



An Overview of the Department

HUD's Mission – Empowering People and Communities

HUD's mission as we approach the new century is to:

Empower communities and their residents, particularly the poor and disadvantaged, so that, together with HUD, they can develop viable urban communities, provide decent housing and suitable living environment for all citizens, without discrimination, in order to improve themselves, both as individuals and as a community, to succeed in today's time of transition.

The empowerment mission is a dramatic shift for the Department. Rather than issuing directives and over-regulating communities, HUD will provide them with the tools to implement their own, home-grown revitalization strategies. HUD can assist local officials, community leaders, businesses, and citizens to address their needs and ensure conditions under which all families can flourish. HUD is uniquely qualified with its vast resources – mortgage insurance, rental housing assistance, community and economic development tools – to partner with local governments, businesses and organizations to build stronger communities. Empowerment is the right role for the Federal Government, a role that says *“Washington can help communities thrive, but the decisions and power must be closest to the people.”*

The Secretary's Personal Mission – Restoring The Public Trust

In addition, Secretary Andrew Cuomo has made it his personal mission to **restore the public trust by achieving and demonstrating competence.** This “mission” permeates the Department and is an integral part of each and every objective in the Strategic Plan.

While most of America's major institutions have changed dramatically in the past few decades, Government has often resisted reform. That is wrong. Government must change – and change dramatically – if it is to remain relevant. HUD itself has been plagued for years by scandal and mismanagement. It is the only Federal agency cited by the General Accounting Office as “high risk.”

These views are damaging to the Department's ability to fulfill its vital goals. When over four million people cannot afford decent housing and hundreds of thousands go homeless, we cannot afford to waste even one dollar on inefficiency. Working with Congress, some broad changes in policies and programs, notably public housing, have begun. Secretary Cuomo has proposed a sweeping reorganization plan designed to reinvent the systems and the values that have undermined HUD's capability – and credibility – for so long.

HUD's Management Reform Plan – HUD 2020 – aims to transform HUD into a new HUD, a HUD that works. Vice President Al Gore, who has spearheaded reinvention under President Bill Clinton, said HUD 2020 “goes farther and does more than any other management reform plan not only in the history of HUD but in the recent history of the federal government.”

Secretary Cuomo said: “Our plan adopts major reforms that have improved the performance of some of America's most successful corporations. The reforms knock down bureaucratic walls within HUD to enable all parts of the Department to work together in a productive partnership with our nation's people and communities. Our key objectives are outstanding performance, efficiency, and accountability to the American people. We will not allow a single dollar to be wasted.”

AN OVERVIEW OF THE DEPARTMENT

HUD 2020 was developed at Secretary Cuomo's direction by HUD staff with the help of Vice President Gore's office, the Office of Management and Budget, the HUD Inspector General's Office, and outside experts including Ernst & Young, David Osborne (co-author of "Reinventing Government") and James Champy (co-author of "Re-engineering the Corporation"). Key reforms in HUD 2020 include:

- Creating a new Enforcement Division to fight waste, fraud and abuse.
- Retraining some HUD employees as Community Builders to serve as HUD's service representatives for the public and retraining other employees as Public Trust Officers to monitor recipients of HUD funding.
- Consolidating over 300 HUD programs and activities into 71.
- Consolidating routine paperwork by HUD offices around the country into more efficient "back office" processing centers.
- Conducting the first comprehensive evaluation involving physical inspections and financial audits of HUD's housing portfolio.
- Establishing a new financial information management system.
- Reducing the size of HUD's staff from 10,500 to 7,500 by the end of the year 2002.
- Establishing new performance-based evaluation systems.
- Solving the Section 8 renewal funding crisis. In early October 1997, Congress passed new legislation to avert a housing crisis that could have threatened up to 4.4 million Americans with homelessness. The measure, contained in HUD's Fiscal Year 1998 appropriations bill, puts HUD's Section 8 program on a solid financial foundation and preserves affordable housing. This is discussed in greater detail in the Section 8

Mark-to-Market Reforms segment under the Strategic Objective: *"Increase Availability of Affordable Housing."*

Strategic Objectives

HUD's credibility and competence will be viewed in terms of how successfully we accomplish our mission. As we move towards the next millennium, our strategic objectives reflect our core business functions:

1. **Empower communities** to meet local needs. We will help communities to solve their own problems by:
 - Planning and executing housing and community development initiatives that are community-driven;
 - Coordinating comprehensive, sustainable solutions to urban problems;
 - Streamlining housing and community development programs to make them more efficient and effective;
 - Increasing access by and communication between citizens and government at all levels.
2. **Help communities and States establish a full continuum of housing and services** designed to assist homeless individuals and families in achieving permanent housing and self-sufficiency.

HUD's effort works with communities to establish cost-effective "continuum of care" systems in which gaps in the housing and services needed to move homeless families and individuals into permanent housing are identified and filled. The continuum of care system serves the specific needs of all homeless sub-populations within a particular community. With a continuum of care approach, the community can design a strategy that works best locally to assist homeless persons and families achieve permanent housing and self-sufficiency.

