Performance Information

This section of the Performance and Accountability Report presents the results of HUD's activities during FY 2000 in accordance with the Government Performance and Results Act. Program results are compared with the performance goals established for outcome indicators and programmatic output indicators in the FY 2000 Annual Performance Plan, as revised.[1]

The indicators are presented in the order in which they appear in the FY 2000 APP, and within the FY 2000 framework of five Strategic Goals and 13 Strategic Objectives.

Each indicator is listed as it appears in the Revised 2000 Annual Performance Plan, followed by background information about the performance measure. The actual results are presented with an analysis of relevant programmatic and external factors that influenced the results. In the interest of brevity, the extensive discussion about data sources that is included in the Annual Performance Plan is omitted from this document.[2]

[1] The Final FY 2000 Annual Performance Plan was submitted to Congress in support of the budget in March 1999. After the FY 2000 appropriations bill was passed, the Department submitted a Revised FY 2000 APP to OMB in accordance with OMB Circular A-11. The Revised APP modified a limited number of goals in response to appropriations levels and incorporated some technical corrections. The indicators presented in this section reflect the Revised APP, which is available at http://www.hud.gov/ahmngt.cfm.

[2] The FY 2000 Annual Performance Plan presents extensive information about data sources, advantages and limitations of the data, and the Department's efforts to validate and verify the data. In many cases, information about data is updated, clarified and expanded in each subsequent APP, reflecting the Department's ongoing efforts to improve data quality. Although some special or updated information about data sources is incorporated in this document, the APP is the primary source of information about the data presented.

Strategic Goal 1: Increase the Availability of Decent, Safe, and Affordable Housing in American Communities

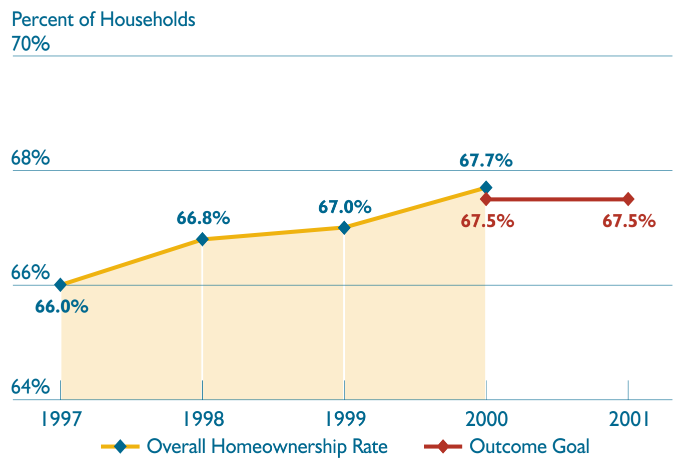
Objective 1.1: Homeownership is increased.

Outcome Indicator 1.1.1:
The overall homeownership rate increases from 66.8 percent in 1998 to 67.5 percent in 2000, a gain of 2.8 million owners in two years.

Background. This indicator is the broadest of a number of performance measures dealing with the long-standing national goal to increase homeownership rates.

Results & Analysis. In the third quarter of calendar year 2000, the overall homeownership rate reached a record level of 67.7 percent, exceeding the long-standing goal of attaining 67.5 percent by 2000.

Overall Homeownership Rate



Source: Current Population Survey

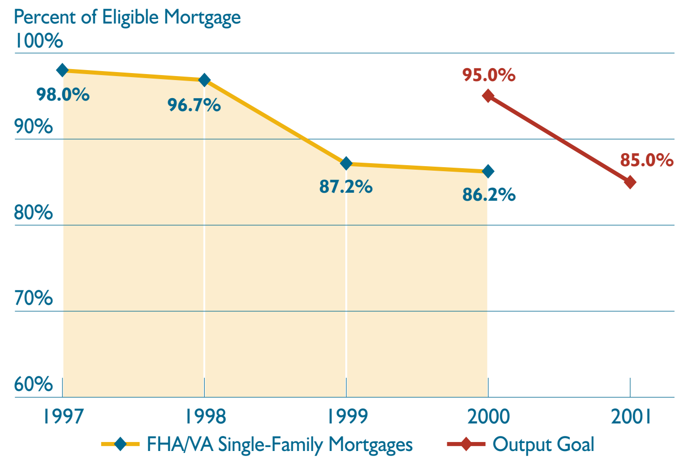
Although the record performance on this indicator depends in large part upon the health of the national economy, HUD programs played a strong supporting role. Good economic conditions including low interest rates, strong economic growth, low unemployment and strong consumer confidence encouraged many families to consider homeownership for the first time. FHA mortgage insurance helped to make homeownership affordable for families with marginally sufficient incomes by making lower-interest loans available and requiring lower down-payments. FHA has increased the share of assistance that supports groups that are less successful in becoming homeowners, especially minorities, central city households and families with income below the area median income. Ginnie Mae's support for FHA products also increases the flow of capital for marginal borrowers, and HUD's regulation of Fannie Mae and Freddie Mac likewise makes loans more available and more affordable. Other supporting programs include CDBG, HOME and Housing Counseling.

Programmatic Output Indicator 1.1.a:
Ginnie Mae continues to securitize at least 95 percent of single-family FHA and VA loans.

Background. The Government National Mortgage Association (Ginnie Mae), a wholly-owned Government corporation within HUD, was created by Congress in 1968 to support affordable homeownership for low- and moderate-income families. Ginnie Mae helps to keep mortgage rates lower and to make more mortgages available by attracting funds from the Nation's capital markets into residential mortgage markets. Ginnie Mae's principal products are mortgage backed securities (MBS), created when mortgage loans are pooled by eligible issuers.

Results & Analysis. In FY 2000, Ginnie Mae securitized 86.2 percent of eligible FHA and VA loans, down slightly from 87.2 percent in FY 1999, and below the FY 2000 goal of 95 percent.

FHA/VA Single-Family Mortgages Securitized by Ginnie Mae



Source: Ginnie Mae database

The GSEs and Federal Home Loan Banks have increased the competition for FHA and VA loans and captured a larger share of insured mortgages. The increase in the goals that HUD established for GSEs, combined with the acceptable level of risk of the insured portfolio, may have contributed to the greater participation by Fannie Mae and Freddie Mac and a smaller share for Ginnie Mae. The lower target of 85 percent for FY 2001 thus reflects the positive results of HUD's regulatory efforts to ensure that GSEs take a strong and active role in using the secondary market for the benefit of low and moderate income families.

Programmatic Output Indicator 1.1.b:
The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points.

Background. FHA is encouraging lenders to increase the use of loss mitigation to avoid foreclosure on defaulted mortgages. The VA/HUD Appropriations Act of 1997 also creates an incentive for lenders, as it imposes a penalty of three times the amount of the claim if the mortgagee fails to engage in loss mitigation activities.

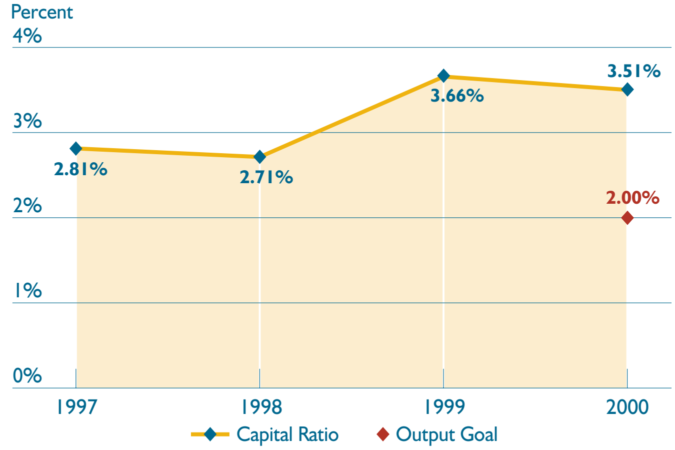
Results & Analysis. The use of loss mitigation as a share of resolved defaults increased from 26.2 percent in FY 1999 to 34.1 percent in FY 2000, substantially exceeding the goal of 28.2 percent.

The number of cases resolved with loss mitigation tools increased from 26,090 in FY 1999 to 35,560 in FY 2000. The 35,560 resolutions through loss mitigation include forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, deeds-in-lieu of foreclosure, and a small number of "other." Lenders' use of special forbearance agreements more than doubled to 13,665 in FY 2000. Lenders also increased their use of partial claims and reduced the number of loan modifications from FY 1999 levels.

Programmatic Output Indicator 1.1.c:
The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.

Background. The MMI Fund supports the majority of FHA single family business, with over 90 percent of the total single family insurance-in-force. The financial soundness of this fund is measured by the MMI capital ratio. The National Affordable Housing Act of 1990 requires an independent actuarial analysis of the economic net worth of the MMI Fund. The Act also mandates that the MMI Fund achieve a capital ratio (a measure of the Fund's cushion against unexpected insurance losses) of at least 2.00 percent by the year 2000. The cushion ensures that FHA's basic single family insurance program can withstand unexpected losses without exposing the taxpayers to financial risk.

Capital Ratio for FHA Mutual Mortgage Insurance Fund



Source: Independent actuarial analysis

Results & Analysis. The MMI Fund's capital ratio was estimated at 3.51 percent at the end of FY 2000, compared with 3.66 percent in FY 1999. The MMI Fund's capital ratio exceeded the 2.00 percent goal this year, as it has every year since FY 1995.

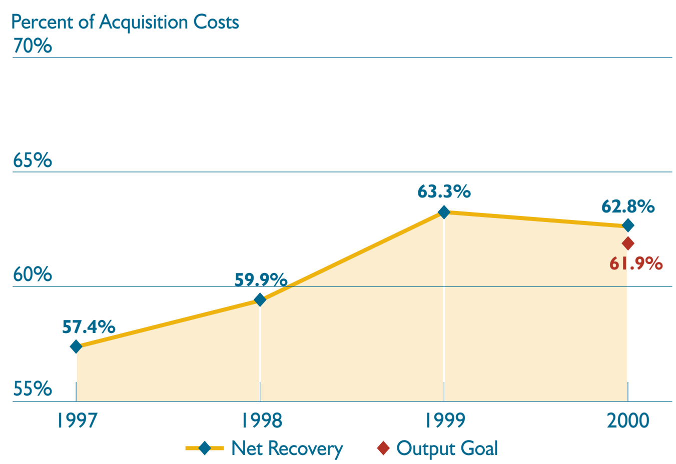
Programmatic Output Indicator 1.1.d:
The net recovery of FHA real estate owned sales increases by 2 percentage points from FY 1998 levels to 62.7 percent.

Background. FHA has implemented new real estate owned (REO) procedures to streamline the disposition of property acquired by HUD when borrowers default on FHA-insured loans. Management and marketing (M&M) contractors have assumed responsibility for the management and sale of Secretary-held properties. During FY 2000, FHA also began to allow M&M contractors to encourage sales by lowering the price within a specified range over a period of time. The net recovery is defined as the sales price net of expenses, divided by the acquisition cost. This measure has been revised to use more reliable data from the Single Family Data Warehouse, which incorporates automated edits of the same data. The performance goal shown in the chart is revised to reflect a 2 percentage point increase from FY 1998 levels based on the new consistent data series.

Results & Analysis. During FY 2000, the net recovery on real estate owned sales was 62.8 percent, exceeding the FY 2000 goal by increasing 2.9 percentage points from FY 1998 levels.

The net recovery rate retreated slightly from FY 1999 levels, a result influenced by several property disposition initiatives that offer HUD-held properties at a discount in support of a public purpose. Under one of these initiatives, the number of properties sold to non-profit organizations and governmental entities was increased to 5,883. These discount sales make homeownership accessible and affordable in designated areas where revitalization efforts are occurring, as the organizations frequently pass on much of the discount to the ultimate purchasers.

Net Recovery for Real Estate Owned Sales

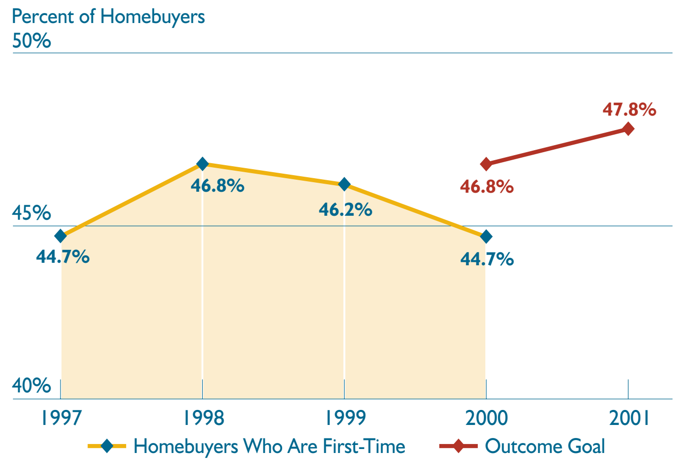


Source: Single Family Data Warehouse

Outcome Indicator 1.1.2:
The share of all homebuyers who are first-time homebuyers increases by 1 percentage point to 48 percent.

Background. This indicator is an important complement to the measure of overall homeownership rates because it highlights the flow of new households into the population of homeowners. However, the strong impact of the national economy on homebuying makes this indicator a prime example of a case where the Department's span of control falls short of its span of influence.

Share of Homebuyers Who Are First-Time Homebuyers



Source: Chicago Title Insurance Company survey data

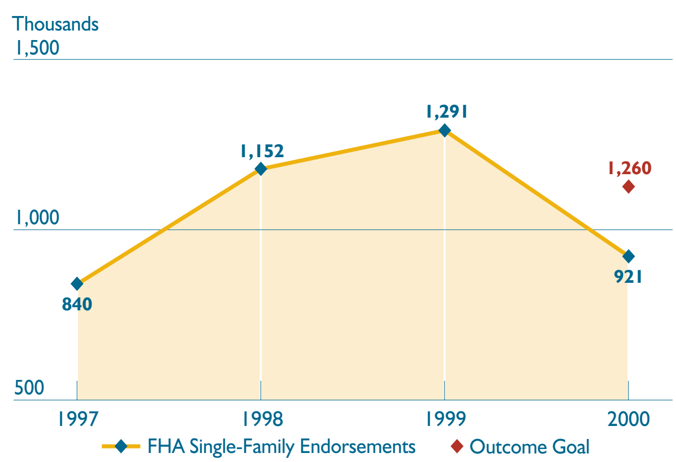
Results & Analysis. The most recent data available[3] show that during calendar year 1999, 44.7 percent of all homebuyers were purchasing homes for the first time, missing the goal of 46.8 percent.

This level represents a 3 percent decline from 1998 levels, and follows a smaller decline in the previous period. The data series in the chart reflects that this measure is subject to substantial variance because of economic factors and sampling design.

Programmatic Output Indicator 1.1.e:
The number of FHA single-family mortgage insurance endorsements nationwide increases by 9 percent to 1.26 million endorsements.

Background. FHA has traditionally been the mechanism used by borrowers who have difficulty obtaining mortgage financing in the private conventional market. It has long been recognized as a major source of funding for first-time, low-income, and minority home buyers. In FY 2001, HUD is evaluating this indicator to determine whether a straightforward count of mortgages endorsed remains the most valid and pertinent measure of program success, as the program is primarily driven by consumer demand and heavily influenced by economic conditions, especially interest rates.

FHA Single-Family Mortgage Endorsements



Source: Consolidated Single Family Statistical System

Results & Analysis. In FY 2000, FHA endorsed 921,283 single-family mortgages, substantially short of the 1.26 million target established in the Revised FY 2000 APP on the basis of record FY 1999 performance.

Interest rates of FHA fixed-rate mortgage endorsement increased to 8.2 percent during FY 2000, up from 7.2 percent in FY 1999. The higher interest rate caused a drop in the number of applications for FHA loans. Future performance will also be affected significantly by macroeconomic conditions. FHA will continue to strengthen its efforts to target specific populations that are not served well by the conventional market.

[3] These data are compiled by the Chicago Title Insurance Company based on surveys in 18 large metropolitan areas, and represent the only annual source of data on the characteristics of homebuyers taking out mortgages. This indicator may be revised because HUD has learned that no 2000 survey data will be available to report next year. The American Housing Survey may provide biennial data for a substitute measure.

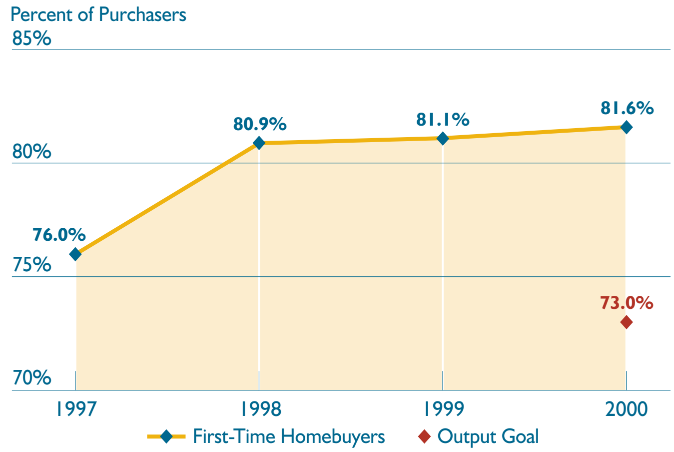
Programmatic Output Indicator 1.1.f:
The share of FHA-insured home-purchase mortgages for first-time homebuyers increases by 1 percentage point to 73 percent.

Background. This indicator represents the direct contribution of FHA to increased homeownership rates in the United States.

Results & Analysis. During FY 2000, 81.6 percent of FHA home purchase endorsements were for first-time homebuyers, substantially exceeding the goal of 73 percent.

The 685,286 loans endorsed for first time homebuyers were 81.6 percent of FHA's total new endorsements, excluding refinances, of 840,243 loans. The FY 2001 APP reflects recent strong performance and the Department's commitment to serve first-time homebuyers by increasing the target to 80.0 percent beginning in FY 2001.

Percent of FHA Home Purchase Endorsements for First-Time Homebuyers



Source: Consolidated Single Family Statistical System

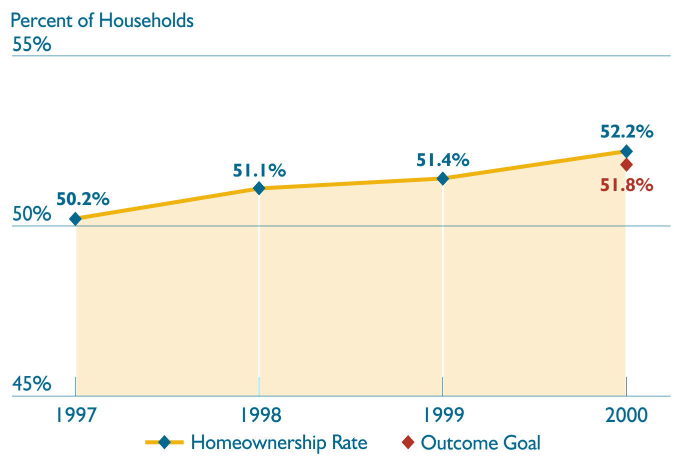
Outcome Indicator 1.1.3:
The homeownership rate among households with incomes less than median family income increases by 1 percentage point to 52 percent.

Background. Increasing the homeownership rate is more difficult among families with low and moderate incomes. Lower income families often have difficulties purchasing homes because they have low levels of savings for down-payments, less disposable income for mortgage payments, and less tax benefits for homeownership expenses because their marginal tax rates are lower. This indicator tracks the success of the Nation's array of services and incentives intended to support homeownership among low- and moderate-income families, who have incomes less than the median income in their area.

Results & Analysis. During calendar year 2000, 52.2 percent of households with incomes less than 50 percent of area median income were homeowners. These results surpassed the FY 2000 target by 0.4 percentage point.

The performance, up 0.8 percentage points from 1999 levels, continues a positive trend of an increasing homeownership rate among households whose incomes rank in the bottom half of their communities. FHA continues to provide strong support for this goal by providing mortgage insurance that makes mortgage payments more affordable for low- and moderate-income families. Nevertheless, families with incomes above the area median remain much more likely to be homeowners than those with below-median incomes, as the homeownership rate was 27.4 percentage points lower for the below-median group, as measured by the 1999 American Housing Survey.

Homeownership Rate for Households with Income Less than Median Family Income

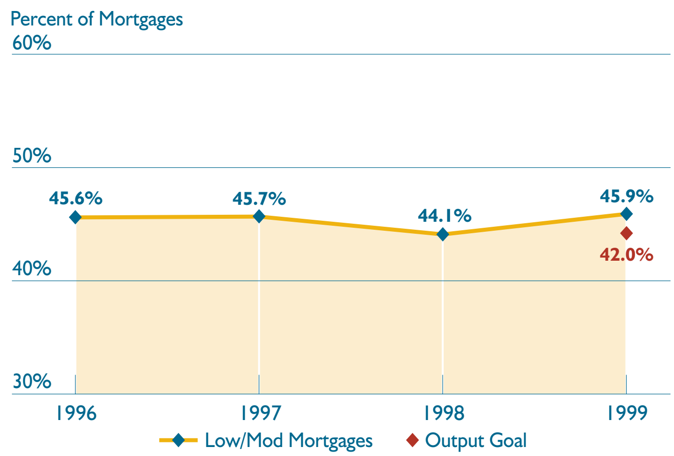


Source: Current Population Survey

Programmatic Output Indicator 1.1.g:
Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.

Background. Fannie Mae and Freddie Mac are government-sponsored enterprises, chartered by Congress to increase access to mortgage capital and stabilize the mortgage market. The GSEs' primary business is investing in residential mortgages and guaranteeing securities backed by residential mortgages. The Office of Federal Housing Enterprise Oversight regulates the financial safety and soundness of the GSEs, and to ensure that taxpayers receive a return for their special status, HUD establishes four performance goals for their operations. This performance indicator tracks the share of mortgage purchases that serve low- and moderate-income families, defined as families with incomes below area medians, and including both single-family and multifamily mortgages.

Fannie Mae Performance Relative to Low/Mod Target

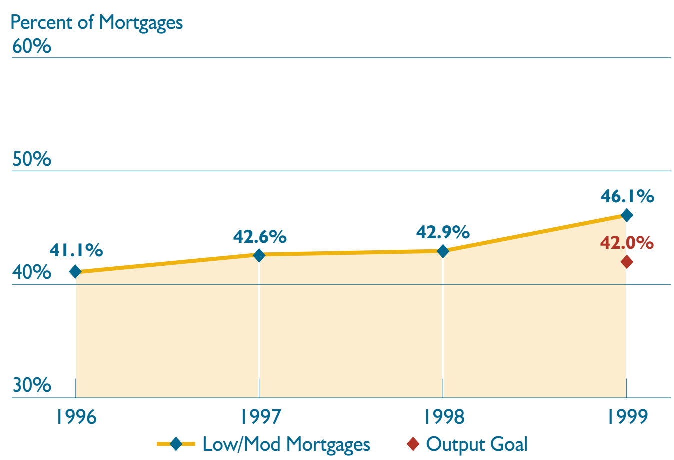


Source: HUD's GSE database

Results & Analysis. During 1999, low- and moderate-income mortgages accounted for 45.9 percent of Fannie Mae mortgage purchases and 46.1 percent of Freddie Mac mortgage purchases, both exceeding the goal of 42.0 percent.

The 1999 data—the most recent audited data available—show that both GSEs improved their performance from 1998 levels. Fannie Mae reversed a modest decline from its 1997 performance. Because the GSEs' share of the affordable housing market has been less than their share of the conventional conforming mortgage market, HUD has increased the target so that 50.0 percent of mortgage purchases must be low- and moderate-income mortgages beginning with the 2001 performance period.

Freddie Mac Performance Relative to Low/Mod Target



Source: HUD's GSE database

Programmatic Output Indicator 1.1.h:
The number of homeowners who have been assisted with HOME increases.

Background. Performance data for this indicator are presented under Programmatic Output Indicator 1.2.d.

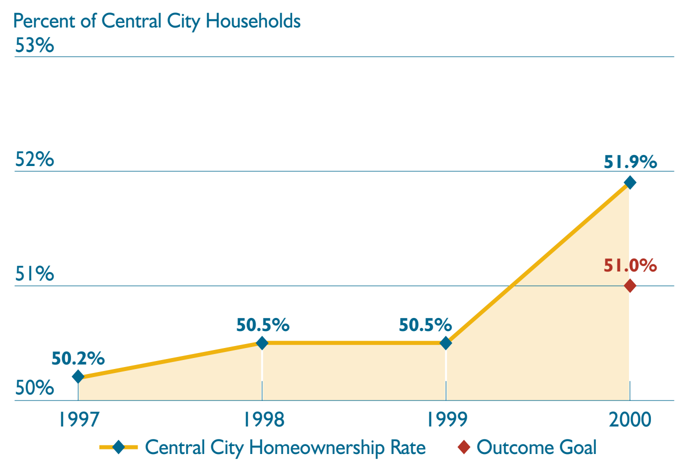
Outcome Indicator 1.1.4:
The homeownership rate in central cities increases by 0.5 percentage point to 51 percent.

Background. Homeownership rates in central cities are substantially lower than homeownership rates nationwide, and lagging homeownership can contribute to a weak tax base and fiscal difficulties.

Results & Analysis. The latest available data show that the homeownership rate in central cities improved markedly to 51.9 percent in the third quarter of calendar year 2000, up from 50.5 percent a year earlier, and exceeding the goal of 51.0 percent.

Central city households began to share in the rising tide of homeownership nationwide, suggesting that the benefits of the strong national economy may finally be reaching cities. Cities are making specific efforts to increase homeownership rates, with HOME, CDBG and FHA playing a supporting role. Marketing and outreach efforts support homeownership by informing renter families of their options and of the need to clean up credit records and accumulate down payments.

