
**Supplemental
Materials**

2020-2021

Presidential

Transition

Official Briefing

**Supplemental
Materials**

**Office of Public and
Indian Housing**



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Public and Indian Housing—Overview

The Office of Public and Indian Housing is responsible for administering and managing a range of programs authorized and funded by Congress under the basic provisions of the U.S. Housing, Act of 1937. The Act created the public and Indian housing program, which now provides affordable housing to over 1.3 million households nationwide.

PIH uses congressional funds for the development of additional public and Indian housing units, the modernization of the housing stock, the improvement of the management of the programs by the public and Indian housing authorities which own the housing, and for programs to address crime and security and provide supportive services and tenant opportunities.

The seven program offices within PIH are:

- The Office of Public and Indian Housing Operations
- The Office of Policy, Programs and Legislative Procedures
- The Office of Native American Programs
- The Office of Public Housing Voucher Programs
- The Office of Public Housing Investments
- The Office of Field Operations
- The Real Estate Assessment Center

Public and Indian Housing actions are honed to ensure safe, decent, and affordable housing; create opportunities for residents' self-sufficiency and economic independence; and assure fiscal integrity by all program participants. In order to achieve this mission, PIH: recognizes housing residents as our ultimate customers; improves Public Housing Agency (PHA) management and service delivery efforts through oversight, assistance, and selective intervention by highly skilled, diagnostic, and results-oriented field personnel; partners with problem-solving PHA, resident, community, and government leadership; acts as an agent for change when performance is unacceptable and local leadership is—as determined by PIH—not capable or committed to improvement; and applies HUD's limited resources efficiently by using assessment techniques to focus oversight efforts.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Priorities centralize around three P's: People, Properties, and Programs. These groups engage to foster a positive work environment for its people, ensure the long-term viability of affordable housing and properties, and apply common measures to support PIH programs.

— *Contact* —

R. Hunter Kurtz, Assistant Secretary, PIH, 202-402-6113, Robert.H.Kurtz@HUD.gov
Dominique G. Blom, General Deputy Assistant Secretary, PIH, 202-402-4181,
Dominique.G.Blom@HUD.gov

Dr. Felicia R. Gaither, Deputy Assistant Secretary, Office of Field Operations, 202-402-6009,
Felicia.R.Gaither@HUD.gov

Heidi J. Frechette, Deputy Assistant Secretary, Office of Native American Programs, 202-402-6321,
Heidi.J.Frechette@HUD.gov

Robert E. Mulderig, Deputy Assistant Secretary, Office of Public Housing Investments, 202-402-4780,
Robert.E.Mulderig@HUD.gov

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing and Voucher Programs,
202-708-1380, Danielle.L.Bastarache@HUD.gov

Laura L. Miller-Pittman, Chief, Office of Policy, Programs and Legislative Initiatives, 202-402-2836,
Laura.L.Miller-Pittman@HUD.gov

David A. Vargas, Deputy Assistant Secretary, Real Estate Assessment Center, 202-708-0614,
Dave.Vargas@HUD.gov

Shylon C. Ferry, Deputy Assistant Secretary, Office of Operations, 202-402-2654,
Shylon.C.Ferry@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public and Indian Housing Operations—Overview

The Office of Public and Indian Housing (PIH) ensures safe, decent, and affordable housing, creates opportunities for residents' self-sufficiency and economic independence, and assures the fiscal integrity of all program participants. PIH has several divisions, including the Office of Field Operations (OFO), Office of Native American Programs (ONAP), Office of Public Housing Investments (OPHI), Office of Public Housing and Voucher Programs (OPHVP), Office of Programs, Policy, and Legislative Initiatives (OPPLI), Office of Operations (OPS) and the Real Estate Assessment Center (REAC).

Select **key PIH initiatives** are:

Rental assistance is a major part of HUD's mission. PIH is responsible for 59.7% of HUD's \$47.9 billion annual appropriation to provide 3.2 million of the country's most vulnerable households a safe, decent, and affordable place to call home, and create opportunities for residents to become self-sufficiency and economic independence, and assure the fiscal integrity of all program participants. The Office of the Deputy Assistant Secretary for Operations (DAS-OPS), in coordination with program offices formulate the budget process and develop a plan that provides long term health and viability of housing programs. The entire budget process takes approximately two years and involves cooperation across many areas of the federal government. The DAS-OPS presents and executes the PIH programs' annual appropriations and administrative budget to support PIH's mission.

For the past several years, PIH has seen reduced or level funding levels, thus hindering the long-term health and viability of housing programs. The decrease in funding levels, together with the COVID-19 pandemic and its financial impact are hampering several initiatives and priorities developed by program offices to address additional financial risks and programmatic impact on public housing residents.

The DAS-OPS is also responsible for devising a strategic plan for the development of the optimal workforce for the future, which incorporates succession planning, attrition forecasting, professional and management development program. The success of the plan necessitates that the current full time equivalent (FTE) level of 1,301 FTEs – distributed in the Headquarters building, 46 field offices and six Native American program area offices – be raised to the optimal level of 1,500 FTEs to adequately support program offices facing additional challenges from COVID-19 pandemic.

— *Impact* —

Impact Statement #1: Several PIH programs will suffer significant consequences if the funding levels continue to decrease. Significant numbers of Public Housing Authorities (PHAs) are at risk of depleting their reserve funds, which could lead to operating failure and bankruptcy. Furthermore, approximately



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

400,000 fewer extremely low - to very low-income families receiving assistance could lose their assistance. Additionally, with no funds for capital needs and repairs, the backlog of public housing repairs will grow even larger, while the physical replacement of inadequate units supported by the Indian Housing Block Grant (IHBG) could be put on hold indefinitely, exposing families in overcrowding units to greater health risks.

Impact Statement #2: The current FTEs level of 1,301 prevents several program offices from hiring specialized skills necessary to fully implement critical initiatives or draft regulations.

—Milestones —

Ensure all PIH programs' apportionments requests, including Salaries and Expenses are submitted to the Office of the Chief Financial Officer (OCFO) and the Office of Management and Budget (OMB) for approval and signatures.

— Decision Points —

(b)(5) Deliberative Privilege

— Contact —

Shylon C. Ferry, Deputy Assistant Secretary, Office of Operations, 202-402-2654
shylon.c.ferry@HUD.gov

Courtney N. Jones, Director, Office of Resource Management, 202-402-6061
courtney.n.jones@HUD.gov

Keia L. Neal, Director, Office of Procurement Management, 202-402-8312
keia.l.neal@HUD.gov

John H. Griffin, Director, Office of Budget and Financial Management, 202-402-2767
john.h.griffin@HUD.gov

Cedric A. Brown, Director, Office of Business Support, 202-475-8589
cedric.a.brown@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Programs, Policy and Legislative Initiatives -- Overview

OPPLI drafts, edits, promulgates, and updates rules, regulations, notices that affect both public and Indian housing programs, including the Housing Choice Voucher Program. OPPLI supports PIH functions in program research and policy development and implements Strategic Plan objectives while assisting in the development and review of policies affecting low-income housing programs funded by HUD.

— *Impact* —

The **Fall Regulatory Agenda** includes:

- Economic Growth, Regulatory Relief, and Consumer Protection Act -- Implementation of changes to Operating Fund Rule and utility consumption adjustments for small and predominantly rural PHAs reducing regulatory burden and streamlining inspection requirements.
- Streamlining and Implementation of Economic Growth, Regulatory Relief, and Consumer Protection Act. Changes to Family Self-Sufficiency (FSS) Program - Section 306 of the Act made multiple amendments to the FSS program, including changes to the size calculation for the FSS program, expanding the definition of eligible family to include tenants of certain privately owned multifamily projects subsidized with Project-Based Rental Assistance (PBRA), updating the FSS Contract of Participation (CoP), reducing burdens on Public Housing Agencies (PHAs) and multifamily assisted housing owners, clarifying escrow account requirements, and updating the program coordinator and action plan requirements. This proposed rule also includes additional changes to reduce burden and streamline the program for PHAs, owners, and eligible families.
- Housing Opportunity Through Modernization Act (HOTMA) of 2016 -- Implementation of Sections 102, 103 and 104 establishing income limitations for continued occupancy in Public Housing, changes affecting income for Section 8 Project-Based Rental Assistance (PBRA), Housing Choice Voucher (HCV); and Sections 101 and 106 updating and streamlining provisions impacting Housing Quality Standards (HQS) and the Project-Based Voucher (PBV) program.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

- Housing Opportunity Through Modernization Act (HOTMA) of 2016 -- Capital Fund Replacement Reserve Funds Section 109 (FR-6093). HOTMA changed the U.S. Housing Act of 1937 to allow PHAs to establish replacement reserves to be used for Capital Fund-eligible purposes. This rule proposes to implement to the replacement reserve and permit small PHAs to accumulate capital funds to undertake capital activities.
- Consolidated Appropriations Act of 2016 -- Directed HUD to implement a single inspection protocol for public housing and voucher units. Section 209 of the Economic Growth Regulatory Relief and Consumer Protection Act -- Requires that program inspections apply existing physical inspection standards for Section 8 assisted projects to small and predominantly rural PHAs. The NSPIRE proposed rule would revise HUD's physical inspection standards for assisted and insured housing programs. A single inspection standard would be adopted in place of the current differing standards that exist across some programs. The rule would streamline, align, and consolidate existing administrative and procedural inspection regulations to ease the burden of attempting to comply with numerous, yet similar inspection requirements. To ensure transparency, the proposed rule requires HUD to publish the inspection procedures through federal register notices with the opportunity for public input prior to implementation and at least once every three years. The rule would reduce burdens on small, rural PHAs by implementing section 38(a)(2)(b) of the 1937 Act, which defines a "Troubled Small PHA" that predominantly operates in a rural area. The rule would establish criteria by which HUD may designate small and rural PHAs as public housing or HCV troubled or as high performers, the frequency that HUD inspects a small and rural PHA's public housing, and how frequently a small and rural PHA is required to conduct inspections for HCV and PBV units. The rule would also adjust necessary oversight protocols and assessments for small rural PHAs and make conforming changes for all PHAs.
- Strengthening the Section 184 Indian Housing Loan Guarantee Program with new lender eligibility and servicing requirements consistent with Federal Housing Administration (FHA) title II regulations.
- Public Housing Agency (PHA) Central Office Cost Center addressing eligible uses of funds impacting Operating and Capital Fund fees (and Vouchers?).

— *Milestones* —

Fall 2020: Notice of Proposed Rule Making Economic Growth, Regulatory Relief, and Consumer Protection Act; Publish HOTMA-101/106 Housing Choice Voucher (HCV) Tenant-Based and Project-Based Voucher Implementation.

November 20, 2020: Public comments due on Proposed Rule Making Streamlining and Implementation of Economic Growth, Regulatory Relief, and Consumer Protection Act, changes to the Family Self-Sufficiency (FSS) Program. Public comments due November 20, 2020



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

January 2021: (b)(5) Deliberative Privilege

— *Decision Points* —

30-Days: (b)(5) Deliberative Privilege

— *Contact* —

Laura L. Miller-Pittman, Chief, Office of Policy, Programs And Legislative Initiatives, 202-402-2836,
Laura.L.Miller-Pittman@HUD.gov
Merrie Nichols-Dixon, Director, Office of Policy, Programs And Legislative Initiatives, 202-402-4673,
Merrie.Nicholsdixon@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Native American Programs—Overview

The Office of Native American Programs (ONAP) administers the largest national Indian housing programs to almost 600 sovereign tribal nations. Through ONAP, the Secretary of HUD carries out his responsibility to implement Section 3 of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). The statute directs the Secretary of HUD to administer Indian housing programs separately from other headquarters and field programs, such as Field and Policy Management and the Office of Public and Indian Housing's Office of Field Operations. ONAP administers 14 programs, including grant programs and loan guarantee programs, that serve American Indians, Alaska Natives, and Native Hawaiians. Overcrowding and substandard conditions are especially prevalent in Alaska, the Northern Plains, and the Southwest. About 150 ONAP employees are stationed in Washington, D.C., and at seven field offices, plus Hawaii.

Select key **ONAP initiatives** are described directly below:

- **Initiative #1: Barriers to Lending on Tribal Trust Land**
- **Initiative #2: Processing Foreclosures on Tribal Trust Land**

— *Impact* —

Impact Statement #1: The length of time to obtain a Title Status Report from Department of the Interior's Bureau of Indian Affairs delays, if not prevents, qualified Native American families from obtaining mortgages on trust land and becoming homeowners. In addition, lenders are less willing to participate in the program and often assess additional fees on these mortgages.

Impact Statement #2: The length of time it takes for the Department of Justice to process foreclosures on tribal trust land prevents the sale of the property to the Tribe, Tribally Designated Housing Entity (TDHE), or another eligible native borrower. It also results in blight and increase criminal activity in tribal communities.

— *Contact* —

Heidi Frechette, Deputy Assistant Secretary, Office of Native American Programs, 202-402-6321, Heidi.J.Frechette@HUD.gov

Krisa Johnson, Director, Office of Loan Guarantee, Office of Native American Programs, 202-402-4978, Krisa.M.Johnson@HUD.gov

Deana O'Hara, Senior Advisor, Office of Native American Programs, 202-402-4228, Deana.K.Ohara@HUD.gov

Jad Atallah, Director, Performance And Planning, Office of Native American Programs, 202-402-5378, Jad.K.Atallah@HUD.gov



HUD 2020-2021 Presidential Transition Official Transition Memorandum

Office of Native American Programs — Barriers to Lending on Tribal Trust Land

Section 184 loans can be used on trust lands and fee simple properties located in Section 184-approved lending areas. Fee simple properties require a title policy for ONAP to issue the loan guarantee, while tribal trust properties require a Title Status Report (TSR), which the Department of the Interior’s Bureau of Indian Affairs (BIA) manages. Until ONAP receives the certified TSR from the BIA, ONAP cannot issue the loan guarantee for a property on trust land.

Over the years, ONAP has tried to work more closely with BIA headquarters to reduce the time it takes BIA to process TSRs, address the backlog of outstanding TSRs, train BIA staff about ONAP processes, and build relationships between the two agencies. However, regional BIA offices continue to operate according to regional procedures, and the length of time to obtain a TSR can vary from office to office with some TSRs taking years to complete.

ONAP will need continued support and assistance from HUD Senior leadership to resolve these delays by getting a single point of contact at BIA and establishing a HUD/BIA workgroup.

— *Impact* —

The length of time to obtain a TSR from BIA delays, if not prevents, qualified Native American families from obtaining mortgages on trust land and becoming homeowners. In addition, lenders are less willing to participate in the program and often assess additional fees on these mortgages.

— *Decision Points* —

30 days: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege .

60 days: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege

90 days: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege .



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

— *Contact* —

Heidi Frechette, Deputy Assistant Secretary, Office of Native American Programs, 202-402-6321,
Heidi.J.Frechette@HUD.gov

Krisa Johnson, Director, Office of Loan Guarantee, Office of Native American Programs, 202-402-4978, Krisa.M.Johnson@HUD.gov

Deana O'Hara, Senior Advisor, Office of Native American Programs, 202-402-4228,
Deana.K.OHara@HUD.gov

Jad Atallah, Director, Performance And Planning, Office of Native American Programs, 202-402-5378,
Jad.K.Atallah@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Native American Programs — Processing Foreclosures on Tribal Trust Land

When a borrower defaults on a **Section 184** loan for a fee simple property, the lender completes the foreclosure process and assigns their interest in the property over to ONAP, and ONAP pays the claim to the lender. Then, ONAP works with the Federal Housing Administration to dispose of the property. If the property is located on tribal trust land, the lender assigns the interest in the property over to ONAP, and ONAP is responsible for foreclosure. Then, ONAP works with the Department of Justice (DOJ), which is responsible for filing foreclosures on behalf of the Federal Government. Once the foreclosure is complete, ONAP works with the tribal community to sell the property to the Tribe, Tribally Designated Housing Authority, or another eligible native borrower.

The foreclosure process handled by DOJ tends to take a long time given the unique status of tribal trust land. This process is also labor intensive and requires ONAP's small staff to contact U.S. Attorneys throughout the country to try to resolve these cases. This, in turn, tends to lead to properties falling into disrepair by the defaulted borrower. Sometimes the borrower abandons the property, which then deteriorates through neglect by squatters or individuals using the properties as methamphetamine laboratories, etc. Currently, there are 37 properties in the foreclosure process at DOJ and 39 properties that need to be submitted by ONAP, but they cannot be due to COVID-19 and the foreclosure moratoriums put in place by HUD.

ONAP needs continued assistance by HUD senior leadership with securing a single point of contact at DOJ to coordinate within their agency with the various U.S. Attorney's offices to expedite and move all pending foreclosures forward once all foreclosure moratoriums are lifted.

— *Impact* —

The length of time it takes for the DOJ to process foreclosures on tribal trust land prevents the sale of the property to the Tribe, TDHE, or another eligible native borrower. It also results in blight and increase criminal activity in tribal communities.



HUD 2020-2021 Presidential Transition Official Transition Memorandum

— *Decision Points* —

30 days: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

60 days: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

90 days: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— *Contact* —

Heidi Frechette, Deputy Assistant Secretary, Office of Native American Programs, 202-402-6321,
Heidi.J.Frechette@HUD.gov

Krisa Johnson, Director, Office of Loan Guarantee, Office of Native American Programs, 202-402-4978,
Krisa.M.Johnson@HUD.gov

Deana O’Hara, Senior Advisor, Office of Native American Programs, 202-402-4228,
Deana.K.Ohara@HUD.gov

Jad Atallah, Director, Performance And Planning, Office of Native American Programs, 202-402-5378,
Jad.K.Atallah@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public Housing Voucher Programs —Overview

OPHVP develops national policy and provides funding and program direction for public housing and housing voucher programs. The Deputy Assistant Secretary directs the Office of Public Housing and Voucher Programs. Activities for the programs administered by the office average approximately \$18 billion annually. Approximately 183 Headquarters staff members are involved in the execution of housing program delivery for both public housing and housing voucher programs. The mission is to ensure safe, decent, and affordable housing for low-income families; create opportunities for residents' self-sufficiency and economic independence; assure fiscal integrity by all program participants; and support mixed income developments to replace distressed public housing.

OPHVP is divided into several divisions, including the Public Housing Management and Occupancy Division (PHMOD), Public Housing Financial Management Division (PHFMD), Office of Housing Voucher Programs (OHVP), and the Financial Management Center (FMC). These divisions coordinate key aspects for operation and management of the Public Housing program and all areas of the Housing Choice Voucher (HCV) program, from program monitoring and evaluation, budget formulation and execution, and development of management information systems to support housing vouchers programs.

Select key OPHVP initiatives are described directly below:

The Housing Choice Voucher (HCV) Mobility Demonstration is authorized and funded through the 2019 and 2020 Appropriations Acts, which provided \$40 million for mobility-related services and \$10 million for new vouchers for families with children. The 2019 Appropriations Act also makes available \$3 million for a research evaluation.

The primary purposes of the demonstration are to provide voucher assistance and mobility services to families with children to encourage such families to move to lower-poverty areas, to expand their access to opportunity areas, and to evaluate the effectiveness of the strategies pursued under the demonstration.

On July 15, 2020, HUD issued a [Federal Register notice](#) that describes the terms of the demonstration and application requirements for PHAs interested in participating.

Through the demonstration, HUD will implement, test, and evaluate whether housing mobility programs intended to increase family choice do expand access to opportunity neighborhoods. HUD will draw upon the experience, to the extent possible, of the CMTO effort implemented by the Seattle Housing Authority and King County Housing Authority.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

To evaluate the effectiveness of the demonstration, HUD intends to conduct a randomized controlled trial (RCT) at all participating PHAs participating in the demonstration. Families with children receiving voucher assistance that agree to participate in the demonstration will be randomly assigned to a treatment group that receives mobility-related services or a control group that receives business-as-usual services already offered by participating PHAs.

HUD's Office of Policy Development and Research is in the process of executing a contract with a research evaluation firm. We intend to have a year for planning and piloting services across all selected PHAs which will start in mid-2021. The program and research evaluation will fully launch in 2022.

— Impact —

The program will serve approximately 1,000 families. HUD anticipates that between 5 and 10 applicants will be selected to participate in the demonstration. As provided in statute, most eligible PHA applicants for the demonstration will include more than one PHA so the total number of participating PHAs likely will be between 15 and 30.

— Milestones —

Fall 2020: The deadline for applications was originally October 13, 2020, but has been extended to December 14, 2020

December 2020: Deadline for Applications

February 2021: HUD anticipates making awards in February of 2021.

— Decision Points —

Leadership will need to sign off on the selection of PHAs and the selection of a TA provider.

— Contact —

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing Voucher Programs, 202-708-1380, Danielle.L.Bastarache@HUD.gov

Monica C. Shepherd, Director, PHMOD, 202-402-5687, Monica.C.Shepherd@HUD.gov

Kevin J. Gallagher, Director, PHFMD, 202-402-4019, Kevin.J.Gallagher@HUD.gov

Steven R. Durham, Director, OHVP, 202-708-1380, Steven.R.Durham@HUD.gov

Robert H. Boepple, Director, FMC, 816-426-6199, Robert.H.Boepple@HUD.gov



HUD 2020-2021 Presidential Transition
Official Transition Memorandum

Office of Public Housing Voucher Programs and Office of Public Housing Investments —Growth of PBV Program

In the past 4 years, **Project Based-Voucher (PBV)** inventory has grown from approximately 5 percent of the HCV program’s units to approximately 10 percent of the HCV program’s units. Repositioning from Public Housing efforts such as through the Rental Assistance Demonstration and the Housing Opportunities through Modernization Act (HOTMA) have expanded the number of and increased the complexity of PBVs. HUD’s oversight and data on these projects has not increased commensurately to match the program’s growing size and complexity.

Repositioning has also created a new level of risk for PBVs as a growing part of the PBV portfolio consists of units which were originally constructed with HUD funds and are intended to remain affordable in perpetuity. In high cost, low vacancy markets, PBVs have become a critical part of the affordable housing that cannot be easily replaced if the projects should fail. Consequently, HUD needs to take measures to minimize risk in this expanding and critical part of the affordable housing portfolio and ensure its viability into the future.

PIH has taken preliminary steps at increasing tracking and monitoring of Project Based Vouchers beyond the initial pre-HAP stage. In 2016, PIH began collecting a limited amount of PBV data through the Voucher Management System (VMS) to provide greater information on PBVs. Through the 50058, PIC provides a separate section for tenants who are living in PBV units. All this information is on either the aggregated PHA level or the tenant level; PIH does not systematically collect information on PBVs at the project level. In 2019, HUD took steps to collect data on these projects through issuing a 60-day notice under the Paperwork Reduction Act to have the authority to collect this data. The 30-day PRA is expected to go into clearance in the fall of 2020.

HUD’s PBV-specific monitoring efforts are similarly limited. Prior to the execution of the Housing Assistance Payment (HAP) contract, OFO selects a portion of PHAs for remote monitoring and technical assistance, ensuring compliance of PBV projects with PBV rules applicable from initial notification to HUD to HAP contract execution. After the HAP contract is executed, though, HUD has very few monitoring strategies in place. PIH is planning on (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Impact —

Given the continuing repositioning efforts, and the fact that PBVs are disproportionately represented at Moving to Work PHAs (whose number are expanding from 39 to 100), we can anticipate the continued growth of the PBV portfolio. According to data in VMS, over 14,000 units were added to the program in 2019. PIH expects this number to grow in 2020 despite COVID-19 issues because of



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

RAD, Section 18 and Streamlined Voluntary Conversion Actions.

To date 79,488 units have been approved as RAD-PBV (roughly 57% of the 138,530 total). There are an additional 43,937 RAD-PBV units associated with active RAD Commitments to Enter into Housing Assistance Payment (CHAPS) and many of these will close over the next year.

—Milestones —

December 2020 – Completion of PRA for data collection-before the end of CY2020.

— Decision Points —

Several decisions will have to be made to determine how PIH will handle this

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

- (b)(5) Deliberative Privilege
-
-

— Contact —

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing Voucher Programs, 202-708-1380, Danielle.L.Bastarache@HUD.gov

Monica C. Shepherd, Director, PHMOD, 202-402-5687, monica.c.shepherd@HUD.gov

Kevin J. Gallagher, Director, PHFMD, 202-402-4019, kevin.j.gallagher@HUD.gov

Steven R. Durham, Director, OHVP, 202-708-1380, Steven.R.Durham@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public Housing Voucher Programs—HOTMA Policy Implementation

On July 29, 2016, the **Housing Opportunity Through Modernization Act of 2016 (HOTMA)** was enacted. While HOTMA makes sweeping amendments to the United States Housing Act of 1937 and other housing laws, some significant amendments include setting a maximum income level for continued occupancy in public housing, establishing a Capital Fund reserve, expanding the availability of Family Unification Program vouchers for children aging out of foster care, changes to the housing quality standards for Section 8 Voucher units, changes to the Project-Based Voucher program, and changes to the frequency of family income reviews and the calculation of income for both the Public Housing and HCV programs. HUD issued a notice on October 24, 2016, announcing to the public which of the statutory changes made by HOTMA could be implemented immediately, and which required further guidance from HUD. PIH has been implementing the changes to HUD regulations and guidance through notice and comment, rulemaking as well as in PIH notices over the past several years.

Some of the measures HUD has taken to implement HOTMA include:

- HUD published an implementation notice and request for comment in the Federal Register (82 FR 5458) on January 18, 2017.
- HUD published Notice PIH 2017–20, "Housing Opportunity Through Modernization Act of 2016 (HOTMA) – Housing Quality Standards (HQS) Implementation Guidance," on October 27, 2017.
- HUD published Notice PIH 2017–21, "Implementation Guidance: Housing Opportunity Through Modernization Act of 2016 (HOTMA) – Housing Choice Voucher (HCV) and Project-Based Voucher (PBV) Provisions," on October 30, 2017.
- HUD published Notice PIH 2019-11, "Final Implementation of Public Housing Over-Income Limit under the Housing Opportunity Through Modernization Act of 2016 (HOTMA)," on May 3, 2019.
- HUD published a proposed rule, "Housing Opportunity Through Modernization Act of 2016: Implementation of Sections 102, 103, and 104" and request for comment in the Federal Register (84 FR 48820) on September 17, 2019 on HOTMA provisions related to income and asset calculations.
- HUD published a proposed rule implementing Sections 101 and 106 of HOTMA on October 8, 2008, "Housing Opportunity Through Modernization Act of 2016-Housing Choice Voucher (HCV) and Project-Based Voucher Implementation; Additional Streamlining Changes" with comments due 12/7/2020.

While HUD has made significant progress in implementing HOTMA, there are still several provisions of the act that still must be implemented. For example, (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege and the final rule for sections 102, 103 and 104 ("income rule") will be published early next calendar year. Ongoing policy deliberations for the income rule include whether (b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition Official Transition Memorandum

(b)(5) Deliberative Privilege

Implementation of the final income rule will necessitate updates to the PIH Information Center – Next Generation (PIC-NG) system; thus, a delay in updates to PIC-NG beyond CY 2022 would pose significant challenges to implementation of the income rule. Additionally, in preparing for implementation of the income rule, PIH is beginning to explore the

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Impact —

These changes will have an impact on PHAs that administer the Public Housing and HCV programs and the tenants that participate. For example, the income rule makes sweeping changes affecting income and asset limits, calculations, and reviews. This includes, for instance, changes to increase the amount of the standard deduction for elderly and disabled families from \$400 to \$525, with adjustments for inflation in future years. Many of the statutory provisions in HOTMA are intended to streamline administrative processes and reduce burdens on public housing agencies (PHAs) and private owners allowing them to better serve families.

— Milestones —

October 2020 – Voucher Rule (sections 101 and 106 of HOTMA) published
December 7, 2020- Comments due on rule implementing Sections 101 and 106 of HOTMA.

January 2021 – (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Decision Points —

Some decisions may be needed to resolve any potential issues in (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Contact —

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing Voucher Programs, 202-708-1380, Danielle.L.Bastarache@HUD.gov
Todd C. Thomas, Director, OPHP, 202-402-4542, todd.c.thomas@HUD.gov
Monica C. Shepherd, Director, PHMOD, 202-402-5687, monica.c.shepherd@HUD.gov
Kevin J. Gallagher, Director, PHFMD, 202-402-4019, kevin.j.gallagher@HUD.gov
Steven R. Durham, Director, OHVP, 202-708-1380, steven.r.durham@HUD.gov
Robert H. Boepple, Director, FMC, 816-426-6199, robert.h.boepple@HUD.gov



HUD 2020-2021 Presidential Transition

Official Transition Memorandum

Office of Public Housing Voucher Programs —Public Housing Financial Management, Central Office Cost Center (COCC), and Cash Management

Public Housing Insolvency. In 2019, PIH established metrics to assess PHA financial performance and created protocols to support financially distressed PHAs. As an extension of this effort, in FY 2020, Congress provided a \$25 million set-aside of Public Housing Operating Funds to assist PHAs experiencing current or near financial insolvency based on their operating reserves. PIH determined that assisting PHAs in increasing their operating reserves up to two months will have the greatest impact on stabilizing the PHA’s financial position for those PHAs experiencing insolvency. On July 28, 2020, HUD published Notice PIH-2020-16, “Implementation of Public Housing Operating Fund Shortfall Funding from Federal Fiscal Year (FFY) 2020 Appropriations,” to provide guidance regarding eligibility, the process for applying, and other requirements for the set-aside. (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Central Office Cost Center. PHAs operate a Central Office Cost Center (COCC) when Asset Management requirements of the Public Housing Operating Fund program (24 CFR Part 990) apply. A COCC is a business unit within the PHA that employs most of the management and administrative staff. The COCC generates revenue by charging fees to the PHA’s Public Housing Projects, Capital Fund and Voucher program. These fees are considered nonprogram income and not subject to federal restrictions. On June 30, 2014, HUD’s Office of the Inspector General (OIG) published an audit (Report 2014-LA-0004) that recommended HUD re-federalize the COCC fees. (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

HUD established Safe Harbor fees to remove regulatory burdens for PHAs. PHAs charge that fee, and then do their best to reduce overhead costs below the fee amount to generate profit for the COCC. If PHAs have overhead costs that equal to or exceed the fees, the COCC will be operating at level or at a loss. (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Cash Management. PIH, in collaboration with CFO and CIO, is responsible for establishing controls and systems to maintain and ensure efficient management and operation of the Public Housing Operating Fund as well as the Housing Choice Voucher (HCV) program. PIH is (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition Official Transition Memorandum

Impact Statement #1: The 2020 funding was meant as a pilot, to provide supplemental funding to financially distressed PHAs, coupled with more robust involvement by Field Offices, to stabilize the financial position of financially distressed PHAs. The **Operating Shortfall Funding** is intended to provide PHAs greater financial stability, better enabling them to take more rigorous action, whether that be reducing costs, restructuring their operations, or repositioning their portfolio. Addressing the potential for public housing program insolvency allows those PHAs to continue to house families and allows HUD to improve the stability of the most financially distressed PHAs.

Impact Statement #2: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Impact Statement #3: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— *Milestones* —

November 2020 – PIH will make shortfall funding awards.

— *Decision Points* —

90 days – (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Over 90 days: (b)(5) Deliberative Privilege

— *Contact* —

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing Voucher Programs, 202-708-1380, Danielle.L.Bastarache@HUD.gov
Todd C. Thomas, Director, OPHP, 202-402-4542, todd.c.thomas@HUD.gov
Steven R. Durham, Director, OHVP, 202-708-1380, steven.r.durham@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public Housing Voucher Programs/Office of Native American Programs— Pandemic/CARES Act Response

The CARES Act provided PIH with \$1.25 billion for Administrative Fees and Housing Assistance Payments (HAP) and \$685 in Public Housing Operating Funds to provide to Public Housing Agencies (PHAs) to prevent, prepare for, and respond to COVID-19. In addition to assisting HCV and PH tenants, these funds were to enable agencies to maintain normal operations and take other necessary actions during the period that the program is impacted by coronavirus. To further facilitate PHAs operations during the pandemic, the CARES Act provided broad authority for statutory and regulatory waivers and to set alternative requirements when HUD deemed them necessary for the safe and effective administration of CARES Act funds.

To implement the CARES Act, HUD has published several notices establishing waivers and alternative requirements and implementing the funding for the supplemental HAP, Administrative Fee and Operating Funds.

The CARES Act also provided PIH with \$300 million in funding for two block grant programs – the Indian Housing Block Grant (IHBG-CARES) program and the Indian Community Development Block Grant (ICDBG-CARES) program. It also provided HUD with similar broad waiver authority to help facilitate and expedite the use of this funding to help Tribes prevent, prepare for, and respond to COVID-19.

— Impact —

The CARES Act Funds have enabled PHAs, Tribes, and TDHEs to work to prevent, prepare for, and respond to COVID-19 by providing further funds to facilitate remote operations and providing waivers to give them flexibility to operate in a difficult environment. Additionally, the CARES Act funds will help the PHAs, Tribes and TDHEs absorb additional rental costs to make up for falling tenant income due to the economic fallout of COVID-19.

— Decision Points —

Many waivers for Public Housing and the HCV program have been extended until the end of 2020. Decisions will need to be made on whether to extend these waivers beyond 2020. Even if HUD were to extend all these waivers until mid-2020, a further decision will be required based on circumstances whether to extend these further.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

ONAP programs (IHBG-CARES and ICDBG-CARES), have largely completed awarding all funds. ONAP is shifting its focus to implementation, issuing further guidance, and providing program oversight and monitoring. Decisions will need to be made regarding the full resumption of onsite monitoring, further extension of various submission deadlines, and related matters.

— *Contact* —

OPHVP:

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing Voucher Programs, 202-708-1380, Danielle.L.Bastarache@HUD.gov

Todd C. Thomas, Director, OPHP, 202-402-4542, todd.c.thomas@HUD.gov

Monica C. Shepherd, Director, PHMOD, 202-402-5687, monica.c.shepherd@HUD.gov

Kevin J. Gallagher, Director, PHFMD, 202-402-4019, kevin.j.gallagher@HUD.gov

Steven R. Durham, Director, OHVP, 202-708-1380, steven.r.durham@HUD.gov

Robert H. Boepple, Director, FMC, 816-426-6199, robert.h.boepple@HUD.gov

ONAP:

Heidi Frechette, Deputy Assistant Secretary, Office of Native American Programs, 202-402-6321, Heidi.J.Frechette@HUD.gov

Jad Atallah, Director, Performance and Planning, ONAP, 202-402-5378, Jad.K.Atallah@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public Housing Investments—Overview

The Office of Public Housing Investments (OPHI) administers all programs related to capital improvements to the public housing inventory (except for RAD). The mission of OPHI is to enable public housing authorities (PHAs) to develop, operate and sustain public housing and mixed-income communities through a variety of housing opportunities that support families and assist individuals to become self-sufficient. As part of this mission, OPHI leads the Department’s efforts to:

- Transform high poverty neighborhoods into places of opportunity and economic growth;
- Revitalize and rehabilitate severely distressed public and assisted housing, which often includes demolition and disposition of these properties;
- Preserve public housing through annual Capital funding, mixed-finance development, and debt-financing approaches;
- Reposition public housing through demolition and disposition;
- Increase the self-sufficiency of public housing families through service coordinator models; and
- Allow PHAs to design and test innovative, locally designed housing and self-sufficiency strategies for low-income families.

OPHI pursues these efforts across several divisions: Capital Improvements, Urban Revitalization, Choice Neighborhoods, Community and Supportive Services, Moving to Work, and the Special Applications Center. The **Capital Improvements** program provides funding to PHAs for development, financing, modernization, and management improvements. **Urban Revitalization** transforms severely distressed public housing through the HOPE VI, HOPE VI Main Street, and Mixed-Finance Development programs by changing the physical shape of public housing; lessening concentrations of poverty; and forging partnerships to leverage support. The **Choice Neighborhoods** program is a place-based program designed to work with local partners to transform struggling neighborhoods into areas of opportunity for both existing and new residents by revitalizing distressed HUD public or assisted housing and catalyzing critical community improvements. **Community and Supportive Services (CSS)** oversees programs that help low-income families improve the quality of their lives, with a focus on activities creating positive incentives for resident self-sufficiency. **Moving to Work (MTW)** is a demonstration program for PHAs that provides them the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. The **Special Applications Center (SAC)** receives and process applications for non-funded, non-competitive activities such as demolition and dispositions, designated housing, eminent domain, homeownership, and conversion of public housing developments to tenant-based programs.

Select key OPHI initiatives are described directly below:

- **MTW** - The MTW Demonstration is expanding to 100 additional PHAs by FY2022. A final notice will be published which provides the framework for the expansion program, inviting



HUD 2020-2021 Presidential Transition Official Transition Memorandum

approximately 70 eligible PHAs to apply to Cohorts 1 and 2. Additional MTW priorities include:

(b)(5) Deliberative Privilege

- **Capital Improvements program** - It is difficult to estimate the (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege
There are proposals to provide (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege

— Impact —

Impact Statement #1: The MTW Demonstration Program the HUD Administrative Streamlining Rule, the FAST Act, the Housing Opportunities through Modernization Act (HOTMA), and the new Mobility Demonstration all came about because of MTW PHA innovations.

The MTW Expansion – in addition to impacting 100 new communities – also has the potential to impact the future delivery of housing to low-income Americans. There is no impact to HUD’s budget in expanding the MTW Demonstration; it is budget neutral. HUD also put forward an MTW Fund proposal in the FY2021 President’s Budget, which creates a single funding account and will simplify administrative burden for MTW PHAs.

Impact Statement #2: Capital Fund Formula Grants provide support for decent, safe, and sanitary housing conditions; preservation; repositioning efforts; and development of new units.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

— *Milestones* —

December 2020: MTW Cohorts 1 and 2: Applications for Cohorts 1 and 2, which will evaluate MTW flexibility on small PHAs and rent reform, are due in December 2020 and January 2021, respectively.

January 2021: MTW Cohorts 3, 4: The PIH notices inviting Cohort 3 and 4, which will evaluate work requirements and landlord incentives, will be published in early CY 2021.

— *Decision Points* —

MTW SOHUD may want to change the MTW policy area that will be studied in Cohort 5.

Capital Improvements program – 90 days Consider advocating for adjustments to the appropriations level. In recent years, the President’s Budget has not requested funding for Capital Fund Formula grants. Congress has provided appropriations at levels insufficient to meet the need.

— *Contact* —

Robert E. Mulderig, Deputy Assistant Secretary, Office of Public Housing Investments, 202-402-4780, robert.e.mulderig@HUD.gov

Susan Wilson, Director, Urban Revitalization, 202-402-4500, susan.wilson@HUD.gov

David Fleischman, Director, Capital Program Division, 202-402-2071, david.fleischman@HUD.gov

Marianne Nazzaro, Director, Moving to Work, 202-402-4306, marianne.nazzaro@HUD.gov

Mindy W. Turbov, Director, Choice Neighborhoods, 202-401-4191, mindy.w.turbov@HUD.gov

Jayne A. Brown, Director, Community Supportive Services, 202-402-3624, [jayme.a.brown@HUD.gov](mailto:jayne.a.brown@HUD.gov)

Jane B. Hornstein, Director, SAC, 312-568-9197, jane.b.hornstein@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public Housing Investments—Moving to Work (MTW) Expansion

Moving to Work (MTW) is a Demonstration Program for public housing authorities (PHAs) that provides the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families.

The 2016 Appropriations Act authorized HUD to expand the MTW Demonstration Program, currently consisting of 39 MTW PHAs, to an additional 100 PHAs by the end of Fiscal Year 2022. The appropriations directed HUD to study policy interventions to be recommended by a federal advisory committee (Committee) made up of low-income housing experts, including MTW agency executives and former/current residents, housing research experts, and HUD. The Committee provided its recommendations to the Secretary, and based on those recommendations, HUD determined that the five policy MTW expansion cohorts will evaluate: MTW flexibility as a whole (applicable to 2 cohorts, one focusing on smaller PHAs), rent reform, work requirements and landlord incentives.

In August 2020, HUD published the MTW Operations Notice in the Federal Register, which outlines the administrative framework, requirements, waiver flexibilities, and funding flexibilities for MTW Expansion PHAs. Also, in August 2020, HUD invited 33 eligible PHAs to submit full applications to Cohort 1 (MTW flexibility for smaller PHAs) and invited 36 eligible PHAs to submit full applications to Cohort 2 (rent reform). Selection Notices for Cohorts 3 and 4 (work requirements and landlord incentives) will be published early 2021, and the Selection Notice for Cohort 5 (MTW flexibility) will be published in Fall 2021.

— *Impact* —

The MTW Demonstration Program has a history of pioneering new approaches to serving low-income families through the Housing Choice Voucher program, Public Housing program, and local, non-traditional housing programs. Many policy interventions that were designed and tested at the local MTW PHA level have been enshrined into laws that allow for the 3,000+ traditional PHAs to implement. The HUD Administrative Streamlining Rule, the FAST Act, the Housing Opportunities through Modernization Act (HOTMA), and the new Mobility Demonstration all came about because of MTW PHA innovations.

The MTW Expansion – in addition to impacting 100 new communities – also has the potential to impact the future delivery of housing to low-income Americans. By studying the impacts of the specific policy flexibilities (MTW flexibility as a whole, rent reform, work requirements and landlord incentives), HUD will be able to justify whether or not further regulatory or statutory changes would benefit communities, affected residents or participants, and PHAs in making these policy interventions, or a version of them, available to all PHAs nationwide. There is no impact to HUD's budget in



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

expanding the MTW Demonstration; it is (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Milestones —

December/January 2020 - Cohorts 1 and 2: Applications for Cohorts 1 and 2, which will evaluate MTW flexibility on small PHAs and rent reform, are due in December 2020 and January 2021, respectively. These PHAs will receive their MTW designation in early Calendar Year (CY) 2021.

