a mortgagor whose outcome was recorded as “reinstated” in a given year could actually result in “foreclosure” in another year. The revisions described above have made this indicator more robust by reducing unmeasurable bias caused by attrition. Beginning in FY 2008, HUD will implement an automated data collection instrument that will enable it to collect client-level information. HUD is completing the development of the client level data database, and electronic client level data submission is being piloted by agencies participating in the program.

¹²The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of FHA’s portfolio and as a component of the internal controls of FHA. This performance indicator considers only properties in a physical condition acceptable to qualify for FHA insurance at the time of sale. HUD regulations require that properties be sold “as-is” without repairs. By excluding sales of properties that, on the basis of their physical condition, are not appropriate for owner occupant purchasers, FHA is able to measure the expansion of homeownership opportunities to this segment of the homebuyer market more effectively. Real estate owned data are covered by the Inspector General’s audit.

¹³The data are compiled directly from government-sponsored enterprise records on single family and multifamily loan purchases, and include mortgages for multifamily rental properties. The data are based on calendar year rather than fiscal year activity, and are presented for performance reporting purposes on a one-year lagged basis. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. The Department verifies the data through comparison with independent data sources, replication of government-sponsored enterprise goal performance reports, and independent reviews of Fannie Mae and Freddie Mac data quality control procedures.

¹⁴The data are compiled directly from government-sponsored enterprise records on single family and multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and are presented for performance reporting purposes on a one-year lagged basis. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of government-sponsored enterprise goal performance reports, and independent reviews of Fannie Mae and Freddie Mac data quality control procedures.

¹⁵The complaints received give the Department an indication of specific violations and types of violations occurring, which assists enforcement. Management reviews tracking system and e-mail data on an ongoing basis.

¹⁶Data are generated independently and entered into the Approval, Review & Recertification Tracking System by out-stationed Quality Assurance Division monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers. Data submitted by Quality Assurance Division monitors are subject to secondary review and verification by FHA Homeownership Centers. Quality Assurance Division functions and data are included in the annual FHA financial statements audit. Results of the indicator and the underlying data will be analyzed to: 1) determine the causes of compliance findings and corrective actions necessary to mitigate risk, and 2) set new performance targets that reflect commitment to continuous improvement.

¹⁷No data limitations are known to affect this indicator. FHA data are entered by the loan servicers, with monitoring by FHA.

¹⁸No data limitations are known to affect this indicator. Ginnie Mae’s data is validated by the monthly matching of data in the Ginnie Mae database and the FHA systems. Both Ginnie Mae and FHA numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

¹⁹Historical data are currently unavailable to provide context and a performance baseline, but data collection efforts are beginning in FY 2007. Ginnie Mae numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

²⁰No data limitations are known to affect this indicator. Ginnie Mae numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

Strategic Goal B: Promote Decent Affordable Housing

Strategic Objectives:

- B1** *Expand access to and availability of decent, affordable rental housing. This objective addresses HUD's commitment to help low-income individuals and families afford the cost of rental housing by providing rental assistance through public housing and assisted housing programs.*
- B2** *Improve the management accountability and physical quality of public and assisted housing. This objective addresses HUD's commitment to continually improve the management and quality of HUD's public and assisted housing to ensure that all subsidized families live in units that meet basic quality standards.*
- B3** *Improve housing opportunities for the elderly and persons with disabilities. This objective reflects HUD's efforts to promote community-based living opportunities, where appropriate, and to make supportive services available to residents of rental housing to enable them to live as independently as possible.*
- B4** *Promote housing self-sufficiency. This objective attends to HUD's efforts to maximize the role of public and assisted housing as a springboard to advance families who are ready to move toward self-sufficiency, new affordable rental housing, and homeownership opportunities.*
- B5** *Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program. This objective focuses on proposed regulatory and statutory changes that will improve the efficiency, effectiveness, and long-term sustainability of public housing and the Housing Choice Voucher program.*

The following are key performance goals HUD has established to track its continued progress in promoting affordable housing for families and individuals who rent in FY 2009.

Cross-Departmental

B.1: Rental households and rental units will be assisted through major HUD programs.

This indicator tracks rental housing assistance—including rehabilitation of rental housing units—provided through a number of formula block grants and other programs. Because of shortages of affordable rental housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including through rental housing production. The level of these housing outputs is subject to appropriations as well as economic conditions and local discretion. In prior years, this performance indicator included all types of housing assistance.

Rental Households/Rental Units Receiving Assistance

	2004 actual	2005 actual	2006 actual	2007 actual	2008 goal	2009 goal
CDBG (rental units rehabilitated)	31,186	34,918	38,178	26,358	36,041	23,176
HOME (tenant-based assistance)	15,479	20,554	23,325	18,172	9,486	9,201
HOME (rental units completed)**	23,392	33,612	47,598	28,039	20,077	19,475
Housing Opportunities for Persons With AIDS	<u>71,145</u>	<u>67,012</u>	<u>67,000</u>	<u>67,850</u>	<u>67,000</u>	<u>70,500</u>
TOTAL Community Development and Planning	141,202	156,096	176,101	140,419	132,604	122,352
Section 202 elderly	6,400	6,313	6,375	5,673	4,000	3,600
Section 811 persons with disabilities	<u>1,708</u>	<u>1,609</u>	<u>1,652</u>	<u>1,062</u>	<u>1,100</u>	<u>950</u>
TOTAL Housing	8,108	7,922	8,027	6,735	5,100	4,550
TOTAL (PIH) Indian Housing Block Grant	<u>2,202*</u>	<u>1,676*</u>	<u>1,664</u>	<u>1,475*</u>	<u>1,380</u>	<u>1,380</u>
TOTAL	151,512	165,694	185,792	148,629	139,084	128,282

* These figures previously reported in the Performance and Accountability Report have changed due to subsequent adjustments to the database.

** Unlike CDBG, all HOME assisted units must be brought up to code upon completion of rehabilitation. HOME funds cannot be used in weatherization only or emergency rehabilitation projects that do not result in all structural and component systems meeting code requirements.

COMMUNITY PLANNING AND DEVELOPMENT: Approximately 122,000 rental households and rental units will be assisted with the CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS programs. Grantees use their discretion to decide what types of housing assistance to provide with CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS. Primary types of assistance include new construction, rehabilitation, acquisition, and tenant-based assistance. Funds used to preserve existing owner-occupied housing also may improve the availability of affordable rental housing by helping homeowners remain in their homes.

In the case of CDBG funds, the rental assistance goal reflects CDBG assistance used solely for multi-unit rehabilitation. Under the CDBG program, grantees conduct housing rehabilitation projects of all sizes, ranging from small weatherization improvements and emergency repairs to the rehabilitation of major household systems, such as roofing, heating, and siding. The FY 2009 goal for CDBG assumes a \$3 billion appropriation for FY 2008 and FY 2009, and is substantially lower than the FY 2008 projected level due to the fact that the actual number of rental households and units assisted in FY 2007 was far below the projected level for that year.

The FY 2009 HOME Investment Partnerships program goal of 28,676 units (9,201 of tenant-based assistance and 19,475 of rental) shows a decrease from the FY 2008 projected levels for each type of assistance due to the effects of inflation on housing production—calculated at three percent annually—together with the reduction in HOME Investment Partnerships program funding in recent years.

CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System. HOME Investment Partnerships program units produced and direct assistance provided are reported by participating jurisdictions in the Integrated Disbursement and Information System. The Housing Opportunities for Persons With AIDS program data are based on annual grantee performance reports from both formula and competitive grantees, and on accomplishment information reported by formula grantees through the Integrated Disbursement and Information System.²¹

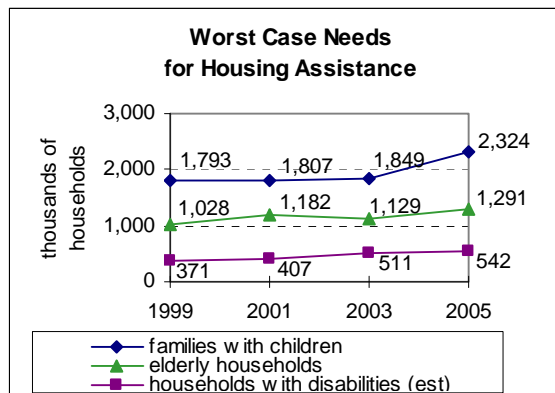
FHA/HOUSING: FHA/Housing contributes to promoting affordable housing through its mortgage insurance programs and the Section 202 elderly and Section 811 persons with disabilities programs.

PUBLIC AND INDIAN HOUSING: The Indian Housing Block Grant program addresses the severe shortage of affordable rental housing in Indian Country; most tribal housing developments have long waiting lists. Achieving this goal is subject to appropriations as well as economic conditions and local discretion. Tribal recipients report annually on their accomplishments. The data are captured in the performance tracking database of each regional Office of Native American Programs and then are aggregated into a national database at Headquarters.²²

B.2: The number of households with worst case housing needs among families with children, the elderly, and non-elderly persons with disabilities.

This tracking indicator is a key measure of whether HUD’s array of targeted housing programs are advancing or losing ground in the fight to ensure decent, safe, and affordable housing for America’s families.

Worst case needs are defined as unassisted renters with very low incomes (that is, not more than 50 percent of area median income) and a priority housing problem—either severely inadequate housing or, more commonly, severe housing cost burden, meaning total costs exceed 50 percent of monthly income.



Measures for this indicator focus on three groups that are particularly susceptible to housing problems and are targeted by HUD housing programs.

- Worst case needs among families with children (tracking)—The most recent available data show that in calendar year 2005, an increasingly tight rental market increased the number of worst case needs nationwide. There were 2.32 million families with children who had worst case needs.
- Worst case needs among elderly households (tracking)—There were 1.29 million elderly households having worst case needs in 2005.
- Worst case needs among non-elderly households containing persons with disabilities (tracking)—There were 542,000 households with disabilities that had worst case needs in 2005, based on a proxy that is known to under-represent the true figure. A more comprehensive metric is currently under development.

A substantial portion of HUD's budget helps program participants meet the affordable housing needs of very low-income renters. Contributing programs include tenant-based vouchers, project-based Section 8 vouchers, public housing, HOME Investment Partnerships program, CDBG, Housing Opportunities for Persons With AIDS, homeless assistance programs, multifamily mortgage insurance, and capital advances for supportive housing under Sections 202 and 811. Collectively these programs produce a critical outcome, keeping many of the 5 million households supported out of worst case status.²³

The data source is the American Housing Survey, which is conducted for HUD by the Census Bureau.²⁴

B.3: Reduce energy costs in HUD-financed, assisted, or insured housing.

Energy costs continue to rise, with significant implications for HUD's budget. HUD annually spends more than \$5 billion on energy, primarily through utility allowances to renters, housing assistance payments to private building owners, and operating grants to public housing agencies. Energy efficiency improvements could yield significant cost savings; a 5 percent reduction could save \$2 billion over the next 10 years.

In August 2006, HUD submitted a report to Congress, which, pursuant to Section 154 of the Energy Policy Act of 2005, describes a strategy—Phase II of HUD's Energy Action Plan—for energy efficiency in public and assisted housing, as well as housing funded through HUD's formula and competitive grant programs.²⁵ Using the Energy Star label for both products and new homes is a key strategy for realizing savings. HUD signed a Memorandum of Understanding with the Environmental Protection Agency and the Department of Energy to promote the use of Energy Star products and appliances through HUD programs. In addition, in July 2005 Secretary Jackson announced a new Partnership for Home Energy Efficiency with these agencies to reduce utility consumption in existing housing by 10 percent by 2010.

For measuring performance under this indicator, HUD has three performance measures that operate at different levels to ensure success:

- Program-specific energy savings—This measure captures estimated savings achieved through the following specific programs: energy performance contracting in public housing, HOME and CDBG-funded projects meeting Energy Star for new homes, FHA Energy Efficient Mortgages, newly awarded Section 202 elderly housing projects meeting Energy Star. An estimated \$33

million of energy savings were documented for FY 2007. The FY 2009 goal is to increase savings by 5 percent from the FY 2008 level.

- Percentage of key Energy Action Plan functions implemented during the fiscal year—This measure summarizes the proportion of key activities that are implemented, as reported to Congress under provisions of the Energy Policy Act.²⁶ The FY 2009 goal is to sustain 95 percent of key functions.
- Portfolio-wide energy savings—Subject to feasibility analysis and availability of funds, HUD will conduct a survey to augment program-specific data on energy savings for subparts of HUD's portfolio. For the first time, the Department will conduct a representative sample survey to estimate overall energy savings in the full portfolio of public and assisted housing properties. Valid comparison will require controlling for weather conditions, energy prices, and metering arrangements. The survey may measure savings against benchmarks established by benchmarking models established by the Office of Public and Indian Housing.

HUD's energy actions may also support targets for energy savings consistent with President Bush's executive order²⁷ that directed federal agencies to reduce greenhouse gases through a reduction in energy intensity of 3 percent a year, or 30 percent by the end of FY 2015 relative to FY 2003 levels. While the order focused on federally-owned facilities, adopting similar goals for HUD-assisted or HUD-financed housing, such as a 20 percent reduction in energy costs by 2015, would yield significant annual energy savings compared to currently projected costs.

Energy efficiency achieved through energy performance contracting in public housing will be based on reports from public housing agencies. Section 202 projects committing to Energy Star will be compiled from FY 2009 grant awards. The number of units funded through the Home Investment Partnerships or CDBG programs meeting the Energy Star standard for new homes will be tracked by HUD's Integrated Disbursement and Information System. The number of Energy Efficient Mortgages will be tracked and reported quarterly by the Office of Housing (Single Family) through FHA's Computerized Homes Underwriting Management System. Performance of key functions that are included in the FY 2009 Management Plan will be reported through HUD's Integrated Performance Reporting System. Energy savings and other actions will be reported quarterly by program and regional office representatives to the Energy Task Force. Data will be compiled and verified by the Office of Policy Development and Research.

Energy savings will be estimated by the Office of Policy Development and Research based on the extent to which Energy Star appliance and construction standards are in place or other energy efficiency practices have been adopted in HUD-public and assisted or insured housing, and the extent to which program offices are able to put in place procedures for collecting information on the number of properties adopting such practices. Average savings produced through Energy Star will be based on studies conducted by the Environmental Protection Agency and the Department of Energy.

For public housing, energy efficiency achieved through energy performance contracting will be based on reports from public housing agencies. Total savings and energy investments will be identified by PIH by aggregating all performance contracts. Under asset management, PIH also will be collecting project-

based utility consumption data, but it is not clear whether this information will be available for estimating savings in FY 2009.

For assisted housing, the number of Section 202 projects committing to Energy Star will be compiled from FY 2009 grant awards. The number of new mortgage applicants including energy efficiency improvements will be tracked through the Development Application Processing system, subject to availability of funds to enhance this system. The number of existing projects approved for a release of replacement reserves, or a rent increase or adjustment, to fund energy efficiency improvements will be reported quarterly by multifamily field offices using new tracking forms provided to each field office.²⁸

FHA/Housing

B.4: FHA endorses at least 1,000 multifamily mortgages.

Maintaining FHA multifamily volume will help fulfill the outcome goal of making more decent rental housing available to consumers at a modest cost. This indicator measures FHA's annual output of initial multifamily endorsements.

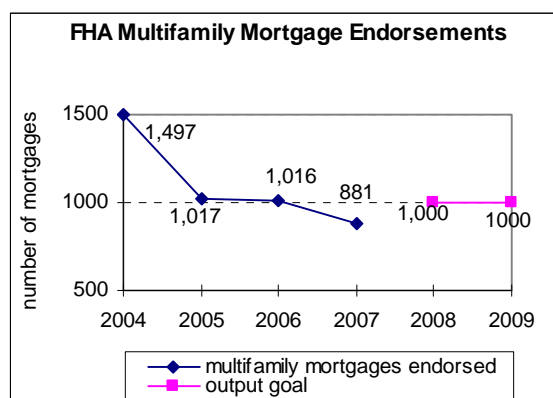
FHA brings stability to the mortgage market for multifamily housing and is especially important for a number of crucial but higher-risk entities, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA's unique and valuable products include

insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle to help lenders obtain the benefits of Ginnie Mae securitization.

Many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully amortizing multifamily loans, which can help in the provision of affordable rental housing.

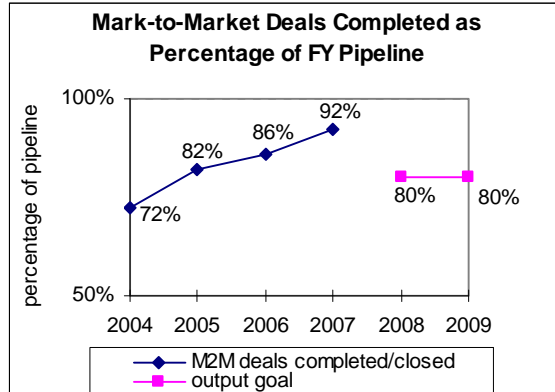
During FY 2007, 881 multifamily mortgages were endorsed by FHA and in FY 2009, the Department will maintain its FY 2008 goal level of 1,000 initial endorsements. This target continues to reflect the increased use of FHA's Multifamily Accelerated Processing program by lenders gaining knowledge and capacity (i.e., having in-house staff that can analyze the third party reports as well as developing a good cadre of capable third parties) in the program and of the Development Applications Processing system for automated underwriting of multifamily mortgages. Nonetheless, because FHA responds to local markets and national economic conditions, it remains conservative in estimating this goal in the interest of assuring sound underwriting.

The data originate in the Office of Housing's Multifamily Insurance System, and for convenience are reported from the Real Estate Management System.²⁹



B.5: HUD will complete 80 percent of the initial FY 2009 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.

The Mark-to-Market program preserves crucial, in short supply affordable housing stock by maintaining the long-term physical and financial integrity of such housing and reduces the Section 8 rental assistance costs and the costs of FHA insurance claims. Housing subsidy contracts are expiring on thousands of privately-owned multifamily properties with federally insured mortgages. Many of these contracts set rent at amounts higher than those at the local market. Under the Mark-to-Market program, the Office of



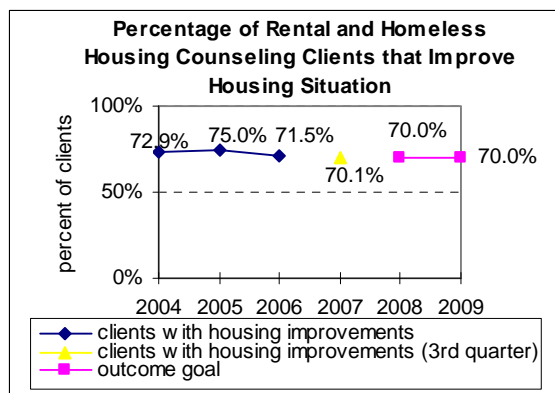
Affordable Housing Preservation analyzes the properties for which Section 8 rents exceed comparable market rents, and reduces the Section 8 rents to comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring, consisting of a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and preserve good quality, affordable housing, a crucial outcome and major issue in housing policy. Since FY 2000, more than 3,200 properties have been completed/closed under the Mark-to-Market program, resulting in Section 8 savings (non-incurrence of cost) of approximately \$216 million and more than 238,000 units preserved.

The FY 2009 goal is based on an Office of Affordable Housing Preservation projection of anticipated workload, which is, in part, based on an estimate of market rents for contracts expiring in the future. These projections may be affected by owner decisions, real estate market trends, accuracy of the Real Estate Management System database, and future legislative changes relative to Mark-to-Market eligible properties.

The data source is the Office of Affordable Housing Preservation’s Mark-to-Market information data system.³⁰

B.6: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.

In addition to supporting the Presidential initiative to increase homeownership, the Department’s Housing Counseling program supports efforts related to help end chronic homelessness. This indicator focuses on housing counseling for homeless clients and families seeking affordable rental housing. The FY 2009 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless



counseling either find suitable housing or receive social service assistance to improve their housing situation. Reporting results from the first three quarters of calendar year 2007 indicated that 28,776 out of 41,062 clients (70 percent) receiving rental or homeless counseling have either found suitable housing or received social service assistance to improve their housing situation. Actual FY 2007 outcome data will become available in early 2008. HUD-approved housing counseling agencies are given 90 days after the end of a fiscal year to report the results of counseling activity for that fiscal year.

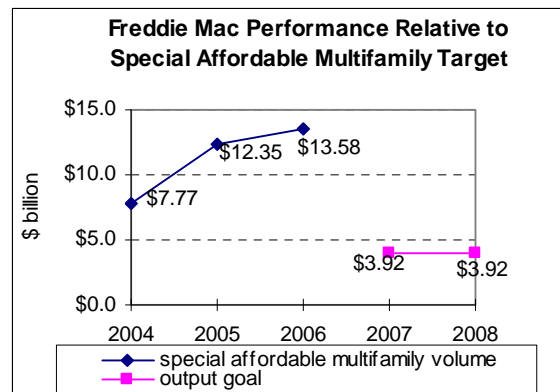
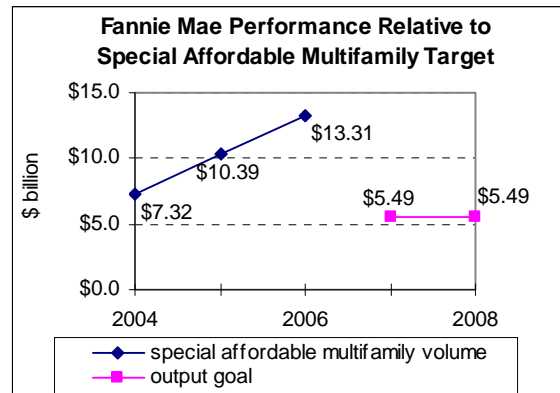
Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD's control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients successfully resolve their housing problems regardless of how many clients are served in a given year. As a result, HUD will focus on outcomes associated with clients receiving rental or homeless counseling, rather than the number of clients served.

The data are electronically submitted to the Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902). The data include the total number of clients, the type of counseling received, and the results of the counseling. Starting in FY 2008, an additional source for this data was the Housing Counseling Program Outcome Logic Model, form HUD-96010.³¹

B.7: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.

Fannie Mae and Freddie Mac are housing government-sponsored enterprises that were established by Congress to create a secondary market for residential mortgages. To ensure that the government-sponsored enterprises devote a portion of their business to financing affordable rental housing, HUD established a Special Affordable Multifamily goal. The indicator measures the performance of the government-sponsored enterprises in providing capital, measured in billions of dollars, for affordable multifamily housing. For the years 2005 through 2008, the Special Affordable Multifamily goal is \$5.49 billion for Fannie Mae and \$3.92 billion for Freddie Mac. The goal levels will stay in place until such time as HUD issues new regulations.

Qualifying multifamily mortgages finance properties consisting of five or more units that are affordable at incomes less than or equal to 60 percent of area median, or less than or equal to 80 percent of area median for properties located in



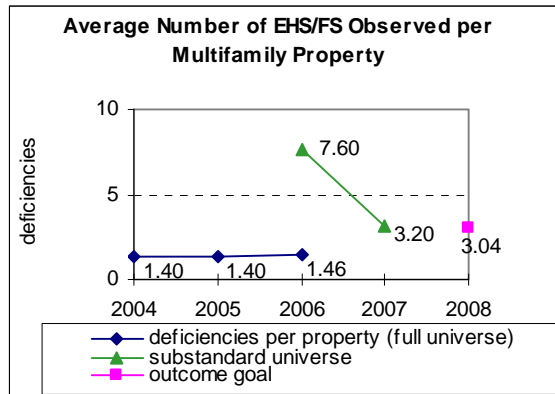
low-income areas. Low-income areas are defined as: (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income and (2) nonmetropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater.

The data source for this performance indicator is HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.³²

B.8: Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 5 percent.

HUD’s Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. Exigent health and safety hazards include: 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include: 1) window security bars preventing egress and 2) fire extinguishers expired. (Smoke detectors are excluded from exigent health and safety or fire safety for this measure because they are covered in Indicator C.17.) A significant majority of the deficiencies for both public housing and multifamily housing are represented by three categories: locked emergency/fire exit egress, missing/broken electrical cover plates/switches/outlets, and exposed wires/missing covers.