Central City Homeownership Rate

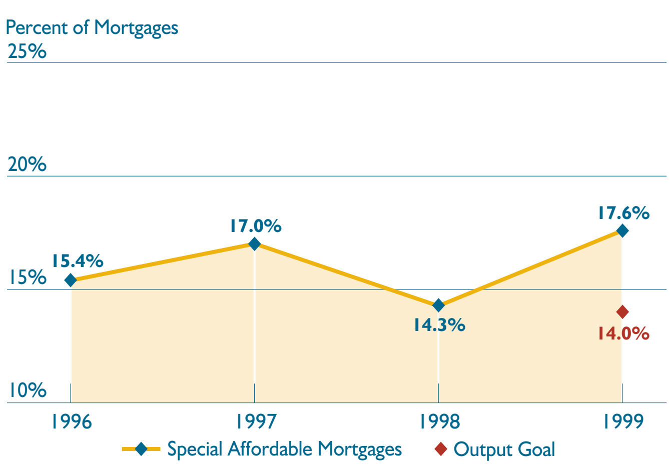


Source: Current Population Survey

Programmatic Output Indicator 1.1.i:
Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.

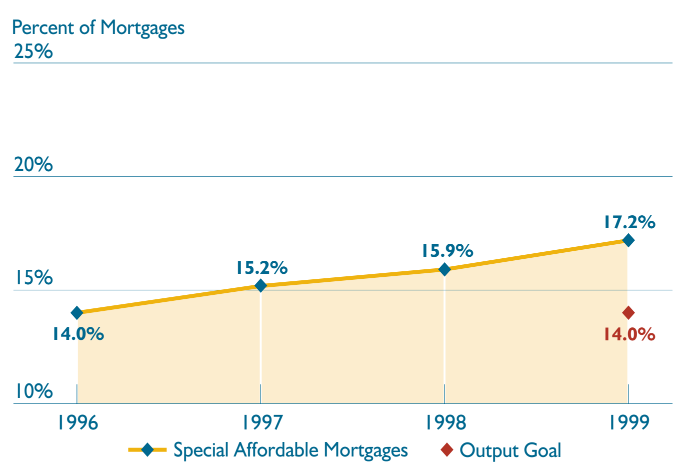
Background. This GSE performance indicator tracks the share of mortgages securitized by Fannie Mae and Freddie Mac that meet the criteria for special affordability, defined as mortgages for very-low-income families or for low-income families in very-low-income areas. This measure includes multifamily mortgages, which also are the subject of a separate subgoal (Programmatic Output Indicator 1.2.i).

Fannie Mae Performance Relative to Special Affordable Target



Source: HUD's GSE database

Freddie Mac Performance Relative to Special Affordable Target



Source: HUD's GSE database

Results & Analysis. In 1999, special affordable mortgages as a share of GSE securitization reached 17.6 percent for Fannie Mae and 17.2 percent for Freddie Mac, both exceeding the goal of 14.0 percent.

Calendar year 1999 is the most recent year for which audited data are available. Freddie Mac continued a trend of increases in the special affordable share, and Fannie Mae reversed a decline in 1998. Beginning with performance year 2001, HUD is increasing the special affordable goal to 20 percent of GSE activity.

Outcome Indicator 1.1.5:
The monthly cost of homeownership of new homes decreases by 1 percent.

Background. HUD's primary contribution to this outcome has been through the Partnership for Advancing Technology in Housing (PATH), which is developing and accelerating the diffusion of technology in the highly decentralized residential construction industry. PATH efforts began in 1999, and the *PATH Strategy and Operating Plan* (published in FY 2000) projected an implementation phase followed by accelerating results over the ten-year time frame. A review of this indicator's validity based on the plan led to the replacement of indicators 1.1.5, 1.1.6 and 1.1.7 with 1.1.L and 1.1.m in the Revised FY 2001 APP. The groundwork laid by the PATH initiative through raising awareness and sharing of information should allow the industry to implement a long-term research program without the financial support of the Federal government. Therefore, HUD has not requested funding for PATH in FY2002.

Results & Analysis. During FY 2000, a baseline was established for this indicator based on the PATH *Strategy and Operating Plan.* The plan established a goal for 2010 of a 20 percent reduction in the monthly costs of new homes. Monthly cost of new attached homes built in 2010 will be reduced from a baseline of $735 to $541 per month, and costs for detached homes will decrease from $844 to $675 per month. The baseline costs are determined from the American Housing Survey rather than the Annual Builder Practices Survey indicated in the APP. The baseline costs for principal, interest, insurance and energy are determined from AHS data for homes built from 1990-1997. The baseline for long-term maintenance and replacement costs uses AHS data for homes built from 1950-1989. Land costs and taxes are excluded from the baseline because they are outside the scope of PATH, and the measure also will control for a variety of external factors.

Outcome Indicator 1.1.6:
Maintenance costs for homeowner-occupied dwellings decrease by 3 percent to $0.23 per square foot per year.

Background. Like the indicator above, this measure needed revision to be relevant to the long-term PATH activities and goals detailed in the PATH *Strategy and Operating Plan*. Therefore, Outcome Indicators 1.1.5, 1.1.6 and 1.1.7 were replaced with Programmatic Output Indicators 1.1.L and 1.1.m in the Revised FY 2001 APP. HUD has not requested FY 2002 funding for PATH.

Results & Analysis. During FY 2000, a baseline was established for this indicator based on the PATH *Strategy and Operating Plan.* The plan establishes maintenance and operating costs as a component of the goal to reduce monthly cost of new housing by 2010. The PATH Maintenance and Replacements baselines were determined to be $245 annually for attached homes and $420 annually for detached homes, based on AHS data for homes built from 1990-1997. Baseline costs were substantially higher for older homes. The data were verified by comparison with "Expenditures for Residential Improvements and Repairs" (Census C50 reports).

Outcome Indicator 1.1.7:
Average residential energy consumption declines by 1 percent from 1999 levels.

Background. Like the indicators above, this measure needed revision to be relevant to PATH activities detailed in the PATH *Strategy and Operating Plan*. Therefore, Outcome Indicators 1.1.5, 1.1.6 and 1.1.7 were replaced with Programmatic Output Indicators 1.1.L and 1.1.m in the Revised FY 2001 APP. HUD has not requested FY 2002 funding for PATH.

Results & Analysis. During FY 2000, a baseline was established for this indicator based on the PATH *Strategy and Operating Plan.* The plan establishes a goal of reducing energy costs of new housing built in 2010 by 50 percent from levels in baseline housing. The baseline is $103.55 per month for attached homes and $143.50 per month for detached homes, based on AHS data for homes built from 1990-1997. The measure will adjust for energy costs, weather variations and average home size.

Objective 1.2:
Affordable rental housing is available for low-income households.

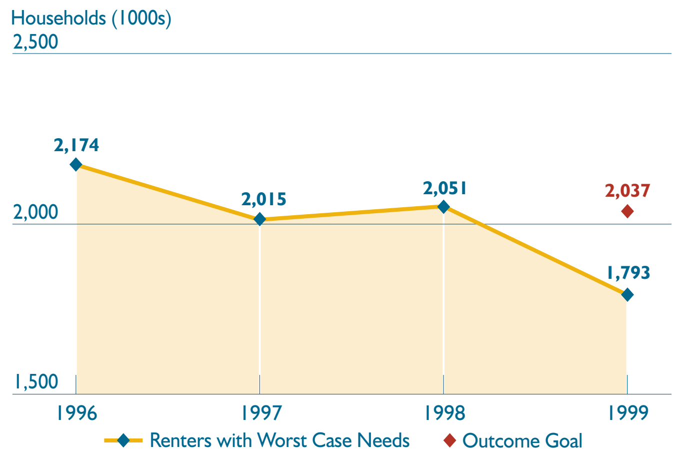
Outcome Indicator 1.2.1:
The number of households with worst case housing needs decreases by at least 3 percent by 1999 among families with children and elderly households.

Background. This performance measure provides a central indication of whether HUD and the Nation are advancing or losing ground in the fight to ensure decent, safe and affordable housing for America's families. Because the elderly and families with children are particularly susceptible to housing problems and targeted by HUD housing programs, they are the focus of this indicator. (Beginning in FY 2002, the measure will also include households with disabilities.) Worst case needs are defined as unassisted renters with very low incomes and a priority housing problem: either severely inadequate housing or, more commonly, housing costs exceeding 50 percent of monthly income.

Results & Analysis. Between 1997 and 1999, worst case housing needs declined substantially among both families with children and elderly households, surpassing the goal for calendar year 1999.

The results use the most recent available calendar year data from the American Housing Survey (AHS).[4] Among very-low-income families with children, the number of households with worst case needs declined by 10 percent from 1997 levels to 1.79 million in 1999, significantly bettering the goal for percentage change.[5]

Worst Case Needs for Housing Assistance Among Families with Children



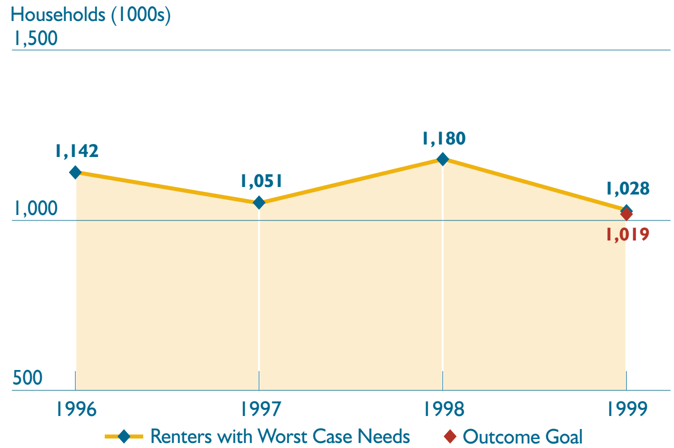
Source: HUD tabulations of American Housing Survey

[4] *A number of HUD's performance indicators rely upon data from the American Housing Survey, conducted for HUD's Office of Policy Development and Research by the Bureau of Census. Because the national AHS is conducted biennially in odd years, data will not be available for reporting calendar year 2000 results for these indicators in the FY 2001 performance report.*

[5] *Because of slight procedural changes in the 1999 AHS, the 1999 estimates shown for this indicator are not directly comparable with the 1997 estimates or the 1999 numerical targets. The percentage changes reported here were calculated from comparable 1997 and 1999 data. The numerical goals shown in the charts for calendar year 1999 are those presented in the FY 2000 APP, but they reflect neither the 3 percentage point improvement specified in the goal statement nor the actual 1997 baselines because they were based on projections from 1995 data.*

The number of elderly households with worst case needs declined by 12 percent to 1.03 million, a decrease that is significantly better than the goal for percentage change. The primary cause of reductions in worst case needs was income growth among very-low-income families that exceeded changes in the rents paid. However, because the number of housing units affordable to these income groups dropped as well, this improvement could be reversed in an economic downturn. Many HUD programs, including public housing, Section 8, HOME and CDBG, provide affordable or assisted housing for such families. Continued achievement of the ambitious performance targets established in the Strategic Plan will require continued economic growth and additional housing vouchers or other new subsidies.

Worst Case Needs Among Elderly Households



Source: HUD tabulations of American Housing Survey

Outcome Indicator 1.2.2:
The share of very-low-income renter households with worst case housing needs declines by at least 1 percentage point from 1990 levels in at least five States.

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report in 2003.

Outcome Indicator 1.2.3:
Among households living in HOME rental developments, the share with incomes below 30 percent of median at initial occupancy will be maintained at 45 percent.

Background. Households with incomes up to 80 percent of area median income are eligible to live in HOME-assisted rental developments, but 90 percent of those households living in HOME-assisted rental units must have income below 60 percent of median. This performance goal was established because renters with extremely-low incomes (below 30 percent of area median) have more pressing needs for affordable housing than others eligible for HOME rental assistance. HUD has revised this measure in light of the substantial degree of discretion that the statute affords to HOME grantees. Beginning in FY 2002, HUD will report the share of households with incomes below 30 percent of median at initial occupancy but no target will be established.

Results & Analysis. HOME grantees exceeded the statutory requirement of 90 percent of rental units being leased to households with incomes below 60 percent of area median income. However, the share of units in HOME rental developments that were leased to households with extremely-low incomes declined from 45 percent in FY 1998 to 42 percent in FY 2000, missing the performance goal.

The change is likely a result of shifts in grantees' policy and practice, although improvement in the completeness of reporting may account for some shift. Consultations with grantees undertaken during the strategic planning process were designed to promote clearer alignment between HUD's performance measures and the goals being pursued by recipients of very flexible block grants like HOME.

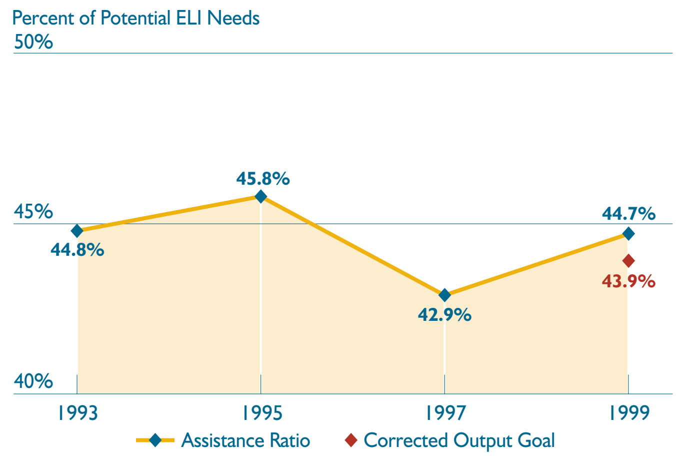
Programmatic Output Indicator 1.2.a:
Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or assistance increases by 1 percentage point to 43 percent by 1999.

Background. This indicator tracks the ratio of federally assisted households to one measure of aggregate potential needs—those already assisted plus those with worst case needs—to determine how well assistance is meeting priority needs among extremely-low-income (ELI) households, the group with the highest incidence of severe housing problems.

Results & Analysis. In calendar year 1999, 44.7 percent of extremely-low-income households with potential needs (as defined here) were assisted, exceeding the revised goal of 43.9 percent.[6]

The 1999 percentage is based on 3.026 million ELI renters with worst case needs and 3.750 million ELI renters with housing assistance,[7] as determined from self-reporting by respondents to the AHS.

Ratio of Assisted ELI Renters to ELI Renters with Assistance or Worst Case Needs



Source: HUD tabulations of American Housing Survey

Programmatic Output Indicator 1.2.c:
The number of tenant-based Section 8 households served by housing authorities that have voucher lease-up rates below 95 percent decreases by 10 percent.

Background. The newly-established baseline for this indicator is based on a revised definition under the Section 8 Management Assessment Program (SEMAP). Housing agencies are identified as having “substandard lease-up” if both the “lease-up rate” and “budget authority utilization rate” are below 95 percent.[8] This indicator also controls for changing program size by measuring the percent of the program managed by agencies with substandard lease-up, as revised in the FY 2001 APP.

Results & Analysis. The baseline study shows that 55.7 percent of units in the Section 8 tenant-based program are managed by PHAs that meet the 95 percent threshold for acceptable lease-up.

An analysis of PHA year-end statements conducted in February 2001 indicates that housing authorities are utilizing approximately 92 percent of the certificate and voucher units under contract for a year or more. However, the baseline study shows that only 55.7 percent of units in the Section 8 tenant-based program are managed by PHAs that meet the 95 percent threshold for acceptable lease-up, using the two-part SEMAP definition. The other 44.3 percent are managed by agencies with substandard lease-up. The

[6] The revised target represented an increase from the published goal of 43.0 percent, which was based on an incomplete 1997 estimate of 41.9 percent rather than the correct value of 42.9 percent. The corrections are the result of a revised definition for assistance used by the American Housing Survey beginning in 1997, and the use of corrected income limits for 1997 to define households.

[7] Because this measure includes only extremely-low-income households, the number of assisted households is lower than the total number of households assisted by HUD. Survey respondents may be unsure of the source of housing assistance, making counts of assisted households imperfect.

[8] Under an improved SEMAP definition for FY 2001 and forward, the lease-up rate is defined as the number of unit-months under Housing Assistance Payment contracts divided by the number of unit-months available for leasing—based on the number of reserved units for which HUD has obligated funding under Annual Contributions Contracts, and adjusted to exclude units associated with funding increments obligated during the last PHA fiscal year as well as units obligated for litigation. The budget authority utilization rate is defined as the share of funds for vouchers authorized by HUD that are actually used by the PHA.

Department continues to believe that this lease-up rate is unacceptably low and in need of further management attention to better assure that HUD's budget resources are promptly used to alleviate the shortage of affordable housing. A discussion of some of the steps that HUD is taking to increase utilization rates is presented in the Management Overview section. HUD has established goals of a 10 percent improvement in utilization each year for FY 2001 and FY 2002.

Programmatic Output Indicator 1.2.d:
The number of households receiving housing assistance with CDBG, HOME, HOPWA, and NAHASDA increases.

Background. A number of HUD's formula grant programs make major contributions to the availability of affordable or assisted housing, including owner-occupied as well as rental housing. Section 184 performance data are presented under Indicator 2.3.b.

Results & Analysis. The number of households provided with housing assistance with FY 2000 CDBG funds fell below the FY 2000 goal. The reduction in CDBG households provided with housing assistance after FY 1997 reflects a reduction in the share of funds that grantees use for housing activities from 30 percent to 24 percent. CDBG values in this table are based on budget outlays and historical accomplishments reported by grantees in the Integrated Disbursement Information System (IDIS) and in annual performance reports.

Households Assisted	1997 act.	1998 act.	1999 est.	2000 est.	2000 goal
CDBG households[a]	202,100	157,417	158,300	182,700	204,000
HOME tenant-based assistance	7,792	8,246	8,246	6,899	8,246
HOME rental units committed [b]	23,041	24,148	25,114	33,487	26,118
HOME new homebuyers committed [b]	28,403	29,514	30,695	30,748	31,922
HOME existing homeowners committed [b]	13,053	13,415	13,952	14,731	14,510
HOME total households	72,289	75,323	78,007	85,865	80,796
HOPWA households	35,845	43,798	41,670	43,902	43,990
Native Americans assisted with NAHASDA	–	–	19,483	NA	NA

The number of households assisted with HOME during FY 2000 exceeded the goal overall, as well as for each type of assistance except new homebuyers. HOME values represent units of assistance that grantees commit to produce with their HOME block grants. The increase in commitments since FY 1997 is explained by increased annual appropriations during the period and by increased capacity of participating jurisdictions and sub-recipients to use these appropriations. Estimates for HOME tenant-based rental assistance are based on historical average commitments, which show no sustained trend. These estimates reflect units for which grantees commit funds during each fiscal year, and thus differ from estimates in the budget that project production over the life of the requested appropriation. See Indicator 1.2.e for actual units completed with HOME funds.

The number of households assisted with HOPWA was 43,902, essentially the same as the goal of 43,990. HOPWA estimates are based on actual expenditure data of HOPWA grantees as reported through HUD's financial systems and measured against baseline information that demonstrates that $1 million of HOPWA funds supports 183 units of housing. A data clean-up process currently underway is expected to enable the use of grantee-reported accomplishment data through IDIS.

The Annual Performance Reports (APRs) submitted by block grant recipients for FY 1999 provide a performance baseline, showing a cumulative total of 19,483 housing units constructed or rehabilitated. (APR data include carry-over activities funded under the 1937 Housing Act.) Results from FY 2000 APRs will be available for reporting next year. NAHASDA funding will assist an estimated 70,000 to 80,000 Native American households over the life of the grants issued to date. As of FY 2000, 530 tribes were participating in the Indian Housing Block Grant program.

Programmatic Output Indicator 1.2.e:
The number of HOME production units that are completed within the fiscal year will increase by 4 percent.

Background. This indicator tracks the number of HOME-assisted units that Participating Jurisdictions report as being put into service.

HOME Units Completed	Total through FY 1998	FY 1998	FY 1999	FY 2000
HOME rental units produced	72,469	18,083	18,806	29,309
HOME new homebuyers	77,363	24,046	25,008	34,126
HOME existing homeowners	60,053	11,783	12,254	13,174
HOME total households assisted	209,885	53,912	56,068	76,609

Source: Integrated Disbursement Information System

Results & Analysis. Completion reports submitted by HOME Participating Jurisdictions to the IDIS system show 76,609 units completed during FY 2000, a marked 36 percent increase from FY 1999 levels, compared with the goal of a 4 percent increase.

The large increase overstates the actual increase in units completed because a substantial number of completion reports were submitted as the result of a HUD effort to reduce the time lag between project completion and submission of completion reports. Some of the completion reports received in FY 2000 counted units completed in prior years.

Programmatic Output Indicator 1.2.f:
All households living in HOME rental developments will be income eligible and pay appropriate rent.

Background. During FY 2000, the Office of Policy Development and Research awarded a contract to conduct a survey of households in HOME rental developments that will, among other things, provide a baseline for this measure. The research is underway, and the results are expected to become available in June 2001.

Outcome Indicator 1.2.4:
The number of households with a head or spouse aged 62 or older living in a public or assisted housing development that is served by a service coordinator for the elderly increases.

Background. Resources were not committed during FY 2000 to survey managers of public and assisted housing developments. An in-house study of multifamily developments with service coordinator grants that is underway may provide a baseline to support performance measurement and reporting for FY 2001.

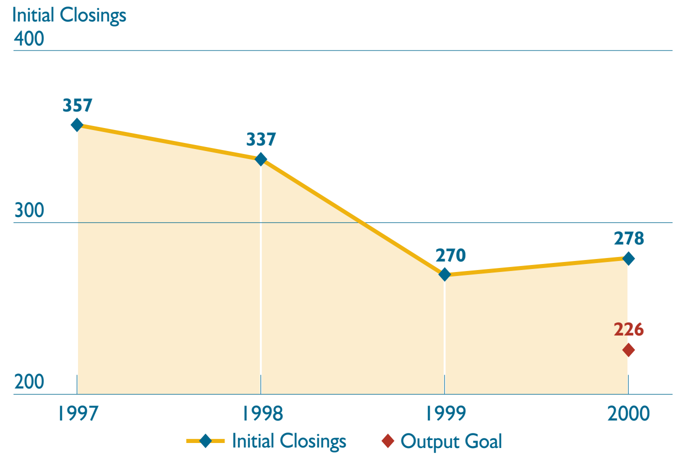
Programmatic Output Indicator 1.2.g:
Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 226 projects to initial closing under Sections 202 and 811.

Background. This indicator tracks the contribution of the Office of Housing's Section 202 and Section 811 capital grants programs, which serve the elderly and persons with disabilities. The merger of Section 202 and Section 811 results under this indicator reflect the Revised FY 2000 APP, which modified the measure and increased the target.

Results & Analysis. During FY 2000, the Office of Housing brought 278 developments to initial closing under Sections 202 and 811, surpassing the FY 2000 goal by 23 percent.

The increase in initial closing of Section 202 and Section 811 projects in FY 2000 reverses the trend of declining output. The performance was supported by the strong economy and reflects growing awareness of the importance of serving families with special needs.

Initial Closings of Developments Under Sections 202 and 811



Source: Development Applications Processing System

Programmatic Output Indicator 1.2.h:
Within two years of authorization, assisted living facilities in at least five States will house elders using housing vouchers combined with Medicaid or other third-party funding for services.

Background. The relatively minor use of Section 8 vouchers in combination with external funding for services made it unfeasible to include an additional reporting requirement in MTCS as discussed in the FY 2000 APP. Following consultation with stakeholders during the Department's FY 2000 strategic planning process, HUD has reinforced the commitment to serve elderly and disabled populations, and is reexamining the indicators covering this topic to ensure that they are adequate and measurable.

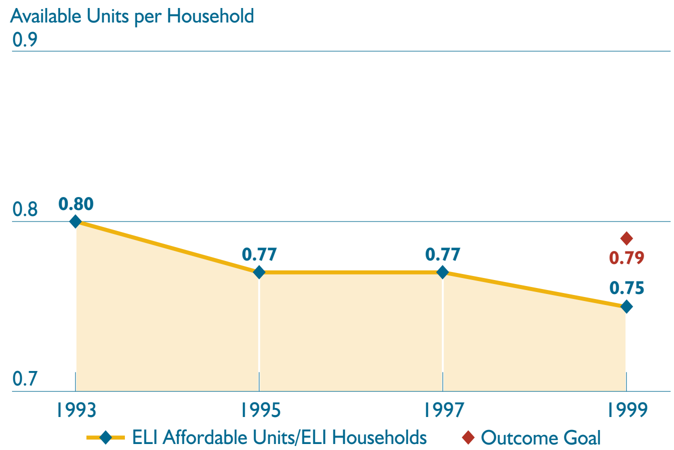
Outcome Indicator 1.2.5:
For extremely-low-income renters, the ratio of affordable units to households increases by 2 percentage points to 79 percent by 1999.

Background. As a national average in 1993, there were only four affordable units (renting for 30 percent or less of the extremely-low-income cutoff) for every five extremely-low-income renters (those with incomes below 30 percent of area median), a ratio of 0.80. The shortage worsened between 1990 and 1997, increasing the demands on the Nation's rental assistance capacity.

Results & Analysis. Between 1997 and 1999, the ratio between the number of units affordable to extremely-low-income households and the number of such households worsened by falling to 0.75, or 75 affordable units per 100 households, missing the goal of 0.79.

The primary cause of this change was rent increases exceeding inflation. The results mean that in calendar year 1999 there were two fewer affordable units per 100 extremely-low-income households than existed in 1997. The worsening of the ratio measured by this indicator occurred despite strong income gains among extremely low-income renter households between 1997 and 1999. Taken together, these results indicate that, while many extremely low-income renters experienced an increase in income between 1997 and 1999, those who were not able to achieve this increase faced a more difficult housing situation in 1999.