Spring/Fall 2021 - Cohorts 3, 4: The PIH notices inviting Cohort 3 and 4, which will evaluate work requirements and landlord incentives, will be published in early CY 2021 and selected PHAs will be designated in the Fall of 2021.

Fall 2021 - Cohort 5: The PIH notice inviting Cohort 5, which will evaluate MTW flexibilities, will be published in the Fall of 2021 and PHAs will be designated in Spring 2022.

— Decision Points —

February 2021: The policy area (**MTW flexibility**) to be implemented by PHAs and evaluated by PD&R in Cohort 5 has been fully vetted by the expert federal advisory committee and adopted by the Department, however any new SOHUD may want to change the policy area that will be studied in Cohort 5. Any decision would need to be made in early 2021, as all MTW expansion PHAs are statutorily required to be designated by September 2022.

— Contact —

Robert E. Mulderig, Deputy Assistant Secretary, Office of Public Housing Investments, 202-402-4780, robert.e.mulderig@HUD.gov

Marianne Nazzaro, Director, Moving to Work, 202-402-4306, marianne.nazzaro@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Public Housing Investments—Capital Fund Program

The **Capital Fund Program** provides funding to PHAs to modernize, carry out non-routine maintenance, carry out management improvements, provide financing, and develop/construct new public housing.

Capital Fund Formula Grants are awarded through a formula based on estimates of existing modernization needs and accrual needs at public housing properties from the early 2000s. They are disbursed annually at the PHA-wide level and may be used at any property within an agency's portfolio. For FY2020, Capital Fund Formula Grant awards totaled approximately \$2.7 billion.

— *Impact* —

Capital Fund Formula grants provide some support for the following objectives: keeping the existing inventory of public housing in decent, safe, and sanitary condition; preserving critical affordable housing units from being lost to disrepair; supporting repositioning efforts; and providing for the development of new units. The public housing inventory consists of approximately 980,000 units almost half of which are more than 50 years old. At the request of Congress, HUD conducted two high level studies of the capital needs of the inventory in the late 1990s and again in 2010. The most recent study indicated that the outstanding capital needs approached \$26 billion in 2010. The same study also indicated that additional needs would accrue at a rate of \$3.4 billion per year. It is difficult to estimate current outstanding/annual accrual capital needs because of changes in the inventory in the years since the most recent study and investments from a variety of sources in the inventory. Congress has provided \$1.5 million to HUD's Office of Policy Development and Research (PD&R) to assess current capital needs. PD&R intends to convene an expert panel to consider feasible approaches for updating the previous studies. Some public housing industry groups believe that the capital need of the public housing inventory is substantially higher than current estimates and may approach \$70 billion.¹

As part of the Department's Strategic Plan, PIH has "repositioned" public housing by shifting it from relying on public housing subsidies to Section 8/Housing Choice Voucher subsidies. The primary vehicle for this repositioning is the Rental Assistance Demonstration (RAD) program. Rents under RAD are based on funding levels under the Capital and Operating Funds. In addition, PIH has promoted other programs that accomplish repositioning, including the Voluntary Conversion and Streamlined Voluntary Conversion programs.

¹ See: <https://nlhc.org/resource/public-housing-where-do-we-stand>



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

— *Milestones* —

60 Days Following Passage of a Full Year Appropriation: Recent appropriations bills have required HUD to announce Capital Fund Formula Grant awards within 60 days of passage.

— *Decision Points* —

90 days: In recent years, the President's Budget has not requested funding for Capital Fund Formula grants. Congress has provided appropriations at levels insufficient to meet the need.

90 days: Assess proposals to provide (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— *Contact* —

Robert E. Mulderig, Deputy Assistant Secretary, Office of Public Housing Investments, 202-402-4780, robert.e.mulderig@HUD.gov

David Fleischman, Director, Capital Program Division, 202-402-2071, david.fleischman@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Field Operations—Overview

The Office of Field Operations (OFO) monitors and provides technical assistance and guidance to public housing agencies (PHAs) administering HUD’s voucher and public housing programs. OFO field office employees are often the first PIH point of contact for PHAs, residents, political officials, state/government officials, and community members.

OFO is focused on several goals aimed at improving PHA performance. OFO supports PIH’s “wildly important goal” (WIG) to house families. OFO priority goals include increasing the number of solvent public housing, HCV, and entity programs; improving the physical condition of public housing developments; and increasing the number of standard and high-performing PHAs. Toward these ends, OFO engages in focused and intentional engagement with PHAs; conducts oversight of PHAs, such as comprehensive and Section Eight Management Assessment Program (SEMAP) reviews; and encourages participation in HUD’s priority programs: Moving to Work (MTW), the Foster Youth Initiative (FYI), the Family Self-Sufficiency (FSS) program, and the Resident Opportunities and Self-Sufficiency (ROSS) program.

OFO employs approximately 620 staff members in HUD headquarters and 44 field offices nationwide. OFO’s senior leadership consists of a Deputy Assistant Secretary (DAS); the Deputy to the DAS who oversees the Office of Receivership Oversight (ORO); Directors overseeing the Coordination and Compliance Division (CCD) and Operations Management Division (OMD); Regional Directors for each of six networks; and, within each network, Public Housing Directors in each field office.

ORO focuses on prevention, recovery, and transformation related to PHA receiverships and monitorships, default, and financial insolvency, as well as troubled and substandard PHAs, and repositioning of public housing. Where receivership is necessary, ORO seeks to guide recovery back to local control.

CCD acts as the liaison between headquarters and field offices on OFO’s interoffice actions, including coordination with program offices on policy development, clearance documents, audits, repayment agreements, correspondence, and waivers. It also manages the dissemination of technical assistance funds to help field offices in meeting PIH priorities.

OMD is responsible for OFO’s strategic planning; workforce planning and staffing; travel budget; training; performance management; systems; monitoring; and disaster management. This team also tracks progress on HCV utilization and public housing occupancy goals.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Regional Networks oversee PIH field offices. Each Regional Network is led by a Regional Director and covers one or more of HUD's regions as follows:

- Northeast Network (Regions 1 – 3)
- Southeast Network (Region 4)
- Upper Midwest Network (Region 5)
- Southwest Network (Region 6)
- Mountains and Plains Network (Regions 7 – 8)
- Far West and Beyond Network (Regions 9 – 10)

— *Contact* —

Dr. Felicia R. Gaither, Deputy Assistant Secretary, OFO, 202-402-6009, Felicia.R.Gaither@hud.gov
Lindsey S. Reames, Deputy to the DAS, OFO, 313-234-7473, Lindsey.S.Reames@hud.gov
Adrienne D. Datcher, Director, Coordination and Compliance Division, OFO, 202-402-6158, Adrienne.D.Datcher@hud.gov
Lisa M. Carter, Director, Operations Management Division, OFO, 202-402-3310, Lisa.M.Carter@hud.gov



HUD 2020-2021 Presidential Transition Official Transition Memorandum

Real Estate Assessment Center and Office of Field Operations — Trouble and Substandard Public Housing Authorities (PHAs)

The troubled portfolio is resource- and time-intensive, but as of FY19 constitutes only about 3 percent of the universe of nearly 2,900 PHAs. Substandard PHAs, of which there were 438 at the end of FY19, are somewhat less resource-intensive and account for just under one-sixth of the total portfolio. There are currently 77 PHAs that have a designation of PHAS troubled. Of those PHAs, 3 no longer have ACC units but are still active in PIC (b)(5) Deliberative Privilege bringing the total down to 74.

Three PHAs are past the 2-year mark for substantial improvement of their troubled status (Hoboken, Irvington and Bridgeport) and two others have failed to meet their 1-year substantial improvement timeline (Jefferson, IN and Lone Wolf, OK). (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege. Due to the pandemic, physical inspections are not being done; therefore, new PHAS scores are not being released and no new troubled designations.

The Public Housing Assessment System, or PHAS, is the system that HUD uses to assess a PHA's performance in managing its low-rent public housing programs. HUD uses a centralized system to collect individual subsystem scores using various sub indicators and produces a composite PHAS score.

The new PHAS will address (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Impact —

Impact Statement #1: Under the Cares Act waiver Notice, troubled PHAs can ask for a release of PHAS scores which will trigger a physical inspection that could result in removal of their troubled designation if a score of 60 or greater is received. There are (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Impact Statement #2: The new PHAS will allow for more (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition Official Transition Memorandum

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Milestones —

Troubled PHAs: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

New PHAS:

- (b)(5) Deliberative Privilege
-
-
-
-
-



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

— *Decision Points* —

Troubled PHAs which do not meet the terms of their Recovery Agreements are referred to the Assistant Secretary for Public and Indian Housing for possible declaration of substantial default on one of several available bases.

— *Contact* —

David A. Vargas, Deputy Assistant Secretary, Real Estate Assessment Center, 202-708-0614,
Dave.Vargas@HUD.gov

Dr. Felicia R. Gaither, Deputy Assistant Secretary, Office of Field Operations, 202-402-6009,
Felicia.R.Gaither@HUD.gov

Lindsey S. Reames, Deputy To The Deputy Assistant Secretary, Office of Field Operations, 313-234-7473, Lindsey.S.Reames@HUD.gov



HUD 2020-2021 Presidential Transition Official Transition Memorandum

Office of Field Operations—Housing Authorities in Receivership

As of (date), OFO has two PHAs in receivership: Gary Housing Authority (GHA) in Indiana and Alexander County Housing Authority (ACHA) in Illinois.

GHA has been in receivership since July 2013. PIH plans to transition GHA to local control by 3/31/21. GHA is currently operating under a Transitional Cooperative Endeavor Agreement (CEA) with the City of Gary which ends 3/31/2021. The current contract of GHA’s executive director (ED) also expires 3/31/2021; a new executive director should be hired by (date).

ACHA has been in receivership since February 2016. In addition to civil rights violations, the Department cited a lack of effective leadership, financial, physical, governance, and operational reasons, and conditions that posed an imminent threat to the life, health, and safety of residents. PIH maintains day-to-day operations and continues to improve the agency’s ability to provide decent, safe, and affordable housing. XX of public housing units have been demolished, and PIH is exploring options for maintaining and repositioning the remaining 155 units in the portfolio to ensure long term affordability. (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Impact —

It is a major accomplishment to return a housing authority to local governance. Returning GHA to local control, will further HUD’s goals for place-based community work by allowing the PHAs to fully integrate the housing authority into its community planning and development efforts.

— Milestones —

January 8, 2021: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege
ion

March 15, 2021: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

March 21, 2021: (b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition Official Transition Memorandum

March 21, 2021: The term of HUD’s current Transitional Cooperative Endeavor Agreement (CEA) with the City of Gary ends.

March 31, 2021: (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

April 1, 2021: (b)(5) Deliberative Privilege

— *Decision Points* —

Either transition the (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

There are **no decision points** for ACHA currently.

— *Contact* —

Dr. Felicia R. Gaither, Deputy Assistant Secretary, Office of Field Operations, 202-402-6009, Felicia.R.Gaither@HUD.gov
Lindsey S. Reames, Deputy To The Deputy Assistant Secretary, Office of Field Operations, 313-234-7473, Lindsey.S.Reames@HUD.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of Field Operations—Monitorship: New York City Housing Authority (NYCHA)

PIH has one PHA under a Federal Monitorship, the New York City Housing Authority (NYCHA). In January 2019, HUD along with US Attorney's Office for the Southern District of New York (SDNY) and the City of New York signed an Agreement with NYCHA to resolve the June 2018 complaint that was filed against NYCHA by SDNY. In the complaint SDNY alleged (and in a subsequent Consent Decree NYCHA admitted) that NYCHA failed to comply with lead-based paint safety regulations; had failed to provide decent safe and sanitary housing, including with respect to the provision of heat and elevators, and the control and treatment of mold and pest; and had repeatedly misled HUD through false statements and deceptive practices. Bart Schwartz, Chairman of Guidepost Solutions LLC, was appointed as the Federal Monitor, per the Agreement.

HUD's Monitorship Team, the Monitor, is tasked with coordinating oversight with SDNY of the interactions between the Monitor and NYCHA, oversight of NYCHA's compliance with the terms of the Agreement, the provision of HUD related technical assistance relating to the Agreement and coordinating with the local Field Office on any matter that affects the Agreement.

NYCHA is working towards compliance with the terms of the Agreement. To assure the Agency was able to meet identified milestones, a Compliance Department and an Environment, Health and Safety Department were established. The agency also established a Quality Assurance Unit as an additional layer of review. To date, NYCHA has completed the required PHAS Action Plan for preventing deceptive practices identified by the PHAS investigations and is ensuring compliance with HUD regulations and guidelines. The plan has been accepted by the Monitor.

— Impact —

NYCHA has completed the following requirements:

- Heat Action Plan to address heating shortages and/or outages during NYCHA's heating season.
- Mold Action Plan to address instances of mold in the units.
- Elevator Action Plan to identify each building containing an elevator designed for resident use which includes the appropriate response when all elevators are out of service in buildings i.e. a "no-service" condition.
- Initial set of 2,000 units designated for Target Pest Relief as required under the Agreement
- Lead safety report identifying all developments that were built prior to January 1, 1978, not exempt from federal lead paint regulations due to inspection or abatement.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

- Development of an "Immediate Action List" identifying the subset of lead-based paint units believed to be occupied or routinely visited by a child under the age of 6 including a written agreement with the NYC DOHMH to resolve information sharing barriers related to resident children's blood lead levels effectuating proper disclosure to HUD.
- Annual Inspections Action Plan ensuring compliance with the annual inspection requirement.
- Pest and Waste Action Plan ensuring compliance toward improving pest and waste management performance.

A third-party consultant conducted an organizational assessment per the NYCHA Agreement. An Organizational Plan is in development to detail how NYCHA will transform the way it is organized, governed, and managed to improve the overall delivery of service and maintenance to the properties. NYCHA is also preparing a Stabilization Plan to improve and modernize its physical stock.

— Milestones —

April 2021: Approval of the Monitor's Budget, Transformation Plan, Annual Inspections Plan, and Pest and Waste Action Plans

June 2021: Approval of the Lead Action Plan

— Decision Points —

December 31, 2020 – Approval of NYCHA's Stabilization Plan

— Contact —

Dominique G. Blom, General Deputy Assistant Secretary, PIH, 202-402-4181,
Dominique.G.Blom@HUD.gov
Daniel Sherrod, Director, ORO, 312-913-8300, Daniel.W.Sherrod@HUD.gov



HUD 2020-2021 Presidential Transition

Official Transition Memorandum

Real Estate Assessment Center— IT System Funding and Development; PIC-NG, EVMS, OpFund Portal, CATALYST, PTD

PIC-NG serves as a national repository of information related to Public Housing Authorities (PHAs), Tribes, Tribally Designated Housing Entities (TDHEs), HUD-assisted families, HUD-assisted properties for monitoring and evaluating the effectiveness of PIH rental housing assistance programs. PIC-NG allows PHAs, Tribes, Tribal Entities, and their hired management agents to electronically submit information to HUD that is related to the administration of HUD's PIH programs. The PHA data submitted is used by HUD to: calculate the Operating Subsidy (\$4.6b); the (2) Capital Fund (\$2.7b); to validate Section 8 HAP (\$22b); and, the Admin Fee (\$2b).

PIC is an aging system built between 1999 and 2001. It has not had any new development since 2007 and as a result a slow decline in maintainability and loss of essential functionality has occurred. There are currently more than 300 outstanding business requirements. IMS/PIC is not able to support any of the new initiatives for affordable housing, HOMTMA, UID (PII Minimization), Tribal HUD VASH, HCV 50058, MTW Expansion, Building and Unit, and Inventory Removal.

This modernization effort has been undertaken since 2016 by federal developers. In 2020, all federal developers in PIH under the 2210 job series were moved to OCIO.

The **Enterprise Voucher Management System (EVMS)** is a new HUD IT application that automates the calculation of approximately \$24 billion in housing assistance payment (HAP) and administrative fees (Admin Fees) paid to approximately 2,200 PHAs through HUD's largest program, the Housing Choice Voucher and other special purpose voucher programs. EVMS addresses several long-standing audit findings and other material weaknesses related to compliance with U.S. Department of Treasury (Treasury) cash management requirements and the use of desktop software applications (e.g. Microsoft Excel) that present audit risks.

Specifically, (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege EVMS also performs daily financial adjustments to PHA disbursements. For example, a change in each household's payment amount or participation in the program is factored into the next payment to that PHA. Additionally, both HUD-held and PHA-held reserve amounts are factored into the payment amounts and applied to the disbursement amount accordingly. (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege.

The automation of these transactions will further reduce burden on PIH staff, including eliminating the need for very time-consuming semi-annual reconciliations of reserve balances. (b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

The (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

. The OpFund Grant program provides approximately \$4.5 Billion annually to over 6,500 public housing developments, supporting the operation and management of approximately 900,000 public housing units. The Quality Housing and Work Responsibility Act of 1998 created the OpFund and HUD codified the OpFund formula into 24 CFR Part 990 through a negotiated rulemaking. HUD provides the funds at the public housing development level on a calendar year basis. Currently HUD calculates each public housing development's OpFund eligibility from information collected by the Excel tools for forms HUD-52723 and HUD-52722. HUD's transition to web-based forms will reduce burden on PHAs by eliminating these cumbersome Excel forms, automate the calculation of Operating Fund grants for each PHA development, and create virtual workflows between HUD PIH headquarters, PIH field office, and PHA leadership and staff consistent with HUD's strategic goal to streamline operations and the objective of modernizing information technology.

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

. The Section 184 Indian Home Loan Guarantee program is a program administered by ONAP and provides loan guarantees to lenders providing mortgage loans to Native American borrowers. The program desperately needs a modern and functioning IT system to track loan package submissions, allow lenders to submit claims, allow ONAP to track program risks, track loan performance, and much more.

ONAP Performance Tracking Database (PTD) is ONAP's legacy Microsoft Access-based system that stores a variety of grant information. PTD tracks data specific to each Native American housing and community development program. The system is outdated and must be modernized and moved to a cloud.



HUD 2020-2021 Presidential Transition Official Transition Memorandum

— *Impact* —

Impact Statement #1: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege

Impact Statement #4 **Impact Statement #2:** (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege

Impact Statement #3: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege

Impact Statement #4: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege

Impact Statement #5: (b)(5) Deliberative Privilege
(b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition Official Transition Memorandum

— Milestones —

January 2021:

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Q1 FY2021:

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Q2 FY2021:

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Fiscal Year 2021:

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

November 2020 – Ongoing:

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

— *Decision Points* —

(b)(5) Deliberative Privilege

— *Contact* —

David A. Vargas, Deputy Assistant Secretary, Real Estate Assessment Center, 202-708-0614,
Dave.Vargas@HUD.gov

Steve A. Bolden, Director, REAC, 202-475-8706,
steve.a.bolden@HUD.gov Steve.A.Bolden@HUD.gov

Danielle L. Bastarache, Deputy Assistant Secretary, Office of Public Housing Voucher Programs, 202-708-1380, Danielle.L.Bastarache@HUD.gov

Steven R. Durham, Director, OHVP, 202-708-1380, steven.r.durham@HUD.gov

Robert H. Boepple, Director, FMC, 816-426-6199, robert.h.boepple@HUD.gov

Todd C. Thomas, Director, OPHP, 202-402-4542, todd.c.thomas@HUD.gov

Kevin Gallagher, Director, Office of Public Housing Programs Financial Management Division, 202-402-4192, kevin.j.gallagher@HUD.gov

Johnson Abraham, Director, Office of Public Housing Programs Financial Management Division
Technical Services, 202-402-8583, johnson.abraham@HUD.gov



HUD 2020-2021 Presidential Transition

Official Transition Memorandum

Real Estate Assessment Center— National Standards for the Physical Inspection of Real Estate (NSPIRE)

NSPIRE encompasses a series of projects to align physical inspection services across HUD programs, providing improved confidence and accuracy in physical assessment scores and risk bands. Customers will be better equipped to manage resources and mitigate risk of their housing portfolios. It improves objectivity, defensibility, and accuracy of the physical inspection program with a renewed focus on health and safety of residents.

NSPIRE is governed by a HUD-wide task force made up of the C-suite executives and program area heads. Meetings are held bi-weekly. Day-to-day execution is managed by REAC.

— *Impact* —

Impact Statement #1: Lack of enabling information technology. Existing legacy systems are out of date and cannot be modified to support NSPIRE. New information technology is needed to implement NSPIRE. Despite the need for

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

Impact Statement #2:

(b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege



HUD 2020-2021 Presidential Transition

Official Transition Memorandum

(b)(5) Deliberative Privilege

— Milestones —

November – Ongoing - During FY20, the NSPIRE program moved from design phase into initial execution. HUD has two active demonstration programs to field test NSPIRE – one for project-based programs (multifamily and public housing) and one for HCV. (b)(5) Deliberative Privilege

(b)(5) Deliberative Privilege

— Decision Points —

(b)(5) Deliberative Privilege

— Contact —

David A. Vargas, Deputy Assistant Secretary, Real Estate Assessment Center, 202-708-0614, dave.vargas@HUD.gov
Steve A. Bolden, Director, REAC, 202-475-8706, steve.a.bolden@HUD.gov
Daniel Williams, Director, NSPIRE, 202-475-8873, Daniel.R.Williams@HUD.gov

**Supplemental
Materials**

Office of Housing

Office of Housing and Federal Housing Administration

Overview

The Office of Housing plays a vital role for the nation's homebuyers, homeowners, renters, and communities through its nationally administered programs. It includes the Federal Housing Administration (FHA), the largest mortgage insurer in the world.

The Office of Housing is the largest office within HUD, and has the following key responsibilities:

- Operating FHA, providing over \$1.3 trillion in mortgage insurance on mortgages for Single Family homes, Multifamily properties, and Healthcare facilities;
- Operating HUD's Manufactured Housing program, which administers federal standards for the design and construction of manufactured homes across the country.
- Managing HUD's Project-Based Rental Assistance and other rental assistance programs, which provide support for low and very low income households;
- Supporting (Section 202) Housing for the Elderly and (Section 811) Housing for Persons with Disabilities programs, which provide affordable housing for some of the nation's most vulnerable populations;
- Encouraging recapitalization of the nation's aging affordable housing stock through programs such as the Rental Assistance Demonstration; and
- Facilitating housing counseling assistance through HUD's Office of Housing Counseling

The Office of Housing includes the following program offices:

- **Office of the Assistant Secretary for Housing and Federal Housing Commissioner**
Responsible for ensuring the effective execution, monitoring, and oversight of all Office of Housing and Federal Housing Administration programs and policies. The Office includes the Mortgagee Review Board, which is responsible for the oversight and sanctioning of lenders that conduct business with FHA.
- **Office of Single Family Housing**
Administers FHA's mortgage insurance programs for mortgages secured by new or existing single family homes, condominium units, manufactured homes, and homes needing rehabilitation. Also administers FHA's reverse mortgage program, the Home Equity Conversion Mortgage, for seniors.
- **Office of Multifamily Housing Programs**
Administers FHA's mortgage insurance programs that facilitate the construction, substantial rehabilitation, purchase, and refinancing of multifamily properties. Also administers subsidized housing programs that provide rental assistance to low-income families, the elderly, and those with disabilities, as well as the preservation and recapitalization of assisted affordable housing through such programs as the Rental Assistance Demonstration.
- **Office of Healthcare Programs**
Administers FHA's mortgage insurance programs that help finance the construction, renovation, acquisition, or refinancing of healthcare facilities -- including hospitals, nursing homes, and assisted living facilities.

- **Office of Housing Counseling**
Administers programs that support a nationwide network of HUD-approved Housing Counseling Agencies, which provide counseling to current and prospective homeowners, renters, and victims of disasters so that they can make informed choices when addressing their housing needs.
- **Office of Risk Management and Regulatory Affairs**
The Office of Risk Management and Regulatory Affairs monitors FHA and the Office of Housing's risk-taking activities and provides oversight of manufactured housing construction and safety standards through its Office of Manufactured Housing.
 - **Office of Manufactured Housing**
Part of the Office of Housing's Office of Risk Management and Regulatory Affairs, administers HUD's oversight programs for the regulation and solutions-oriented oversight and monitoring of the affordability, quality, durability, and safety of manufactured homes. Also administers the National Manufactured Housing Construction and Safety Standards Act of 1974.
- **Office of Finance and Budget, which includes HUD's Asset Sales Office**
The Office of Finance and Budget is responsible for managing and monitoring the Office of Housing's budget, financial statements and reports, funding allocations, all matters related to the daily financial operations of the Office of Housing and FHA programs, and the financial management of the Mutual Mortgage Insurance Fund and the General Risk/Special Risk Insurance Funds. The Office includes HUD's Asset Sales Office, which is responsible for managing and executing sales of mortgage notes on single family, multifamily, and healthcare properties held in HUD's real-estate owned portfolio.
- **Office of Operations**
The Office of Operations is responsible for managing the administrative components of the Office of Housing's programs and processes, including contract management, personnel management, policy and program clearance processes, and other operational processes that are integral to the daily functioning of Housing and FHA program.

Federal Housing Administration

The Federal Housing Administration (FHA) was established under the National Housing Act of 1934. Headquartered in Washington, D.C., with field offices throughout the United States, FHA was integrated into the United States Department of Housing and Urban Development (HUD) in 1965.

FHA is one of the largest providers of mortgage insurance in the world. As of August 2020, FHA had active insurance on: 8,013,146 single family Title II forward mortgages; 445,791 single family Title II reverse mortgages; 18,630 Title I property improvement loans; 10,286 Title I manufactured housing (personal property) loans; 11,484 multifamily residential property loans; 3,869 residential care facility loans; and 90 hospital facility loans.

FHA provides mortgage insurance for single family, multifamily, and healthcare facility mortgages financed by FHA-approved lenders throughout the United States and its territories, backed by the full faith and credit of the U.S. Government. This guarantee of payment in the event of default enables lenders to provide financing to eligible borrowers who may not otherwise have access to mortgage credit through the conventional mortgage market. FHA collects upfront mortgage insurance premiums at the time of loan origination, as well as monthly insurance premiums during the life of the loan from the borrower. These premiums are used to pay mortgage insurance claims.

Over the course of its history, FHA has been an important participant in the U.S. housing market by serving millions of first-time and low-to-moderate income homebuyers; providing safe and affordable rental housing; supporting access to quality healthcare; stepping in as a countercyclical backstop during times of economic stress; and providing relief to individuals and families affected by disasters. FHA's efforts include maintaining a strong financial management strategy that balances risk to its insurance funds with its mission to serve homebuyers, renters, and communities.

Key Challenges and Opportunities

- Mitigating the effects of COVID-19 on FHA insurance funds, homeowners, property owners, lenders, and communities.
- Aggressively pursuing FHA Catalyst technology modernization.
- Strengthening the overall capital position of FHA's Mutual Mortgage Insurance Fund.
- Managing credit and counterparty risk in the Single Family portfolio.
- Stabilizing the financial performance of the Single Family Home Equity Conversion Mortgage portfolio.
- Addressing Single Family downpayment assistance sources of funds.
- Managing implementation of the HUD Housing Finance Reform plan.
- Continuing manufactured housing policy streamlining and deregulation.

####

Mitigating the Effects of COVID-19

Issue Overview

The COVID-19 pandemic has created a National Emergency for the United States and brought economic challenges to FHA homeowners, and to residents in properties that are in FHA's Multifamily insured and assisted housing portfolio. For the majority of FY 2020, FHA has instituted many temporary measures to help homeowners and renters avoid eviction and foreclosure. The Office has also provided significant support to lenders and property owners participating in FHA's Single Family, Multifamily, and Healthcare insurance and rental assistance programs that were designed reduce the potential for future defaults and foreclosures that would generate claims against FHA's insurance funds.

Single Family

With the emergence of the pandemic in the second half of FY 2020, the single family serious delinquent portfolio grew by \$120 billion, from \$41 billion to \$161 billion. By comparison, the previous high for the serious delinquent portfolio was \$105 billion in FY 2012. The actions FHA took to address the financial impacts of the pandemic include:

- Instituting a foreclosure and eviction moratorium for all homeowners with FHA-insured mortgages. This moratorium, consistent with Coronavirus Aid, Relief, and Economic Security (CARES) Act, is currently in place through December 31, 2020.
- Providing up to 12 months of mortgage payment forbearance for homeowners with FHA-insured mortgages who request this assistance from their mortgage servicer.
- Instituting pandemic specific loss mitigation home retention options to assist homeowners post-forbearance to bring their mortgage payments current and avoid future foreclosure.
- Instituting temporary waivers to multiple policies that require lenders, servicers, appraisers, and other program participants to have in-person contact with borrowers. These measures were designed to ensure that FHA-insured lending would continue despite social distancing and remote work.

Impact

- A strong housing market, coupled with the actions FHA took have thus far mitigated severe impacts to the Mutual Mortgage Insurance Fund; however, changes in the housing market and shifts in the larger economy could increase the potential for future defaults and the associated claims to the Fund.

Considerations and Challenges

- While the duration of forbearance periods for individual homeowners differ, in aggregate FHA anticipates that an increasing number of homeowners will be coming off of forbearance and seeking loss mitigation home retention solutions in the late fall of 2020 and throughout the spring of 2021.
- At the end of August 2020, slightly more than 11 percent of FHA-insured single family mortgages were 90+ days delinquent. Approximately 70 percent of these delinquencies are the result of the COVID-19 National Emergency. FHA expects many of these delinquencies to cure, but the situation needs careful monitoring.
- The current capital position of the Mutual Mortgage Insurance Fund, along with a strong housing market, will help FHA withstand the current economic stresses brought on by the COVID-19 pandemic. Rising House Price Appreciation should provide a buffer against the potential losses. However, House Price Appreciation is not guaranteed and our policy actions must be made with this in mind.

Contact

Julie Shaffer, Acting Associate Deputy Assistant Secretary, Office of Single Family Housing
Frank Vetrano, Senior Policy Advisor, Office of Risk Management and Regulatory Affairs

Multifamily

The financial impacts to the Multifamily portfolio as a result of the COVID-19 pandemic were negligible throughout the spring and fall of 2020. The portfolio default rate remained at less than one percent through August 2020. Mitigation actions were put in place to reduce delinquencies and defaults, and to ensure that FHA-insured Multifamily lending continued despite social distancing. The modest impact the COVID-19 pandemic has had thus far on the FHA-insured multifamily portfolio is likely due to two factors:

1. strict/conservative underwriting producing a well-capitalized portfolio going into the pandemic; and
2. The direct assistance payments/UE expansion (CARES Act funding) buttressing tenants' ability to pay rent and thus, owners' ability to meet their debt service obligation.

The actions the Office of Housing took to address the financial impacts of the pandemic in both its Multifamily-assisted and FHA-insured programs include:

- Implementing a mortgage forbearance option for owners of FHA-insured multifamily properties, with the contingency that owners may not evict residents solely for non-payment of rent for the duration of the forbearance period.
- Providing policy flexibilities that allow Multifamily borrowers to use reserve for replacement funds to cover debt service payments and suspending the requirements for reserve deposits to improve cash flow.
- Instituting substantive, temporary policies that allowed for Multifamily insured lending to continue despite social distancing and remote work, including flexibilities on property inspections, appraisals, capital needs assessments, and others.

Approximately 1.4 million renters receive some type of rental subsidy through HUD Multifamily programs, such as Project-based Section 8, Section 202 Supportive Housing for the Elderly, and Section 811 Supportive Housing for Persons with Disabilities. These programs:

- Require the resident to pay 30% of their income toward the rent, and HUD pays the balance of the rent payment to the landlord.
- Renters may "recertify" their income when they experience an income loss, which adjusts the resident's payment to reflect their loss of income (CARES Act dollars cover income gap loss)

The majority of the Office's efforts focused on implementing, amplifying, and reinforcing resident protection measures that were part of the CARES Act and other Executive actions. These include:

- Issuing in early October \$17.9 million in CARES Act supplemental payments to 4,436 properties assisted under Section 8 PBRA, Section 202, and Section 811 to address property operating cost increases associated with prevention, preparation, and response to the coronavirus.
- Building an online "search" technology for residents and the general public to determine if they are living in a property that is FHA-insured or participating in one of the Multifamily assisted housing programs. This information is important to help residents understand if they are covered by various eviction moratoriums.
- Continuing to reinforce with residents and owners, and providing information and materials to support the importance of, income recertifications for residents that have a loss of income due to COVID-19.
- Implementing policy flexibilities to ensure that residents and owners can perform the income certification process remotely, including electronic signatures, and removing in-person office meeting requirements.

Impact

- Rental collections remain very high for FHA-insured properties, staying at pre-pandemic levels. Owner, agent, and lender group conversations indicate that multifamily owners are not seeking to evict the residents that fall behind in rent but, rather, are pursuing other options to keep renters who do fall behind on rent in their homes.
- Many state and local governments have placed bans on evictions during the pandemic, providing additional encouragement for owners to work with residents until they regain full time employment.

Considerations and Challenges

- Out of a portfolio of more than 11,500 mortgages, less than 60 forbearance agreements have been requested, less than 40 reserve for replacement account releases have been requested, and less than 140 reserve for replacement deposit suspensions have been granted.
- The portfolio default rate remained at less than one percent through August 2020.
- HUD's authority to mandate actions from Multifamily property owners with FHA-insured mortgages is limited at best. This makes it difficult to institute, track, or enforce actions between owners and residents without Congressional action.

Contact

Jeffrey Little, Associate Deputy Assistant Secretary, Office of Multifamily Housing Programs

Healthcare Programs

Like the Multifamily portfolio, through fall 2020 the financial impacts to the Healthcare portfolio as a result of the COVID-19 pandemic have been modest. The Section 232 Residential Care Facility portfolio default rate is less than 2 percent. Mitigation actions were put in place to reduce delinquencies and defaults, and to ensure that FHA-insured lending for both residential care facilities and hospitals continued despite social distancing. While the financial impacts to FHA have been minimal to date, hospitals and residential care facilities have been under extreme stress as a result of the increased patient care considerations related to the pandemic.

The actions the Office of Housing took to address the financial impacts of the pandemic in both its Section 232 Residential Care Facilities and Section 242 Hospital Facilities insurance programs include:

- Providing policy flexibilities that allow Healthcare facility borrowers to use reserve for replacement funds to cover debt service payments and suspending the requirements for reserve deposits to improve cash flow.
- Instituting substantive, temporary policies that allowed for Healthcare insured lending to continue despite social distancing and remote work, including flexibilities on property inspections, appraisals, capital needs assessments, and others.

Impact

- 88 residential care facilities, as of October 2020, have utilized debt service reserves flexibility to make mortgage payments totaling over \$9.3 million in relief.

- 633 residential care facilities have utilized flexibilities to access or suspend Reserve for Replacement funds to make mortgage payments, totaling over \$47 million in relief.

Considerations and Challenges

- Out of a portfolio of almost 4,000 residential care facility loans, 77 were 60+ days delinquent on their mortgage payments in August 2020. However, residential care facilities continue to face extreme stress as a result of the pandemic. While the health and safety of residents is the paramount concern for HUD, the financial viability of facilities is tied to their ability maintain occupancy.
- With an \$8.5 million average mortgage amount for the residential care facility mortgages in FHA's insurance portfolio, even a small number of future defaults and claims would be at a high dollar amount. The counterbalance to this concern is that FHA has the programs and methods in place to eventually recover substantial portions of any losses due to claims.

Contact

Roger Lukoff, Deputy Assistant Secretary, Office of Healthcare Programs

List of Housing COVID-19 Policy Actions (Last Updated 10/5/20)

- March 13, 2020: Single Family Business Continuity and Waiver of Face-to-Face Contact Policies Issued
- March 14, 2020: Multifamily and Healthcare Programs' Suspension of REAC Inspections Announced
- March 18, 2020: 60-Day Foreclosure and Eviction Moratorium for Single Family Homeowners Announced
- March 23, 2020: Waiver to Extend Financial Reporting Deadlines for Healthcare Facilities Announced
- March 27, 2020: Waivers for Single Family Alternative Employment Verifications, Use of Exterior/Desktop Only Appraisals, and Electronic Submission of Condo Project Approval Documents Issued
- April 1, 2020: Single Family Forbearance Pursuant to CARES Act Announced
- April 6, 2020: Electronic Single Family Case Binder Submission through FHA Catalyst Platform Announced
- April 10, 2020: Policy Flexibilities for Section 232 Residential Care Facility Lenders/Owners Announced
- April 10, 2020: Policy Flexibilities for Multifamily 223(f) Transactions Announced
- April 13, 2020: CARES Act Multifamily Forbearance Announced
- April 15, 2020: Single Family COVID-19 Waivers for Home Equity Conversion Mortgages Announced
- April 16, 2020: Alternative Construction Letter for Alternative Sources of Windows for Manufactured Homes Announced
- April 21, 2020: Extension of Housing Counseling Performance Reporting Periods Announced
- April 24, 2020: Extension of FY 2019 Housing Counseling Grant Performance Period Announced
- May 14, 2020: Single Family Foreclosure/Eviction Moratorium Extension Through June 30, 2020 Announced
- May 14, 2020: Extension of Single Family Employment Verification and Exterior/Desktop Appraisals Announced
- May 28, 2020: Project-based Rental Assistance COVID-19 Update Guidance Memo Issued
- June 4, 2020: Single Family Policy for Endorsement of Mortgages in Forbearance Announced

- June 17, 2020: Single Family Foreclosure/Eviction Moratorium Extended Through August 31, 2020
- June 29, 2020: Extension of Waivers for Single Family Alternative Employment Verifications, Use of Exterior/Desktop Only Appraisals, and Electronic Submission of Condo Project Approval Documents.
- July 1, 2020: Extension of Multifamily Eviction Moratorium for Properties in Forbearance Announced
- July 1, 2020: Guidance for Multifamily Property Owners/Tenant Flexibilities Brochure Released
- July 8, 2020: Single Family Expanded COVID-19 Loss Mitigation Waterfall Announced
- July 23, 2020: Availability of Supplemental Funds for Section 202, Section 811, and Section 8 Project-Based Rental Assistance Announced
- July 29, 2020: Single Family Self-Employment Income/Rental Income and Release of 203(k) Funds Announced
- July 31, 2020: Policy Flexibilities for Section 232 Residential Care Facility Lenders/Owners Extended
- July 31, 2020: Extension of Housing Counselor Certification Deadline Announced
- August 7, 2020: Announcement of Resumption REAC Inspections in low-risk areas on October 1
- August 11, 2020: Single Family Title I COVID-19 Loss Mitigation Mortgagee Letter Published
- August 27, 2020: Extension of Single Family Foreclosure and Eviction Moratorium Through December 31, 2020 Announced
- August 28, 2020: Extension of Temporary COVID-19 Single Family Re-verification of Employment and Appraisal Flexibilities Policies Through December 31, 2020 Announced
- August 31: FHA Catalyst Post-Endorsement Case Binder Electronic Submission Technology Announced
- September 2, 2020: Clarifications on Single Family Loss Mitigation Policies in PDMDAs/COVID Emergency Published
- September 8, 2020: CDC Eviction Moratorium Announced
- September 9, 2020: Email Sent to Multifamily Property Owners on CDC Eviction Moratorium
- September 9, 2020: Post-Forbearance Single Family Borrower Underwriting Requirements Announced
- September 14, 2020: COVID-19 Supplemental Funds Use with RAD Conversions Announcement
- September 16, 2020: Updates to Home Equity Reverse Mortgage Information Technology System for COVID-19 Reporting Announced
- September 24, 2020: Multifamily Guidance for Residents (COVID-19) Brochure Published
- October 1, 2020: Temporary Waivers of HECM Due and Payable Status for Eligible Non-Borrowing Spouses Announced
- October 1, 2020: Extension of COVID-19 Site Access Policies for Section 232 Facilities Through December 31, 2020 Announced.

####

Aggressively Pursuing FHA Catalyst Technology Modernization

Issue Overview

In FY 2019, FHA began its IT Modernization work by developing the baseline technology to facilitate to bring FHA's IT infrastructure into alignment with 21st century mortgage industry standards. Called, FHA Catalyst, the transformation started with the Single Family insurance programs and will eventually encompass FHA's Multifamily and Healthcare programs. Congress appropriated \$20 million in fiscal year 2019 and \$20 million in fiscal year 2020 to fund this work. FHA believes it will need between \$80 and \$100 million to fully modernize its systems.

With widespread support from the industry, FHA has implemented, and is actively building out this single technology platform with baseline architecture that includes a top to bottom re-alignment of Single Family's IT systems. When complete, this platform will:

- Provide lenders with a single portal to conduct business from loan application through claims processing;
- Allow for electronic submission and management of documents to reduce reliance on paper and improve processing speed; and
- Offer a full suite of lender transactions across the loan lifecycle.

Today, FHA Catalyst is an active system with tens of thousands of users onboarded and using the systems modules to submit Single Family claims, Single Family FHA Case Binders, and Single Family appraisals, which eliminated many paper-based, manual processes for both FHA and lenders. The first module on the platform for Multifamily lenders allows Multifamily lenders to electronically submit FHA insurance applications, which are generally hundreds of pages. With this capability, Multifamily lenders no longer need to submit applications using USB drives with mailed hard copy backup.