3. **Increase availability of affordable housing** in standard condition to families and individuals, particularly the Nation's poor and disadvantaged by:
 - *Transforming Public Housing.* This transformation effort has four major components:
 - a. Tearing down and replacing the 100,000 worst public housing units;
 - b. Aggressively intervening to improve troubled PHAs;
 - c. Establishing incentives to reward working families, encourage families to make the transition from welfare to self-sufficiency, and encourage a diverse mix of incomes in public housing; and
 - d. Cracking down on crime and drugs.
 - *Increasing the supply of affordable rental housing.* HUD will construct or rehabilitate more than 400,000 units per year through a variety of programs. Continued Federal funding for public housing and renewal of expiring subsidies under the Section 8 programs will ensure that the overall number of families assisted by these programs does not decline and that they provide decent and affordable housing.
4. **Reduce the isolation of low-income groups** within a community or geographical area. This spatial deconcentration is accomplished through the use of tenant-based rental certificates and vouchers and the revitalization of deteriorated neighborhoods. In addition, the Department desires to recruit large numbers of private landlords to participate in the Section 8 housing program and convince citizens where Section 8 residences reside to see the Section 8 program as a positive addition to their neighborhood rather than a negative.
5. **Provide empowerment and self-sufficiency opportunities** for low-income individuals and families, particularly the Nation's poor and disadvantaged. HUD is working with community organizations, States, cities, and other Federal agencies to effectively implement this objective. The Department proposes an initial four-pronged action plan:
 - a. Creation and retention of jobs;
 - b. Using tenant-based rental assistance strategically to link welfare recipients to jobs through innovative uses of incremental housing assistance and regional counseling;
 - c. Coordinate housing assistance with Welfare Reform efforts; and
 - d. Providing and leveraging services to help welfare recipients make the transition from dependency to work through expansion of the Bridges to Work initiative, funding for Public Housing Supportive Services, expansion of Neighborhood Networks learning centers in assisted housing and the Youthbuild program to provide access to education and job training.
6. **Increase homeownership opportunities**, especially in Central Cities, through a variety of tools, such as the:
 - Urban Homestead Initiative
 - Federal Housing Administration (FHA)
 - Homeownership Zones
 - Government National Mortgage Association (Ginnie Mae) Targeted Lending Initiative
 - Government-Sponsored Enterprises

AN OVERVIEW OF THE DEPARTMENT

- The National Homeownership Strategy
- Homeownership Empowerment Vouchers
- HOME Program Assistance to New Homebuyers
- Assistance to Habitat for Humanity and other self-help homeownership organizations
- Public Housing Homeownership, and
- Indian Loan Guarantee Program

7. Promote equal housing opportunities for those protected by law. HUD is shaping a new strategy for promoting equal housing opportunity for those the law protects against discrimination. This new strategy will replace approaches which have resulted in the spreading of scarce resources over widely dispersed areas of the country in an effort to battle discrimination and promote equal housing opportunity. Instead, resources must be more highly focused and better coordinated with each other in order to achieve a meaningful impact. There are four strategic component for cracking down on housing discrimination:

- a. Concentrating HUD's Fair Housing and Equal Opportunity's (FHEO's) resources in a selected number of communities.
- b. Expand the impact that housing and urban development-related programs HUD and other agencies and housing and urban development-related programs in other agencies have by focusing on promoting greater housing choice.
- c. Partner with "stakeholders" to seek and expand areas of common ground and shared interests.
- d. Partner with HUD recipients and other public and private housing organizations to promote open communities.

The Discussion and Analysis section of this report presents key indicators for these strategic objectives, with the exception of the fourth item (Reduce the Isolation of Low-Income Groups) for which no data is currently available. The D&A section establishes a total picture of HUD's progress in accomplishing its mission by meeting these objectives.

HUD's mission – Empowering People and Communities – is fulfilled by the Department's program activities administered by the various program offices.

Federal Housing Administration (FHA)

FHA programs provide insurance on mortgages relating to one to four family residences, multi-family rental housing, condominiums, nursing homes, hospitals, manufactured housing, property improvement, and “special risk” units.

Government National Mortgage Association (Ginnie Mae)

Through its Mortgage-Backed Securities program, Ginnie Mae facilitates the financing of residential mortgage loans by guaranteeing the timely payment of principal and interest on privately issued securities backed by pools of mortgages insured or guaranteed by FHA, the Department of Veterans Affairs, and the Rural Housing Service. The Ginnie Mae guarantee gives lenders access to the capital market to originate new loans.

The Office Of Public And Indian Housing (PIH)

PIH programs serve low and very low-income families and individuals who live in public housing, Section 8-assisted housing, and Native American housing.

Section 8 Tenant-based Rental Assistance: Low and very-low income families receive rent subsidies to enable them to obtain decent, safe and sanitary housing in privately owned housing. This tenant-based program is administered through local Housing Agencies (HAs).