Affordable Housing Units Relative to Extremely-Low-Income Households



Source: HUD tabulations of American Housing Survey

As discussed in HUD's recent report on Worst-Case Needs—A Report on Worst Case Needs in 1999: *New Opportunity Amid Continuing Challenges*—increases in income among very low-income families led to a significant reduction in the number of renter households with worst case needs between 1997 and 1999. The results reported for this indicator, however, strike a cautionary note. The continuing decline in the number of rental housing units that are affordable without governmental subsidies—a factor attributable primarily to ongoing rent increases—implies that the current progress could be vulnerable to an economic downturn. Because rents adjust slowly and some increases reflect capital improvements, it is unlikely that rents would drop as quickly as incomes in the event of a slowdown.

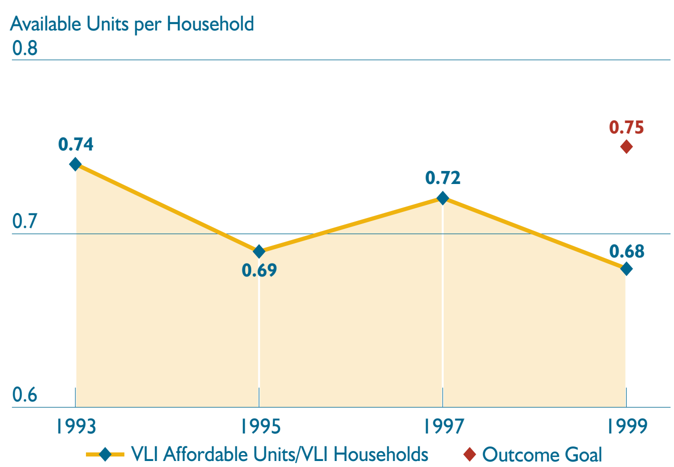
These results reaffirm the importance of continuing and expanding HUD's rental assistance programs, as well as preserving the current stock of affordable housing and helping renters to become homeowners. HUD's FY 2002 budget includes a number of initiatives designed to help low-income renters become homeowners, including the American Dream Downpayment Fund, which provides families with assistance in making downpayments.

Outcome Indicator 1.2.6:
For very-low-income renters, the ratio of affordable units actually available to households increases by 5 percentage points to 75 percent by 1999.

Background. In 1990 the number of units affordable to very-low-income renters (that is, units with annual rents at or below 30 percent of the very-low-income cutoff, which is 50 percent of area median) exceeded the number of renters both nationally, on average, and in all but three States. However, some 40 percent of these units were occupied by households with incomes *above* 50 percent of median, and thus were unavailable to very-low-income renters.

Results & Analysis. In calendar year 1999, the ratio between the number of units both affordable and available to very-low-income households and the number of very-low-income households worsened to 0.68, or 68 units per 100 households, substantially below the goal of 0.75 in 1999.

Affordable Housing Available to Very Low Income Households



Source: HUD tabulations of American Housing Survey

Two years earlier, in 1997, 72 affordable units were available per 100 very-low-income households.[9] The analysis provided for Indicator 1.2.5 largely applies to this indicator as well: above-average rental cost increases reduced the number of units affordable to very-low-income renter households. However, because this indicator focuses not just on affordable but on *available* units, one additional consideration applies. For the first time in many years, the increase in incomes of very low-income renter households between 1997 and 1999 exceeded the increase in their rents. Some households who were previously considered to have very low incomes may thus no longer fall within this category. To the extent that these households continue to occupy the same rental units and the units continue to have rents that qualify them as "affordable" to very-low-income households, this would operate to reduce the number of units available to very-low-income renters, causing this measure to worsen. As such a scenario is not undesirable, results for this indicator should be treated with caution this year.

Outcome Indicator 1.2.7:
Ratios of affordable units to households will be higher for at least six of the 30 States that in 1990 had absolute shortages of rental units affordable to extremely-low-income households.

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report in 2003.

Outcome Indicator 1.2.8:
Ratios of affordable rental units to rental households will be higher for at least four of the 16 States that in 1990 had absolute or relative shortages of rental units affordable to very-low-income households.

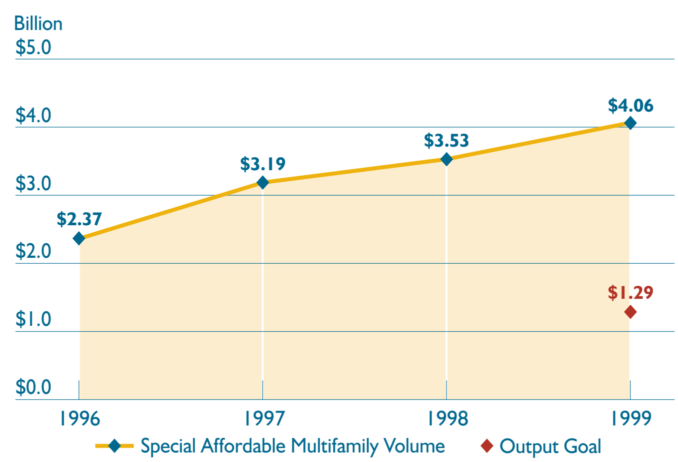
Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report in 2003.

Programmatic Output Indicator 1.2.i:
Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.

Background. The secondary mortgage market traditionally has not served the multifamily mortgage industry as well as the single-family industry, leading HUD to establish a special affordable multifamily subgoal. This indicator tracks the performance of the GSEs in providing capital, measured in billions of dollars, for affordable multifamily housing. Qualifying multifamily mortgages provide 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, and are located in low-income areas.

Results & Analysis. The GSEs both exceeded the goal for special affordable multifamily volume: Fannie Mae with $4.06 billion and Freddie Mac with $2.26 billion.

Fannie Mae Performance Relative to Special Affordable Multifamily Target

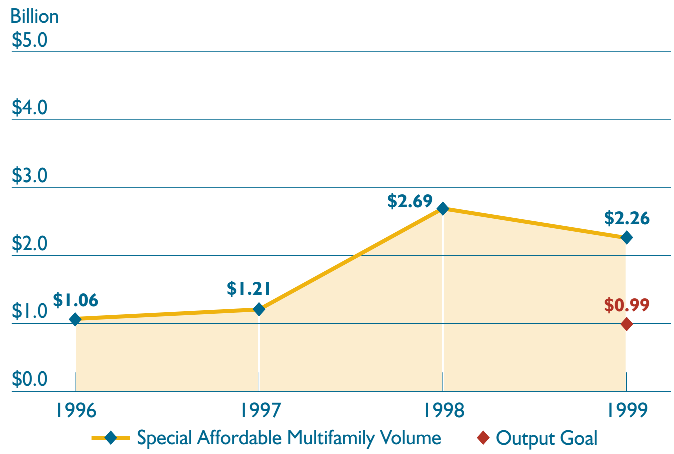


Source: HUD's GSE database

[9] *The 1997 value was previously published at 68 units per 100 households. The change reflects an update with corrected income limits.*

The most recent available audited data show that during calendar year 1999, the performance of both GSEs more than doubled their goals. Fannie Mae increased securitization of special affordable multifamily mortgages by 15 percent to $4.06 billion, compared with its goal of $1.29 billion. Freddie Mac also exceeded the performance goal ($0.99 billion) by securitizing $2.26 billion of special affordable multifamily mortgages. On the basis of the GSEs' demonstrated capacity to achieve more in the public interest, HUD has established higher goals for 2001 and successive years: $2.85 billion for Fannie Mae and $2.11 billion for Freddie Mac.

Freddie Mac Performance Relative to Special Affordable Multifamily Target



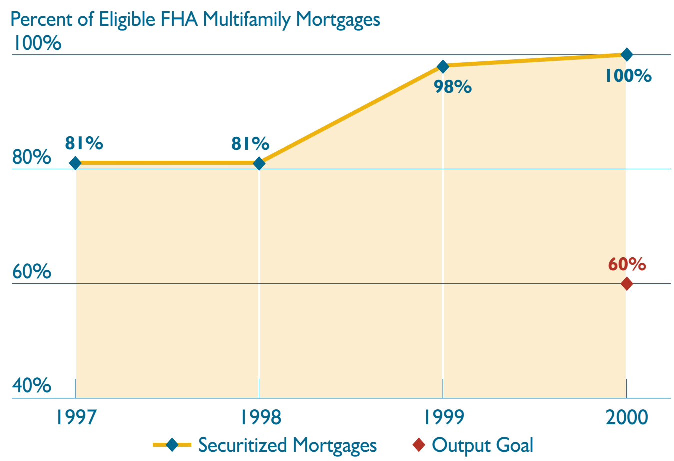
Source: HUD's GSE database

Programmatic Output Indicator 1.2.j:
Ginnie Mae securitizes at least 60 percent of eligible FHA multifamily mortgages.

Background. Ginnie Mae helps lenders package FHA-insured multifamily loans into secondary-market securities for investors. Securitization increases the availability of capital for the multifamily mortgage market, making loans less costly and easier to obtain. FHA multifamily loans (elder care facilities, risk sharing, and hospitals) are not eligible for securitization by Ginnie Mae.

Results & Analysis. In FY 2000, Ginnie Mae securitized 100 percent of eligible FHA multifamily loans, up from 98 percent in FY 1999, and well above the performance goal. Based on the potential for continued strong performance, Ginnie Mae has increased the goal to 80 percent in the Revised FY 2001 APP.

Eligible FHA Multifamily Mortgages Securitized by Ginnie Mae



Source: Ginnie Mae database

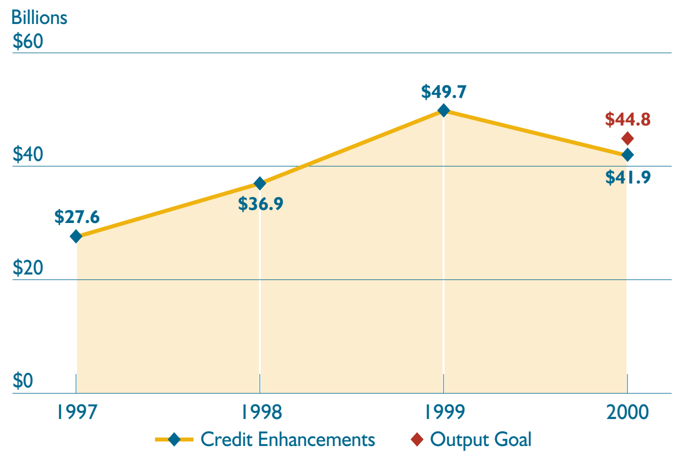
Programmatic Output Indicator 1.2.k:
Ginnie Mae credit enhancements on multi-class securities increase by 10 percent to $44.8 billion in FY 2000.

Background. Ginnie Mae's multi-class products include Real Estate Mortgage Investment Conduits (REMIC) and Ginnie Mae Platinum securities. REMIC securities are a financing vehicle through which a pool of mortgage-backed securities is sold as multiple-class securities, which spread investor risk among the various security classes and support the price of Ginnie Mae Mortgage-Backed Securities. The Platinum product provides customers the ability to trade a group of small pools for one large pool.

Results & Analysis. During FY 2000, the volume of Ginnie Mae credit enhancements on multi-class securities declined 15.6 percent to $41.9 billion, falling short of the $44.8 billion goal.

The FY 2000 goal was revised downward from $54.7 billion in the Revised FY 2000 APP, reflecting early evidence that the volume of Platinum securities was declining. Increased market competition and higher interest rates caused the volume of multi-class securities to retrench following a year of dramatic growth in FY 1999.

Issuances of Ginnie Mae Credit Enhancements on Multi-Class Securities



Source: Ginnie Mae database

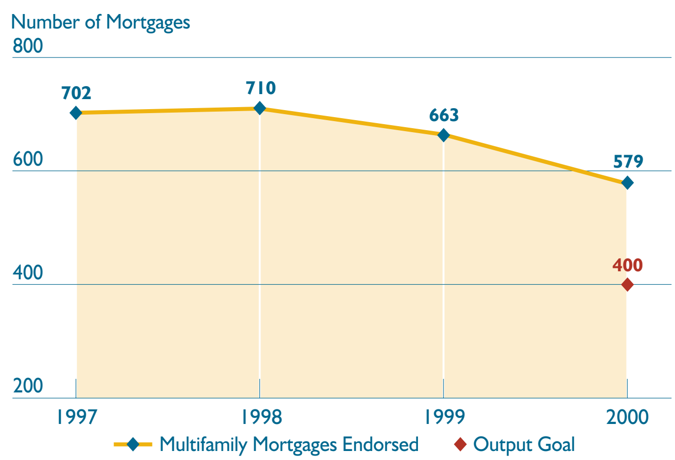
Programmatic Output Indicator 1.2.L:
FHA endorses at least 400 multifamily mortgages annually.

Background. FHA insurance is vitally important to a number of higher risk segments in the multifamily housing industry, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA offers many unique products in the market, brings stability to the market and 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.

Results & Analysis. In FY 2000, FHA maintained a substantial contribution to the multifamily mortgage market by endorsing 579 mortgages, exceeding the performance goal by 45 percent.

During FY 2000, the Multifamily Accelerated Processing initiative was implemented, and as of October 2000, 78 lenders had been approved to do accelerated processing of mortgage insurance applications. Based on the strong history of performance, the increasing capacity of lenders and the ongoing need for affordable rental housing, the goal has been increased to 700 mortgage endorsements for FY 2001.

FHA Multifamily Mortgages Endorsed



Source: Real Estate Management System

Programmatic Output Indicator 1.2.m:
Among multifamily developments newly insured by the FHA General and Special Risk Insurance funds, the share of units that are affordable to households with incomes below 60 percent of median increases.

Background. A baseline has not been determined for this indicator. Extensive system enhancements would be necessary in order to report rent affordability at the unit level among insured developments, and no such enhancements are planned for the immediate future under anticipated capital funding levels. A number of housing units are required to be affordable in tax credit or risk sharing projects, and the Department is developing a count of the share of developments in these categories for a replacement measure.

Programmatic Output Indicator 1.2.n:
Seventy-five percent of multifamily mortgages restructured under the Mark to Market program are closed within 12 months of PAE acceptance for restructuring.

Background. Under the Mark-to-Market program, the Office of Multifamily Housing Assistance Restructuring (OMHAR) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring that involves a write-down of the existing mortgage in conjunction with the reduced rent levels. Ginnie Mae has developed a new Mortgage-Backed Security for FHA-insured multifamily mortgages originated in connection with debt restructuring under the Mark-to-Market program. For FY 2001, this measure has been revised to track the number of basic rent reductions and rent reductions with mortgage restructuring.

Results & Analysis. During FY 2000, OMHAR exceeded the 75 percent target by completing deals on 494 properties, or 82.7 percent of the 597 properties eligible for restructuring under the Mark-to-Market program.

As the Revised FY 2001 APP indicates, current conditions require a downward revision of the goal to complete 1,400 rent reductions during FY 2001. The FY 2001 performance goal was based on an expectation of 2,200 projects in the pipeline as of September 30, 2000. As only 1,300 projects were in the pipeline at the end of FY 2000, OMHAR now expects to reduce rents and, where appropriate, complete mortgage restructuring on 550 projects during FY 2001.

Programmatic Output Indicator 1.2.o:
Among high-risk or troubled multifamily projects referred to EC, the shares that have aged pending enforcement and the share that have aged during enforcement processing will decrease.

Background. The performance baseline is not currently available. The Departmental Enforcement Center has developed a monthly management information tool that captures aging data, and expects to be able to provide a baseline during FY 2001. This indicator also appears as Programmatic Output Indicator 5.1.k.

Programmatic Output Indicator 1.2.p:
Among Consolidated Plan jurisdictions with housing authorities, the share that have included housing authority representatives in consolidated planning efforts approaches 90 percent.

Background. Both States and cities are required to develop Consolidated Plans to assess needs and determine strategies for allocating HUD grants. Consolidated Plans must consider the full range of community needs to be valid guidelines, so HUD is promoting cooperation between public housing agencies and local officials in support of integrated solutions to housing and community development problems.

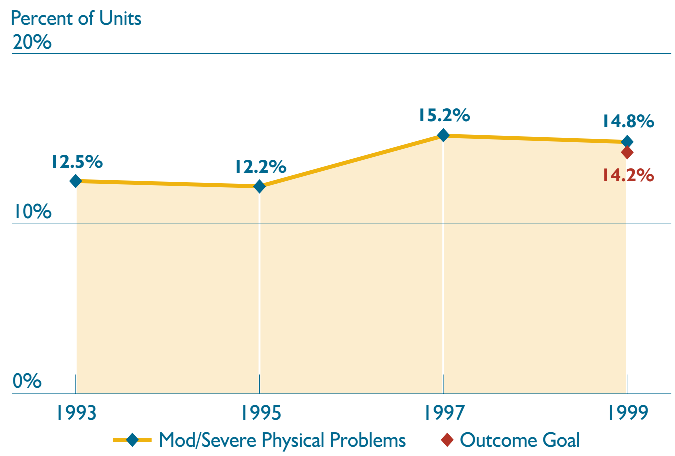
Results & Analysis. HUD has determined an FY 2000 baseline for this indicator. In FY 2000, 818 Consolidated Plan jurisdictions had included housing authority representatives in their consolidated planning efforts. This represents 79 percent of the total number of consolidated plan jurisdictions with housing authorities. This baseline level will support achievement of the Department's ultimate goal of attaining a 90 percent participation rate.

Objective 1.3: America's housing is safe and disaster-resistant.

Outcome Indicator 1.3.1: The share of very-low-income households living in units with moderate or severe physical problems decreases by 1 percentage point to 9 percent for owners and 11 percent for renters by 1999.

Background. HUD seeks to continue the Nation's long-term success in reducing the stock of housing that fails the criteria of "decent, safe and sanitary" housing. This indicator tracks problems with physical housing condition for households with incomes below 50 percent of area median income because very-low-income households have fewer resources to address these problems. The performance targets presented below differ from the goal statement because of new baselines.[10]

Very-Low-Income Renters in Units with Moderate/Severe Physical Problems

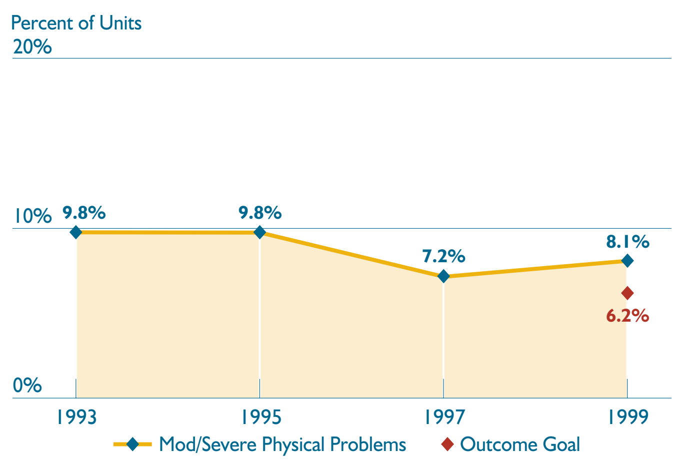


Source: HUD tabulations of American Housing Survey

Results & Analysis. Between 1997 and 1999, the share of physical housing problems improved and met the performance goal for very-low-income renters, but worsened and missed the goal for very-low-income owners.

The most recent available AHS data show that the share of very-low-income renters who experienced moderate or severe problems with the physical condition of their housing decreased from 1997 levels to 14.8 percent in 1999. This improvement fell short of the revised goal of 14.2 percent. The second chart shows that the number of very-low-income homeowners who lived in units with physical problems actually increased to 8.1 percent in 1999, worsening in reference to the revised target of 6.2 percent.

Very-Low-Income Owners in Units with Moderate/Severe Physical Problems



Source: HUD tabulations of American Housing Survey

A major cause of the increase in owners with problems is the reclassification of families into the "very-low-income" group because overall income growth shifted the income limits. A secondary, but notable, reason is that a substantial number of renter households with very low incomes were able to become homeowners—albeit of properties needing repairs. The FY 2001 APP responds to the fact that the baseline is smaller for owners than for renters by establishing a more attainable goal for homeowners: a 0.3 percentage point improvement from the 1999 baseline.

[10] The goals shown for Indicator 1.3.1 are revised by applying the same incremental improvements used to establish FY 2000 goals to revised and corrected 1997 baselines. The corrections are the result of the use of corrected income limits to define very-low-income households. Previously published performance goals were 14.0 percent for renters and 9.0 percent for owners. The implementation of computer-aided interviewing in the 1997 AHS means that questions on physical problems were more precise, so the 1997 data are not exactly comparable to data from earlier surveys.

Outcome Indicator 1.3.2:
The share of housing units with exposed wiring, unvented heaters, holes in the floors, or rats decreases by 1 percentage point by 1999.

Background. This indicator focuses on four specific safety hazards, and as redefined in the FY 2001 APP, is limited to housing units occupied by low-income families, defined as those with incomes below 80 percent of area median income.

Results & Analysis. AHS data show that the share of low-income households who lived in housing units with one of the four specified safety hazards decreased from 6.2 percent in calendar year 1997 to 5.8 percent in 1999. The improvement of 0.4 percentage points fell short of the goal of a 1.0 percentage point improvement.

Reflecting the difficulty of making significant improvements on a small base, the FY 2001 APP sets a goal of an additional, but more modest, 0.2 percentage point improvement. The 1997 value has been revised from the previously reported baseline because of corrected income limits, and 1997 data are not comparable to previous years because of the conversion to computer-assisted interviewing.

Programmatic Output Indicator 1.3.a:
The number of households receiving housing assistance with CDBG, HOME, HOPWA, and NAHASDA increases.

Background. This indicator highlights the contribution of HUD's formula grant programs toward improvements in the safety of housing. The results are presented under Programmatic Output Indicator 1.2.d.

Outcome Indicator 1.3.3:
The share of public housing units and assisted multifamily units that meet HUD-established standards increases .

Background. This indicator tracks the share of public and assisted multifamily units that are located in developments that meet physical condition standards, as determined by REAC inspections. Both public housing and multifamily developments are deemed to be in general compliance with HUD's physical condition standards if they score at least 60 percent under the Physical Assessment Subsystem used to inspect and assess the physical condition of public and assisted multifamily housing. Physical inspections of developments include a representative sample of units.

Results & Analysis. In FY 2000, 83 percent of public housing developments met the general physical condition standards. These developments represented 69.9 percent of the stock of public housing units, comparing favorably with the preliminary FY 1999 baseline of 62.5 percent of units. Among FHA multifamily developments, 85 percent met general standards for physical condition.[11] These developments comprise 85.5 percent of FHA multifamily housing units, also an improvement from the 77.3 percent of units located in projects with acceptable condition in FY 1999.

Although the scores suggest that improvements were significant, they are not strictly comparable because the FY 1999 scores were preliminary, and were based on an incomplete sample of developments for multifamily housing. FY 1999 scores also were non-binding for management purposes unless inspectors found life-threatening deficiencies. Revisions to inspection protocols and weighting procedures also influenced results. Despite data inadequacies, public housing and multifamily managers may reasonably be expected to take steps to improve physical conditions following the initial inspections, so the tenants may have experienced real progress, and the Department has confidence in the long-term management value of the assessment system.

[11] *Based on the baseline inspection of the multifamily housing portfolio of 28,038 insured and assisted projects completed by REAC on February 9, 2001.*

HUD recognizes the need for continued improvement in the quality of HUD-assisted housing. To this end, HUD will continue the process of physical inspections of public housing and assisted multifamily housing as well as the other components of the Public Housing Assessment System and the system used to assess assisted multifamily developments. HUD also plans to continue to address the problems of troubled agencies and developments through HUD's Troubled Agency Recovery Centers and the Departmental Enforcement Center. Throughout this process, HUD will continue to engage in ongoing consultations with stakeholders to determine how the physical inspections protocol can be strengthened to improve accuracy and replicability.

Outcome Indicator 1.3.4:
The share of public housing units and assisted multifamily units that contain life-threatening health and safety deficiencies decreases.

Background. REAC's physical inspections identify a number of health and safety deficiencies that are life threatening, such as frayed electrical wires, nonfunctional smoke detectors, and sharp edges on fencing. When these "exigent" health and safety deficiencies are detected during physical inspections, then PHAs and project owners or agents are required to take corrective action and report back to HUD.

Results & Analysis. REAC has completed baseline physical inspections for public housing and FHA multifamily properties. Physical inspections of public housing developments during FY 2000 revealed 24,575 exigent health and safety deficiencies at 6,406 developments. Of all public housing units, 61.8 percent were located in a development with at least one life-threatening health and safety deficiency. The baseline inspection of multifamily properties, completed February 9, 2001, identified 30,027 exigent deficiencies at 9,623 developments. Multifamily tenants were less likely to encounter life-threatening conditions, as 41.9 percent of units were located in a development with at least one exigent deficiency. Because a development can have multiple buildings and hundreds of units, not all households in a cited development necessarily are placed at risk by a exigent deficiency. HUD is reviewing the validity of a measure that standardizes the number of observed deficiencies by unit (as written here) or by property (as modified in the FY 2001 APP), because the number of deficiencies observed per property is influenced by the number of units sampled.