The integrated data components in the system provide an important benefit for FHA. The system will allow real-time access to origination and servicing data, at more granular levels, so that trends can be analyzed, and existing or emerging risks can be more quickly identified and mitigated at both the portfolio level and at an individual participant level. Further, portfolio data analysis can be done at more precise and granular levels, and done more quickly, with FHA Catalyst. This will provide FHA with the close to real time data it needs to make informed decisions for, and more expeditiously address, market issues and manage risk.

FHA IT modernization work to date has had bi-partisan support from Congress and has been lauded by most housing industry trade groups and housing consumer advocacy groups. The future state plan has been broadly shared publicly, and has set expectations that would be difficult and damaging to unwind.

Considerations and Challenges

- FHA IT modernization work to date has had bi-partisan support from Congress and has been lauded by most housing industry trade groups and housing consumer advocacy groups. The future state plan has been broadly shared publicly and has set expectations that would be difficult and damaging to unwind.
- Continuation of the appropriations from Congress to fund this effort are critical for its continuation and long-term success. It's expected that appropriations requests for fiscal year 2021

and fiscal year 2022 will be granted, but additional funding requests in subsequent years must be made.

- Unlike previous technology initiatives, the success of the FHA Catalyst build is the result of having a small HUD team, augmented by third-party contractor support, dedicated to the end-to-end development and implementation. Any organizational changes that impact the decisioning structure or the contract resources engaged on the project could jeopardize HUD's ability to continue to deliver on its goals.

Contact

*John Garvin, General Deputy Assistant Secretary, Office of Housing
Artie Chin, Director of Digital Strategies, Office of the Chief Information Officer*

#####

Strengthening the Overall Capital Position of FHA's Mutual Mortgage Insurance Fund

Issue Overview

At the end of Fiscal Year 2019, Mutual Mortgage Insurance Fund Capital was 4.84%. As a comparison, in 2017, it was 2.18%. Rather than further eroding the capital position in exchange for short-term benefits, despite repeated pressure to reduce Mortgage Insurance Premiums, the Office focused over the last three years on building up its capital reserve.

Our current capital position, along with a strong housing market, will help FHA withstand the current economic stresses brought on by the COVID-19 pandemic. House Price Appreciation and interest rates are among the macroeconomic factors we take into consideration when modeling impacts and various stress scenarios on the MMI Fund. For instance, rising House Price Appreciation should provide a buffer for us against the potential losses we could incur with an increased number of seriously delinquent mortgages in our portfolio.

Prudent capital management means that long-term, we need to continually assess what the appropriate capital position is for FHA. The capital ratio does not tell the full story. History has shown that the MMI Capital Ratio can move by more than 2 percent during periods of significant economic stress. For example, when House Price Appreciation took a significant dive between 2007 and 2009, the MMI Capital Ratio went from 7.0 percent in 2007 to less than 1 percent (0.4%) by the end of 2009.

Considerations and Challenges

- In one of our preliminary modeling scenarios, if we overlaid our 2020 single family book on the economic conditions from the 2007 Great Recession, the gains we made in building up our capital reserve would largely evaporate.
- We are modeling now against various economic scenarios to determine where our capital cushion may need to be, with the underlying premise that the Congressionally-mandated 2% minimum capital ratio is not an adequate benchmark of true capital adequacy.
- As the capital reserve ratio continues to improve, calls to reduce Mortgage Insurance Premiums (MIP) will continue. Any reductions in MIP could have significant consequences for the future health of the MMI Fund.

Contact

Frank Ventrano, Senior Advisor, Office of Risk Management and Regulatory Affairs

####

Managing Credit and Counterparty Risk in the Single Family Insured Portfolio

Issue Overview

FHA has continued to evaluate and take action on a number of emerging risks characterizing heightened risk of loans coming into FHA's single family portfolio. The share of loans with higher risk attributes decreased or moderated in FY 2020. However, while early performance reflected overall improvement in the credit quality of FY 2020 endorsements during the first two quarters, portfolio performance deteriorated during the second half of the year, largely driven by COVID-19 related factors.

While an individual risk attribute taken by itself can be managed through other compensating factors, mortgages with more than one of the risk factors noted below (risk layering) typically default at higher rates:

- Debt-to-Income Ratios greater than 50%
- Less than two months cash reserves
- Less than 640 credit score

The share of FHA-insured single family mortgages originated by depository institutions has continued to decrease since FY 2011. In FY 2019, depository lenders accounted for 13.64 percent of endorsement activity, compared to 40.82 percent in FY 2011. Reduced participation by depository institutions may limit opportunities for borrowers to access FHA-insured mortgages. While meeting FHA requirements, non-depository lenders typically hold less capital than depository institutions participating in FHA, and are subject to different regulatory regimes.

Considerations and Challenges

- Consistent with the other improvements in certain characteristics, the incidence of extreme risk layering decreased in FY 2020. However, early performance of loans with extreme risk layering is three times worse than the population without the three risk layers. Careful monitoring of these characteristics should continue.
- The dearth of participation by depositories also affects the diversity and strength of counterparties working with FHA. FHA must strike a better balance in doing business with both depository and non-depository lenders, and has recently taken several actions to address this challenge, including executing a Memorandum of Understanding with the Department of Justice on the appropriate use of the False Claims Act, and streamlining of its lender annual and loan-level certifications required from lenders for each FHA-insured mortgage.

Contact

Frank Ventrano, Senior Advisor, Office of Risk Management and Regulatory Affairs

####

Stabilizing the Financial Performance of the HECM Portfolio

Issue Overview

Through the Home Equity Conversion Mortgage (HECM) program, FHA provides insurance on the vast majority of all reverse mortgages available in the nation. When initially authorized by the Housing and Community Development Act of 1987, the HECM program was made available on a limited basis and all HECMs were obligations of the General Insurance (GI) Fund. Over time, the program expanded significantly, with \$30 billion of HECM Maximum Claim Amount (MCA) insured by FHA in FY 2009. Beginning in FY 2009, all new HECM endorsements are obligations of the MMI Fund.

Today, the Mutual Mortgage Insurance Fund includes capital for both the Single Family forward and HECM programs. Due to the uncertainty of home prices, interest rates, appraisal bias, and other factors that impact the property value and mortgage balance, the HECM portfolio's financial performance has been historically volatile, and the transition of HECM obligations to the MMI Fund continues to negatively impact the MMI Fund's overall performance.

While the financial performance of the HECM portfolio shows some improvement in books originated in the last two years, it remains negative, meaning that the net present value of the cash flows for the program are insufficient to cover projected losses. FHA has taken several actions to improve the HECM portfolio's outlook; however, it continues to be a financial drag on the Forward portfolio, whose positive performance in effect "subsidizes" the reverse book of loans.

FHA issued new policy in FY 2019 to improve the fiscal soundness and viability of the HECM program. The HECM collateral risk assessment policy addressed inflated property appraisals by requiring a second appraisal when FHA determines that the first appraisal needs additional support. Through FHA's ongoing evaluation of the HECM portfolio, the policy was found to have an estimated reduction to FHA's risk exposure of approximately \$250.3 million per year. With the projected reduction in appraisal inflation, FHA's actuarial model indicated lower lifetime default rates and increased lifetime recoveries which would reduce program costs to taxpayers.

Considerations and Challenges

- In HUD's Housing Finance Reform plan, HUD proposes that Congress take action to remove the HECM portfolio as an obligation of the Mutual Mortgage Insurance Fund in order to increase transparency on the financial performance of the portfolio and reduce the negative impacts of the portfolio on an otherwise financially stable forward mortgage portfolio. Multiple options to achieve this have been broadly discussed – including returning the portfolio to the GI/SRI Fund or establishing a separate, HECM-specific Fund. Congressional action is required to make this type of change.
- The HECM program is complex. HUD relies heavily on contract resources to manage the servicing of the Secretary-held portfolio of HECM mortgages, including working with HECM borrowers, heirs and estates. This contract support is critical to maintain the daily operation of the HECM program.
- Other programmatic work to streamline the program, including eliminating HECM-to-HECM refinance transactions, continuing monitoring of policies for non-borrowing spouses, and changes to servicing policies have been broadly and publicly discussed.

Contact

Julie Shaffer, Acting Associate Deputy Assistant Secretary, Office of Single Family Housing

#####

Addressing Single Family Downpayment Assistance Sources of Funds

Issue Overview

HUD plans to engage in rulemaking to fully implement the amendments made by the Housing and Economic Recovery Act of 2008 (HERA), which prohibit any portion of a borrower's downpayment from being provided by an entity that financially benefits from the transaction. While HERA's prohibition on assistance from the seller is explicit in the statute, there are still questions as to the scope of the prohibition when the downpayment assistance is provided by government entities that may benefit financially from the transaction. Because FHA has an obligation to ensure its programs are operating in full compliance with the law, FHA is pursuing rulemaking to define the circumstances in which governmental entities providing downpayment assistance are deriving a financial benefit from the transaction.

Down payment assistance (DPA) programs expose FHA to significantly higher risk than non-DPA programs. As discussed in the *2019 Annual Report to Congress on the Financial Status of the FHA Mutual Mortgage Insurance Fund* (Annual Report to Congress):

- Early Payment Defaults (EPDs) for FHA-insured single family mortgages with downpayment assistance are over 60 percent higher than for mortgages without downpayment assistance sources of funds over the last two fiscal years (See FHA Annual Report to Congress for FY 2019, Exhibit I-18 and Table B-18.)
- Seriously delinquencies (SDQs) for FHA-insured single family mortgages with downpayment assistance are between 50 percent and 60 percent higher than for mortgages without downpayment assistance. (See FHA Annual Report to Congress, Exhibit I-19 and Table B-19.)
- Serious delinquency rates tend to increase as mortgages age. Seasoned mortgages with downpayment assistance from governmental entities are associated with the highest serious delinquency rates (See FHA Annual Report to Congress Exhibit I-19 and Table B-19.)

HUD's policy is to consult with tribal organizations early in the rulemaking process on matters that have tribal implications. On February 14, 2020, HUD issued a notice of Tribal Consultation on HUD's proposed rule regarding mortgage insurance for transactions involving downpayment assistance, with a comment period of 30 days. As further stated in that notice, if a proposed rule is published in the *Federal Register*, tribes will have another opportunity to comment through the public comment process.

Considerations and Challenges

- In 2019, HUD retracted its proposed changes as a result of litigation and subsequent court ruling that it had not followed the appropriate Administrative procedures.
- Changes to downpayment assistance policies have implications for many FHA program participants, including state and local Housing Finance Agencies, as well future borrowers seeking FHA-insured mortgage financing. The downstream effects of changes to downpayment assistance should be carefully weighed and evaluated.
- Proposed changes to downpayment assistance policies have been broadly and publicly discussed. Generally, there is an understanding of, and agreement among, FHA program participants that clarity in FHA downpayment assistance policies would be beneficial.

Contact

Julie Shaffer, Acting Associate Deputy Assistant Secretary, Office of Single Family Housing

#####

Managing Implementation of the HUD Housing Finance Reform Plan

Issue Overview

HUD plays a critical role in the Nation's housing finance system and has a duty to protect American taxpayers given the breadth of the roles the Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) play in our Nation's housing finance system. FHA provides credit enhancement for mortgages on more than 8.2 million forward single-family homes and nearly 500,000 reverse mortgages, and 15,500 multifamily and healthcare properties. And, GNMA attracts global capital to America's housing markets by utilizing the full faith and credit of the Federal Government to guarantee more than \$2.2 trillion in mortgage-backed securities.

Since the financial crisis, FHA and GNMA's portfolios have increased substantially and now stand at \$1.425 trillion and \$2.1 trillion. The FHA portfolio's risk profile has also deteriorated with lower credit score, and rising LTVs and DTIs, creating risks to taxpayers and undermining FHA's ability to provide countercyclical liquidity during stress events.

On March 27, 2019, HUD published its Housing Finance Reform plan. In this plan, HUD is proposing reforms to (1) Refocus FHA and GNMA on its mission, (2) Protect American taxpayers, (3) Provide FHA and GNMA the tools to appropriately manage risk, and (4) Provide liquidity to the world's largest financial market.

Impact

- Beginning in March 2019, FHA has worked to establish and vet policies to address components of the plan that are within its authority to implement. Many are in development or being vetted through rulemaking or interagency review processes. The impact of these policies will be to improve targeting to FHA mission borrowers, strengthen Single-Family programs, appropriately target and enhance multifamily programs and provide regulatory certainty to FHA lenders.

Considerations and Challenges

- One of the key components of the Housing Finance Reform plan is to take actions to stabilize the financial performance of the Home Equity Conversion (HECM) mortgage portfolio. Congressional action is required to address the proposal to remove HECM as an obligation of the Mutual Mortgage Insurance Fund. The intent is that this action will improve transparency on the performance of the HECM portfolio and eliminate the financial drag the HECM portfolio places on an otherwise well-performing forward mortgage portfolio.
- Several proposals contained in the plan, most notably changes to FHA Single Family downpayment assistance policies, and the elimination of HECM-to-HECM refinances, having significant implications for FHA program participants and borrowers, and will require careful consideration before finalizing and implementing.
- Key components of the plan have already been implemented in whole or in part. Specifically, addressing False Claims Act concerns that have been a limiting factor for single family program participation by large depositories, has been addressed. However, increasing participation by depositories will require continued active engagement with individual lenders and their industry trade groups.

Contact

John Garvin, General Deputy Assistant Secretary, Office of Housing

Continuing Manufactured Housing Policy Streamlining and Deregulation

Issue Overview

Affordability and flexibility make manufactured homes an increasingly popular housing option in the U.S. Technological advancements and improvements in manufacturing materials and methods of construction have transformed this affordable residential alternative into a quality and durable source of housing in America. Today, manufactured homes are built to HUD's federal standards and are aesthetically pleasing, customized to consumers' lifestyles. Budget-conscious home buyers no longer need to sacrifice quality, safety, or durability to achieve the American dream of homeownership.

In FY20, HUD's Office of Manufactured Housing Programs (OMHP) made tremendous progress in tackling deregulatory reform efforts, reducing the backlog of much-needed code updates, and expanding flexibility and options for industry manufacturers and residential consumers:

- HUD issued a final rule in January 2020 that decreases consumer exposure to formaldehyde emissions in manufactured housing while reducing regulatory burdens and costs to manufacturers. Cost savings are ultimately passed on to home purchasers.
- HUD issued a proposed rule in January 2020 to update the HUD Code for manufactured housing construction that reduces the regulatory burden on the manufactured housing industry, addresses several building code improvements and updates, and aligns the existing HUD Code with more current industry standards.
- HUD staff have also been working expeditiously to finalize a rule that will make more equitable the minimum payments to states under HUD's Manufactured Housing Program, strengthening the HUD-state partnerships. The final rule will provide a more equitable level of minimum funding from HUD's appropriation for this program and avoid differing per unit payments to states that have occurred under the present rule.
- To better respond to industry needs and further achieve deregulatory objectives, HUD has been allowing longer approval periods for Alternative Construction (AC) authorization letters and is no longer requiring AC inspection reports be submitted to HUD. HUD has also reduced manufacturer AC reporting requirements from quarterly to annually.

Considerations and Challenges

- Complex local zoning ordinances, a false stigma regarding quality that is decades out of date, and layer-upon-layer of regulations are challenges that must be overcome for manufactured housing. Mitigating these issues will expand the supply of manufactured housing and reduce the homeownership affordability gap.
- HUD's role in manufactured housing oversight should encourage the industry's technological advancements, improvements in manufactured materials, economies of scale production, and other process efficiencies. All of this will translate into more housing affordability and a better menu of options for homeownership.

Contact

Teresa Payne, Director, Office of Manufactured Housing Programs

####

Supplemental Materials

**Office of Community
Planning and
Development**



HUD 2020-2021 Presidential Transition

Official Transition Memorandum



OCTOBER 27, 2020

COMMUNITY PLANNING AND DEVELOPMENT

Table of Contents

Affordable Housing	3
Subtopic 1: HOME Investment Partnerships (HOME) Program	3
HOME Program Production – Completed Units	4
Subtopic 2: Housing Trust Fund	4
Subtopic 3: COVID Response	5
Disaster Management	7
Subtopic 1: COVID Efforts and Disaster Recovery	8
Extension for Expenditure Deadlines	9
Upcoming Milestones	9
Decision Points	9
Contact.....	10
Homelessness	11
Subtopic 1: CARES Act and COVID Response	12
Subtopic 2: CoC Program Competition	13
Subtopic 3: 2021 Point-In-Time Counts	13
Subtopic 4: Unsheltered Homelessness	14
Subtopic 5: Moving-On Strategy	15
Subtopic 6: Rural Homelessness	15
The HOPWA Program	17
Subtopic A: CARES Act and COVID Response	19
Subtopic B: Formula Modernization	20
Subtopic C: Ending the HIV Epidemic Initiative	20
Subtopic D: National HIV/AIDS Strategy	21
Community Development Block Grant program	23
<i>Expenditures by Activity Category</i>	24
Subtopic 1: CARES Act and COVID-19 Response	26
Subtopic 2: Section 108 Loan Guarantee Program	27
Subtopic 3: Recovery Housing Program	28
Subtopic 4: Neighborhood Stabilization Program	28
Office of Environment and Energy (OEE)	30
Subtopic: Regulatory Reform	30
Technical Assistance	32
Subtopic 1: CARES Act and COVID Response	33
Summary of CPD CARES Act TA Appropriations and Award Dates	34

Subtopic 2: Community Compass Program Competition	34
CPD Office of Policy Development and Coordination	36
Closeout Team	36
Audit Resolution Team	36
Recommendation Closure Rate	37
Audit Closure Rate	37
The Section 4 Capacity Building for Community Development and Affordable Housing program. (Section 4)	37
Habitat for Humanity International (HFHI)	38
Local Initiatives Support Corporation (LISC)	38
Habitat for Humanity, International (Habitat)	38
Enterprise Community Partners (Enterprise)	39
Local Initiative Support Corporation (LISC)	39
Rural Capacity Building for Community Development and Affordable Housing Program	40
FY 2018 Awards - \$5,000,000	41
FY 2017 Awards - \$5,000,000	41
FY 2016 Awards - \$5,000,000	41
FY 2015 Awards - \$5,000,000	41
Office of Rural Housing and Economic Development	43
Self-Help Homeownership Opportunity Program (SHOP)	43
Funding	43
Veterans Housing Rehabilitation and Modification Pilot Program	43
Funding	44
FY2020 VHRMP Grantees	44
FY2020 VHRMP Projected Number of Eligible Veterans Assisted	44
FY2020 VHRMP Grantee Matching and In-Kind Contributions	45
FY2019 VHRMP Grantees	45
FY2019 VHRMP Projected Number of Eligible Veterans Assisted	45
FY2019 VHRMP Grantee Matching and In-Kind Contributions	45
FY2018 VHRMP Grantees	46
FY2018 VHRMP Projected Number of Eligible Veterans Assisted	46
FY2018 VHRMP Grantee Matching and In-Kind Contributions	46
Rural Gateway Clearinghouse	47
Rural Gateway Menu of Services	47

Affordable Housing

According to HUD's *Worst Case Housing Needs: 2019 Report To Congress*, in 2017, 7.72 million households had worst case needs, a 7-percent decline from 8.30 million in 2015. These households are defined as very low-income renters who do not receive government housing assistance and who paid more than one-half of their income for rent, lived in severely inadequate conditions, or both. High rents in proportion to renter incomes remained dominant among households with worst case needs, leaving these renters with substantial, unmet need for affordable housing.

Although the recent decrease offset the worsening housing problems observed in 2015, long-term trends observed pre-pandemic remained well above levels experienced before the last recession. Specifically, severe housing problems had grown 31 percent since 2007 prerecession levels and by 54 percent since 2001. About 5.6 million households with worst case needs had extremely low incomes, representing a 28-percent increase since 2007 despite the most recent biennial improvement. Worst case needs continued to affect all subgroups, whether defined by race and ethnicity, household structure, or location within metropolitan areas or regions.

Contributing most to the decrease in worst case needs between 2015 and 2017 were renter income gains, which lifted some renter households out of the very low-income population. Moderation of post-recession homeownership decline and the gap in rental assistance relative to need also contributed to decreased worst case needs in 2017. Housing market challenges, however, substantially impeded this progress as the shrinking population of very low-income renter households faced tougher competition from higher-income renters for an inadequate supply of affordable rental units. Even as expensive units were added and remained vacant, the stock of rental housing affordable and available to very low-income renter households shrank between 2015 and 2017, from 62 to 59 affordable units per 100 renter households. Only 40 affordable units were available per 100 extremely low-income renters.

The recent economic effects of the COVID-19 pandemic are not evenly distributed across the population. Households that were already experiencing housing affordability or stability issues are more likely than other households to hold jobs affected by public health and social distancing measures. The pandemic has exacerbated these affordability and stability issues for these households, while potentially doubling the size of the housing crisis. A recent US Census Pulse survey (August 19-31, 2020) suggests that 6 million of the nation's 44 million renters are behind on their rent, with 1 million reporting it "very likely" they will be evicted within two months and 1.7 million more thinking it "somewhat likely." Two-thirds of these renters have incomes less than \$35,000 and occupy single-family rental housing managed by "mom and pop" landlords, as opposed to large institutional owners and property management firms. The CDC eviction moratorium will protect many renters but is likely to have an adverse financial impact on these small owners and potentially affect the availability of these units as available rental housing over time.

Subtopic 1: HOME Investment Partnerships (HOME) Program

Overview. The HOME Program, the Department's largest affordable housing block grant program, provides annual allocations to 640 State and local governments. Participating jurisdictions design and administer HOME-funded housing programs to address locally-

identified needs and priorities. HOME funds can be used for affordable rental and for-sale housing for low- and very low-income households, as well as for tenant-based rental assistance (TBRA) programs. HOME can be used to assist groups with special needs such as elderly, veterans, homeless, and disabled populations. The program provides participating jurisdictions discretion to determine the type and location of the housing they will invest in and the population to be served. All housing assisted with HOME funds must meet affordability and income targeting requirements for a specified period. HOME is frequently used as critical gap financing for projects funded through the Low-Income Housing Tax Credit, the anchor of the nation's approach to affordable housing production. For many local governments, HOME is the only reliable stream of affordable housing development funds available to them.

Funding:	FY 2020	\$1,350,000,000
	FY 2019	\$1,250,000,000
	FY 2018	\$1,362,000,000
Expenditure:	FY 2020	\$790,491,989.85 (through 9/16/20)
	FY 2019	\$938,270,938.00
	FY 2018	\$944,477,048.00

Impact. Since the first HOME grants were made in 1992, HOME funds have produced more than 1.325 million affordable housing units and assisted more than 377,828 households with TBRA. Over the life of the program, \$1 of HOME funds has leveraged an average of \$4.49 of other public and private funds for affordable housing.

HOME Program Production – Completed Units

Tenure Type/Activity	FY 2019	FY 2020 (YTD 8/31)
Rental Units	10,170	7,899
Homebuyer Units	8,489	5,748
Owner-Occupied Rehabilitation Units	3,936	2,593
Total units	22,595	16,241
Tenant-Based Rental Assistance Households	14,389	12,042

Upcoming Milestones. N/A

Decision Points. The HOME Program requires statutory modernization and streamlining. However, the Department has been unable to put forward a legislative package because the Administration supports eliminating the program. Given that Congress intends to continue funding the program and has even increased appropriations for the last 3 years, continuing the current Administration stance will result in a lost opportunity.

Subtopic 2: Housing Trust Fund

Overview. The Housing Trust Fund (HTF) is a relatively new program funded through an annual assessment on new mortgage originations generated by Fannie Mae and Freddie Mac (known as

Government Sponsored Entities or GSEs). HUD allocates funds by need-based formula to States, the District of Columbia, the Commonwealth of Puerto Rico, and the insular areas for their use in the development of affordable housing projects that increase and preserve the supply of rental housing and homeownership opportunities for extremely low-income families (i.e., families with incomes at or below 30% of area median income or below the poverty line), including homeless families. The first HTF grants were obligated to grantees in late 2016 and early 2017. Consequently, grantees have just recently completed design and initial implementation of their HTF programs as demonstrated by the rapidly increasing expenditure amounts below. HTF can be used to assist families with special needs such as elderly, veterans, homeless, and disabled populations. HTF grantees have discretion to determine the type and location of the housing they will invest in and the population to be served. All housing assisted with HTF funds must meet affordability and income targeting requirements for a specified period.

Funding:	FY 2020	\$326,502,433.41
	FY 2019	\$244,927,190.75
	FY 2018	\$269,130,846.56
Expenditures:	FY 2020	\$162,211,272.52 (through 9/16)
	FY 2019	\$ 80,620,935.00
	FY 2018	\$ 32,119,182.00

Impact. In three years of operation, HTF has funded construction or rehabilitation of 645 units in 86 different projects, with another 1,187 units currently underway. Each dollar of HTF has leveraged \$8.29 of other public and private funds for affordable housing. Completed HTF units are serving elderly individuals and families, disabled individuals and families, and the homeless including homeless veterans, chronically homeless individuals, and homeless families.

Upcoming Milestones. HTF grantees have a statutory 24-month deadline for placing each annual HTF allocation under binding commitment to specific projects. HUD is required to deobligate funds not committed by this deadline and reallocate them to all grantees in the next year's formula. Some grantees have found meeting this deadline challenging, particularly due to business and construction disruptions caused by the COVID-19 pandemic. HUD leadership has unsuccessfully sought legislative relief in the CARES Act and other vehicles. Nearly all grantees have deadlines for their FY 2018 grants in September and October 2020. However, a few grantees have later deadlines and large shortfalls in meeting the deadline, including the State of California which has a \$33 million shortfall toward meeting its February 28, 2021, deadline.

Decision Points. HTF currently operates under an interim rule. The Department will shortly be publishing a solicitation of public comment in the Federal Register, in preparation for publishing a final rule in 2021. This will necessitate numerous policy decisions about potential rule changes in response to public the comments received.

Subtopic 3: COVID Response

Overview. No additional funds were appropriated for HOME under the CARES Act to address the effects of COVID-19. However, the Department used its authority to suspend HOME Program statutory requirements in areas affected by Presidentially-

declared major disasters and its regulatory waiver authority to provide broad administrative, financial, and other relief to HOME participating jurisdictions to assist their effort to address the housing-related effects of the pandemic. The most significant relief involved suspensions and waivers to permit expeditious use of HOME funds to design and administer emergency tenant-based rental assistance (TBRA) programs. These emergency programs target: 1) existing HOME TBRA recipients who require additional assistance due to income or job loss; 2) unassisted tenants who have experienced job loss or a reduction in income; and 3) homeless individuals and families. The suspensions and waivers permit expedited application for and approval of emergency TBRA and increase the maximum subsidy to up to 100% of a tenant's rent and utility costs.

Impact. Congress appropriated other sources of funds for rental assistance under the CARES Act. However, the HOME suspensions and waivers were provided to enable HOME participating jurisdictions to immediately direct funds already available in their Federal HOME accounts to provide assistance to affected tenants. Between April 1, 2020 and September 14, 2020, 95 HOME participating jurisdictions committed \$30.5 million of HOME funds to new TBRA activities and have begun assisting to 2,470 households.

Upcoming Milestones. HOME suspensions and waivers for emergency TBRA expire on December 31, 2020.

Decision Points. Leadership must decide whether to extend TBRA suspensions and waivers to ensure tenants do not lose assistance at the end of the year. There is also some external interest in using HOME as a vehicle for supplemental funding for rental assistance should Congress decide to proceed with additional pandemic-related relief. Because other external parties favor the Emergency Solutions Grants as a rental assistance vehicle, HUD leadership may be called upon to take a position on the Department's preferred rental assistance vehicle.

Contact: Janet Golrick, Acting Deputy Assistant Secretary for Grant Programs, 202-402-3998, Janet.M.Golrick@hud.gov
Virginia 'Ginny' Sardone, Director, Office of Affordable Housing Programs, 202-549-7212, virginia.sardone@hud.gov

Disaster Management

Disaster Management includes response and recovery efforts, and pre-disaster preparedness to achieve greater resilience. If a disaster occurs, the Office of Field Policy and Management and the Office of Disaster Management and National Security (located in the Office of Administration) coordinate the Department's efforts to rehouse people and repair damaged HUD-assisted and public housing properties. Staff from these offices work across the whole Department to ensure a coordinated response and recovery effort. The Secretary or Deputy Secretary's front office tracks large disasters that need a housing recovery support function.

In the event of a disaster, HUD serves as the lead coordinating agency for the Housing Recovery Support Function (RSF). In this capacity, the Department assembles Federal resources to support state and local governments to implement safe, sustainable, affordable, accessible, and healthy housing solutions.

Occasionally, Congress will appropriate additional resources to the Community Development Block Grant (CDBG) Fund for unmet recovery needs in the most affected and distressed areas. Specifically, Congress has appropriated \$83.9 billion to HUD to address long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation. Despite numerous appropriations for these Community Development Block Grant Disaster Recovery (CDBG-DR) funds, CDBG-DR is not a program. Further, HUD must publish modified rules governing each appropriation, while also relying on existing CDBG regulations. CDBG-DR funds are awarded to States and local governments and is managed by the Office of Block Grant Assistance in the Office of Community Planning and Development.

Impact. The Department is engaged in major recovery and mitigation activities across the country including in Texas, Florida, the U.S. Virgin Islands, and Puerto Rico for 2017 disaster events; in 2018 and 2019 several additional communities had significant disasters – American Samoa, the Northern Mariana Islands, California, Iowa, and Nebraska. The recent disasters of 2020 are also increasing the Department's recovery footprint. In all cases, low-income communities, special needs populations, and individuals experiencing homelessness and housing instability are disproportionately impacted by severe weather events. Attention to these vulnerable populations in disaster preparedness and early in the response can help with population-specific planning.

Upcoming Milestones. Recovery work is underway in Texas, Florida, the U.S. Virgin Islands, and Puerto Rico. The Department will soon announce the remaining CDBG-DR funds for 2018 and 2019 disasters. Congress may make a significant disaster recovery appropriation to include additional 2020 disasters.

Decision Points.

How will the Department handle staffing for multiple, concurrent disasters?

Recommendation: Identify in advance where both the political leadership and career leadership will come from in the event of one, two, or even possibly three major disasters in close temporal proximity. The Department has good processes in place to handle smaller

scale disasters, but when a major disaster akin to Hurricane Katrina, Superstorm Sandy, the Louisiana floods, and Hurricane Maria occur, the leadership must reach into program areas to identify leaders who can support the effort from both HQ and in the Field, both in the immediate aftermath and to work with states and communities on long-term recovery.

How will HUD improve efforts to increase the speed of disaster recovery for CDBG-DR grantees?

Recommendation: The CDBG-DR appropriations acts require grantees to submit an action plan describing how the community will use CDBG-DR funds and the Secretary must certify the proficiency of a grantee's procedures prior to the issuance of a CDBG-DR grant agreements. HUD can adhere to the statutory provisions by staggering and reducing the type/amount of information HUD requires for action plans and certifications prior to grant agreement issuance. The Department has implemented several additional requirements for CDBG-DR grantees to respond to the HUD Office of Inspector General (HUD OIG) and the Government Accountability Office (GAO) who have both criticized the sufficiency of HUD's action plan reviews and certification efforts. Modifications to the action plan or certification requirements could garner additional HUD OIG and GAO criticism.

Will HUD codify, or publish regulations, for the CDBG-DR funds?

Recommendation: The appropriations acts require the Department to publish a Federal Register Notice alerting the public of the CDBG-DR allocations and any waivers or alternative requirements to the statutes and regulations governing the CDBG program. If the requirement to publish in the Federal Register is modified or CDBG-DR is authorized as a permanent program, HUD should publish regulations governing CDBG-DR funds. In the interim, the Department can streamline the requirements for accessing CDBG-DR funds through the creation of a Universal CDBG-DR Action Plan and a standard Federal Register Allocation Notice to create a uniform set of rules governing all future allocations. Any modifications to CDBG-DR appropriations acts or permanent authorization should retain the Secretary's authority to waiver or publish alternative requirements, which would likely required publication in a Federal Register Notice.

— Contact —

- For Department's Disaster Management efforts, Janet Golrick, (202) 402-3998, Janet.M.Golrick@hud.gov
- For HUD Field Operations and local recovery efforts, contact the Office of Field Policy and Management
- For staffing, Chief Administrative Officer
- For Disaster grant resources including CDBG-DR, Janet Golrick, Acting Deputy Assistant Secretary, Office of Community Planning and Development, (202) 402-3998, Janet.M.Golrick@hud.gov

The Department recognized that COVID-19 would have significant impacts on long-term disaster recovery efforts, including delays in construction, limited access to construction and other supply chains, and ultimately, reduce ability to conduct on-site oversight. COVID-19 also limited some of the Department's immediate disaster response efforts. To provide flexibility to CDBG-DR grantees who had several deadlines associated with accessing CDBG-DR funds in early 2020 as well as expenditure deadlines made unrealistic by the pandemic, the Department provided the following:

Extension for Expenditure Deadlines

- One-year extension of the previously established expenditure deadline to CDBG-DR grantees who have received funds for a 2015, 2016, or 2017 disaster.
- Offered the option for a CDBG-DR grantee to request an additional extension beyond the one-year extension (for a maximum extension of two years).
- Required "slow spenders" pre-pandemic to address underlying cause of recovery delays

Submission Extensions

- For 2018 or 2019 disaster CDBG-DR grantees, the Department provided an extension to submit the required certifications, implementation plan, and capacity assessment until July 2020. The deadline for a CDBG-DR grantee to submit its initial CDBG-DR action plan for disaster recovery was extended until August 31, 2020.
- Clarified submission deadlines for grantees who received an allocation for unmet infrastructure needs in response to a 2017 disaster to submit a substantial amendment August 31, 2020.
- Allowed individual CDBG-DR grantees to request further submission extensions, if necessary.

Upcoming Milestones

CDBG-DR grantees from the 2018 and 2019 disasters and will be submitting the required items through the remainder of 2020 and through January 2021. The grantees that received CDBG-Mitigation Funds will also be submitting the required items (e.g., Action Plans) through the end of 2020 and possibly later with any approved extensions. The Department has a final allocation of \$270M for 2018/2019 disasters that must be announced and that will trigger additional submissions by grantees to access those funds.

Decision Points

Will the Department continue the suspension of on-site monitoring of grant recipients, including CDBG-DR grantees?

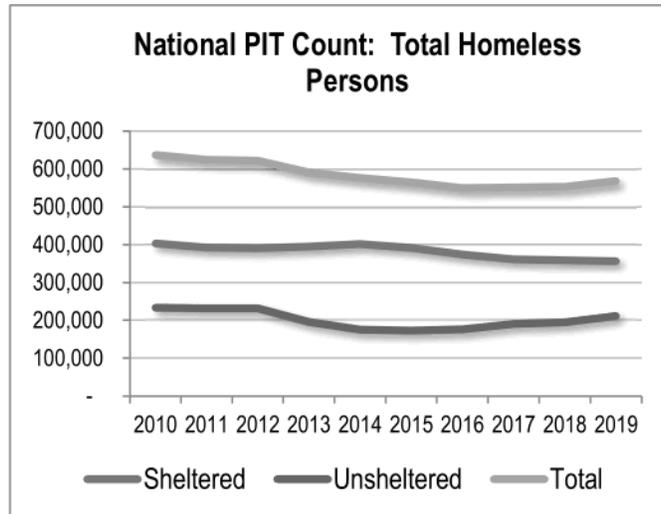
Recommendation: Identify the criteria that would be necessary to authorize HUD staff to travel safely to perform on-site reviews, considering both the grantee's and employee's local "returning to the office" status. In the interim, identify revised expectations to demonstrate HUD has sufficient oversight actions when on-site monitoring reviews cannot be achieved during the COVID-19 social distancing period. For example, additional guidance could be developed regarding grantee's internal audits, HUD's remote monitoring, and/or grantee reporting.

Contact

- For Department's Disaster Management efforts, Janet Golrick, (202) 402-3998, Janet.M.Golrick@hud.gov
- For HUD Field Operations and local recovery efforts, contact the Office of Field Policy and Management
- For staffing, Chief Administrative Officer
- For Disaster grant resources including CDBG-DR, Janet Golrick, Acting Deputy Assistant Secretary, Office of Community Planning and Development, (202) 402-3998, Janet.M.Golrick@hud.gov

Homelessness

HUD plays a critical role in the Nation's effort to prevent and end homelessness. There has been progress towards ending homelessness in the last decade with veterans and families with children experiencing homelessness. However, there has been a recent rise in homelessness among unsheltered individuals without children that is primarily driven by rising rents and tight rental markets in major cities.



HUD reported an estimated 567,715 people experiencing homelessness in January 2019. While this is an 11 percent decrease in homelessness since 2010 it is a 3 percent increase from the previous year. This rise in homelessness included a 9 percent increase from 2018 in people living in unsheltered situations. Unsheltered homelessness has been rising since 2016. This increase is most acute in the West Coast where rental housing is becoming more scarce and more expensive.

While homelessness among single individuals has been rising, the number of families with children experiencing homelessness has been steadily declining each year leading to a one third reduction in families with children experiencing homelessness (from 79,442 households in 2010 to 53,692 households in 2019). Additionally, homelessness among veterans has fallen by 50 percent since 2010. This decline in veteran homelessness demonstrates the impact of federal partnership and concentrated resources for people experiencing homelessness.

Over the last several years HUD has elevated the need to address youth homelessness. In collaboration with federal partners, HUD improved data collection and set January 2017 as the new baseline for counting youth experiencing homelessness. Between January 2017 and 2019, homelessness among unaccompanied youth declined by 8 percent. To further the effort to end youth homelessness, Congress authorized and funded the Youth Homelessness Demonstration Program – a program designed to create coordinated community approaches to preventing and ending youth homelessness, and sharing lessons learned and mobilizing communities around the country. HUD has now awarded over \$150 million to 44 urban and rural communities around the country and has been appropriated additional funding to continue the program.

Since 2010, HUD has seen a decrease in chronic homelessness by 9 percent. However, similar to the rise in unsheltered homelessness, chronic homelessness has been rising in the last few years. Since its low of 77,486 people experiencing chronic homelessness in January 2017, it has risen to 96,141 people (24 percent increase). This rise is partly affected by changes in the affordable housing markets but HUD is looking into other drivers in this concerning trend.

HUD prioritizes using evidence-based practices and regular engagement with communities to guide how the efforts to end homelessness. HUD has a strong focus on evaluating the

performance of each locality. HUD also is also engaged with researchers and the field to understand what service models are proving most effective and why.

HUD's efforts to address homelessness have been drastically affected by COVID-19. While COVID-19 presents a significant risk to people experiencing homelessness it also provides an opportunity to make progress towards ending homelessness.

Most targeted programs and policy work related to homelessness are in the Office of Community Planning and Development (CPD), though the Offices of Public and Indian Housing (PIH) and Multifamily Housing contribute. The Office of Policy Development & Research (PDR) provides key support.

Subtopic 1: CARES Act and COVID Response

Overview. In March 2020, Congress appropriated \$4 billion to HUD's Emergency Solutions Grants (ESG) Program. The CARES Act required HUD to distribute these additional resources through two allocations. In the first method, HUD allocated \$1 billion to recipients of FY 2020 ESG funds based on the regular formula used to allocate the FY 2020 funds. A list of eligible recipients is provided at https://www.hud.gov/program_offices/administration/hudclips/notices/cpd. The remaining CARES Act funds were allocated to geographical areas with the greatest need, including having high rates of homelessness and overcrowding. The CARES Act ESG funds (ESG-CV) are intended to prevent, prepare for, and respond to coronavirus among individuals and families that are experiencing homelessness and to support additional assistance and homelessness prevention activities to mitigate the impact of coronavirus across the country. In an effort to provide communities with maximum flexibility to use ESG CV funds to address needs specific to their community, HUD published a notice (CPD-20-08) that allows for additional activities and flexibilities.

Impact. ESG-CV funds will be used in communities to provide emergency shelter, temporary emergency shelter, or rapid rehousing and other crisis response activities including homelessness prevention, handwashing stations, hotel/motel costs, landlord incentives, volunteer incentives, and hazard pay for staff. Providing these flexibilities will enable ESG recipients to protect their clients and to mitigate the spread of coronavirus in their homeless system.

Upcoming Milestones. HUD waived the regulatory obligation deadlines associated with ESG and provided recipients with alternative requirements to help them provide funding to organizations that don't typically receive federal homelessness funding. States have 180 days from the day HUD signs the grant agreement to obligate funds for activities it will carry out directly and 240 days to obligate funds to subrecipients. Metropolitan cities, urban counties, or territories have up to 240 days to obligate ESG-CV funds. HUD also waived the 24 month expenditure deadline and is instead requiring recipients spend all ESG CV funds by September 30, 2022. HUD has also imposed progressive expenditure deadlines in order to reallocate funds from communities that are not on track to spend their entire ESG-CV allocation.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may need to respond to Congressional inquiries related to the requirements of the ESG-CV program. The Office of the Secretary or the Office of the Deputy Secretary may also need to respond to inquiries from various sources regarding the number of individuals and families assisted with

ESG-CV funds, the impact of the assistance, and how quickly recipients are spending funds and what activities they are using ESG CV funds for.

Contact. Norm Suchar, Director of the Office of Special Needs Assistance Programs, norman.a.suchar@hud.gov, 202-402-5015.

Subtopic 2: CoC Program Competition

Overview. The Continuum of Care (CoC) and the Emergency Solutions Grants (ESG) programs are administered by the Office of Special Needs Assistance Programs (SNAPS) within CPD. ESG funding, which last year totaled \$290 million, is allocated through a formula to state and local governments. CoC Program funding is awarded through a national competition.