In prior years the Department focused on the reductions in exigent health and safety or fire safety on an overall basis. From FY 2001 to FY 2006, the average number of exigent health and safety or fire safety deficiencies observed per property was reduced from 1.81 to 1.46 for multifamily housing. Due to scarce monitoring resources, however, the Department shifted and targeted its focus to the reduction of deficiencies at the worst properties in FY 2007. In FY 2007, an average of 3.2 deficiencies was cited for substandard properties



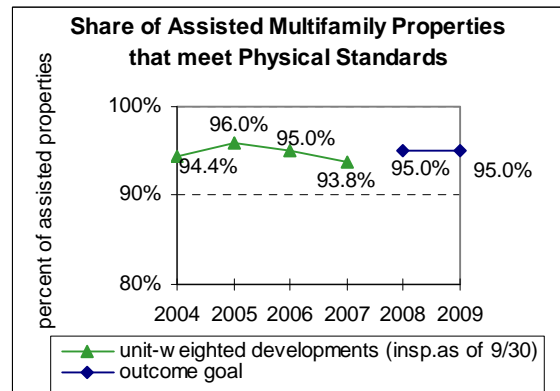
exceeding the goal of 6.2 per property. The goal for FY 2009 is to reduce the average defects per property for substandard properties with a Physical Assessment Subsystem score of less than 60 by 5 percent from the FY 2008 result. Nevertheless, the Department will continue to track and report on the status of the average number of observed exigent deficiencies per property for all multifamily housing properties, as a means of determining the overall compliance of multifamily property owners and the need for any further corrective action.

The data source is the Real Estate Assessment Center’s Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, stored in the National Inspection Contract – Central Integrated Data Repository. Unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units.³³

B.9: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.

This performance goal builds on recent successes and exceeds the benchmark established in the President’s Management Agenda, setting a goal that at least 95 percent of assisted multifamily properties will continue to meet HUD’s standards for physical condition in FY 2009.

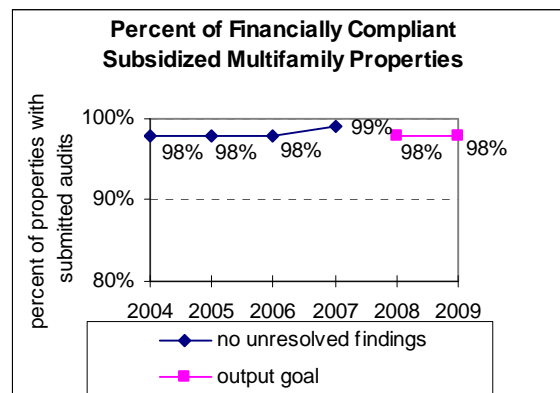
This is a very high performance rate and reflects the important outcome goal of providing healthy, quality, and safe housing for HUD’s multifamily inventory.



The data source is the Real Estate Assessment Center’s Physical Assessment Subsystem which contains electronically coded and transmitted results of physical inspections of units, buildings, and sites, and is stored in the National Inspection Contract – Central Integrated Data Repository. The Physical Assessment Subsystem is a component of the overall Public Housing Assessment System, and is used separately for private multifamily housing.³⁴

B.10: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD’s financial management compliance is maintained at no less than 98 percent.

The FY 2009 goal is to maintain high compliance and successful resolutions so that at least 98 percent of the properties submitting audited financial statements either have no compliance issues or audit findings, or have such issues or findings closed (resolved) by the end of each fiscal year. Financial reporting has the important outcome of protecting FHA funds and supports both the quantity and quality of the affordable housing inventory. Property owners must submit annual financial statements so the Department can ensure that project



owners are in compliance with their business agreements, i.e., the regulatory agreement, mortgage and note, and any subsidy contracts. These compliance factors are used in the evaluation of project operations and guide business and operating decisions and have the important outcome of protecting subsidy and FHA funds. Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by HUD’s Real Estate Assessment Center, to achieve the outcome of ensuring that there is the necessary financial information to make business and operating decisions. Owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center.

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HUD’s Real Estate Assessment Center evaluates the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The Real Estate Assessment Center Financial Assessment Subsystem involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. While PHA scores represent an aggregate of all properties owned or controlled by the agency, multifamily financial scores are determined at the project level for every multifamily development.

The data come from the Office of Housing’s Real Estate Management System and the Real Estate Assessment Center’s Financial Assessment Subsystem.³⁵

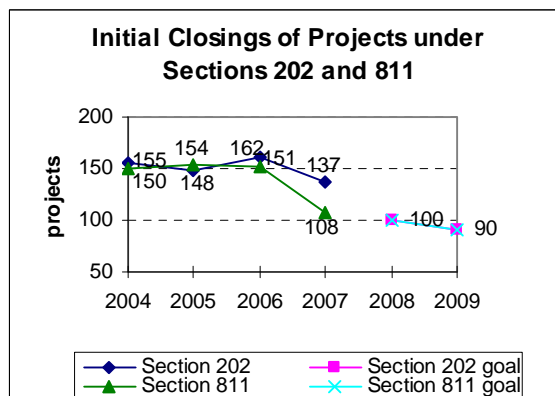
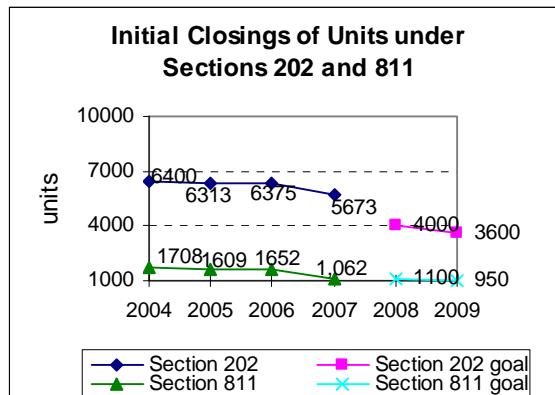
B.11: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 3,600 Section 202 units (90 projects) and 950 Section 811 units (90 projects) to initial closing.

The Section 202 and Section 811 programs provide capital advances for multifamily housing for elderly and disabled households, respectively. The outcome of this funding is the expansion of affordable rental housing for very low-income elderly persons and persons with disabilities and the expansion of opportunities for independent living, particularly for frail elderly. Significant medical care-related savings are achieved, as well.

Section 202 and 811 projects can be difficult to bring to closing. Sponsors are usually required to find other sources of funding to pay for costs that exceed the amount of those that can be covered by the Section 202 or Section 811 funds, and for project features that are not able to be funded by the programs. In addition, neighborhoods sometimes oppose the developments.

This indicator measures the number of units each year that reach the initial closing stage (when the project design has been approved and all of the local community requirements have been met). The combined number of units to be generated by the 180 initially closed Section 202 and Section 811 projects in FY 2009 is 4,550 (3,600 for the elderly and 950 for persons with disabilities, respectively).

The data are captured in the Office of Housing Development Application Processing system and the Housing Enterprise Real Estate Management System.³⁶



B.12: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2008 level.

This indicator tracks the number of Section 202 projects that receive funding for the employment of service coordinators. A service coordinator is a social service staff person who is hired or contracted for by the development's owner for the purpose of helping elderly residents, especially those who are frail and at risk, obtain needed supportive services that will further enable independent living and aging in place. The baseline of 353,765 households was established in FY 2007. Meeting the FY 2009 goal of maintaining the FY 2008 level of elderly households living in private assisted housing developments served by a service coordinator is contingent upon receiving sufficient appropriations to extend all existing service coordinator grants.

The data will be captured in the Real Estate Management System, surveys, and management reviews.³⁷

B.13: For both Section 202 and Section 811, at least 70 percent of projects that are initially closed in FY 2009 will have completed the process within 24 months; and, of these, 25 percent will have completed the process within 18 months.

The outcome of Section 202 and Section 811 capital advance funding is the expansion of quality and affordable housing for the elderly and persons with disabilities. This efficiency indicator is a measure of the Department's success in achieving the intended outcome by minimizing the time needed for Section 202 and Section 811 projects to proceed from fund reservation to initial closing.

The FY 2009 target has been established on the premise that beginning in FY 2008 and by the end of FY 2010, the number of projects closed within 24 months will be at least 80 percent and the number closed within 18 months will be at least 35 percent.

The data are captured in the Office of Housing Development Application Processing system.³⁸

B.14: The number of Section 202 units serving the elderly and Section 811 units serving persons with disabilities is maintained for each program at 98 percent of those at the FY 2008 level, excluding new units that are added to the inventory.

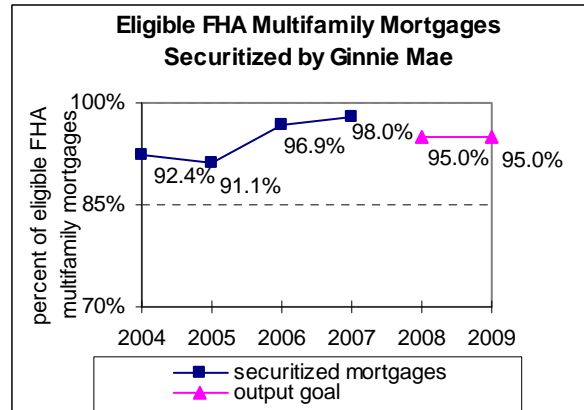
The Department is committed to preserving existing low-income rental housing for the elderly and persons with disabilities. This indicator reports on the number of Section 202 and Section 811 units in multifamily housing developments that serve the elderly and persons with disabilities, excluding new units added to the Department's inventory. The aggressive target established for FY 2009 builds upon the prior year's performance and reflects the Department's commitment. The baseline was established in FY 2007.

The data are captured in the Real Estate Management System.³⁹

Ginnie Mae

B.15: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages.

Ginnie Mae expands affordable housing options through enhancing the liquidity of the mortgage market. This outcome is accomplished by providing multifamily mortgage-backed securities for investors to purchase in the secondary market. Ginnie Mae-guaranteed securities accomplish the important outcome of increasing the availability of capital for multifamily mortgages, thereby making loans less costly and easier to obtain, and ultimately broadening homeownership opportunities. Some types of FHA multifamily loans (risk sharing and bond-financed hospitals) are not eligible for securitization by Ginnie Mae.



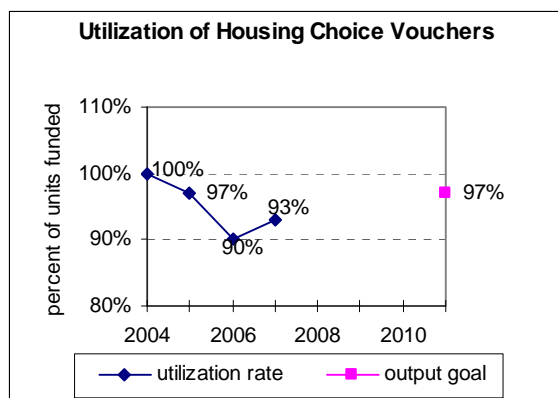
Additionally, increased regulatory emphasis on assisting low- and moderate-income housing by other secondary market agencies, including Fannie Mae and Freddie Mac, has significantly increased the level of competition for FHA guaranteed loans. In FY 2007, Ginnie Mae securitized 98 percent of eligible FHA multifamily mortgages. In FY 2009, Ginnie Mae will maintain the FY 2008 goal of securitizing 95 percent of eligible multifamily mortgages.

Data for this indicator are based on Ginnie Mae's database of multifamily loan securities, compared with the FHA multifamily database, adjusted to remove ineligible projects.⁴⁰

Public and Indian Housing

B.16: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.

The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers is effectively used. The Housing Choice Voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities.



While most of the Housing Choice Voucher program annual budget authority is currently being used to assist low-income families, some PHAs are not fully using all the budget authority allocated to

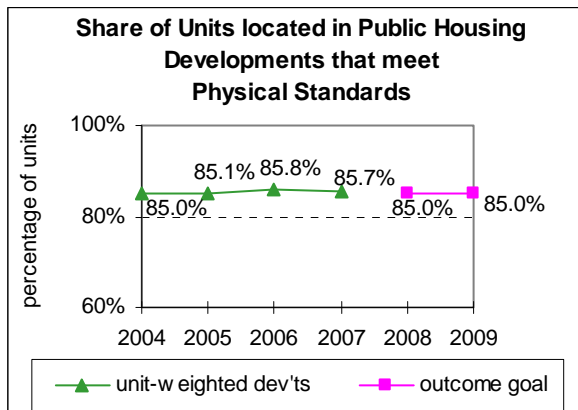
them. Maximizing the amount of appropriated Housing Choice Voucher funds (Tenant-Based Rental Assistance) used by PHAs is a key HUD priority. Until Section 8 reform and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

For the six months ending June 30, 2007, PHAs had a projected utilization rate of 93 percent. This rate is an increase from calendar year 2006 when PHAs used 90 percent of their funding. Although this is an improvement, HUD still expects much greater utilization of these funds. To achieve improved utilization, HUD plans to continue outreach to PHAs and to link future administrative fee payments to PHA leasing levels.

The Voucher Management System will be the primary source to measure annual budget authority utilization. The primary purpose of this system is to monitor and manage PHAs' use of vouchers. The Voucher Management System collects data that enables the Department to budget, fund, and obligate voucher funding based on actual PHA activity.⁴¹

B.17: The share of public housing units that meet HUD established physical inspection standards will be 85 percent.

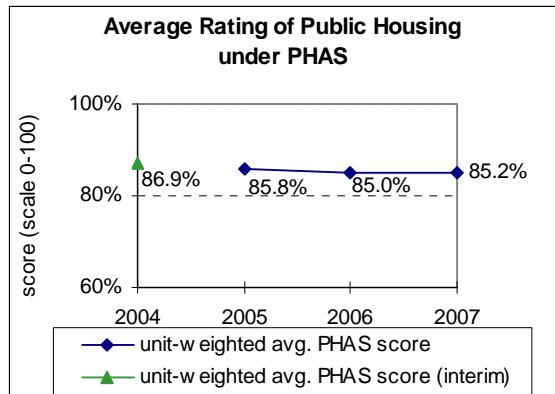
The targets for FY 2008 and FY 2009 are lower than in prior years. These targets take into consideration the reduction in actual resources available for improvements and maintenance and delays in the federal budget process, which delayed inspection activities in the past, as well as new, more stringent inspection standards that brought down scores in FY 2004 and FY 2005. Furthermore, there is a significant multi-year effort to convert all PHAs with 400 or more units to asset management by FY 2011. Because of this major increase in effort, for which PHAs were not given more resources, the reduction in performance in this area is expected. Therefore, the Department has to be conservative in establishing the target and will re-evaluate the target for FY 2009 as more data are available under the new scoring methodology.



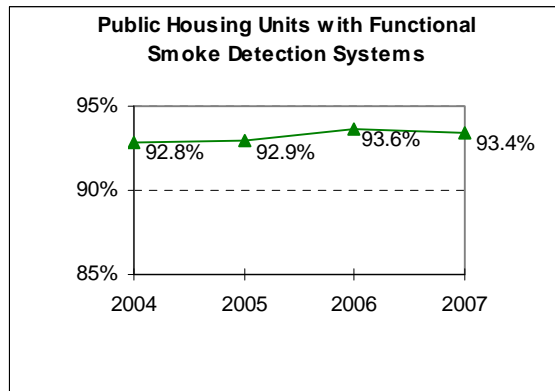
Data come from the Real Estate Assessment Center's Physical Assessment Subsystem, consisting of electronically coded and uploaded results of independent physical inspections of properties (sites, buildings, and dwelling units), stored in the National Inspection Contract – Central Integrated Data Repository. The subsystem is a component of the overall Public Housing Assessment System.⁴²

B.18: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing, and (c) the share of units that have functioning smoke detectors.

These tracking indicators display HUD’s overall status for public housing on several key assessment measures. The Department is the midst of significant changes in its assessment systems and a conversion to asset management. Until such time as operations are normalized, the Department will report these key indicators for tracking purposes. Thereafter the Department will develop and report against new, yet to be developed, performance measures which may or may not include the measures herein.



For (a), the data come from the Public Housing Assessment System – Integrated Assessment Subsystem module, which comprises scores, determined by the Physical, Management, Financial, and Resident Satisfaction subsystems. For (b) and (c), unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units. To measure the results in public housing, HUD will take an inventory of substandard properties at the beginning of each fiscal year and compare the next inspections. The average defects on both samples will be calculated and the change computed.⁴³



B.19: The percent of public housing units under management of troubled housing agencies.

The Office of Public and Indian Housing and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent are classified as “troubled” under the Public Housing Assessment System rating. A low score for physical condition, management operations, or financial condition alone also triggers a “troubled/substandard” designation. This indicator tracks the share of units managed by “troubled” agencies and thus the portion of HUD provided funding that is at greatest risk because the funds are under the control of a PHA with less than acceptable results.

The Department is in the process of the re-design and implementing changes in the assessment systems for both its public housing and voucher programs during the FY 2007 to FY 2009 timeframe. During

this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment system is functional, the Department will develop new performance goals which will support PHA operations under asset management. Until such time as asset management and the new assessment system are implemented, the Department will report the public housing units under management by troubled housing agencies as a tracking indicator.

The data originate in the Public Housing Assessment System – Integrated Assessment Subsystem module, comprising scores determined by the Physical, Management, Financial, and Resident Satisfaction Assessment Subsystems. For convenience, the indicator is reported using the Troubled Agencies Portfolio, a database that captures the date a PHA is designated troubled based on Public Housing Assessment System scores. As noted above, there was a significant delay in the commencement of inspection activities in FY 2007. These delays and the subsequent “catch-up” effort may make comparability of the results in this area problematic.⁴⁴

B.20: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.

Tracking the proportion of funding administered by troubled agencies is important because troubled agencies, which do not efficiently handle the funding provided, serve fewer recipients than do well managed agencies.

During FY 2007, HUD developed the methodology for assessing whether a PHA is troubled. During FY 2008, a new assessment system will be implemented. During FY 2009, HUD will determine the baseline percentage of Housing Choice Voucher Program funding that is administered by PHAs that are determined to be troubled under this new performance assessment system. At that point, the Department will implement Annual Performance Plan goals to manage PHA performance. Until asset management and the new assessment system are implemented, the Department will report this indicator as a tracking indicator.

The “troubled” agency inventory is based on the most recent assessment for each PHA at the end of the year. This inventory differs from the inventory used for the prior year data because a different subset of PHAs is assessed each year. For FY 2006, the troubled agency inventory consisted of all agencies deemed “troubled” via the Section Eight Management Assessment Program as of September 30, 2006. For FY 2007, the troubled agency inventory consisted of all agencies deemed “troubled” via the Section Eight Management Assessment Program for each agency’s most recent assessment. FY 2008 results will be revised after all PHAs have been reviewed during the current round of assessments.⁴⁵

B.21: The HOPE VI Revitalization program demolishes 882 units and completes 4,481 new and rehabilitated units.

HOPE VI is HUD’s primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. However, because of the extensive planning and partnering involved, PHAs have been slower in implementing HOPE VI revitalization plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI revitalization plans that are being implemented in terms

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of two key outputs: units demolished and new and rehabilitated units completed. These targets are based on HOPE VI plans submitted by PHAs.

HOPE VI Achievements	FY 2004*	FY 2005**	FY 2006***	FY 2007	FY 2008 goal	FY 2009 goal
Units demolished	4,919	8,765	5,034	6,601	980	882
Units constructed or rehabilitated	4,132	9,632	9,389	8,436	4,979	4,481

* For the nine months ended June 30, 2004.

** For the 12 months ended June 30, 2005.

*** For the 12 months ended June 30, 2006.

For the HOPE VI program, data are captured in the PIH HOPE VI progress reporting system, which consists of quarterly progress reports submitted by grantees.⁴⁶

B.22: Ensure that unit production is completed for 103 HOPE VI grants awarded from FY 1993 through FY 2004.

Through its Strategic Plan, the Department continues to emphasize the importance of timeliness and accountability in its programs, including HOPE VI. The more quickly projects are completed the more quickly homeownership and affordable housing opportunities will become available. However, because of the extensive planning and partnering involved, as well as extenuating circumstances, grantees have been implementing their HOPE VI redevelopment plans more slowly than was anticipated. Nevertheless, HUD has worked diligently with grantees to shorten the time they need to finish projects, and to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan.

Of the 225 total HOPE VI grants awarded between FY 1993 and FY 2004, 103 grants will have completed all unit production by the end of FY 2009. These goals are based on HOPE VI plans submitted by grantees.

For the HOPE VI program data are captured in the PIH HOPE VI progress reporting system which consists of quarterly progress reports submitted by grantees.⁴⁷

B.23: The Department will approve and facilitate \$635 million of activity using alternative financing methods (e.g., the HOPE VI program, bonds through the Capital Funding Financing Program, energy performance contracts, etc.).

This indicator tracks the total amount of leveraging of HUD provided funds through various alternative financing vehicles. The principle sources of these activities are as follows:

- HOPE VI. HOPE VI is HUD’s primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public

and private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-income communities with a wide range of family incomes.

- **Capital Fund.** The Capital Fund Financing Program is an appropriations-based financing program that makes financing available to PHAs. Proceeds from Capital Fund Financing Program transactions are used for modernization and development of public housing, thus protecting and enhancing the affordable housing stock. The agencies borrow funds from the private markets, pledge their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds in future years.
- **Energy performance contracts.** Energy Performance Contracts are an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures. Normally offered by energy service companies, this innovative financing technique allows building users to achieve energy savings without up-front capital expenses. The costs of the energy improvements are borne by the performance contractor or through other financing obtained by the housing authority and paid back out of the energy savings.

HOPE VI program data are captured in the HOPE VI progress reporting system, which consists of quarterly progress reports submitted by grantees. For the Capital Fund, the data are collected by HUD and based on the Capital Fund Financing Program proposals received from PHAs. For energy performance contracts, the data are collected by HUD and based on the surveys and annual data received from PHAs.⁴⁸

B.24: The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.

The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers is effectively used. The Housing Choice Voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. Currently, Housing Choice Voucher funding is based on a fixed annual budget, yet the program's underlying law and regulations mandate a restrictive, cumbersome program that makes managing within budget very difficult. The present program monitoring tool, the Section Eight Management Assessment Program, is based on self-reported management indicators.

As envisioned, the new Housing Choice Voucher assessment would be basic and results-oriented. Under the proposed program, PHAs would be measured on four main standards: 1) housing quality, 2) fund utilization, 3) financial condition of the agency, and 4) the accuracy of reports. The Secretary may determine additional indicators. During FY 2007, program staff completed an analysis of the changes needed to the assessment tools. The goal is to implement the changes during FY 2008 and FY 2009. During FY 2009, PIH will monitor the initial assessment scores under this program and develop performance targets for FY 2010 and beyond.

The accurate and timely reporting by the PHAs into the database may distort the actual condition of the PHA for any rated criteria. An advantage of the new system is that the PHAs will be rated against the data they provide and have a vested interest in accurate and timely reporting.⁴⁹

B.25: The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.

The Department is implementing asset management to ensure efficiency in the management of public housing agencies. Asset management includes project-based budgeting, project-based accounting, and project-based management. Implementation of asset management will lead to better management and oversight of public housing by providing greater information about the operating costs and performance levels of each public housing project. It also will facilitate future investment in public housing by public and private entities. The new Operating Fund rule, issued September 19, 2005, requires all PHAs with 250 or more units to convert to asset management by FY 2011. As an incentive for early adoption of asset management, PHAs who experience a decline in funding under the new formula can avert their decline in operating subsidy by demonstrating a successful conversion to asset management. Of the approximately 800 PHAs with 250 or more units, approximately 150 will see their funding level decline under the new formula. For FY 2009, the Department estimates half (75) of the large PHAs that are eligible to be assessed will successfully demonstrate a conversion to asset management. All PHAs that are required to converted to asset management must be certified by FY 2011. The actual number of PHAs operating under asset management in FY 2009 will be higher, and possibly substantial higher, than then number FY 2009 but will not be certified until FY 2011. The data are based on a count of applications received and assessed by the Real Estate Assessment Center.⁵⁰

Supplemental Data Information for Strategic Goal B:
Reliability, Validation, and Improvement

²¹CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons with AIDS data come from grantees through the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to the system that along with data clean-up efforts have resulted in a continuous improvement in data quality. Data reliability will be further enhanced by the system re-engineering that is underway. For the Housing Opportunities for Persons with AIDS program, technical assistance training on measurement of performance outcomes has been provided for grantees to clarify project objectives and ensure consistent and accurate reporting by recipients. CPD field staff often verifies program data when monitoring grantees.