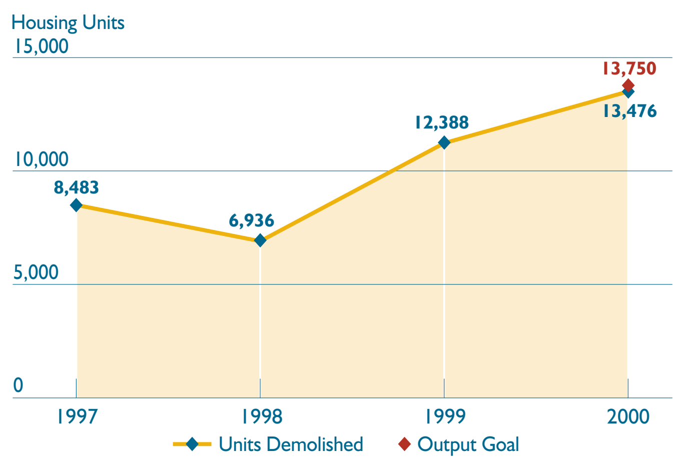
Programmatic Output Indicator 1.3.b:
13,750 units of severely distressed public housing are demolished.

Background. HUD intends to complete the demolition of 100,000 distressed public housing units by the end of FY 2003. This performance measure includes demolition completed by grantees as part of a HOPE VI redevelopment plan.

Results & Analysis. As of the end of FY 2000, 13,476 more units had been demolished, slightly below the goal of 13,750 published in the Revised FY 2000 APP.

The number of units demolished is up 9 percent from the 12,388 units demolished in FY 1999. FY 2000 data reflect adjustments for late reporting by PHAs, and the FY 1999 value corrects last year's report. Demolition activity continues to be delayed by the need for PHAs to relocate tenants and abate hazardous wastes before proceeding.

Public Housing Units Demolished Annually



Source: PIH Integrated Business System

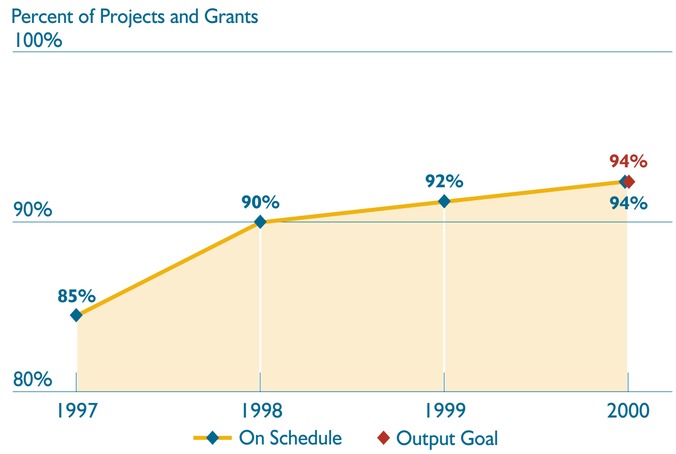
Programmatic Output Indicator 1.3.c:
The share of HOPE VI Revitalization Developments that are on schedule increases by 2 percentage points annually to 94 percent.

Background. The FY 2001 APP revises this performance measure to report on specific HOPE VI outputs (Programmatic Output Indicator 1.2.b/4.2.b.3).

Results & Analysis. During FY 2000, the share of HOPE VI revitalization projects and grants that are on schedule increased to 94 percent, meeting the goal.

Among 131 HOPE VI revitalization projects, 123 were on schedule; 101 of 108 demolition-only grants were on schedule; and 3 of 3 planning grants were on schedule. The progress reflects growing understanding of the potential barriers to revitalization projects that involve neighborhoods as well as developments.

HOPE VI Development Projects on Schedule



Source: administrative data from Office of Public and Indian Housing

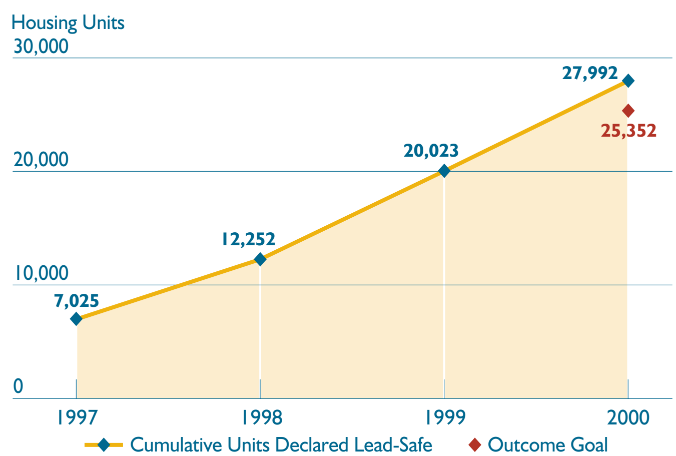
Outcome Indicator 1.3.5:
The number of housing units made lead safe by the Lead Hazard Control Grant Program increases by 37 percent to 25,352.

Background. HUD's Office of Healthy Homes and Lead Hazard Control provides grants to state and local government agencies to control lead hazards in privately-owned assisted and unassisted housing. The program requires grantees to employ certified personnel to collect clearance (quality control) lead-dust samples in housing to confirm that it has been made lead safe, because lead dust is the major pathway by which children are exposed to lead-based paint.

Results & Analysis. During FY 2000, Lead Hazard Control Grants were provided for lead abatement and clearance testing in 7,969 housing units. Over the life of the grants, this will increase the number of units made lead-safe to an estimated 27,992, exceeding the goal of 25,352 units.

The success reflects two factors: as grantees gain more experience, they are acquiring a stronger capacity to operate the program in a cost-efficient and timely manner; and the increasing pool of certified contractors is also expanding grantee capacity to produce more units in a given year.

Estimated Cumulative Housing Units Made Lead-Safe Over the Life of Fiscal Year Grants



Source: administrative data from Office of Healthy Homes and Lead Hazard Control

Programmatic Outcome Indicator 1.3.d:
The average percentage reduction of floor dust lead levels in units made lead-safe is 25 percent.

Background. Elevated blood lead in children is highly correlated with lead dust levels, so this indicator tracks the percentage decrease in lead dust on floors achieved by lead-hazard control treatment. The decrease is measured in micrograms of lead per square foot prior to treatment and one year after treatment (because lead dust may reaccumulate).

Results & Analysis. During FY 2000, data from the Preliminary Data Analysis report of the National Evaluation of the Lead Hazard Control Grant Program show that grantees reduced lead dust levels an average of 75 percent in treated homes, substantially exceeding the goal of a 25 percent reduction.

The success reflects the experience that grantees have gained in the full grant cycle, enabling them to ensure that their contractors perform lead hazard control work efficiently and effectively. This indicator was deleted in the Revised FY 2001 APP because the results for previous years have demonstrated that the substance of this indicator is well-correlated with the results of Indicator 1.3.5.

Programmatic Output Indicator 1.3.e:
The first eight cooperative agreements and interagency agreements for the Healthy Homes Initiative become operational and an additional eight agreements are awarded.

Background. Under the Healthy Homes Initiative, the Office of Healthy Homes and Lead Hazard Control is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, unintentional injuries, and developmental problems.

Results & Analysis. During FY 2000, eight additional cooperative agreements and interagency agreements became operational, meeting the goal. In addition, nine agreements were awarded, exceeding the target of eight agreements.

Awards included seven cooperative agreements awarded through the SuperNOFA process and two Interagency Agreements awarded through the interagency agreement process. Two smaller contract task specifications were awarded through the contracting process.

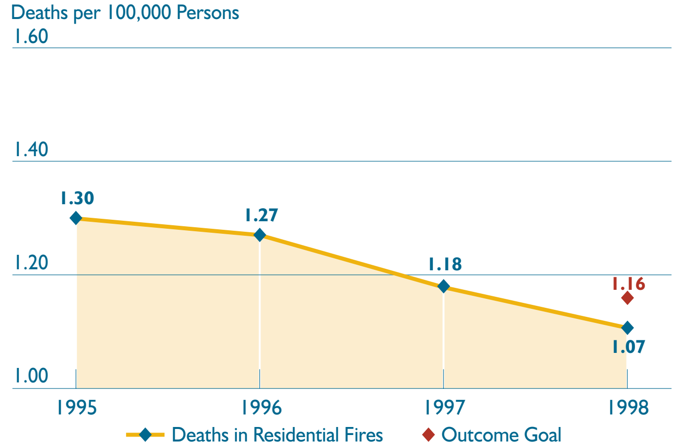
Outcome Indicator 1.3.7:
The rate of deaths in residential fires declines by 0.02 fatality to 1.16 per 100,000 persons by 1998.

Background. The performance target shown for this indicator represents an updated baseline reported in the Revised FY 2000 APP.

Results & Analysis. The most recent available data show that in calendar year 1998, the incidence of deaths from residential fires dropped by over 9 percent to 1.07 deaths per 100,000 persons—bettering the goal of 1.16 deaths per 100,000 persons established in the Revised FY 2000 APP.

The Nation's recent progress in the area of fire fatalities has been striking, and the Department's span of control over the outcome is modest but significant. The roughly five million HUD-assisted households represent about four percent of all households. Another 7.6 million families live in manufactured housing, for which HUD regulates the design, manufacture and material specifications, with specific fire safety requirements. Many of the hazardous manufactured housing units that were put in service before the implementation of regulations in the late 1970s are no longer in use. HUD's beneficial influence has been significant because the population living in manufactured housing historically has been disproportionately affected by fire deaths.

Death Rate from Residential Fires



Source: Vital Statistics (National Center for Health Statistics)

Programmatic Output Indicator 1.3.f:
The share of HUD-assisted units with functioning smoke detectors at time of inspection increases by 5 percentage points.

Background. REAC's physical inspections of public and assisted multifamily housing include tests of smoke detectors in common areas as well as dwelling units.

Results & Analysis. Physical inspections of public housing developments during FY 2000 revealed that 8,147 developments had functioning smoke detectors in all inspected units, and these developments comprise 44.1 percent of all public housing units. The baseline inspection of multifamily properties completed on February 9, 2001 identified 17,030 projects with functioning smoke detectors in all inspected units, representing 51.4 percent of all units. In many developments, most housing units had functioning smoke detectors, but were counted as failing because inspectors identified at least one non-functional smoke detector. HUD is reviewing options for defining this measure with greater validity, because the sampling design for physical inspections selects samples of units to represent projects rather than the universe of units. Therefore, the 87.4 percent of inspected public housing units and 91.3 percent of inspected multifamily units that were reported in the FY 2001 APP to have functioning smoke detectors are not representative of the entire stock of units.

Programmatic Output Indicator 1.3.g:
The share of public housing and assisted multifamily developments that comply with the standards of the Fire Safety Act increases by 3 percentage points.

Background. This indicator tracks the share of public housing and assisted multifamily developments where REAC inspections have verified the presence of a valid certificate of inspection from the Fire Marshal and that pass a visual inspection of external components of the sprinkler system, particularly the presence of functional sprinkler heads. Sprinkler systems are required by Federal law in multifamily residential buildings that have at least four stories and are newly constructed after 1992 or rebuilt after 1994.

Results & Analysis. Baseline inspections of 13,569 public housing properties revealed that 9,791, or 72 percent, were either free of fire safety defects or were deficient only because of non-functional smoke detectors. Among the 28,038 multifamily properties inspected as of February 9, 2001, there were 20,173, or 74 percent, that were either free of fire safety defects or had deficiencies only in smoke detectors. No fire safety defects at all were found in 6,397 public housing developments and 13,288 multifamily developments. Previously reported FY 1999 estimates are not comparable because they were preliminary and based on an incomplete sample of multifamily developments.

Outcome Indicator 1.3.8:
The ratio of manufactured housing stock conforming to high-wind standards for Zones 2 and 3 to total manufactured housing in those zones increases by 5 percentage points from 2000 levels by 2005.

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release in time for HUD to report the baseline in 2003.

Programmatic Output Indicator 1.3.h:
The share of the population living in communities with building codes incorporating seismic and wind requirements from recent national model codes increases.

Background. A review of HUD's programmatic and policy influence on local building codes has led to the conclusion that this indicator is not a valid measure of the Department's work, because HUD helps develop model codes but has no role in accelerating their adoption. As a result, the indicator was not included in the FY 2001 APP and HUD has decided not to invest the substantial resources needed to develop a reliable reporting mechanism and baseline estimate for this indicator.

Strategic Goal 2: Ensure Equal Opportunity in Housing for All Americans

Objective 2.1: Housing discrimination is reduced.

Outcome Indicator 2.1.1: Housing discrimination declines 2 percentage points from 1989 national levels by 2001.

Background. During FY 1999, HUD implemented a 3-year 20-site national study of discrimination against African Americans and Hispanics in the rental and sales housing markets, using methods based on the 1989 Housing Discrimination Study. FY 2001 results are expected to be available for reporting next year.

Outcome Indicator 2.1.2: Racial isolation declines from 1990 levels by 2000, as measured by a segregation index.

Background. As a result of stakeholder input obtained during consultations for the strategic planning process, this indicator will be moved. The FY 2002 APP will present this indicator under the modified Strategic Objective 2.2: "Minorities and low-income people are not isolated geographically in America." Data from the 2000 Census are expected to be available to report results next year.

Outcome Indicator 2.1.3: The share of the population with adequate awareness of fair housing law increases.

Background. During FY 2000, a contract was issued to collect baseline data for this indicator. Data collection was completed early in FY 2001 and analysis is underway. The results will be reported next year.

Outcome Indicator 2.1.4: The share of newly constructed buildings that are accessible to persons with disabilities increases.

Background. In early FY 2001, a report on an assessment of the conformance of multifamily buildings with fair housing accessibility provisions is nearing completion. The study evaluated architectural plans and the buildings built from them with respect to 291 conformance items, using a nationally representative sample of multifamily developments. The study will provide baseline information for this indicator against which performance can be measured in the future.

Programmatic Output Indicator 2.1.a: HUD clients and partners have greater ability to promote fair housing, as shown by doubling enforcement actions by December 31, 2000.

Background. The Office of Fair Housing and Equal Opportunity was challenged to double the number of Title VIII enforcement actions against housing discrimination to 2,170 actions over the four years of 1997-2000, as compared with the 1993-1996 baseline period. Although State and local fair housing enforcement agencies help enforce Title VIII, their contributions are not included in this indicator. A replacement performance measure in the FY 2002 APP will build on this milestone.

Results & Analysis. FHEO met the challenge by completing 725 enforcement actions during FY 2000. This raised the cumulative total for the 1997-2000 period to 2,780 enforcement actions, exceeding the goal of 2,170 by 28 percent. The 725 enforcement actions completed during FY 2000 comprised 21 actions by headquarters staff and 704 by field staff.

Programmatic Output Indicator 2.1.b:
At least two new fair housing groups funded by the Fair Housing Initiatives Program (FHIP) will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of protected classes.

Background. In FY 2000, 36 organizations were awarded two-year Private Enforcement Initiative grants under FHIP to support the efforts of private fair housing enforcement organizations to investigate alleged violations of the Fair Housing Act or substantially equivalent State and local fair housing laws.

Results & Analysis. During FY 2000, FHEO met the goal of funding two new fair housing groups in unserved or underserved geographical areas. Two grants were awarded to fair housing enforcement organizations to provide comprehensive fair housing services in underserved communities, such as ethnic and language minorities, recently arrived immigrants, migrant and seasonal farm workers and rural populations.

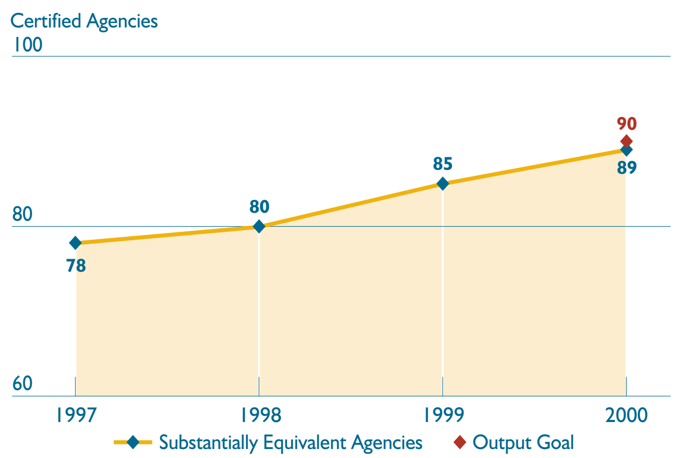
Programmatic Output Indicator 2.1.c:
The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by five to a total of 90 agencies.

Background. FHEO must certify that State and local agencies enforce state and local laws that are substantially equivalent to Title VIII before the agencies may receive funding under the Fair Housing Assistance Program.

Results & Analysis. During FY 2000, the number of agencies that are certified as enforcing substantially equivalent fair housing laws was increased by four, from 85 to 89, falling short of the goal of 90 certified agencies.

The newly certified agencies—located in Boston (MA), Waterloo (IA), Tampa (FL), and Bismarck (ND)—represent an increase in the Nation's capacity to provide coordinated enforcement of fair housing laws. Certification of the fifth substantially equivalent agency was completed after the end of FY 2000.

Number of Substantially Equivalent Fair Housing Enforcement Agencies



Source: administrative data from the Office of Fair Housing and Equal Opportunity

Programmatic Output Indicator 2.1.d:
At least 25 percent of FHAP grantees increase enforcement actions by 20 percent above FY 1999 levels.

Background. Increasing the number of enforcement actions by fair housing agencies boosts public awareness of fair housing laws, forces potential violators to stop discriminating, and reduces HUD's enforcement workload.

Results & Analysis. During FY 2000, 36 percent of fair housing agencies funded by the Fair Housing Assistance Program demonstrated substantial increases in capacity, exceeding the goal of 25 percent of agencies. Of the 85 FHAP agencies, 31 successfully increased the number of enforcement actions by at least 20 percent above FY 1999 levels. The data are based on information provided in the TEAPOTS Case Activity Report.

Programmatic Output Indicator 2.1.e.1:
The percentage of fair housing complaints aged over 100 days will over two years decrease by 30 percentage points to 43 percent of the HUD inventory.

Background. This indicator represents a more aggressive target established in the Revised FY 2000 APP. As the two-year performance period ends in FY 2001, results will be presented in next year's report.

Programmatic Output Indicator 2.1.e.2:
The percentage of fair housing complaints aged over 100 days will over two years decrease by 10 percentage points to 50 percent of the inventory of substantially equivalent agencies.

Background. This indicator represents a revised baseline and more aggressive target established in the Revised FY 2000 APP for the agencies assisted under the Fair Housing Assistance Program. As the two-year performance period ends in FY 2001, results will be presented in next year's report.

Programmatic Output Indicator 2.1.f.2:
The number of state and local government representatives and housing professionals who receive training or technical assistance regarding accessibility issues will increase.

Background. This indicator first appeared in the Revised FY 2000 APP to support the training initiative proposed in the budget, but no data are available because no funds were appropriated for the initiative in FY 2000. This indicator was accordingly deleted from the Revised FY 2001 APP.

Programmatic Output Indicator 2.1.g:
Among civil rights checklists provided by program staff from front end reviews, FHEO will review 100 percent for action determination and 35 percent for quality assurance.

Background. This indicator was not carried forward in the FY 2001 APP because it offers only modest indirect support for the strategic objective.

Results & Analysis. FHEO HUB directors report that during FY 2000, program staff submitted an estimated 3,500 checklists. After reviewing the checklists for action determination, FHEO staff completed quality assurance reviews on an estimated 2,600 checklists, or approximately 73 percent of those provided. This performance substantially exceeded the goal of 35 percent.

Objective 2.2: Low-income people are not isolated geographically in America.

Outcome Indicator 2.2.1:
Income isolation declines from 1990 levels by 2000, as measured by a segregation index.

Background. This indicator relies upon data from the 2000 long-form Census, which the Bureau of Census is expected to release near the 2003 GPRA reporting window. Census staff have completed background research in support of the baseline analysis, and may be engaged to determine the 1990 baseline and 2000 results through a reimbursable agreement.

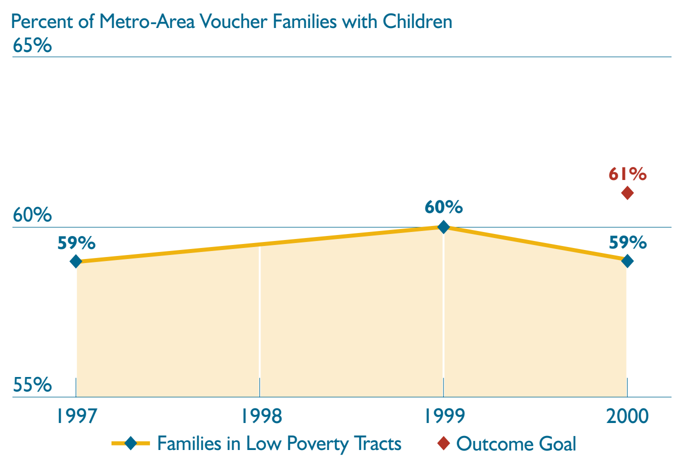
Outcome Indicator 2.2.2:
Among families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 1 percent annually to 61 percent.

Background. This indicator tracks the share of voucher-assisted families with children who use their vouchers to provide better opportunities for their children by locating outside areas of poverty concentration. Over the three-year period 1997-1999, the national poverty rate averaged 12.6 percent. The Census Bureau has defined census tracts or block numbering areas where at least 20 percent of residents are poor as "poverty areas."

Results & Analysis. During FY 2000,[12] the share of voucher-assisted families with children living in census tracts with low levels of poverty was 59 percent, missing the FY 2000 goal of 61 percent.

The majority of voucher-assisted families with children continue to use their vouchers outside areas of poverty concentration, but the share living in census tracts with poverty below 20 percent decreased from 60 percent in FY 1999. Because this measure shows that the geographic distribution of Section 8 households has changed little over the last several years, and because many observers believe that difficult market conditions are impeding progress in achieving this objective, the performance goal will be reduced from a 1.0 percentage point increase to a 0.3 point increase per year.

Families with Children and Vouchers Who Live in Low-Poverty Tracts



Source: Multifamily Tenant Characteristics System

Programmatic Output Indicator 2.2.a:
At least 90 percent of PHAs required to develop new deconcentration admissions policies will develop and adopt them within the year.

Background. HUD has taken steps to promote income diversity in general-occupancy public housing developments. In 2000, the Department published a proposed rule under the Quality Housing and Work Responsibility Act. The rule would require PHAs to develop admissions plans to reduce concentrations of poverty in public housing buildings and developments and to affirmatively further fair housing. The final rule was delayed well into FY 2001 because of extensive public comments. Therefore this indicator was inoperative during FY 2000.

[12] *The data are tabulated from extracts of the MTCS system, and FY 1999 and FY 2000 estimates represent snapshots of households in the system as of March 31, 1999 and September 30, 2000.*

Objective 2.3: Disparities in homeownership rates among racial and ethnic groups are reduced.

Outcome Indicator 2.3.1:
The disparity between homeownership rates of minorities and nonminorities of equal incomes decreases by 2 percentage points by 1999.

Background. This indicator compares minority and non-minority homeownership rates for low- and moderate-income families with children (those with incomes of 51 to 120 percent of area median).

Results & Analysis. Among low- and moderate-income families with children in calendar year 1999, the homeownership rate of racial and ethnic minorities was only 75.2 percent as great as the homeownership rate of non-Hispanic whites, falling short of the goal of 77.2 percent.

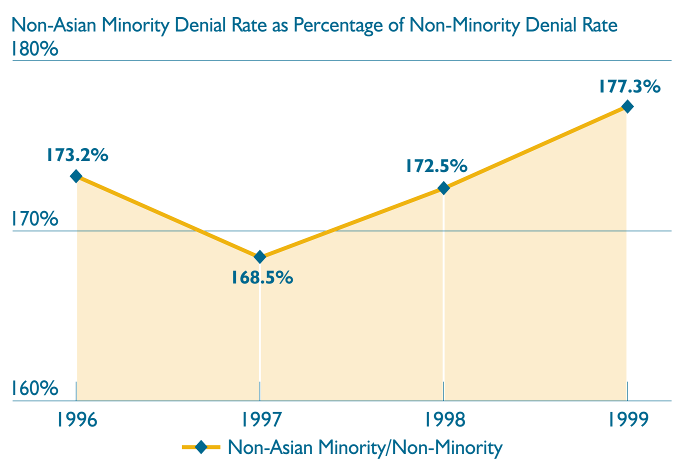
The most recent available AHS data show that in 1999 the racial and ethnic disparity of homeownership rates among families with children was unchanged from 1997 levels, at 75.2 percent each year. The 1999 results fell short of the goal of a two-point improvement to 77.2 percent. (The 1997 baseline was reduced from an earlier estimate of 76.2 percent after updating income limits.) A corresponding difference in mortgage disapproval rates, discussed below, sheds light on the possible causes. Whether minority applicants are denied mortgages because they have not yet attained the necessary financial stability or because of discrimination, they remain less likely to attain homeownership when they attempt it. Awareness of low success rates may have a secondary effect of discouraging creditworthy minority families from applying for mortgages. HUD is reviewing policy options to address the variety of causes of disparate homeownership rates.

Outcome Indicator 2.3.2:
The ratio of mortgage disapproval rates between minority and nonminority applicants of equal income decreases by 1 percentage point.

Background. This indicator tracks home purchase mortgage disapproval rates of minorities that have had limited access to traditional housing markets—African Americans, Hispanics, Native Americans, and other minorities except Asians—and compares them to disapproval rates of non-Hispanic white applicants. Manufactured housing loans are excluded from this measure.

Results & Analysis. The most recent data allow HUD to establish a baseline for this indicator, as discussed in the APP (performance results for calendar year 2000 will be reported next year). During calendar year 1999, minority applicants other than Asians were denied mortgages at a rate 77.3 percent higher than the denial rate for non-minority applicants.