The CoC Program competition is the largest federal competitive grant program with over \$2 billion in nearly 7,000 projects. The competition balances a priority on renewal funding with levers to encourage better performance and funding proven strategies.

Impact. In most localities, funds received through the annual CoC Program competition make up most of the funding available for addressing homelessness. For this reason, HUD can use the competitive process to drive better performance, improved outcomes for program participants, and the adoption and implementation of strategies and program models that are proven to work. As the CoC program becomes more competitive, some localities have and may continue to lose CoC program funding while others are able to secure additional funding for new programs.

Upcoming Milestones.

- FY 2020 CoC Program Competition Notice of Funding Availability (NOFA) Clearance Process (30-60 Days). SNAPS anticipates placing the FY 2020 CoC Program NOFA into departmental clearance in October 2020 and it will need to be cleared by November 30, 2020.
- Opening of the FY 2020 CoC Program Competition. If the FY 2020 CoC Program NOFA clearance process goes as scheduled, SNAPS anticipates opening the CoC Program competition on December 1, 2020 to ensure that recipients are able to receive renewal funding for grants before the current operating year expires.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may need to respond to Congressional inquiries related to the requirements of the FY 2020 CoC competition due to the timing of the start of FY 2020 grants and the end of the competition. The Office of the Secretary or the Office of the Deputy Secretary may need to resolve disputes during FY 2020 NOFA clearance or other issues that may delay the opening of the competition.

Contact. Norm Suchar, Director of the Office of Special Needs Assistance Programs, norman.a.suchar@hud.gov, 202-402-5015.

Subtopic 3: 2021 Point-In-Time Counts

Overview. During the last ten days of January, all CoCs conduct an annual point-in-time count of persons experiencing sheltered and unsheltered homelessness.

Impact. HUD submits an annual report to Congress on the data that is collected during the annual point-in-time count. This data is used to compare progress from year to year and to understand the characteristics of people experiencing homelessness.

Upcoming Milestones. All 400 localities will select a one-night period between January 21, 2021-January 31, 2021 to conduct their annual point-in-time count. Normally, the CoC Program regulation requires all localities to conduct counts every other year and historically this has been in odd-numbered years. All localities conduct a sheltered count annually and will do so again in 2021. However, COVID-19 presents challenges with access to sufficient volunteers, limited resources, and ability to conduct the unsheltered counts in a way that does not jeopardize the safety of people experiencing homelessness, provider staff and volunteers. HUD is talking to researchers and plans to talk to CDC about options for safely conducting a 2021 unsheltered PIT count.

Decision Points. HUD must decide whether it will require localities to conduct counts of the unsheltered homeless population. Even if HUD requires localities to conduct the count, localities have already indicated that the count effort could not possibly match past efforts raising concerns about the usefulness of the data.

Contact. Norm Suchar, Director of the Office of Special Needs Assistance Programs, norman.a.suchar@hud.gov, 202-402-5015.

Subtopic 4: Unsheltered Homelessness

Overview. In 2016, for the first time since 2010, unsheltered homelessness increased nationally – largely driven by low vacancy rates and high costs for rental housing in major cities across the country. Communities struggle with addressing encampments, increased demand for shelter, public health outbreaks in the homeless population, and a lack of available affordable housing. The COVID-19 pandemic has only heightened the urgency to reverse these trends.

Impact. Using the increased resources through the CARES Act alongside HUD’s traditional dedicated homelessness resources (e.g., Continuum of Care Program, Emergency Solutions Grants Program, HUD-VASH) to promote strategies that reduce homelessness, including unsheltered homelessness, will help communities house people experiencing homelessness.

Upcoming Milestones. HUD will continue to implement technical assistance to communities with the highest rates and increases of unsheltered homelessness, with particular focus on those communities also experiencing high levels of coronavirus. Additionally, HUD will continue to promote best and promising practices through the funding of CoC and ESG Program grants.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may be asked to conduct interviews and respond to press inquiries about unsheltered homelessness in various parts of this country, particularly on the west coast. Additionally, the Office of the Secretary or the Office of the Deputy Secretary may need to monitor the implementation of ESG-CV funds and determine whether additional guidance or requirements are necessary to ensure communities effectively utilize the funding.

Additionally, the Office of the Secretary or the Office of the Deputy Secretary will need to determine the appropriate time to release a NOFA to specifically address unsheltered homelessness, the publication of which was postponed due to the increased workload in communities due to COVID-19. It is also recommended that within the first 30 days, the HUD Secretary personally reach out to political leadership in Los Angeles which has the highest numbers of unsheltered homelessness.

Contact. Norm Suchar, Director of the Office of Special Needs Assistance Programs, Norman.A.Suchar@hud.gov, 202-402-5015.

Subtopic 5: Moving-On Strategy

Overview. While individuals and families with complex needs and frequent histories of homelessness are often best served by Permanent Supportive Housing (PSH), which has intensive wrap around services, over time the needs for these services may diminish. Helping connect PSH participants with other housing resources can provide additional independence and choice to the participant, as well as being a cost-effective strategy for increasing the number of individuals and families that can be served by PSH.

Impact. As part of its work on the strategic initiative to implement cost-effective strategies to ending homelessness, HUD began a multi-pronged approach to promoting the implementation of Moving On strategies, including:

- A working group, including representatives from CPD, PD&R, PIH, and Housing, to determine potential policy changes that could help promote Moving On
- Intensive TA to 7 communities to help them develop a Moving On strategy
- Publishing resources to help communities that did not receive the intensive TA work to implement Moving On efforts.

Upcoming Milestones. Several of the communities receiving the intensive TA paused their work on the initiative to address immediate community needs related to Covid-19. As communities are able, HUD will resume and continue to implement technical assistance, as well as offer intensive TA to additional communities. Additionally, HUD will continue to promote best and promising practices for communities around Moving On efforts.

Decision Points. HUD will need to determine criteria for selecting the next communities who may receive intensive Technical Assistance related to Moving On.

Contact. Norm Suchar, Director of the Office of Special Needs Assistance Programs, norman.a.suchar@hud.gov, 202-402-5015.

Subtopic 6: Rural Homelessness

Overview. People experiencing homelessness in rural communities face unique challenges, including limited access to services, difficulties with adequate transportation across large geographies, and limited leadership and provider capacity. Based on recent updates to HUD's homeless data, 116 out of 400 (29 percent) localities are predominantly rural.

Impact. Beginning in 2017, HUD implemented a multi-pronged approach to build the capacity of rural communities to address the needs of persons experiencing homelessness in their areas. This effort focuses on

1. evaluating programmatic changes to ensure the unique needs of rural communities are considered in regulations, Notices, and other relevant areas;
2. enhancing collaboration with federal and national partners as well as localities to understand what needs exist, what solutions have already been identified, and how to partner to promulgate best practices;
3. providing technical assistance directly to rural communities as well as enhanced guidance that all rural communities can use to improve their efforts to end homelessness.

Upcoming Milestones. HUD will continue to partner with federal and national partners to address needs of people experiencing homelessness in rural areas. HUD will continue to provide direct assistance to rural communities. HUD is working on a series of national guidance documents to highlight best practices. Many of these are on hold due to COVID-19 but we have included our rural technical assistance providers in our teams that develop resources. We also provide targeted assistance to ESG-CV state recipients with the intent of helping them reach rural communities.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may be asked to conduct interviews and respond to press inquiries about rural homelessness in various parts of this country.

Contact. Norm Suchar, Director of the Office of Special Needs Assistance Programs, Norman.A.Suchar@hud.gov, 202-402-5015.

The HOPWA Program

Purpose

The Housing Opportunities for Persons With AIDS (HOPWA) program was established by the AIDS Housing Opportunity Act and remains the only federal housing program solely dedicated to providing housing assistance for persons and their families living with HIV/AIDS. The program provides states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of low-income persons living with HIV/AIDS. HOPWA housing support enables these special-needs households to establish or maintain stable housing, reduce their risks of homelessness, and improve their access to healthcare and other support. Housing assistance provides the foundation from which these individuals and their families may participate in advances in HIV treatment and related care.

The HOPWA program provides formula allocations and competitively awarded grants to eligible states, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV/AIDS. These resources help clients maintain housing stability, avoid homelessness, and improve access to HIV/AIDS treatment and related care while placing a greater emphasis on permanent supportive housing.

Housing stabilization can lead to reduced-risk behavior and reduced HIV transmission, a significant consideration for federal HIV prevention efforts. Multiple studies have found the lack of stable housing to be one of the most significant factors limiting the use of antiretrovirals (ARVs), regardless of insurance, substance abuse, and other factors. Housing interventions improve stability and connection to care, providing the essential foundation for participating in ARV treatment and achieving an undetectable viral load. Research shows that when people living with HIV attain and maintain an undetectable viral load, it is virtually impossible for them to transmit HIV.

HOPWA grants may be used to provide a variety of forms of rental housing assistance, including emergency and transitional housing, shared housing arrangements, community residences, and single room occupancy dwellings (SROs). Appropriate supportive services are provided as part of any assisted housing. Eligible grant activities include housing information, resource identification, and permanent housing placement; acquisition, rehabilitation, conversion, lease, and repair of facilities to provide short-term shelter and services; new construction (for SROs and community residences only); project- or tenant-based rental assistance, including assistance for shared housing arrangements; short-term rent, mortgage, and utility payments; operating costs; technical assistance for community residences; administrative expenses; and supportive services, including case management.

Program Results

In Fiscal Year (FY) 2019 (the most recent and complete data set), the HOPWA program ensured housing stability for 107,519 households through housing assistance and/or supportive services.

HOPWA demonstrates improved program beneficiary outcomes with respect to access to care and support resulting in a foundation for increased housing stability and better health

outcomes. In FY 2019, 96 percent of clients receiving tenant-based rental assistance achieved housing stability; 96 percent residing in a permanent housing facility achieved housing stability; and 70 percent of clients receiving transitional or short-term housing facilities assistance achieved housing stability.

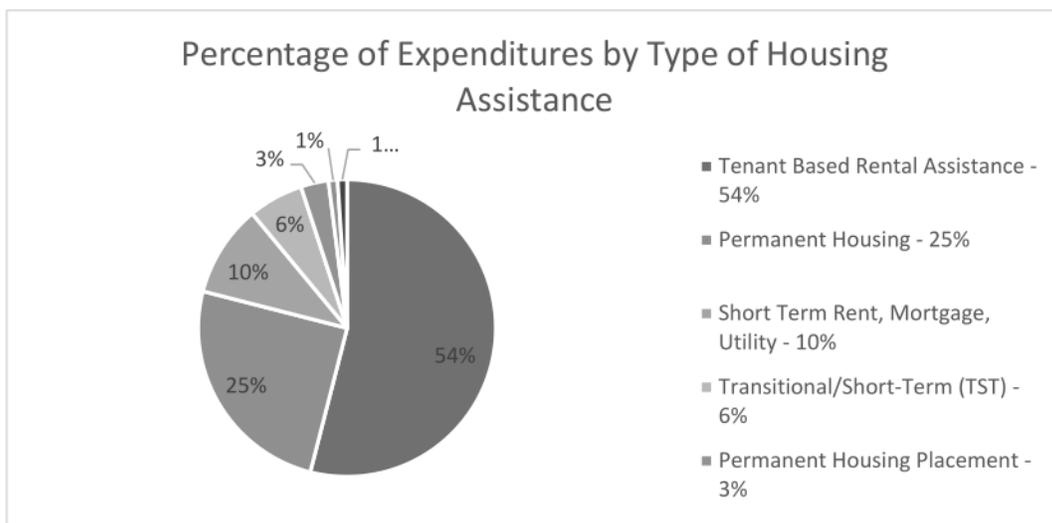
Additionally, 95 percent of households served in FY 2019 had a housing plan, 95 percent had contact with a case manager, 92 percent had contact with primary care, 93 percent accessed medical insurance, 86 percent accessed income, and 8 percent obtained a job through HOPWA-funded employment services. Among the HOPWA eligible individuals served by the program: 57 percent are Black/African American, 34 percent are white; 63 percent are male, 34 percent are female, and 3 percent are transgender; 42 percent are 51 or older, 44 percent are 31-50 years old, 13 percent are 18-30 years old, and 1 percent are younger than 18 years old.

Appropriations and Expenditures

In the past three years, Congress has appropriated the HOPWA program at \$375 million in FY 2018, \$393 million in FY 2019, and \$410 million in FY 2020 (to understand how congressional appropriations affect HOPWA Formula Modernization, please see Subtopic B: Formula Modernization below).

In FY 2018 and FY 2019, HOPWA grantees expended approximately \$330 million and \$350 million, respectively. In those years, approximately 70 percent of funds were spent on housing assistance, 19 percent on supportive services, 7 percent on administration and management, 3 percent on housing information services, and 1 percent on housing development.

Of the 71 percent of funds utilized for housing assistance, 54 percent of funds were used for tenant based rental assistance, 25 percent for permanent housing, 10 percent for short term rent, mortgage, and utility payments, 6 percent for transitional/short-term housing (TST), 3 percent for permanent housing placement, 1 percent for permanent housing development, and 1 percent for TST development (please see chart below).



Subtopic A: CARES Act and COVID Response

Overview. In March 2020, Congress appropriated \$65 million to HUD's Housing Opportunities for Persons with AIDS program. The CARES Act required HUD to distribute the funding in the following manner:

- \$53.7 million to formula grantees using the same data elements from the statutory allocation formula (42 U.S.C. § 12903) used to determine FY 2020 HOPWA formula allocations.
- \$10 million in additional one-time, non-renewable funding to HOPWA permanent supportive housing competitive grantees that were initially funded with appropriated funds from FY 2010 or earlier and are currently administering grant awards.
- \$1.3 million in funding to increase prior awards made to existing HOPWA technical assistance (TA) providers to provide an immediate increase in capacity building and TA available to grantees.

The supplemental HOPWA grant funds authorized under the CARES Act are to be used as additional funding to maintain operations, and for rental assistance, supportive services, and other necessary actions, in order to prevent, prepare for, and respond to COVID-19. In order to provide grantees with maximum flexibility to use HOPWA CARES Act funds to address the specific needs of low-income people living with HIV/AIDS in their communities, HUD published a notice (CPD-20-05) and two waiver memorandums that allow for additional activities and flexibilities.

Impact. HOPWA CARES Act funds will be used by grantees to provide up to 24 months of short-term rent, mortgage, and utility payments to prevent homelessness, hotel/motel costs, transportation services, nutrition services, case management, and infection control measures such as cleaning and disinfectant supplies, gloves, PPE, and other safety-related supplies for staff and assisted households. These activities will enable HOPWA grantees to protect clients and staff and prevent homelessness or housing instability for assisted households. HOPWA Cares Act TA funds have been used to develop a series of webinars, fact sheets, and other resources to assist grantees in effectively planning for and implementing the CARES Act grants.

Upcoming Milestones. The CARES Act requires HUD to obligate HOPWA formula funds by September 30, 2021, and HOPWA competitive funds by September 30, 2022. The HOPWA Cares Act grant agreement for formula and competitive grantees sets a three-year period of performance from the execution of the grant agreement. HOPWA grantees have experienced initial delays in expending the CARES Act funds. The Office of HIV/AIDS Housing is implementing a communication plan with field offices to address any barriers preventing the expenditure of CARES Act funds, identify any technical assistance needs grantees may have, and provide information to assist in moving the HOPWA CARES Act grants forward in the expenditure of funding.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may need to respond to Congressional inquiries related to CARES Act HOPWA requirements. The Office of the Secretary or the Office of the Deputy Secretary may also need to respond to inquiries from various sources regarding the number of individuals and

families assisted with CARES Act HOPWA funds, activities funded, outcomes of assistance, and how quickly funds are expended.

Contact. Rita Harcrow, Director of the Office of HIV/AIDS Housing, Rita.U.Harcrow@hud.gov, (202) 402-5374.

Subtopic B: Formula Modernization

Overview. Housing Opportunities for Persons With AIDS (HOPWA) formula grants are made using a statutorily mandated formula to allocate approximately 90 percent of HOPWA funds to Metropolitan Statistical Areas (MSAs) and States. The HOPWA formula was modernized on July 29, 2016, through the passage of the Housing Opportunity Through Modernization Act (HOTMA), Public Law 114-201. HOTMA modernized the HOPWA formula to better reflect current trends in the HIV epidemic by basing the formula on persons living with HIV/AIDS and incorporating local housing costs and poverty rates in to the formula.

Impact. Changes to grantee allocations resulting from the revised formula allocation are being phased-in over five years beginning with fiscal years 2017 and ending in 2021 with full implementation in 2022. During this stop-loss period, each grantee that received an allocation in the previous fiscal year has not gained more than 10% or lost more than 5% of the share of the total available formula funds that the grantee received in the preceding fiscal year. Grantees projected to experience significant gains or losses due to modernization have been identified and are receiving direct assistance from HOPWA Technical Assistance (TA) providers to plan for these funding changes.

Upcoming Milestones. Moving into the fiscal year 2021 (the final year of the stop-loss), OHH anticipates some volatility in grantee allocations based on congressional appropriation. During the stop-loss period, congressional appropriations have funded the HOPWA program so that no HOPWA formula grantee lost funding due to dynamic implementation of Modernization from year to year. This de facto Hold Harmless funding trend may or may not continue, however OHH has projected multiple funding scenarios for each formula grantee should Hold Harmless continue.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may need to respond to inquiries from Congress and various sources regarding grantee funding projections, the impact of HOPWA formula modernization on specific communities, and the outcomes of TA support.

Contact. Rita Harcrow, Director of the Office of HIV/AIDS Housing, Rita.U.Harcrow@hud.gov, (202) 402-5374.

Subtopic C: Ending the HIV Epidemic Initiative

Overview. The Ending the HIV Epidemic Initiative: A Plan for America (EHE) was announced by President Donald J. Trump during the February 9th, 2019 State of the Union address. The EHE Initiative, led by the Department of Health and Human Services (HHS), seeks to reduce new HIV infections in the US by 75 percent in 2025 and 90 percent in 2030

by leveraging critical scientific advances in HIV prevention, diagnosis, treatment, and outbreak response.

Impact. In August 2019, OHH was contacted to coordinate with the Office of Infectious Disease and HIV/AIDS Policy (OIDP) at HHS to determine how the HOPWA program can work in conjunction with the EHE initiative. Following the initial discussions, OHH developed a HOPWA Resource spreadsheet tool that allowed EHE Phase 1 Jurisdictions and their HOPWA grantee counterparts to identify where HOPWA resources are available in EHE Jurisdictions. In the time since, OHH has conducted and participated in webinars for EHE Jurisdictions and HOPWA grantees demonstrating the Resource tool and distributing it to OHH's federal partners, HOPWA grantees, and EHE planners.

Upcoming Milestones. Current plans for OHH's continued collaboration with the EHE Initiative includes (1) a public version of the HOPWA Resource spreadsheet tool, (2) annual updates of the data in the HOPWA Resource tool, and (3) continued support with HHS and OIDP.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may need to respond to inquiries from Congress and various sources regarding HUD's role in the EHE Initiative and the results of this collaboration.

Contact. Rita Harcrow, Director of the Office of HIV/AIDS Housing, Rita.U.Harcrow@hud.gov, (202) 402-5374.

Subtopic D: National HIV/AIDS Strategy

Overview. The National HIV/AIDS Strategy is a five-year plan that details priorities and actions to guide the domestic response to the HIV epidemic. It was first released in 2010 and updated in 2015. HUD is one of the member agencies of the National HIV/AIDS Strategy Federal Interagency Working Group, chaired by OIDP, that is charged with lead responsibility for implementing the Strategy. The Strategy recognizes the connection between safe, stable housing and successful HIV health outcomes. Many of HUD's action items under the Strategy involve coordination with other Federal agencies on initiatives aimed at improving housing and health outcomes for persons living with HIV and their families. The Strategy includes indicators to monitor annual progress, including an indicator on the number of people living with HIV who are homeless, which has remained relatively stable over the last five years.

Impact. The cross-agency collaboration called for in the National HIV/AIDS Strategy has resulted in several joint initiatives with Federal partners. This includes the Violence Against Women Act and Housing Opportunities for Persons With AIDS (VAWA/HOPWA) demonstration grantees, a joint HUD and U.S. Department of Justice funded grant initiative aimed at addressing the housing, health, and safety needs of low-income persons living with HIV who are survivors of intimate partner violence. The Strategy has also helped to foster two multi-year collaboration projects with the Health Resources and Services Administration HIV/AIDS Bureau, with investment of resources from the Health and Human Services Minority AIDS Initiative Fund. One of these projects seeks to improve service coordination, housing stability, and health outcomes for persons living with

HIV/AIDS via integrated data systems between Ryan White HIV/AIDS program recipients and HOPWA providers. Another project focuses on operationalizing HUD's Getting to Work employment training curriculum to support the design, implementation, and evaluation of innovative interventions that coordinate HIV primary care, housing, and employment services in communities to improve health outcomes for people living with HIV.

Upcoming Milestones. The current iteration of the National HIV/AIDS Strategy contains goals and actions through the end of calendar year 2020. The Federal Interagency Working Group is convening quarterly and currently working on the development of the next iteration of the Strategy for years 2021-2025.

Decision Points. The Office of the Secretary or the Office of the Deputy Secretary may need to respond to inquiries from Congress and various sources regarding HUD's role in implementing the National HIV/AIDS Strategy, results of collaborative actions and initiatives identified in the Strategy, and progress made on the Strategy's homelessness indicator.

Contact. Rita Harcrow, Director of the Office of HIV/AIDS Housing, Rita.U.Harcrow@hud.gov, (202) 402-5374.

Community Development Block Grant program

The Community Development Block Grant (CDBG) program is the broadest domestic development assistance program in the federal government portfolio. CDBG develops viable urban and rural communities by expanding economic opportunities, providing decent housing, and improving quality of life, principally for low- and moderate-income persons. The program provides annual grants to over 1,200 recipients, including large cities, urban counties, States, Puerto Rico, and the U.S. Territories. All cities and towns in the United States can potentially receive CDBG funding, either from HUD directly or through their respective State.

Communities use the funds for projects initiated and developed at the local level based on local needs, priorities, and benefits to the community. There are 26 statutory eligible activities; the most funded activities include public facilities, infrastructure, housing, economic development, and planning. Each activity must also meet a national objective of: 1) benefiting low- and moderate-income persons; 2) eliminating slums or blighting conditions; or 3) addressing urgent needs related to an immediate threat to the health or welfare of the community.

CDBG funding is often used in association with other HUD grants for projects that further the Priority Goals of promoting economic opportunity for HUD-assisted residents, reducing the average length of homelessness, and protecting families from lead-based paint and other health hazards. Last year alone, the program provided funding for:

- More than 19,500 individuals to find permanent employment or to keep the full-time jobs they were at risk of losing;
- Improvements to homeless facilities serving nearly 152,000 people;
- Lead-based paint testing and abatement for 4,342 homes and screening for another 9,426 people; and
- Senior services, operating costs of homeless and AIDS patients programs, food banks, services for the disabled, and general health or mental health services, assisting over 3.9 million people from coast to coast.

Communities predominantly expend funding for housing-related activities and public improvements. Housing activities served over 84,000 families in FY 2019 and included direct homeownership assistance and home rehabilitation. Public improvements, such as streets, sidewalks, parks, and water and sewer systems, served over 2.3 million people in FY 2019.

Under the CDBG formula, 70 percent of funding goes to the urban entitlement program, and 30 percent goes to the state program. In the rural and suburban communities funded through the State CDBG program, recipients use CDBG funds predominantly for public improvements.

Expenditures by Activity Category.

FY2019 Expenditures by Activity Category by Entitlements and States					
Entitlements			States		
6%		\$131,333,547	Acquisition	\$12,338,135	1%
17%		\$399,765,578	Administrative And Planning	\$81,566,965	9%
5%		\$114,228,024	Economic Development	\$99,097,880	11%
28%		\$666,074,740	Housing	\$126,706,709	14%
25%		\$590,233,287	Public Improvements	\$566,404,546	62%
14%		\$337,436,407	Public Services	\$14,923,036	2%
0%		\$8,584,280	Other	\$5,242,911	1%
4%		\$96,372,926	Repayments Of Section 108 Loans	\$1,070,329	0%
		\$2,344,028,788	Total FY2019 Expenditures	\$907,350,510	
			\$3,251,379,298		

expenditures include program income

Grantee frequently make these investments in community development in conjunction with other funding. CDBG is often treated as gap financing and is necessary for a project to be successful. HUD requests that grantees report on leveraged funds to demonstrate local investment, as well as public private partnerships. Nearly 4,200 CDBG investments reported leveraging an average of \$3.83 for every \$1 of grant funding during FY 2018, amplifying the CDBG program's return on investment with \$2.24 billion in other resources.

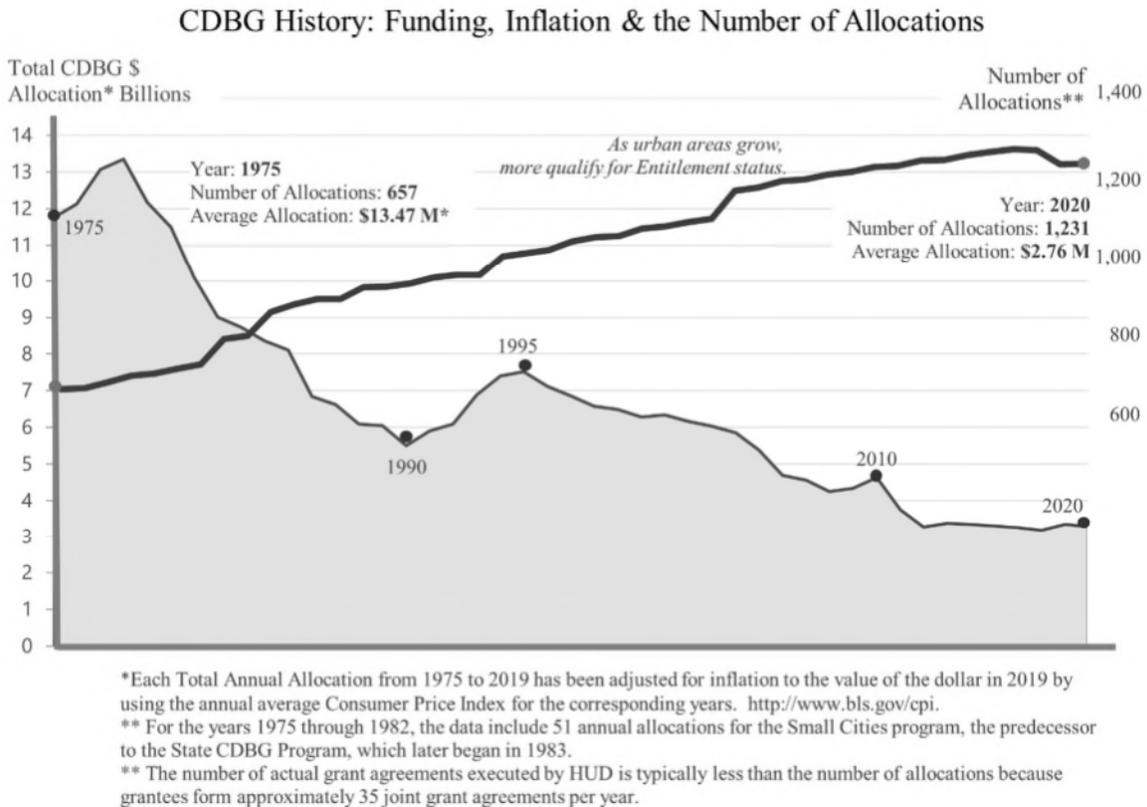
To encourage local leverage of CDBG funds, pending proposed rulemaking will enhance grantees' ability to use CDBG funds for economic development. The proposed rule also removes updates outdated program regulations, improves data collection to measure effectiveness and improve program outcomes through more effective use of CDBG funds, and ensures grantees use funds efficiently and in a timely manner in benefiting their communities.

The effectiveness of CDBG funding is evident in the accomplishments of the program. The table below demonstrates those accomplishments over the past decade. Additionally, the relative cost of activities and the impacts of funding changes are expressed by the number of beneficiaries served for every \$100 million of CDBG investment in each category.

Outcomes Associated with CDBG Funding, Fiscal Years 2010 through 2019

Economic Development	
Permanent Jobs directly Created or Retained	199,234 Jobs
Annual Funding Change Impact:	
For every \$100 million of CDBG funding	8,548 Jobs
Public Improvements	
Persons Benefitted by these Facilities	30,979,535 Persons
Annual Funding Change Impact:	
For every \$100 million of CDBG funding	259,933 Persons
Public Services	
Persons Benefitting from these services	91,686,939 Persons
Annual Funding Change Impact:	
For every \$100 million of CDBG funding	3,040,443 Persons
Housing	
Households Assisted (excluding housing counseling)	828,373 Households
Annual Funding Change Impact:	
For every \$100 million of CDBG funding	9,528 Households

However, during its 44-year history, the impact of the CDBG program has been strained by increasing numbers of qualifying entitlement grantees (see graphic below). For example, the FY 2020 enacted amount of \$3.4 billion represents approximately one quarter of the funding level in 1975 when adjusted for inflation, while the number of grantees has doubled.



Upcoming Milestones. HUD will be issuing a notice of correction for the FY 2020 formula grant allocations as the current amounts reflect a calculation error in the original allocation. The timing of the notice will depend on a pending budget continuing resolution. The Assistant Secretary and Deputy Assistant Secretary may need to respond to external inquiries from members of Congress and/or grantees related to allocation adjustments.

Decision Points. HUD intends to automate the entitlement urban county qualification and re-qualification process. Grantees would be able to upload their urban county qualification and re-qualification documents and select their participating jurisdictions. HUD will only have to do quality control on document input, and the automated system will afford grantees more control and responsibility of the process and increase transparency. The Assistant Secretary and Deputy Assistant Secretary for Operations will have to work with OCIO to secure departmental information technology funds to create the automated system.

Contact. Jessie Handforth Kome, Director of the Office of Block Grant Assistance, Jessie.Handforth.Kome@hud.gov, 202-402-5539.

Subtopic 1: CARES Act and COVID-19 Response

Overview. In March 2020, Congress appropriated \$5 billion through the CARES Act to the CDBG program to help states and local communities prevent, prepare for, and respond to coronavirus (CDBG-CV funds). The CARES Act required HUD to distribute these additional resources through three allocations. In the first allocation, required by the CARES Act, HUD allocated \$2 billion to recipients using the same formula that it used to allocate FY 2020 CDBG grants pursuant to the Housing and Community Development Act of 1974. For the second allocation, also required by the CARES Act, HUD allocated \$1 billion directly to states and insular areas. For the third allocation, the CARES Act authorized the Secretary to allocate the remaining \$2 billion (minus \$10 million for technical assistance) according to a formula based on factors to be determined by the Secretary, prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions resulting from coronavirus. The Secretary published the methodology behind and amounts for the third round of allocations on September 11, 2020, which is available at https://www.hud.gov/program_offices/comm_planning/funding_covid-19.

HUD published a notice of rules, waivers, and alternative requirements for CDBG-CV and FY 2019 and 2020 grants on August 7, 2020, which is available at <https://www.hud.gov/sites/dfiles/CPD/documents/FR-6218-N-01-CDBG-CV-clean-8-7-20-header-for-posting.pdf> (in addition to appropriating CDBG-CV funds, the CARES Act authorized the Department to issue program flexibilities for FY 2019 and 2020 CDBG grants). Other COVID-19 guidance for CDBG grantees is available at https://www.hud.gov/program_offices/comm_planning/cdbg_programs_covid-19.

Impact. Communities will use CDBG-CV funds to address the significant public health and economic challenges related to COVID-19. CDBG-CV funds provide a flexible source of funding that can be used to pay costs that are not covered by other sources of assistance, particularly to benefit persons of low and moderate income. Grantees can generally use CDBG-CV funds for the same activities as annual formula CDBG funds, including public services, economic development assistance to businesses, and housing activities.

Upcoming Milestones. HUD waived the regulatory obligation deadlines associated with CDBG funds and provided recipients with alternative requirements to help them quickly plan to use and distribute CDBG-CV funds. Under the CARES Act, the latest deadline for grantees to make a submission for the use of CDBG-CV funds is August 16, 2021. The CARES Act also provided for an extension to August 16, 2021 to submit FY 2019 and 2020 Annual Action Plans. To encourage grantees to quickly use CDBG-CV funds to benefit individuals in their states and local communities, CDBG-CV grantees must expend all funds within six years of the execution of their CDBG-CV grants, including 80 percent of funds within three years.

Decision Points. The Office of the Secretary, the Office of the Deputy Secretary, and the Office of Congressional and Intergovernmental Relations may need to respond to Congressional inquiries related to the requirements of the CDBG-CV program. The Office

of the Secretary or the Office of the Deputy Secretary may also need to respond to inquiries from various sources regarding the number of individuals and families assisted with CDBG-CV funds, the impact of the assistance, how quickly recipients are spending funds, and the types of activities being supported with CDBG-CV funds.

Contact. Jessie Handforth Kome, Director of the Office of Block Grant Assistance, Jessie.Handforth.Kome@hud.gov, 202-402-5539.

Subtopic 2: Section 108 Loan Guarantee Program

Overview. The Section 108 loan guarantee program provides states and local governments with access to low-cost financing for infrastructure and job creation projects. In addition to its low cost, the financing available can be long-term, with up to a 20-year term, and principal repayments can be structured to meet community- and project-specific needs. The source of the funding provided through Section 108 is private investment from the capital markets. Two types of lending are available for Section 108 borrowers: variable rate and fixed rate. Variable rate financing is generally used as an interim funding source and is currently provided by a money market fund. Fixed rate financing usually serves as a permanent funding source and is raised through periodic public offerings of Section 108 loan obligations (generally conducted biennially). Since HUD guarantees the timely payment of principal and interest on the loans, the loan obligations are attractive investments for private investors.

With this access to additional capital, states and local governments are able to finance significant infrastructure investments or large scale, job-creating development projects that might otherwise be too capital intensive. Such public investment is often needed to catalyze private investment or simply inspire the confidence that private firms and individuals may need to invest in economically distressed areas. The types of projects financed by Section 108 guaranteed loans often jump-start the redevelopment of entire neighborhoods or local main streets or create jobs in areas previously lacking in employment opportunities.

Impact. Since 1977, HUD has issued 1,982 commitments totaling approximately \$9.68 billion. Currently, Section 108 is supporting 556 outstanding loans in communities across the country, with a total loan balance of \$1.016 billion. Not only can a state or local government carry out a larger program with the Section 108 financing than it would otherwise, but it can more efficiently use the grant funds it receives. This efficiency is achieved by financing revenue generating activities (e.g., loans to small businesses or commercial developers) with a guaranteed loan and applying the future revenue generated by the activities to repayment of the debt. Communities can then redeploy grant funds to non-revenue generating activities.

Upcoming Milestones. N/A

Decision Points. The Deputy Assistant Secretary may need to approve the selection of a new benchmark index for interim financing. The current benchmark, the London Interbank Offered Rate, is being phased out by mid-2021, requiring a new benchmark rate for loans in interim financing.

Contact. Jessie Handforth Kome, Director of the Office of Block Grant Assistance, Jessie.Handforth.Kome@hud.gov, 202-402-5539.

Subtopic 3: Recovery Housing Program

Overview. Section 8071 of the SUPPORT for Patients and Communities Act (“SUPPORT Act”), enacted October 24, 2018, established the pilot Recovery Housing Program, or RHP, to assist certain CDBG grantees (24 states and the District of Columbia) to provide stable, temporary housing to individuals in recovery from a substance use disorder. The assistance is limited, per individual, to a period of not more than two years or until the individual secures permanent housing, whichever is earlier. As required by the SUPPORT Act, HUD allocated funds only to states with an age-adjusted rate of drug overdose deaths above the national overdose mortality rate, according to the Centers for Disease Control and Prevention.

The funds for FY 2020 allocations were made available by FY 2020 Appropriations Act, which was signed by the President on December 20, 2019. The SUPPORT Act requires that HUD treat RHP funds as CDBG funds, except for waivers and alternative requirements as published by HUD. The Department is nearing finalizing and publication in the Federal Register of the notice of allocations, waivers, and alternative requirements for the program.

Impact. RHP is intended to support individuals in recovery onto a path to self-sufficiency. By providing stable housing to support recovery, RHP aims to support efforts for independent living. More specifically, RHP would provide the funds to develop housing or maintain housing for individuals. To maximize and leverage these resources, grantees should coordinate RHP-funded projects with other Federal and non-federal assistance related to substance abuse, homelessness and at-risk of homelessness, employment, and other wraparound services.

Upcoming Milestones. The Department is preparing to begin delivering technical assistance to RHP grantees through webinars, one-on-one guidance, and written materials. The 25 grantees will have to submit their annual action plan, which includes an application for RHP assistance, by August 16, 2021.

Decision Points. HUD will have to make final decision on comments received on the notice through departmental clearance and from the Office of Management and Budget.

Contact. Jessie Handforth Kome, Director of the Office of Block Grant Assistance, Jessie.Handforth.Kome@hud.gov, 202-402-5539.

Subtopic 4: Neighborhood Stabilization Program

Overview. Congress established the Neighborhood Stabilization Program (NSP) for the purpose of providing emergency assistance to stabilize communities with high rates of abandoned and foreclosed homes, and to assist households whose annual incomes are up

to 120 percent (120%) of the area median income Congress appropriated three rounds of funding, in 2008, 2009, and 2011, respectively:

- NSP1: \$4.0 billion to 307 state and local governments on a formula basis;
- NSP2: \$2.0 billion on a competitive basis to 56 states, local governments, nonprofits and consortia of nonprofit entities; and
- NSP3: \$1.0 billion to 270 state and local governments on a formula basis.

NSP funds were required to meet one of the following CDBG national objectives of: housing activities benefiting low- and moderate-income persons, by providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income; or benefiting low- and moderate-income persons through area benefit activities, limited clientele activities, and creating or retaining primarily low- and moderate-income jobs.

Impact. NSP implementation was successful. Between 2008 and 2019, grantees built or rehabilitated 54,285 housing units with NSP funds. The program generated \$1.8 billion in program income. Most NSP grantees met and exceeded their stated goals. These achievements were the result of focused program execution, including the purchase and rehabilitation of thousands of foreclosed homes and residential properties; the creation of land banks for foreclosed homes; demolition of blighted structures; and the redevelopment of demolished or vacant properties.

Upcoming Milestones. HUD is working on closing out remaining NSP grants. As of April 2020, there were 496 open grants with approximately \$230.2 million in NSP program income. The Department has encouraged NSP grantees with program income to transfer those funds to CDBG program income and close out their NSP grants.

Decision Points. N/A

Contact. Jessie Handforth Kome, Director of the Office of Block Grant Assistance, Jessie.Handforth.Kome@hud.gov, 202-402-5539.

Office of Environment and Energy (OEE)

One of HUD's core missions is to provide housing in a safe, suitable and healthy environment, and this mission is accomplished in large measure through the environmental review process. Under the National Environmental Policy Act (NEPA), which establishes a process of transparency and public involvement to consider environmental impacts, every HUD dollar committed or spent requires an environmental review. NEPA ensures that a project's impacts on the environment, as well as the environment's impacts on the residents, are considered before decisions are made. While situated in CPD, OEE is a statutory compliance office that serves the entire Department.¹ OEE is assigned the overall Departmental responsibility for environmental policies and procedures for compliance with NEPA and 16 other federal environmental laws and authorities, including historic preservation, floodplain management, toxics and contamination, and noise abatement.

Subtopic: Regulatory Reform

Overview. HUD's regulations at 24 CFR parts 50 and 58 implement NEPA and establish environmental reviews procedures for HUD projects. Part 58 governs environmental reviews performed by a unit of general local, state, or tribal government (referred to as a "Responsible Entity"). Reviews can be performed under part 58 only for programs with specific statutory authority. HUD Program staff perform environmental reviews under part 50 for programs without statutory authority for part 58 reviews, when the organization that would normally act as Responsible Entity lacks the capacity to do so, or when HUD elects to conduct the review itself to avoid duplication.

Executive Order 13771 requires HUD to reduce burdensome regulations for affordable housing, referencing environmental regulations as a barrier to housing development. Simultaneously, the White House Council on Environmental Quality (CEQ) has undertaken an overhaul of its own government-wide NEPA-implementing regulations, culminating in a final rule published July 16, 2020.² These updated rules went into effect on September 14 and require HUD to revise parts 50 and 58 for consistency with CEQ's rule by September 2021.

Impact. HUD has drafted a proposed rule that would reorganize and modify parts 50 and 58 to align more closely with CEQ's new regulations and the Administration's efforts to reduce regulatory burdens. This rulemaking would streamline requirements and reduce costs associated with HUD's environmental review process, eliminating regulatory burdens that impede affordable housing development.

Revisions include:

¹ The Assistant Secretary for CPD has historically held Departmental responsibility for environmental compliance. This responsibility is assigned through existing regulations (see 24 CFR §§ 50.10(b), 58.1(d), 51.3, 55.3(a)), delegations of authority (see [Consolidated Delegations of Authority for the Office of Community Planning and Development](#)), and HUD's MOU on NEPA compliance (see [MOU Regarding HUD Compliance with NEPA and Related Laws and Authorities](#)).

² [Update to the Regulations Implementing the Procedural Provisions of the National Environmental Policy Act](#), 85 FR 43304 (July 16, 2020).