²² For Indian Housing Block Grants, accomplishments recorded in the database by October 1 each year generally include reports from grantees whose fiscal year ended June 30 or earlier, because grantees have 90 days after their program year ends to submit their annual performance reports. Field staff from the CPD and the Office of Native American Programs verify program data when monitoring grantees.

²³ See the table "HUD Assisted Housing Units by Program" in HUD's FY 2007 Performance and Accountability Report, page 439.

²⁴ American Housing Survey data are available biennially. Calendar year 2007 data will become available during FY 2008. Changes in estimated worst case needs are statistically significant (with 90 percent confidence) when the difference from year to year exceeds 170,000 households for families with children,

140,000 households for elderly families, or 90,000 households containing persons with disabilities. Estimates of households containing non-elderly persons with disabilities are based on HUD's tabulation of households that reported receiving Supplemental Security Income. Estimating the extent of worst case needs has numerous complexities that are addressed in detail in the 2007 Policy Development and Research report "Affordable Housing Needs 2005: Report to Congress." The preceding report, "Affordable Housing Needs: Report to Congress on the Significant Need for Housing" (2005) included an analysis intended to verify the most important component of worst case needs by comparing the 2001 American Housing Survey with the 2001 Survey of Income and Program Participation (Exhibit 3-6). Estimates of very low-income renters with severe rent burdens produced with Survey of Income and Program Participation data showed 37 percent fewer elderly households, 11 percent fewer families with children, and 2 percent more households with disabilities. See also the discussion of the American Housing Survey in Appendix C.

²⁵ Section 154 states that "(t)he Secretary of Housing and Urban Development shall develop and implement an integrated strategy to reduce utility expenses through cost-effective energy conservation and efficiency measures and energy efficient design and construction of public and assisted housing. The energy strategy shall include the development of energy reduction goals and incentives for public housing agencies. The Secretary shall submit a report to Congress, not later than 1 year after the date of the enactment of this Act, on the energy strategy and the actions taken by the Department of Housing and Urban Development to monitor the energy usage of public housing agencies and shall submit an update every 2 years thereafter on progress in implementing the strategy."

²⁶ Offices responsible for implementing the Phase II Plan are: Public and Indian Housing, Community Planning and Development, Housing, Field Policy and Management, Policy Development and Research, Healthy Homes and Lead Hazard Control, and Office of Native American Programs.

²⁷ Executive Order of January 24, 2007: "Strengthening Federal Environmental, Energy and Transportation Management."

²⁸ Actual savings achieved through Energy Star may vary from estimates developed through research done by the Environmental Protection Agency and the Department of Energy. (The standard for Energy Star New Homes is intended to generate savings of 15 percent over the most recently adopted International Energy Conservation Code. Actual savings will be dependent on quality of construction, sound property management, and other factors.) Under the shift to asset management, public housing authorities will report project-based utility consumption (in addition to expenditures) in an automated system. However, it is not clear whether this information will be available for tracking and monitoring purposes in FY 2008, or whether, without additional adjustments for degree days and other inputs, it will be useful in identifying reductions in energy consumption. There are no mechanisms for tracking energy efficiency in properties with Section 8 tenant-based rental assistance. The Environmental Protection Agency and the Department of Energy continue to conduct research to verify savings produced through Energy Star. HUD will review baseline reports of Energy Star applications to assess data reliability and will seek to improve reporting mechanisms based on initial results.

²⁹ The data, which are based on a straightforward and easily verifiable count of endorsements completed, are judged to be reliable for this measure. FHA monitors the quality of data submitted by lenders. An independent assessment in 1999 showed that Real Estate Management System data passed automated tests for validity, completeness, and consistency. A data quality assessment completed for the Real Estate Management System in FY 2001 identified no problems that compromise this measure.

³⁰ The Mark-to-Market system tracks the milestones completed and final rent determinations for each Mark-to-Market property, enabling the Office of Affordable Housing Preservation to measure performance, estimate savings, and provide budget projections. Participating administrative entity files are subject to independent audits. The Office of Affordable Housing Preservation has developed participating administrative entity oversight and audit procedures that are used by the office or contract staff in conducting periodic reviews of each participating administrative entity. Mark-to-Market data that are used by the Office of Affordable Housing Preservation to determine progress and status of properties and participating administrative entities are validated and verified by HUD data integrity team members.

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³¹A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The level of counseling provided can vary significantly. To improve the quality of the housing counseling information that is used by HUD, the Department implemented an automated data collection instrument that enabled it to collect client-level data beginning in FY 2008. In FY 2007, HUD is completing the development of the client level data database and electronic client level data submission is being piloted by agencies participating in the program.

³²The data are compiled directly from government-sponsored enterprise records on multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and verified data become available on a one-year lagged basis. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of their goal performance reports, independent data integrity reviews, and reviews of their data quality control procedures.

³³FHA multifamily housing properties are under what is commonly referred to as the “3-2-1 rule.” The rule stipulates that inspections of multifamily developments occur at intervals of 1, 2, or 3 years depending on the Physical Assessment Subsystem inspection score that the property receives. As a result, not every property in the portfolio and the units associated with those properties are reflected in the Exigent Health and Safety or Fire Safety percentages. There may also be a distortion of the data since many of the properties that receive a Physical Assessment Subsystem score of less than 60 may be inspected more than once annually. Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, the Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance.

³⁴Inspections are conducted independently and are statistically representative of assisted private multifamily housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to the Physical Assessment Subsystem may alter slightly the selection and weighting of individual inspection items from year to year. Under the “3-2-1 Rule” that took effect in August 2000, inspections of multifamily developments occur at longer intervals of two or three years if their scores are high enough in the first year. Because some multifamily scores accordingly carry over from previous years, the average score will change about 40 percent less than it would if the measure were limited to projects that were present in both samples. As reported to Congress in the March 1, 2001, Conferee Report titled *PHAS-Physical Inspection System*, the Real Estate Assessment Center’s physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, which were validated by an independent engineering firm as reflected in the subject report.

³⁵The financial assessment is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures. The Real Estate Assessment Center performs quality assurance reviews of the audited financial statements of multifamily property owners submitted by independent public accountants. The quality assurance review provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. The Financial Assessment Subsystem incorporates extensive data checks and both targeted and random review by independent auditors.

³⁶The indicators of project status during the development process stage consist of straightforward and easily verifiable counts. The data are judged to be reliable for this measure. Historical data are currently unavailable to provide context and a performance baseline. Submitted data are reviewed, verified, and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

³⁷Data for this performance indicator, which the Department will begin to collect in FY 2007, will be reviewed, verified, and approved by HUD field office staff. Activities for FY 2009 and future fiscal year performance targets will be measured against that established baseline. Tabulations will be reviewed and any problems or discrepancies will be reported.

³⁸The indicators of project status during the development process stage consist of straightforward and easily verifiable counts. The data are judged to be reliable for this measure. Data for this performance indicator, which the Department will begin to collect in FY 2007, are reviewed, verified and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

³⁹The indicator consists of straightforward and easily verifiable counts. By the end of the third quarter of FY 2007, data will be collected by the program office to establish a baseline for this performance indicator. Activities for FY 2008 and future fiscal year performance targets will be measured against the established baseline. The data are judged to be reliable for this measure. Submitted data are reviewed by HUD staff.

⁴⁰ Both Ginnie Mae and FHA data are tabulations of activity that the organizations track continually. FHA endorsement data are based on the endorsement date, while Ginnie Mae loan level data are based on the pool issue date. Both Ginnie Mae and FHA data are subject to annual financial audits because they represent an obligation on the part of the federal government.

⁴¹On a quarterly basis, the Financial Management Center will compare year-to-date funding with Housing Assistance Payment expenditures, as reported in Voucher Management System. As PHAs are identified with apparent over-utilization and significant under-utilization, HUD staff will contact the PHA to confirm the use of funds and work to resolve potential problems. Additionally, the Real Estate Assessment Center's Financial Assessment System audit submission now requires PHAs to report the amount of excess Housing Assistance Payment funding (Net Restricted Assets) as part of the equity breakout. The equity breakout is reviewed as part of the Financial Assessment System review. Those PHAs with negative or large balances are referred to the local field office and Financial Management Center for follow-up. Finally, the Quality Assurance Division will continue to conduct on-site reviews to verify Voucher Management System reporting data accuracy and integrity.

⁴²Inspections are conducted independently and are based on a statistically valid random sample of selected buildings and dwelling units within a property. Improvements to Physical Assessment Subsystem may alter slightly the selection and weighting of individual inspection items from year to year. There were some changes to the baseline physical condition standards used in FY 1999 that would account for modest project score increases of a few points in the FY 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. The subsystem scoring for public housing was revised in FY 2001 to reflect negotiations with public housing agencies. It is also noted that delays in the commencement of inspection activities, which occurred in FY 2007, and the subsequent "catch-up" effort may make comparability of the results from year-to-year problematic. As reported to Congress in the March 1, 2001, Conferee Report titled *PHAS-Physical Inspection System*, the Real Estate Assessment Center physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, thereby enabling effective and successful implementation of the public housing assessment system. An independent engineering firm, as reflected in the subject report, validated the results.

⁴³The Physical Assessment and Residential Assessment scores are based on statistically valid random samples that are representative of public housing projects and households respectively. The scoring methodology for the Public Housing Assessment System was modified during FY 2002. For FY 2003 and FY 2004, interim scoring procedures for the Physical and Financial subsystems generally resulted in improved scores for many PHAs. A thorough review of the assessment system was completed and, effective FY 2004, the scoring methodology reverted back to the scoring system similar to that utilized in FY 2001. The scores for FY 2005 were lower than the two prior years since the interim methodology was no longer effective.

The Management Assessment and Financial Assessment submissions are subject to verification by independent audit. The Financial Assessment methodology is a process validated by the American Institute of Certified Public Accountants. The Physical Assessment scores are based on independent inspections of the PHAs properties by HUD trained/certified contract inspectors, and are verified through HUD's Quality Assurance Program.

⁴⁴The Physical and Rental Satisfaction Assessment Subsystems rely on statistically representative samples of public housing projects and of households respectively. The Management and Financial Assessment systems

submissions are subject to verification by independent audit. The Physical Assessment system scores are based on independent inspections of the PHA's properties by HUD, and are verified through HUD's Quality Assurance Program.

⁴⁵As noted above there is an inconsistency in how this goal is measured, accordingly the trends noted may not be indicative of the actual trend for the year. When the assessments are brought current, the Department will restate the FY 2008 results to their actual levels. Section Eight Management Assessment Program confirmatory reviews are performed whenever a PHA is being removed from troubled status. A partial review of the indicators relating to income and rent are done by field offices as part of the annual Tier 1 consolidated review of PHAs that comprise 80 percent of HUD's funding. One hundred agencies are looked at every year out of the 480 agencies that manage 80 percent of HUD's funding. Most of the other indicators are calculated based on PIC data submitted to HUD and subject to the normal OMB Circular A-133 audit requirements.

⁴⁶Data in the HOPE VI progress reporting system are judged to be reliable for this measure. However, there was a lapse in the contract with the data provider in 2006 due to a delay in the approval of the Department's technical assistance plan. In the intervening time, the program office manually collected data submitted by grantees for the quarters missed. The data collected through the manual data collection process that was needed until the new contract was in place may necessitate future adjustments to the data. As of October 2007, a new contract had been put in place and currently the database is being re-established. It is assumed that this process will be completed prior to FY 2009, and the system will provide reliable data as in the past. Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers.

⁴⁷See endnote 46.

⁴⁸Data in the HOPE VI progress reporting system had previously been judged to be reliable for this measure. However, there was a lapse in the contract with the data provider in 2007. As of October 2007, a new contract is in place and the contractor is re-establishing the database. It is assumed that this process will be completed prior to FY 2009 and the system will provide reliable data as in the past. For the Capital Fund data are judged to be reliable for this measure. For the energy performance contracts, the data are judged to be reliable. For HOPE VI submitted data are reviewed by HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff review progress reports each quarter and compare these reports to previously stated goals. On-site visits are also conducted by HUD staff and, in some cases, the Army Corps of Engineers. For the Capital Fund data are derived from the financing packages and is reviewed by HUD during its approval process. For the energy performance contracts, the data obtained from the field offices is reviewed for reasonableness and the field offices are contacted to resolve possible discrepancies. To date there have been few if any issues noted.

⁴⁹This is an important indicator since troubled agencies which do not efficiently utilize the funding provided serve fewer recipients than do well managed agencies. The Department will use this indicator in future years to improve PHA performance and thus provide support to a greater population of recipients. Under the new assessment process, PHAs will enter and validate their data. PHAs whose data do not meet the criteria will be subject to sanctions as well as field office review and validation. Financial data will be validated by independent public accountants. Independent inspections will address the quality of units. PHAs will be subject to annual on-site review/certification by both the field offices and the Housing Choice Voucher program's Quality Assurance Division. Reviewers will verify reporting data accuracy and integrity. The verification will be accomplished through visual inspection of the PHA's source documents used to support the assessment reporting. The Field Office and Quality Assurance Division will provide guidance and technical assistance related to improving the performance of the program as needed.

⁵⁰ This goal is based upon an estimate of the potential applications. Because there is a strong incentive—but no requirement—to convert early, the potential range of conversions is between zero and 150 PHAs. A contractor will be engaged to perform on-site reviews to verify actual implementation by the PHA.

Strategic Goal C: Strengthen Communities

Strategic Objectives:

- C1** *Assist disaster recovery in the Gulf Coast region. This objective reflects the need to address the unprecedented impact of the hurricanes in the Gulf Coast region in 2005.*
- C2** *Enhance sustainability of communities by expanding economic opportunities. This objective captures the efforts of HUD's community and economic development programs to help strengthen and improve economic conditions in distressed communities.*
- C3** *Foster a suitable living environment in communities by improving physical conditions and quality of life. This objective captures the range of HUD programs that target funds to address quality-of-life issues in low-income communities and households.*
- C4** *End chronic homelessness and move homeless families and individuals to permanent housing. This objective reflects HUD's commitment to end chronic homelessness, and reduce overall homelessness.*
- C5** *Address housing conditions that threaten health. This objective reflects HUD's continuing focus on safe housing stock as a critical precondition for safe, livable communities by addressing health and hazard issues that exist in housing and researching methods to improve housing construction.*

The following indicators are the key performance goals HUD has established to track its commitment to preserving, stabilizing, and revitalizing America's cities as vibrant hubs of commerce, to aiding recovery efforts in the Gulf Coast region, and to making communities better places to live, work, and raise a family.

Community Planning and Development

C.1: At least 17,000 units of rental housing will be in development or in service by September 2009 in the areas most affected by the 2005 Gulf Coast hurricanes.

This indicator establishes a goal to develop and restore the rental housing stock in the Gulf Coast jurisdictions most affected by the hurricanes of 2005. HUD's Community Development Block Grant disaster recovery program creates the foundation for sustained long-term disaster recovery through restoration of rental housing stock and restoration of damaged infrastructure. A total of \$19.7 billion in

supplemental CDBG disaster recovery funding has been appropriated for the Gulf Coast states, with the majority targeted to housing-oriented activities including rental housing programs.

The five Gulf States will use CDBG disaster recovery funds to stimulate development and rehabilitation of rental housing stock throughout the Gulf Coast area. Each state has programmed some portion of their supplemental CDBG funding for rental housing programs. Some states have targeted resources for small rental units, multifamily units or a combination of these programs. Each state coordinates its own process for soliciting and/or developing projects within its impacted areas.

CPD's review of state rental housing development initiatives leads to a conclusion that at least 17,000 units of rental housing will be in development or in service by September 2009 in the areas most affected by the 2005 Gulf Coast hurricanes. CPD anticipates that significant progress will be made toward this goal during FY 2008 as commitments are extended to the local level for successful proposals. Timelines for environmental clearance, engineering and design, and bidding processes at the local level will have an impact on the pace of rental housing development activities. Further, progress on infrastructure activities such as those contemplated under indicator C1.3 has a significant impact on the ability of rental programs to proceed.

Development and/or rehabilitation of multifamily units depend on coordination of state and local funding sources. The effectiveness of small rental programs also depends upon the condition of existing stock and financing of new development. Rental housing activities have been slow to proceed given extended timelines in the development process as noted above.

As grantees begin to implement their rental housing programs, they will submit quarterly performance reports online in the Disaster Recovery Grant Reporting System.⁵¹

C.2: At least \$9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments to 145,000 households in Louisiana and Mississippi by September 2009.

The states of Louisiana and Mississippi requested eligibility waivers to allow them to use their CDBG disaster recovery funds for homeowner compensation and incentive programs. HUD granted these statutory and regulatory waivers during 2006, after which the states launched homeowner compensation programs. HUD estimates that 145,000 households in these two states will receive at least \$9 billion in payments by the end of September 2009.

These are innovative programs operating in complex and unstable economic environments. HUD is establishing this measure to underscore and acknowledge the importance of carrying out these programs in a timely manner and will encourage these grantees to continue striving to exceed these timing goals. Achieving this goal should benefit the economy as a whole and homeowners individually.

Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting system. In addition, HUD receives more frequent updates from Louisiana (daily and weekly).⁵²

C.3: At least \$700 million will be obligated by states to the local projects for restoration and enhancement of infrastructure throughout the five Gulf Coast states receiving supplemental CDBG Disaster Recovery Funding by September 2009.

This indicator establishes a goal to restore and improve infrastructure in the Gulf Coast jurisdictions most affected by the hurricanes of 2005. HUD's Community Development Block Grant disaster recovery program creates the foundation for sustained long-term disaster recovery, including recovery of housing and jobs in low-income communities, through restoration of damaged infrastructure, often in ways that influence future development. Total supplemental CDBG appropriations for Gulf Coast disaster recovery total almost \$20 billion with the majority targeted to housing-oriented activities. Of this amount, at least \$700 million will be obligated by states to the local projects for restoration and enhancement of infrastructure throughout the five Gulf Coast states receiving Supplemental CDBG Disaster Recovery Funding by September 2009.

The five Gulf States will use CDBG disaster recovery funds to reconstruct and construct streets, water lines, sewer systems, critical government buildings and other public facilities to support relief, recovery, and revitalization of the most affected areas. The use of CDBG funds for infrastructure restoration and enhancement activities is one of many choices available to grantees under this flexible disaster recovery grant program. Each state coordinates its own process for soliciting and/or developing projects within its impacted areas. Of public facilities, public improvements and infrastructure projects in HUD reporting systems as of September 30, 2007, Alabama had identified 70 projects, Florida had identified 56 projects and Texas had identified 378 projects. CPD anticipates that significant additional progress will be made with respect to infrastructure activities during FY 2008 as projects proceed through environmental clearance, engineering and design and bidding processes at the local level.

Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System.⁵³

C.4: Expand use of CDBG for economic opportunity by creating or retaining at least 36,090 jobs.

CDBG grantees have the option to establish CDBG-assisted economic development programs that focus on providing financial assistance to businesses that will create or retain jobs, including assistance to microenterprises. Overall CDBG amounts disbursed for economic development activities have been declining slowly over the past several years, reaching a low of \$378 million of all disbursements in FY 2007.

The Section 108 loan guarantee program provides an additional source of economic development financing for CDBG grantees. However, loan guarantee authority levels under Section 108 have been reduced from a historic high of \$2 billion in the mid-1990s to \$135 million for FY 2006 and FY 2007, respectively, and \$205 million for FY 2008. As a result, fewer financial resources are available for CDBG grantees to undertake major economic development activities.

As a result of the disbursement and financing trends noted above, CPD reduced its estimate of jobs to be created or retained as a result of CDBG and Section 108 assistance for FY 2008 and FY 2009. The FY 2008 revised goals for jobs created or retained as a result of CDBG is 37,913 and the FY 2009

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estimate is 36,090 jobs. The FY 2008 goal is based on FY 2007 actual outcomes and an appropriation level of \$3.5 billion. The FY 2009 goal for CDBG assumes a \$3 billion appropriation. The FY 2009 jobs goal is lower than the FY 2008 estimate due to reduced appropriation levels and the fact that the actual number of jobs created and retained in FY 2007 was far below the projected level for that year. The Section 108 program job creation/retention goal for FY 2008 is 4,100 based on FY 2007 actual outcomes and the FY 2008 loan guarantee authority level. Because the Administration is not requesting any additional loan guarantee authority for the program in FY 2009, there is no job estimate for the fiscal year.

Jobs Created / Retained	2004	2005	2006	2007	2008 goal	2009 goal
CDBG	78,828	91,287	55,967	39,123	37,913	36,090
Section 108	10,250	9,328	10,166	4,108	4,100	0

Estimates for CDBG job creation/retention goals are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System.

CDBG values in the above table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System, the actual CDBG appropriation and Section 108 guarantee authority level for FY 2007, estimated spend-out rates and a three percent adjustment for inflation. Section 108 program data are derived from applications approved during FY 2007.⁵⁴

C.5: Increase economic opportunity through the use of CDBG funds in 66 percent of entitlement grantees that have unemployment rates above the national unemployment rate.

This indicator establishes a goal to improve unemployment conditions in those jurisdictions where the unemployment rate is significantly more severe than that faced by the nation as a whole. Unemployment is one indicator of cities or suburbs that are not sharing in national economic growth. HUD’s Community Development Block Grant program may be used to create jobs in low-income communities and help families make progress toward self-sufficiency, all of which contribute to reducing concentrations of unemployment. While grantees have wide discretion in their use of funds, CPD will encourage grantees with unemployment rates exceeding the national average to use their CDBG funds to create communities of opportunity and choice for lower income residents.

Entitlement communities use CDBG funds for physical development projects, such as roads, sewers, public facilities, and other infrastructure that make them more attractive locations for business investment. CDBG funds for education, job-training, and other services that support the workforce in low-income communities also make them more attractive to prospective employers. The use of CDBG funds for economic development activities is one of many choices available to grantees under this flexible block grant program.

In FY 2007, HUD utilized unemployment data from the Bureau of Labor Statistics as well as data from the Integrated Disbursement and Information System to establish a baseline for this indicator. Given the FY 2007 baseline, HUD is establishing for FY 2009 a goal that at least 66 percent of CDBG entitlement

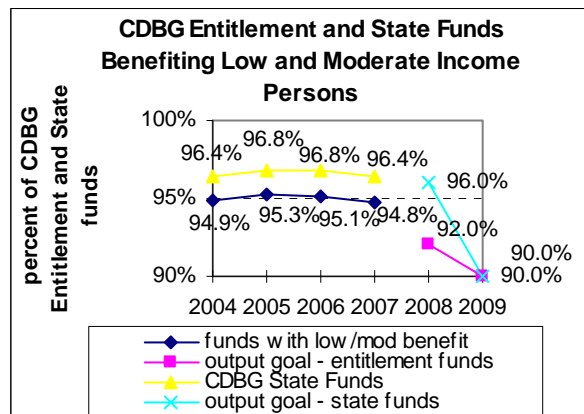
grantees having local unemployment rates in excess of the national unemployment rate will increase economic opportunity by implementing a broad range of activities that serve to promote economic opportunity.

HUD will use Bureau of Labor Statistics data to identify the number of entitlement grantees for which the unemployment rate is above the national average. HUD will review information reported by these grantees in the Integrated Disbursement and Information System on their use of CDBG for activities that increase economic opportunities to establish a baseline for further measurement, e.g., the number of jobs created and retained, number of jobs with health benefits, and the number of businesses assisted.⁵⁵

C.6: Grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons.

CDBG entitlement and state communities have the discretion to select the activities they will assist each year, but are required by statute to use at least 70 percent of the funds expended (over a one, two or three year period, selected by each grantee) for activities that benefit low- and moderate-income persons. CDBG grantees have historically significantly exceeded the 70 percent threshold, but the percentage of funds expended for activities is primarily a function of grantee funding decisions and local level implementation. Over the life of the program, both entitlement and state grantees have very slightly increased their overall spending percentages toward the national objectives of slum/blight eradication due to local priorities—necessarily lowering the percentage spent on low/mod benefit by a commensurate amount. Also, in 2006, CDBG program regulations were revised to simplify the process for declaring an area to be slum/blight, which may also serve to slightly lower the amount expended on activities that benefit low- and moderate-income persons.