Minority/Non-Minority Ratio of Mortgage Denial Rates



Source: Home Mortgage Disclosure Act database

The data are collected from lenders under the Home Mortgage Disclosure Act. The baseline analysis shows that 1999 is the second consecutive year in which the disparity grew worse, so the trend is moving in the wrong direction. A substantial portion of the difference in denial rates between minority and non-minority applicants—but not all of the difference—can be explained by finance- and credit-related attributes of the applicants. This measure also has statistical variance resulting from the number of variables used in its computation.

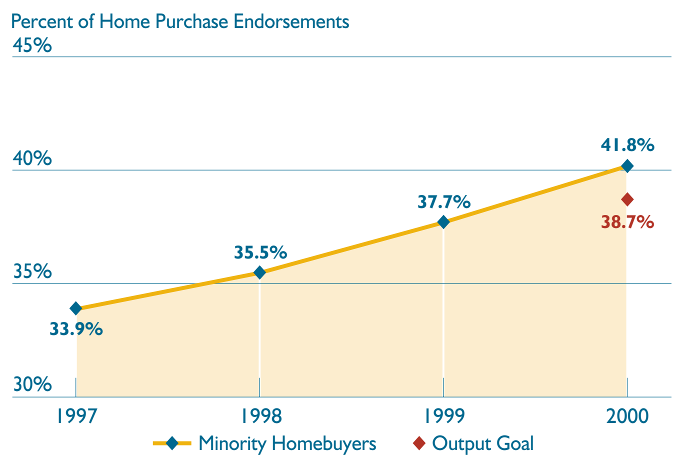
Programmatic Output Indicator 2.3.a:
The number of FHA mortgage endorsements for minority homebuyers increases by 1 percent per year.

Background. This indicator tracks FHA's direct contribution toward reducing the disparity in home-ownership rates for minority families.

Results & Analysis. During FY 2000, FHA increased the number of endorsements for mortgages by racial and ethnic minorities by 1.2 percent to 352,745, exceeding the FY 2000 goal of a 1.0 percent increase. The Department also exceeded the goal under a revised measure used for FY 2001, increasing the share of *home purchase* endorsements that serve minorities by 4.1 percentage points to 41.8 percent.

The increase in minority endorsements by FHA reflects increasing demand resulting from strong economic conditions. The overall number of minority mortgage applications increased disproportionately during the 1996-2000 period. HMDA data show that applications by blacks increased 36 percent and applications by Hispanics increased 42 percent, compared with applications by non-Hispanic whites, which increased by 19 percent between 1996 and 2000.

Share of Minority Homebuyers Among FHA Home Purchase Endorsements



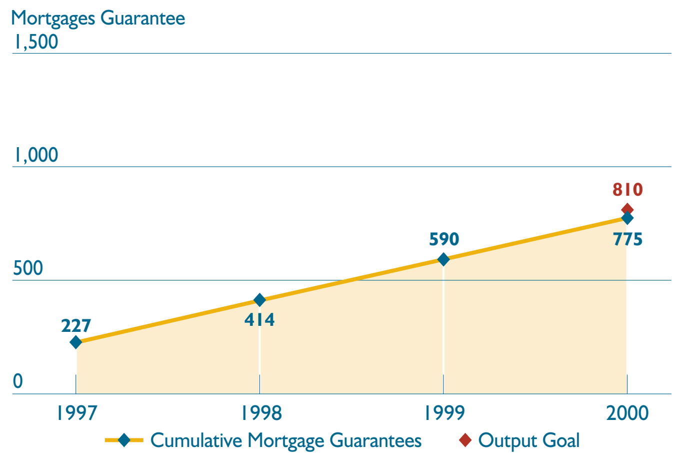
Source: Single Family Data Warehouse, as reported in September 2000 Comptroller's Quarterly Report

Programmatic Output Indicator 2.3.b:
The number of Section 184 mortgages guaranteed for Native American homeowners increases by 25 percent to 220 in FY 2000.

Background. This indicator tracks the number of homeownership loans guaranteed for Native Americans living on reservations under the Section 184 Indian Home Loan program.

Results & Analysis. During FY 2000, 175 Native American families received mortgages guaranteed by Section 184, falling short of the FY 2000 goal of 220 mortgages.

Section 184 Home Mortgages Guaranteed for Native Americans



Source: administrative data from the Office of Native American Programs

The accomplishment increased the cumulative accomplishments of the Section 184 program to 775 mortgages. Interest in homeownership has been growing among American Indians and Native Alaskans, as shown by a 66 percent increase in annual mortgage applications between 1996 and 1999, a larger increase than occurred for any other ethnic group. However, because mortgage lending remains relatively new in Indian Country, significant training and technical assistance is an on-going need. Financial literacy and homeownership counseling courses that are culturally relevant are services not readily available. Additionally, delays in processing and obtaining Title Status Reports from the Bureau of Indian Affairs continue to cause significant delays in loan processing, making lenders reluctant to participate in the program. Although recent statutory changes may help to increase productivity, tribal consultation must be completed before implementing these changes. This can be a lengthy process, which could delay implementation.

Programmatic Output Indicator 2.3.c:
Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.

Background. Special affordable mortgage purchases by GSEs contribute to minority homeownership because of the correlation of low incomes and minority status. Performance results for this indicator were presented under Programmatic Output Indicator 1.1.i.

Strategic Goal 3: Promote Self-Sufficiency and Asset Development by Families and Individuals

Objective 3.1: Homeless families and individuals become self-sufficient.

Outcome Indicator 3.1.1:
The share of those homeless persons leaving HUD transitional housing who move to permanent housing increases by 1 percentage point to 36 percent.

Background. Data for calendar year 1999 are the latest available, and are estimated based on Annual Performance Reports submitted by Homeless Assistance Grantees.

Results & Analysis. In calendar year 1999, 34 percent of homeless persons who left transitional housing moved to permanent housing, falling short of the 36 percent goal.

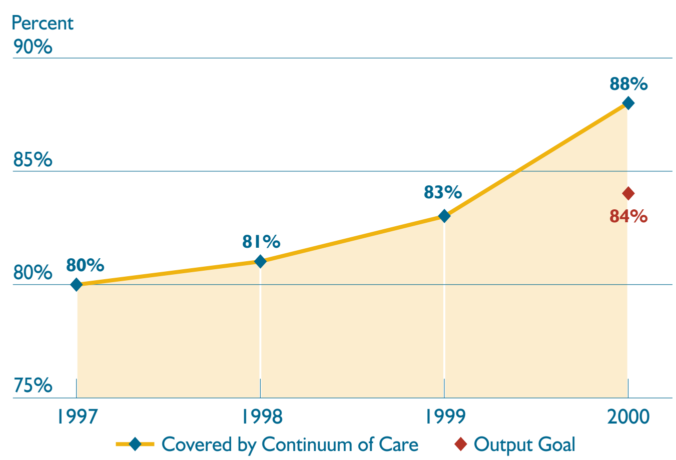
The rate of successful movement from transitional housing to permanent housing declined from the 35 percent rate of 1998. Although the reason for the decline is unclear, possible factors include that grantees may be targeting harder to serve populations or that tight housing markets are making it more difficult for homeless individuals and families to find permanent housing. Many people who leave transitional housing do so after staying only one or two months. They may have difficulty adjusting to a structured environment or participating in treatment plans. An evaluation of the Continuum of Care program that is currently underway may shed light on this issue. Results from the evaluation will be available early in FY 2002. Also, HUD is working with grantees to implement a client-level reporting system that will allow a more detailed analysis of the factors affecting this performance goal. For the last several years, 30 percent of homeless assistance funding has been reserved for permanent housing, and it is projected that modest improvements in this measure will occur in FY 2001 and 2002.

Programmatic Output Indicator 3.1.a:
The share of the population living in communities with a Continuum of Care system increases by 1 percentage point to 84 percent.

Background. HUD encourages homeless assistance providers in each community to work together to submit a single application describing their resources and needs. This "Continuum of Care" process ensures that communities take a comprehensive approach to addressing the problem of homelessness and closing their service gaps. Data reported below are from grantee applications funded with FY 2000 Homeless Assistance funding.

Results & Analysis. The share of the population living in communities with a Continuum of Care (CoC) system increased sharply to 88 percent in FY 2000, exceeding the goal with a gain of 5 percentage points.

Share of Population in a Continuum of Care



Source: administrative data from CPD's Special Needs Assistance Programs office

HUD gives preference to homeless assistance projects that are part of a CoC. This incentive led to an increase of 23 CoCs, from 423 to 446. Also, many continuums expanded their coverage area. As the percentage of the population covered under a Continuum of Care increases, it will be more difficult to make progress. Therefore, a much smaller increase is expected in FY 2001.

Programmatic Output Indicator 3.1.b:
The ratio of outside funds leveraged by each dollar of HUD homeless funds remains at or above 1:1.

Background. When grantees submit applications for funding, they provide information about the amounts and sources of leveraged funds. However, in many cases, HUD only funds a portion of the application, and it is impossible to know with certainty whether grantees will use all of the leveraged funds they claimed on their application or only a portion that corresponds to the funded projects. In the FY 2001 APP, HUD increased the target ratio to 3:2 to reflect recent performance, but the indicator was deleted beginning in the FY 2002 APP because of the previously mentioned data problems. Data are from Continuum of Care applications submitted to HUD's Office of Special Needs Assistance Programs.

Results & Analysis. For the $850 million of CoC funds available for FY 2000, grantees requested $1.53 billion in funding, and leveraged $2.07 billion. As HUD funded less than 60 percent of what grantees requested, it is impossible to state with certainty how much of the funding that grantees leveraged for their applications will actually be used for that purpose. Grantees may choose to use leveraged funds for projects HUD did not fund, or they may not be able to use leveraged funds because one or more of their projects were not funded. One of the criteria for HUD's scoring of applications is the amount of outside funds leveraged. In addition, several of the Homeless Programs have leveraging requirements that range from 25 to 100 percent.

Programmatic Output Indicator 3.1.c:
The number of transitional housing beds linked to supportive services increases by 13,000 to 167,000.

Background. In the past, HUD has tracked both the number of new transitional housing beds for the homeless and the cumulative total of transitional beds. Because the cumulative total includes beds funded several years ago, and HUD has no assurance that those beds are still available as transitional housing, this performance goal will include only the number of *new* beds funded during the year. Beginning in FY 2002, HUD will track the number of people served by HUD-funded transitional housing. Data come from funded Continuum of Care applications submitted to CPD's Special Needs Assistance Programs Office.

Results & Analysis. In FY 2000, HUD funded 3,345 new transitional housing beds linked to supportive services. This was down significantly from FY 1999, when 8,049 new transitional housing beds were funded, and below the goal of 13,000 new beds.

A large number of transitional housing renewals caused a shortfall of new beds. When the number of new and renewal transitional housing beds are combined, a total of 39,000 were funded in FY 2000. Also, the Continuum of Care requires that 30 percent of funding be used for *permanent* housing. This led to a number of permanent housing projects being renewed at the expense of new transitional housing projects.

Programmatic Output Indicator 3.1.d:
The number of permanent beds linked to supportive services increases by 10,000 to 91,000.

Background. This indicator tracks the provision of permanent housing linked with services to help formerly homeless persons achieve housing stability. In the past, HUD has tracked both the number of new permanent beds and the cumulative total of permanent beds. As the cumulative number includes beds funded several years ago, and HUD has no assurance that those beds are still available as permanent housing, this performance goal will include only the number of *new* beds funded during the year. Data come from funded Continuum of Care applications submitted to CPD's Special Needs Assistance Programs Office. Beginning in FY 2002, HUD will track the number of people served by HUD-funded permanent housing projects.

Results & Analysis. In 2000, HUD funded 7,085 new permanent beds. This level is a very slight decline from the 1999 level of 7,170, and short of the goal of an increase of 10,000 beds.

There is a requirement that 30 percent of Homeless Assistance funds be used for permanent housing, and there was also a separate $100 million appropriation that funded permanent housing renewals that are part of the Shelter Plus Care program. The combination of these requirements led HUD to fund every new permanent housing project that applied. However, grantees did not apply for as many new permanent housing projects as expected. Because many communities did not receive as much funding as they would have if they had more new permanent housing projects, it is expected that in future years, communities will apply for more new permanent housing.

Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.

Outcome Indicator 3.2.1:
The average quarterly earnings of newly employed TANF welfare recipients or former recipients increase from FY 1998.

Background. This indicator is shared with the Department of Health and Human Services and the measure is tabulated by their Administration for Children and Families. The indicator measures the change in earned income among former recipients of Temporary Assistance for Needy Families six months after they become employed. The most recent year for which data are available is 1999.

Results & Analysis. In 1999, the increase in earnings of newly employed TANF recipients was 22.0 percent, slightly below the FY 1998 level of 23.1 percent, and falling short of the FY 1999 goal of 25 percent.

TANF caseloads have declined dramatically in recent years, and there is evidence that the remaining TANF population faces more obstacles to stable, high quality employment. Given these factors, it is increasingly difficult to improve or even maintain the rate of earnings increase.

Outcome Indicator 3.2.2:
The share of recipients of welfare-to-work vouchers who hold jobs at time of annual recertification increases.

Background. This indicator tracks the status of recipients of Welfare to Work vouchers, which were first appropriated in FY 1999 and awarded in FY 2000. Therefore, FY 2001 will be the first year of reporting on this measure. As not all of the vouchers were issued in FY 2000, the first year of reporting that covers all of the recipients of Welfare to Work vouchers will be FY 2002.

Programmatic Output Indicator 3.2.a:
The lease-up rate of welfare-to-work vouchers reaches 50 percent in the second fiscal year following allocation and 100 percent in the third fiscal year.

Background. In FY 1999, Congress appropriated 50,000 Welfare to Work (WtW) vouchers, the first appropriation of new vouchers since FY 1994. WtW vouchers required new regulations and establishing partnerships between housing and welfare agencies. To ensure speedy issuance and lease-up of WtW vouchers, HUD developed a goal of having 50 percent of vouchers leased up by the end of FY 2000, and 100 percent leased up by the end of FY 2001. Data are provided by Quadel Consulting Corporation, an independent consultant that assists HUD with the implementation of the Welfare to Work voucher program. Welfare to Work vouchers have not been funded since 1999; therefore this indicator will not be carried forward into FY 2002.

Results & Analysis. As of October 1, 2000, 85 percent of the vouchers had been issued, and 32 percent were leased up.

Most WtW voucher programs were initiated January 1, 2000. After an initial period of slow issuance and lease-up, HUD stepped up technical assistance and oversight efforts. On June 22, 2000 only 26 percent of the vouchers had been issued, and 9 percent were leased up. By August 1, 68 percent had been issued and 17 percent leased up. As of February 1, 2001, 92 percent of the vouchers were issued, and 65 percent leased up.

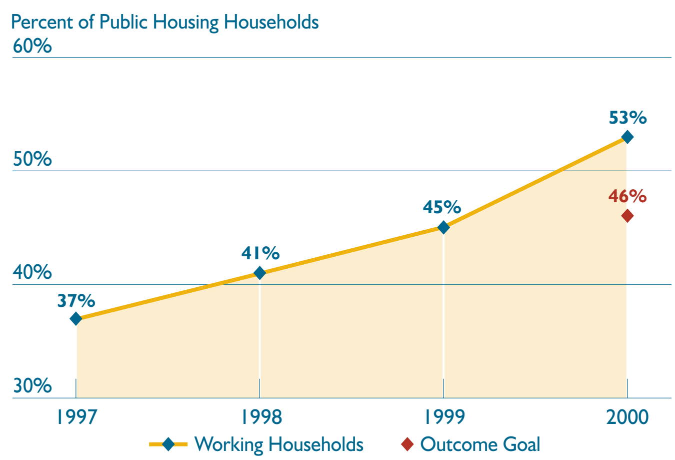
Outcome Indicator 3.2.3:
Among public housing households with nonelderly, nondisabled heads, the share that derive more than 50 percent of their income from work increases by 1 percentage point to 40 percent.

Background. The Department has several efforts underway to promote work participation in public housing, both by admitting higher income families and by helping current residents find stable employment. Data reported are a "snapshot" of non-elderly, non-disabled public housing households with children in September, 2000.

Results & Analysis. In FY 2000, 52.7 percent of nonelderly, nondisabled heads of public housing households with children derived more than 50 percent of their income from work, surpassing the goal of 46 percent.[1]

Public housing agencies have been actively promoting work through income disregards, Family Self-Sufficiency accounts, and employment-related supportive services. Also, new admissions policies stemming from 1998 public housing legislation have increased the number of working families admitted to public housing.

Public Housing Households Earning More than Half of Income by Working



Source: HUD's Multifamily Tenant Characteristics System

[1] The original target of 40 percent was based on a 1 percentage point increase from the anticipated 1999 level of 39 percent. Because actual 1999 performance was 45 percent, the FY 2000 target was updated to 46 percent.

Outcome Indicator 3.2.4:
The share of welfare families that move from welfare to work while residing in public housing increases 10 percentage points per year to 33 percent in the two-year period 1998 to 2000.

Background. For this performance measure, HUD tracked the percentage of families receiving more than 50 percent of their income from welfare in May 1998 that were earning more than 50 percent of their income from work in September 2000 while residing in public housing. By comparison, 13 percent of families made this transition between 1995 and 1997, prior to the implementation of welfare and public housing reform. May 1998 is used as a reference point because a new data reporting process reduced the reporting rate for June through September 1998. Beginning in FY 2001, HUD will track this indicator over single-year periods corresponding to the fiscal year. This measure uses data from the Multifamily Tenant Characteristics System.

Results & Analysis. Between 1998 and 2000, 35.3 percent of public housing welfare families moved to work, exceeding HUD's goal of 33 percent.

The 35.3 percent rate of movement from welfare to work nearly tripled the 13.0 percent share of families who made a similar transition between 1995 and 1997. This increase demonstrates the combined effects of welfare reforms, lower unemployment, and the changing emphasis of public housing agencies on encouraging and enabling work. PHAs have been actively promoting work through income disregards, Family Self-Sufficiency accounts, and employment-related supportive services.

Outcome Indicator 3.2.5:
The share of welfare families that move from welfare to work while assisted by tenant-based Section 8 increases by 15 percentage points per year to 53 percent in the two-year period 1998 to 2000.

Background. For this performance measure, HUD tracked the share of families receiving more than 50 percent of their income from welfare in May 1998 that earned more than 50 percent of their income from work in September 2000 while receiving tenant-based Section 8 assistance. By comparison, 23 percent of families made this transition between 1995 and 1997, prior to the implementation of welfare and public housing reform. May 1998 is used as a reference point because a new data reporting process reduced the reporting rate for June through September 1998. Beginning in FY 2001, HUD will track this indicator over single year periods corresponding to the fiscal year. This measure uses data from the Multifamily Tenant Characteristics System.

Results & Analysis. Between 1998 and 2000, 40.1 percent of families receiving tenant-based Section 8 assistance moved from welfare to work, falling short of the 53.0 percent goal.

The increase represents a significant improvement over the 23 percent of families who made the transition in the 1995 - 1997 period. Tenant-based Section 8 assistance, commonly referred to as vouchers, enables recipients to move into market-rate housing of their choice. Because there are many housing options, recipients can move closer to employment or job training opportunities. Housing agencies provide further support through the Family Self-Sufficiency program. Of the cohort of families that was tracked for this indicator, only 16.8 percent received more than 50 percent of their income from welfare by September 2000. This compares with 50.2 percent that received more than 50 percent of their income from work, and 29.9 percent that received all of their income from work. Many families are not included in either category because they derive some income from other sources such as child support.

Programmatic Output Indicator 3.2.b:
Among Consolidated Plan jurisdictions with housing authorities, the share that have included housing authority representatives in consolidated planning efforts approaches 90 percent.

Background. States and cities are required to develop consolidated plans that assess needs and determine strategies for using HUD grants, including grants that provide job training and other assistance to promote self-sufficiency. Housing agencies represent an important component of area need. In FY 2000, 818 consolidated plan jurisdictions included housing authority representatives. This was 79 percent of the total number of jurisdictions with housing authorities in them. This indicator is discussed in detail as Programmatic Output Indicator 1.2.p.

Outcome Indicator 3.2.6:
The share of households that accumulate assets exceeding $5,000 in cash value while receiving housing assistance increases by 2 percentage points.

Background. HUD's Family Self-Sufficiency and Resident Opportunity and Supportive Services programs promote asset accumulation, which is an important component of self-sufficiency. This indicator was developed to measure the number of non-elderly residents living in public housing or receiving tenant-based Section 8 assistance that accumulate assets exceeding $5,000, excluding FSS assets. An analysis of FY 2000 performance revealed that the measure as currently defined has little substantive validity for program management purposes because less than 1 percent of non-elderly households receiving either public housing or tenant based Section 8 assistance had over $5,000 in assets. The indicator is revised for FY 2002 to measure assets accumulated through the Family Self-Sufficiency Program. The new measure will be reported in the FY 2001 Performance and Accountability report.

Programmatic Output Indicator 3.2.c:
The share of housing authorities scoring at least 8 points under the SEMAP indicator for FSS increases.

Background. The Family Self-Sufficiency (FSS) program requires that housing agencies sign self-sufficiency progress contracts with a specified number of tenants. FSS helps tenants build assets by funding escrow accounts with increased tenant rent payments resulting from increased earnings. No data are available for FY 2000 because of delays in the implementation of SEMAP. The SEMAP system is coming on line in FY 2001, and the first full year of reporting will be FY 2002. The Department will report baseline performance in the FY 2002 Performance and Accountability Report.

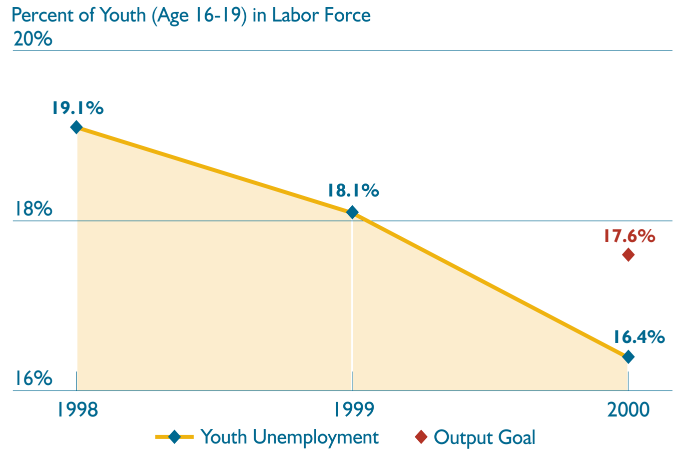
Outcome Indicator 3.2.7:
Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point annually to 18 percent by 2000.

Background. The unemployment rate of youth indicates the extent to which entry-level or unskilled jobseekers are finding employment. This indicator tracks the unemployment rate for the 16- to 19- year old labor force in central cities.

Results & Analysis. Unemployment rates among young entry-level jobseekers in central cities declined by 1.7 percentage points, exceeding the goal of a 0.5 percentage point reduction.[2]

The primary reason for the decline was the overall tightness of the labor market. Since the mid-1990s, economic conditions in central cities have improved. The strength of the national economy, combined with investments in economic development by communities using HUD funds have made cities more attractive to new businesses.

Unemployment Among Young Entry-Level Job Seekers



Source: Bureau of Labor Statistics

Programmatic Output Indicator 3.2.d:
A total of 276,000 jobs will be created or retained through CDBG and Section 108.

Background. This indicator was originally formulated to track the number of jobs created with the FY 2000 appropriation for Community Development Block Grants and Section 108 assuming full subscription of the Section 108 program. Because this appropriation is spent out over several years, and HUD does not require grantees to differentiate the source years of funding, this measure cannot be reported. Instead, HUD is reporting the estimated number of jobs that were created during FY 2000 by these two programs. Thus, the target published in the FY 2000 APP is not comparable to the performance reported below. The number of jobs will be reported separately for CDBG and Section 108, and beginning in FY 2002, separate goals will be established for the two programs. For CDBG, the total number of jobs created was calculated by taking the amount of funds disbursed for job creation activities as reported in the Integrated Disbursement Information System and dividing by the most recent estimates of cost per job created. For Section 108, the job total is based on grantee applications for projects funded in FY 2000. This indicator is repeated as 4.1.e.

Results & Analysis. In FY 2000, the CDBG and Section 108 programs created a combined total of 150,260 jobs.

Of the total, CDBG created 120,200, slightly less than the 122,700 created in FY 1999. The number of jobs created is dependent on many factors including the amount of funding available for the CDBG program and the share of funds that communities choose to spend on job creation. In recent years, the share devoted to job creation has inched downward, as communities instead are increasingly choosing to use CDBG resources for infrastructure improvements. HUD does not require that communities use a certain portion of funds for job creation activities because the CDBG program is intended to help communities

[2] *The original 2000 target of 18 percent was based on a 0.5 percentage point reduction from the anticipated 1999 value of 18.5 percent. Because actual 1999 performance was 18.1 percent, the 2000 target was updated to 17.6 percent.*

address needs as they define them. Instead, HUD monitors communities to ensure that their activities are consistent with their Consolidated Plans (see indicator 5.1.d), and provides technical assistance and shares best practices to help communities more efficiently use their resources.

The Section 108 program produced 30,060 jobs in FY 2000, which is 19 percent below the FY 1999 level of 37,000. This program has been undersubscribed for several years. Generally, only 30 to 40 percent of the appropriated amount is utilized. Communities have several reasons for not taking advantage of the program. Despite being streamlined in recent years, Section 108 is still perceived to be cumbersome. In addition, the program requires that communities put up CDBG funds as collateral in case of default, and many communities are reluctant to do so. HUD has undertaken efforts to better market the program so that communities are more aware of its benefits. HUD also is considering a few modest changes that would make Section 108 more attractive to communities.

Programmatic Output Indicator 3.2.e:
A total of 5,000 youths are trained in construction trades through Youthbuild.