- Updating environmental review procedures and terminology
- Expanding categorical exclusions to reduce environmental review requirements
- Combining public comment and objection periods and modernizing publication options
- Reducing duplication for projects funded by multiple HUD programs or federal agencies
- Clarifying standards for permissible actions (e.g. site acquisition) pending environmental review
- Standardizing site evaluation standards to identify toxic and contamination hazards

Upcoming milestones. OEE is supporting OGC during interagency clearance, as the rule must be approved by CEQ and OMB before HUD can publish in the Federal Register. In addition, the Department of Justice has asked that HUD delay publication due to several legal challenges that have been brought against CEQ's rule. HUD's rulemaking may be affected by the progress of these suits in court. HUD plans to publish its proposed rule for a 60-day public comment period this Fall.

Decision points. Following the public comment period, HUD will need to respond to all comments received and update the draft rule accordingly.³ HUD will then repeat Departmental and interdepartmental clearance processes with the draft final rule. When the proposed changes to Parts 50 and 58 go into effect, the Department's environmental review tools, including HUD's Environmental Review Online System (HEROS) and Web-Based Instructional System for Environmental Review (WISER), will require substantial updates and revisions. OEE anticipates that HEROS will require approximately \$1 million to reflect a final rule or it will immediately become obsolete,⁴ affecting roughly 6,500 active users, eliminating HUD's ability to track and approve environmental reviews electronically, and impeding HUD's ability to comply with CEQ regulations.⁵

Contact. Liz Zepeda, Senior Environmental Specialist, elizabeth.g.zepeda@hud.gov, 202.402.3988.

³ The timeline for this step is dependent on HUD's capacity to read and draft responses to all comments. When CEQ published proposed revisions to its NEPA rule earlier this year, it received over 1 million comments, and OEE predicts that HUD will receive an unusually large number of comments on its rulemaking as well.

⁴ HEROS helps users prepare the environmental review record, a legal document. If the system does not reflect current regulations, it cannot be used to prepare environmental reviews. HEROS adds efficiency to the environmental review process in several ways, and OEE anticipates that most program offices and grantees would experience significant delays in the environmental review process without the system.

⁵ HEROS makes environmental review records available to the public, facilitating HUD's compliance with CEQ's updated publication requirements. The system would also enable HUD to track the new page and time limits in CEQ's rule.

Technical Assistance

Purpose. The mission of the Technical Assistance Division (TAD) is to meet the cross-cutting and unique needs of HUD communities by innovating holistic technical assistance design, integrating resources, and providing services more efficiently. The purpose of technical assistance is to provide technical assistance and build the capacity of HUD grantees and customers.

TAD leads the design and implementation of HUD's Community Compass Technical Assistance and Capacity Building initiative ("Community Compass"). Community Compass is HUD's cross-agency, integrated technical assistance (TA) and capacity building initiative; it operates as a demand-response model. Community Compass equips HUD's customers with the knowledge, skills, tools, and systems to help them successfully and effectively implement HUD programs and policies and to be more effective stewards of HUD funding. TAD also manages the Distressed Cities TA initiative which is designed to build the administrative capacity of smaller distressed communities recently impacted by a natural disaster. The focus of this TA includes financial management, economic development, and disaster recovery planning.

Background. HUD's Community Compass program brings together TA resources from across HUD's program offices, including the Offices of Community Planning and Development, Public and Indian Housing, Housing, and Fair Housing and Equal Opportunity.

Community Compass' cross-agency approach:

- Increases management efficiencies and eases administrative burdens under one NOFA.
- Allows for quick and flexible responses to urgent and emerging grantee needs under the demand-response model.
- Maximizes federal investment by coordinating across programs in a place-based way.
- Offers opportunity for substantial government involvement to shape the delivery of TA through the Cooperative Agreement model.

Activities performed under Community Compass build capacity of grantees and include:

- Needs assessments
- Direct Technical Assistance and Capacity Building engagements
- Development of products and tools
- Self-directed and group learning
- Knowledge management
- Data reporting, analysis and management
- NAHASDA allocation formula administration and negotiated rulemaking support

Overview of funding. The funds are awarded through a two-year Notice of Funding Availability (NOFA) to technical assistance providers who have the breadth of skills, experience, capacity and expertise required to support grantee capacity building Department-wide. In the most recent TA competition, TAD awarded \$155,840,288 through

the Community Compass initiative for FY18, FY19, and Supplemental appropriations and \$6 million through Distressed Cities initiative to TA provider organizations.

Breakdown of the Typical Annual Appropriations Invested Through Community Compass:

- ~\$25 to \$27M from Research & Technology appropriation to Office of Policy Development and Research (PD&R)
 - These funds are sub-allotted to program offices Department-wide through a TA Executive Committee in HUD during an annual spend plan process
- ~\$15M McKinney Vento TA from Office of Special Needs Assistance Programs (SNAPS)
- ~\$4.5M National Homeless Data Analysis Project from SNAPS
- ~\$10M Youth Homeless TA from SNAPS
- ~\$1M Public Housing Administrative Receivership from Office of Public and Indian Housing
- ~\$7M Native American Housing and Community Development
- ~\$1.5M National Fair Housing Training Academy from Office of Fair Housing and Equal Opportunity (FHEO)
- Any additional supplemental appropriations including CARES Act and Community Development and Block Grant (CDBG) Disaster Recovery funding

Subtopic 1: CARES Act and COVID Response

Overview. In March 2020, Congress included in the CARES Act appropriation, set aside line items to fund technical assistance for grantees receiving CARES Act funding. Ten percent of each program appropriation in the Office of Community Planning and Development was made available for technical assistance and could be awarded to current TA providers without competition. Other offices in HUD received CARES Act funding but it did not include set asides specifically for technical assistance support.

For this reason, TAD is currently only implementing the solicitation, award, and management of CPD's CARES Act TA funding. However, it should be noted that other programs will likely use their other TA funding amounts as noted above to support CARES Act implementation for grantees.

Within CPD, two of the three program offices that were appropriated a TA set aside made the decision to award 50% of the funds immediately and hold off for the forthcoming FY20/21 NOFA to solicit more targeted interest and skills with regard to providing TA for the health-related pandemic. CARES TA Funding is outlined in the table below.

Summary of CPD CARES Act TA Appropriations and Award Dates			
Program	TA Set Aside Total	Amount awarded FY18/19 NOFA (Awarded May 2020)	Amount awarded FY20/21 NOFA (To be awarded December 2020)
Emergency Shelter Grants	\$40,000,000	\$22,500,000	\$17,500,000
Housing Community Development	\$10,000,000	\$5,000,000	\$500,000
Housing Opportunities for Persons with Aids (HOPWA)	\$1,300,000	\$1,300,000	-

As of the end of FY 20, CARES Act TA for Emergency Shelter Grants has supported the development of over 130 trainings, tools, and products to support Continuums of Care (CoCs) in protecting their clients in mitigating the spread of coronavirus in their homeless system. The Housing Community Development funds have support virtual Ask-A-Question answering, the development of tools and products, and some direct technical assistance to grantees. CARES TA for Housing Opportunities for Persons with Aids (HOPWA) has resulted in webinars and fact sheets with more products under development to assist grantees and project sponsors.

Subtopic 2: Community Compass Program Competition

In 2018, TAD moved from an annual award process to a two-year competitive Notice of Funding Availability model. In the FY 2018-2019 NOFA, HUD ultimately awarded XXX in funds which included supplemental awards for CDBG Disaster Recovery and CARES Act appropriations.

The competition and award for FY2020-2021 funding is underway in the first quarter of FY2021 with awards expected by late December 2020 for FY2020 funding.

Upcoming Milestones.

- Community Compass NOFA applications for FY20/21 are due September 23, 2020
- TAD anticipates making awards for FY20 Community Compass TA funding (approximately \$91M) by December 31, 2020

Decision Points.

- The Department is assessing how to best approach the FY21 Departmental TA funding process after a consolidated appropriations act is approved. It is possible that the FY21 Departmental TA Plan will need to be approved the Department's Executive TA Committee and the Deputy Secretary in early 2021 (January through March).
- Depending on appropriations timeline, the Department's principal leadership, Executive TA Committee, and Deputy Secretary will need to approve award selection recommendations for FY2021 funding in 2021.

Contact. Stephanie Stone, Director of the Technical Assistance Division,
Stephanie.V.Stone@hud.gov, 202-344-9832

CPD Office of Policy Development and Coordination

HUD's Office of Community Planning and Development's Office of Policy Development and Coordination (OPDC) is comprised of two teams: The Audit Resolution team and the Closeout team. The Audit Resolution team works closely with the Community Planning and Development (CPD) Field Offices and CPD Headquarters program office staff to resolve outstanding audit findings from the Office of Inspector General (OIG). The Audit Resolution team is also responsible for the administration and management of the Section 4 Capacity Building for Community Development and Affordable Housing (Section 4) and Rural Capacity Building (RCB) grant programs. The Closeout team is responsible for providing support to CPD program offices in the administrative closeout of expired grants.

Closeout Team

The OPDC Grant Closeout Team is responsible for providing support to CPD program offices in the administrative closeout of grants. As such, the Closeout Team works with the program offices in headquarters and CPD field offices to:

- Conceptualize and operationalize a standardized approach to grant closeout across the CPD grant Portfolio;
- Provide grant closeout support, on an "as needed" basis to CPD program offices; and
- Track grants closeout status and provide periodic data to CPD executive management, either routinely or as requested, regarding grant closeout.

One of the success to date by the closeout team was the Bulk closeout of approximately 68,000 Special Needs Assistance program homeless grants.

Contact. Steven K. Washington, Director of the Office of Policy Development and Coordination, Steven.K.Washington@hud.gov, 202-402-4142.

Audit Resolution Team

The Audit Resolution Team was established in 2015 to support CPD program and field offices in resolving Office of Inspector General (OIG) audits. As liaisons to action officials, the CPD Audit Team is charged with addressing open OIG audits. Activities can range from tracking audits in the management decision database (eCase), reviewing supporting documentation, an/or coordinating meetings with audit stakeholders to determine the appropriate path to audit resolution. In addition to managing audits, the Audit Team evaluates national and regional data to find trends that influence the backlog of overdue audit recommendations.

The Audit Team has conducted conversations with OIG audit resolution stakeholders, analyzed data, and assessed process constraints to determine that the primary constraints to closing CPD audits are:

- Staff capacity and time to address OIG audits;
- Prioritization of OIG audit resolution amidst competing responsibilities;

- Understanding the audit resolution steps and system; and
- Responsiveness of audited program beneficiaries.

To address these issues the Audit Team has and will continue to provide the following support and services:

- Desk officers work directly with the CPD Program and Field Offices;
- OIG audit resolution process training for CPD staff;
- OIG audit process guide for program beneficiaries;
- Extensive focus on extremely overdue audits;
- Mediation and consultation with the OIG staff and CPD to resolve complex issues; and
- Data analysis of OIG audit issue and closure trends.

Recommendation Closure Rate				Audit Closure Rate			
	Year Start	Year End	% Closure Rate		Year Start	Year End	% Closure Rate
FY 2018	690	508	26.00%	FY 2018	139	122	12.00%
FY 2019	662	518	21.80%	FY 2019	145	129	11.00%
FY 2020	604	458*	24.20%	FY 2020	143	121*	15.40%

*As of 9/10/2020

Contact. Steven K. Washington, Director of the Office of Policy Development and Coordination, Steven.K.Washington@hud.gov, 202-402-4142.

The Section 4 Capacity Building for Community Development and Affordable Housing program. (Section 4)

Overview. The Section 4 Capacity Building for Community Development and Affordable Housing Program (Section 4) was authorized in 1993 to enhance the capacity of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out affordable housing and community development activities that benefit low- and moderate-income families. Competitive grants are awarded annually to three national nonprofits named in the Statute: Habitat for Humanity International, Enterprise Community Partners, and Local Initiative Support Corporation. Capacity building activities are limited to technical assistance, training, loans, grants, and financial assistance to CDCs and CHDOs. Section 4 grants are available for a performance period of **48 months** from the date of execution of the grant agreement by HUD.

Rural Requirement: For each program year, \$5,000,000 of the Section 4 allocation is required to be expended in rural America. Based on the award amount received, each Section 4 grantee is responsible for expending a specific amount of funds in rural America.

Match and Leverage Funds: Section 4 requires that each dollar awarded must be matched by three dollars in cash or in-kind contribution obtained from private sources. In addition, Rating Factor 4 of the Section 4 NOFA awards application points based on the applicants' commitment to provide leverage to the Section 4 award above and beyond the match. To achieve full points on Rating Factor 4, applicants must commit to provide ten dollars of leverage for each dollar awarded. Each applicant consistently scores full points on Rating Factor 4 and is therefore expected to deliver 10:1 leverage in addition to the 3:1 match

Budget: Section 4 funding is authorized by Section 4 of the HUD Demonstration Act of 1993. In recent years, the program has received annual appropriations of \$35,000,000. Funds are awarded on a competitive basis through a Notice of Funding Availability.

Habitat for Humanity International (HFHI)

Fiscal Year	Grant Amount
2016	\$5,690,893
2017	\$5,193,520
2018	\$6,286,212
2019	\$6,370,138
TOTAL	\$23,540,763

Local Initiatives Support Corporation (LISC)

Fiscal Year	Grant Amount
2016	\$15,044,482
2017	\$15,354,853
2018	\$14,751,543
2019	\$14,314,931
TOTAL	\$59,465,809

Enterprise Community Partners (ECP)

Fiscal Year	Grant Amount
2016	\$14,264,625
2017	\$14,451,627
2018	\$13,962,245
2019	\$14,314,931
TOTAL	\$56,993,428

A few of the current Section 4 activities include:

Habitat for Humanity, International (Habitat)

- Three-year diminishing grants for salaries to Habitat affiliates in the infancy phase of development to help them grow and sustain long-term.
- Technical assistance and training in affordable housing and community development to Habitat affiliates.

- Securitizing Habitat mortgages for sale to large financial institutions and increasing capital available for additional housing and community development activities.

Enterprise Community Partners (Enterprise)

- Enterprise primarily uses sub-grants, loans, direct technical assistance, and training and education to provide capacity building services through the following pathways:
 - Partnership with regional offices spread throughout the United States;
 - Working capital and pre-development loan fund;
 - Targeted capacity building assistance to specific need areas such as green building, community revitalization, transit-oriented development, and healthy homes; and
 - Support of Rural and Tribal CDCs and CHDOs nationwide.

Local Initiative Support Corporation (LISC)

- LISC primarily uses sub-grants, loans, direct technical assistance, and training and education to provide capacity building services through the following pathways:
 - Work in partnership with 30 field offices to bring services to 30 urban markets;
 - Support to CDCs and CHDOs in rural America through the LISC Rural team; and
 - Targeted capacity building efforts across multiple HUD regions through different LISC HQ initiatives serving such need areas as health and wellness, housing, community safety, and wealth and income building.

Impact:

FY 2015* Section 4 Final Performance Measures	Total
Number of businesses assisted	1037
Number of CHDOs CDCs served	1091
Number of community development projects supported	361
Number of grants awarded	538
Number of housing units, sustained, repaired or rehabbed as the result of increased organizational capacity	4319
Number of jobs created	4983
Number of jobs retained	448
Number of housing units created as the result of increased organizational capacity	1409
Number of housing units put into the development process as the result of increased organizational capacity	9760
Funds invested into community programs	\$ 278,093,886.00
Funds invested into community development projects	\$ 481,502,248.00
Funds awarded in grants	\$ 18,834,599.00
Number of businesses created	61
Number of community programs supported	347

Number of loans approved	4
Funds awarded in loans	\$ 908,000.00
Number of in-person engagements/trainings	242
Financial assistance provided to attend training	\$ 177,888.00
Number of trainings/ engagements offered	36
Number of peer to peer learning events	5
Number of new community partnerships developed	386
Number of organizations newly accessing federal funding	38
Number of data port/web visits	26

*Since the Section 4 program is a four-year program, the FY 2015 Section 4 grants are the most recently closed grants with final performance data.

Upcoming Milestones: The FY 2020 Section 4 NOFA is currently being reviewed in the HUD clearance process and is expected to be published before December 31, 2020.

Contact. Steven K. Washington, Director of the Office of Policy Development and Coordination, Steven.K.Washington@hud.gov, 202-402-4142.

Rural Capacity Building for Community Development and Affordable Housing Program

Overview. The Rural Capacity Building for Community Development and Affordable Housing Program (RCB) is a competitive grant program that was first authorized in 2012. Grant funds enhance the capacity and ability of eligible beneficiaries to carry out affordable housing and community development activities in rural areas for the benefit of low- and moderate-income families and persons. Eligible beneficiaries are limited to rural housing development organizations, Community Development Corporations (CDCs), Community Housing Development Organizations (CHDOs), local governments, and Indian tribes. The Rural Capacity Building program achieves this by funding National Organizations with expertise in rural housing and rural community development who work directly to build the capacity of eligible beneficiaries. For the purpose of the RCB program, a National Organization must be a single 501(c)(3) non-profit organization, other than an institution of higher education, that has ongoing experience conducting RCB eligible capacity building activities in rural areas with RCB eligible beneficiaries serving high need rural communities, as evidenced by past (within the last ten years) and continuing work in at least seven of HUD's Federal regions. Capacity building activities are limited to technical assistance, training, and financial assistance to eligible beneficiaries. RCB grants are available for a performance period of **48 months** from the date of execution of the grant agreement by HUD.

Leverage: Each grantee may have received points on their application for voluntarily committing leverage through accepted letters of firm commitment from public (non-Federal) or private sources for up to 20% in leverage resources, which may include cash or in-kind contributions of services, equipment, or supplies allocated to the proposed program.

Budget: The RCB program and the funding made available have been authorized by the Annual Appropriations Acts each year since FY 2012 for \$5,000,000. The competitive funds are awarded to National Organizations through a Notice of Funding Availability to

carry out eligible activities related to community development and affordable housing projects and programs.

FY 2018 Awards - \$5,000,000	
National Association for Latino Community Asset Builders, TX	\$1,401,434
Housing Assistance Council, DC	\$1,892,473
Minnesota Housing Partnership, MN	\$1,706,093

FY 2017 Awards - \$5,000,000	
Rural Community Assistance Corporation, CA	\$1,000,000
Housing Assistance Council, DC	\$1,000,000
Minnesota Housing Partnership, MN	\$2,000,000
Rebuilding Together, DC	\$1,000,000

FY 2016 Awards - \$5,000,000	
Rural Community Assistance Corporation, CA	\$1,174,365
National Association for Latino Community Asset Builders, TX	\$1,000,000
Minnesota Housing Partnership, MN	\$978,791
Housing Assistance Council, DC	\$778,923
Collaborative Solutions, Inc., AL	\$567,921
Economic Consultants for Housing Opportunities, Inc, MI	\$500,000

FY 2015 Awards - \$5,000,000	
Rural Community Assistance Corporation, CA	\$1,287,030
Collaborative Solutions, Inc., AL	\$1,271,277
Minnesota Housing Partnership, MN	\$1,050,912
National Association for Latino Community Asset Builders, TX	\$705,674
Housing Assistance Council, DC	\$685,107

Impact: A few of the current RCB activities include:

Housing Assistance Council (HAC) uses RCB funds to support the delivery of several different activities including loans for rural housing development, web-based and on-site training courses, direct technical assistance, and maintenance of a rural data portal. HAC has a truly national presence in its work and consistently serves all 50 states and thousands of rural housing and community development professionals with each RCB grant award.

Minnesota Housing Partnership (MHP) works to increase the community development capacity of the Northwest Region of Minnesota. Several communities in this area have experienced economic growth due to national employers adding jobs in these rural communities. MHP's work in these rural and very small communities has led

to the development of several hundred workforce and affordable housing units and increased local government's ability to access resources and support new projects meeting local needs.

Rural Community Assistance Corporation (RCAC) has used RCB funds from FY12 and FY14 awards to support 3 activities. In FY12, RCAC ran the Tribal Housing Excellence (THE) Academy, which sent professionals from 8 tribal housing organizations through an intensive yearlong training that included four weeks of classroom learning and support from a housing expert. During the Academy, the course leaders and assigned housing expert worked with the Tribal housing organizations to plan out a new or advance an existing housing project in the Tribal community. After graduation, the housing experts have continued with their organization and are assisting with the housing project implementation. In FY14, RCAC launched the Development Solutions and Building Rural Economies activities which provide targeted technical assistance and contractor support to 11 rural and Tribal communities to spark needed housing, community, and economic development.

Upcoming Milestones: Applications for the FY 2019 – FY 2020 RCB NOFA are due on September 28, 2020. Upon receipt of the applications, a threshold review will be conducted, and we will schedule and conduct application reviews. We expect to be able to announce awards by December 31, 2020.

Contact. Steven K. Washington, Director of the Office of Policy Development and Coordination, Steven.K.Washington@hud.gov, 202-402-4142.

Office of Rural Housing and Economic Development

The Office of Rural Housing and Economic Development was established in the Department of Housing and Urban Development by Congress under Public Law 105-276, October 21, 1998. The law consisted of three congressional directives: 1) establish an office called the “Office of Rural Housing and Economic Development;” 2) administer a competitive program called the “Rural Housing and Economic Development Program;” and 3) develop a clearinghouse of ideas for innovative strategies for rural housing and economic development and revitalization.

Currently, the office director administers the Self-Help Homeownership Opportunity Program (SHOP), Veterans Housing Rehabilitation and Modification Pilot Program (VHRMP), and the Rural Gateway. These programs are discussed below.

Self-Help Homeownership Opportunity Program (SHOP)

The SHOP program, authorized by Section 11 of the Housing Opportunity Program Extension Act of 1996, as amended, provides federal funding through an annual competition to national and regional non-profit organizations and consortia that have experience in providing or facilitating innovative single-family and multifamily self-help housing opportunities for low-income persons and families.

SHOP involves more than just the federal government and non-profit organizations coming together to develop housing. Along with homebuyer sweat equity, SHOP promotes community participation in which volunteer workers assist in the construction of the housing units. SHOP assistance must result in housing opportunities for low-income individuals and families who otherwise would be unable to purchase a home. Since 1996, Congress has appropriated \$447.7 million to SHOP which has helped leverage more than \$2.8 billion of other public and private funds to aid in the construction of more than 30,000 SHOP units.

Funding

Fiscal Year	Amount
FY2018	\$10 million
FY2019	\$10 million
FY2020	\$10 million

Veterans Housing Rehabilitation and Modification Pilot Program

The Veterans Housing Rehabilitation and Modification Pilot Program (VHRMP) was authorized by Congress under Public Law 113-291. The purpose of the Veterans Home Rehabilitation Program is to award grants to nonprofit organizations to rehabilitate and modify the primary residence of disabled and low-income veterans. Program objectives are listed below.

- 1) Install wheelchair ramps, widen exterior and interior doors, reconfigure and re-equip bathrooms (which include the installations of new fixtures and grab bars), remove doorway thresholds, install special lighting, add additional electrical outlets and electrical service, and install appropriate floor coverings to: (1) accommodate the functional limitations that results

from having a disability or (2) residence that do not have modifications necessary to reduce the chances that an elderly, but not disabled person, will fall in their home, reduce the risks of an elderly person from falling.

- 2) Rehabilitate a residence that is in a state of interior or exterior disrepair.
- 3) Install energy efficient feature or equipment if: (1) an eligible veteran's monthly utility costs for such residence is more than 5 percent of such veteran's monthly income, (2) the energy audit such residence indicates that the installation of energy efficient features or equipment will reduce the cost by 10 percent or more.

Funding

Fiscal Year	Amount
FY2018	\$4 million
FY2019	\$4 million
FY2020	\$4 million

FY2020 VHRMP Grantees

Awardee	Award
Habitat for Humanity International, Inc. (Americus, Georgi)	\$1,000,000
Habitat for Humanity of Michigan (Lansing, Michigan)	\$1,000,000
Rebuilding Together (Washington, D.C.)	\$ 999,992
St. Bernard Project (New Orleans, Louisiana)	\$1,000,000
TOTAL	\$3,999,992

FY2020 VHRMP Projected Number of Eligible Veterans Assisted

Awardee	Projected Number of Eligible Veterans to be Assisted
Habitat for Humanity International, Inc.	90
Habitat for Humanity of Michigan	77
Rebuilding Together	70
St. Bernard Project	22
TOTAL	259

FY2020 VHRMP Grantee Matching and In-Kind Contributions

Awardee	Amount Matched	In-Kind Contributions
Habitat for Humanity International, Inc.	\$500,000	\$200,000
Habitat for Humanity of Michigan	\$1,022,055	\$902,500
Rebuilding Together	\$500,500	\$500,500
St. Bernard Project	\$500,000	\$500,000
TOTAL	2,522,555	\$2,103,000

FY2019 VHRMP Grantees

Awardee	Award
St. Bernard Project (New Orleans, LA)	\$1,000,000
Volunteers of America Texas, Inc. (Eules, TX)	\$1,000,000
Housing Assistance Council (Washington, DC)	\$ 824,020
Habitat for Humanity International, Inc. (Americus, GA)	\$1,000,000
New Mexico Affordable Housing Charitable Trust (Albuquerque, NM)	\$1,000,000
TOTAL	\$4,824,020

FY2019 VHRMP Projected Number of Eligible Veterans Assisted

Awardee	Projected Number of Eligible Veterans to be Assisted
St. Bernard Project (New Orleans, LA)	54
Volunteers of America Texas, Inc. (Eules, TX)	75
Housing Assistance Council (Washington, DC)	60
Habitat for Humanity International, Inc. (Americus, GA)	120
New Mexico Affordable Housing Charitable Trust (Albuquerque, NM)	80
TOTAL	389

FY2019 VHRMP Grantee Matching and In-Kind Contributions

Awardee	Amount Matched	In-Kind Contributions
St. Bernard Project (New Orleans, LA)	\$500,000	\$500,000
Volunteers of America Texas, Inc. (Eules, TX)	\$500,000	\$50,000
Housing Assistance Council (Washington, DC)	\$216,663	\$200,000
Habitat for Humanity International, Inc. (Americus, GA)	\$500,000	\$500,000
New Mexico Affordable Housing Charitable Trust (Albuquerque, NM)	\$500,000	\$500,000
TOTAL	\$2,216,663	\$1,750,000

FY2018 VHRMP Grantees

Awardee	City/State	Amount Awarded
Easter Seal Central Texas, Inc.	Travis, Texas	\$1,000,000
Habitat for Humanity International	Americus, Georgia	\$1,000,000
Housing Assistance Council	Washington, D.C.	\$1,000,000
Rebuilding Together, Inc.	Washington, D.C.	\$ 700,000
Revitalize Community Development Corporation	Springfield, Massachusetts	\$ 730,000
Rural Alaska Community Action Program, Inc.	Anchorage, Alaska	\$1,000,000
The New Mexico Affordable Housing Charitable Trust	Albuquerque, New Mexico	\$1,000,000
Veterans, Inc.	Worcester, Massachusetts	\$1,000,000
Total		\$7,430,000

FY2018 VHRMP Projected Number of Eligible Veterans Assisted

Awardee	City/State	Projected Number of Eligible Veterans to be Assisted
Easter Seal Central Texas, Inc.	Travis, Texas	70
Habitat for Humanity International	Americus, Georgia	94
Housing Assistance Council	Washington, D.C.	75
Rebuilding Together, Inc.	Washington, D.C.	79
Revitalize Community Development Corporation	Springfield, Massachusetts	51
Rural Alaska Community Action Program, Inc.	Anchorage, Alaska	30
The New Mexico Affordable Housing Charitable Trust	Albuquerque, New Mexico	90
Veterans, Inc.	Worcester, Massachusetts	60
Total		549

FY2018 VHRMP Grantee Matching and In-Kind Contributions

Awardee	City/State	Amount Matched	In-Kind Contributions
Easter Seal Central Texas, Inc.	Travis, Texas	\$500,000	\$0
Habitat for Humanity International	Americus, Georgia	\$500,000	\$0
Housing Assistance Council	Washington, D.C.	\$500,000	\$400,000
Rebuilding Together, Inc.	Washington, D.C.	\$350,000	\$528,920
Revitalize Community Development Corporation	Springfield, Massachusetts	\$ 365,000	\$420,000
Rural Alaska Community Action Program, Inc.	Anchorage, Alaska	\$500,000	\$0
The New Mexico Affordable Housing Charitable Trust	Albuquerque, New Mexico	\$500,000	\$500,000
Veterans, Inc.	Worcester, Massachusetts	\$500,000	\$0
Total		\$3,715,000	\$1,848,920

Rural Gateway Clearinghouse

Launched in January 2004, the mission of the Rural Gateway is to serve as a clearinghouse of ideas for innovative strategies for rural housing and economic development and revitalization for underserved areas with a specific focus on communities in the Colonias, seasonal farmworkers, federally recognized Indian tribes, the Lower Mississippi Delta River Region, and the Appalachia's Distressed Counties.

The purpose of the Rural Gateway is to facilitate informational services, technical assistance, training, and investment capital for local rural, state, and regional organizations in order to support their efforts to rebuild and preserve healthy, productive communities. The objectives of the Rural Gateway clearinghouse are as follows: 1) build capacity of organizations working on housing, economic and infrastructure development; 2) serve as a promoter and screen/filter of private sector based partnerships to support housing, economic development, infrastructure, and capacity building activities; and 3) improve and streamline access of these organizations to different sources of government, nonprofit, and for-profit sources of investment capital, technical assistance and training and information.

Rural Gateway Menu of Services

Product/Service Type	Description
1-800 information specialist 1-877-RURAL26 (1-877-787-2526) Rural Gateway website - www.hudexchange.info/programs/rural/	Trained specialists available on a toll-free line to answer questions, help identify resources, and follow-up.
Peer-to-peer forums (conference calls, conferences, workshops, listservs)	Peer-to-Peer forums (conference calls, conferences, workshops, and listservs) where rural organizations share experiences, challenges, and solutions, in order to minimize the sense of isolation.
Technical assistance and training	Help build the capacity of local intermediaries to work with the community, private sector, nonprofit organizations, and local government on housing and economic development and community level infrastructure initiatives.
Rural case studies	Case studies on projects initiated by rural serving organizations.
Internet links to rural housing and economic development resources sites	“One-Stop-Shop” for accessing a broad range of resources to assist rural serving organizations. These annotated links include federal agencies and major nonprofit organizations.
Funding summaries	Easy-to-read funding summaries that provide information on key sources of funding for rural programs, including programs from various federal agencies and private foundations

Supplemental Materials

Office of Small and Disadvantaged Business Utilization

TABLE OF CONTENTS

➤ OVERVIEW OF THE OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

- MISSION_____3
- ORGANIZATIONAL STRUCTURE_____4
- CURRENT CHALLENGE_____4
- BUDGET_____6

➤ STAFF BIOGRAPHIES

- DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION _____7
- SENIOR SMALL BUSINESS UTILIZATION SPECIALIST _____7
- SMALL BUSINESS UTILIZATION SPECIALIST _____7

OVERVIEW

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION (OSDBU)

MISSION

The Office of Small and Disadvantaged Business Utilization (OSDBU) was established in 1979 by Public Law 95-507. OSDBU's core mission is to serve as an advocate for small business utilization, ensuring that small, small disadvantaged, 8(a), women-owned, HUBZone, and service-disabled veteran owned small businesses are treated fairly and have access and the opportunity to compete and be selected for a fair amount of the Department's prime and subcontracting opportunities.

ORGANIZATIONAL STRUCTURE

OSDBU is under the Office of the Secretary. In accordance with the Small Business Act, the OSDBU Director reports to the Deputy Secretary and serves as the point of contact for small business matters while overseeing the implementation and execution of the functions identified in Sections 8 and 15 of the Small Business Act¹ as it relates to HUD. The OSDBU Director is a member of the Senior Executive Service (SES). The OSDBU organization is centralized in Headquarters (there is no OSDBU field structure).

The OSDBU manages the development and implementation of appropriate outreach programs raising the awareness of the small business community to the contracting opportunities available within HUD. The Office:

- Promotes the participation of all small businesses, especially those small businesses owned by the socially and economically disadvantaged, women, service-disabled veterans, and those located in Historically Underutilized Business Zones (HUBZones), or part of the 8(a) Business Development program.
- Promotes teaming arrangements between large contractors and small preference program businesses.
- Collaborates with the Chief Procurement Officer and develops strategies to ensure small businesses can compete for and receive a fair share of the Department's direct and indirect contract dollars.
- Publishes an Annual Procurement Forecast and posts it on the HUD OSDBU website. The Forecast, updated monthly, is a major vehicle for ensuring participation of the small business community in the HUD procurement process.
- Hosts Small Business outreach events and webinars to educate vendors on the small business program and provide training/information on how to effectively market products and services to HUD.
- Reviews and monitors large business compliance with subcontracting requirements.

¹ Section 15(k) of the Small Business Act, 15 U.S.C. § 644(k)

- Evaluates performance, prepares documentation and reports to the Small Business Administration, Congress and other agencies concerning HUD's Small Business Program.
- Provides small business program and related training to program and acquisition staff involved in procurement activities.
- Reviews HUD's advance strategic acquisition plans and requests for contract services for maximum small business participation.
- Participates in outreach events, including small business conferences, across the country to support the Department's Small Business Program.
- Negotiates the Department's annual small business goals.
- Serves as an Ombudsman for small businesses.

While OSDBU is responsible for small business advocacy, outreach, and compliance, Heads of Contracting Activities (HCA) are responsible for effectively implementing the small business programs within their activities, including achieving program goals, according to FAR Subpart 19.2(b). HCAs are to ensure that contracting and technical personnel maintain knowledge of small business program requirements and take all reasonable action to increase participation in their activities' contracting processes by these businesses.

CURRENT CHALLENGE

The Department is a champion in maximizing the utilization of small businesses in the Department's acquisitions. Since FY 2012, HUD has received consecutive "A" or "A+" grades on the Federal Small Business Procurement Scorecards. HUD's FY 2020 small business goal performance has been significantly impacted by a massive de-obligation effort in conjunction with the Department's financial improvement efforts. HUD is addressing a long-standing backlog of unliquidated balances from contracts that are no longer needed or that exceed forward funding policies and is taking corrective actions to resolve audit findings from the Department's Inspector General.

Since 1999, HUD has outsourced the disposition of its foreclosed Federal Housing Administration inventory under the Management and Marketing (M&M) contracting process. M&M contractors manage and market single family properties owned by, or in the custody of the Department. The M&M contracts, which make up a significant portion of the Office of Housing's overall contract portfolio, historically have provided numerous small business set-aside opportunities. However, since FY 2013, there has been a significant decrease in the overall housing portfolio in some contract areas, as much as 90 percent. The process of closing out M&M contracts is ongoing and has resulted in de-obligating hundreds of millions of dollars.

The Summary of Small Business and Socio-Economic Small Business Dollars table below is a comparison of HUD's small business FY 2020 goal performance with and without de-obligations through September 30, 2020. The summary paints a stark picture of the impact de-obligations

have on our small business goal achievement. Financial management is a critical administrative function that requires ongoing management efforts to improve monitoring of program and administrative obligations. Transactions entered in the Federal Procurement Data System-Next Generation (FPDS-NG) to de-obligate prior year funds offset small business award totals that are reported in the current fiscal year. The unintended consequence of HUD’s accounting actions has adversely affected goal performance where small business goal achievement has fallen below their targets and produced negative values.

Summary of FY 2020 Small Business and Socio-Economic Small Business Dollars

	Total Eligible Small Business Dollars \$981,840,180.51 through September 30, 2020		Total Eligible Small Business Dollars \$1,574,387,022.59 (Obligations Only) through September 30, 2020		Total De-obligations (\$592,546,842.08)
	%	\$	%	\$	
Small Business	0.58%	\$5,719,321.14	28.60%	\$450,246,042.58	(\$444,526,721.44)
SDB	9.88%	\$96,979,981.22	18.78%	\$295,737,898.08	(\$198,757,916.86)
WOSB	2.96%	\$29,088,205.24	12.82%	\$201,832,030.17	(\$172,743,824.93)
SDVOSB	-5.15%	(\$50,587,885.66)	4.07%	\$64,127,164.33	(\$114,715,049.99)
HUBZone	7.12%	\$69,886,529.17	4.60%	\$72,403,506.56	(\$2,516,977.39)

Source: FY2020 Small Business Goaling Report October 7, 2020 (beta.sam.gov)

SBA’s current scorecard methodology that includes de-obligated prior year funds skews the actual representation of HUD’s goal achievement, because HUD’s current prime small business achievement as of September 30 is .58 percent and significantly below the 25 percent annual goal. HUD’s service-disabled veteran-owned small business (SDVOSB) goal achievement is -5.15 percent which is below the statutory goal of 3 percent. However, when de-obligations are removed from the calculation, HUD shows 28.6 percent of HUD’s total eligible small business dollars have been awarded to small business concerns and 4.07 percent have been awarded to SDVOSBs. Additionally, HUD exceeded the statutory goals for small disadvantaged businesses (SDB), women-owned small businesses (WOSB), and HUBZone businesses. These are outstanding results for small business utilization and more accurately represent the results of HUD’s hard work and commitment to the Small Business Program.

Deputy Secretary Montgomery issued a letter on September 30, 2020 asking SBA for an exception to not count de-obligations from prior years against HUD’s FY 2020 goal achievements. HUD is awaiting SBA’s response.

HUD is also in negotiations with SBA on the Department’s FY 2021 annual small business prime and subcontracting goals.

ORGANIZATIONAL STRUCTURE – STAFF ROSTER

(Note that all staff are located at Headquarters.)

POSITION TITLE	EMPLOYEE NAME	SERIES/GRADE
Director	Jean Lin Pao	ES-301-00
Senior Small Business Utilization Specialist	Meishoma Hayes	GS-1101-14
Small Business Utilization Specialist	Derek Pruitt	GS-1101-13
Small Business Utilization Specialist ²	Vacant	GS-1101-9/11/12
Small Business Utilization Specialist	Vacant	GS-1101-09/11/12
Small Business Utilization Specialist	Vacant	GS-1101-09/11/12

BUDGET

OSDBU’s Program Budget is part of the Executive Offices budget for the Office of the Secretary. Its FY 2020 and 2021 Salaries and Expenses budgets are summarized as follows and totals include carryover funds from the previous fiscal year:

TOTAL – SALARIES AND EXPENSES			
(Dollars in thousands)			
	FY 2020 (enacted)	FY 2021 (proposed)	Change from FY 2020 to FY 2021
Personnel Services	\$849	\$826	\$-23
Non-Personnel Services	\$116	\$90	\$-26
TOTAL S&E	\$965	\$916	\$-49
FTE	3	3	0

In the summer of FY 2016, the budget for all Departmental Management offices was centralized.

² The vacancies have been unfilled since 2017.

STAFF BIOGRAPHIES

DIRECTOR

Jean Lin Pao is the Director for the Office of Small and Disadvantaged Business Utilization at the U.S. Department of Housing and Urban Development (HUD), serving as the principal advocate for utilizing small and disadvantaged businesses in federal contracting to meet HUD's mission. HUD has achieved unprecedented results in maximizing practicable opportunities for small businesses and received A+/A grades on the Small Business Procurement Scorecard on the administration of its small business programs. Ms. Pao has over twenty-five years of federal experience in small business advocacy, enterprise human capital management, employee engagement and training, budgeting and acquisitions, information technology planning, administration, business management, program evaluation, and policy development. Previously, she served as the General Deputy Assistant Secretary for HUD's Office of Policy Development and Research and Chief Management Officer/Deputy Assistant Secretary for Business Management and Administration in HUD's Office of the Chief Human Capital Officer. Ms. Pao holds a Bachelor of Arts from Columbia University and a Master of Public Policy from the University of Chicago. Jean is the recipient of the Presidential Rank Award for Meritorious Service. She is an Excellence in Government Senior Fellow and Partnership for Public Service Outstanding Alumni Award Honoree. She is also a certified executive and leadership coach.

SENIOR SMALL BUSINESS UTILIZATION SPECIALIST

Meishoma Hayes joined the Department of Housing and Urban Development in 2003 and she is currently OSDBU's Senior Small Business Utilization Specialist. In addition to her responsibilities as a small business advocate, she manages the subcontracting program to review plans to ensure maximum subcontracting opportunities for small business concerns and reporting compliance. Prior to joining the Federal Government, Meishoma worked as a programmer/analyst for an insurance company and a consulting firm. Meishoma earned her bachelor's degree from Loyola College in Maryland.

SMALL BUSINESS UTILIZATION SPECIALIST

Derek Pruitt serves as a Small Business Utilization Specialist in the Office of Small and Disadvantaged Business Utilization. In this role, he aids HUD's efforts to provide maximum opportunities for small, disadvantaged, women-owned, service-disabled veteran-owned, and HUBZone small businesses to participate in HUD contract awards through outreach, education, and market research strategies. Derek has been with HUD since 2002 and joined the OSDBU team in 2006. He graduated with a bachelor's degree in Business Administration.

Supplemental Materials

**Office of Field Policy
and Management**



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Disaster Mission Assignments

Background/Purpose

HUD supports Federal inter-agency response and recovery efforts under the National Response Framework (NRF) and National Disaster Recovery Framework (NDRF). FEMA may issue Mission Assignments (MA) to HUD after a Presidentially Declared Disaster (PDD) to support these frameworks in impacted areas.

This frequently involves the deployment of HUD staff to FEMA Joint Field Offices (JFO) and Disaster Recovery Centers (DRC) to assist disaster survivors. It may also include leading the Housing Recovery Support Function (RSF) under the NDRF to support long-term housing recovery strategies at the state and local level.

Impact

Since 2016, HUD was activated 30 times in 14 states to work under MAs issued by FEMA. This included deployment of over 400 HUD staff across these engagements. Deployed staff represented every HUD program office, but FPM contributed the most staff relative to its size.