Nevertheless, HUD continues to emphasize the importance of targeting the use of CDBG funds for activities that benefit low- and moderate-income persons. For FY 2009, HUD’s goal is that state and entitlement grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons. This is the first year that HUD has combined state and entitlement measures. The FY 2008 goal for CDBG entitlement grantees is to expend at least 92 percent on activities benefiting low- and moderate persons; among



state grantees, the goal for FY 2008 is set at 96 percent. For FY 2007, CDBG entitlement grantees report that expenditures for activities that primarily benefit low- and moderate-income persons were 94.83 percent of all CDBG funds, thus exceeding the 92 percent goal for that year. Likewise, CDBG state grantees report that expenditures on activities benefiting low- and moderate-income persons were 96.41 percent in FY 2007, exceeding the 96 percent goal.

CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System. CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the grantee) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income.⁵⁶

C.7: Sole proprietors will claim \$183 million in Renewal Community and Empowerment Zone wage credits.

HUD will measure the dollar value of wage credits that businesses located in the Renewal Communities and Empowerment Zones claim annually for employing residents of those communities. The wage credits offer financial incentives to employers to hire residents of Renewal Communities and Empowerment Zones. The Renewal Community wage credit is worth up to \$1,500 annually to the employer for each Renewal Community resident he or she employs and the Empowerment Zone wage credit is worth up to \$3,000 annually. The economic foundation of communities grows stronger as more businesses claim the Renewal Community and Empowerment Zone wage credits as these incentives help businesses save money and encourage the owners to hire and retain the employment of local residents. HUD saw annual increases of 20 percent or more in the value of credits that businesses claimed from approximately 2002-2004, during the first years of the Renewal Community and Round III Empowerment Zone programs. The volume of credits has increased yearly since then also but at reduced rates closer to approximately 10 percent. HUD estimates that businesses will claim approximately \$183 million in Renewal Community and Empowerment Zone wage credits in FY 2009.

PERFORMANCE MEASURE	FY2004 Actual	FY2005 Actual	FY2006 Goal	FY2007 Goal	FY2008 Goal	FY2009 Goal
Amount of Renewal Community and Empowerment Zone employment credits claimed by sole proprietors (Current Year ending during the FY)	\$83.45 million	\$105.18 million	\$126 million ¹	\$151 million	\$181 million	\$183 million

¹ This number is a goal. The Internal Revenue Service generally reports the data for the calendar year approximately 13 months after the year ends. Thus, data for the calendar year ending in federal FY 2006 would be available late in January 2008.

HUD obtains data from the Internal Revenue Service on wage credit claims among business owners in Renewal Communities and Empowerment Zones. The data have helped HUD to see that these credits are becoming more popular and contributing to increased employment for residents of these distressed communities.⁵⁷

C.8: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2009.

This initiative was proposed in HUD's FY 2006-2011 Strategic Plan to encompass the elimination of 25,000 vacant or boarded up properties by FY 2011. The initial year for the indicator was FY 2007. This initiative is expected to make a measurable contribution to the priority outcome of restoring and

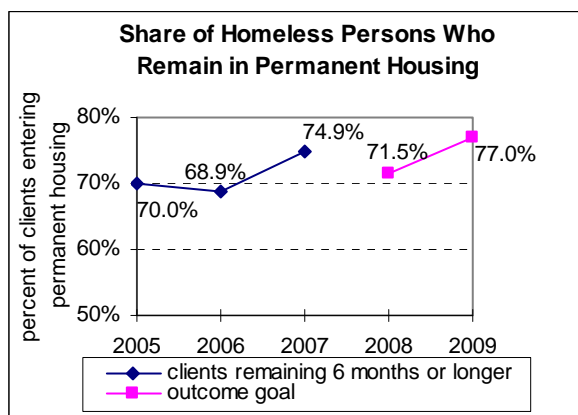
strengthening neighborhood communities by improving the quality of residents lives, as vacant, abandoned, or boarded up properties are associated with neighborhood decline. The removal or improvement of these properties is a promising indicator of neighborhood improvement. In FY 2007, CDBG funds contributed to the clearance or demolition of at least 5,900 structures. As in FY 2008, the Department's goal is to eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2009.

Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of structures addressed is primarily a function of grantee funding decisions and local level implementation.

CPD's Integrated Disbursement and Information System is the source of data for determining the number of vacant or abandoned structures addressed through the use of CDBG funds. CPD analyzes data entered into the system by grantees, with a particular focus on demolition and clearance activities. CPD's analysis is focused on data reported during the fiscal year and completeness of data is dependent upon grantee data entry processes. The Department also reviews quarterly extracts of United States Postal Service administrative data on vacant addresses to explore their potential utility for tracking neighborhood change on a quarterly basis.⁵⁸

C.9: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 77 percent.

This indicator supports the important outcome of increasing the self-sufficiency and stability of homeless participants. It will measure the length of stay of participants in HUD permanent housing projects, for those who left and those who remained housed in the programs. One of the goals of HUD's homeless assistance programs is for formerly homeless persons to move into permanent housing with support available for those who need it to remain housed. The residents of HUD's McKinney-Vento-funded permanent housing are often chronically homeless individuals; therefore this indicator is critical to HUD's goal to end chronic homelessness. By measuring the participants' length of stay over six months, projects demonstrate that they are providing assistance for participants to achieve more long-term housing. For FY 2007, about 74.9 percent of formerly homeless individuals remained housed in permanent housing more than 6 months. This is an increase over the result reported in FY 2006 of 73.5 percent. The measurement of this indicator has been changed to reflect participants who left the program during the operating year as well as those who remained in permanent housing. This will provide a more complete indication of the effectiveness of HUD-funded permanent housing projects.

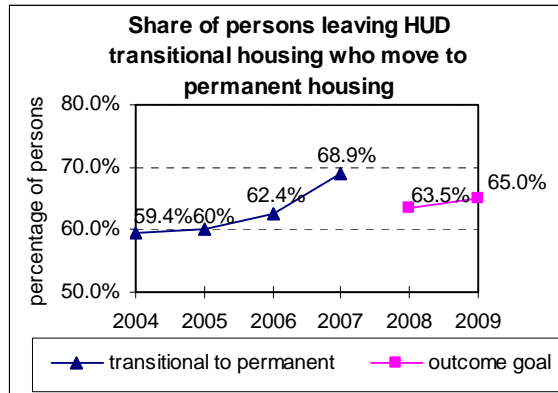


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Office of Community Planning and Development administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.⁵⁹

C.10: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 65 percent.

This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing. The ultimate objective of homeless assistance is to achieve the outcome of helping homeless families and individuals obtain permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. A combination of housing and supportive services helps ensure that residents receive the support they need to obtain and maintain stable



permanent housing and make progress toward self-sufficiency. For FY 2007, approximately 68.9 percent of HUD transitional housing residents moved to permanent housing, which was a significant increase over the achievement in FY 2006 of 62.4 percent. In order to be certain that this reflects a trend, HUD will increase the goal appropriately once it achieves two consecutive years at this high level.

The data source is the CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.⁶⁰

C.11: The employment rate of persons exiting HUD homeless assistance projects will be 20 percent.

This indicator tracks the percentage of adult clients who are employed when they exit HUD-funded homeless assistance projects. Employment is a critical step for homeless persons to achieve greater self-sufficiency, which represents an important outcome that is reflected both in participants' lives and the health of the community. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD's McKinney-Vento assistance receive support, which can include employment training and job search support, to help them achieve greater self-sufficiency. In FY 2007, 22.8 percent of homeless adults exited HUD-funded projects with employment income. This result was a significant increase over the achievement in FY 2006 of 17 percent. In order to be certain that this reflects a trend, HUD will increase the goal appropriately once it achieves two consecutive years at this higher level. As a result of the Program Assessment Rating Tool process negotiated between OMB and HUD, this measure was changed in 2006 to more accurately reflect an overall employment indicator.

The data source is the CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.⁶¹

C.12: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will be maintained at 80 percent in 2009.

The Housing Opportunities for Persons With AIDS program implemented this outcome measure in 2006 to demonstrate the connection of stable housing to improvements in HIV-related health conditions for beneficiaries. Formula and competitive grant recipients have begun to collect data and measure client outcomes, which assess how the provision of housing assistance results in creating or maintaining stable housing, reducing risk of homelessness, and improving access to HIV/AIDS treatment and other needed support. The Annual Progress Report and the Consolidated Annual Performance and Evaluation Report were redesigned to help grantees and their project sponsors collect and report on performance results of these HOPWA-funded programs. This information includes housing outputs (i.e. the number of households served) and client outcomes, as shown by the housing status for maintaining stable housing arrangements or reducing risks of homelessness, along with improved access to care.

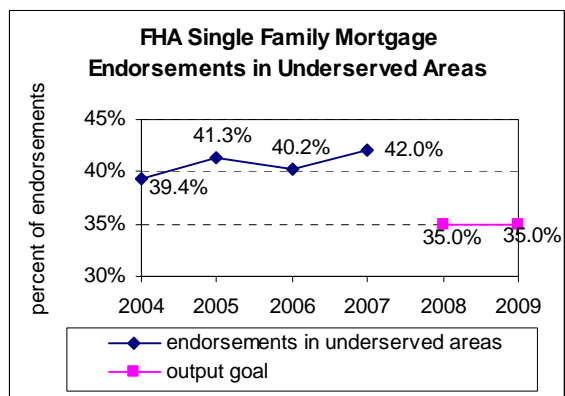
The reporting forms were updated in 2006 and further refinements made in 2007 to collect information on client outcomes, based on annual assessments that housing arrangements are expected to continue in units that provide for safe, decent and sanitary housing for residents. These annual reporting efforts help grantees to evaluate performance of project sponsors and service providers, identify recommendations for program improvements, and establish future housing program objectives. Grantees reporting results below the national outcome goal will be provided guidance and technical assistance to raise their performance and meet HOPWA targets within two years.

The data for this indicator come from Housing Opportunities for Persons With AIDS Annual Performance Reports (forms HUD 40110-C and D) and the related HOPWA sections in the Integrated Disbursement and Information System.⁶²

FHA/Housing

C.13: At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities.

FHA's role in the mortgage market is to extend homeownership opportunities to families that otherwise might not achieve homeownership. Specifically, FHA-insured lending in traditionally underserved neighborhoods helps achieve the important outcome of increasing the homeownership rate. There is substantial evidence that lower-income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and non-minority neighborhoods. Having FHA serve these markets



helps provide stability and a safe alternative for those who cannot qualify for a traditional conventional loan.

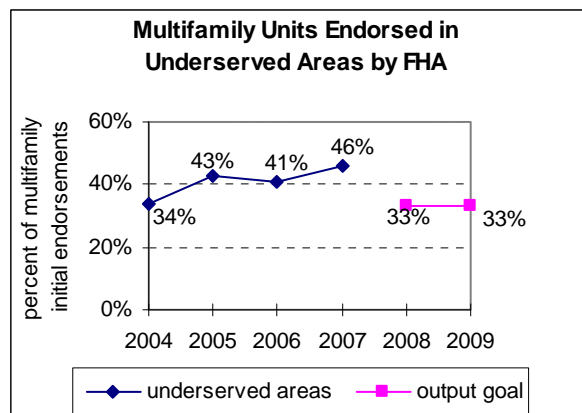
In FY 2007, 42 percent of single family mortgages endorsed for insurance by FHA were in underserved communities. The FY 2009 goal is to ensure that at least 35 percent of all single family mortgages endorsed for insurance by FHA is in underserved areas. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. That is, while it is extremely important that FHA-insured loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA should complement rather than substitute for conventional lending, which is crucial for a healthy housing market.

The data source is the FHA Consolidated Single-Family Statistical System (CSFSS, F42).⁶³

C.14: The share of multifamily properties insured by FHA in underserved areas is maintained at 33 percent of initial endorsements.

FHA multifamily insurance is an important contributor to strengthening the social and economic fabric in underserved communities by providing affordable housing, which is in critical short supply. FHA programs include those that insure loans for new construction and substantial rehabilitation of multifamily rental units (Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c)), as well as Section 223(f), which insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of repairs may be included in the mortgage. These programs improve the quality and affordability of rental housing, increase their availability in underserved neighborhoods, and promote revitalization of those neighborhoods.

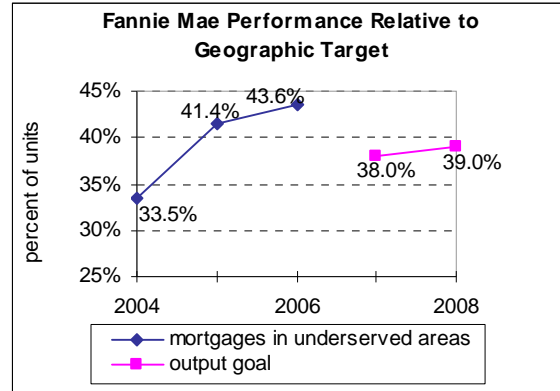
This indicator measures the proportion of multifamily properties in “underserved” neighborhoods, as a percentage of all multifamily properties that receive FHA mortgage endorsements. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.



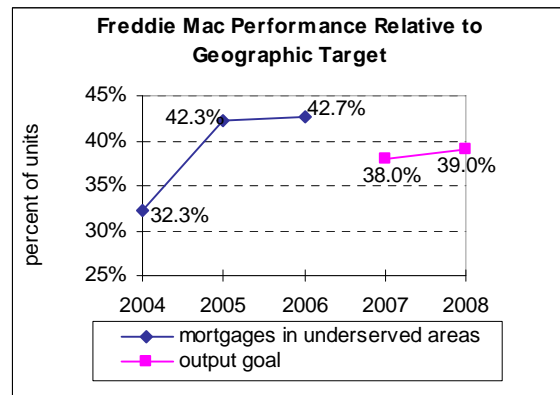
The FY 2009 goal, which is influenced by national economic conditions, is to maintain the FY 2008 goal that 33 percent of all multifamily properties in underserved areas are insured. The data for this indicator are from FHA’s Real Estate Management System and Census data.⁶⁴

C.15: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.

One of the three housing goals that HUD sets for Fannie Mae and Freddie Mac, as government-sponsored enterprises, requires Fannie Mae and Freddie Mac to increase the number of mortgage purchases that finance housing located in “central cities, rural areas and other underserved” areas. HUD’s definition of such areas is based on census tracts with below-average income and/or above-average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates.



Success of Fannie Mae and Freddie Mac in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership and affordable housing in underserved neighborhoods. HUD set the Underserved Areas goal at 37 percent in 2005, 38 percent in 2006 and 2007, and 39 percent in 2008 and thereafter, or until such time as HUD publishes a regulation changing the goal level. (HUD expects to publish a new regulation that will establish different goal targets beginning January 1, 2009.) HUD’s geographic targets



measure the two government-sponsored enterprises’ mortgage purchase performance relative to all eligible mortgages purchased by the enterprises in underserved areas. These include both purchase and refinance mortgages on single-family and multifamily residential properties located in both metropolitan and non-metropolitan areas. In addition to the broader geographic target, HUD has implemented a home purchase subgoal under the Underserved Areas Housing goal.

The Underserved Areas goal increased to 38 percent in 2006 and 2007 and reached 39 percent in 2008. HUD set the goals with the objective of ensuring that the government-sponsored enterprises fulfill their mandate to provide leadership to the mortgage market. As of 2008, the goals match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s estimated market share range for 2005–2008. HUD’s geographic targets measure the two government-sponsored enterprises’ mortgage purchase performance relative to all eligible loans in underserved areas. These include both purchase and refinance loans on single family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

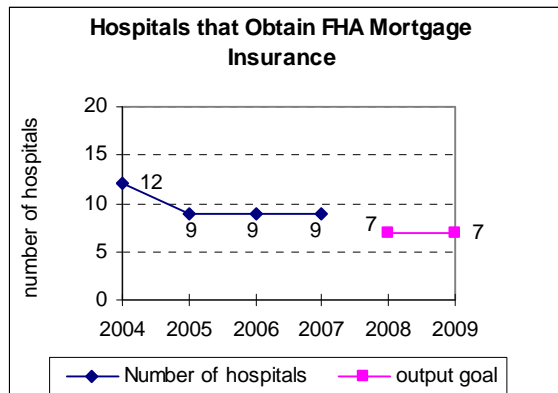
In addition to the broader geographic target, HUD has implemented a home purchase subgoal under the Underserved Areas Housing goal. This subgoal targets Fannie Mae’s and Freddie Mac’s performance in

servicing the homeownership segment of the geographically targeted market. Specifically, the Home Purchase subgoal is expressed as a percentage of the total number of mortgages purchased by the government-sponsored enterprises that finance the purchase of single family, owner-occupied properties located in metropolitan areas. In 2006 and 2007, the Underserved Area Home Purchase subgoal was 33 percent for each government-sponsored enterprise. The subgoal was capped at 34 percent in 2008. HUD expects to publish a regulation that will establish new subgoal targets beginning January 1, 2009. HUD established the Underserved Areas Home Purchase subgoal to encourage Fannie Mae and Freddie Mac to facilitate greater financing and homeownership opportunities for families and neighborhoods targeted by the subgoal.

The data for this performance indicator are from HUD's analysis of loan-level data from Fannie Mae and Freddie Mac systems.⁶⁵

C.16: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.

Hospitals are vital contributors to the economic strength and growth of local and regional communities. Hospitals are typically among the largest employers in their service areas, providing jobs and job growth even in times of economic recession and stimulating demand for local businesses. A December 2006 study issued by the Metropolitan Chicago Healthcare Council documented a hospital employment multiplier effect, demonstrating that for every new job created in the city's hospital sector, 1.45 jobs were created in other sectors in the surrounding metropolitan area. It is estimated that one in every ten jobs in the United States is supported by health care, either directly or indirectly.



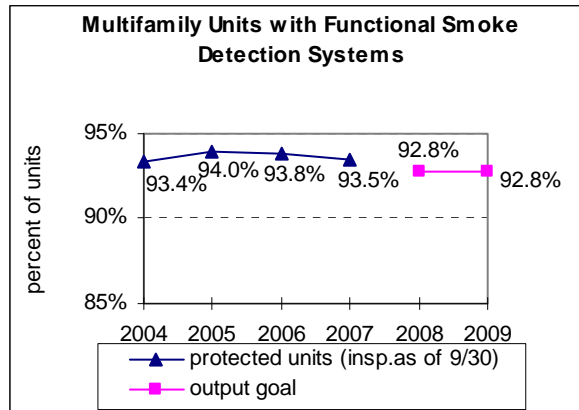
Modern hospital facilities are necessary to help strengthen, sustain, and improve the quality of life of communities across the country. Section 242 mortgage insurance enables hospitals to access the capital required to renovate, expand, or replace facilities to better serve their communities' health care needs. FHA insurance allows hospitals to obtain enhanced credit ratings, qualifying them for AA to AAA credit ratings that enable them to lock in lower interest rates, reduce borrowing costs, and make construction and modernization projects possible. In an effort to continue geographic diversification of the portfolio, FHA will continue to proactively branch out to serve hospitals in regions that historically have made little use of the program. As of September 30, 2007, HUD insured 82 hospital loans totaling \$6.2 billion. In FY 2009, the Department will maintain the FY 2008 goal of enabling at least seven hospitals to obtain affordable financing for construction or modernization projects.

The data source is the F47 Multifamily Insurance System.⁶⁶

C.17: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.

This indicator measures the estimated share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be both present and operative in the unit as well as the building in which the unit is located. The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a house fire by 40–50 percent, about one-quarter of U.S. households lack working smoke alarms.

The Real Estate Assessment Center’s physical inspections of assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas, and utility areas of buildings. A significant majority of deficiencies for multifamily housing include apartment units with smoke detectors that need batteries. In FY 2007, 93.5 percent of multifamily units had functioning smoke detectors, exceeding the goal of 92.8 percent.



The Department’s goal for FY 2009 and onward is to maintain performance at approximately the same level, as incrementally larger monitoring resources are not being provided and the penetration rate is currently at a level where improvements will be difficult to attain without those resources. In FY 2009, the share of units that have functioning smoke detectors will be 92.8 percent or greater for multifamily housing.

The data source is the Real Estate Assessment Center Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, which are stored in the National Inspection Contract – Central Integrated Data Repository.⁶⁷

Public and Indian Housing

C.18: Overcrowded households in Indian Country shall be reduced by one percent.

This indicator tracks the Department’s annual progress in reducing overcrowding in American Indian and Alaska Native households. The U.S. Census in 2000 showed that more than 24 percent of Native Americans in tribes without gaming and 10 percent in tribes with gaming live in overcrowded households, compared to six percent of the total United States population. By easing overcrowding, public health and safety are improved, and communities are strengthened.

In FY 2003, the Office of Native American Programs and several participating tribes established a baseline estimating the extent of overcrowding in Indian Country. This baseline, 47,169 households, was derived from Census 2000 data. Since the baseline was established, approximately 11,427 new

homeownership and rental housing units have been built in Indian areas with assistance from the Indian Housing Block Grant program. Because each new unit is considered to relieve overcrowding by one household, the estimated number of households remaining overcrowded at the end of FY 2007 was 35,742. Although grantees are given flexibility to design and administer their own unique housing programs, the Department encourages initiatives that address overcrowding.

The goal for FY 2009 is to further reduce the number of overcrowded households by 472, which represents one percent of the baseline established in FY 2003.

Data on overcrowding come from the decennial U.S. Census, and data on the number of new housing units built are collected from grantees' annual performance reports.⁶⁸

Healthy Homes and Lead Hazard Control

C.19: The number of children under the age of six who have elevated blood lead levels will be 210,000 or less in 2009.

The Department continues the President's and Secretary's priority effort to eliminate lead poisoning in children as a major public health problem by 2010. Childhood lead poisoning is entirely preventable,⁶⁹ and HUD's efforts through its lead hazard control, outreach, and research grant programs play a significant role in eliminating this public health threat to young children. This outcome indicator projects a reduction in the number of children with elevated blood-lead levels to 210,000 in FY 2009, down from 235,000 in FY 2007. The Centers for Disease Control and Prevention estimates that 310,000 children under the age of six had elevated blood lead levels in 1999–2002; a decrease from 890,000 in 1991–1994.⁷⁰ Elevated blood lead is defined as blood lead levels at or exceeding 10 micrograms per deciliter ($\mu\text{g}/\text{dL}$) in a child under age six (72 months). These children are vulnerable to permanent developmental problems because of the well-established effect of lead on developing nervous systems. Other local data collected by the Centers for Disease Control and Prevention showed that the proportion of children under the age of six who tested with elevated blood lead levels decreased from 10.5 percent in 1996 to 1.6 percent in 2005.⁷¹ Elevated blood lead levels are more common among low-income minority children living in older housing. These reductions indicate that HUD's programs, together with housing demolition and rehabilitation, are effective in helping to protect children from lead-based paint.

The data source is the National Health and Nutrition Examination Survey. The Centers for Disease Control and Prevention conducts the National Health and Nutrition Examination Survey, with 2006–2007 results scheduled for release in 2009. The Centers for Disease Control and Prevention expects to continue monitoring blood lead levels in children under the age of six annually.⁷²

C.20: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 11,800 units lead safe in FY 2009.

Through HUD's lead hazard control grant programs and the leveraging of private resources by grantees, HUD plays a central role in a federal interagency initiative to eliminate lead poisoning in children by 2010. HUD is acting to implement Executive Order 13045, which directs each federal agency to make identifying, assessing, and addressing environmental health risks to children a high priority. Because

lead-based paint is the primary source of lead poisoning in children, HUD is focusing its attention on controlling residential lead-based paint hazards. Making homes lead safe helps lower blood-lead levels in children living there, and helps prevent future cases of lead poisoning. The FY 2009 goal is to eliminate lead hazards in 11,800 units.