Development and Modernization: These grant programs provide funding to HAs to develop and improve housing for low-income families. Special attention is given to “severely distressed” housing developments.

Operating Subsidies: Financial assistance in the form of subsidies is provided to HAs for project operation.

Indian Housing: Native Americans are assisted in building or purchasing homes on Trust Land; obtaining affordable housing; implementing local housing strategies to promote homeownership; and developing viable communities.

Services to Families and Individuals: Grants are provided to HAs to administer programs which help to stabilize the lives of families living in public housing.

Public Housing: Housing for eligible low and very low-income families. Eligibility is based on income limits and other screening criteria. Public Housing is owned and administered through local HAs.

HOPE VI: Funds are awarded to HAs for demolition of obsolete public housing; major reconstruction, rehabilitation, and new construction; management improvements; planning and technical assistance; and self-sufficiency programs for residents.

The Office Of Housing

The Office of Housing administers various rental subsidy, homeownership subsidy, and grant programs designed to provide housing to low, very low, and moderate income persons.

Section 8 Project-Based Rental Assistance: This program encourages owners to rehabilitate rental housing for low and very-low income families, and is tied to specific units under an assistance contract with the project owner.

AN OVERVIEW OF THE DEPARTMENT

Section 202/811 Capital Grants: Capital grants are provided for the construction and long-term support of housing for the elderly (Section 202) and disabled (Section 811). Advances are interest-free and do not have to be repaid as long as the housing remains available for low-income persons for at least 40 years. Prior to the Section 202 Capital Grant program, Section 202 loans were made to finance the development of housing for low-income elderly persons.

Homeownership Assistance Program (Section 235): This program provides mortgage insurance and interest subsidies for low- and moderate income persons to help them purchase their own single family homes. A recipient is eligible for the interest subsidy for a period of 10 to 30 years. No new commitments have been issued since October 1, 1989.

Rental Housing Assistance Program (Section 236): This program is comprised of two parts: the interest reduction program, under which HUD makes interest reduction payments over the 40 year term of a multifamily project mortgage; and the rental assistance program, under which rental subsidies are made to 20% of the dwelling units in an eligible project over a 40 year term. No new commitments have been issued for this program since October 1, 1989.

Development and Preservation: This program supports the Section 8 Program by providing rent subsidies to owners of FHA-insured and HUD-held projects and by preserving projects for low-income use.

Homeownership Subsidies: HOPE 2 subsidies help low-income families obtain homeownership. This effort is complimented by counseling designed to improve their housing conditions and instill housing responsibilities.

Other Housing Programs: Housing also maintains manufactured housing construction and safety standards, administers the Real Estate Settlement Procedures Act (RESPA), and regulates interstate land sales. In addition, there are some terminated loan programs, such as the Section 202 Loan program, which still have outstanding loans.

The Office Of Community Planning And Development (CPD)

CPD administers the Department's major economic and community development grant programs, several housing programs, and HUD's homeless assistance programs.

Community Development: Community Development Block Grants are provided to units of local government and States for the funding of local community development programs which address housing and economic development needs, primarily for low and moderate income persons.

Affordable Housing Programs: HOME Investment Partnership Grants provide assistance to renters and first-time homebuyers, build State and local capacity to carry out affordable housing programs, and expand the capacity of nonprofit community housing organizations to develop and manage housing.

Homeless Programs: Programs developed under the Stewart B. McKinney Homeless Act of 1987 consist predominantly of grants to communities to establish comprehensive systems for meeting the needs of homeless people, and people with AIDS.

Homeownership: HOPE 3 offers homeownership opportunities to lower-income families by providing assistance to finance the purchase and rehabilitation of eligible single family properties.

The Office Of Fair Housing And Equal Opportunity (FHEO)

FHEO enforces the Fair Housing Act and other civil rights laws to identify and combat discrimination; to ensure the right of equal housing opportunity and free and fair housing choice without discrimination based on race, color, religion, sex, national origin, disability, or family status. FHEO endeavors to direct jobs, training, and economic opportunities to low-income residents in communities receiving housing and community development assistance.

Fair Housing Assistance Program (FHAP) provides grants to State and local agencies that administer fair housing laws which are substantially equivalent to the Fair Housing Act or Title VIII of the Civil Rights Act of 1968, as amended.

Fair Housing Initiatives Program (FHIP) provides funds competitively to private and public entities to carry out local, regional and national programs

to prevent or assist in eliminating discriminatory housing practices and educate the public and housing providers on their fair housing rights and responsibilities.

Other Programs

The Office of Lead-based Paint Abatement and Poisoning Prevention provides funds to State and local governments to develop cost effective ways to reduce lead-based paint hazards.

The Office of Federal Housing Enterprise Oversight (OFHEO) is an independent office within HUD which provides oversight with respect to the financial safety and soundness of the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Corporation (Fannie Mae). Financial statements of OFHEO are included in the "Other" column of the Department's consolidated financial statements.