HUD assisted thousands of disaster survivors and was a key partner to depopulating hard to house families from disaster shelters and FEMA temporary housing programs. The Department also provided housing assessments and supported state housing recovery strategies.

Upcoming Milestones

Implementation of current and potential MAs in OR, CA, LA, AL, and FL are part of the response and recovery efforts after the CA/OR wildfires, Hurricane Laura, and Hurricane Sally.

Ongoing support of FEMA COVID-19 recovery working groups in highly impacted states. This includes a MA for these activities in HUD Region I (NH, VT, ME, MA, RI, CT).

Decision Points

Disaster functions under FEMA's MAs are housed in several HUD program offices. This model is not the most effective or efficient. Consideration should be given to consolidating these functions under one HUD program office.

Contact

FPM: Krista Mills, Acting Director, Field Policy and Management, 202-402-4531,
krista.mills@hud.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Place-Based Initiatives

- Background/Purpose -

FPM supports locally driven strategies developed by local officials and community stakeholders that strive to achieve better results for HUD-assisted residents, as well as children, youth, families, and seniors. FPM represents the Department in assisting local stakeholders through facilitation of cross-programmatic collaboration to achieve local priorities. As an adjunct of the Secretary and Deputy Secretary's office, FPM is the organization responsible for leading Secretarial Initiatives in the field. FPM has a robust field organization of 64 offices and approximately 350 staff familiar with the Department's programs and activities. FPM staff cultivate relationships with community leaders across the nation that can increase the successful execution of the following place-based initiatives:

- ConnectHome – www.connecthomeusa.org
- EnVision Centers – www.hud.gov/envisioncenters
- Opportunity Zones – www.opportunityzones.hud.gov
- Promise Zones - www.hudexchange.info/programs/promise-zones/

All these initiatives are designed to allow local leaders to create locally tailored solutions to create opportunities for residents in HUD-assisted households to become self-sufficient.

- Impact -

ConnectHomeUSA connected more than 52,000 HUD-assisted households to broadband Internet, distributed more than 11,000 computing devices to HUD-assisted households (approximately), and provided digital literacy training to more than 2,500 HUD-assisted residents.

EnVision Centers served a total of 187,215¹ individuals across the nation in FY2020 alone. In FY20 Q3, EnVision Centers throughout the country responded to the food assistance needs of their communities resulting from the lockdowns and economic interruptions due to the COVID-19 pandemic.

Opportunity Zones target diverse geographies: urban, suburban, rural, and tribal communities. Over

¹ Centros Sor Isolina Ferre, the EnVision Center in Ponce, Puerto Rico, distributed 31,648 food boxes from USDA's Farmers to Families Food Box Program. These food boxes reached 101,344 individuals, which accounts for the large total of unique individuals served at the EnVision Centers and analyzed by FPM.

335 Federal grants and programs have been aligned to Opportunity Zones. The Council of Economic Advisers reported at the end of 2019 that \$75 billion has been privately raised in Qualified Opportunity Funds. This new capital represents 21% of total annual investment in Opportunity Zones.

Promise Zone communities target diverse geographies: urban, rural, and tribal communities. Rounds I and II of Promise Zones has garnered over \$550 million in Federal investments to advance their goals.

- *Upcoming Milestones* -

ConnectHome USDA: Support the newly announced 2020 ConnectHome communities.

EnVision Centers Demonstration: Continue to support designated EnVision Centers in building relationships with federal partners and offering technical assistance.

Opportunity Zones: Initiate the Technical Assistance for the creation of Opportunity Zone Case Studies for various Opportunity Zone investments across the country utilizing FPM FY19 technical assistance funding.

Promise Zones Initiative: Support Promise Zones in fulfilling their 10-year designation agreement.

- *Decision Points* -

None at this point

- *Contact* -

FPM: Krista Mills, Acting Director, Office of Field Policy and Management, 202-402-4531,
krista.mills@hud.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Davis-Bacon and Labor Standards

Background/Purpose

The Office of Davis-Bacon and Labor Standards (DBLS) is responsible for HUD compliance with Federal prevailing wage requirements applicable to HUD-assisted and insured housing and community development programs covered under the Davis-Bacon and the Related Acts (DBRA). DBLS also administers Federal prevailing wage requirements applicable to maintenance employees of public housing agencies and Tribally Designated Housing Entities.

Impact

Headquarters DBLS serves as the principal advisors to the Assistant Deputy Secretary of the Office of Field Policy and Management (OFPM) and throughout HUD on matters concerning labor standards administration and enforcement in HUD programs. DBLS maintains relationships with the construction industry, the building and construction trades, and the US Department of Labor to protect workers right to fair wages. Additionally, DBLS works with the Office of Multifamily Housing, Public and Indian Housing, and Community Planning and Development to ensure that over 4,700 Local Contracting Agencies (LCAs) and their program participants comply with the relevant prevailing wage requirements.

Upcoming Milestones

LR 2000/NextGen LS is one of the reporting systems for the Davis Bacon Labor Standards (DBLS) office. The Office of Chief Information Officer (OCIO) is currently building a replacement system in-house using Salesforce. OCIO funded the project and is currently executing the agile system development plan that started in the June 2020 with completion anticipated in January 2021.

Elations Systems, Inc. is the electronic payroll service (EPS) used for compliance and monitoring. The EPS in May 2021. The contracting package is ready for re-compete, if needed. However, OCIO is working with its Salesforce contractor to develop a single system that performs the EPS and LR 2000/NextGen LS functions.

Decision Points

If the NextGen LS System development schedule cannot incorporate the EPS function, DBLS will re-compete for an EPS using a Lowest Price Technically Acceptable (LPTA) acquisition with a small business set-aside. The budget for the base year of this EPS contract is estimated to be \$355,000. The total contract value over the entire 5-year period of performance is estimated to be \$1.7 million.

Contact

FPM: Krista Mills, Acting Director, Field Policy and Management, 202-402-4531,
krista.mills@hud.gov



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Housing and Urban Development Act of 1968: Section 3

- Background/Purpose -

Section 3 of the Housing and Urban Development Act of 1968 was enacted to ensure that economic opportunities generated by certain HUD financial assistance expenditures are directed to low- and very low-income persons, particularly those who receive Federal financial assistance for housing and those residing in communities where the financial assistance is expended.

In April 2019, HUD published a Notice for Proposed Rulemaking entitled, “Enhancing and Streamlining the Implementation of ‘Section 3’ Requirements for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses.” HUD made several changes to Section 3. These changes ensure, to the greatest extent feasible, that local low-income individuals and local businesses who employ these individuals are targeted when employment and contracting opportunities are created with HUD funds.

- Impact -

The changes in the final rule seek to improve effectiveness by:

- Focusing on key outcome metrics, such as the employment of individuals in targeted populations.
- Crediting retention of low-income employees and successful sustained employment in the reporting metrics.
- Allowing for tailored outcome benchmarks for different geographies and/or different projects.
- Aligning Section 3 reporting with standard business practices and payroll tracking methods.
- Reducing reporting requirements for grantees who are meeting outcome benchmarks.
- Integrating Section 3 oversight into the work of the program offices who are in regular contact with the grantees.

- Upcoming Milestones -

The Section 3 final rule (24 CFR §75) was published in the Federal Register on September 29, 2020 and will become effective on November 30, 2020. In addition to the final rule, HUD will begin allocating \$1.6 million this fall to provide technical assistance to HUD funding recipients responsible for compliance with Section 3.

- Decision Points -

None at this point

- *Contact* -

FPM: Krista Mills, Acting Director, Office of Field Policy and Management, 202-402-4531,
krista.mills@hud.gov

Supplemental Materials

**Office of Lead Hazard
Control and Healthy
Homes**

OFFICE OF LEAD HAZARD CONTROL & HEALTHY HOMES



OUR MISSION

Our mission is to help all Americans, but especially children and other vulnerable populations in low-income households, reach their full potential by making homes safe and healthy. No one, of any economic class, should have to worry about whether his or her home is putting loved ones at risk for illness or injury. Our work helps all

Americans, but especially children and other vulnerable populations, reach their full potential by preventing deaths, injuries, and diseases; lowering healthcare costs; increasing school and work performance; and decreasing the number of school and work days missed due to injuries and diseases.

Our mission is to help all Americans, but especially children and other vulnerable populations in low-income households, reach their full potential by making homes safe and healthy.

THE PROBLEM



Unhealthy or unsafe housing causes a ripple effect of impacts, both on the economy as a whole and on the day-to-day lives of Americans. Unsafe and unhealthy homes affect Americans of all income levels, geographic areas, and walks of life in the U.S. However, children, low-income Americans, minorities, and persons with disabilities are particularly vulnerable.¹

Almost 6 million U.S. housing units have moderate to severe physical infrastructure problems—such as water leaks and intrusion; injury hazards; pests; and heating, plumbing, and electrical deficiencies.² Also, OLHCHH estimates that approximately 30 million homes have indoor environmental hazards, including physical safety hazards, lead-based paint, and pests. These physical infrastructure problems and indoor envi-

ronmental hazards cause or trigger a wide array of health impacts, including lead exposure and poisoning, which can lead to mental impairment in the form of behavior problems, low IQ, poor grades at school, and learning disabilities; asthma; lung cancer; and unintentional injuries.³ In addition to the physical health impacts, people living in unsafe or unhealthy homes bear the burden of increased healthcare costs, poor school or work performance, more missed school or work days, and ultimately decreased contribution to society.⁴ The cumulative financial burden of unhealthy homes on the nation is considerable.⁵ *The infographic on the next page shows the cumulative financial burden of unhealthy housing on the nation.*

THE PROBLEM (CONTINUED)

Unhealthy or unsafe housing causes a ripple effect of impacts, both on the economy as a whole and on the day-to-day lives of Americans.

Lead poisoning

affects

535,000

U.S. children ages 1-5⁶



25% of homes

have significant lead-based paint hazards, as measured by dust wipes⁷



The total costs of lead poisoning are

\$5.9 billion

per year in medical costs and

\$50.9 billion

per year in lost productivity due to cognitive impairment⁸



Asthma

affects

18.7 million

U.S. adults and

6.8 million

U.S. children⁹



18% of homes

have elevated levels of four or more allergens that have been associated with symptoms of allergic asthma among residents¹⁰



The total costs of asthma due to dampness and mold in the home are

\$3.5 billion

per year¹¹



... and that's just one of the many housing problems that can trigger asthma

Lung cancer

from radon exposure causes

21,000 deaths

in the U.S. every year¹²



7% of homes

have radon exposures above the current EPA action level¹³



The total costs for radon-induced lung cancer are over

\$2 billion

per year¹⁴



18,000 deaths

and

12 million injuries

occur in U.S. homes every year¹⁵



In

28%

of reported home fires, no smoke alarm was present¹⁶



The total costs of unintentional injuries in the home are over

\$200 billion

per year in direct and indirect costs, with

\$90 billion

due to falls alone¹⁷

... and that is just one of the numerous housing problems that can cause injuries



THE SOLUTION

OLHCHH delivers safe and healthy housing for all Americans, especially children and other vulnerable populations, through several initiatives and programs. OLHCHH's key initiatives and programs include:

Grants. OLHCHH awards grants to assist local communities and states in identifying and controlling lead-based paint hazards; comprehensively correcting health and safety hazards; providing education and outreach; and conducting scientific research on health and housing issues.

Enforcement Efforts. OLHCHH enforces regulatory compliance with the Lead-Based Paint Disclosure Rule and the Lead Safe Housing Rule.

Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing.

OLHCHH has published two editions of The Guidelines, which is a technical manual for lead hazard evaluation and control in federally-assisted housing.

The Healthy Homes Guidance Manual.

OLHCHH promulgated a Healthy Homes Program Guidance Manual to provide practical guidance for successfully developing and implementing a local healthy homes program.

Aging in Place. OLHCHH is implementing a new grant program that will support home interventions that will allow seniors to safely age in place in their homes.

Weatherization and Lead. OLHCHH is working with the DOE to promote coordination between HUD Lead Hazard Reduction and DOE Weatherization Assistance Program grantees in coordinating the delivery of services. Grants will be awarded to demonstrate this model.

In addition to its key programs and initiatives, OLHCHH is involved in the following cross-cutting initiatives. Each of these efforts further OLHCHH's broad mission of making homes safe and healthy:

Smoke-free Public Housing. OLHCHH and Public & Indian Housing (PIH) work together to implement PIH's smokefree public housing rule.

Improved Pest Control. OLHCHH coordinates with the USDA to provide technical assistance to public and assisted multifamily housing managers on effective pest control strategies.

Medicaid Reimbursements for Lead Poisoning Follow-Up and Home-Based Asthma Assessments. OLHCHH has collaborated with other agencies, practitioners, and insurance payers to expand Medicaid services and private insurance to provide healthcare financing for lead poisoning follow-up and home-based asthma services.

Implementation of the National Radon Action Plan. OLHCHH represents HUD in a public/private partnership led by the EPA and the American Lung Association to increase radon testing and mitigation in the U.S.

Federal Task Force on Environmental Health and Safety Risks to Children. OLHCHH participates to identify and prioritize key activities to address children's environmental health risks and assists in tracking progress by Federal agencies in implementing the activities.

Asthma Disparities. OLHCHH is a co-leader in the interagency effort to reduce racial and ethnic asthma disparities.

Disaster Recovery. OLHCHH is working with FEMA, EPA, HHS, OSHA, other offices within HUD, and external partners to integrate healthy homes principles into disaster recovery materials.

No one, of any economic class, should have to worry about whether his or her home is putting loved ones at risk for illness or injury.

OUTCOMES

Outcomes of OLHCHH Initiatives

Through its key initiatives and programs, OLHCHH has achieved the following outcomes:

Over 190,000 housing units have been made lead-safe or healthy for residents through OLHCHH's grant programs since 1993.

OLHCHH's enforcement efforts have resulted in nearly 200,000 units made lead-safe and almost \$1.5 million in penalties since 1999.

OLHCHH has built capacity in local communities and states across the United States through its grant programs and training. For instance:

- OLHCHH's staff and the National Healthy Homes Training Center have trained over 16,000 people on healthy homes principles since 2005.
- Using OLHCHH funding, OLHCHH grantees trained more than 40,000 since 2013.
- Largely because of OLHCHH's grant programs and training, over 100,000 busi-

nesses are certified by EPA to perform renovation, repair, and painting projects that disturb lead-based paint in older homes, child care facilities, and pre-schools.

Outcomes of Crosscutting Initiatives

Through collaborating with other agencies, external partners, and other offices within HUD, OLHCHH has achieved the following outcomes:

HUD's Office of Public & Indian Housing created a rule requiring all public housing agencies to prohibit the smoking of tobacco products.

23 states have some Medicaid reimbursement in place for lead follow-up services, and 13 states have some Medicaid reimbursement in place for home-based asthma services.

OLHCHH worked with the Office of Multifamily Housing to require radon testing and mitigation for units insured by FHA mortgages. This requirement covers around 100,000 units

Over 190,000 housing units have been made lead-safe or healthy for residents through OLHCHH's grant programs since 1993.

ENDNOTES

1. Office of the Surgeon General (US). 2009. The Surgeon General's Call to Action to Promote Healthy Homes. Rockville (MD): Office of the Surgeon General (US). The Connection Between Health and Homes. <http://www.ncbi.nlm.nih.gov/books/NBK44199/>; Liu Y, Holland AE, Mack K, Diekmann S. 2011. Disparities in the prevalence of smoke alarms in U.S. households: Conclusions drawn from published case studies. *J Safety Research*. 42(5): 409-413. <http://europepmc.org/abstract/med/22093576>; Adamkiewicz G, Zota AR, Fabian, MP, Chahine T, Julien R, Spengler JD, Levy JI. 2011. Moving environmental justice indoors: understanding structural influences on residential exposure patterns in low-income communities. *Am J Pub Health*. 101:S238-S245. <http://www.ncbi.nlm.nih.gov/pubmed/21836112>.
2. U.S. Department of Housing and Urban Development and U.S. Census Bureau. (HUD and Census). 2013 American Housing Survey <http://www.census.gov/programs-surveys/ahs/data/2013/national-summary-report-and-tables---ahs-2013.html>. Complete Set of Tables and Standard Errors.
3. See sources cited in endnotes 8, 11, 12, and Keall MD, Baker M, Howden-Chapman P, Cunningham M. 2008. Association between number of home injury hazards and home injury. <http://www.nchh.org/Portals/0/Contents/Article0846.pdf>.
4. See sources cited in endnotes 8, 11, 14, and 17.
5. See sources cited in endnotes 8, 11, 14, and 17.
6. Centers for Disease Control & Prevention. 2013. Blood Lead Levels in Children Aged 1-5 Years — United States, 1999-2010. *Morbidity and Mortality Weekly Report*. 62(13): 245-248. <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm>.
7. Jacobs DE, Friedman W, Clickner RP, et al. 2002. The prevalence of lead-based paint hazards in U.S. Housing. *Environ Health Perspect* 2002;110:599-606. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1241046/>.
8. Trasande L, Lui Y. 2011. Reducing The Staggering Costs of Environmental Disease in Children, Estimated at \$76.6 Billion In 2008. *Health Affairs*. 30 (5):863-870. <http://content.healthaffairs.org/content/30/5/863.full>.
9. Centers for Disease Control & Prevention. 2012. Summary Health Statistics for U.S. Adults: National Health Interview Survey. http://www.cdc.gov/nchs/data/series/sr_10/sr10_260.pdf.
10. Salo PM, Arbes, Crockett PW, Thorne PS, Cohn RD, Zeldin DC. 2008. Exposure to multiple indoor allergens in US homes. *J Allergy Clin Immunol*. 2008 Mar; 121(3): 678-684.e2. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2376121/>
11. Mudarri D, Fisk WJ. 2007. Public health and economic impact of dampness and mold. *Indoor Air*. 17(3):226-35. <http://onlinelibrary.wiley.com/doi/10.1111/i.1600-0668.2007.00474.x/full>.
12. U.S. Environmental Protection Agency (EPA). 2003. EPA Assessment of Risks from Radon in Homes. <http://www.epa.gov/radiation/docs/assessment/402-r-03-003.pdf>.
13. U.S. Environmental Protection Agency (EPA). 2009. U.S. Homes Above EPA's Radon Action Level. <http://cfpub.epa.gov/eroe/index.cfm?fuseaction=detail.viewInd&lv=1st>.
14. Based on National Cancer Institute statistics of 14,400 annual radon lung cancer deaths—Oster, Colditz, Kelley, 1984.
15. Mack K, Liller K. 2012. Homes Injuries, Preventing. *Encyclopedia of Lifestyle Medicine*. <http://dx.doi.org/10.4135/9781412994149.n178>.
16. National Fire Protection Association, Fire Analysis and Research Division. 2011. Smoke alarms in U.S. home fires. https://www.dli.mn.gov/CCLD/rm/PDF/1309_9.pdf.
17. Zaloshnja E, Miller TR, Lawrence BA, Romano E. 2005. The costs of unintentional home injuries. *Am J Prev Med* 28(1):88-94. <http://www.ncbi.nlm.nih.gov/pubmed/15626562>.



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Housing and Health

All people need healthy safe, affordable, and accessible housing. For many, access to health and supportive services is necessary to remaining in their home and their community. HUD has worked to understand the critical linkage between housing conditions and health and provide the wraparound services to make homes healthier and safer for its occupants.

Making homes healthy and safe. HUD works toward achieving its Agency Priority Goal (APG) to protect families from lead-based paint and other health hazards through several pathways, including:

- For housing assisted under Public and Indian Housing (PIH) and Multifamily Housing programs, periodic inspections of the housing using standardized observation forms and questionnaires to assess compliance with HUD safety and health standards (mainly its Uniform Physical Condition Standards and Housing Quality Standards) for its assisted housing. HUD is moving from using those two broadly-scoped standards to a single, updated, broadly-scoped approach, the National Standards for Physical Inspection of Real Estate (NSPIRE); PIH has begun a multi-year NSPIRE demonstration program that includes, over the course of the demonstration, a data-based incremental improvement process, and a formalized evaluation in preparation for the program being placed into regulation.
- For assisted housing of an era (pre-1978 construction) when it may have lead-based paint, Lead Safe Housing Rule requirements to ensure that the housing is lead-safe for occupancy and is maintained and renovated (rehabilitated) in a lead-safe manner. HUD updated the rule in 2017 to provide a more intensive response to young children's elevated blood lead cases, and will be revising the rule again in 2021-2, along with associated guidance, to protect additional assisted families and streamline procedures for doing so.
- For multifamily assisted housing, the Multifamily Accelerated Processing (MAP) Guide has an extensive set of performance and operational requirements pertaining to safety and health, including on such health issues as asbestos, lead, mold, and radon, along with a range of structural and operational safety issues. The next edition of the MAP Guide, incorporating a wide range of technical and programmatic updates, has been under development since 2019 and is projected to be issued in mid-2021.
- For homes of low-income families, grants from the Office of Lead Hazard Control and Healthy Homes (OLHCHH) directly assess and reduce (mitigate) residential

health and safety hazards. Using competitive grant award processes, 221 state and local governments currently have Lead Hazard Reduction grants for over \$685 million to evaluate and reduce lead-based paint hazards, plus over \$82 million to do so for other housing-related health and safety hazards in homes having lead-based paint hazards reduced. In addition, the OLHCHH has 31 tribes and tribally designated housing entities addressing housing-related health and safety hazards with over \$27 million in grant funds, and, for the long term development of better methods, 44 lead technical studies and healthy homes technical studies grants for over \$32 million. See the attached list of OLHCHH grants.

The OLHCHH is involved in several interagency initiatives focusing on priority healthy homes topics, including:

- **Asthma Disparities Work Group:** This interagency group meets regularly to implement priority actions identified in the 2012 “Coordinated Federal Action Plans to Reduce Racial and Ethnic Asthma Disparities.”
- **National Radon Action Plan Leadership Committee:** This is a public/private partnership sponsored by the U.S. EPA and led by the American Lung Association, as the successor to the Federal Radon Action Plan on which HUD sat, and still sits. The National Radon Action Plan has a goal of increasing the number U.S. homes and buildings that receive radon tests, and, as needed, mitigation.
- **Smoke-free Multiunit Housing Interagency Workgroup:** This group meets monthly to identify and pursue opportunities to support implementation of HUD’s smoke-free public housing rule and to promote the adoption of smoke-free policies in federally assisted multifamily housing.

Data. Some of the Department’s efforts have focused on building the evidence base to inform our policy decisions. The Office of Policy Development and Research (PD&R) successfully matched HUD administrative data to Medicare and Medicaid claims data. The results showed that older adults who receive HUD assistance had more chronic conditions than individuals not receiving HUD assistance. PD&R now has two of the major health surveys linked to HUD data as well. This foundational data work led to using matched HUD-CMS administrative data in relevant program evaluations. HUD and CMS are working to encourage state Medicaid programs and HUD’s homelessness grantees to share data to improve program effectiveness. Together, the two federal agencies have induced partnerships between state Housing Finance Agencies and state Medicaid programs.

Regarding lead safety in assisted housing, 2016 research by PD&R and the Centers for Disease Control and Prevention (CDC) matching HUD administrative data and CDC health survey data found that young children in assisted housing had significantly lower blood lead levels than did socioeconomically and demographically comparable children in unassisted housing. Two nationally representative surveys by the Office of Lead Hazard Control and Healthy Homes, including one with field work performed in 2019 and data analysis being completed in 2020, found that the rate of lead-based paint hazards in

assisted housing was half that in unassisted housing. This additional health protection can be attributed to the lead safety requirements in the landlords' contracts with HUD and the effectiveness of the periodic inspections of the housing by or on behalf of the Department in modifying landlords' maintenance behavior.

In addition to its interoffice and interagency collaboration, the OLHCHH contributes to long-term efforts to improve the quality and effectiveness of evaluation and control methods for lead and other housing-related health and safety hazards. It does this through its competitive Lead and Healthy Homes Technical Studies (research) grant program and its competitive Lead and Healthy Homes contracts program. The Lead Technical Studies Program currently has 15 active grants for a total of \$9.2 million, and the Healthy Homes Technical Studies Program, 30 active grants for a total of \$23.6 million. The Notice of Funding Availability identifies priority issues within each topic area, with a focus on funding applied research that can be used to inform the work of lead hazard control or healthy homes programs and improve and develop effective evidence-based policies.

Examples of current Lead Tech Studies focus areas include:

- Improving methods for identifying communities at high risk for lead exposure.
- Research to improve understanding of the relative importance of residential lead exposure sources (including drinking water).
- Developing an effective spot-test-kit for identifying lead-based paint.

Examples of current Healthy Homes Tech Studies focus areas include:

- Effectiveness of smoke-free housing policy implementation in federally assisted multifamily housing.
- Effectiveness of a community health worker model to conduct home assessments and interventions for adults and children with asthma.
- Studying implementation of a program to reduce falls among residents in federally assisted senior housing.
- Studying the effectiveness of improved methods for pest control in public and federally assisted multifamily housing.
- Using advanced (DNA-based) analytical methods and machine learning to develop a tool to identify homes with and without mold problems.

Contract-based Research

The following are major contract activities that are or will be funded through contracts:

- American Healthy Homes Survey II: The OLHCHH teamed with the U.S. Environmental Protection Agency to implement this survey of a representative sample of U.S. housing for the presence of lead-based paint, lead-based paint hazards, and other residential hazards. This updates previous surveys conducted in 1999 and 2006. The contractor is completing data analysis and reporting, and is on schedule for a release in February 2021.

- Re-evaluation of HUD's Lead Hazard Reduction Program Grants: An evaluation of the effectiveness of lead hazard control interventions conducted by early program grantees was completed in 2004. This follow-up evaluation will assess the ability of grantees to reduce lead exposures to below levels of current concern and to identify effective practices and barriers to program implementation.

Guidance. HUD has developed program guidance to providers in the field describing how the Department's housing and health programs can support our shared goals. For example, detailed descriptions of how Medicaid services can be used in supportive housing models have been issued, and CMS issued an Information Bulletin on Medicaid and housing-related services. Both before and since the issuance of the smoke-free public housing rule, PIH and the OLHCHH have worked closely together and with communities to make more public housing smoke free. The two Offices also coordinate on promoting lead safety in public housing, and to make changes in housing that reduce the likelihood and effects of asthma.

The Office of Multifamily Housing and the OLHCHH collaborate on providing technical assistance to landlords for implementing the radon safety program in Multifamily Housing in order to reduce cancer rates.

The program guidance above should help states, housing providers, and services providers better serve the families, seniors and other individuals in HUD-assisted housing . Throughout the Department, work is conducted to ensure safe and accessible housing, through testing and abatement of in-home hazards, service coordinators, supportive housing, technical assistance, increasing medical coverage, and research projects.

— *Impact* —

The affordable housing crisis persists. Medicaid and Medicare are entitlements, but HUD assists only one in four households who are eligible for our programs. What we have learned about the critical connection between housing and health suggests that one of the long-term strategies for improving health will mean investments in affordable housing and healthy homes. And strategic investments in housing can help the health care system achieve better outcomes and lower costs, which is ultimately good for overall federal spending.

The new Administration might consider:

- Meeting with the new HHS Secretary and other leadership, including the Assistant Secretaries for Planning and Evaluation, for Aging, and for Preparedness and Response, and with the Director of the Centers for Disease Control and Prevention, and the Administrator of the Center for Medicare and Medicaid Services, to identify shared priorities at the intersection of housing and health;
- Supporting HUD's collaborating in external work on this topic being done at Enterprise, the Center on Budget and Policy Priorities, AARP, George Washington University – Milken Institute, Bipartisan Policy Center, the Pew Foundations, the National Governors Association, among other institutions;

- Continue to build evidence on the impact of housing on health and health care spending to advance strategic investments in more affordable and supportive housing, including projects regarding seniors and services, individuals with disabilities, and chronic homelessness;
- Increasing support for obtaining legislative authority for the OLHCHH to issue subpoenas for Lead Disclosure Rule investigations. Subpoenas would be issued to landlords of properties where multiple resident young children have elevated blood lead levels, and only in a final effort to review records of landlords that have refused multiple requests to produce records for review, which now results in the cases being dropped; and
- Continuing and supporting HUD's Healthy Homes Work Group, an intradepartmental group that meets regularly to share information about HUD activities related to health.

— *Upcoming Milestones* —

January 2021: Determine whether, and if so, in what way, to extend the accommodations for pandemic-related business disruptions to the Lead Hazard Reduction Grants Program that were issued in mid-2020.

February 2021: Publish report of American Healthy Homes Survey II.

March 2021: Award first-round grants for the Healthy Homes and Weatherization Cooperation Demonstration program.

June 2021: Conduct National Healthy Homes Month 2021 outreach activities in collaboration with non-profits and partner federal agencies.

June 2021: Publish Notices of Funding Opportunity (NOFOs) for OLHCHH grant programs for lead hazard reduction (1 program) and healthy homes production (3 grant programs), and technical studies (research; 2 programs).

September 2021: Propose amendments to Lead Disclosure Rule and Lead Safe Housing Rule to reflect statutory coverage of 0-bedroom dwellings where a child under age 6 resides and to streamline the procedures for responding to an elevated blood lead level case in assisted housing.

— *Contact* —

Matthew Ammon, Director, Office of Lead Hazard Control and Healthy Homes, 202-904-1791

Michelle Miller, Deputy Director, Office of Lead Hazard Control and Healthy Homes, 202-520-3687

Supplemental Materials

Office of the Chief Information Officer



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Office of the Chief Information Officer (CIO)

Recent Accomplishments

FHA Modernization

In partnership with the Office of Housing, the Office of the Chief Information Officer (OCIO) is undertaking a comprehensive, multi-year modernization effort to bring Federal Housing Administration (FHA) Information Technology (IT) infrastructure into the 21st century. We are actively developing application components on the Agency's new, cloud-based single platform, *FHA Catalyst*, which aligns the FHA's mortgage insurance programs to industry standards and fully digitizes the mortgage lifecycle. Initially focusing on the Single-Family forward mortgage program, this modernization effort creates a new data-rich environment and open the doors to advanced risk analytics, cost-saving operational efficiencies, and, ultimately, ensuring HUD can fulfill its strategic mission by transforming the way HUD does business and ensuring prospective borrowers are receiving financing that is appropriate, sustainable, and optimized for long-term homeownership.

In FY2020, we have had some great success including the release of the *FHA Catalyst* Claims Module. This release provides FHA servicers with the ability to digitally transmit supplemental and loss mitigation Claims, including home retention measures for loans financially impacted by COVID-19, eliminating millions of sheets of paper shipped to HUD headquarters annually and creating operational efficiencies for both the mortgage industry and HUD. With the majority of the country working from home, the Electronic Document Delivery Module quickly provided the ability for both lenders and FHA underwriters to work remotely while still continuing to provide FHA insurance, a mission essential function for both FHA's Single Family and Multifamily insurance programs. Start to finish, we were able to provide this critical ability in 9 business days, digitizing the submission of over 250,000 paper case binders and applications annually. This vital functionality has also been leveraged to provide support for the Office of Native American Programs Section 184/184A loan guarantee program. We have also released the Property Valuation Module which enables lenders to submit FHA appraisals directly to *FHA Catalyst*. Setting the stage for the Agency to begin decommissioning costly legacy systems and 3rd party licensed software, saving approximately \$8 million annually. Please see

<https://www.hud.gov/catalyst> for additional information and upcoming releases on this groundbreaking modernization effort.

Cybersecurity

In early 2019, OCIO conducted a comprehensive discovery effort to understand the current state of HUD's overall security posture. OCIO assessed the current risk environment, critical IT assets, and existing vulnerabilities identified by the Government Accountability Office (GAO) and the Office of Inspector General (OIG). As a result of this discovery analysis, OCIO identified a backlog of over 200 open audit findings and multiple areas of cybersecurity weakness that exposed the organization to internal and external threats. In response to HUD's backlog of open audit findings, OCIO implemented an audit remediation and management process to respond to ongoing audits and develop Plans of Action and Milestones (POA&Ms) to address open findings. Through this effort, OCIO tackled the root cause of audit findings and took corrective actions to improve security posture in the long term. OCIO closed over 45% of audit findings in less than a year and is currently executing remediation strategies for the remaining open findings. In addition to audit findings, OCIO made strides towards improving FISMA metrics by developing an automated CIO FISMA reporting process and a formalized remediation strategy. This is enabling HUD to efficiently manage quarterly reporting requirements and execute a remediation structure to address "At Risk" and "Unmet" Cross Agency Priority goals and Risk Management Assessment ratings.

HUD also launched initiatives that proactively protect HUD data and systems. As part of this effort, HUD launched a Security Operations Center (SOC) to provide 24/7 monitoring of HUD traffic. The SOC has enabled HUD's first enterprise-wide log repository and is actively identifying and facilitating response to anomalies. OCIO also implemented real-time and daily cybersecurity dashboard reporting and stood up a Cybersecurity Incident Response Team (CIRT), which has addressed 150 service tickets for security risks within the past year. OCIO performed a Cybersecurity Compliance Review of all major information systems to ensure completeness and consistency in artifacts required for authorization. Additionally, OCIO launched Data Loss Protection (DLP) and eICAM pilots to protect personally identifiable information (PII) and prevent intentional or unintentional data leakage. OCIO also deployed Phishing awareness campaigns to educate HUD employees on the potential dangers of Phishing emails, how to identify Phishing emails, and how to report them to Phishing@hud.gov.

OCIO made significant progress in formalizing the foundation of a mature cybersecurity program by integrating advanced technologies, processes, and policies across the department. HUD published a CISO Strategic Plan that identifies cybersecurity goals, objectives, and milestones for the future state of HUD's cyber program. As HUD OCIO moves into Phase III of the Cybersecurity Program, it will expand the capabilities designed and implemented in Phase II to accomplish program goals and defend against cyber threats

of today while developing processes for continuous improvement and innovation to defend against cyber threats of tomorrow.

COVID Support

Operations

OCIO increased the capacity for HUD's employees to remotely access and continue to support the critical applications and resources used to provide HUD's mission critical services to the public. By increasing HUD's network transport and concurrent user access capacity, OCIO enabled a 100% mobile workforce, to include federal staff and contractors. In addition, OCIO provisioned members of HUD's workforce lacking the necessary resources required to participate in telework with equipment, such as mobile WIFI hotspots, mobile phones with hotspot capabilities, laptops, and other accessories, i.e. those necessary to meet the needs of employees with reasonable accommodations. In support of new employees and existing staff with limited access to PIV offices, OCIO provisioned remote access via personal devices through HUDMobile. OCIO also worked with vendor services to increase capacity for concurrent phone requests to the helpdesk and providing direct support via remote access tools. To increase collaboration and personal interactions between federal staff, federal agencies, and public entities, OCIO implemented Microsoft TEAMS with soft phone capabilities, evaluated Zoom, supported the use of WebEx and Adobe Connect, and migrated SharePoint services to the Cloud. OCIO supported implementation of innovative ways to ensure data traditionally hosted at field offices were made available from a central point on the network (from the primary Data Center), reducing latency experienced when accessing this critical data remotely. At the cusp of the global COVID-19 pandemic, OCIO's staff ensured HUD employees were trained in the use of technology, and user support document on best methods for utilizing the tools were easily accessible. OCIO was able to meet the challenges caused by the such a significant paradigm shift in the workforce.

Chief Technology Office

In response to COVID-19, OCIO developed several new dashboards and technology solutions to improve access to critical information for not only HUD, but the citizens it serves. With easy-to-use data analytics, OCIO developed a Multifamily Property Lookup search tool for apartments covered by the CARES Act eviction moratorium. Users of the tool could easily search FHA-insured or Multifamily Assisted properties to see if their property was covered under moratorium. With the urgent need for data analytics on FHA loan defaults during COVID-19, OCIO developed a pilot analytics dashboard in less than 2 weeks allowing real-time, interactive access to Single Family Default metrics for improved reporting, transparency and program oversight. OCIO also launched a mobile analytics pilot that provides a consolidated view of CARES Act grant expenditures across the each of the CPD programs enabling access to accurate, actionable data for improved operational effectiveness and decision making. In response to the CARES Act legislation, HUD OCIO is working with OCFO on a CARES Act Portal to collect and report expenditure

information from recipients of CARES Act funding. The CARES Act portal allows for recipients to report on their Grants and Subsidies expenditures in a secured, user-friendly, and device agnostics web interface.

Chief Digital Services Office

With office closures due to the COVID-19 pandemic, OCIO leveraged the *FHA Catalyst* platform to provide critical, timely functionality to support FHA's mortgage insurance programs and ONAP's loan guarantee program. Using an Agile approach, the OCIO was able to quickly respond to the changing operational environment by delivering the Electronic Document Delivery Module allowing the mortgage industry the ability to continue to originate new loans through the digital submission of case binders and applications. Start to finish, OCIO was able to provide the program office this ability in 9 business days. To date, over 50,000 case binders have been received in *FHA Catalyst*. Prior to this critical release, due to health and safety concerns, pre-endorsement underwriting by FHA had ceased. In addition, OCIO supported policy changes to address FHA homeowners financially impacted by COVID-19 by providing the ability to transmit loss mitigation claims in bulk via *FHA Catalyst*. The platform also integrated directly with payment processing systems to create operational efficiencies. To date, over \$42.5 million in loss mitigation claims have been processed in *FHA Catalyst*.

**Supplemental
Materials**

**Office of the Chief
Financial Officer**



HUD 2020-2021 Presidential Transition *Official Transition Memorandum*

Centers of Excellence

The Centers of Excellence (CoE) is a program originating in the White House Office of American Innovation and executed by GSA. HUD partnered with the GSA Centers of Excellence (CoE) in October 2018 to modernize HUD IT in a phased approach:

- Phase 1 - A comprehensive Department-wide assessment and future state planning effort
- Phase 2 - Implementation of the Phase 1 recommendations (June 2020 – June 2025)

— *Impact* —

The CoEs were established to accelerate IT modernization across government to improve the public experience and increase operational efficiency. HUD has established COE partnerships in four areas: Data Analytics, Customer Experience, Contact Centers, and Cloud Adoption.

Data Analytics:

Issue: HUD lacks tools and processes to create data visualizations and analytics to optimally manage programs and support decision-making. Data governance to effectively manage data must be compliant with federal IT and Evidence Act requirements.

Solution: Leverage modern technology to create more robust self-service analytics that are responsive to leadership and program management needs. Create data standards and governance that are compliant with the Evidence Act and allow for greater data sharing.

Customer Experience (CX):

Issue: Recent legislation and Administration priorities call for Departments to improve customer experience. Poor customer experience leads to less trust, more work for staff, and decreased return on investment. Research shows that HUD has a 78% negative sentiment with the public and the [2019 American Customer Service Index](#) found that HUD ranked 12th out of 12 cabinet level departments in terms of customer satisfaction.

Solution: Improving customer experience requires HUD to understand customer needs and to be able to adequately respond when engaging with customers. The CX CoE is working to:

- Establish governance to implement CX practices across HUD
- Build methods and tools to collect sentiment data and perform analysis to inform operations
- Conducting prototype projects to begin mitigating known customer pain points

Contact Center:

Issue: HUD customers struggle to find the appropriate channel to contact HUD and receive inconsistent information and customer support when they do contact HUD. HUD receives approximately 1.3 million inbound customer contacts (e.g., calls, emails) each year, and uses ~113 contact lines to engage with customers (including 6 formal external-facing contact centers, 65 field offices, numerous “shadow” lines, and hundreds of direct employee lines).

Solution: Create a centralized, state-of-the-art front-door contact center, called HUDCentral that consolidates existing contact centers. This new contact center will improve and expand on customer contact channels, including adopting best in class operations, technologies, tools like live chat and self-service channels. The CoE will build a system that continuously monitors and make improvements to HUDCentral based on data, metrics, and feedback.

Cloud Adoption:

Issue: HUD spends significant time and money on the manual processing of forms due to limited and/or antiquated technology solutions.

Solution: Enable HUD programs to leverage modern cloud-based, scalable, and enterprise-wide capabilities to improve operations and achieve compliance by:

- **Forms-as-a-Service (FaaS):** Digitizing HUD forms to improve the intake process and create paperless workflows, benefitting both HUD and HUD customers. This project will establish the FaaS tool as a GSA shared service with HUD as a lighthouse agency.
- **Intelligent Data Extraction:** Automating paper-based processing using machine learning technology to read existing HUD documents.
- **Electronic Records Management:** Increase compliance with federal regulations by classifying, storing, and disposing of documents in the cloud.

— *Upcoming Milestones* —

The CoE work is supported by individual contracts for each CoE subject area. Phase 2 base year contracts awarded in the summer and fall of 2020. HUD will have to decide whether or not to execute the option years for the Phase 2 contracts (June 2021 for CX and Cloud Adoption, Fall 2021 for Contact Center and Data Analytics). Alternative courses of action include ceasing the CoE work by not executing the option years or recompeting the contracts to make awards to different vendors.

— *Decision Points* —

Who will serve as the Executive Sponsors of the CoE projects? (Recommendation: Chief Financial Officer for CX, Chief Information Officer for Data Analytics and Cloud Adoption, and a designee from Housing to sponsor the Contact Center)

Should HUD execute option years of the CoE contracts to continue to build out capabilities in the CoE subject areas? (Recommendation: Consult with career project leads for input specific to each CoE. Recommend executing the Contact Center option year since this is a critical service.)