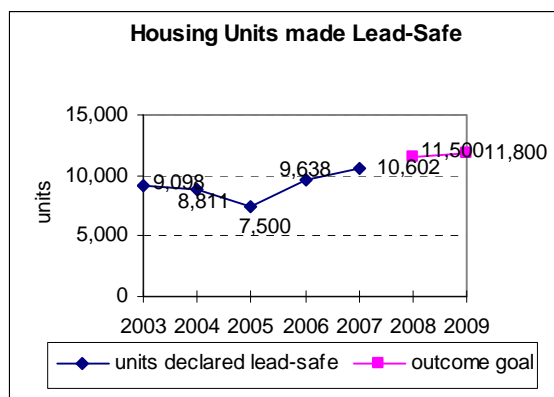
According to HUD's National Lead-Based Paint Survey,⁷³ 38 million homes had lead paint in 2000, a decrease from the 64 million homes containing lead paint when Congress passed the 1992 Residential Lead Hazard Reduction Act. The majority of cases of childhood lead poisoning involve low-income families living in older, dilapidated housing.

HUD's Office of Healthy Homes and Lead Hazard Control provides grants to state and local government agencies and private sector entities to control lead hazards in privately owned low-income housing that likely would not otherwise have these hazards controlled.

Because lead dust is the major pathway by which children are exposed, grantees must ensure that homes treated under the program meet post-intervention clearance requirements, including ensuring that remaining dust lead levels are below federal standards.

A study of lead hazard control grantees indicated that homes treated under these programs generally remain lead-safe for at least six years.⁷⁴ Lead hazard control grantees also create potentially large, but unquantifiable, benefits through lead hazard education and outreach activities, as well as through programs that train workers and create jobs in the lead hazard control industry. As of June 30, 2007, 97,728 housing units have been made lead safe through lead hazard control grants. The annual goal for this indicator has increased as grantees increase the cost efficiency of lead hazard control interventions. This cost efficiency, however, may have reached its apex, and the number of units completed will be determined primarily by available funding.

The data source is the Office of Healthy Homes and Lead Hazard Control's web-based Grantee Quarterly Progress Reporting System.⁷⁵



Supplemental Data Information for Strategic Goal C: Reliability, Validation, and Improvement

⁵¹This is a new data effort involving areas that have been devastated and involving new recipients of assistance. Data quality will be an important focus area. HUD is enhancing management reports and planning other system enhancements to increase the timeliness of the information and prevent waste, fraud, and mismanagement. Historical data are currently unavailable to provide context and a performance baseline. CPD staff in Headquarters and the field review grantee reports to assess accuracy and monitor grantees to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

⁵²See endnote 51.

⁵³See endnote 51.

⁵⁴CDBG has pursued a variety of enhancements to the Integrated Disbursement and Information System, which, along with on-going data clean-up efforts, have resulted in continuous improvements in data quality for the CDBG program. CPD Headquarters and field staff verify program data when monitoring grantees, and grantee reports are subject to independent audits.

⁵⁵The Bureau of Labor Statistics data used to identify employment and unemployment rates are the best available. Information on activities that increase economic opportunities is dependent on the redevelopment of the Integrated Disbursement and Information System reporting for the CDBG program. The Bureau of Labor Statistics employs rigorous data quality standards and its unemployment data is considered to be the most reliable nationwide measure on unemployment. HUD will continue to collaborate with grantees to ensure proper reporting in the Integrated Disbursement and Information System in order to measure this long-term goal.

⁵⁶See endnote 54.

⁵⁷HUD obtains data on the volume of employment credits claimed from the Internal Revenue Service. In order to obtain data before the actual data become available, HUD works with its IRS counterparts who provide estimates through IRS advanced statistical modeling. HUD relies on the advanced statistical modeling performed by IRS.

⁵⁸A preliminary review of the data indicates that in distressed areas, a reduction in total addresses from quarter-to-quarter appears to be a strong indicator of where demolition is occurring. Combining this US Postal Service data with other measures of census tract distress (such as concentrated poverty) will allow HUD to construct a statistical definition of “vacant and abandoned” that can be tracked over time. The Integrated Disbursement and Information System for CDBG activities will report data on demolition, clearance, and cleanup of brownfields sites. CPD has pursued a variety of enhancements to the Integrated Disbursement and Information System, which, along with on-going data clean-up efforts, have resulted in continuous improvements in data quality for the CDBG program. In addition, the use of US postal data with other measures of census tract distress may allow HUD to construct a statistical definition of “vacant and abandoned” that can be tracked over time. If a postal carrier observes that mail has not been collected from an address for 90 days, they submit a form to indicate that the address should no longer receive mail. The US Postal Service uses these data to inform bulk mailers not to send mail to these addresses. If an address stays on this list for an extended period of time and if the address is in an identified neighborhood of distress, this can be a good measure to track vacant and abandoned housing over time.

⁵⁹The data available for reporting in FY 2009 will reflect program activity occurring in 2008. Efforts undertaken to increase completeness of compiled Annual Progress Report data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years’ Annual Progress Report database reviews. Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

⁶⁰See endnote 59.

⁶¹The data show only the employment status of homeless persons as they leave the HUD-assisted project, and do not capture the quality and long-term stability of employment. The data available for reporting in FY 2009 will reflect program activity occurring in 2008. This aggregate measure is a reasonably good proxy for a more complex measure based on changes in employment status of specific individuals, who would have various entry times and lengths of stay. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years’ Annual Progress Report database reviews. Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

⁶²The collection of new data elements on client outcomes was initiated in 2006, along with training and technical assistance support. Based on this initial effort and the review of new outcome data, refinements in the reporting tools were identified in consultation with grantees to focus their evaluation in measuring client outcomes. As a result, additional implementation of these collection efforts will be undertaken in 2007 under revised reporting forms and related elements will be added in the redesign of Integrated Disbursement and Information System. HUD continues to collaborate with the program's grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal while providing a valid representation of program results. The Department uses monthly financial reports and quarterly data collection reports to help track timely compliance with requirements, support effective risk assessment reviews and foster efficient oversight actions, including remote and on-site monitoring of projects. The updated reporting forms and pending redesign of the Integrated Disbursement and Information System will support improved validation of grantee reporting. This program's performance data are reviewed by Headquarters and field staff.

⁶³This measure may fluctuate when the census tracts constituting underserved areas are redefined using the latest Census data. The fluctuations are not expected to substantially reduce the reliability of this national summary measure. HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.

⁶⁴For project locations, the data source is FHA's Real Estate Management System. For tract poverty rates and minority share, the data source is the decennial Census of Population, updated with the American Community Survey. The Office of Policy Development and Research determines which census tracts meet the definition of "underserved" for HUD's role in oversight of Freddie Mac and Fannie Mae. The data, which are based on a straightforward and easily verifiable count of endorsements completed, are judged to be reliable for this measure. The Census data used to define underserved areas are the best available. FHA performs computerized checks of data quality, and FHA staff verifies multifamily mortgage transactions. An independent assessment in 2006 showed that the Real Estate Management System performance indicator data passed six-sigma quality tests (reflecting fewer than 3.4 errors per million) for validity, completeness, and consistency. The Census Bureau has rigorous data quality standards, and it is not feasible for HUD to verify Census or American Community Survey data independently.

⁶⁵The data are compiled directly from government-sponsored enterprise records on single family and multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and are presented for performance reporting purposes on a one-year lagged basis. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of government-sponsored enterprises' goal performance reports, reviews of government-sponsored enterprises data quality control procedures, and other independent data integrity reviews.

⁶⁶There is sometimes a delay of 1-2 months between loan closing and entry of the loan into the system, resulting in an undercount. However, because of the relatively low volume of loans, the program office always has current data. FHA checks the F47 Multifamily Insurance System monthly to make sure that hospital loans have been added or deleted appropriately.

⁶⁷Inspections are conducted independently and are representative of the entire HUD stock. The share of units with functional smoke detectors in each building is estimated on the basis of a randomly selected sample. The functionality of smoke detectors is an aspect of the inspection protocol that generally is not open to subjective interpretation. The Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance. The inspection protocol is subject to modification to improve the validity. Beginning with FY 2002 the measure was revised to balance the need to use appropriate sample-based estimates of unit compliance with the need to reflect facility compliance.

⁶⁸Overcrowding is not a required reporting element for grantees; therefore HUD has no means to accurately measure the extent of overcrowding on an annual basis. HUD currently assumes all new units result in a corresponding reduction to overcrowding. Though this is considered to be reasonable, it is likely that some units are not constructed in overcrowded areas. Also, the migration of families in and out of Indian Country means that overcrowding may fluctuate from year to year. Because of rapid population growth, the number of families living in

such households may increase even as new units are being added to the market. Census data that measures actual overcrowding is only available every 10 years. The Office of Native American Programs has evaluated the feasibility of various measurement methods in order to improve the validity of this performance indicator. Revisions to data collection forms and methods are underway so that activities to alleviate overcrowding can be more accurately measured. Upon publication of the decennial census, HUD will have its most reliable source to validate progress made toward relieving overcrowding.

⁶⁹ President's Task Force on Environmental Health Risks and Safety Risks to Children. *Eliminating Childhood Lead Poisoning: A Federal Strategy Targeting Lead Paint Hazards*. 2000.
<http://www.hud.gov/offices/lead/reports/fedstrategy2000.pdf>.

⁷⁰ See www.cdc.gov/nceh/lead/research/kidsBLL.htm, and www.cdc.gov/mmwr/preview/mmwrhtml/mm5420a5.htm.

⁷¹ See http://www.cdc.gov/nceh/lead/surv/database/State_Confirmed_byYear_1997_to_2005.xls.

⁷²The National Health and Nutrition Examination Survey tracks actual physical examinations of a nationally representative sample of children to determine blood-lead levels, among other things. Data may be delayed two years from the time the blood sample is taken until it is reported. Also, the survey does not identify the source of elevated blood lead level, and lead poisoning may come from sources other than paint. The National Health and Nutrition Examination Survey is the largest ongoing survey of the American public's health, and provides important comparisons over time as well as between population segments (such as children under age six). The National Health and Nutrition Examination Survey is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures. Strict quality control measures are followed during collection and analysis of blood samples. The Centers for Disease Control and Prevention's long-term quality control data for blood lead tests show that the survey results are validated. Further confirmation is provided by the results from the Centers for Disease Control and Prevention's Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts (see www.cdc.gov/nceh/lead/surv/surv.htm).

⁷³ Jacobs, D.E. et al., "The Prevalence of Lead-Based Paint Hazards in U.S. Housing," published in *Environmental Health Perspectives* 110 (A599-A606), 2002;
<http://ehp.niehs.nih.gov/members/2002/110pA599-A606jacobs/jacobs-full.html>.

⁷⁴ Wilson J. et al., "Evaluation of HUD-funded lead hazard control treatments at 6 years post-intervention," published in *Environmental Research* 102 (237-248), 2006.

⁷⁵The data represent direct accomplishments as reported by grantees but confirmed by HUD staff through monitoring. The data do not include housing units that are indirectly made lead safe through leveraged private sector investment, state and local programs, and other federal housing programs. A rigorous scientific evaluation of the program indicates that the program is effective in achieving its goals. The study, conducted by the National Center for Healthy Housing in conjunction with the University of Cincinnati, found that the lead hazard control methods used by grantees reduce the blood lead levels of children occupying treated units and also significantly reduce lead dust levels in the treated homes. (See Dixon, S. et al., "Effectiveness of lead-hazard control interventions on dust lead loadings: findings from the evaluation of the HUD Lead-Based Paint Hazard Control Grant Program," published in *Environmental Research* 98 (303-314), 2005.) The number of units made lead safe is validated by both Office of Healthy Homes and Lead Hazard Control data and data from HUD's National Lead-Based Paint Survey. The Office of Healthy Homes and Lead Hazard Control reviews data provided through its web-based Quarterly Progress Reporting System. HUD grant staff performs both onsite and remote monitoring of grant files and unit completion progress.

Strategic Goal D: Ensure Equal Opportunity In Housing

Strategic Objectives:

- D1** *Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination. This objective addresses HUD's responsibility for enforcement of the Fair Housing Act.*
- D2** *Improve public awareness of rights and responsibilities under fair housing laws. This objective addresses HUD's efforts to heighten public awareness to increase compliance with fair housing laws.*
- D3** *Improve housing accessibility for persons with disabilities. This objective reflects HUD's efforts to reduce barriers that limit housing options for persons with disabilities and to create more accessible units.*
- D4** *Ensure that HUD-funded entities comply with fair housing and other civil rights laws. This objective focuses on the cross-cutting nature of fair housing issues and HUD's compliance enforcement activities.*

The following are key performance goals HUD has established to track its continued progress in ensuring equal opportunity in housing in FY 2009.

Fair Housing and Equal Opportunity

D.1: Increase the impact of Fair Housing Act enforcement by increasing the efficiency of fair housing complaint processing.

1. HUD will close or charge 55 percent of its Fair Housing Act complaints filed during the fiscal year within 100 days.
2. Fair Housing Assistance Program agencies will close or charge 50 percent of its Fair Housing complaints filed during the fiscal year within 100 days.
3. HUD will close or charge 60 percent of its aged Fair Housing Act complaints within the fiscal year.
4. Fair Housing Assistance Program agencies will close or charge 95 percent of its aged Fair Housing complaints within the fiscal year.

The Fair Housing Act (the Act), within limitations of the United States Constitution, prohibits housing discrimination on the bases of race, color, religion, sex, familial status, national origin, or disability.

HUD's Office of Fair Housing and Equal Opportunity (FHEO) is charged with enforcement of the Act through investigating and processing complaints of housing discrimination. Additionally, the Act authorizes the Secretary to establish the Fair Housing Assistance Program (FHAP), under which state and local jurisdictions whose fair housing laws are deemed substantially equivalent to the Act are certified as partner agencies and may, therefore, conduct fair housing investigations.

The Act prescribes that investigations of complaints of housing discrimination be completed within 100 days, unless it is impracticable to do so. FHEO and its partner agencies strive to complete all investigations within the prescribed period of 100 days. Some cases, however, are inherently more complex and require a longer period to investigate and process. This measure tracks both the progress meeting the 100 day standard for completing cases and the progress closing cases already aged and therefore a top priority.

Increasing the efficiency and speed of fair housing complaint processing will increase public confidence that victims will receive timely relief from discriminatory housing practices and will put perpetrators on notice that discriminatory housing practices will be punished. Public confidence in the efficiency of complaint processing will increase the impact of the Act through enforcement and will further the goal of eliminating housing discrimination in the United States.

Case data are recorded and maintained in the Office of Fair Housing and Equal Opportunity's Title VIII Automated Paperless Office and Tracking System.⁷⁶

D.2: Recipients of Fair Housing Initiative Program education and outreach grants will hold at least 300 activities, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.

Fair Housing Initiatives Program grants are awarded to public, private, and nonprofit, including faith based, organizations to conduct fair housing education and outreach activities in particular communities in order to increase public awareness of housing discrimination and the Fair Housing Act. This strategy supports the Administration's faith-based outreach as well as HUD's fair housing mission. The long-term impact of the education and outreach events is measured by HUD in periodic national surveys on public knowledge of fair housing laws. The most recent study is available on HUD's website at <http://www.huduser.org/publications/hsgfin/FairHsngSurvey.html>.

The data are provided by Fair Housing Initiatives Program applicants on HUD Form 96010, and are entered into a database. HUD tracks the total number of activities held and persons reached based on data derived from quarterly and final report submissions by program grantees. Additionally, HUD verifies grantee activities through submission of items, such as program brochures and attendance sheets from events.⁷⁷

D.3: Increase the number of HUD-assisted units made accessible as a result of Voluntary Compliance Agreements.

HUD is making a concentrated effort to reduce the barriers that limit housing options for persons with disabilities. HUD's 2005 study, "Discrimination Against Persons with Disabilities: Barriers at Every Step," revealed high levels of discrimination against persons with disabilities. For example, the study

revealed that at least one-third of the advertised rental properties in the Chicago area were not accessible to persons who use wheelchairs.

The Department anticipates an increase in the number of accessible housing units as a result of enforcement efforts in tandem with ongoing education and outreach activities, as well as through the implementation of Voluntary Compliance Agreements with HUD recipients. In FY 2007, HUD developed a database to effectively track the number of accessible housing units made available as a result of fair housing enforcement efforts. FY 2008 represents the baseline year for collection of information.

The automated database system tracks the number of accessible housing units produced as a result of enforcement actions.⁷⁸

Supplemental Data Information for Strategic Goal D: **Reliability, Validation, and Improvement**

⁷⁶The data represent the overall effectiveness and efficiency in processing fair housing complaints. Because of the limitation of the 100 day processing period, case closures counted toward the target will exclude aged case closures, and will include cases received within 100 days prior to the beginning of the FY 2009 and 100 days prior to the beginning of FY 2010. The aged case measure will include cases aging on day one through the last day of the fiscal year. The data system entries will be verified through random checks of physical case files and documentation of case closures.

⁷⁷HUD Form 96010 ties each applicant's outputs and outcomes to HUD's strategic goals and policy priorities. The form has been used since FY 2003, and in FY 2005 a Fair Housing Initiatives Program database was developed to ensure the collection of useful information. HUD Form 96010 is based on a logic model that defines and helps validate the linkages between program activities and outcomes. The logic model establishes accountability for the results projected by applicants, and applicants refine their logic models, program activities, and performance goals from year to year.

⁷⁸The database will show tangible outcomes resulting from enforcement efforts. Accessible housing units are verified through onsite inspections conducted by field staff.

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

Strategic Objectives:

- E1 Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance. This objective addresses HUD's commitment to invest in its workforce to increase effectiveness.*
- E2 Improve HUD's management and internal controls to ensure program compliance and resolve audit issues. This objective addresses HUD's continuing efforts to improve Departmental performance and prevent fraud, waste, and abuse by focusing on financial systems, financial performance, and program operations.*
- E3 Improve accountability, service delivery, and customer service of HUD and its partners. This objective reflects HUD's extensive use of partnerships and efforts to improve the performance of these partners or intermediaries.*
- E4 Capitalize on modernized technology to improve the delivery of HUD's core business functions. This objective captures the importance of information technology in improving HUD's operations.*

These are the key performance indicators HUD has established to track its commitment to high standards of ethics, management, and accountability.

Cross-Departmental

E.1: HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.

As part of HUD's Strategic Plan and its Strategic Human Capital Management Plan, the Department has been developing a workforce plan for each program office to address mission critical skill gaps to ensure the necessary support of HUD's program delivery. In FY 2009, HUD will use training and hiring flexibilities so that there is a 50 percent or greater reduction in the number of core business program staff with identified competency gaps. Each of the four core business program offices will identify a specific mission critical competency, establish a baseline of existing skill gaps for that competency, and set targets to close those gaps. The use of various training and development approaches includes, but is not limited to: instructor lead training, e-Learning and computer based learning, coaching, mentoring,

shadowing, detail assignments, job-aids, forums, workshops, seminars, and best practice reviews. Additionally, the Department will assess the effectiveness of the training received by business core program staff during FY 2007.

The Office of Administration's Office of Training Services will work closely with the program offices to continue implementing this process across the Department. Skill gap closure data will be gathered by the Office of Training Services from each of the program offices; from quarterly action plan progress reports on general skills training to be delivered by the program offices at the Human Capital Steering Committee meetings; from Resource Estimation Allocation Process/Total Estimation and Allocation Mechanism reports; and from annual performance ratings.⁷⁹

E.2: By the end of FY 2013, HUD will have an integrated enterprise-wide financial management system that is compliant with all laws and regulations.

A major initiative for the Department is the modernization and integration of its core financial systems through the HUD Integrated Financial Management Improvement Project. The Department currently maintains four independent and non-integrated financial systems that support core financial functions and a reporting system to prepare consolidated financial statements for internal and external reporting. This initiative tracks a multi-year, phased project plan that builds upon the successful financial systems modernization efforts already completed by FHA, Ginnie Mae, and the Office of Federal Housing Enterprise Oversight.

This project will reduce the number of systems maintained, provide online, real time information for management decision making, enhance the Department's participation in e-government initiatives, advance HUD's compliance with federal financial and accounting requirements, reduce costly and inefficient operations maintenance, and strengthen internal controls.

The Integrated Procurement Team in the Office of the Chief Financial Officer is scheduled to complete the System Integrator/Shared Service Provider solicitation in FY 2008, contingent upon obtaining sufficient funding for the contract and completion of the acquisition process. This contract will include a project plan and schedule to achieve integrated financial management for the Department by 2013. Following award of the performance-based, fixed price contract in FY 2008, the Office of the Chief Financial Officer and FHA Financial System Modernization Team will collaborate with the System Integrator/Shared Service Provider to integrate their systems, ensure the contractor delivers all contracted services and achieves the performance levels established in the service level agreement, and establish a business plan to transition to the integrated enterprise-wide Commercial Off The Shelf federal certified system in FY 2009/2010/2011.

The data source is the system integrator/shared service provider acquisition contract.⁸⁰

E.3: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$27 billion in annual expenditures. In FY 2000, a HUD Quality Control Study estimated that 60 percent of all subsidized rent

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calculations were done in error, and that there were approximately \$3.2 billion in gross improper payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administrator errors and tenant income reporting errors. A third type of error, billing errors, was later identified.

The three major sources of error that result in under or overpayments in these complex programs are defined as follows:

- Program administrator error: the program administrator’s failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary’s failure to properly disclose all income sources; and
- Billing: errors in the billing and payment of subsidies between third party program administrators and HUD.

To reduce these errors, HUD has committed to specific and aggressive corrective actions as part of the Eliminate Improper Payments initiative of the President’s Management Agenda. The Department initiated the Rental Housing Integrity Improvement Project in the spring of 2001 to address this improper payment issue and the associated high program risks and material internal control weaknesses identified by the Government Accountability Office and the HUD Inspector General.

HUD established a goal for a 50 percent reduction in both the frequency of errors, and the \$2 billion in net annual overpayments by FY 2005. Based on a study of FY 2005 program activity, HUD exceeded that goal by reducing net annual overpayments by 69 percent, as follows:

Reduction in Improper Payments Due to Subsidy Determination and Income Reporting Errors (Dollars shown in Billions)				
Errors	Over Payments	Under Payments	Net Over- Payments	Gross Improper Payments
2000	\$2.594	\$0.622	\$1.972	\$3.216
2005	\$0.943	\$0.341	\$0.602	\$1.284
Reduction, 2000-2005	\$1.651	\$0.281	\$1.370	\$1.932
Percentage reduction	64%	45%	69%	60%

With enactment of the Improper Payments Information Act of 2002, and issuance of OMB’s implementation guidance for the Act, HUD is now required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. HUD has set aggressive goals as follows:

Rental Assistance Improper Payment (IP) Reduction Outlook									
FY 2005–FY 2009									
(Dollars shown in billions)									
	FY 2005 Payments	FY 2005 Amount	Improper Payments						
			FY 2005		FY 2006		FY 2007 Goal	FY 2008 Goal	FY 2009 Goal
			Goal	Actual	Goal	Actual			
Rental Assistance	\$27.242	\$1.464	5.6%	5.4%	5.0%	5.5%	5.5%	5.3%	4.5%

Achieving HUD’s aggressive improper payment reduction goals will result in a more efficient use of program funds, either through the availability of additional funds (net overpayment) or giving the right amount to those in need (net underpayment).

The data sources are periodic error measurement studies overseen by the Office of Policy Development and Research and supported by the PIH and Housing program organizations.⁸¹

E.4: HUD employees continue to become increasingly satisfied with the Department’s performance and work environment.

This indicator is directly linked to both the Department’s Strategic Plan and its Human Capital Management Plan, and is tied to the President’s Management Agenda. A satisfied workforce translates to a workforce that operates efficiently and effectively and produces important results. This effort helps to support two of the Department’s human capital goals, which are to become a better mission-focused agency and to maintain a high-quality workforce.

In FY 2007, HUD established a working group to focus on environmental cultural change that is expected to improve employee satisfaction in the areas of Leadership and Communication, which are inclusive of the (1) Training and Career Development and (2) Leadership and Quality dimensions. In June 2007, the Secretary approved an action plan to accomplish items that can be completed in both the short and long term to improve employee satisfaction. Strategies such as holding town hall style meetings with managers and encouraging communications across levels of authority are being done to improve employee satisfaction. In FY 2008, HUD will implement 90 percent of the items on the action plan. The Federal Human Capital Survey will be re-administered in late FY 2008. Modifications may need to be made to the Action Plan in FY 2009 based on the results of the survey. In FY 2009, HUD will continue implementing the action plan to better improve employee satisfaction. HUD will use multiple communications methods to illustrate employee value to HUD accomplishments. HUD will also conduct forums with other agencies to better improve employee satisfaction.