Background. Youthbuild offers 16- to 24-year-old high school dropouts general academic and skills training and apprenticeships in housing construction. This indicator tracks the number of youth that Youthbuild grantees committed to train in FY 2000.

Results & Analysis. Youthbuild grantees committed to training 2,897 youth in FY 2000, less than the goal of 5,000 because the actual appropriation of $43 million was less than the $75 million requested.

In addition to the 2,897 youth that will be trained, approximately 1,250 units of housing will be developed. In FY 2000, HUD received 273 Youthbuild applications and funded 78 grantees. According to data compiled by Youthbuild USA on 34 program cycles completed from 1997 to 1998, approximately 79 percent of students enter the program without a high school diploma or GED and nearly 40 percent are on public assistance. Slightly over 30 percent of students have been adjudicated and an estimated 18 percent have been convicted of a felony before entering the program.

Programmatic Output Indicator 3.2.f:
HUD's capability to enforce Section 3 requirements and create employment for low-income workers is enhanced by automating Section 3 data collection by FY 2000.

Background. This indicator is being reported only in the FY 2000 report. There is no longer any need to report on this indicator because the goal was achieved.

Results & Analysis. The Department met this goal by completing the automation of Section 3 data. The Section 3 Summary Report system is designed to provide an online means for recipients subject to Section 3 requirements to report annual accomplishments regarding employment and other economic opportunities provided under Section 3 of the Housing and Urban Development Act of 1968. HUD's office of Fair Housing and Equal Opportunity uses this information to monitor recipients' compliance with the Section 3 mandate, assess the results of HUD's efforts to meet the statutory objectives of Section 3, and prepare reports to Congress.

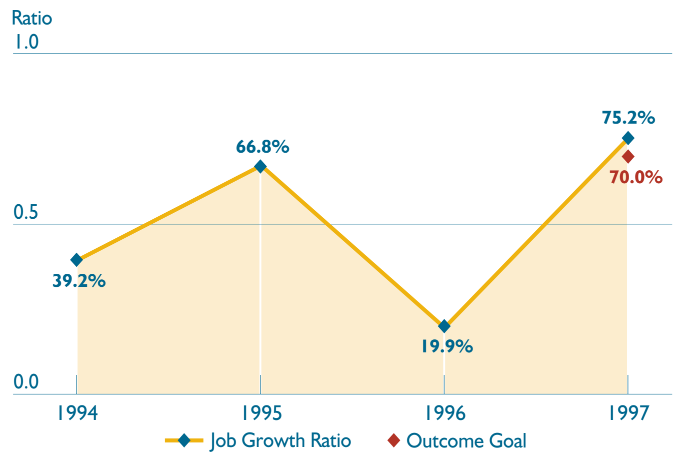
Strategic Goal 4: Improve Community Quality of Life and Economic Vitality

Objective 4.1: The number, quality, and accessibility of jobs increase in low-income urban and rural communities.

Outcome Indicator 4.1.1: The ratio of city to suburban job growth within larger metropolitan areas increases 3 percentage points to 70 percent by 1997.

Background. FY 2000 is the first year of this performance goal. As indicated in the chart, this measure tends to fluctuate significantly from year to year, rendering it unhelpful as a measure of progress. In order to measure cities' progress in producing jobs in a more reliable and stable manner, the indicator was modified in the FY 2001 APP to track the ratio of job growth to population growth in cities over a three year period.

Ratio of City Job Growth to Suburb Job Growth



Source: Bureau of Census

Results & Analysis. The increase of 8.4 percentage points above the 1994-1995 level surpassed HUD's goal of a 3 percentage point increase.

As stated above, this measure fluctuates significantly, so the increase does not necessarily indicate progress. However, there are other, more reliable measures that demonstrate an improvement in the job market in central cities, including Outcome Indicators 3.2.7 and 4.1.2.

Programmatic Output Indicator 4.1.a: The share of EZs and ECs that show satisfactory progress toward locally defined benchmarks increases to 95 percent.

Background. In 1994, 72 distressed urban communities across the country were designated as Round I Empowerment Zones (EZs) or Enterprise Communities (ECs). In 1998, an additional 15 Round II urban EZs were designated. EZs and ECs develop and implement projects and programs with quantified local goals in seven categories. Once a project is completed, the community reports to HUD on whether their goals were achieved. This indicator tracks the cumulative share of completed projects that met their goals in each of the seven areas. Although the FY 2000 APP did not include targets for each category, the targets listed in the table below were included in the FY 2001 APP as part of Programmatic Output Indicator 4.2.b.5.

Percentage of Completed EZ/EC Projects Meeting Locally Defined Goals

Category	1999 actual	2000 goal	2000 actual
Residents receiving homeownership assistance	79	85	81
New affordable housing completed	75	80	91
Rehabilitated affordable housing completed	70	75	88
Homeless residents served by homeless assistance programs	100	90	84
Residents served by social service programs	91	90	73
Residents find gainful employment	81	85	70
Residents served by public safety and crime prevention programs	94	90	91

Source: HUD's Performance Measurement System (PERMS)

Results & Analysis. EZ/EC performance relative to locally-defined goals exceeded HUD's performance targets in 3 of the 7 categories.

Performance improved from 1999 in 3 categories, and went down in 4 others. There are many possible reasons for changes in performance. Communities may have set more or less challenging targets based on past performance. Also, EZs or ECs are in different stages of maturity. The 72 EZs and ECs designated in 1994 have been operating for several years, while the ones designated in 1998 have just completed their first projects. As they mature, EZs become more experienced and are better able to implement their projects. HUD provides technical assistance to EZs and ECs to advise them in developing complicated projects and to link them with other communities who have been successful.

Programmatic Output Indicator 4.1.b:
The CEF Trust will (a) establish standardized underwriting and documentation for business loans in distressed areas, and (b) establish a loan-loss reserve to provide additional security and credit enhancement.

Background. The CEF trust was proposed to combine two programs, the Economic Development Initiative and the Section 108 Loan Guarantee program. The trust would have pooled loans made to communities through Section 108 and created a loan-loss reserve with EDI funds. A pilot version of the CEF trust was eventually cancelled. There was a lack of demand for the CEF Pilot as shown by the relative lack of fundable applications. Also, there was a risk of an insufficient pool size if one or more of the participants had been unable to originate enough business loans. Because the program was cancelled, this indicator will not be reported in the FY 2001 Performance and Accountability Report, and is not included in the FY 2002 Annual Performance Plan.

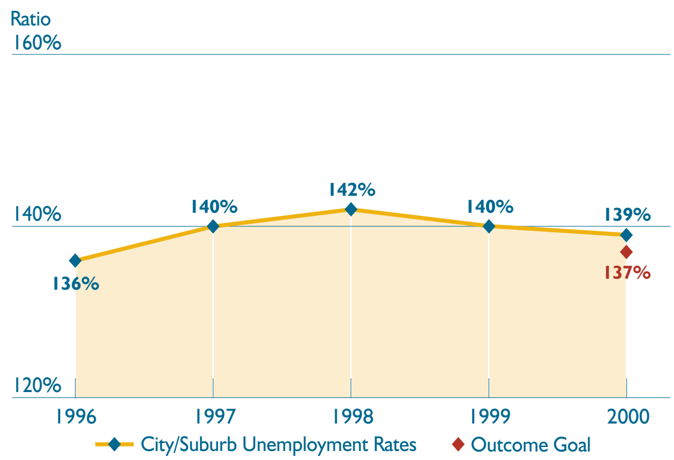
Outcome Indicator 4.1.2:
The ratio of city to suburban unemployment rates within metropolitan areas decreases by 3 percentage points to 137 percent.

Background. This indicator tracks city unemployment rates. The comparison to suburbs is made to determine if changes in city unemployment rates are a result of the general condition of metropolitan area economies or of specific factors, including HUD investments, that are taking place in cities. Because the Department is shifting its focus away from making city to suburb comparisons, the indicator was modified in the FY 2002 Annual Performance Plan to measure unemployment in central cities with rates greater than 200 percent of the national average.

Results & Analysis. In calendar year 2000, the ratio of city to suburban unemployment rates declined to 139 percent. Although progress was made, the goal of reducing the level to 137 percent was not attained.

As recently as 1998, this ratio had been increasing, so the 2000 results represent progress in reducing city unemployment. While unemployment rates were falling nationally in the mid- to late- 1990s, cities were experiencing fewer benefits than suburbs. In 1999 and 2000, by contrast, unemployment in cities declined faster than in suburbs. This turnaround is a result of the improving economic conditions in cities. Technology has been a key factor in recent economic progress in cities. However, technology jobs in suburbs are still increasing at a faster rate than in cities.

City Unemployment Rates as Percentage of Suburb Unemployment Rates



Source: Current Population Survey

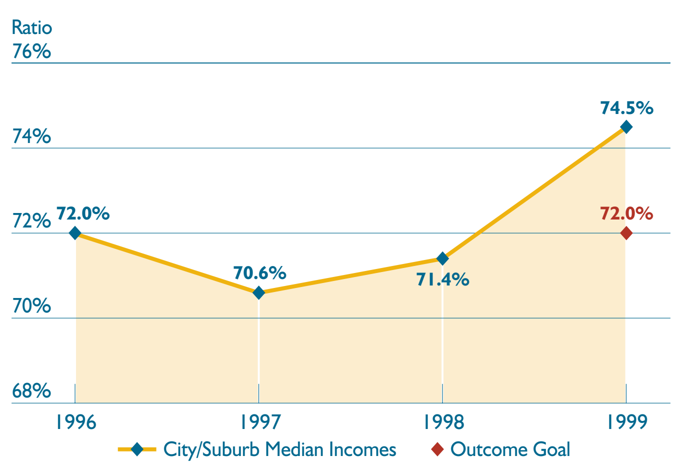
Programmatic Output Indicator 4.1.d:
The APIC program will guarantee venture capital investments that will produce significant business formation, job creation, and secondary economic activity and will predominately serve targeted low- and moderate-income areas.

Background. America's Private Investment Companies (APIC) was funded in the FY 2000 VA/HUD appropriations bill, contingent upon authorization. As it was never authorized, the program has not been implemented. APIC was also proposed as part of the FY 2001 budget, but did not receive an appropriation or authorization.

Outcome Indicator 4.1.3:
The national average ratio of central city to suburban median household income increases by 1 percentage point to 73 percent.

Background. This measure tracks median household incomes in central cities. The comparison to suburbs is made to isolate changes that are unique to central cities, where many HUD programs are targeted. Data are provided by the Census Bureau and represent a calendar year. The latest year for which data are available is 1999. Data for 2000 will be presented in the 2001 Performance and Accountability Report. This indicator was eliminated beginning in FY 2002 because the Department is moving away from making central city to suburb comparisons.

Ratio of City Median Income to Suburb Median Income



Source: Bureau of Census

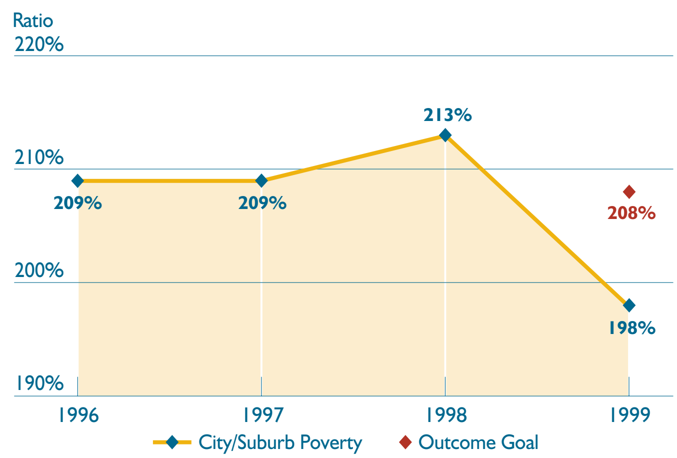
Results & Analysis. The ratio of city to suburban median income climbed 3.1 percentage points to 74.5 percent, surpassing the goal for 1999.

While median incomes for suburban residents remained relatively stable, the level for central city residents increased from $33,883 in 1998 to $35,573 in 1999.

Outcome Indicator 4.1.4:
The national average ratio of central city to suburban poverty rates decreases by 1 percentage point to 207 percent.

Background. Reducing poverty in central cities is one measure of HUD's progress towards improving the quality and accessibility of jobs because HUD historically has invested a great deal of economic development resources in central cities. This indicator tracks the ratio of city to suburban poverty rates to isolate the changes that are unique to central cities. Calendar year 1999 data are the most recent available. Data for calendar year 2000 will be presented in the FY 2001 Performance and Accountability Report. Because the Department is moving away from using city to suburb comparisons, this indicator was modified in the FY 2002 APP to track the share of working households who are in poverty.

Ratio of City Poverty Rate to Suburb Poverty Rate



Source: Census Bureau

Results & Analysis. The ratio of city to suburban poverty rates declined by 15 percentage points to 198 percent, exceeding HUD's goal.

In 1999, the central city poverty rate was 16.4 percent, a 2.1 percentage point decline from 1998. This reduction compared favorably to the 0.4 percentage point decline in poverty in suburban areas. In the late 1990s, economic activity in central cities improved the job market leading to increasing wages.

Programmatic Output Indicator 4.1.e:
A total of 276,000 jobs will be created or retained through CDBG and Section 108.

Background. CDBG and Section 108 are two of HUD's most significant job creation tools, especially in low-income communities. In FY 2000, the CDBG program created 120,200 jobs, while the Section 108 program created 30,060. This indicator is discussed in further detail as Programmatic Output Indicator 3.2.d.

Objective 4.2: Disparities in well-being among neighborhoods and within metropolitan areas are reduced.

Outcome Indicator 4.2.1:
The homeownership rate in underserved neighborhoods ceases to decline by 2005.

Background. Homeownership is an important factor in preventing blight, stabilizing neighborhoods and encouraging investment. HUD defines underserved neighborhoods in metropolitan areas as census tracts either with a minority population of at least 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 the area median income irrespective of minority population percentage. The definition is similar in non-metropolitan areas except that counties are substituted for census tracts. In 1990, Census data show that the homeownership rate in underserved neighborhoods was 55.1 percent. HUD will again calculate this measure based on 2000 Census data. That figure will be reported in either the FY 2001 or FY 2002 Performance and Accountability Report depending on when the data become available.

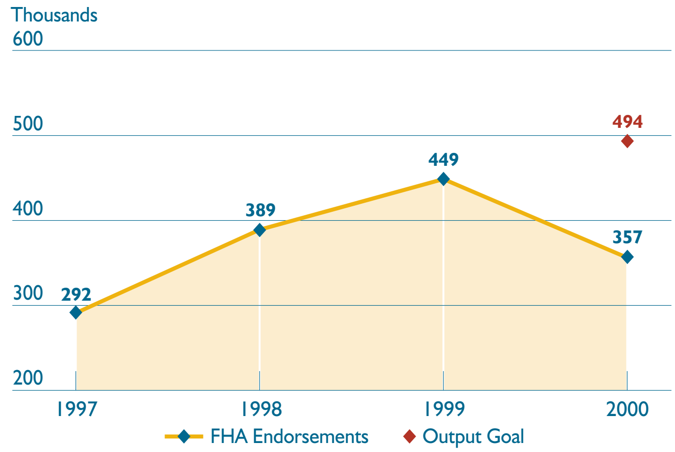
Programmatic Output Indicator 4.2.a:
Increase FHA single-family mortgage lending in underserved communities by 10 percent.

Background. FHA focuses its resources in underserved neighborhoods that are not well served by the conventional market. HUD defines underserved neighborhoods for this indicator in the same manner as for indicator 4.2.1.

Results & Analysis. In FY 2000, FHA insured 357,059 single-family mortgages in underserved neighborhoods, 20 percent less than in FY 1999 and less than the goal of 494,000.

Mortgage lending was effectively targeted to underserved areas. As a share of all FHA single family endorsements, lending in underserved neighborhoods actually increased from 35 percent in FY 1999 to 38 percent in FY 2000. The decline in the number of endorsements reflects changes in the real estate market, including higher interest rates, that affected most FHA single family programs.

FHA Single Family Mortgage Endorsements in Underserved Areas

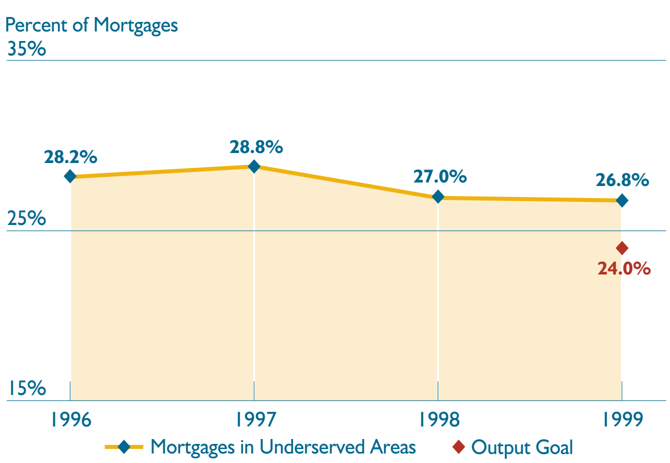


Source: FHA's DAP system

Programmatic Output Indicator 4.2.b:
Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.

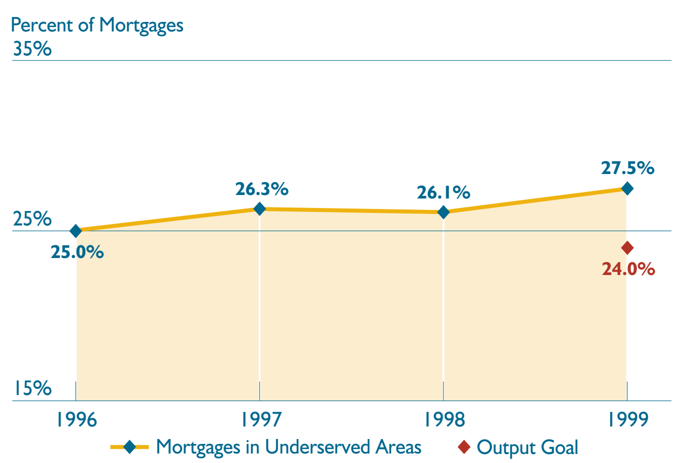
Background. HUD defines targets for Government Sponsored Entities (GSEs) in three categories including lending in underserved neighborhoods. The definition for underserved neighborhoods is the same as for Outcome Indicator 4.2.1. Approximately half of all residents of underserved neighborhoods live in central cities. The most recent audited data for this measure are for calendar year 1999. Data for calendar year 2000 will be reported in the FY 2001 Performance and Accountability Report. HUD has increased the goals to 31 percent for both Fannie Mae and Freddie Mac beginning in 2001.

Fannie Mae Performance Relative to Geographic Target



Source: HUD's GSE Database

Freddie Mac Performance Relative to Geographic Target



Source: HUD's GSE Database

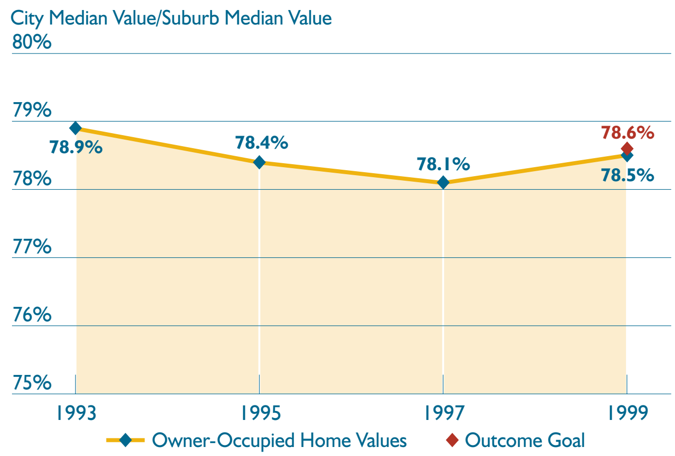
Results & Analysis. Both of the GSEs achieved their goals for lending in underserved neighborhoods.

Freddie Mac increased underserved lending over 1998 levels while Fannie Mae's level declined slightly. HUD established new goals of 31 percent beginning in 2001. Both entities will have to increase underserved lending to meet this standard.

Outcome Indicator 4.2.2 :
The ratio of central city to suburban average values of owner-occupied homes increases by 0.5 percentage point to 79 percent by 1999.

Background. HUD uses this indicator to measure the values of central city owner-occupied homes. A comparison to suburban values is made to isolate the changes that are unique to central cities where many HUD programs are targeted. The American Housing Survey provides data for this indicator in odd years.

Ratio of City/Suburb Median Home Values



Source: HUD tabulations of American Housing Survey

Results & Analysis. As shown in the chart, performance for 1999 increased 0.4 percentage point above 1997 to 78.5 percent, slightly less than the targeted increase of 0.5 percentage point.[3]

This performance reversed a downward trend and is highly encouraging. The median value of owner-occupied homes increased by 9.5 percent in cities over the two year period, an indication that cities are becoming more desirable for homeowners. The increase benefits long-time city homeowners by raising the value of their homes.

Outcome Indicator 4.2.3:
The average ratio of vacant units to residential building permits in metropolitan areas decreases by 1 percentage point.

Background. HUD has determined that this indicator is not a valid measure of progress in preventing sprawl and utilizing existing resources in cities and inner-ring suburbs. Because developing the baseline would have required additional resources, it will not be reported. The indicator was modified in the FY 2001 APP to measure the rate of growth in urban land compared with the rate of growth in U.S. population between 2000 and 2005.

Programmatic Output Indicator 4.2.c:
The share of Consolidated Plans scoring highly using a standardized assessment increases.

Background. Communities are required to submit Consolidated Plans to receive funding for four of HUD's grant programs. HUD's Office of Community Planning and Development (CPD) has developed an instrument to measure the quality of Consolidated Plans. Fiscal Year 2000 was the first year that the instrument was used. Data are contained in CPD administrative systems.

[3] *The original 1999 target of 79 percent was based on a 0.5 percentage point increase from the 1995 level of 78.4 percent. When 1997 data became available, the target was updated to reflect a 0.5 percentage point increase to 78.6 percent in 1999.*

Results & Analysis. In FY 2000, HUD established the baseline for this measure. Of the 1,040 entitlement grantees, 408 (39 percent) scored highly using the standardized assessment.

The assessment includes factors such as consultation and citizen participation, internal consistency and effectiveness, and meeting the needs of low-income persons and families in specific neighborhoods.

Outcome Indicator 4.2.4:
Among low- and moderate-income residents, the average "overall opinion of neighborhood" increases by 0.5 point on a 1--10 scale for cities, suburbs, and nonmetropolitan areas.

Background. This indicator tracks how well the Nation's neighborhoods contribute to overall quality of life of low- and moderate-income residents, as measured by the opinions regarding their neighborhoods. The measure presented here uses AHS data in a slightly different way from the FY 2000 APP.[4]

Results & Analysis. Between 1997 and 1999, the satisfaction of low- and moderate-income residents with their neighborhoods improved substantially in cities, less so in suburbs, and declined in non-metropolitan areas.

Share of Low- and Moderate-Income Residents With a Good Opinion of Their Neighborhood

	1997	1999
Cities	66.3%	70.2%
Suburbs	81.1%	83.0%
Non-metropolitan areas	83.2%	82.3%

Source: HUD tabulations of the American Housing Survey

A majority of low- and moderate-income residents express satisfaction with their neighborhoods, regardless of location. However, city residents have been less satisfied than others. Economic growth in cities and locally-funded efforts, as well as HUD's housing and economic development programs, have contributed to the shrinking deficit in satisfaction of city residents. In FYs 1998 and 1999 combined, communities spent roughly $12 billion in HUD block grant funding through CDBG and HOME that were targeted to low-income households, a majority in cities.

Programmatic Output Indicator 4.2.d:
The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at 92 percent.

Background. Entitlement communities are required to use at least 70 percent of their funds for activities that benefit low- and moderate-income residents (i.e., residents with incomes up to 80 percent of the area median income), but historically have used a much higher share. When funds are used to serve a geographic area, they are presumed to serve low- and moderate- income residents if more than 50 percent of the residents have low or moderate incomes. Data prior to 1998 are only available as an aggregate of States and Entitlement Communities. Data come from Annual Performance Reports submitted by grantees.

Results & Analysis. Of the roughly $3.5 billion in CDBG entitlement funds spent during FY 2000, 93.7 percent were used to benefit low- and moderate-income households, exceeding HUD's goal of 92 percent.

[4] Analysis revealed the need to make technical changes. Because the numerical values reported for this measure reflect categories rather than measurable numerical responses, an average is not meaningful from a statistical point of view. In the FY 2001 Annual Performance Plan, HUD modified this indicator to track the share of residents with a poor or fair opinion of their neighborhood, defined as a rating of 1 to 6 on 10 point scale. In HUD's current Strategic Plan and in the FY 2002 Annual Performance Plan, the measure was further modified to track the share of residents with a good opinion of their neighborhood, defined as a rating of 7 to 10 on a 10 point scale. The latter measure is being reported here. Data are from the American Housing Survey, which is conducted in odd calendar years.

The FY 2000 results represent a slight decrease from the 94.1 percent of funds that benefited low- and moderate-income households in FY 1999. The high level of spending on this targeted population demonstrates the commitment of communities to using HUD funding to meet the needs of low- and moderate-income persons. HUD has no direct control over the percentage of CDBG funds that communities use for low- and moderate-income residents other than to enforce the statutory minimum of 70 percent. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy residents. Furthermore, the Consolidated Planning process that HUD implemented in 1994 ensures that constituents have input into the use of CDBG funds.