— *Contact* —

Kate Darling, HUD CoE Lead, OCFO 202.705.8773 Katherine.M.Darling@hud.gov



HUD 2020-2021 Presidential Transition

Official Transition Memorandum



Customer Experience Transformation Team (CXTT)

Rapid advances in digital technologies and consumer services have transformed customer expectations over the past decade. The public brings these heightened expectations from the private sector with them as they engage with government services, and a failure to meet these needs can have a profound and adverse impact on an organization. Poor customer experience leads to less trust, more work for staff, and decreased return on investment. Research shows that HUD has a 78% negative sentiment with the public and the 2019 American Customer Service Index found that HUD ranked 12th out of 12 cabinet level departments in terms of customer satisfaction.

Programs	HOUSING CHOICE VOUCHERS	PROJECT-BASED RENTAL ASSISTANCE	PUBLIC HOUSING	COMMUNITY DEVELOPMENT BLOCK GRANTS	NATIVE AMERICAN HOUSING BLOCK GRANTS	CONTINUUMS OF CARE	SINGLE FAMILY MORTGAGES
FY18 Funding	\$21.4B	\$11.5B	\$7B	\$3.3B	\$757M	\$2B	\$1.2B <small>(Total mortgages in force UPB)</small>
Net Sentiment	13.3% 86.7%	22.3% 77.7%	14.8% 85.2%	57.6% 42.4%	53.2% 46.8%	51.2% 48.8%	37.2% 62.8%

Recognizing this, new federal mandates are driving government-wide customer experience transformation. Designing customer experiences (CX) intentionally, with the needs of the customer at the forefront of decision-making, can help federal agencies to better deliver on their mission, serve greater proportions of their target customers more effectively, facilitate higher levels of customer satisfaction, and usually lower operational costs. The CX Transformation Team (CXTT) has been formed to operationalize, expedite, and champion the transformation to customer-centricity at HUD. The CXTT is managed from OCFO and enabled by a tiered governance structure to ensure executive oversight and collaboration with programs across HUD.

In 2021 the CXTT is focused on building foundational CX capabilities at HUD: governance; methods and technology (Voice of the Customer (VOC) tool) to capture, analyze, and use customer sentiment data in decision-making; training for HUD staff on customer-centric design techniques; and prototype projects. In 2021 the CXTT is executing two prototype projects: 1) a redesign and re-drafting of the FHEO website to improve the customer’s experience in seeking assistance on reasonable accommodations, and 2) enhancements to the HUD Resource Locator to improve usability for HUD customers, staff, and partner organizations.

— *Impact* —

The strategic deployment of CX initiatives and measurement will transform how HUD approaches program delivery and services. The VoC capabilities enable HUD programs to collect both qualitative and quantitative feedback consistently and systematically. This allows HUD to begin to use valued customer input and related analysis in decision making and resourcing. The long-term impact will result in increased customer satisfaction and enable HUD to solve known, systematic issues more efficiently and effectively.

— *Upcoming Milestones* —

January 2021: Next CX Champions meeting (senior career personnel from each program)

January 2021: Complete prototype project for FHEO website content refresh

March 2021: Deployment of VoC pilots to begin collecting and analyzing customer feedback

— *Decision Points* —

Who will serve as the Chief Experience Officer (CXO) for HUD? SES vacancy closes on 12/4/2020 and a selection will need to be made.

What is the appropriate level of follow on support for CX? The current COE agreement with GSA ends in June 2021, but HUD may choose to execute option years or pursue an alternative contract vehicle.

— *Contact* —

Kate Darling, Acting CXO, OCFO 202.705.8773
Katherine.M.Darling@hud.gov

Effie Russell, Lead CX Strategist, OCFO 303.672.5422
Effie.L.Russell@hud.gov

**Supplemental
Materials**

**Office of Policy
Development and
Research**

HUD OFFICE OF POLICY DEVELOPMENT AND RESEARCH (PD&R) DRAFT FY 2019-20 BIENNIAL REPORT (11-13-2020)

CONTENTS

Message From the Assistant Secretary	3
Overview, Mission, and Core Functions	5
PD&R's People and Organization	7
PD&R Organizational Chart	8
PD&R Field Economist Organizational Chart	9
PD&R's Funding and Budget	10
National Housing	13
Data Infrastructure	13
Housing Market Intelligence	15
Program Parameter Data	16
Allocation Formulas	18
Housing Finance Research	19
Regulatory Impact Analysis	19
Data for Research and Monitoring	21
White House Councils	23
Eliminating Regulatory Barriers to Affordable Housing	23
Supporting Community Revitalization in Opportunity Zones	23
Innovation	24
EnVision Centers	24
Fostering HBCU Capacity for Innovative Research into the Issues of Distressed Communities	24
Inaugural Innovative Housing Showcase	25
Technical Assistance	26
Research and Demonstrations	27

Research Roadmap	27
Completed and Ongoing Projects	28
PD&R's Outreach and Dissemination	41
PD&R Sponsored Events	41
Dissemination to Housing and Community Development Professionals Through Conferences	42
Periodicals	43
Awards	45
International and Philanthropic Engagement	48
Appendix: Publications and Datasets	50
U.S. Housing Market Conditions Reports	53
Datasets	54

Message From the Assistant Secretary

(Include photo of Seth)

To all who have used and contributed to the research and data of the Office of Policy Development and Research, we are proud to be celebrating with you our 50th Anniversary of doing research under the Authority of Title V of the Housing and Urban Development Act of 1970.

In those 50 years, we have contributed to bringing automation to the building industry; multiple decades of housing assistance innovations from the Experimental Housing Allowance Program to Moving to Opportunity; to balancing the needs of risk versus credit access for homeownership; expansion of the multifamily rental inventory; and much more.

These past two years have drawn on our deep experience and past research to support:

- The allocation of over \$9 billion in CARES Act funding to respond to the economic consequences of the coronavirus pandemic; and supported the research to monitor how it is impacting renters and homeowners.
- Rigorous research around deregulation, rent reforms, work requirements, and landlord incentives in housing assistance as we worked closely with our Office of Public and Indian Housing to expand the Moving to Work demonstration.
- Implementation of the new mobility demonstration, putting the research findings from Moving to Opportunity to work. While MTO shows neighborhood does matter for child economic outcomes as adults, the new demonstration is exploring what types of mobility programs are successful at helping very low-income families lease-up and remain in opportunity neighborhoods.
- Groundbreaking research on the impact rent payment reporting could have on public housing tenant credit scores if implemented.
- Improved calculation of Fair Market Rents to better capture more current local rent spikes.
- Expansion of the EnVision Center initiative to more than 60 Envision Centers.
- Creation of a new type of technical assistance for small economically or disaster challenged cities.
- Building housing and community research capacity at Historically Black Colleges and Universities (HBCUs), including building technology.
- Forward thinking White House Councils focused on expanding opportunities in distressed communities and exploring how to lower the cost of housing through deregulation.
- The inaugural “Innovative Housing Showcase” held June 1-5, 2019 on the National Mall in Washington, D.C.
- Hundreds of market reviews of applications for Multifamily mortgage insurance.
- Work to support the dual goals of ensuring access to sustainable homeownership to borrowers who might otherwise not have access to affordable mortgage credit while limiting risk to the FHA single-family mortgage insurance fund by assisting FHA, GNMA, and others on such things as the TOTAL Mortgage Credit Scorecard, the development of a replacement index for LIBOR, and analysis to reduce the risk in the Home Equity Conversion Mortgage Program (HECM).
- Continued support for disaster recovery, including supporting the team that helps rehouse HUD assisted families displaced after a disaster and the formula for allocating CDBG-Disaster Recovery funds
- Monthly, and sometimes weekly, updates on the latest data on housing market conditions faced by homebuyers, homeowners, and renters, including analysis of the new Census Pulse Survey during the pandemic.

And much more. This Biennial report provides a snapshot of the last two years in PD&R. As prior Biennial reports have shown, this report continues to highlight the tremendous amount of work PD&R staff are doing. These past two years have seen a growth in funding and staff to match the growing demand for more research and data. We expect those demands to continue to increase as we implement the 2019 Evidence Act that calls on federal agencies to do more evaluation, more research, and make more of our data available.

PD&R remains up to the task.

Seth Appleton
Assistant Secretary

Overview, Mission, and Core Functions

PD&R's statutory authority comes from Title V of the Housing and Urban Development Act of 1970, replacing several other research authorities that dated as far back as the 1930s. On December 31st in 2020, PDR will celebrate its 50th Anniversary under the HUD Act of 1970 authority (see Feature box). Shortly thereafter, in 1973, the Office of Policy Development and Research was formed from two different research offices within HUD.

The mission of PD&R is to inform policy development and implementation to improve life in American communities through conducting, supporting, and sharing research, surveys, demonstrations, program evaluations, and best practices. This mission is achieved through three interrelated core functions:

- Collect and analyze national housing market data (including with Census Bureau).
- Conduct research, program evaluations, and demonstrations.
- Provide policy advice and support to the Secretary and program offices.

PD&R provides enterprise-wide support for HUD and works to achieve the Department's vision of being the preeminent source of research on housing and communities in the United States.

(feature box)

Title V of the Housing and Urban Development Act of 1970 – Research and Technology, Research and Demonstrations

PD&R has broad authority to do a wide variety of research as spelled out in the HUD Act. The overall authority comes from Section 501 of the Act:

“The Secretary of Housing and Urban Development is authorized and directed to undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as he determines to be necessary and appropriate.”

Section 502 of the Act contains its “General Provisions,” which provides guidance on how to implement Section 501 in the following domains:

- Building Technology

“(a) The Secretary shall require, to the greatest extent feasible, the employment of new and improved technologies, methods, and materials in housing construction, rehabilitation, and maintenance under programs administered by him with a view to reducing costs, and shall encourage and promote the acceptance and application of such advanced technology, methods, and materials by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public. ...

(b) To encourage large-scale experimentation in the use of new technologies, methods, and materials, with a view toward the ultimate mass production of housing and related facilities ...

(c) Notwithstanding any other provision of law the Secretary is authorized, in connection with projects under this title, to acquire, use and dispose of any land and other property required for the project as he deems necessary. ...”

- Technical Assistance and Dissemination

“(d) In order to effectively carry out his activities under section 501, the Secretary is authorized to provide such advice and technical assistance as may be required and to pay for the cost of writing and publishing reports on activities and undertakings financed under section 501, as well as reports on similar activities and undertakings, not so financed, which are of significant value in furthering the purposes of that section. He may disseminate ... any reports, data, or information acquired or held under this title, including related data and information otherwise available to the Secretary through the operation of the programs and activities of the Department of Housing and Urban Development, in such form as he determines to be most useful to departments, establishments, and agencies of Federal, State, and local governments, to industry, and to the general public.”

- Grants, Contracts, Cooperative Agreements, and Inter Agency Agreements

“(e) The Secretary is authorized to carry out the functions authorized in section 501 either directly or, without regard to section 3709 of the Revised Statutes, by contract or by grant. Advance and progress payments may be made under such contracts or grants ...

(f) In carrying out activities under section 501, the Secretary shall utilize to the fullest extent feasible the available facilities of other Federal departments and agencies, and shall consult with, and make recommendations to, such departments and agencies. The Secretary may enter into working agreements with such departments and agencies and contract or make grants on their behalf or have such departments and agencies contract or make grants on his behalf. The Secretary is authorized to make or accept reimbursement for the cost of such activities. The Secretary is further authorized to undertake activities under this title under cooperative agreements with industry and labor, agencies of State or local governments, educational institutions, and other organizations. He may enter into contracts with and receive funds from such agencies, institutions, and organizations, and may exercise any of the other powers vested in him by section 5i02(c) of the Housing Act of 1948.”

- Data

“(g) The Secretary is authorized to request and receive such information or data as he deems appropriate from private individuals and organizations, and from public agencies. Any such information or data shall be used only for the purposes for which it is supplied, and no publication shall be made by the Secretary whereby the information or data furnished by any particular person or establishment can be identified, except with the consent of such person or establishment.”

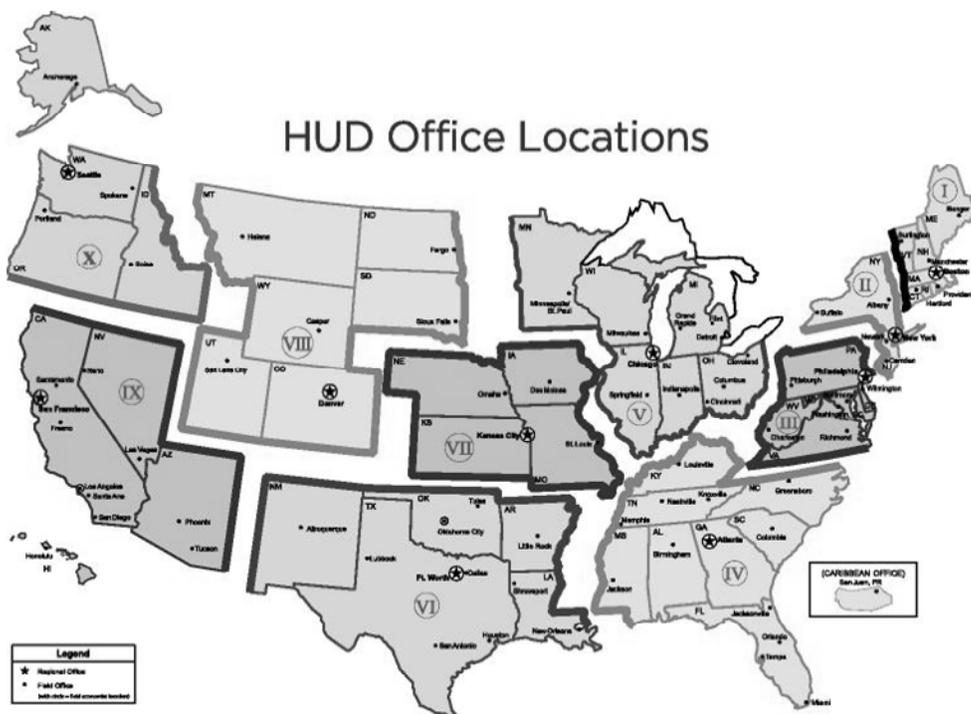
“Reminding us about the long history of our work, one of the gems we recently turned up in the HUD library was a Works Progress Administration-funded marionette play from around 1939 called “The House That Jack’s Building” by Bertram M. Gross. It is a story about a couple living in substandard housing, a bad landlord, and the promise of high-quality government housing. Its characters include, among other things, Slug the Stone, Windy the Window, and Oscar the Outhouse. The play is still incredibly relevant, even eighty years later, showcasing the continuing importance of HUD’s work.” – *Heidi Joseph, Acting Director, Research Utilization Division*

PD&R's People and Organization

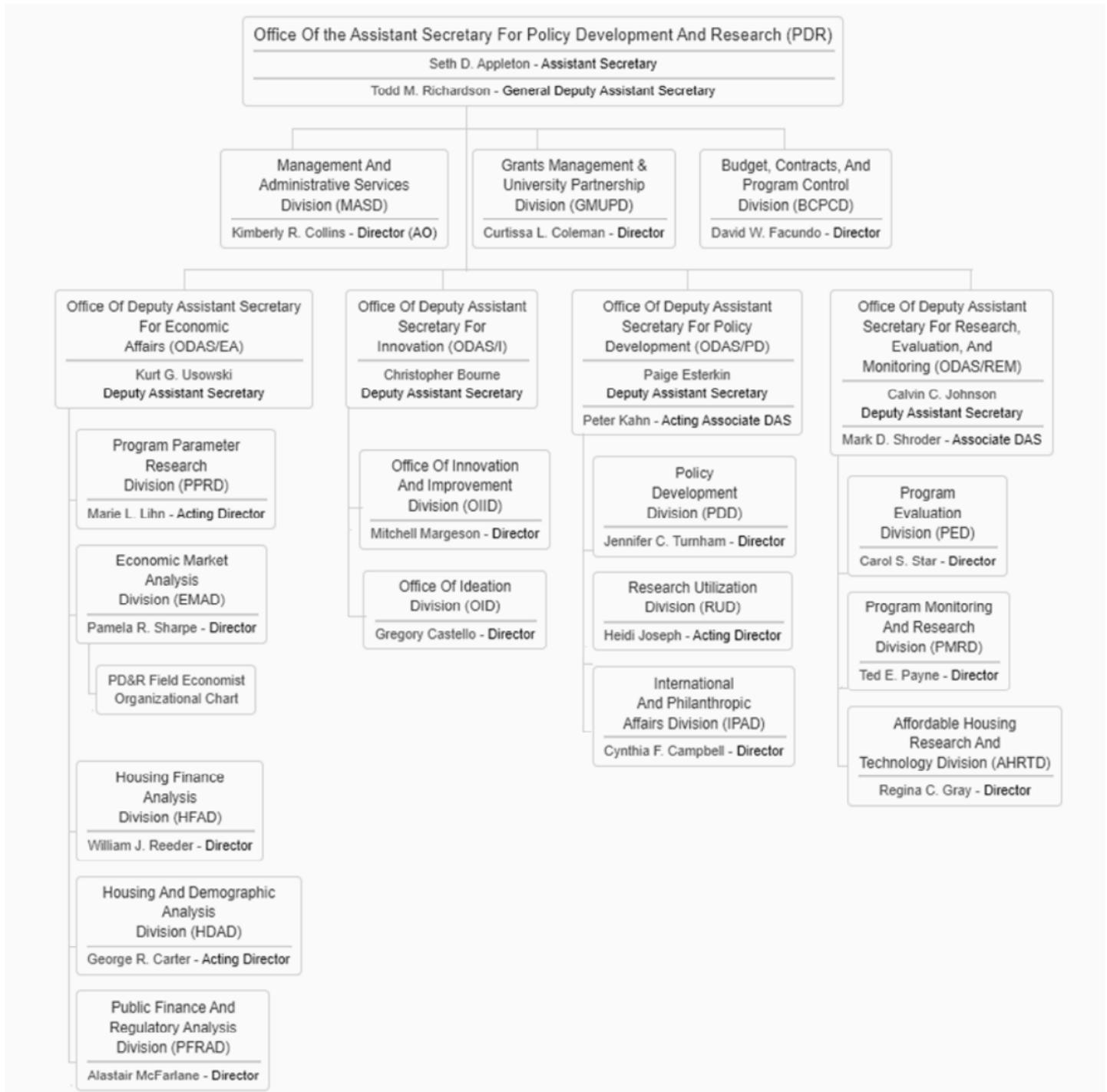
PD&R's most important asset is its team of 149 employees – a growth of 15 staff in the last two years - which includes 116 staff members in Headquarters working across five offices and 16 divisions. One of the many strengths of this team is the diverse expertise of the staff, with backgrounds in economics, public policy, law, sociology, geography, anthropology, criminology, architecture, engineering, urban planning, business administration, and public administration.

This team generates core program parameter data, including fair market rents and income limits; undertakes regulatory impact analysis for all HUD regulatory actions; designs and procures complex research and demonstrations; develops allocation funding formulas for various HUD programs; facilitates engagement with international and philanthropic peers; ensures that research and data are provided to inform policy conversations; designs and maintains HUD's departmentwide geographic information system (GIS) capability; provides administrative data on HUD programs for research and program monitoring; and much more.

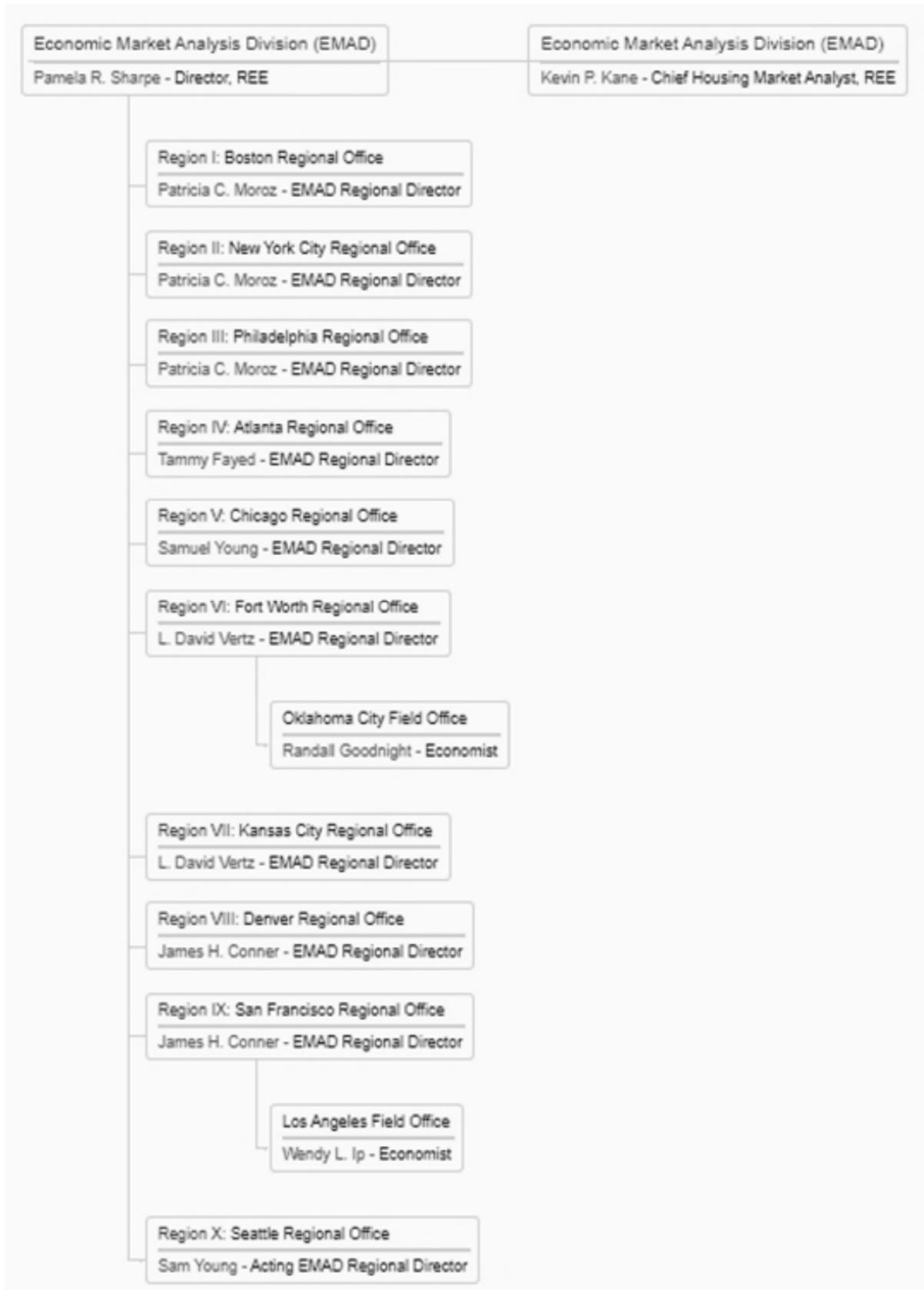
In addition to staff members in headquarters, PD&R's national team of 33 field economists work in the HUD regional and field offices across the country. Field economists conduct comprehensive housing market analyses for publication; support Federal Housing Administration (FHA) reviews for multifamily mortgage insurance; collect and maintain data on demographic, economic, and housing market conditions; conduct special studies; fulfill data requests; and prepare regional summaries of housing market conditions and local housing market profiles for publication in U.S. Housing Market Conditions reports.



PD&R Organizational Chart



PD&R's Field Economist Organizational Chart

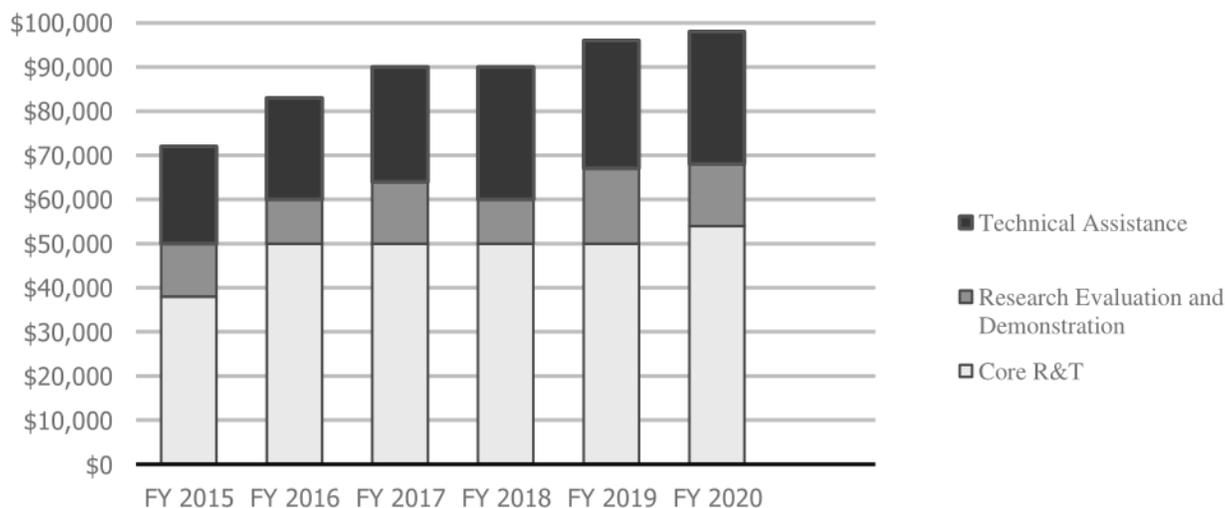


PD&R's Funding and Budget

PD&R provides fundamental support for the Department's mission through national surveys, policy analysis, research, and program evaluations. Within HUD's budget, the Research and Technology (R&T) account supports the conduct of a number of surveys through Interagency Agreement with the U.S. Census Bureau; complex research and evaluations as well as knowledge dissemination through contracts, grants, and cooperative agreements; unsolicited research proposals through research partnership grants and cooperative agreements; and technical assistance efforts for HUD's programs and initiatives.

PD&R's work enables Congress, the Secretary, principal HUD staff, state and local government officials, and the private sector to make informed decisions on housing and community development policy and program implementation. The graph below shows PD&R appropriated funding for core R&T, research and demonstrations, and technical assistance since FY 2015.

PD&R Research and Technology (R&T) Funding Appropriations FY 2015 to FY 2020



PD&R manages its R&T funding in three categories:

1. Core R&T. In FY 2020, Core R&T increased from \$50 million in FY 2019 to \$54.375 million in FY 2020. This increase is attributable to a growth in the activities it is supporting, most notably funding for HBCU research. Core R&T funds the national housing data infrastructure, PD&R's efforts to disseminate knowledge, housing technology and innovation research, housing finance research, and now a set-aside to build HBCU housing research capacity.
 - a. Data Infrastructure: The largest component of Core R&T supports several national surveys that inform policymakers about homeowner and rental units, HUD-assisted and unassisted populations, and the nature of affordable housing problems. These data sources are used widely in the private sector and are essential for an efficient housing market, which in calendar year 2019 totaled \$2.7 trillion of housing and utilities consumption and more than \$800 billion of residential fixed investment, together accounting for 16.3 percent of the U.S. gross domestic product.
 - b. Knowledge Management, Dissemination, and Outreach: Through this category of funding, PD&R disseminates research to inform evidence-based policy and convenes stakeholders for shared learning opportunities. Key beneficiaries of knowledge management activities include policymakers, HUD grantees, program staff, builders and developers, external experts, and international entities.
 - c. Housing Technology and Finance Research and Research Innovation: The third component of Core R&T includes the provision of technical, evidence-based guidance in the areas of building technologies, state and local land use practices,

disaster preparedness and mitigation, and housing finance. Research partnership grants support innovative research conceived and partially funded by academia, foundations, and nonprofits beyond HUD's walls. Innovation funds were used to support the first "Innovative Housing Showcase" held June 1-5, 2019 on the National Mall in Washington, D.C.

- d. HBCU Research. Beginning with FY 2020 funds, PD&R is initiating two new initiatives to both build research capacity at HBCUs and gain knowledge on how to improve minority homeownership and better understand the housing and community development challenges of majority minority communities.
2. Research, Evaluations, and Demonstrations. PD&R's discretionary research and evaluation, funded at \$17 million in FY 2019 and \$13.75 million in FY 2020, is guided by the HUD Research Roadmap, a learning and research agenda that PD&R develops through an iterative stakeholder consultation process to ensure that the research is forward looking, systematic, and well structured. Using the roadmap as a guide, HUD recommends—and Congress specifies through the Appropriations Conference Reports—the specific research projects to be supported each year.
3. Technical Assistance. This funding supports both HUD-wide technical assistance (TA)—\$26 million in FY 2019 and \$27.375 million in FY 2020—and a new type of Technical Assistance focused on small distressed cities—\$3 million in FY 2019 and \$2.5 million in FY 2020. For the Department-wide TA, PD&R chairs a committee of Assistant Secretaries representing each of HUD's program offices to decide on how best to target TA funding in order to effectively support grantees and other entities in a non-siloed manner. Once allocations are agreed on, PD&R allots the funding to the Office of Community Planning and Development to administer on behalf of the program offices.

[FEATURE BOX]

CARES Act Implementation

President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020, appropriating \$12.4 billion for HUD's response to the economic consequences of the coronavirus pandemic. The same day the President signed by Bill, HUD provided to Congress with the allocations for the first \$3.09 billion of those CARES Act Funds - for the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), Housing Opportunities for People With AIDS (HOPWA), and Indian Housing Block Grant (IHBG) programs- allowing an announcement of the funds on April 2.

This was the statutorily fastest that HUD could make an allocation announcement. The speed of the allocation announcement was made possible through PDR coordination with our colleagues in the Office of Community Planning and Development and Office of Native American Programs in PIH prior to passage of the Act. Through use of the proportional share of FY 2020 formula allocations, we were able to quickly allocate funds for communities to begin to plan.

While communities had funds to begin work, PDR switched gears to focus on developing new formulas specifically targeted at the economic consequences of coronavirus. PDR, working closely with program office colleagues, was able to offer up new recommended allocations to target the evolving needs of communities, including \$2.96 billion for the ESG program targeted at the communities with the greatest existing, and risk for, homelessness; and \$3.99 billion for the CDBG program targeted at communities with the most pressing unemployment and coronavirus infection challenges.

"The three industries hit hardest by the rise in unemployment that occurred in the wake of the coronavirus pandemic – mining, quarrying, and oil and gas extraction; arts, entertainment, and recreation; and accommodation and food services – are also likely to trail in terms of recovery. We specifically targeted the third-round allocation of CDBG CARES Act funding to provide communities with high concentrations of employment in those most affected industries and in states with high unemployment more money to assist with their recovery, with the hope that the funds will help prevent evictions after the Center for Disease Control eviction moratorium expires." – Blair Russell, Policy Development Division.

National Housing

Data Infrastructure

PD&R provides data on America’s housing through several national surveys. These surveys have provided in-depth pictures of America’s housing for decades and inform both public-and private-sector decisions in the \$2.8 trillion U.S. housing sector.

American Housing Survey (AHS)

The American Housing Survey (AHS) is the richest source of information about the nation’s housing stock and the characteristics of its occupants, and it has an important role in assessing the performance of government housing programs. PD&R provides funding, oversight, and leadership on the AHS, and the U.S. Census Bureau provides operational management and conducts data collection.

Fielded in odd-numbered years, the AHS is a sample of American Homes. A new representative national sample was drawn for the 2015 AHS and has generated data for 2015, 2017, and 2019. It provides both national and metropolitan information on America’s housing, as well as how those homes have changed over time. The data made available publicly to researchers is “microdata” for each respondent, thus allowing for in-depth research.

The 2019 AHS includes over 117,000 housing units in its sample. In addition to reporting national estimates, it provides estimates for 25 metropolitan areas. The AHS includes an oversample of HUD-assisted units to gain reliable statistics on HUD-assisted tenants’ views of the condition of their housing. Four topical modules on various subjects of interest were also included in 2019; those modules addressed food insecurity, secondary education enrollment, housing accessibility for the elderly and disabled, and housing insecurity.

FY 2020 funding will enable PD&R to conduct the 2021 AHS, which will include 25 metropolitan surveys and topical modules on Delinquent Payments and Notices, Intent to Move, Expanded Renter Housing Search, Wildfire Risk, Pets, and Smoking.

“The American Housing Survey is a baseline on the state of the US housing inventory pre-pandemic. Notably, the 2017 module on rental and homeowner payment delinquency has proven an important baseline to compare to new data on rent payment rates and fear of eviction during the pandemic available from the Census Pulse Survey” - George Carter, Acting Director of the Housing and Demographic Analysis Division

Rental Housing Finance Survey

The Rental Housing Finance Survey (RHFS) is a national survey of owners or property managers of single-family and multiunit rental housing. The data are nationally representative of both properties and units, providing insight into the characteristics, financing, revenue, and capital expenses of America’s rental inventory. The RHFS was first conducted in 2012 in partnership with the Census Bureau. Since then, PD&R supported the RHFS for new national estimates in 2015 and 2018. The 2018 RHFS data are available to the public both as a microdata Public Use File and through the RHFS Table Creator, which permits fast tabulations weighted by properties or units.

HUD uses the RHFS data to gain a better understanding of the financial health of single-family and multifamily rental housing, including debt-to-asset and cash flow metrics. More recently, the RHFS has been a useful source of information to estimate how missed rental payments may impact landlord finances.

Housing Production Surveys

HUD funds three important surveys that paint the picture of new housing production in the United States. HUD uses the data from each of the three surveys to monitor total new housing production, market absorption, and affordability. The Bureau of Economic Analysis uses the data as an input to estimates of residential fixed investment. Trade associations use the data for housing market analysis. Manufacturers and their suppliers use the estimates to monitor trends in prices and characteristics (e.g., floor area, number of bedrooms). Trade publications cite estimates in articles.

Housing Production Surveys: Survey of Construction

The Survey of Construction (SOC) is a joint effort between HUD, the Department of Commerce, and the Census Bureau. The purpose of the survey is to provide current national and regional statistics on starts, completions, and characteristics of new, privately owned single-family and multifamily housing units and on sales of new single-family houses. Its data on new residential sales is a Principal Federal Economic Indicator. The survey has been conducted monthly and annually for housing starts since 1959 and for new home sales since 1963.

Housing Production Surveys: Manufactured Homes Survey

The statutorily mandated Manufactured Homes Survey (MHS) provides estimates of manufactured home sales and inventory for all new manufactured homes that have received a federal inspection (i.e., HUD-code homes). The MHS produces monthly regional estimates of the average sales price for new manufactured homes and more detailed annual estimates including selected characteristics of new manufactured homes. In addition, MHS produces monthly estimates of homes shipped, by status (i.e., (1) sold and placed for residential use; (2) held in dealer inventory and intended for sale for residential use (units that were intended for sale at time of survey); and (3) for non-residential or other use). Data on shipments are available on a monthly and annual basis going back to 1959. Data on homes shipped, by status, are available on a monthly basis going back to January 2014.

Housing Production Surveys: Survey of Market Absorption

The Survey of Market Absorption of New Multifamily Units (SOMA) is a survey of newly constructed buildings with five or more units. The SOMA provides estimates of rent level and market uptake for apartments and sale price and market uptake for condominiums and cooperatives. The interviewer collects information on amenities, rent or sales price levels, number of units, type of building, and the number of units taken off the market. If necessary, interviews are also conducted at 6, 9, and 12 months after building completion. HUD and the Census Bureau release quarterly reports and an annual report with 12-month absorption data.

[FEATURE BOX]

Census Pulse Survey

Starting in April 2020, Census began releasing data from its experimental Household Pulse Survey. This experimental, longitudinal survey is designed in cooperation with various Federal agencies to quickly capture information about household social and economic experiences during the COVID-19 pandemic. The Household Pulse Survey collects important information about housing circumstances and the associated impacts of the ongoing crisis and several other topics related to abrupt and significant changes to American life. PD&R collaborated with the Census Bureau on housing questions for both Phase 1 (April to July 2020) and Phase 2 of the survey (August to November 2020). Based on the Phase 1 experience, PD&R modified some key questions and added questions for Phase 2 that provide a more complete picture of how Covid-19 is impacting renters and homeowners.

For Phase 2, renters are asked “Is this household currently caught up on rent payments?” If the answer is no, the survey goes on to ask, “How likely is it that your household will have to leave this home or apartment within the next two months because of eviction?” The survey also includes a question about confidence and rental payments (How

confident are you that your household will be able to pay your next rent or mortgage payment on time?). A similar set of questions is asked of homeowners.

Also on the survey is structure type, which can be used to assess the impact of the pandemic on different types of landlords, because the vast majority of single-family rental is operated by individual investors (“mom and pops”), whereas the multifamily inventory is largely owned by Limited Liability Corporations and similar entities.

“HUD and several other federal agencies partnered with the Census Bureau to develop the experimental Pulse Survey that provides bi-weekly (previously weekly) results from roughly 100,000 households to help us gauge how the pandemic is impacting Americans. At the close of 2020, using data from the Pulse Phase 2 household survey, HUD estimates approximately 1 million renter household think it is “very likely” that they would be evicted in the next two months. This rate is three-times greater than in 2017 when we asked the same question in the American Housing Survey.” – Veronica Helms, Analyst in the Program Monitoring and Research Division

Housing Market Intelligence

Economists in Headquarters and the field offices generate up-to-date information on all facets of national and local housing markets. These data and reports are prominently featured on the HUDUser.gov website under “U.S. Housing Market Conditions.” In addition, PD&R’s field economists provide housing market intelligence to the Federal Housing Administration (FHA) in support of FHA’s multifamily mortgage insurance program.

Each month, PD&R provides an overview of changes in the national housing market with its National Housing Market Indicators report, which pulls together the data from public and private sources to summarize changes in the national housing market. This report provides the latest data and trends in the sale of new and previously owned homes, new construction for single-family and multifamily homes, rental and homeownership affordability, homeowner equity, and mortgage delinquencies and foreclosures, among other information.

Each quarter, the National Housing Market Summary and the Regional Narratives provide a more in-depth picture of national and regional housing market trends. The Regional Narratives provide data and analysis of economic and housing market conditions in each region.

PD&R’s field economists have also prepared 100 Comprehensive Housing Market Analysis reports and more than 100 Housing Market Profiles for selected metropolitan housing market areas during FY 2019–2020. These reports provide guidance for HUD in its operations and have proven to be useful to builders, mortgagees, and others concerned with local housing condition trends. Another data source maintained by the field economists is PD&R’s Market-at-a-Glance reports. These reports are generated monthly for all regions, states, counties, and metropolitan areas in the United States. The Market-at-a-Glance reports are based on data from Bureau of Labor Statistics (BLS), and American Community Survey (ACS) data from the U.S. Census Bureau with additional analysis provided by the field economists in select reports. During FY 2019-2020, additional analysis was provided or updated in more than 1,200 Market-at-a-Glance reports.

The local housing market intelligence provided in the Comprehensive Housing Market Analysis reports, Housing Market Profiles, and Market-at-a-Glance reports provides a base of knowledge that assists the field economists with their work reviewing applications for FHA mortgage insurance for multifamily housing. During FY 2019-2020, the field economists reviewed more than 500 applications for FHA mortgage insurance for projects with mortgages totaling more than \$14 billion.

[Feature Box]

Quick Market Summary at the close of FY 2020

PD&R housing market reports in 2020 showed overall progress in housing market activity for the year, but a slowing in the second quarter as a result of the imposition of COVID-19 pandemic restrictions and a downturn in the economy. For the entire fiscal year, new and existing home sales showed respective annual increases of 19 and 2 percent, and new home construction was up 10 percent over the previous year. With mortgage rates reaching record lows, the demand for housing increased but low inventories pushed up prices and dampened sales somewhat, especially for existing homes. The months' supply of homes for sale hit record lows for both new and existing homes and, except for the second quarter, house prices showed accelerating gains. Homeownership affordability, driven by the decline in mortgage rates, increased 7 percent, while rental affordability remained virtually the same. The national homeownership rate may have continued to improve, but the changes in survey methodology in the second and third quarters of 2020 due to COVID-19 made relative changes in the rate difficult to measure.

On a regional level, the sales and rental housing markets in HUD's 10 regions maintained their strength during the first half of 2020. During the second quarter of 2020, most sales housing markets were balanced to tight—there were some slightly soft markets in only three regions (Southeast/Caribbean, Great Plains, and Northwest). The nation's rental markets were also mostly balanced to tight, with only one region (Southwest) having metropolitan areas with soft conditions.

“We work closely with FHA Multifamily Housing to provide information and advice on current and forecast market conditions. This is used when evaluating FHA insurance applications to determine whether there is sufficient demand for additional construction in a given market. As a result, our recommendations contribute to balanced market conditions in communities across the nation, with the construction of new apartment supply” —Katharine Jones, *Field Economist*

Program Parameter Data

Many of HUD's programs are intended to serve low- and moderate-income households or to encourage investment in distressed places. The programs generally have rules that establish cost limits or targeting requirements intended to minimize the government cost or risk exposure. PD&R provides those limits and the data that conform to those targeting requirements, called “program parameter data.”

The data PD&R develops are different for every area to account for the wide variation in cost of living in the United States. Most of the data PD&R produces are updated annually. PD&R endeavors to provide these data on a regular schedule, which is posted on the HUDUser website; for example, PD&R publishes Fair Market Rents (FMRs) by September 1 each year and income limits for the same fiscal year on or before the following April 1..