Employee satisfaction is measured by the Federal Human Capital Survey, which is web-based and administered by the Office of Personnel Management every two calendar years. It is conducted under the leadership of HUD’s Human Capital Steering Committee.⁸²

Community Planning and Development

E.5: Financial management and targeting of CPD program resources to meet the needs of underserved populations are maximized through the monitoring of 20 percent of grantees for compliance with program requirements.

State and local governments as well as non-profit organizations are recipients of Community Planning and Development formula and competitive grants to assist in building viable neighborhoods, expand homeownership and affordable opportunities, and provide economic opportunities. This indicator measures whether the grantee has policies and procedures that are adequate to ensure that HUD funds are used in compliance with applicable statutory and regulatory provisions, and that funds are spent for eligible activities, and that sufficient records are maintained to ensure compliance with applicable financial management requirements. In FY 2009, 20 percent of grantees (958) will be monitored to ensure compliance with statutory and regulatory requirements.

Annually, CPD field offices conduct risk assessments on all active Formula and Competitive grantees. Program requirements monitored are based on results of the annual risk assessment. Monitoring serves to promote improvement in grantee performance. Based on risk assessment results, CPD selects grantees for monitoring and technical assistance to improve poor performing grantees, and/or to validate grantee accomplishments and compliance.

Monitoring measures the effectiveness of grantees' financial management controls in reducing the number of erroneous payments for questionable or ineligible uses. It also identifies whether HUD resources are targeted to improve underserved communities. Monitoring supports the HUD strategic goal of embracing high standards of ethics, management and accountability by ensuring that financial resources are properly used for eligible activities to meet underserved community needs of low- and moderate-income persons.

Monitoring data are entered by CPD field staff into the Department's internal tracking system, HUD Integrated Performance Reporting system.⁸³

FHA/Housing

E.6: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.

The overall goal of the Accelerated Claim and Asset Disposition demonstration program is to ensure that FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single family assets and maximizing the return to the FHA Insurance Funds. Section 601 of the FY 1999 HUD Appropriations Act amended Section 204 of the National Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility for modifying the single family claim and asset disposition process. HUD is conducting a demonstration program to reform the single family claims and asset disposition process, maximize recoveries on claims paid, and support the Department's outcome goal of homeownership retention. FHA has the opportunity to execute various asset disposition strategies as a part of the

Accelerated Claim and Asset Disposition demonstration, including special servicing, securitizations, whole loan sales, and a combination of whole loan/pipeline sales. Currently, FHA is utilizing structured financing and retaining an equity interest in the limited liability company formed to acquire, service, and dispose of portfolios of single family notes.

The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. Three subsequent auctions were held September 2003, June 2004, and May 2005. This indicator tracks the rate of recovery on FHA claims between FY 2007 and FY 2008. The benchmark or target for this performance indicator which is the final rate of net recovery received on the sale of Single Family assets through the conveyance program, will be determined when fiscal year end data is available.

Single Family Note Sales	Recoveries Adjusted for Claim Cost (as of 11/30/07)
Single Family – Sale I 2002 (assets sold in FY 2003)	71%
Single Family – Sale II 2003 (assets sold in FY 2003)	74%
Single Family – Sale III (assets sold in FY 2004)	78%
Single Family – Sale IV (assets sold in FY 2005)	76%

The average net recovery rate during FY 2007 was 72.93 percent of unpaid principal balance. An average recovery of 73.8 percent of unpaid principal balance has been achieved across the life of the demonstration.

The Single Family Insurance System – Claims subsystem provides the acquisition cost data for this indicator. FHA Single Family Acquired Asset Management System provides the expense detail for the conveyance program (Claims subsystem “type 1” transfer claims) rate of net recovery. FHA Subsidiary Ledger provides the Accelerated Claim and Asset Disposition recovery rate on sale of assets (Claims subsystem “type 2” claims) through its PeopleSoft financial program. For convenience, all data are reported from FHA Single Family Housing Enterprise Data Warehouse.⁸⁴

E.7: Respond to 2,000 inquiries, complaints and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.

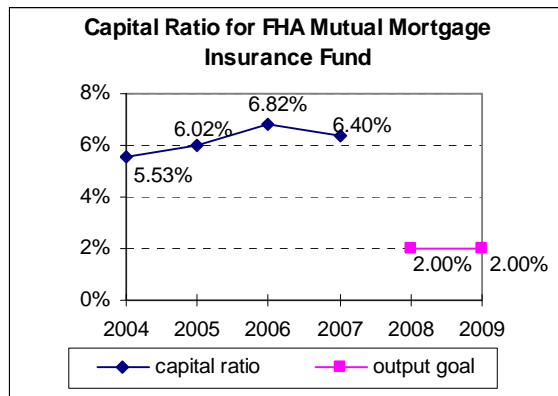
Consumers are protected from fraud and abuse in the sale or lease of nonexempt undeveloped lots or units through a program mandated by the Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended), which also requires registration of subdivisions marketed in interstate commerce. This program protects consumers by making developers provide pertinent information to consumers when they are considering purchasing land, and imposes on developers statutory and regulatory penalties for non-compliance.

The goal of the Interstate Land Sales program is to ensure compliance with the Act. Full disclosure of pertinent facts to consumers in Property Reports ensures that they are knowledgeable about the lot and surrounding common areas and infrastructure for future housing construction and helps to prevent them from becoming unwitting victims of fraud in the purchase or lease of land. To ensure that consumers benefit from up-to-date information about their rights in the purchase or lease of land, and to ensure that appropriate remedies are implemented in cases where these rights have been violated, the Office of Interstate Land Sales will respond to 2,000 inquiries, complaints and subdivision registrations in FY 2009.

The data source is the PO 30 Case Tracking System and Website email box. Actions that are counted include advisory opinions, initial filings, financial statements, amendments, annual reports, certification requests, consolidations, exemption orders, no action letters, and consumer complaints received about violations of the Act as well as referrals from other regulatory agencies.⁸⁵

E.8: The FHA Mutual Mortgage Insurance Fund meets congressionally-mandated capital ratio targets.

HUD maintains a Capital Reserve Account for FHA single family mortgage insurance programs operated under the Mutual Mortgage Insurance Fund. In that account are special issue Treasury securities that can be cashed-in to meet unexpected claim expenses. One important indicator of the Mutual Mortgage Insurance Fund's financial soundness, and of HUD's continuing ability to make homeownership accessible to low-income and minority households during stressful economic conditions, is the capital ratio.



The Mutual Mortgage Insurance Fund capital ratio is defined as the sum of FHA's capital resources (Capital Reserve Account balances plus cash-on-hand), plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses), divided by insurance-in-force. Congress set a minimum Mutual Mortgage Insurance Fund capital ratio of two percent as a means of assuring that FHA's primary single family insurance programs will be entirely self-financing. FHA receives revenues through up-front and annual insurance premiums paid by the homebuyers obtaining FHA-insured mortgage loans, and through earnings on the Capital Reserve Account. Because the Department is expected to operate Mutual Mortgage Insurance Fund programs in an actuarially sound manner, it is subject to an annual actuarial study that assesses current economic value, the capital ratio, and the FHA's ability to provide homeownership opportunities while remaining self-supporting.

The capital ratio has significantly exceeded the congressionally mandated two percent threshold each year since 1995.

The data source is the annual independent actuarial review of the Mutual Mortgage Insurance Fund.⁸⁶

Support Offices

E.9: HUD will reduce mission critical skill gaps by 25 percent in the identified leadership and management competency of the Management Competency plan.

As HUD continues to implement both the Department's Strategic Plan and its Strategic Human Capital Management Plan, HUD remains committed to having a high quality, results-accomplishing workforce. In response to the President's Management Agenda in FY 2005, HUD developed a department-wide Management Competency plan to ensure that HUD maintains a highly trained and effective corps of supervisors, managers, and executives to lead the Department in accomplishing its current and future mission, goals, and objectives. In FY 2007, HUD implemented a supervisory training curriculum aimed at providing needed introductory and refresher supervisory training for HUD managers and supervisors, which includes mandatory supervisory training for all new managers and supervisors. In FY 2009, HUD will identify another targeted competency from the Management Competency plan and then implement an action plan for closing the identified leadership and management competency skill gap by at least 25 percent.

Skill gap closure data will be gathered by the Office of Training Services from each of the Department's program offices; quarterly action plan progress reports on leadership training will be delivered by the program offices at the Human Capital Steering Committee meetings.⁸⁷

E.10: Eighty percent of HUD fellows and interns are retained and targeted for mission-critical positions in HUD offices.

This indicator is directly linked to both the Department's Strategic Plan and its Strategic Human Capital Management Plan, and is tied to the President's Management Agenda. This indicator is a key component of an outcome measure of effective succession planning, which 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. The HUD fellow and intern programs are used to recruit and develop highly qualified people for mission-critical positions, and to meet future workforce needs. These programs offer individuals valuable work experiences and training opportunities and provide the training necessary to fill mission-critical skill gaps as employees retire. Key programs to be used in the succession planning efforts continue to include: a) the Presidential Management Fellow, b) the Federal Career Intern, c) the Legal Honors Intern, and (d) the MBA Fellows program.

In FY 2009, HUD expects to retain 80 percent of its highly qualified interns that will be hired in FY 2008, as well as retain 80 percent of the 47 interns hired in FY 2007. HUD will continue to prioritize critical occupations for intern placements. The emphasis will be on closing skill gaps and addressing projected losses from retirements.

The data sources are the manual performance reports provided by program offices, HUD's Succession Plan, and data from the National Finance Center.⁸⁸

E.11: HUD financial statements receive an unqualified audit opinion.

The Department introduced this indicator into its Annual Performance Plan goal structure to maintain a focus on improving and enhancing HUD's financial stewardship. The receipt of an unqualified audit opinion for HUD's consolidated financial statements is a strong indicator of HUD's accountability and the success of efforts to stabilize its financial management systems and operating environment. It is also important for maintaining confidence in the Department's financial statements for OMB, congressional, and public users. HUD has received an unqualified audit opinion on its annual consolidated financial statements for eight consecutive fiscal years, 2000–2007.

HUD works with the Office of Inspector General auditors to improve the annual audit plan and to ensure adherence to the 45 day timeline for the FY 2008 financial audit. The Department is regularly called upon to provide timely information to program decision-makers in Congress and the Executive branch. In FY 2004, HUD began issuance of quarterly financial statements within 21 days after the end of each quarter. The Department will continue issuing its annual audited financial statements within 45 days after the end of each fiscal year.

HUD is very mindful of the need for continued progress in resolving remaining significant deficiencies still associated with HUD's underlying financial management systems and operations and is committed to exercise the financial management discipline and vigilance required to maintain the confidence in its financial statements.

HUD financial statement audits are performed by the Office of Inspector General and contracted resources directed by that office.⁸⁹

E.12: HUD will test, train, and exercise the Continuity of Operations and Continuity of Government capabilities.

Federal policy requires federal agencies to have a Continuity of Operations Plan in place to continue essential functions during a natural disaster or severe emergency situation that renders Headquarter building(s) unusable (e.g., hurricanes, bomb threats, acts of terrorism).⁹⁰ The United States policy to maintain a comprehensive and effective continuity capability composed of Continuity of Operations and Continuity of Government programs is a good business practice and part of HUD's fundamental mission as a responsible and reliable institution.

In FY 2009, the Office of Security and Emergency Planning will (1) perform quarterly testing of the Headquarters Continuity of Operations and Continuity of Government alert and notification procedures and achieve a 95 percent contact rate; and (2) conduct annual training of at least 80 percent of the Program Office Continuity of Operations Coordinators.

The Federal Continuity Directive (FCD)-1, *Federal Executive Branch National Continuity Program*, provides direction to Federal departments and agencies for developing their continuity plans and programs, and details specific requirements for testing, training, and exercising. The Office of Security and Emergency Planning maintains data to document the results of these required activities.⁹¹

E.13: Continue to modernize HUD's business operations to improve agency efficiency and effectiveness, maintain well-managed information technology investments aligned with priorities defined in the enterprise Transition Strategy, and promote cross agency and internal collaboration and reuse through business modernization planning (segment architecture development) for core mission areas and shared services.

The Office of the Chief Information Officer (OCIO) has a strategy to modernize HUD's business and information management environment, representing a significant change in the way HUD plans, designs, invests in, and implements information technology to support its mission. Enhanced information technology can improve service delivery and mission performance. HUD's Enterprise Architecture (EA) transition strategy is a long term plan that outlines a methodology for business and IT modernization, promoting collaboration between mission areas. Modernization includes the introduction of common business services and enterprise services to enhance current applications and reduce redundant or obsolete systems. The transition strategy increases access to business information through simple, self-service utilities and increases the efficiency and effectiveness of interactions between HUD employees, business partners and citizens.

The EA transition strategy provides a blueprint for HUD to guide its development, modernization, and enhancement (DME) investments and evaluate individual investments as an element of an enterprise-wide modernization strategy. Specific accomplishments for FY 2009 will include:

- Initiating segment architecture development and maintenance for priority modernization initiatives, including definition of performance architecture and performance milestones, and producing results for all major modernization initiatives;
- Providing portfolio-level and initiative-level enterprise architecture guidance and recommendations for all major modernization initiatives;
- Having an IT investment portfolio that will provide the greatest value to the Department given costs and risks;
- 100 percent of major information technology development investments will be reviewed for progress in meeting cost, schedule, risk, and benefit expectations. Corrective actions will be taken when performance indicators are not met;
- 100 percent of the major information technology investments will be evaluated against OMB investment performance indicators and none of the IT investments will be identified on the OMB FY 2009 Watch List; and,
- 100 percent of all major steady state investments will be evaluated for meeting operational requirements, user satisfaction and system performance.

The performance data will be drawn from the Office of the Chief Information Officer administrative database, consisting of system performance metadata reported by program owners of data systems. An additional data source is the HUD Information Technology Strategic Plan FY 2007 – FY 2012.⁹²

E.14: HUD will meet specified information technology-related security requirements.

The Federal Information Security Management Act of 2002 establishes security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD's

Information Technology Security Office provides protection for HUD's information systems and resources and has responsibility for implementing security controls in compliance with the Federal Information Security Management Act. The FY 2009 budget requirement of \$4.5 million is needed to support the Information Technology Security Program at HUD. There are currently 15 full-time equivalent employees allocated to support this program.

In FY 2009, the Office of Information Technology Security will continue to oversee the mitigation of risks and remediation of vulnerabilities in controls employed to protect HUD information systems and resources from unauthorized disclosure, modification, and denial. This will include meeting the following three requirements:

(1) Continuously monitor the status of IT resources to include continuation of the certification and accreditation effort to ensure that 100 percent of major applications and general support systems that are documented in the Inventory of Automated Systems (IAS) have been fully certified and accredited. This requirement includes:

- Integrating information technology security tasks and milestones into HUD's software development lifecycle model to ensure that security controls requirements are identified and addressed in a timely and cost effective manner, and that all information technology systems are certified and accredited prior to their operation.
- Monitoring the status and effectiveness of annual system-level contingency plan testing.
- Reviewing annually all system security plans for currency and completeness, and including deficiencies in Plans of Action and Milestones.

(2) Prioritize and oversee remediation of high priority risks. This requirement includes:

- Performing a review of 100 percent of Plans of Action and Milestones, with emphasis on remediation of all weaknesses categorized as high impact.
- Ensuring that independent penetration testing of HUD's information technology infrastructure is conducted annually.
- Ensuring that weaknesses in HUD's IT infrastructure are identified by HITS vendors and are included in Plans of Action and Milestones for HUD general support systems.
- Ensuring that system owners perform self-assessments of system security controls in accordance with NIST Special Publication 800-26.
- Ensuring that vulnerability scanning of HUD's operating systems and databases is conducted according to a risk-based schedule.
- Ensuring that automated scanning is conducted to identify weaknesses in web-based applications according to a risk-based schedule.
- Ensuring that weaknesses in security controls identified in reported incidents are reported and investigated and corrective action is taken.

(3) Ensure that 90 percent of HUD employees and contractors will have completed information technology Security Awareness Training. This requirement includes:

- Promoting enterprise-wide security awareness through provision of computer-based training for all HUD users.
- Provision of specialized information technology security training for personnel assigned significant security responsibilities.

- Provision of role-based training to personnel serving as primary and alternate Information Systems Security Officers, system owners, Government Technical Representatives/Managers, IT coordinators, and system security administrators in the roles and responsibilities of those positions.

HUD will collect applicable data through the review or performance of independent audits of information technology security controls and procedures, risk assessments, security tests and evaluations, self-assessments, penetration tests, operational reviews by the Office of Information Technology Security (OITS) staff, Inspector General and Government Accountability Office audit report reviews, and data collected from program office staffs in response to Office OITS data calls. An additional data source will include the President's Management Agenda documentation.⁹³

E.15: The Office of the Chief Information Officer will perform Data Management Maturity assessments of three major HUD information systems and report on their level of maturity.

Over the years, HUD's program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices are ultimately responsible for the management and the quality of their data, including data provided by business partners. The Office of the Chief Information Officer oversees information technology investments and ensures that information systems support core business processes and achieve mission-critical goals.

The Office of the Chief Information Officer has initiated an enterprise-wide effort to ensure that HUD is aligning its data management priorities with the Department's mission and program office objectives, which has resulted in improved data management functions across the enterprise. This initiative enables the Department, in program areas and in Lines of Business areas, to evaluate the data management practices used in these areas and to provide guidance on improving the management of the information used within these areas. The goal of this effort is to decrease costs and increase the quality, standardization, reuse and sharing of the information necessary for HUD to conduct its mission. To meet these goals the Office of the Chief Information Officer will conduct three Data Management Maturity assessments and provide reports to the system stakeholders by the end of FY 2009.

Results of the Data Management Maturity assessments are maintained in an Office of the Chief Information Officer administrative repository under configuration control.⁹⁴

E.16: HUD partners become more satisfied with the Department's performance, operations, and programs.

HUD partners are critical for the Department's success in achieving desired outcomes. Partners, including both governmental and private entities, are the primary service deliverers for most HUD programs. Increasing partners' satisfaction with the Department makes them more willing to support HUD in achieving common objectives.

HUD surveyed eight partner groups during FY 2001 and FY 2005 to assess partner satisfaction with HUD. The partner groups included community development directors, PHA directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and nonprofit providers. Overall satisfaction

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by partners varied greatly, with Fair Housing Assistance Program directors and mayors highly satisfied and PHA directors and multifamily owners less satisfied. Compared with FY 2001, 5 of 8 partner groups expressed greater satisfaction with HUD’s programs in FY 2005 (with one change statistically significant), and 3 of 8 groups expressed greater satisfaction with HUD’s operation of those programs (with two statistically significant improvements and one significant decrease). The Department’s goal is to see a significant increase in the satisfaction of partner groups when the survey is replicated. If resources are available, a third partner survey will be conducted in FY 2008, with results to be released during FY 2009.

Results of HUD Partner Surveys, FY 2001 and FY 2005

	Percent satisfied or very satisfied with “the HUD programs you currently deal with.”		Percent satisfied or very satisfied with “the way HUD currently runs those programs.”	
	FY 2001	FY 2005	FY 2001	FY 2005
Community Development Department partners	87%	92%	73%	*81%
Mayoral partners	88%	*91%	79%	79%
Public Housing Agency partners	59%	64%	39%	*50%
Fair Housing Assistance Program Agency partners	85%	84%	68%	66%
HUD-Insured Multifamily Housing partners	69%	67%	60%	58%
HUD-Assisted Multifamily Housing partners	62%	78%	53%	53%
Section 202/811 Multifamily Housing partners	88%	82%	78%	*70%
Non-profit Housing partners	62%	66%	52%	57%

* Statistically significant change with 95% confidence.

Partner satisfaction is assessed through stakeholder surveys conducted approximately every three years. The 2006 report, “Partner Satisfaction with HUD’s Performance,” is available at www.huduser.org.⁹⁵

E.17: Policy Development and Research work products will be high quality and useful to customers.

The Office of Policy Development and Research helps support HUD’s outcome goals of accountability, service delivery, and customer service in numerous ways: providing objective data about market conditions for operations and analysis; evaluating program performance; providing analytical support for policy and management improvements; and disseminating such information to practitioners and researchers through the HUDUSER.org website. This indicator gauges the success of these efforts through two performance measures:

- Percentage of key users who are satisfied with the quality and usefulness of Policy Development and Research’s work products—The FY 2009 performance goal is to achieve satisfaction rates of 85 percent or higher when the users are next surveyed. Among the FY 2005 survey respondents, 87 percent were highly satisfied or moderately satisfied with the quality of the information available on HUD USER. Satisfaction with the quality of information was even

higher among the key users of the listserv groups, reaching 94 percent. Regarding the HUD USER website itself, 84 percent of respondents expressed satisfaction. The FY 2009 goal is sustain high levels of user satisfaction despite cuts in research funding that threaten to diminish the output of substantive, high-quality research products.

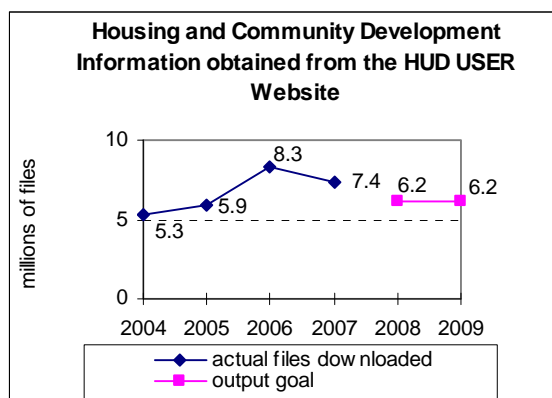
- Files downloaded from the HUD USER research clearinghouse—This measure indicates whether PD&R is providing reports and data on housing and community development that are useful to the nation. During FY 2007, users of the HUD USER research clearinghouse downloaded nearly 7.41 million electronic files, surpassing the goal of 6.0 million downloads, although the volume was 10 percent less than the FY 2006 downloads. The FY 2009 goal is to achieve 6.2 million downloads. This goal is constrained by prior-year cuts in research funding that affect the pipeline of significant research products being released.

Performance goals will be pursued by seeking measurable improvements in areas that respondents have identified as needing improvement, such as stronger search capabilities on the website. During FY 2006, the Office of Policy Development and Research implemented a plan to further strengthen HUD USER operations by addressing research findings and suggestions from the FY 2005 survey respondents. The Office also contracted with the National Academy of Sciences to evaluate independently its research agenda and operations.

The Academy's evaluation is expected to be completed during FY 2008.

The level of research funding under the Research and Technology account affects this indicator through the number and scope of program evaluations, policy assessments, and building technology studies conducted. About 75 percent of the Office's FY 2007 research budget of \$29.7 million was allocated to mandatory data collection efforts such as the American Housing Survey and to other fixed costs.

The customer satisfaction data are collected through periodic customer surveys. Subject to availability of funds, the FY 2009 survey will provide metrics comparable to the FY 2005 survey with additional elements and enhancements. The downloads data are gathered in monthly reports from Sage Computing, the web hosting and content management provider for HUD USER.⁹⁶



Supplemental Data Information for Strategic Goal E: Reliability, Validation, and Improvement

⁷⁹The primary limitation affecting this indicator is that skill gaps are difficult to measure consistently and objectively because they are based on manager assessments of their staff. Manual data collection processes slightly increase the risk of introducing errors. Data are assessed and verified by the Office of Training Services.

⁸⁰Contractor resources will be obtained through a fixed price performance based contract and service level agreement to ensure the contractor assumes a portion of the responsibility for timely completion of the project. The consolidated business case and project work plan will include Department subject matter experts' collaboration with the contractor project team to participate in and share the goals and objectives established for the project. The Office of Chief Financial Officer and the affected program areas will monitor the performance-based contract to ensure the contractor delivers all contracted services and achieves the performance levels established in the service level agreement.