Programmatic Output Indicator 4.2.e:
The share of State CDBG funds that benefit low- and moderate-income persons remains at 98 percent.

Background. States are required to use at least 70 percent of their CDBG funds for activities that benefit low- and moderate-income residents (up to 80 percent of the area median income), but historically have used a much higher share. When funds are used to serve a geographic area, they are presumed to serve low- and moderate- income residents if more than 50 percent of the residents have low or moderate incomes. FY 2000 is the first year for which data are available for States. Data are from Annual Performance Reports submitted by grantees.

Results & Analysis. States used 97.4 percent of the roughly $1.5 billion of CDBG funds they spent in fiscal year 2000 to benefit low- and moderate-income persons, virtually equal to HUD’s goal of 98 percent.

HUD has no direct control over the percentage that States use for low- and moderate-income residents other than to enforce the statutory minimum of 70 percent. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy residents. Furthermore, the Consolidated Planning process HUD implemented in 1994 ensures that constituents have input into the use of CDBG funds.

Programmatic Output Indicator 4.2.f:
The share of CDBG direct beneficiary activities that benefit low-income persons remains at 56 percent.

Background. Direct beneficiary activities are CDBG-funded activities that benefit low- and moderate-income persons directly rather than serving a geographic area. They include job creation and retention, housing rehabilitation, and activities that serve a group that is demonstrated or reasonably presumed to be at least 51 percent made up of low- and moderate- income persons. A 1989 evaluation found that 56 percent of all direct beneficiaries had low incomes, even though low-income residents make up only one-third of CDBG communities. FY 2000 is the first time the goal has been measured since 1989. HUD will continue to measure the goal annually. Data are from HUD’s Integrated Disbursement Information System.

Results & Analysis. Of the funds that supported direct beneficiary activities, 62.7 percent benefited low-income persons, 6.7 percent above HUD’s goal of 56 percent.

HUD cannot control the share of direct beneficiary activities that grantees use for low- and moderate-income residents. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy people.

Programmatic Output Indicator 4.2.g:
COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.

Background. The Community Outreach Partnership Centers (COPC) program was enacted in 1992 to facilitate partnerships between institutions of higher education and communities to solve urban problems through research, outreach, and the exchange of information. To maximize the program's impact and sustainability, there is a significant matching requirement. By measuring the amount of matching funds above the amount originally claimed, this indicator indirectly measures the extent to which COPC grants stimulate community action. The measure is based on a calendar year, which is the same as the COPC program year, and the performance data is obtained from progress reports submitted by grantees.

Results & Analysis. For the 13 COPC grants that were completed during calendar year 2000, the average amount of non-federal match funds secured during the life of the grant was 26 percent more than grantees had originally claimed in their grant applications. This level exceeded the 2000 goal by 6 percentage points.

The 2000 performance, which decreased moderately from the 1999 baseline of 32 percent, continues to demonstrate substantial commitment on the part of institutions to sustain outreach efforts. Grantees also have increased their networking efforts through meetings, conferences and web sites that share information about available resources.

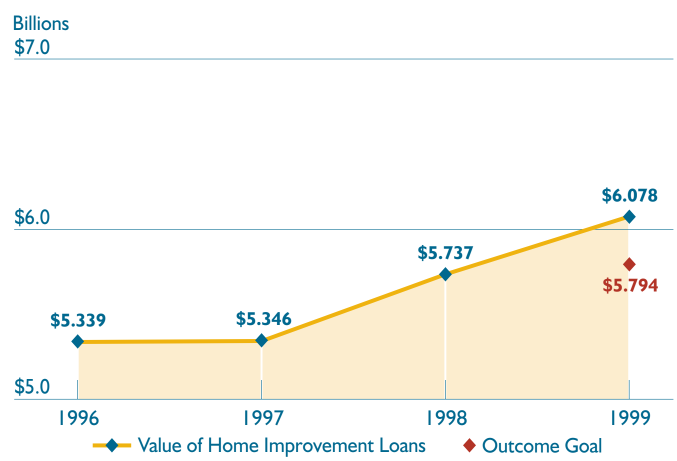
Outcome Indicator 4.2.5:
The capital used to rehabilitate housing in underserved neighborhoods increases by 1 percent.

Background. Communities can use CDBG and HOME funds to attract private capital for rehabilitation. Doing so increases the total amount of capital available, but also ensures a diversified approach to financing housing rehabilitation. This indicator tracks the total volume of private lending to rehabilitate housing in underserved neighborhoods. For the purposes of this indicator, underserved neighborhoods are defined in the same manner as for Outcome Indicator 4.2.1. Calendar year 1999 data are the latest available. Data for 2000 will be reported in the FY 2001 Performance and Accountability Report.

Results & Analysis. In 1999, $6.078 billion of private capital was used to rehabilitate housing in underserved neighborhoods, exceeding the target.

This level was 5.9 percent ($341 million) higher than in 1998. This trend demonstrates private lenders' increasing confidence in the viability of underserved neighborhoods. When combined with other increases in lending in underserved neighborhoods by FHA and the increase in the number of units rehabilitated through HOME and CDBG, this progress represents a balanced improvement in housing financing in underserved neighborhoods.

Volume of Home Improvement Loans in Underserved Areas



Source: Home Mortgage Disclosure Act database

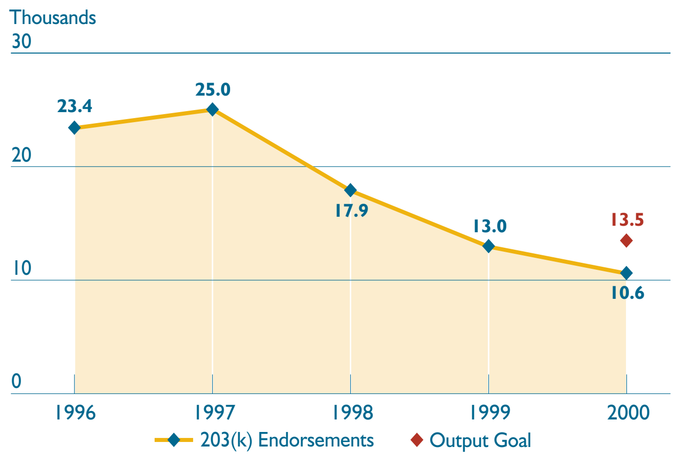
Programmatic Output Indicator 4.2.h:
The number of single-family properties rehabilitated under Section 203(k) increases by 4 percent to 18,600.

Background. FHA's 203(k) program is available for homebuyers who want to make substantial repairs to their homes at the time of purchase, often to bring them up to code.

Results & Analysis. In FY 2000, HUD endorsed 10,627 mortgages through the 203(k) program. This level is 18 percent below the FY 1999 level, and well short of the goal of increasing by 4 percent over the FY 1999 level.[5]

Some of the shortfall can be attributed to the rise in mortgage interest rates and general weakening of the housing market in FY 2000. Additionally, because of programmatic abuses, HUD tightened program procedures, which reduced market acceptance of the program. The Department is reviewing options regarding the future direction of the 203(k) program.

Single-Family Homes Rehabilitated with Sec.203(k)



Source: FHA's Computerized Homes Underwriting Management System

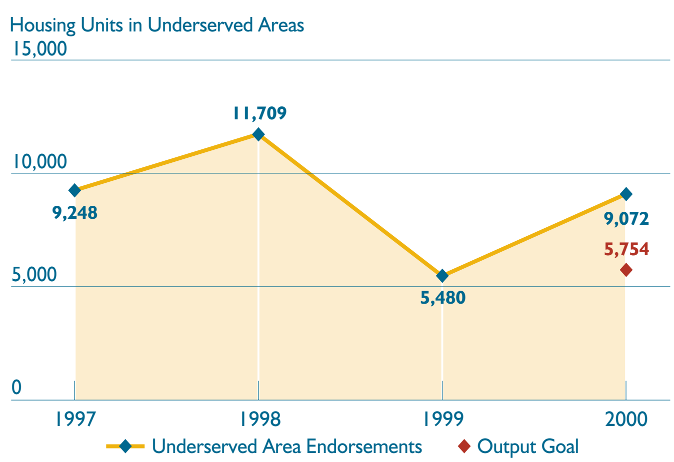
Programmatic Output Indicator 4.2.i:
The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent between 1999 and 2000.

Background. FHA has a number of programs that insure loans to develop and rehabilitate multifamily properties in underserved neighborhoods. This indicator tracks the number of units in multifamily properties within underserved neighborhoods that are newly endorsed by FHA. Refinancings are excluded, as are Section 202 and Section 811 properties, which specifically serve the elderly and persons with disabilities. For the purposes of this indicator, underserved neighborhoods are defined in the same manner as for Outcome Indicator 4.2.1.

Results & Analysis. In FY 2000, 9,072 rental units in underserved areas were insured through a variety of FHA programs, an increase of 66 percent from FY 1999, far surpassing HUD's goal of a 5 percent increase.

Because the market for multifamily properties is less sensitive to interest rate changes than the single-family market, these programs were not affected the way FHA's single-family programs were. The increase in performance partly reflects the efforts of HUD's 81 field offices to target underserved areas and the

Units in New Initial Multifamily Endorsements in Underserved Areas



Source: FHA's DAP system

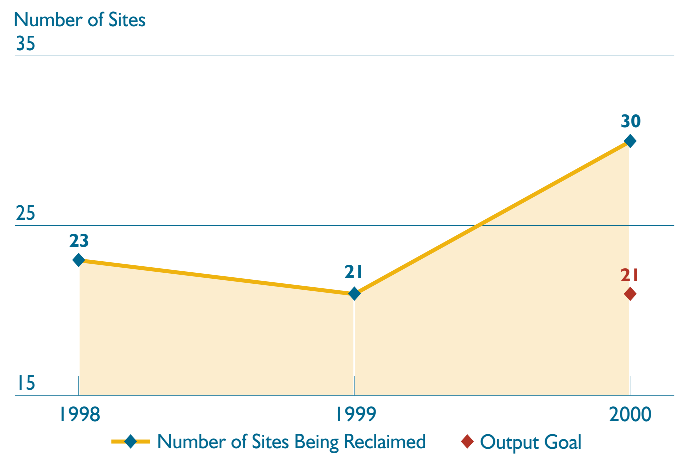
[5] *The original FY 2000 goal of 18,600 was based on an anticipated level of 17,600 in FY 1999. Because the actual level in FY 1999 was 13,000, the goal was updated to reflect a 4 percent increase to 13,500.*

Real Estate Assessment Center's identification of properties that are in need of rehabilitation. Over the last several years, more nursing homes and assisted living facilities have been endorsed. The higher per unit cost in these facilities partially accounts for the FY 2000 level being lower than in FY 1997 and 1998.

Outcome Indicator 4.2.6:
Through the use of the Brownfields Redevelopment Program, CDBG funds and Section 108 loan guarantees, the number of brownfield sites being reclaimed and redeveloped increases .

Background. The Brownfields National Partnership Action Agenda established a comprehensive Federal approach to redevelop contaminated or potentially contaminated commercial and industrial land (brownfields) and return it to productive use. Beginning in 1998, HUD's Brownfields Redevelopment Program, combined with Section 108 loan guarantees, has funded economic development on these sites. In Fiscal Year 2002, HUD will begin measuring the number of jobs created with these grants.

Number of Brownfields Sites Being Reclaimed



Results & Analysis. In FY 2000, HUD awarded $25 million in grants to reclaim 30 brownfields sites, surpassing the goal of 21 sites.

These grants will be used in concert with just over $100 million of Section 108 loan guarantees. The new sites bring the cumulative total of Brownfields sites being reclaimed to 74.

Objective 4.3: Communities are safe.

Outcome Indicator 4.3.1:
The share of households reporting "crime in neighborhood" declines 0.5 percentage points to 6.8 percent in 1999.

Background. Public Housing Agencies use Drug Elimination grants and capital grants for security and safety programs. Communities may use CDBG funds for a variety of public safety purposes. Data for this indicator are from the American Housing Survey, which is conducted biennially in odd years. In 1997, the AHS included more detailed questions regarding crime. This change makes data from 1997 and 1999 incompatible with data from prior years. This indicator was dropped from the FY 2002 Annual Performance Plan because HUD has modest influence on crime on a national level.

Results & Analysis. The 1999 AHS data show that 14.3 percent of the Nation's residents reported that there was crime in their neighborhood, surpassing the goal of a 0.5 percentage point decrease.[6]

The 14.3 percent rate of neighborhood crime in 1999 was a significant decrease from the 17.2 percent baseline of 1997. While HUD operates programs that help reduce crime in public housing and to a lesser extent, other communities, most of the change reflected in this measure is attributable to factors outside of HUD's influence.

[6] *The original 1999 goal of 6.8 percent was based on a reduction of 0.5 percentage point from the anticipated 1997 level of 7.3 percent. Because the actual 1997 level was 17.2 percent, the goal was updated to 16.5 percent in 1999. The primary cause of the large difference between the anticipated and actual levels in 1997 was the change in survey methodology as the AHS was computerized.*

Outcome Indicator 4.3.2:
Among residents of public housing developments targeted by PHDEP grants, average satisfaction regarding neighborhood security increases.

Background. The Department's Public Housing Drug Elimination Program (PHDEP) provides funding to Public Housing Agencies to pay for a variety of crime prevention activities. Data reported here are from semi-annual progress reports submitted by grantees in July, 1999 and January, 2000. These are the most recent available data. The measure was expanded, beginning in the FY 2002 APP, to cover all public housing residents, instead of just those targeted by PHDEP grants.

Results & Analysis. In FY 2000, 57 percent of residents of public housing developments targeted by PHDEP grants expressed satisfaction with neighborhood security.

Performance in future years will be compared with this baseline.

Outcome Indicator 4.3.2.b:
The share of housing authorities with PHDEP grants who achieve their crime reduction goals increases.

Background. Public Housing Drug Elimination Program (PHDEP) grantees set goals and report their progress for eight different FBI "Part I" crimes, including homicide, rape, robbery, and burglary. The data discussed below are from semi-annual progress reports submitted in July 1999 and January 2000. These are the latest data that the Department has been able to analyze in sufficient detail. In the FY 2001 APP, this indicator was replaced by Outcome Indicator 4.3.2.3, which compares the rate of Part I crimes in public housing developments receiving PHDEP grants relative to the surrounding communities.

Results & Analysis. HUD established the baseline for this measure. With respect to Part I crimes, grantees were most successful meeting their targets for Homicide (61 percent) and Robbery (53 percent). They were least successful meeting targets for Auto Theft (42 percent) and Burglary (46 percent). When averaged by Part I crimes, 50 percent of grantees met their crime reduction targets.

Programmatic Output Indicator 4.3.a.2:
The number of full-time law enforcement officers, security personnel and investigators hired by housing authorities with HUD funds increases.

Background. Public housing agencies use PHDEP funds as well as operating subsidies and modernization funds to hire law enforcement officials. This indicator tracks the number of law enforcement full-time equivalent positions funded by PHDEP grantees through all of these sources. Data are from semi-annual progress reports submitted by grantees in July 1999 and January 2000. These are the latest data available. This indicator was not included in the FY 2001 APP because the Department did not want to emphasize the hiring of law enforcement officials over other forms of crime prevention.

Results & Analysis. Law enforcement officials provide a stabilizing presence that reduces criminal activity. Grantees entered into agreements with local law enforcement agencies or through private security firms. Most of these positions (80 percent) were funded using PHDEP grants.

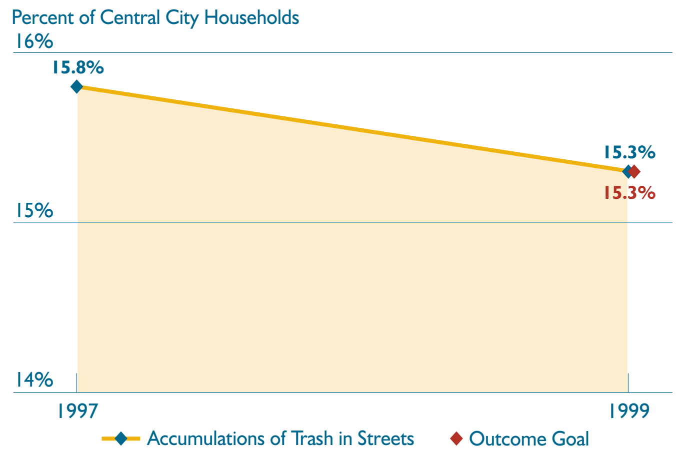
	Number of Full-time Equivalent Law Enforcement Positions
Local Personnel	1,391
Investigators	172
Others	645
TOTAL	2,208

Source: HUD's Drug Elimination Reporting System

Outcome Indicator 4.3.3:
The share of central city households reporting accumulations of trash, litter, or junk on the streets decreases by 0.5 percentage point to 3.1 percent in 1999.

Background. Accumulated trash and junk create public health hazards and endanger pedestrians and motorists. Data are from the American Housing Survey, conducted biennially in odd years. The survey instrument changed in 1997, making it incompatible with data from prior years.

Central City Households Living with Accumulations of Trash in Streets



Source: American Housing Survey

Results & Analysis. In 1999, 15.3 percent of central city households reported accumulations of trash, litter, or junk on the streets, meeting the target set by the Department.[7] The 1999 performance represents a 0.5 percentage point decline from baseline levels of 1997. Numerous factors contributed to the improvement of the urban environment. CDBG investments, which are concentrated in central city neighborhoods, played a supporting role to many factors external to HUD, including local investments and cleanup activities in central cities. Recent reductions in crime rates also may have contributed in some undetermined way.

[7] *The original 1999 goal of 3.1 percent was based on a reduction of 0.5 percentage point from the anticipated 1997 level of 3.6 percent. Because the actual 1997 level was 15.8 percent, the 1999 goal was updated to 15.3 percent. The large difference between the anticipated and actual 1997 level was mostly a result of changes to the survey methodology.*

Strategic Goal 5: Restore Public Trust in HUD[8]

Objective 5.1: HUD's workforce and partners are empowered, capable, and accountable for results.

Outcome Indicator 5.1.1:
HUD employees are more satisfied and more capable and perceive the organization to be more effective.

Background. HUD was one of many Federal agencies and departments that were surveyed by the National Partnership for Reinventing Government in 1998, 1999, and again in 2000. The survey covered key areas such as customer service, leadership, teamwork, employee development, streamlining, and job satisfaction.

Results & Analysis. The surveys found that as HUD's reinvention efforts began to be institutionalized, HUD's overall results improved. In response to the question "How would you rate the overall quality of work in your workgroup?" 72 percent responded favorably. This was an improvement from 71 percent with positive responses in FY 1999 and 67 percent in FY 1998.

Selected Results of NPR Survey
(Percent of Responses That Are Favorable)

Question	1999	2000
How would you rate the overall quality of work in your workgroup	71%	72%
In the past 2 years, the productivity of my work unit has improved	41%	49%
Recognition and rewards are based on merit	33%	37%
Employees receive the training they need to perform their jobs	46%	46%
Managers communicate the organization's mission, vision, and values	54%	51%
A spirit of cooperation and teamwork exists in my immediate work unit.	65%	64%

Other selected results demonstrate that HUD is moving towards being a performance-based organization. For instance, more employees believe that rewards are based on merit. The Department also has several opportunities for improvement. Fewer people believed that managers communicated the organization's mission, vision and values. And although people believed the productivity of their work unit had improved, there is still room for further improvement.

Programmatic Output Indicator 5.1.a.0:
HUD continues to receive clean audit opinions.

Background. In FY 1999, HUD received a clean audit opinion on its FY 1998 financial statements, reflecting substantial progress in resolving issues that resulted in qualified opinions for previous audits. This was a major milestone in HUD's efforts to improve financial data systems and internal controls. This indicator was included for FY 2000 to continue HUD's focus on improving its financial management efforts.

Results & Analysis. HUD fell short of this milestone in FY 2000, receiving a disclaimer of an audit opinion on its FY 1999 financial statements when major systems conversion efforts disrupted normal account reconciliation activity and precluded timely preparation of financial statements and completion of the audit by the OIG. However, the OCFO and HUD program management subsequently successfully addressed the OIG's audit disclaimer issues in FY 2000, as follows:

- The reconciliation of the FY 1999 funds balance with Treasury accounts was completed, and the OIG auditors accepted HUD's FY 1999 account balances with no need for restatement.

[8] This goal was updated in the FY 2001 APP to "Ensure Public Trust in HUD."

- The systems interface for converting transactions to HUD's new standard general ledger system (HUDCAPS) was enhanced to substantially improve the acceptance of transactions and the performance of account reconciliation efforts.

- The year-end closing process was improved to assure that all adjustments are made through the general ledger, with adequate supporting documentation.

- Corrective actions on previously identified material weaknesses and reportable conditions continued to progress, with some weaknesses eliminated.

As a result, HUD received an unqualified audit opinion on its FY 2000 consolidated financial statements in FY 2001. This is important in restoring confidence in HUD's financial statements for OMB, Congressional and public users. However, HUD is very mindful of the financial management discipline and vigilance required to maintain that confidence, and of the need for continued progress in resolving remaining material management control weaknesses and reportable conditions still associated with HUD's underlying financial management systems and operations.

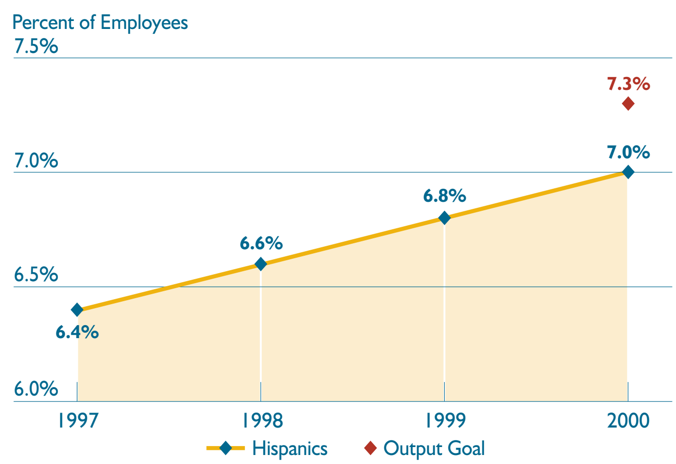
Programmatic Output Indicator 5.1.a:
HUD increases overall work force diversity by raising the representation of under-represented groups, as shown by increasing the share of Hispanics by 0.5 percentage point to 7.1 percent of employees.

Background. Because HUD's Hispanic representation of 6.6 percent of its workforce had consistently remained below the Civilian Labor Force representation of 8.1 percent, HUD established a 3-year goal to achieve parity. For FY 2001, HUD has created a single workforce diversity indicator, which includes improvements in Hispanic and white female representation.

Results & Analysis. At the end of FY 2000, 7.0 percent of HUD employees were of Hispanic origin, 0.2 percentage points above the FY 1999 level.[9]

Although employment of Hispanics improved during FY 2000, the gain fell short of the goal of a 0.5 percentage point increase in their representation. HUD generally has been successful at attracting Hispanic applicants, but more Hispanic employees left the Department than anticipated.

Share of Hispanics Among HUD Employees



Source: HUD's Equal Employment Opportunity Management Analysis System

[9] *The original FY 2000 goal of 7.1 percent was updated to 7.3 percent to reflect actual 1999 performance of 6.8 percent.*

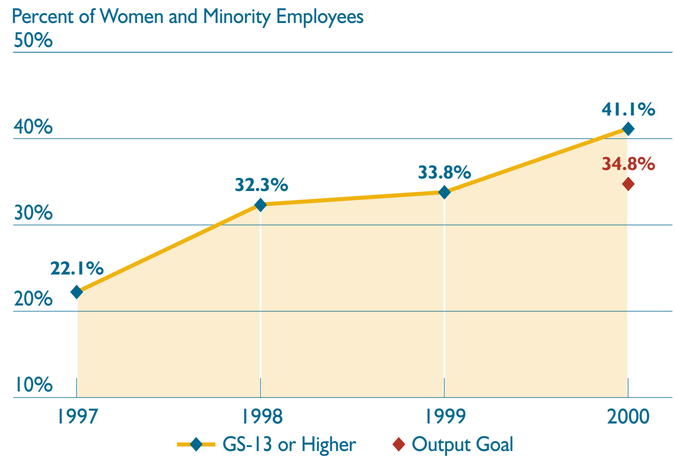
Programmatic Output Indicator 5.1.b:
Among HUD's women and minority employees, the representation at and above the GS-13 level increases by 1 percentage point to 33 percent.

Background. Although HUD has ranked highly among Federal agencies in total employment of women and minorities, the Department has sought greater representation of these groups among the higher GS-levels. For FY 2001, HUD has created a single workforce diversity indicator, which includes improvements in Hispanic and white female representation. Representation of women and minority employees at and above the GS-13 level will no longer be tracked because they are no longer underrepresented.

Results & Analysis. At the end of FY 2000, 41.1 percent of employees at the GS-13 level and above were women and minorities. This is a 7.3 percentage point increase over FY 1999, far greater than the goal of a 1 percentage point increase.[10]

Since 1997, there has been more turnover at the GS-13 and higher levels than in past years because of HUD's reorganization. Also, retiring employees are more likely to be white and/or male than the people who replace them. Because of FY 2000 performance, women and minority employees are no longer underrepresented at or above the GS-13 level.

HUD Woman and Minority Employees at GS-13 or Higher



Source: HUD's Equal Employment Opportunity Management Analysis System

Outcome Indicator 5.1.2:
HUD partners are more satisfied with HUD and more capable and perceive the organization to be more effective.