⁸¹The data are reliable for this measure, assuming availability of funding to cover the cost of the studies. The independent HUD Office of Inspector General reviews the error measurement methodology and supporting documentation for the computation, as well as management controls over the related program activity, as part of its audit of HUD's annual financial statements.

⁸²The Federal Human Capital Survey is a tool that measures employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present in their agencies. The survey measures factors that influence employees wanting to come, to stay, and to help the agency meeting its mission. In addition, it allows managers to examine trends to determine accomplishments and to identify areas for improvement. All employees receive the surveys, and data are weighted to produce survey estimates that represent the survey population. The weights developed take into account the variable probabilities of selection across the sample domains, on response, and known demographic characteristics of the survey population.

⁸³Field office use of new computer-based monitoring exhibit module that is available for HUD review also supports assessments of requirement reviewed, and the quality of reviews. All monitoring of grantees is conducted in compliance with guidelines established in HUD CPD Monitoring Handbook, 6509.2 REV-5. CPD field offices report how many grantees were reviewed in the HUD Integrated Performance Reporting system. Field staff must enter grantee monitoring data into the new computer-based monitoring exhibit module. Supervisors must review and approve information in the monitoring exhibit module for soundness of quality assurance practices and adherence to front-end risk-based analysis. The monitoring exhibit data entered by field office are available for review and analysis by HUD Headquarters' program offices. In addition, the Office of Departmental Operations and Coordination performs Quality Management Reviews of HUD field offices, which validate the results of the monitoring of grantees.

⁸⁴The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of FHA's portfolio and as a component of the internal controls of FHA. Data for FHA claims and recovery are audited by the Inspector General.

⁸⁵Complaints and registrations received will determine the number of responses during the fiscal year, though based on past practice the Department expects to respond to 2,000 inquiries, complaints, and subdivision registrations. Management reviews tracking system and e-mail data on an ongoing basis.

⁸⁶The data are generated and solvency is assessed independently. FHA data are entered by direct-endorsement lenders and loan servicers with monitoring by FHA. The annual independent actuarial review of FHA's Mutual Mortgage Insurance Fund includes an estimate of the current and projected capital ratio.

⁸⁷The primary limitation affecting this indicator is that skill gaps are difficult to measure consistently and objectively because they are based on manager assessments of their staff. Manual data collection processes slightly increase the risk of introducing errors. Data are assessed and verified by the Office of Training Services.

⁸⁸The Office of Training Services administers the Intern program. Program offices manually provide status reports on intern performance and successful completion of requirements. The Office of Training Services is responsible for monitoring and measuring performance against Intern program performance goals.

⁸⁹Financial statement audits review the accuracy of the financial statements, the adequacy of the underlying data systems and internal controls, and compliance with applicable laws and regulations. In addition to providing an opinion on the financial information presented in HUD's financial statements, the auditors also identify internal control weaknesses that could have a material impact on that presentation, with recommendations for needed improvements. Office of Inspector General audits are independent of HUD management, are performed in

accordance with the Government Accountability Office auditing standards, and adhere to the Office of Management and Budget and other guidelines and standards governing the preparation and audit of agency financial statements.

⁹⁰National Security Presidential Directive (NSPD)-51 / Homeland Security Presidential Directive (HSPD)-20, *National Continuity Policy*.

⁹¹The Office of Security and Emergency Planning administers the HUD Continuity Program and monitors and tracks participation and successful completion of the requirements. The OSEP performs a self-assessment and validation of HUD's continuity capabilities for reporting to the DHS and the President. DHS is developing a Continuity Assessment Tool to measure continuity readiness against the requirements contained in NSPD-51/HSPD-20 and FCD-1, which will further facilitate the reporting of these continuity results to the President. GAO and/or the OIG may also perform independent assessments and validation.

⁹²HUD's information technology portfolio, and specifically the OMB Exhibit 53, will identify Development, Modernization, and Enhancement spending. The OCIO is an independent reviewer of system performance reported by program offices. The OCIO and program areas have oversight in the development of system performance goals. Implementation will be verified by an independent audit by a third party and/or the OIG.

⁹³The quality of data from program offices (through self-assessments and data calls) is likely to be inconsistent. The quality of security certification activities will be dependent on the quality of the analysis used, the documentation provided, and the extent and rigor of testing of implemented information technology security controls. Program managers, with the assistance of the Office of Information Technology Security, regularly review security documentation for accuracy and Plans of Action and Milestones to ensure that planned corrective actions take place.

⁹⁴Measuring the DMM level is dependent on the quality of system's documentation and the ability to produce the information needed within the timeframe necessary to conduct the DMM assessment. OCIO DMM assessment reports identify the objective criteria for evaluating the DMM and the results of the assessment.

⁹⁵The overall response rate for the FY 2005 survey effort was 73 percent, substantially higher than typical levels for comparable surveys. Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. HUD modifies the survey methodology and instrument to focus on pertinent management topics and improve validity of results. As a result, responses may not be strictly comparable from year to year. The survey instruments used in FY 2001 and FY 2005 each were pretested to validate the data collection. The surveys differ slightly in focus because the management environment has changed, although a core set of questions are retained to ensure comparability. Survey results are substantially verified in a qualitative way on an ongoing basis as the Department solicits views of partner groups in program activities and negotiated rulemaking.

⁹⁶The results of the FY 2005 survey are presented in full in the final report, "Assessment of the Office of Policy Development and Research Website." Performance during FY 2009 and future years will be measured by conducting new surveys periodically. The next survey of listserv and web users will be scheduled after the completion of the National Academy's assessment. The survey research is designed and pilot-tested to produce valid results that are representative of the Office of Policy Development and Research key users. Followup telephone interviews of a convenience sample of respondents are anticipated to produce more in-depth information and better understanding of the results from the listserv and web user surveys. Downloads data are generated with WebTrends software, a standard analytical application in the web-hosting industry. No counting errors are expected. Users may download multiple files while obtaining the information they were seeking, and a single user may download the same product more than once. An effort has been made to exclude partial downloads, but a small proportion of partial downloads are known to remain.

Successive survey efforts incorporate improvements over previous instruments and methods. The National Academy of Sciences evaluation also may identify areas needing specific assessment and inform the next survey design. The FY 2005 web-based survey included features designed to boost response rates. Frequent reporting and summary statistics in monthly usage reports allow managers to verify usage patterns. The customer survey conducted during FY 2005 provided independent qualitative and quantitative information for validating usage patterns from automated HUD USER data.

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

Strategic Objectives:

- F1** *Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs. This objective reflects HUD's efforts to advance and maximize the participation of faith-based and community organizations 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. This objective reflects HUD's ongoing outreach efforts to faith-based and other community organizations to provide information, training, technical assistance, and capacity building to increase opportunities for participation in HUD-sponsored programs.*
- F3** *Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees. This objective reflects HUD's efforts to forge partnerships to address capacity issues of faith-based and other community organizations to respond to community needs.*

These are the performance goals HUD has established to track its continued progress in successfully facilitating intra-departmental and interagency cooperation geared toward meeting the needs of faith-based and community organizations.

Center for Faith-Based and Community Initiatives:

F.1: The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's SuperNOFA process for FY 2009 compared to FY 2008.

Through this indicator, HUD's Center for Faith-Based and Community Initiatives measures progress toward the important outcome of increasing both the number and types of organizations participating in the Notice of Funding Availability process. HUD will continue to "open doors" to advance and maximize the participation of faith-based and community organizations in HUD-sponsored programs through the promotion and enforcement of Equal Treatment regulations and Executive Order 13279. These regulations will provide faith-based and community organizations with equal access and equitable

participation in the Notice of Funds Availability (SuperNOFA) application process and other grant programs.

Executive Order 13279 ensures equal protection of the laws for faith-based and community organizations, to further the national effort to expand opportunities for, and strengthen the capacity of, faith-based and other community organizations. The Department enforces these regulations so that faith-based and community organizations may better meet social needs in America's communities through increased access to HUD resources and utilization of more effective strategies to improve access to HUD sponsored programs. The Center for Faith-Based and Community Initiatives and CPD published a policy directive that provides detailed guidance for implementing the rules relating to CPD programs in light of the specific requirements of the affected programs. In addition to this directive, all CPD program offices reviewed their non-regulatory guidance documents, such as handbooks and funding notices, to ensure that all were compliant with Executive Order 13279 and the new final rules. In several instances, handbooks were modified to ensure that references to faith-based organizations were consistent with HUD policies.

Reports are provided by HUD program offices and compiled in a data collection report from HUD's Center for Faith-Based and Community Initiatives.⁹⁷

F.2: Comprehensive outreach programs are conducted for faith-based and community organizations throughout the nation to increase partnerships and provide information on HUD programs and resources.

Indicator background and context: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, comprehensive outreach programs are delivered both electronically and through participatory events. To strengthen the capacity of these organizations, technical assistance and capacity building programs are provided through convening and/or participating in "Unlocking Doors Initiative" forums, "Art & Science of Grant Writing" training sessions, conferences, and workshops. The Center will facilitate or oversee faith-based and community organizations' liaison participation in national, regional, and state conferences across the country, resulting in outreach to many of the nation's grassroots and large faith-based and community social service providers. In particular, during FY 2009, the Center will facilitate 40 "Art & Science of Grant Writing" training sessions and 8 "Unlocking Doors Initiative" forums.

The electronic outreach programs are conducted through the Center for Faith-Based and Community Initiatives' website, emails, teleconferences, web casts and mass mailings utilized to inform Faith-Based and Community Organizations about HUD programs. Information is provided through communication with more than 17,000 Faith-Based and Community Organizations in our database. Technical assistance and training programs have reached over 400,000 constituents by strategically coordinating activities organized through our 81 field offices, state and local governments, university partnerships, one-on-one meetings with faith-based and community leaders, and public speaking engagements. These activities resulted in enhanced outreach to many of the nation's grassroots and large faith-based and community organizations, providing participants with approaches to obtaining funding and developing strategies to augment their organizations' capacity. The success of the "Art & Science of Grant Writing" and the

Unlocking Doors Initiative has equipped faith-based and community organizations with the comprehensive knowledge needed to connect with State and local partners.

Accomplishments and outcomes will be assessed and documented by the HUD Center for Faith-Based and Community Initiatives.⁹⁸

F.3: The Center for Faith-based and Community Initiatives will work cooperatively with the HUD program offices to build and expand partnerships between Faith-based and Community Organizations and its traditional local grantees and sub-grantees.

The Unlocking Doors Initiative highlights and promotes successful local strategies for involving faith-based and community organizations in programs designed for developing affordable housing plans and building partnerships with state and local governments to promote homeownership opportunities to the recipients of HUD services. The Unlocking Doors Initiative has been expanded to include 16 U.S. cities. This affordable housing Initiative includes roundtable discussions with key faith-based and community organization leaders, officials from mayors' offices and public-private partners in the designated cities. Partnerships with grantees and sub grantees are established through Unlocking Doors Initiative forums, the HOPE VI mentoring program, and the Art and Science of Grant-writing training sessions. The Center will report on activities resulting from these partnerships in FY 2009.

A report entitled "Key to Successful City Hall, Faith-based and Community Partnerships" highlights successful relationships between local governments and faith-based and community organizations in designated cities. This report is distributed to mayors across the nation to show effective ways to replicate leading and winning strategies employed in their cities. Through the Unlocking Doors program, HUD has worked with major institutions of higher learning such as the University of Southern California and Harvard University. The program with the University of Southern California, Economic Development division, resulted in a panel discussion on effective partnerships which aired on Trinity Broadcast network and viewed by thousands of faith-based and community organization's and mayors in California. The Harvard University Kennedy School of Government partnership resulted in interactive on line communication sessions addressing issues involving affordable housing on local and national levels.

The Center for Faith-Based and Community Initiatives works in tandem with the Office of Public and Indian Housing to continue the successes of its joint project, the HOPE VI Mentoring Program. This program encourages Public Housing Authorities to enlist area faith-based and community organizations in identifying mentors for public housing residents moving toward self-sufficiency in the three cities that won grant awards (Danville, Virginia; Philadelphia, Pennsylvania; and Chicago, Illinois). This pilot is a fee-for-service model in which the faith-based and community organizations are remunerated for the service they provide, according to stipulated self-sufficiency benchmarks, such as gaining high school equivalency through the GED program and raising FICA scores.

Analysis of the successful practices within the "Unlocking Doors" cities and compilation of results from the number of benchmarks reached in the HOPE VI Mentoring program.⁹⁹

Supplemental Data Information for Strategic Goal F:
Reliability, Validation, and Improvement

⁹⁷Faith-based and community organizations self-identify in the Notice of Funding Availability. The advantage of compiling data on reducing barriers is to provide insight into the reasons why these organizations are disinterested in partnering with the government. These data also provide us with information on the importance of enforcing these regulations and discarding and refining others to decrease the complexity of bureaucracies which prevent these organizations from offering effective service to those in need. As reported to the White House in a data collection report, these regulatory requirements insure the proper application and interpretation of the rules protecting the rights of faith-based and community organizations, thereby enabling effective and equitable assessments of grant opportunities.

⁹⁸ The data provide insight into the effectiveness of HUD's outreach programs as manifested through the success of our constituents and the impact that it has on their community. The qualitative milestones used for elements of this indicator do not require numerical databases. Milestones and performance indicators will be supplemented or replaced by qualifying measures as grant program initiatives and projects are implemented and evaluated.

⁹⁹The primary limitation affecting this indicator is that these forums and the mentoring programs are difficult to measure consistently and objectively because they are based on results over a long period of time. Validations are assessed and verified by the Center for Faith-Based and Community Initiatives.

APPENDICES

APPENDIX A: Amendments to the Fiscal Year 2008 Annual Performance Plan

This Appendix consists of amendments to performance indicators contained in the FY 2008 Annual Performance Plan. These amendments, for the most part, reflect conforming changes to that document that are being made as a result of the streamlined FY 2009 APP. The Department will issue a supplemental Appendix A in the spring to reflect mid-year adjustment to the FY 2008 goals.

Goal A: Increase Homeownership Opportunities

A1.1: Improve national homeownership opportunities.

This indicator has been combined with A1.2: The share of all homebuyers who are first time homebuyers. The new indicator is titled, “Improve national homeownership opportunities in support of first time homebuyers.” These indicators were combined because they are thematically related and it provides a better explanation of the conditions and efforts in these areas.

A1.2: The share of all homebuyers who are first time homebuyers.

See A1.1 for discussion.

A1.9: The number of homebuyers who have been assisted with the HOME Investment Partnerships program is maximized.

This indicator has been combined with the following indicators:

- A1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant, the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant;
- A.13: The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 1,500;
- A1.17: The HOPE VI Program will create 800 new homeownership units;
- A2.8: Section 184A mortgage financing of \$19.2 million is guaranteed for Native Hawaiian homeowners during FY 2008;
- A2.9: Section 184 mortgage financing of \$247.5 million; and
- A5.1: Increase the cumulative public and assisted housing homeownership closings under the homeownership option of the Housing Choice Voucher, Family Self Sufficiency, and Moving to Work programs to 9,200 by the end of FY 2008.

The new indicator is titled, “HUD’s major programs will promote affordable housing opportunities.”

These indicators were combined because they are thematically related and it provides a better explanation of the conditions and efforts in these areas. In particular, this newly combined indicator better displays HUD's overall impact on homeownership.

The number of housing units associated with the American Dream Downpayment Initiative (New Homebuyer, Downpayment Initiative) was reduced from 5,000 units to 2,800 units to reflect actual FY 2008 appropriations.

Additionally, the Section 184 and 184A goals are being converted to approximate units. Accordingly, Public and Indian Housing will have a combined goal of 8,000 units for all its programs.

A1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant, the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.

See A1.9 for discussion.

A1.13: The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 1,500.

See A1.9 for discussion.

A1.14: The Self-help Homeownership Opportunity Program will maintain a default rate that is lower than that under the comparable U.S. Department of Agriculture 502 loan program.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

A1.15: Create net household equity of \$37.5 million through the Self-help Homeownership Opportunity Program.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

A1.16: Through the HOPE VI Community and Supportive Services program, 133 public housing residents will become homeowners.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results

for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

A1.17: The HOPE VI program will create 800 new homeownership units.

See A1.9 for discussion.

A2.2: Add 5.5 million minority homeowners between 2002 and 2010.

This indicator has been combined with the following indicators:

- A2.3: The gap in homeownership rates of minority and non-minority households; and
- A2.4: The disapproval rates of minority applicants.

The new indicator is titled, "Add 5.5 million minority homeowners between 2002 and 2010."

These indicators were combined because they are thematically related and it provides a better explanation of the conditions and efforts in these areas.

A2.3: The gap in homeownership rates of minority and non-minority households.

See A2.2 for discussion.

A2.4: The mortgage disapproval rates of minority applicants.

See A2.2 for discussion.

A2.8: Section 184A mortgage financing of \$19.2 million is guaranteed for Native Hawaiian homeowners during FY 2008.

See A1.9 for discussion.

A2.9: Section 184 mortgage financing of \$247.5 million is guaranteed for Native American homeowners during FY 2008.

See A1.9 for discussion.

A5.1: Increase the cumulative public and assisted housing homeownership closings under the homeownership option of the Housing Choice Voucher, Family Self-Sufficiency, and Moving to Work programs to 9,200 by the end of FY 2008.

See A1.9 for discussion.

A5.2: HUD works to expand public housing agencies' use of the Section 32 homeownership program, resulting in the submission of 12 proposals in FY 2008.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

Goal B: Promote Decent Affordable Housing

B1.2: The net number of years of affordability remaining for all HOME Investment Partnerships program-assisted units is maximized.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

B1.3: The number of rental households and rental housing units assisted with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants.

This indicator has been expanded to include housing assisted units from the Section 202 (affordable housing for the elderly) and Section 811 (affordable housing for persons with disabilities) programs indicator, B3.1). Also, this indicator is now titled, "Rental households and rental units will be assisted through major HUD programs. Additionally, the target for the Indian Housing Block Grants is being slightly adjusted from 1,420 families to 1,380 families to bring the target in line with FY 2007 performance.

B2.8: The HOPE VI Revitalization program for public housing relocates 300 households, demolishes 980 units, completes 4,979 new and rehabilitated units, and occupies 4,562 units.

Not all parts of this indicator will continue to be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting. The number of units demolished and the number of completed new and rehabilitated units will continue to be reported in the APP. The new title of this indicator is, "The HOPE VI Revitalization program demolishes 980 units and completes 4,979 new and rehabilitated units."

B2.9: Ensure that unit production of HOPE VI projects is completed on average within 7.6 years from the grant agreement execution, and unit production for 89 grants awarded from FY 1993 through FY 2004.

Not all parts of this indicator will continue to be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting. The number of grants in which unit production is completed will continue to be reported in the APP. The new title of this indicator is, "Ensure that unit production is completed for 89 HOPE VI grants awarded from FY 1993 through FY 2004."

B2.10: The HOPE VI program will leverage \$650 million of other financing.

This indicator has been combined with indicator B2.11: Approve \$50 million of leveraged funds through the Capital Fund Financing Program, and expanded to include alternative financing from energy performance contracts. These indicators were combined because they are thematically related and it provides a better explanation of the conditions and efforts in these areas. The new title of this indicator is, "The Department will approve and facilitate \$700 million of activity using alternative financing methods (e.g., the HOPE VI program, bonds through the Capital Funding Financing Program, energy performance contracts, etc.)."

B2.11: Approve \$50 million of leverage funds through the Capital Fund Financing Program.

See B2.10 for discussion.

B2.12: Ensure 10 percent of PHAs have realistic emergency preparedness plans in place.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

B4.2: The number of residents counseled through the Resident Opportunity and Self Sufficiency program in homeownership readiness will increase by 209, and the number of counseled residents who purchased homes will increase by 19 during FY 2008.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

Goal C: Strengthen Communities

C2.1: A total of 52,409 jobs will be created or retained through CDBG.

The target for this indicator has been revised downward from 52,409 jobs created or retained as a result of CDBG and Section 108 assistance to 42,013 jobs to reflect actual program outcomes in FY 2007 and the FY 2008 appropriations. This figure comprises 37,913 jobs created through CDBG and 4,100 jobs created through the Section 108 Loan Guarantee program. At the time of publication of the FY 2008 APP, the Administration's budget did not request any additional guarantee authority for the Section 108 program. Subsequently, a FY 2008 appropriation was received and so this indicator was revised to include jobs created through the Section 108 Loan Guarantee program.

C2.3: The share of CDBG entitlement funds that benefit low- and moderate-income persons remain at or exceeds 92 percent.

This indicator has been combined with indicator C2.4: The share of state CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent. These indicators were combined because they are thematically related and it provides a better explanation of the conditions and efforts in these areas. The new title of this indicator is, "Grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income person." The FY 2008 goals for CDBG entitlement and stated CDBG remain at 92 percent and 96 percent, respectively.

C2.4: The share of state CDBG funds that benefit low- and moderate-income persons remain at or exceeds 96 percent.

See C2.3 for discussion.

C2.7: Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

C2.8: HUD will monitor recipients' efforts to create training, employment, and contracting opportunities at Section 3-covered projects for qualifying low- and very-low-income residents and Section 3 businesses by increasing the proportion of recipient agencies submitting HUD 60002 by 10 percentage points.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results

for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

C3.4: Median loan amounts as reported in Home Mortgage Disclosure Act data will increase in 10 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

C4.1: At least 415 Continuum of Care communities will have a functional Homeless Management Information System by FY 2008.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

C4.5: Create 4,000 new permanent housing beds for chronically homeless persons.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

C5.4: At least 787 housing units will have a reduction in allergen levels in FY 2008 through interventions using healthy homes principles.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

C5.5: As part of a 10-year effort to eradicate lead hazards, 9,600 units will be made lead safe in FY 2008 pursuant to enforcement of the Department's lead safety regulations.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

Goal D: Ensure Equal Opportunity in Housing

D1.1: HUD will close 65 percent of fair housing complaints in 100 days, excluding recommended cause, pattern and practice, and systemic complaints.

This indicator has been structurally changed to include four subparts that are intended to reflect HUD's and HUD's fair housing partners efficiency in closing its entire inventory of fair housing complaints.

This new indicator includes indicator D1.2: Fair Housing Assistance Program agencies will close 53 percent of fair housing complaints referred by HUD in 100 days, excluding recommended cause and systemic complaints, and expanded to include aged cases, as amended as well as two additional measures. These indicators were combined because they are thematically related and it provides a better explanation of the conditions and efforts in these areas.

The new title of this indicator is, "Increase the impact of Fair Housing Act enforcement by increasing the efficiency of fair housing complaints." The subparts for this indicator are: (1) HUD will close or charge 55 percent of its Fair Housing Act complaints filed during the fiscal year within 100 days. (This measure revises D.1.1 to reflect efficiency in closing new cases, defined as cases filed within the fiscal year, within 100 days. This new measure does not exclude any cases in contrast to the previous indicator where recommended cause, pattern and practice, and systemic complaints were excluded from an efficiency review. (2) Fair Housing Assistance Program agencies will close 53 percent of fair housing complaints referred by HUD in 100 days, excluding recommended cause and systemic complaints. (3) HUD will close or charge 60 percent of its aged Fair Housing Act complaints within the fiscal year. (This measure has been added to reflect HUD's efficiency in closing "aged" cases – defined as cases that have been in inventory for more than 100 days, and (4) Fair Housing Assistance Program agencies will close or charge 95 percent of its aged Fair Housing complaints within the fiscal year. (This measure has been added to reflect HUD's fair housing partners' efficiency in closing "aged" cases – defined as cases that have been in inventory for more than 100 days vides a better explanation of the conditions and efforts in these areas).

D1.2: Fair Housing Assistance Program agencies will close 53 percent of fair housing complaints referred by HUD in 100 days, excluding recommended cause and systemic complaints.

This indicator has been combined with indicator D1.1: HUD will close 65 percent of fair housing complaints in 100 days, excluding recommended cause, pattern and practice, and systemic complaints, and expanded to include aged cases, and amended as discussed above under D1.1. The title of this indicator is, "Increase the impact of Fair Housing Act enforcement by increasing the efficiency of fair housing complaints."

D1.3: In order to increase the nation’s capacity to provide coordinated enforcement of fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department’s Management Plan or other internal reporting.

D1.4: By the end of FY 2008, at least 350 fair housing professionals will receive training (training “weeks 1-4”) at the National Fair Housing Training Academy, and a cumulative number of 300 fair housing professionals will receive certificates of completion to ensure effective, efficient, and consistent complaint investigations.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department’s Management Plan or other internal reporting.

D3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department’s Management Plan or other internal reporting.

D4.1: HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to the Office of Fair Housing and Equal Opportunity for review and appropriate action.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department’s Management Plan or other internal reporting.

D4.2: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results

for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

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

E1.1: The Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism/Corrective Action Plan System will complete four milestones in support of strategic human capital management.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E2.1: Sustain progress in eliminating non-compliant financial management systems.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E2.2: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of the Inspector General.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E2.8: The share of completed CDBG activities for which grantees satisfactorily report accomplishments is maintained at 94 percent.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E2.9: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results

for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E3.2: At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.

This indicator has been combined with indicator E3.3: More than 6.2 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research's website. These indicators were combined because they are thematically related and it provides a better explanation of the efforts in these areas. The new title of this indicator is, "Policy Development and Research work products will be high quality and useful to customers."

E3.3: More than 6.2 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research's website.

See E3.2 for discussion.

E3.4: One hundred percent of HUD grantees in competitive programs will have moved to performance-based management and program evaluation through use of the eLogic Model.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E3.5: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E4.1: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

The FY 2007, FY 2008, and FY 2009 improper payments percentage goals of 4.0 percent, 3.0 percent, and 2.5 percent, respectively, have been revised to 5.5 percent, 5.3 percent, and 4.5 percent, respectively. The adjustments to HUD's estimates for FY 2007-2009 are due to the impact of: (a) delays in the implementation of the Enterprise Income Verification system (due to additional security requirements

required by the Department of Health and Human Services), (b) a reduction in the level of on-site monitoring available to further reduce program administrator error (due to staffing and travel reductions in the budget), and (c) lack of congressional support to revise and simplify the complex subsidy calculations associated with the Rental Housing Assistance Program.

E4.2: PHAs will submit accurate tenant characteristics data on 97 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

E4.3: By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will assist the Office of Housing maintain the insured and/or assisted Multifamily housing properties in physically acceptable condition by closing 80 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2007, by September 30, 2008.

This indicator will no longer be reported in the FY 2008 APP. The Department streamlined the content of the report to emphasize departmental indicators that will best capture the significant efforts and results for each major program area. Lower priority indicators will be retained in the Department's Management Plan or other internal reporting.

APPENDIX B: Coordination with Other Federal Agencies

In addition to private partners and state and local governments, HUD relies on other federal agencies to help accomplish its goals. Highlights of interagency coordination associated with each Strategic Goal are presented 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 USDA's Rural Housing Service or guaranteed by the Department of Veterans Affairs.
- HUD has primary responsibility for enforcing the Fair Housing Act, and works closely with the Department of Justice in enforcing its provisions. HUD also cooperates with the Department of Justice and other federal agencies to enforce other civil rights laws that affect the availability of housing because of race, color, national origin, sex, religion, familial status, disability, and age. HUD serves on the Interagency Task Force on Fair Lending, whose members include the Departments of Justice and the Treasury, the Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The Task Force coordinates fair lending activities across all federal agencies, including initiatives to address predatory lending.
- To implement and enforce the Real Estate Settlement Procedures Act effectively, HUD will enhance coordination with the major banking regulators including the Federal Deposit Insurance Corporation, 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, state attorneys general, insurance commissioners, and financial institution regulators on joint enforcement actions.
- HUD will continue to work cooperatively with several federal regulatory agencies to collect data under the Home Mortgage Disclosure Act. These 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 partner with the Department of Veterans Affairs and the Department of Agriculture in the e-government operation of HomeSales.gov. The website provides consolidated information for prospective homebuyers about all homes for sale by these agencies.

Strategic Goal B: Promote Decent Affordable Housing

- HUD has a memorandum of understanding with the Department of the Treasury to cooperate on research related to the Low-Income Housing Tax Credit, a program that makes substantial annual additions to the stock of affordable rental housing. HUD's Office of Policy Development and

Research has done significant research on the tax credit program to inform that policy. HUD publishes estimates of area median income limits that are used to determine income eligibility and maximum rents for Low-Income Housing Tax Credit units, and identifies Difficult Development Areas and Qualified Census Tracts—areas where tax credits can be taken on a higher percentage of a project’s “eligible basis.” HUD also works closely with the Treasury Department on tax-exempt bond regulations and other tax policy rulings that affect the continued provision of quality multifamily housing with affordable rents.

- HUD is working with the Environmental Protection Agency and the Department of Energy in a partnership to promote energy-efficient affordable housing. The partnership supports the goals of the President’s National Energy Policy by promoting more widespread use of Energy Star products in HUD’s inventory of public, assisted, and insured housing, as specified in HUD’s Energy Action Plan.
- 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. HUD also encourages 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 the Department of Health and Human Services 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 to welfare families who receive housing assistance.
- HUD and the Department of Health and Human Services work collaboratively to increase the availability of assisted living facilities for low-income seniors, especially through coordination with states that have Medicaid waivers and can spend Medicaid funds on assisted living services.
- HUD signed a memorandum of understanding with the Federal Deposit Insurance Corporation to establish a national partnership to promote financial education using Money Smart, its financial education curriculum.
- HUD will continue working with the Federal Emergency Management Agency to assist families affected by Hurricanes Katrina, Rita, and Wilma. On September 1, 2007, HUD began case management services under the Disaster Assistance program previously administered by the Federal Emergency Management Agency to assist victims of Hurricanes Katrina, Rita, and Wilma with tenant-based rental assistance.

Strategic Goal C: Strengthen Communities

- HUD is working with the Corporation for National and Community Service on the Universities Rebuilding America Partnership. The new program will offer resources and support to engage college and university students, faculty, and staff in helping rebuild the Gulf Coast region.
- Through the White House Office of Faith-Based and Community Initiatives, an Administration-wide effort to better support the work of faith-based and community organizations, HUD and 11 other agencies are working to coordinate a national effort to strengthen the capacity of faith-

based and other community organizations to better meet the social and economic needs in America's communities.

- HUD is an active member of the Interagency Council on Homelessness. HUD is working with 20 other federal agencies of the Council to coordinate federal programs supporting homeless families and individuals to minimize duplication and improve overall results.
- Although HUD has not received an appropriation for the Prisoner Reentry Initiative, HUD is a federal partner on the initiative and will work in collaboration with the Departments of Labor and Justice to help individuals exiting from prison make a successful transition to community life and long-term employment.
- HUD is collaborating with the Department of Health and Human Services in coordinating federal resources to address challenges of the HIV/AIDS epidemic. This effort continues to involve collaborations on training for grantees under the HIV/AIDS related federal programs that assist beneficiaries with improved access to housing, health care, and other social services. In addition to reports published in AIDS and Behavior, November 2007/Supplement on Housing and HIV/AIDS, research is being further developed under a HUD collaboration with the Centers for Disease Control and Prevention. Based on research conducted the Centers for Disease Control and Prevention at three HOPWA sites, a health and housing study has been underway to gain better understanding on the connections of homelessness or risks of homelessness in comparison to stable housing on HIV transmission and the progression of HIV disease. Information will help support more effective HIV prevention and support efforts on finding cost effective interventions. During 2008, the effort is further expected to result in the issuance of papers that address the knowledge gained in assisting this special needs population. The Centers for Disease Control and Prevention collection of data at three HOPWA projects has been completed and the information obtained is under review and analysis by research staff. Information on this effort has been shared in training conducted with Housing Opportunities for Persons With AIDS program grantees.
- HUD works with the Department of Justice and the Environmental Protection Agency 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 known lead paint and lead hazards.
- HUD is working on the Healthy Homes Initiative with the Centers for Disease Control and Prevention, the Environmental Protection Agency, the U.S. Department of Agriculture, 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 has entered into a memorandum of agreement with the Department of Agriculture to commit mutual efforts and resources to improving the quality of life in the Southwest Border Region. An Interagency Task Force includes other federal agencies to better direct limited resources to the region, address jurisdictional issues, and enhance collaborative efforts.
- HUD is continuing joint research with the Federal Emergency Management Agency that will help reduce the risk and economic impacts of floods, and study alternative disaster housing options.

- HUD administers the Hospital Mortgage Insurance program pursuant to Section 242 of the National Housing Act. By helping hospitals get low-interest financing for needed construction and modernization projects, the program strengthens communities, creates jobs, and reduces the cost of health care. As of September 30, 2007, HUD insured 82 hospital loans totaling \$6.2 billion.
- HUD's budget contains legislative proposals that would reform the CDBG, Housing Opportunities for Persons With AIDS, and Homeless Assistance grant programs. Enactment of these reforms is dependent upon timely congressional action.

Strategic Goal D: Ensure Equal Opportunity in Housing

- HUD 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 Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision to provide guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations.
- HUD 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 also works with the Justice Department to promote fair housing for persons with disabilities. The Department of Justice's Civil Rights division has filed a number of lawsuits enforcing the accessible design and construction provisions of the Fair Housing Act as well as ensuring availability of group homes for individuals with disabilities. The Civil Rights division's program, the Multi-Family Housing Access Forum, assists building professionals to better understand their legal obligations under the Fair Housing Act's accessibility requirements and to promote compliance.
- HUD will continue to work with the Departments of Justice and the Treasury to ensure that low-income housing tax credit projects are in compliance with the Fair Housing Act. Pursuant to memoranda of understanding, the three agencies formalized a compliance process to ensure that these properties do not violate the Fair Housing Act.

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

- HUD will continue to coordinate with, and 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 Office of the Inspector General.
- HUD will continue to show leadership in housing and community development policy by supporting cooperative research efforts. These include memoranda of understanding with the

Internal Revenue Service to work closely in efforts to link low-income individuals and families to free tax preparation, electronic filing, and asset building assistance from the Internal Revenue Service; and coordination with the Department of State to enter into memoranda of understanding 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. Additionally, HUD has taken a leadership role in extending FedStats with city data and linking HUD applications with FedStats applications.
- HUD will implement a computer matching program with the Rural Housing Service of the Department of Agriculture. This matching program will compare income, family size, family address, family identity, and benefit data for individuals participating in HUD assisted housing programs and subsidized multifamily housing programs with Rural Housing Service assistance data to verify that tenants are not receiving excessive or duplicate rental assistance.

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

- HUD's Center for Faith-Based and Community Initiatives will plan, participate in, and conduct interagency and local government events. These events will be 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.

APPENDIX C: Validation and Verification of Selected Data Sources

The performance indicators in this Annual Performance Plan have value in portraying HUD's programs only to the extent that the Department can demonstrate their reliability. To do this, HUD engages in a number of efforts to verify and validate the performance data. The Government Accountability Office defined validation and verification in a 1999 report as follows:¹⁰⁰

“Verification is the assessment of data completeness, accuracy, and consistency, timeliness, and related quality control practices. Validation is the assessment of whether the data are appropriate for the performance measure.” Another aspect of validity is the “appropriateness of . . . performance measures in relation to . . . goals and objectives.”

This Appendix summarizes a number of validation and verification efforts conducted for the data supporting specific performance indicators. This information supplements the discussion of “validation, verification, improvement of measure” that appears under each performance indicator in order to provide greater specificity and detail without undue repetition.

Data Quality Improvement Program

In 2000, HUD launched the Data Quality Improvement Program to ensure that the quality of Annual Performance Plan performance indicator data in HUD IT systems is enhanced. This program includes a three-step process: 1) independent assessment; 2) data quality cleanup and improvement; and 3) certification that critical data elements meet HUD's 4-sigma standard, reflecting fewer than 6,210 errors per million. The initial emphasis of the program is assessing and certifying information systems and data elements used to report on program performance under the Government Performance and Results Act.

Analysis of the 2006 APP revealed that 55 performance indicators were supported by 31 information systems. The data supporting 28 of these performance indicators had not yet been assessed by the Data Quality Improvement Program, and were targeted for FY 2006 assessments. During the course of the year, four of these performance indicators were determined to be “out of scope.” The data underlying 18 of the remaining 24 performance indicators were assessed and certified by the program by the end of the fiscal year. The status of the Data Quality Improvement Program system assessments at the end of FY 2006 is shown in the following table.

SYSTEM ACRONYM	SYSTEM NAME	CERTIFICATION STATUS
LOCCS	Line of Credit Control System	Certified 2001
PAS	Program Accounting System	Certified 2001
SAMS	Single Family Asset Management System	Certified 2002
MTCS	Multifamily Tenant Characteristics System ^a	Certified 2002
HUDCAPS	HUD Central Accounting Payment System	Certified 2003
REMS	Real Estate Management System	Certified 2003
TRACS	Tenant Rental Assistance Certification System ^b	Certified 2004
RASS	Residential Assessment Subsystem	Certified 2003
NASS	Integrated Assessment Subsystem	Certified 2003
PASS	Physical Assessment Subsystem	Certified 2003
FASS	Financial Assessment Subsystem	Certified 2003
MFIS	Multifamily Insurance System	Certified 2003
IDIS-HOME	Integrated Disbursement and Information System (HOME)	Certified 2003
IDIS-CDBG	Integrated Disbursement and Information System (CDBG)	Certified 2006
CHUMS	Computerized Home Underwriting Management System	Certified 2006
PIC-SEMAP	SEMAP Module of the PIH Information Center	Certified 2004
PIC-50058	50058 Module of the PIH Information Center ^{a/}	Certified 2004
DAP	Development Application Processing System	Certified 2004
TEAPOTS	Title VIII Automated Paperless Office Tracking System	Certified 2004
CPD/APR	CPD Administrative Database (APR)	Certified 2004
CSFSS	Consolidated Single Family Statistical System	Certified 2004
CLAIMS	Single Family Insurance System-Claims Subsystem	Certified 2004
TRACS	Tenant Rental Assistance Certification System ^{b/}	Certified 2004
PERMS	EZ/EC Performance Measurement System	Certified 2005
HCS	Housing Counseling System	Certified 2005
ARCATS	Audit Resolution and Corrective Actions Tracking System	Certified 2005
ARRTS	Approval, Review & Recertification Tracking System	Certified 2005
HOPE VI	PIH's HOPE VI Information System	Assessed 2005
FHASL	FHA Subsidiary Ledger	Assessed 2006

^{a/} MTCS was re-platformed creating a new data management environment (PIC-50058). Therefore, a new assessment was completed in FY 2004.

^{b/} TRACS was reassessed in FY 2004 in order to focus on data that supports Annual Performance Plan reporting.

Data quality assessments ensure that HUD's Annual Performance Plan data meet the Department's data quality standards. HUD uses findings from system data quality assessments to assess the current enterprise architecture and to develop the target architecture. Systems with deficient architecture in comparison to HUD's current information requirements become priorities for modification or replacement.

American Housing Survey

FY 2009 indicators using this data source: A.2, B.2.

The Census Bureau has quality control procedures in place for the American Housing Survey. These procedures include reinterviewing small subsamples of respondents for quality assurance. HUD verifies American Housing Survey estimates by comparison with earlier surveys and by intermittent, structured comparisons with the Survey of Income and Program Participation, Current Population Survey, decennial Census data, and the American Community Survey. HUD uses Survey of Income and Program Participation data to verify the American Housing Survey-based estimates of the incidence of severe rent burdens in 2001, which constitute the primary component of worst case needs as measured by indicator B.2, as well as to validate the measure in terms of the year-to-year duration of such burdens. (See Chapter 3 of "Affordable Housing Needs 2005: Report to Congress," HUD-PD&R, 2007.)¹⁰¹

American Housing Survey estimates of the number of households with worst case needs that contain persons with disabilities (see indicator B.2) are based on non-elderly adults without children who report receiving Supplemental Security Income. In previous years, HUD compared such estimates with households known to receive Supplemental Security Income through administrative data from the Social Security Administration. Although the Supplemental Security Income comparison suggested that unadjusted American Housing Survey estimates of this group are low by a factor of two or more, the Survey of Income and Program Participation study cited above produced an estimate within about two percent of the American Housing Survey-based estimate of this measure. HUD continues to investigate this discrepancy arising from independent data sources.

Other ongoing efforts strengthen the value and reliability of the American Housing Survey. Research is underway to improve the accuracy of survey responses about the receipt of housing assistance. Other research that validated the use of this data in housing indicators was completed in 2004. The authors of "Analysis of Housing Finance Issues Using the American Housing Survey"¹⁰² analyzed the extent to which sample size, survey design, and interview response affect the accuracy, consistency, and validity of mortgage-related variables in the American Housing Survey. A replication analysis was performed using benchmark data sets from a number of sources including Home Mortgage Disclosure Act data and Residential Finance Survey data. A longitudinal analysis examined the internal reliability of American Housing Survey variables over time.

Current Population Survey

FY 2009 indicators using this data source: A.2, A.3, A.4.

The Census Bureau has rigorous data quality standards and conducts extensive verification studies. It generally is not feasible for HUD to verify Current Population Survey data independently. Starting with the estimates for the first quarter of 2003, the Census Bureau introduced three changes to the estimating procedures for the Current Population Survey: 1) switched from 1990 Census-based weights to 2000 Census-based weights; 2) introduced housing unit controls for the Housing and Vacancy Survey to supplement the population control totals used previously; and 3) introduced multiple race categories and changed the order of the ethnicity and race questions.

To assess the impact of the first two changes, the Census Bureau compared results obtained for the four quarters of 2002 under the old and new procedures. The greatest change affecting HUD's performance measures was for homeownership among Hispanic households, for which revised rates are about 1.2 percentage points lower than the initial estimates. Overall, the revised rate for minorities combined is 0.2 to 0.3 percentage point lower than the initial estimates. For more information, see "First Quarter 2003—Source and Accuracy of Estimates," at <http://www.census.gov/hhes/www/housing/hvs/prevqtrs.html>.

Government-Sponsored Enterprises database

FY 2009 indicators using this data source: A.12, A.13, B.7, C.15.

HUD is the mission regulator of two government-sponsored enterprises, Fannie Mae and Freddie Mac. They provide annual loan-level data to HUD on their mortgage purchases, which the Department uses to measure their performance relative to affordable housing goals and subgoals that are specified in laws and regulations. These goals and subgoals are the indicators that HUD uses to report on the government-sponsored enterprises' performance in its annual Performance and Accountability Reports. The government-sponsored enterprises apply quality control measures to the data elements they provide to HUD. They are also required to provide certification from a senior officer that their data and reports are true, correct, and complete. The Department verifies the data through replication of their goal performance reports, independent reviews of their data quality control procedures, direct evaluations of data integrity, and comparison with independent data sources. The Office of Federal Housing Enterprise Oversight, which is an independent office within HUD, receives financial data from the two government-sponsored enterprises and enforces statutorily-established minimum and risk-based capital standards to ensure their financial safety and soundness. Their financial statements are verified by independent audits.

Public and Indian Housing Information Center (PIC)

FY 2009 indicators using this data source: A.1, B.24.

PIC 50058. PIC receives Form 50058 data electronically from housing agencies about the households residing in public housing or using vouchers. PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data.

An Internet-based Resident Characteristics Report makes monthly PIC 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis, and monitoring purposes.

During FY 2004, HUD completed a data quality assessment of PIC critical data elements supporting performance measures. Recommendations for improving data quality under PIC 50058 are under review.

The Office of Policy Development and Research has conducted a series of Quality Control studies related to the accuracy of tenant income data and rent calculations in the PIC 50058 system. These results are described under indicator E.3.

Other reviews of critical PIC 50058 data were conducted as part of the Tenant Assessment Subsystem analysis that compared Social Security Numbers of assisted households with valid numbers provided by the Social Security Administration. Another part of this analysis verified reported income against Internal Revenue Service records.

PIC SEMAP. PIC includes a Section 8 Management Assessment Program (SEMAP) module that is used to measure PHA performance in administering their Housing Choice Voucher programs. The FY 2004 data quality assessment of PIC critical data elements supporting performance measures found that PIC SEMAP was eligible for immediate certification.

Real Estate Assessment Center

FY 2009 indicators using this data source: B.8, B.9, B.10, B.17, B.18, B.19, B.24, B.25, C.17.

The Real Estate Assessment Center manages assessment processes for public housing and privately assisted multifamily housing that use a number of specialized data systems. These include the following subsystems. Together, the first four subsystems constitute the Public Housing Assessment System, and PASS and FASS are used independently to monitor the assisted multifamily housing under the administration of the Office of Housing.

- **PASS – Physical Assessment Subsystem.** Inspections are conducted independently, are electronically coded and transmitted, and are representative of the entire HUD stock. REAC reinspects units and properties on a sample basis for quality assurance.
- **FASS – Financial Assessment Subsystem.** The process is validated by the American Institute of Certified Public Accountants. REAC performs quality assurance reviews of the audited financial statements of multifamily property owners submitted by independent public accountants. The

quality assurance review provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

- MASS – Management Assessment Subsystem.
- RASS – Resident Satisfaction Assessment Subsystem. The survey data are based on a statistically representative random sample of residents. Results are compared across annual survey samples to verify the reliability of the data.
- TASS – Tenant Assessment Subsystem.
- NASS – Integrated Assessment Subsystem.

The Real Estate Assessment Center has performed a number of data verification studies to ensure the reliability of these systems. A report to Congress in 2001 titled “PHAS – Physical Inspection System” was an assessment of the inspection protocol and accuracy of the physical inspection scores. The authors concluded that the Real Estate Assessment Center physical inspection is repeatable and reliable. The analysis was based on a statistically valid test of the assessment methodologies as validated by an independent engineering firm.

In addition, in FY 2003, the Chief Information Officer’s audit team assessed the Real Estate Assessment Center’s data quality and data management practices and found them on par with industry standards. The work, performed under the Data Quality Improvement Program included an independent data quality assessment of PASS, FASS, RASS, and NASS. RASS was certified at 6-sigma, the highest possible data quality rating, reflecting fewer than 3.4 errors per million occurrences. PASS, FASS, and NASS exceeded the HUD standard 3-sigma rating, reflecting fewer than 66,807 errors per million.

The assessment systems also have been validated to some extent through the process of rulemaking and negotiation with housing providers.

Also, PIH-REAC’s Information Technology (IT) organization’s processes were formally assessed at Maturity Level 2 of the Capability Maturity Model Integrated – Development (CMMI – DEV), of the Carnegie Mellon Software Engineering Institute (SEI) in December, 2007. PIH-REAC IT is the first organization at HUD to achieve this level of accreditation. The PASS, NASS, FASS-PH and Development Coordination Group projects were selected for the assessment.

CMMI is a process improvement maturity model for the development of software products and services. CMMI - DEV integrates bodies of knowledge that are essential for software development and maintenance such as software engineering, systems engineering, hardware and design engineering, the engineering (“-ilities”), and acquisition. As such, CMMI-DEV provides a comprehensive integrated solution for development and maintenance activities applied to products and services.

PIH-IT was assessed at having met or exceeded the requirements for all seven CMMI-DEV level 2 process areas:

- Requirements Management
- Project Planning

- Project Monitoring and Control
- Supplier Agreement Management
- Measurement and Analysis
- Process and Product Quality Assurance
- Configuration Management

PIH-REAC IT plans to continue improving processes and implementing them on an organizational level in the near future. As all development and maintenance is outsourced to private industry, it is very likely Level 3 process development will be pursued using the CMMI-Acquisition model in lieu of CMMI-DEV. The CMMI-Acquisition was developed by the Software Engineering Institute specifically for an acquisition environment and is being championed by Government Accountability Office in the federal government.

¹⁰⁰ “Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12. GAO/GGD-99-139.

¹⁰¹ Available at <http://www.huduser.org/publications/afthsg.html>.

¹⁰² Available at <http://www.huduser.org/publications/polleg/AHSAnalysis.html>.

If you have any questions or comments, please call the Office of
Budget:

Kenneth Leventhal at (202) 402-6849 or

Mary Didier at (202) 402-6834.

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

U.S. Department of Housing and Urban Development

Attention: James Martin, Deputy Chief Financial Officer

451 7th St. SW

Washington, DC 20410

For additional copies of this report, please call the Office of Budget:

Pauline Magette at (202) 402-6848.