Background. HUD partners include housing agencies, nonprofit organizations, multifamily development managers, city executives and community and faith-based organizations. In 1999 and 2000, HUD began to assess customer satisfaction by using the American Customer Satisfaction Index (ACSI). Using ACSI, HUD measured the satisfaction of Community Development Block Grant (CDBG) recipients in the areas of quality of service, customer expectations and complaints, and grantee trust. During FY 2001, satisfaction surveys of other partner groups are being completed and analyzed, and will be reported.

Results & Analysis. In 2000 the ACSI gave the CDBG program a score of 68 percent, a decrease of 1 percentage point from 1999 results.

While this score fell short of HUD's goal of increasing the score, it compares favorably with the national benchmark for both public and private sector organizations as shown in the table.

Customer Satisfaction

	1999	2000
HUD (CDBG grantees)	69%	68%
Federal Government	68.6%	68.6%
Private Sector	71.9%	71.2%

Source: American Customer Satisfaction Index

[10] *The original FY 2000 goal of 33 percent was updated to 34.8 percent to reflect a 1 percentage point increase over actual 1999 performance of 33.8 percent.*

Outcome Indicator 5.1.3:
The average satisfaction of assisted renters and public housing tenants with their housing and their communities increases.

Background. The group of families that receive HUD housing assistance is one of the largest and most important of HUD's customer groups. HUD's Real Estate Assessment Center tracks resident satisfaction of this constituency through a resident satisfaction survey that is reported in the Resident Assessment Sub-System. FY 2000 was the first year that this indicator was measured. HUD's goal in FY 2001 and beyond is to improve from the FY 2000 level.

Results & Analysis. HUD's goal for FY 2000 was to establish a baseline from which to measure future performance. During FY 2000, REAC conducted a random sample survey of 279,470 HUD-assisted renters and public housing tenants. Eighty-seven percent of those surveyed were satisfied or very satisfied with their overall living conditions.

Outcome Indicator 5.1.4:
The share of public housing units managed by troubled housing authorities decreases.

Background. Through the Office of Public and Indian Housing's Public Housing Assessment System (PHAS), HUD evaluates and scores housing agencies based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Based on their composite scores in these areas or based on very low scores in any one of the first three areas, housing authorities are designated as "troubled." The Department seeks to reduce the share of public housing stock that is vulnerable to mismanagement by troubled housing agencies. The first PHAS data are for housing agencies with fiscal years ending September 30, 1999 through June 30, 2000. The PHAS scoring indicators were modified during FY 2000 and the system currently is undergoing further review. PHAS scores in future years will not be fully comparable to these initial advisory scores.

Results & Analysis. Congress requested that HUD delay implementation of PHAS while consulting with public housing industry representatives, therefore, the initial PHAS scores were advisory only. These data show that 588 of the 2,852 Public Housing Agencies that were scored were troubled on at least one of three components or troubled overall. Collectively, these 588 PHAs manage 33 percent of public housing units. Furthermore, 105 of these housing agencies were categorized as troubled overall. HUD has mobilized to reduce the number of troubled units. A new risk management system will identify PHAs that are in danger of becoming troubled and target them for early intervention by HUD Field Office Staff. Troubled Agency Recovery Centers help troubled PHAs and their local partners implement short term recovery plans to ensure delivery of appropriate services for the residents and lay the foundation for long-term sustainable performance improvement.

PHA Ratings Based on PHAS Scores

Category	PHAs	Units
High Performer	615	139,394
Standard Performer	1,649	463,220
Troubled – Total	588	296,955
Troubled – Physical Only	(213)	(163,564)
Troubled – Management Only	(41)	(3,548)
Troubled – Financial Only	(229)	(67,816)
Troubled – Overall*	(105)	(62,027)

Source: Public Housing Assessment System

** PHA with a score less than 60 or with more than one sub-standard component.*

Outcome Indicator 5.1.5:
The share of tenant-based Section 8 assistance managed by troubled housing authorities decreases.

Background. Similar to Outcome Indicator 5.1.4, this indicator tracks the share of tenant-based Section 8 assistance that is vulnerable to mismanagement by troubled housing agencies. Using the Section Eight Management Assessment Program (SEMAP), HUD rates housing agencies based on documented policies for tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, lease-up rates, FSS participation, MTCS reporting and correct rent calculations. The first PHAs required to report SEMAP scores were those with fiscal years ending in September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline will be set.

Outcome Indicator 5.1.6:
Among households living in subsidized multifamily properties, the share living in developments that have substandard financial management decreases.

Background. This indicator tracks HUD's success in its efforts to eliminate financial problems and/or mismanagement of its subsidized multifamily portfolio. Subsidized properties are privately-owned developments that have Section 8 contracts, outstanding mortgages with interest subsidies or both. A substandard designation is determined by a scoring system that evaluates annual financial reports. The first submission cycle was for projects with fiscal years ending 12/31/98 to 12/30/99.

Results & Analysis. For the reporting period 2000, the share of households living in subsidized multifamily properties that have substandard financial management was 28.6 percent.

Of the 5,454 projects with substandard financial management, the Real Estate Assessment Center referred 696 to the Departmental Enforcement Center and 4,758 to HUD's Office of Multifamily Housing for additional action. Beginning in 2001, performance will be evaluated against the baseline of 28.6 percent of units.

Outcome Indicator 5.1.7:
The share of public housing units and assisted multifamily units that meet HUD-established standards increases by 1 percentage point.

Background. Deteriorated public and assisted housing creates poor perceptions of HUD's management capability. In FY 2000, 83 percent of public housing developments met the general physical standards. These developments represent 69.9 percent of the stock of public housing, an improvement over the FY 1999 level of 62.5 percent. Similarly, 85 percent of FHA's multifamily developments comprising 85.5 percent of FHA multifamily units met general physical standards, an improvement over the FY 1999 level of 77.3 percent of units. This indicator is discussed in further detail in the context of safe and disaster resistant housing as Outcome Indicator 1.3.3.

Outcome Indicator 5.1.8:
The share of public housing units and assisted multifamily units that contain life-threatening health and safety deficiencies decreases.

Background. In FY 2000, physical inspections of public housing revealed 24,575 exigent health and safety deficiencies at 6,406 developments. For multifamily properties, there were 30,027 exigent deficiencies in 9,623 developments. This indicator is reported in greater detail in the context of safe and disaster resistant housing as Outcome Indicator 1.3.4.

Programmatic Output Indicator 5.1.c:
The share of Consolidated Plans scoring highly using a standardized assessment increases.

Background. In FY 2000, 39 percent of consolidated plans scored highly using a standardized assessment. This indicator is discussed in further detail as Programmatic Output Indicator 4.2.c.

Programmatic Output Indicator 5.1.d:
Among Consolidated Plan grantees, 100 percent are reviewed remotely and 20 percent are reviewed onsite for compliance with their plans.

Background. Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA formula grants. This indicator measures the degree to which HUD field staff monitor grantees for compliance with their Consolidated Plans. In FY 2002, the indicator was modified to track both the share of grants and the share of grantees that are monitored onsite. Because 100 percent of Consolidated Plan grantees are regularly reviewed remotely, this part of the measure will not be tracked after FY 2001.

Results & Analysis. In FY 2000, 530 grantees were reviewed onsite for compliance with their plans. This number represents 51 percent of Consolidated Plan grantees, significantly above the goal of 20 percent. Furthermore, 100 percent of grantees were reviewed remotely.

Whether a grantee is reviewed onsite is a matter of resources and priorities. The fact that such a large percentage of grantees were reviewed onsite demonstrates HUD's commitment to the Consolidated Planning process.

Programmatic Output Indicator 5.1.e:
The share of CDBG entitlement funds that meet regulatory standards for timeliness of expenditure increases 5 percentage points.

Background. Although CDBG entitlement grantees have extensive flexibility to use CDBG for locally defined purposes, they must adhere to certain administrative requirements, including a requirement to expend their funds in a timely manner. Grantees may not hold funds in their line of credit exceeding 1.5 times the value of their most recent grant, as measured 60 days before receiving the following grant. In the FY 2001 APP, HUD clarified this measure to track the number of grantees that were not meeting their timeliness standard. That figure is being reported here.

Results & Analysis. In FY 1999, there were 273 grantees that failed to meet the timeliness standard. By the end of FY 2000, HUD reduced the number to 181.

The *share* of grantees that met the standard increased 8.8 percentage points from 73.8 percent to 82.6 percent during that time. In FY 2000, HUD sent letters to untimely grantees and held conferences and training sessions in the summer of 2000 to help grantees expend funds more promptly.

Programmatic Output Indicator 5.1.e.2:
Hold appraisers accountable for high quality appraisals by electronically scoring 833,000 FHA single family appraisals submitted for endorsement.

Background. HUD is committed to improving the overall quality of appraisals by, among other actions, holding appraisers accountable for appraisal accuracy. REAC developed a computer system that analyzes and scores single-family appraisals submitted for endorsement of FHA mortgage insurance. This indicator was developed as a one-time measure of REAC's ability to implement this electronic scoring system. Now that the system is operational, this milestone indicator is not needed.

Results & Analysis. In FY 2000, REAC electronically scored 437,462 appraisals. While this is only about 53 percent of the expected number, the implementation of the scoring system was successful. The scoring system proved useful and will continue to be used.

Programmatic Output Indicator 5.1.f:
The household-weighted average PHAS score increases.

Background. This indicator tracks HUD's progress toward increasing the capability and accountability of public housing agencies and increasing the satisfaction of residents. The Public Housing Assessment System provides an objective method by which HUD can assess overall performance of public housing agencies. Four separate assessments, including physical inspections, financial statements, management operation certifications and a resident satisfaction survey, combine into a single score. With a highest possible score of 100, a housing authority with a cumulative PHAS score less than 60 is considered "troubled". The preliminary PHAS scores were advisory only. The PHAS scores are weighted before being averaged so that housing agencies with greater numbers of units have a greater impact on the indicator. The first PHAS data are for housing agencies with fiscal years ending September 30, 1999 through June 30, 2000. The PHAS scoring indicators were modified during FY 2000 and the system is currently undergoing further review. PHAS scores in future years will not be comparable to these initial advisory scores. For FY 2001, the wording of this indicator has been corrected to reflect a unit-weighted average.

Results & Analysis. For FY 2000, based on advisory scores, the unit-weighted average PHAS score was 78.7 percent. The numbers of housing agencies that were scored as high, standard, and troubled performers are included in the table accompanying Outcome Indicator 5.1.4.

Programmatic Output Indicator 5.1.f.2:
Determine the number of public housing units managed by troubled housing agencies based on PHAS scores issued for 3,170 PHAs.

Background. The Public Housing Assessment System (PHAS) provides an accurate, uniform and objective method by which HUD can assess the overall performance of public housing agencies. This indicator was created as a one-time measure of the REAC's ability to implement the PHAS and issue scores for all housing agencies. Because the milestone was achieved, this indicator will no longer be reported.

Results & Analysis. In FY 2000, REAC substantially met its goal by issuing PHAS scores for 2,849 agencies, beginning with housing agencies with a fiscal year that ended 9/30/1999. The scores issued for housing agencies with fiscal years that ended 9/30/1999, 12/31/1999, and 3/31/2000 were considered advisory. Only scores issued for housing agencies with a fiscal year that ended 6/30/2000 were considered official. Of the 2,849 agencies for which PHAS scores were issued, 588 received scores that would have categorized them as troubled. A few housing agencies were not scored because they were granted extensions or waivers. For a more detailed discussion of the troubled agencies, see Outcome Indicator 5.1.4.

Programmatic Output Indicator 5.1.f.3:
Determine the number of multifamily properties that have substandard financial management by assessing financial condition and compliance of all multifamily properties required to report.

Background. All owners of FHA insured, HUD assisted and direct loan multifamily properties are required to submit annual financial statements for their projects. In FY 1999, HUD replaced a paper submission process with an electronic process, which was used for the first time in FY 2000. This indicator was created as a one-time measure of REAC's ability to assess the financial condition of multifamily assisted properties. Because the milestone was achieved, this indicator will no longer be used. The results from the assessment of these submissions will establish a baseline for the number of multifamily properties that have substandard financial management (Outcome Indicator 5.1.6).

Results & Analysis. REAC substantially accomplished this goal. The total number of multifamily properties with fiscal year ending 12/31/1998 through 12/30/1999 that were required to submit financial statements was 19,222. REAC expected between 15,000 and 17,000 submissions but received and reviewed 18,892. More details about the results of the assessments are included in the discussion of Outcome Indicator 5.1.6.

Programmatic Output Indicator 5.1.g:
The household-weighted average SEMAP score increases.

Background. Similar to PHAS scores, Section Eight Management Assessment Program (SEMAP) scores are meant to track the capability and accountability of housing authority partners and the satisfaction of residents. The first PHAs required to report SEMAP scores were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline will be set.

Programmatic Output Indicator 5.1.h:
The share of tenant-based Section 8 assistance managed by housing authorities that score highly for income verification increases by 5 percentage points.

Background. Tenant income verification is a critical tool that housing authorities and other Section 8 administering agencies have to control the costs of providing tenant-based assistance. The income verification component of SEMAP awards a high score when incomes of 90 percent of households have been verified by third parties and income allowances are calculated correctly. The first PHAs required to report SEMAP scores were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline will be set.

Programmatic Output Indicator 5.1.h.2:
Identify potential rental assistance abuse through computer matching of income reported by 4.5 million rental assistance recipients.

Background. REAC has automated the process of matching the income reported by tenants against income information in Social Security and Internal Revenue Services databases. This indicator was created as a one-time measure of REAC's ability to perform the income matching. Because the milestone goal has been achieved, this indicator will no longer be used.

Results & Analysis. REAC substantially met this goal by matching 4.32 million records of rental assistance recipients. For a discussion of the results of the matching, see the discussion in Note 17.

Programmatic Output Indicator 5.1.i:
The share of tenant-based Section 8 assistance managed by housing authorities that score highly for determination of rent reasonableness increases by 5 percentage points.

Background. Determination of whether rents are reasonable is another tool that housing agencies have to control costs in the Section 8 program. Through the rent reasonableness component of SEMAP, HUD will award a high score when 98 percent of randomly-selected tenant files have documented determinations that the rent for the unit is reasonable in accordance with the housing authority's written method. The first PHAs required to report SEMAP scores were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in fiscal year 2002, at which time a baseline will be set.

Programmatic Output Indicator 5.1.j:
The share of households for which rent determinations are correct increases by 3 percentage points for public housing and for project-based Section 8 by 2001.

Background. HUD undertakes periodic quality control studies for public and assisted private multifamily housing. Rents are considered correct if the subsidy amount is within $5 of the quality control monthly subsidy amount. The Quality Control Study performed in FY 2000 will serve as the baseline for this indicator.

Results & Analysis. In FY 2000, the share of households with correct rent determinations was 40 percent. This will serve as the baseline for future comparison. For a more detailed discussion of the study, and the related issue of rent overpayments and underpayments, see Note 17.

Programmatic Output Indicator 5.1.j.2:
Determine the number of public housing units and assisted multifamily units that meet HUD-established standards by conducting physical inspections of 30,000 properties.

Background. This indicator was created as a one-time measure of REAC's ability to perform the physical inspection of a large share of HUD's public and assisted housing inventory. Because the milestone goal has been achieved, this indicator will no longer be used.

Results & Analysis. REAC examined 27,262 properties in fiscal 2000, substantially meeting its goal of 30,000 inspections. For a more detailed discussion of the results of these inspections, see the discussion of Outcome Indicators 1.3.3 and 1.3.4.

Programmatic Output Indicator 5.1.k:
Among high-risk or troubled multifamily projects referred to EC, the shares that have aged pending enforcement and the share that have aged during enforcement processing will decrease.

Background. The performance baseline is not currently available. The Departmental Enforcement Center has developed a monthly management information tool that captures aging data, and expects to be able to provide a baseline during FY 2001. This indicator also appears as Programmatic Output Indicator 1.2.o.

Programmatic Output Indicator 5.1.k..2:
By the end of FY 2000, each program office will have developed a data quality plan that addresses data completeness, accuracy, timeliness and validation and that has final approval by the CIO.

Background. Reflecting the requirements of the Clinger-Cohen Act, HUD established the Office of the Chief Financial Officer (OCIO) in 1998 to oversee information technology investments and to ensure that information systems support core business processes and achieve mission critical goals. To better focus HUD efforts on specific management challenges, this goal was adjusted during FY 2000 to focus on mission critical data systems rather than program offices. Beginning in FY 2001, HUD will track the number of mission-critical data systems that earn data quality certifications based on objective criteria (Programmatic Output Indicator 5.1.L.1).

Results & Analysis. The original goal was to have every program office develop a data quality plan. However, after analyzing the needs of HUD's data systems, it was determined that the best course of action was to develop data quality plans for each mission critical data system. During FY 2000, data quality plans were developed and accepted by HUD's Technology Investment Board Executive Committee (TIBEC) for four of HUD's mission critical data systems. The four systems were:

- HUD Central Accounting and Program Systems (HUDCAPS)
- Federal Housing Administration Subsidiary Ledger/MSA
- Real Estate Management System (REMS)
- Tenant Eligibility Assessment Sub-System

The data quality plans will be implemented during FY 2001.

Programmatic Output Indicator 5.1.k.3:
By the end of FY 2000 HUD will develop a Performance Data Quality Assurance Plan that will be rated highly by a qualified independent body.

Background. During FY 2000, HUD established a Data Control Board, under the guidance of the CIO, to represent program offices across HUD during the development of a Department-wide Data Quality Improvement Program (DQIP), later broadened and renamed as the Enterprise Data Management Program (EDM). This indicator was created to measure the CIO's progress in achieving this threshold. It was not included in the FY 2001 Annual Performance Plan, but the progress of the CIO in refining its data quality infrastructure will be reported in the FY 2001 Performance and Accountability Report.

Results & Analysis. The Department did not have its data quality assurance planning process sufficiently refined by the end of FY 2000 to warrant independent assessment. By the end of FY 2000, the DQIP was sufficiently in place to guide development and adoption of data verification and cleanup plans for four information systems. The data plans were implemented in early FY 2001, and plans were developed for second-tier systems. The EDM, which will incorporate both operational data quality efforts and a broader data management infrastructure, is still being refined. It would therefore be premature to engage an independent evaluator to assess either the DQIP or the EDM.

Outcome Indicator 5.1.9:
HUD automated data systems are rated highly for usefulness, ease of use, and reliability.

Background. This indicator was initially proposed to track user perceptions of the quality of HUD data systems. During FY 2000, the Department instead chose to independently assess the usability, usefulness, and life-cycle costs of HUD data systems.

Results & Analysis. In FY 2000, HUD developed the IT Performance Measurement Methodology to provide the ability to rate systems, and then pilot tested the methodology on five systems:

- Grants Management Process (GMP)
- Real Estate Management System (REMS)
- Integrated Disbursement Information System (IDIS)
- Title Eight Automated Paperless Office Tracking System (TEAPOTS)
- Integrated Business System (IBS)

Based on the results of the pilot, HUD will establish performance measures in the Information Technology Investment Portfolio System (I-TIPS) for the entire portfolio. The methodology demonstrates the value that IT systems provide to HUD's mission and helps determine how well IT systems continue to meet HUD end user needs. This system ensures that HUD complies with the Clinger-Cohen Act, OMB guidance, and GAO recommendations. It also enables HUD management to be assured that the systems are producing reliable data that will help HUD manage its business.

Programmatic Output Indicator 5.1.L:
Office of Housing staff review a statistically valid sample of transactions in each of seven categories for compliance with data quality standards:

Background. This indicator tracks some of the data quality efforts in HUD's office of Housing. The seven categories are: Previous-year single-family existing property endorsements; Single-family appraisals; Single-family servicing transactions; Single-family data verification entries; Multifamily development originations; Multifamily servicing transactions; and Multifamily data verification entries.

Results & Analysis. Because of shifts in budget resources and organizational changes moving data quality initiatives under the CIO, neither Multifamily Housing nor Single Family Housing were able to implement their planned data quality initiatives. In both cases, data quality instead is being addressed through the evolving data system and work processing developments. Both Single-Family and Multifamily Housing have Quality Assurance teams to review mortgagee's loan originations, underwriting, appraisals and loan servicing activities.

Additionally, data quality assurance is a key factor in the development and integration of Multifamily's data systems. Cross checks of data quality are made in the interchange of data between the Multifamily Data Warehouse, the Real Estate Management System, REAC's Financial Assessment Sub-System (FASS), and REAC's Physical Assessment Sub-System (PASS.) Through these interchanges, inaccurate and inconsistent data are identified and corrected.

Programmatic Output Indicator 5.1.m:
The share of HOME-assisted rental units for which occupancy information is reported increases by 5 percentage points to 75 percent.

Background. This indicator tracks the level of reporting of HOME rental household data by Participating Jurisdictions. Prior to 1999, the historical average reporting rates for these households was 70 percent.

Results & Analysis. For FY 2000, HUD exceeded this goal. The share of HOME-assisted rental units for which occupancy information was reported was 76 percent, a 6 percentage point gain over FY 1999. In FY 2000, HUD completed a major data cleanup effort of HOME data in the Integrated Disbursement Information System, resulting in the higher reporting percentage.

Programmatic Output Indicator 5.1.n:
Sanctions are taken or forebearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.

Background. The Multifamily Tenant Characteristic System (MTCS) provides HUD with performance information regarding renters assisted with public housing or tenant-based Section 8. At the beginning of FY 2000, HUD's office of Public and Indian Housing (PIH) set an internal goal of sanctioning 454 PHAs for Section 8 and public housing combined. The goal was based on the number of PHAs reporting under 85 percent as of the semi-annual assessment dated June 30, 1999. Because PIH completed the appeals processes for the June and December 1999 assessments in July 2000, both periods were included toward the FY 2000 goal. As a result, PIH adjusted the estimated number to be sanctioned from 454 to 509.

Results & Analysis. In FY 2000, HUD met this goal by sanctioning 509 PHAs. Since January 1999, PIH has increased MTCS reporting rates from 83 percent to 100 percent for Section 8 and from 72 percent to 95 percent for public housing by the end of FY 2000.

For Section 8, PIH imposed the 10 percent reduction in administrative fee sanction 284 times, on PHAs reporting under 85 percent without forbearance approval from HUD for the assessment periods covering June and December 1999, implemented in FY 2000. Because a PHA could be sanctioned in both periods, the number of PHAs sanctioned either once or twice was 236. In addition, PIH determined the 236 PHAs ineligible to apply for FY 2001 Fair Share, Mainstream, Designated Housing, Certain Development, and New Approach Funding.

For Public Housing, PIH determined in 324 instances that PHAs were ineligible to apply for FY 2001 HOPE VI funding because of reporting under 85 percent without forbearance approval from HUD for the June and December 1999 assessment periods, implemented in FY 2000. The number of PHAs sanctioned once or twice was 273. As a result of the increase in MTCS reporting rates, the number of PHAs sanctioned declined from June to December 1999 for both Section 8 (from 148 to 136) and public housing (from 204 to 120).

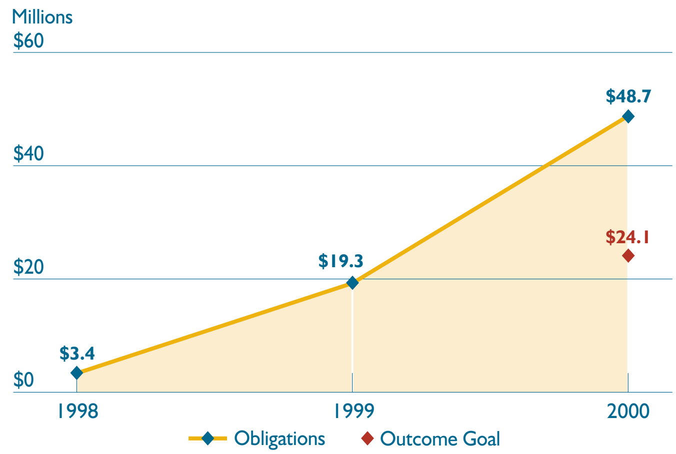
Outcome Indicator 5.1.10:
HUD contractors are being held increasingly accountable through the use of performance-based contracting methods, as shown by a 25 percent increase in annual obligations of active performance-based contracts.

Background. HUD has made improvements to its contracting services to ensure that they are timely, cost-effective and produce specified results. This indicator tracks the amount of contract obligations that have outcome- or performance-based features. In the FY 2001 Annual Performance Plan, the indicator number was changed to 5.1.b to reflect the fact that it is a programmatic output that contributes to HUD's having an empowered workforce.

Results & Analysis. In FY 2000, contracts with outcome- or performance-based features totaled $48.65 million, a 152 percent increase over FY 1999.

Performance Based Contracting is an integral part of HUD's efforts to be a high performing agency, and to ensure that HUD employees and partners are focused on results.

HUD Obligations for Contracts with Performance-Based Features



Source: HUD Procurement System

Objective 5.2: HUD leads housing and urban research and policy development nationwide.

Outcome Indicator 5.2.1:
PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity, and influence.

Background. This indicator focuses on the tangible products of PD&R efforts, including data sets, evaluation reports, policy journals and documents that appear in print and on the Internet. During FY 2001, an exploratory survey of customers and evaluation of PD&R research products is nearing completion. Customers have been surveyed to determine whether they find PD&R research products relevant, useful and well-prepared. Results and analysis will be available in the summer of 2001, and will be included in the FY 2001 Performance and Accountability Report.

Programmatic Output Indicator 5.2.a:
HUD research products are used more widely, as measured by the number of citations in the policy literature.

Background. This measurement is an indication of the relevance of HUD's Office of Policy Development and Research's research products. The Social Science Citation Index, which is widely recognized and trusted by researchers, will be used to measure this indicator. The research has been completed and is currently being analyzed. Results will be available in the Summer of 2001, and will be reported in the FY 2001 Performance and Accountability Report.