Fair Market Rent Data

PD&R annually updates FMRs for every metropolitan area and nonmetropolitan county in the United States—a total of 2,598 areas. FMRs are used to determine payment-standard amounts for the Housing Choice Voucher (HCV) Program (that is, the maximum amount of rent that HUD will subsidize); determine initial renewal rents for some expiring project-based Section 8 contracts; and determine initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program. FMRs also serve as a rent ceiling in both the HOME Investment Partnerships (HOME) rental assistance program and the Emergency Solution Grants program, are part of the calculation of maximum award amounts for Continuum of Care recipients and the maximum amount of rent a recipient may pay for property leased with Continuum of Care funds, and are used in the calculation of flat rents for Public Housing units.

Designed to provide a rent subsidy limit that allows households to access an adequate supply of modestly priced rental units in a housing market—that is, the lower cost 40 percent of the market—FMRs are gross rent estimates that include the shelter rent plus the cost of all necessary utilities.. Using data from the Census Bureau, HUD annually estimates FMRs for each area.

For FY 2020 and 2021 FMRs, HUD used recent research on local rent forecasting to improve the currency of the FMR estimates in housing markets with more recent rent changes than are captured by the base American Community Survey data (see Feature) at the time FMRs are calculated.

FEATURE:

FMR Improvements

HUD undertook two changes to improve the accuracy of FMRs. The first was to replace a national trend factor with local and regional trend factors. These local and regional trend factors are made up of two independently forecasted components of the CPI: Housing, Shelter, Rent of Primary Residence; and Housing, Fuels and Utilities. The forecasts of these two series are combined using the long-term average expenditure combination factors. These local and regional forecasts are calculated for 22 CPI metropolitan areas and for four regions at three different size classes. Approximately 42 percent of Housing Choice Voucher families live in an area covered by one of the 22 CPI metropolitan areas.

“FMR areas without a corresponding CPI metropolitan area use a regionally based local trend factor” – Marie Lihn, Senior Economist, Program Parameter and Research Division

Income Limits Data

Federal law requires HUD to set income limits that determine the eligibility of applicants for HUD’s assisted housing programs. One of the major active assisted housing programs is the Section 8 HCV program. HUD’s Section 8 Income Limits begin with the production of Median Family Income (MFI) estimates. HUD uses the Section 8 program’s FMR area definitions in developing MFI estimates; therefore, HUD develops income estimates for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. HUD calculates Section 8 income limits for every FMR area, with adjustments for family size and for areas that have unusually high or low housing-cost-to-income relationships.

In addition to being used by all of HUD’s housing assistance programs, the income limit data are used by the Community Development Block Grant (CDBG), HOME, Housing Trust Fund, and Low Income Housing Tax Credit (LIHTC) programs, among others.

Comprehensive Housing Affordability Strategy (CHAS) Data and Community Development Block Grant (CDBG) Low- and Moderate-Income Benefit Areas

HUD annually receives custom tabulations of American Community Survey (ACS) data from the Census Bureau that are largely unavailable through standard Census Bureau products. These data, known as the Comprehensive Housing Affordability Strategy (CHAS) data, demonstrate the extent of housing problems and housing needs, particularly for low-income households. The primary purpose of the CHAS data is to support over 1,000 state and local governments with preparing their consolidated plans. PD&R supports these plans by offering multiple ways to access and use these data, including providing the data in the Geographic Information System (GIS) Consolidated Planning tool.

The data also are also used by researchers nationwide to look at housing problems in a local economic context by showing housing problems by locally adjusted income breaks (primarily 30, 50, and 80 percent of Area Median Income [AMI]).

Related to the CHAS data, ACS custom tabulations also are used to identify areas, at multiple geographic levels, that qualify for CDBG low-mod “area benefit” activities—that is, areas where more than 51 percent of the population is in households earning less than 80 percent of median income. These data are updated every 5 years, with the most recent update occurring in FY 2019.

In 2020, PD&R published a Congressionally mandated report showing that ACS CHAS data remain the best source of data for defining low-and-moderate income areas. However, related PD&R research found that there were acceptable changes to the methodology HUD requires grantees use to challenge the ACS data that would be less costly and burdensome for communities to implement. Those changes have been put into effect, and new tools are being developed to make it easier for local communities to collect their own data to supplement the ACS estimates.

HOME and Housing Trust Fund Sales Price Limits

Both the HOME program and the Housing Trust Fund limit the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds to 95 percent of the area median purchase price for single-family housing, as determined by HUD. PD&R annually estimates these limits using data from the Federal Housing Administration (FHA) and the Federal Housing Finance Agency, which regulates Fannie Mae and Freddie Mac. These data are updated each spring.

FHA Loan Limits Data

PD&R calculates for FHA and the Federal Housing Finance Administration (FHFA) forward mortgage limits based on median house prices in accordance with the National Housing Act. FHA's Single-Family forward mortgage limits are set by Core-Based Statistical Area (CBSA) and county. FHA publishes updated limits effective for each calendar year. The limits are at or between the low-cost area and high-cost area limits based on the median house prices for the area.

LIHTC Qualified Census Tract (QCTs) and Difficult Development Areas (DDAs)

Investors in LIHTC properties in QCTs or DDAs can receive a boost in the value of their tax credits relative to investments outside these areas. PD&R is tasked with identifying these areas consistent with statutory requirements. LIHTC QCTs must have 50 percent of households with incomes below 60 percent of the Area Median Gross Income (AMGI) or have a poverty rate of 25 percent or more. DDAs are areas with high land, construction, and utility costs relative to the AMI and are based on FMRs, income limits, the 2010 Census counts, and 5-year American Community Survey (ACS) data.

Allocation Formulas

For HUD's regular appropriated program funds, only 6 percent is awarded each year to grantees competitively—that is, by a Notice of Funding Availability (NOFA) or a Request for Proposal (RFP), with most of that being the Continuum of Care (CoC) NOFA that is a hybrid of a formula and a competition.

The remainder is allocated by block grant formulas (CDBG, HOME, Indian Housing Block Grant [IHBG], Operating Fund, Capital Fund, Housing Opportunities for Persons With AIDS [HOPWA], Emergency Solutions Grants [ESG], Fair Housing Assistance Program [FHAP]—27 percent) or housing assistance contracts with various formula-like components (HCV Housing Assistance Payments [HAP] and Administrative Fee, Project Based Rental Assistance, 202/811 Programs for the Elderly or Persons with Disabilities—67 percent). When HUD receives funding for new housing vouchers, such as HUD Veterans Affairs Supportive Housing (HUD-VASH), the funds also are often allocated through formulas.

The primary reason for this approach is that the bulk of HUD's funding either supports existing tenants or needs to have long-term planning to have a sustained impact. Formulas are very good for achieving both of those goals. Formulas also get money into the hands of grantees quickly. Competitions take 6 to 18 months from appropriation to allocation and require a great deal of HUD staff resources to manage. Formula allocations, on the other hand, generally take 1 to 3 months from appropriation to allocation and require very few HUD staff resources. Under the CARES Act, HUD was able to announce \$3 billion in formula funding allocations within just 5 days of the President signing the bill.

PD&R has been an important contributor to the design and maintenance of all these formulas and housing assistance contracts—about \$43 billion in funding allocations each year. The CDBG, HOME, IHBG, and PIH Capital Fund formulas, among others, were all developed by current or former PD&R staff.

In 2019 and 2020, PD&R staff were responsible for implementing multiple formulas, including the CDBG Disaster Recovery formula, which targets funds to support recovery from America’s most severe disasters, and the CDBG and ESG CARES Act formulas (see earlier Feature box on CARES Act formula allocations).

Community Development Block Grant—Disaster Recovery (CDBG-DR)

The history of allocating CDBG-DR by formula begins in 1993, when Congress made several appropriations to assist with the long-term recovery of communities suffering from a number of disasters. The Secretary asked PD&R to develop a formula to get the funds into the hands of affected communities quickly. PD&R identified and obtained data from the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA) to inform those allocations. Over the years, and particularly for Hurricane Katrina in 2005 and the years following, CDBG-DR has grown from a small part of community recovery to a major part, and when Congress appropriates the funds, PD&R develops the allocation formula.

In FY 2019 and FY 2020, using PD&R designed formulas, HUD allocated \$3.8 billion in CDBG-Disaster recovery funds for disasters occurring in 2017, 2018, and 2019.

Housing Finance Research

PD&R has a group of highly trained analysts who provide expert advice and analytical capacity on issues such as housing demand and supply, financial institutions, mortgage underwriting, appraisal, and housing finance, and mortgage credit, default and prepayment, and credit scoring providing support to the Offices of Housing, FHEO, Ginnie Mae, and OGC, among others. Some continuing and recent work:

- **FHA TOTAL Mortgage Credit Scorecard.** PD&R staff have long provided technical support conducting and managing development, performance reviews, and updates to FHA’s TOTAL Mortgage Scorecard review process for underwriting FHA single-family mortgage applications. Staff conduct an annual performance review of FHA’s TOTAL Mortgage Scorecard and periodically recommend potential improvements to FHA’s governing committee.
- **Replacing LIBOR (London Inter-Bank Offered Rate).** PD&R staff serve on the Alternative Reference Rates Committee (ARRC), a joint committee developing a replacement index for the soon to be defunct LIBOR index to which many of FHA’s forward and reverse HECM adjustable rate mortgage are indexed. PD&R staff have provided analysis and integral support to aid FHA and Ginnie Mae in a transition from the LIBOR index.
- **Home Equity Conversion Mortgage Program.** PD&R provided FHA with technical support in developing appraisal review processes for HECM loans to minimize the risk of over-appraisal which staff analysis revealed to have been a problem in the past. Staff have also assisted FHA with construction and analysis of electronic data bases on utilization of loss mitigation programs to avoid property tax and insurance defaults that can make HECM loans due and payable.

Regulatory Impact Analysis

PD&R prepares regulatory impact analyses (RIAs) of the Departments’ regulatory and deregulatory actions. These analyses are submitted to the Office of Information and Regulatory Affairs (OIRA) with the draft regulatory action and are subject to revision in response to public comment on proposed regulation. Preparing RIAs helps agencies evaluate the need for and assess the consequences of possible Federal action. The RIA provides an assessment of benefits, costs, and potentially effective and reasonably feasible alternatives to the planned regulatory action. The analyses are required

by executive orders and administrative law. An insufficient analysis can serve as a legal basis for overturning a regulation. To ensure quality, PD&R cooperates with HUD’s Office of General Council and the experts of the originating program office. Regulatory analysis includes evaluations of policy changes that were considered but abandoned before being made public, proposed policy changes published in the Federal Register, final rules published in the Federal Register, FHA Mortgage Letters, and occasional reports concerning regulatory affairs.

Published Proposed Rules

FR-6054 “Conforming the Acceptable Separation Distance (ASD) Standards for Residential Propane Tanks to Industry Standards” (December 2018)
FR-6085 “Enhancing and Streamlining the Implementation of “Section 3” Requirements for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses” (April 2019)
FR-6124 “Housing and Community Development Act of 1980: Verification of Eligible Status” (May 2019)
FR-6057 “Housing Opportunity Through Modernization Act of 2016: Implementation of Sections 102, 103, and 104” (September 2019)
FR-6086 “Economic Growth Regulatory Relief and Consumer Protection Act: Implementation of National Standards for the Physical Inspection of Real Estate (NSPIRE)” (January 2020)
FR 6123 “Affirmatively Furthering Fair Housing” (January 2020)
FR-6149 “Manufactured Home Construction and Safety Standards” (January 2020)
FR-6173 “Requirements to Install Carbon Monoxide Detectors in HUD-Assisted and -Insured Housing” (September 2020)
FR–6114 “Streamlining and Implementation of Economic Growth, Regulatory Relief, and Consumer Protection Act Changes to Family Self-Sufficiency (FSS) Program” (September 2020)
FR-6117 “Streamlining Environmental Review Requirements” (September 2020)

Final Rules

FR-5877 “Manufactured Home Procedural and Enforcement Regulations; Clarifying the Exemption for Manufacture of Recreational Vehicles” (November 2018)
FR-6029 “Streamlining Warranty Requirements for Federal Housing Administration (FHA) Single-Family Mortgage Insurance” (December 2018)
FR-5715 “Project Approval for Single-Family Condominiums” (August 2019)
FR-6054 “Conforming the Acceptable Separation Distance (ASD) Standards for Residential Propane Tanks to Industry Standards” (January 2020)
FR-6018 “Streamlining and Aligning Formaldehyde Emission Control Standards for Certain Wood Products in Manufactured Home Construction with Title VI of the Toxic Substance Control Act” (January 2020)
FR-6054 “Conforming the Acceptable Separation Distance (ASD) Standards for Residential Propane Tanks to Industry Standards” (January 2020)
FR-6085 “Enhancing and Streamlining the Implementation of Section 3 Requirements for Creating Economic Opportunities for Low- and Very Low- Income Persons and Eligible Businesses” (September 2020)
FR-6149 “Update to the Manufactured Housing Construction and Safety Standards Regulations” (October 2020)

Mortgagee Letters

Mortgagee Letter 2019-11 “Maximum Loan-To-Value and Combined Loan-To-Value Percentages for Cash-out Refinance Mortgages” (August 2019)
Mortgagee Letter 2019-16 “Home Equity Conversion Mortgage (HECM) Program – Continuation of HECM Collateral Risk Assessment Requirements” (September 2019)

Other Reports and Articles

Daniel Marcin and Alastair McFarlane, "Project Approval for Single-Family Condominiums," *Cityscape*, Vol. 22, No. 1, (2020), pp. 279-292.

"Report to Congress on the On-Site Completion of Construction for Manufactured Homes" – HUDUser, May 2019.

Maria Chelo De Venecia, "Acceptable Separation Distance Standards for Residential Propane Tanks," *Cityscape*, Vol. 21, No. 2, (2019), pp. 179-183.

Data for Research and Monitoring

HUD receives an enormous amount of information from grantees and lenders to support program operations. Those data are not only a needed source of information to ensure that an individual or project meets program requirements, but they are also valuable information for understanding the bigger picture of who is served, where they are served, and how well the programs are meeting their overall objectives.

For the big picture, PD&R aggregates data from multiple HUD systems for housing assistance and community development programs and makes those data available to the public and researchers to support research and monitoring activities.

A Picture of Subsidized Households

A Picture of Subsidized Households is a master compilation of information on subsidized housing tenants from HUD's major data-collection systems. The data – available both through a simple query tool or as a national download at multiple geographic choices - is useful for answering public policy and program questions without revealing the identity of individual assisted families. It presents statistics on the number and characteristics of households that receive assistance through federal housing programs, including socioeconomic and demographic information, such as family income, race, ethnicity, age of head of household, number of household members, disability, and location and type of neighborhood. PD&R aggregates household data by program and at various geographic levels—national, state, city, county, congressional district, and census tract. It includes the public housing program, housing choice vouchers, moderate rehabilitation, and the collection of multifamily programs.

Various versions of *Picture* data are available on HUDUser.gov, with extracts dating back to 1970. Since 2004, PD&R has generated the data annually. *Picture* is based on data extracted as of December 31 and posted by the end of the following January.

"Picture of Subsidized Households is the flagship data product of PD&R to support the democratization of information even prior to the Evidence Act. This report allows researchers and the public to view, analyze and map data on the participants of HUD assisted housing programs." - Lydia Taghavi PD&R Senior Social Science Analyst

Low-Income Housing Tax Credit Data

PD&R collects data annually on properties placed in service through the LIHTC program. The data are provided to PD&R by the state and local housing finance agencies (HFAs) that administer the program. The database currently includes all properties placed in service through 2018. Data on properties placed in service through 2019 were collected in late 2020. The next update, including the 2019 properties, is expected in the spring of 2021. This database includes data on all properties placed into service since the beginning of the program, but the most reliable information begins in 1995, when PD&R began collecting the data.

In 2008, the Housing and Economic Recovery Act (HERA) required the state and local LIHTC-allocating agencies to submit LIHTC tenant data to HUD. PD&R releases a report annually summarizing that information at the state level. The report summarizes tenant demographic information, household income, and rent levels.

Geo-Enabled Data and Tools

The Office of Policy Development and Research (PD&R) serves as the executive sponsor, manager, and subject matter expert for HUD's agency-wide location intelligence solution more commonly known as the Enterprise Geographic Information System or eGIS. Originally born out of a collaborative effort between PD&R and the Office of Community Planning and Development (CPD) to address a recognized need for spatial analysis and mapping, the program has grown substantially over the years as PD&R has endeavored to design, develop, and maintain a service-oriented platform to meet the agency's growing needs for geospatial analysis, business intelligence solutions, and data management.

HUD's geospatial systems solution is made possible through funding provided by HUD's Office of the Chief Information Officer (OCIO) which allows for continued operations, development, and enhancement of HUD's geospatial capabilities. Over the last two years this partnership has allowed for substantial system innovations including upgrades of all enterprise servers, databases, and software resulting in improved capacity for the benefit of both staff and the public. PD&R's Geospatial Open Data Storefront now hosts an average of roughly 3.5 million unique user sessions per month, while the HUD Resource Locator (HRL) now boasts an average of 130,000 unique sessions per month.

Over the next year, PD&R will continue to support HUD's program offices and partners with subject matter expertise and innovative solutions. PD&R likewise intends to coordinate with OCIO to carry out continued system modernization efforts which include the migration of the entire platform to a cloud environment. Likewise, PD&R intends to work with the General Services Administration (GSA) and HUD's Office of Field Personnel Management (OFPM) to develop the next iteration of the Housing Resource Locator.

Data Linkages

Linking administrative data, such as tenant characteristics, with survey data and other research datasets is an increasingly important and cost-effective way to address key research and policy questions for the assisted-housing population. PD&R is partnering with federal agencies and using administrative linkages to leverage the value of public investments in survey data.³

PD&R continues to advance tenant health research through a data linkage partnership with the National Center for Health Statistics (NCHS) to identify HUD-assisted tenants in health survey data from 1999 through 2016. This collaboration is enabling researchers for the first time to study outcomes for HUD populations related to health status, chronic disease, healthcare utilization, morbidity, and mortality. Previously linked data files enabled researchers to publish several studies of the relationship between assisted housing and health during FY 2017–2018. The NCHS research center provides the infrastructure for linking data, maintaining data confidentiality, and receiving external proposals for research using the linked data.

HUD has also entered into interagency agreements with the Census Bureau to expand access to HUD data, identify HUD-assisted tenants in national surveys, and support matching with non-HUD data by approved internal and external researchers at secured Federal Statistical Research Data Centers. The Bureau's Economic Reimbursable Surveys Division manages the infrastructure for linking HUD's tenant data and datasets from major randomized control trials with the Census' survey data and other administrative datasets. Researchers now have access to data from the Moving to Opportunity (MTO) demonstration and the Family Options demonstration.

PD&R also has long worked with FEMA to do data matching to facilitate moving HUD assisted families quickly out of hotels and motels after a disaster.

“Hurricane Laura in 2020 displaced thousands of families, including many with HUD housing assistance. Under the authority of Information Sharing Agreements, HUD was able to match its data with FEMA data to identify the household who had HUD assisted housing pre-disaster so our teams in the Field could quickly contact them and help them find suitable replacement housing.” – Becky Reed, disaster recovery lead for PD&R

White House Councils

Eliminating Regulatory Barriers to Affordable Housing

PD&R supported the White House Council on Eliminating Regulatory Barriers to Affordable Housing (Council), which was chaired by Secretary Ben Carson. The Council – comprised of 8 Federal agencies and several Federal offices – was created to lead joint efforts across the Federal government to address, reduce, and remove unnecessarily burdensome regulatory barriers that artificially raise the cost of housing construction and development and contribute to a lack of housing supply throughout the country.

The Council conducted outreach through a variety of mechanisms including roundtables hosted by the White House, HUD, and Treasury; a listening session with Tribal leadership; meetings conducted by individual Federal agencies with stakeholders, and a Request for Information issued by HUD. The Council received input from State, local, and Tribal government officials, private-sector stakeholders, developers, homebuilders, creditors, real estate professionals, manufacturers, academic researchers, renters, advocates, homeowners, and others to identify laws, regulations, and administrative practices that create or reduce unnecessary barriers. Agencies analyzed input received to identify actionable recommendations for reducing federal regulatory barriers and increasing the supply of affordable housing. The Council's work is captured in a report to be published in FY21. These efforts continue HUD's extensive work on reducing regulatory barriers.

Supporting Community Revitalization in Opportunity Zones

The White House Opportunity and Revitalization Council (Council) was created to lead joint efforts across the Federal government to target, streamline, and coordinate Federal resources to be used in Opportunity Zones and other economically distressed communities. Comprised of 17 Federal agencies and Federal-State partnerships and chaired by Secretary Ben Carson, the Council has explored ways Federal agencies can partner with Opportunity Zone investors and communities to support community revitalization efforts and improve residents' lives. PD&R, working closely with the Office of Field Policy and Management, has played a major role in the department's efforts as a member of the Council.

The Council produced a number of resources to support Opportunity Zones, including: the Opportunity Zone Interagency Field Manual, Opportunity Zone Toolkit Volumes 1 & 2, and a report to the President outlining Opportunity Zone best practices occurring across the Nation.

The Council undertook extensive and expeditious efforts to identify actions each agency could take under existing authorities to prioritize or focus Federal investments and programs on urban and economically distressed communities, including qualified Opportunity Zones, and to minimize regulatory and administrative costs and burdens that discourage public and private investment in these communities. PD&R is now working with program offices throughout HUD and other agencies to identify the results of the efforts and develop a method to assess the effectiveness of Opportunity Zones in improving housing, incomes, and employment for residents.

Innovation

PD&R's new Innovation Office has supported three major activities in FY 2019 and 2020.

EnVision Centers

EnVision Centers are an integral part of the federal strategy to address the needs and improve the economic conditions of under-served communities. Initiated in 2018 as a demonstration, EnVision Centers create synergy in the provision of services to low-income Americans by integrating programs across multiple departments and agencies and consolidating them with state, local and private programs to increase the capacity of low-income families to achieve self-sufficiency.

EnVision Centers support the objectives of the White House Opportunity and Revitalization Council by stimulating economic mobility and self-sufficiency, and by facilitating economic development, safe neighborhoods, education and workforce development and entrepreneurship. In this way, EnVision Centers help ensure residents of Opportunity Zones benefit from the economic revitalization created by the Opportunity Zone tax incentives.

The operating concept of EnVision Centers is similar to “one-stop” or “single-site” service centers. What differentiates them is deliberate interagency effort to coordinate delivery of mutually reinforcing self-sufficiency and economic development programs. Between 2018 and 2020, in a collaboration between PD&R and HUD's Office of Field Policy and Management (FPM), the demonstration was scaled up from 18 demonstration sites to over 81 operational sites. An evaluation and measurement plan is under development to enable analysis of outcomes in the future. Additionally, a web application aligned with EnVision Centers is being developed through a prize program administered by the Census Open Innovation Lab.

Fostering HBCU Capacity for Innovative Research into the Issues of Distressed Communities

In support of the White House Initiative on Historically Black Colleges and Universities (WHI-HBCU) federal competitiveness strategy, PDR developed a notice of funding availability targeted at Historically Black Colleges and Universities (HBCUs) to conduct research projects on topics of strategic interest to HUD. The research projects are intended to initiate an ongoing series of reports focused on housing, community, and economic development in distressed communities that can serve as national benchmarks and assist in the establishment of an Innovative Research Center of Excellence (COE) at one of the nation's HBCUs. The research projects will focus on distressed communities from the unique perspective of institutions primarily represented by the residents of distressed communities.

The purpose of the COE is to conduct innovative research of housing and economic development topics that include home ownership, the production and availability of affordable housing and related issues such as economic opportunity, employment, education, and health. The COE will take a multidisciplinary approach to community development research, and through innovative methods study the social and economic factors that create healthy communities. Ultimately, the COE will influence policy at the local, state and national levels, providing evidence-based innovative approaches to community development based on research it undertakes.

The COE will serve as a platform for the formulation, analysis, and dissemination of solutions utilizing alternatives to current academic theory and policy prescriptions to address problems confronting distressed communities. It will perform academic research, hold expert convenings, and conduct related activities designed to advance understanding of economic and social factors that affect communities, including housing, economic development, family structure, health, education, civic engagement, public safety, and other dimensions of community health. Through academic programs, research projects and thought leadership, the COE will help leaders across all levels of government as well as the business and civic sectors address critical issues that impact the social and economic well-being of the families and individuals who reside in distressed urban and rural communities.

The challenges faced by distressed urban and rural communities are long-standing and complex and have defied conventional approaches for decades. The COE will apply new and context-specific approaches and methods to studying those challenges to develop innovative, evidence-based policy recommendations. It will employ 21st century tools and concepts and draw on novel research approaches, including big data analytics, machine learning and artificial intelligence, novel partnerships such as academic consortia, and collaboration with private entities or other federal agencies and apply multidisciplinary and holistic methodologies and new or enhanced theories of change models designed to achieve transformative outcomes.

Inaugural Innovative Housing Showcase

In June 2019, HUD – led by HUD’s Office of Public Affairs with support from PD&R - and the National Association of Home Builders (NAHB) co-hosted an Innovative Housing Showcase on the national Mall that included displays by 16 exhibitors of prototype homes and related innovative building technologies. Key themes included affordability and resilience. The event brought leaders from the housing industry, federal government, Congress, the housing finance industry home building trade associations, and the general public together for five days of displays, panel discussions, on-stage interviews and presentations. The inaugural event drew more than 5,000 people to view and interact with state-of-the-art building technologies and housing solutions including tiny homes, manufactured homes, modular and containerized homes innovative building systems and new materials. A second Showcase planned for 2020 was postponed due to the COVID-19 pandemic.

Technical Assistance

HUD's Community Compass Technical Assistance and Capacity Building Program is designed to help HUD's customers navigate complex housing and community development challenges by equipping them with the knowledge, skills, tools, capacity, and systems to implement HUD programs and policies successfully and sustainably. The program also provides effective administrative and managerial oversight of HUD funding.

Recognizing that HUD customers often interact with a variety of HUD programs as they deliver housing or community development services, Community Compass brings together technical assistance (TA) investments from across HUD program offices, including the Offices of Public and Indian Housing (PIH), Community Planning and Development (CPD), Housing, Fair Housing and Equal Opportunity (FHEO), and Field Policy and Management.

This cross-funding approach allows TA to address the needs of grantees and subgrantees across multiple HUD programs, often within the same engagement. The Community Compass program is centrally managed by the Office of Community Planning and Development, with PD&R serving as the HUD-wide technical assistance coordinator. PD&R is responsible for working across HUD's programs to improve cross-program TA coordination, to effectively track TA investments, and to plan the best uses of HUD's limited TA funding.

Community Compass funds are awarded through competitive Notices of Funding Availability (NOFA). Through a NOFA covering two years of funding - FY 2018 and FY 2019, the Community Compass NOFA, HUD awarded \$159,143,747 in funding to support TA and capacity building needs across the Department. By competing these funds only once every two years it has increased staff time toward managing the awards. The FY 20 and FY 21 Community Compass NOFA is expected to be awarded in early January 2021.

[Feature Box]

Distressed Cities Technical Assistance Program

Congress appropriated funds to PD&R beginning in FY18 to provide technical assistance to economically distressed units of general local government (UGLGs) serving relatively small populations. Through the three subsequent budgetary cycles, the Distressed Cities Technical Assistance (DCTA) program was awarded a total of \$8.5 million for providing capacity building TA.

The DCTA program is atypical for HUD in a few key ways. First, it directly targets assistance towards UGLGs with less than 40,000 people, a subsection of UGLGs that does not often interact directly with HUD. Second, it allows PD&R to provide TA without having a heavy focus on HUD program compliance. Finally, unlike HUD's Community Compass Technical Assistance (CCTA) program, DCTA is currently working with one TA provider that was competitively selected through a NOFA. As DCTA is a new program, working with a single TA provider created an opportunity for close collaboration between HUD and the TA provider to shape the DCTA program into what it is today.

The primary focus of DCTA is helping UGLGs improve their fiscal health and build sound financial management practices. Focusing on financial management first lays the foundation for future efforts, such as attracting investors for affordable housing development and competitively applying for CDBG-DR funds post disaster. Currently, the DCTA Program is working with UGLGs in Puerto Rico, California, Missouri, Arkansas, Arizona, and Pennsylvania.

Research and Demonstrations

PD&R research and demonstrations align with HUD's strategic goals and cover a range of topics. This work is directed by PD&R's learning and research agenda known as the Research Roadmap. Many of PD&R's research and demonstration efforts take 3 to 10 years from the time they are initiated until results are released; whenever possible, however, PD&R makes available interim data, findings, and reports.

PD&R funds research in a variety of ways:

- **Contracts.** PD&R annually issues solicitations for research on specific topics, most of which were identified through the Research Roadmap process or specified by Congress that HUD undertake.
- **Research NOFA grants.** For projects where HUD wants to provide researchers more flexibility around a research question, PD&R issues Notice of Funding Availability (NOFA) solicitation of applications under designated research topics for cooperative agreement awards.
- **Research partnership grants.** PD&R may enter into unsolicited research partnerships with academic institutions, philanthropic entities, state governments, units of local governments, and non-profit and for-profit institutions in the United States through noncompetitive cooperative agreements. On a rolling basis, PD&R staff reviews unsolicited proposals to assess their relevancy to supporting HUD's research, the extent to which they meet the 50-percent matching requirement, and the rigor of the research design. If they meet those standards and funding is available, PD&R will fund those proposals. In FY 2019–2020, 5 research partnership projects began.
- **The Multidisciplinary Research Team (MDRT)** is a contract, initiated in 2014, to manage a team of qualified researchers to expand the ability of PD&R to obtain high-quality, short-turnaround research to support HUD's priority policies and goals.

The following text outlines PD&R's process for selecting projects, a compilation of recent PD&R research, the status of current work, and projects that are currently underway.

Research Roadmap

Developing PD&R's Research Roadmap

PD&R's research program is essential to helping HUD achieve its mission to create strong, sustainable, inclusive communities and quality, affordable homes for all. To support HUD's mission, PD&R engages stakeholders to identify research questions to support a multiyear learning agenda. PD&R uses its Research Roadmap as a strategic, 5-year plan to guide research investments and congressional budget requests.

HUD released its first Research Roadmap FY 2014-2018 in July 2013. The extensive stakeholder engagement and systematic, forward-looking approach that has characterized the Roadmap is considered a model for other agencies in developing evidence building plans. The Roadmap is a living document, and the Research Roadmap: 2017 Update established a precedent for a more iterative and ongoing assessment of emerging research needs.

In 2020, PD&R released a new Research Roadmap. The new Roadmap relied on stakeholder input related to specific focus areas and other research priorities to create a new list of research. From over 600 research ideas submitted, subject matter experts in PD&R developed 114 projects to address pressing questions facing the Department. The 2020 Update further integrates PD&R's evidence building efforts with the Department's Strategic Planning processes. Going forward, the Roadmap 2020 Update will serve as the starting point for two major planning efforts required by the Foundations for Evidence-based Policy Act: the Department's Learning Agenda and Annual Evaluation Plan for FY 2022.

FEATURE:

Evidence Act

In response to a growing evidence-based policy movement, Congress passed the Foundations for Evidence-Based Policymaking Act of 2018 (“Evidence Act”), which has transformed the Federal context for research, evaluation, and evidence-building. As HUD’s primary independent research and evaluation organization, PD&R has a central role in coordinating and implementing the Evidence Act’s important new requirements across the Department:

- Providing an Evaluation Officer and a Statistical Official to guide and support the development and use of evidence across the HUD enterprise.
- Collaborating with the new Chief Data Officer on issues of data governance and HUD’s Open Data policy.
- Developing a learning agenda that aligns with HUD’s Strategic Plan and includes these elements:
 - Policy-relevant questions for which evidence will be developed
 - Data to be acquired to facilitate the use of evidence in policymaking
 - Methods and analytical approaches for developing evidence
 - Challenges for evidence development, including restrictions to data access
 - Steps to be taken to develop evidence for policymaking.
- Developing Annual Evaluation Plans, based on learning agenda priorities, that identify the key questions each planned "significant" evaluation study will address and the key information collections or acquisitions to be initiated.
- Conducting agency-wide Capacity Assessments relating to the ability to generate and use evidence.
- Strengthening statistical standards and confidentiality protections.

Completed and Ongoing Projects

The following sections highlight some of PD&R’s recently completed projects. This is followed by ongoing research. A complete list of projects in the pipeline and interim reports for long-term efforts can be found on HUDUser.gov.

A select set of reports published in FY 2018 and FY 2019 with short synopsis follows:

Signature PDR Publications

Worst Case Housing Needs: 2019 Report To Congress
June 2020

This Worst Case Housing Needs report is the seventeenth in a longstanding series providing national data and analysis of critical housing problems facing very low-income renting families. Renter households with very low incomes who do not receive government housing assistance and pay more than one-half of their income for rent, live in severely inadequate conditions, or both, have worst case needs for adequate, affordable rental housing. This report draws on data from the 2017 American Housing Survey (AHS) and finds there were 7.7 million renter households with worst case needs in 2017, as the private market and public rental assistance programs together made available only 59 affordable units per 100 very low-income renters. Although rising incomes shrank the population of at-risk households, contributing to a 7-percent decline in the number of households experiencing worst case needs between 2015 and 2017, inadequate market supply and competition for affordable units continue to pose substantial challenges for very low-income renters.

Understanding Whom the LIHTC Serves: Data on Tenants in LIHTC Units as of December 31, 2017
December 2019

This report summarizes data received from the state LIHTC-allocating agencies that administer the Low-Income Housing Tax Credit. The LIHTC-allocating agencies are required by the Housing and Economic Recovery Act (HERA) of 2008 to submit certain demographic and economic information on tenants in LIHTC units to the U.S. Department of

Housing and Urban Development (HUD). HERA specifically requires LIHTC-allocating agencies to submit to HUD information concerning race, ethnicity, family composition, age, income, use of rental assistance, disability status, and monthly rental payments of households residing in LIHTC properties. The report summarizes the required data.

Public and Assisted Housing

Moving to Work Retrospective: The Impact of the Moving to Work Demonstration on the Per Household Costs of Federal Housing Assistance
June 2020

This study was designed to identify the contribution of MTW status to cost effectiveness, measured as households served per dollar of HUD funding received. To isolate the impact of MTW from other factors that could affect this measure, the analysis begins with pre-MTW baseline data for 18 MTW agencies. Using data spanning 2003-2017 for HUD funding received and households served by the 18 sampled MTW agencies and 709 comparable traditional agencies, as well as variables that account for the costs of rent and labor in each PHA's area, statistical analysis shows no impact of receiving MTW status on the number of households served per HUD dollar received. Further, changes in program mix, housing quality and affordability, and types of households do not explain the stable cost per household after an agency joins the MTW demonstration. We know that on average MTW agencies serve fewer households per HUD dollar received than do traditional agencies, and this study helps us to understand why: it shows that these higher costs are not due to MTW status, but predate agencies' participation in the demonstration. This finding supports the conclusion MTW flexibilities are not the cause of the higher costs to HUD per household served at MTW agencies. Note that the study did not attempt to measure per-unit subsidy cost or voucher utilization. Instead, this study assessed the impact of MTW status on the ratio of HUD funding to households served.

Moving to Work Retrospective: Evaluating the Effects of Santa Clara County Housing Authority's Rent Reform
April 2020

This study evaluates the effects of a rent reform implemented by the Santa Clara County Housing Authority (SCCHA). In 2013, SCCHA used its MTW flexibility to increase the proportion of income that assisted tenants paid toward rent, with the goal of decreasing the costs of housing assistance payments (HAP). SCCHA's intention was to avoid terminating households, but the policy also offered the opportunity to test whether the rent increase would act as a higher tax on earnings and would negatively affect employment and earnings of work-able HCV recipients. SCCHA initially raised the tenant contribution rate for all HCV households from 30 percent of adjusted income to 35 percent of gross income, then dropped the rate a year later to 32 percent of gross income. SCCHA also stopped exemptions to the two-person per bedroom standard, causing a sudden, sharp decrease in subsidy for 23 percent of its assisted families, usually families with children of different sexes or multigenerational households. Based on a sample of about 15,000 work-able households at SCCHA and three comparison PHAs, the study estimated the impact of SCCHA's rent increase on employment, earnings, and level of housing subsidies provided. It found that SCCHA's rent increase did not affect the average of all work-able HCV recipients' employment and earnings in the four years after rent reform. SCCHA's HCV recipients increased their employment and earnings, on average, in the four years after rent reform, but the increase was comparable in the comparison communities around the area who were not affected by rent reforms. However, further analysis suggested that the subgroup of families hit by the changed bedroom standard (plus the higher proportion of income paid toward rent) may have earned less than they would have in the absence of rent reform. By increasing rent without affecting average earnings, SCCHA lowered total housing assistance payments and served the same households at a lower cost. It is not known whether assisted households reduced spending, increased debt, and experienced material hardship.

Review of Energy Performance Contracts in Public Housing
February 2020

The U.S. Department of Housing and Urban Development (HUD) has approved approximately 315 Energy Performance Contracts (EPCs) since the 1980s that have generated nearly \$1.5 billion in energy efficiency investments

affecting about 250,000 public housing units. EPCs have been executed in all ten HUD Regions and in Public Housing Authorities (PHAs) ranging from very small (fewer than 250 units) to very large (6,600 units or more). This study provides the first substantive review of the program's performance and documents the effectiveness and value of HUD's EPC program, based on an online survey administered to over 400 PHAs, telephone interviews with a subset of the responding PHAs, examination of HUD data about utility consumption and the financial and physical condition of PHAs, and an assessment of HUD's Rental Assistance Demonstration (RAD) Program and its interaction with the EPC program. The evidence suggests that HUD's EPC program is accomplishing one of its principal purposes of helping PHAs improve their units' energy efficiency. Access to private capital through the RAD program, however, is reducing PHAs' usage of EPCs. The report makes recommendations for supporting and maintaining the EPC program for PHAs who are not interested in RAD or are unable to take advantage of RAD.

*HUD Section 811 PRA Project Rental Assistance Program Phase II Evaluation Final Report Implementation and Short-Term Outcomes
February 2020*

The Section 811 Project Rental Assistance (PRA) Program represents a new approach to providing integrated supportive housing for non-elderly people with disabilities and was authorized by the Frank Melville Supportive Housing Investment Act of 2010. In this second phase of the evaluation of the PRA program, the study examined the effect of the program on residents' housing tenancy and use of home and community-based services, characteristics of properties and neighborhoods where assisted residents live, and residents' healthcare diagnoses and utilization. In order to assess the program's effectiveness, the study compared short-term outcomes of the PRA program against outcomes for similar individuals with disabilities in the traditional Section 811 Capital Advance/Project Rental Assistance Contract program (referred to as PRAC), in the Non-Elderly Disabled (NED) voucher program, in other HUD-assisted programs, and receiving Medicaid but not assisted by HUD. This study focused on six (out of 27) states currently administering PRA grant programs (California, Delaware, Louisiana, Maryland, Minnesota, and Washington). The study's main data sources include HUD administrative data; Medicaid and Medicare data; interviews with PRA program administrators and program partners; and a survey of approximately 400 residents living in PRA and PRAC properties.

The study found that early evidence that the PRA program has succeeded in targeting the intended population. The study finds that the PRA program is serving a lower-income and higher-need population, with a higher prevalence of disabling conditions, relative to any other HUD program. Early outcomes indicate that the program offers integrated housing, but neighborhood and housing quality indicators are lower for PRA units compared to PRAC units. Residents report high levels of autonomy and independence and overall access to services and supports in both PRA and PRAC programs, with service gaps in some areas. Exits from the program are high in the states included in the study, with about one-fifth of PRA and PRAC residents exiting the program each year in the first three years after move-in. The study was unable to detect statistically significant differences in healthcare utilization between PRA and HUD-assisted residents, but found that PRA residents are more likely to use case management services and less likely to use long-term inpatient care less than one year after entering the program, compared to Medicaid beneficiaries not assisted by HUD. The cost-effectiveness assessment of PRA in relation to other HUD programs that assist people with disabilities find that rental subsidy costs are similar or lower than for other HUD programs but program administrative costs are higher.

*HUD's Jobs Plus Pilot Program for Public Housing Residents: Ongoing Implementation Experiences
November 2019*

The HUD Jobs Plus Program seeks to increase public housing residents' earnings and employment outcomes. The model has three core components: (1) Employment-related services, (2) Jobs Plus Earned Income Disregard, and (3) Community Supports for Work.

This process study documents the implementation lessons and challenges experienced by the nine public housing agencies that received Jobs Plus grants in FY 2015. The report examines the program's implementation through a little beyond halfway into the four-year grants (April, 2015 through early 2018). It describes the activities and partnerships of the grantees and the extent to which sites are successfully implementing the program. The report shows that PHAs are

able to implement this ambitious program and describes some of the problems that sites faced and how they and HUD dealt with them.

The Rent Reform Demonstration: Interim Findings on Implementation, Work, and Other Outcomes
November 2019

The purpose of the Rent Reform Demonstration is to test an alternative to the current rent-setting system for families using housing choice vouchers (HCV). The goals of the alternative rent-setting model now being tested are to incentivize employment and reduce the complexity and burden (and, thus, the cost) of administering the rent policy, while not causing unnecessary hardship for HCV households. The demonstration began enrolling voucher holders in 2015 and is operating in four cities at four local Moving to Work (MTW) public housing agencies (PHAs) sites with 6,600 participating HCV assisted households using a rigorous random assignment design. The four participating PHAs are the District of Columbia Housing Authority, Lexington Housing Authority, Louisville Metropolitan Housing Authority, and San Antonio Housing Authority. The current report presents interim results (covering more than 2 years of followup) on the new rent policy's effects, or "impacts," on families' labor market and housing-related outcomes, receipt of other government benefits, and use of homelessness services. It also uses in depth qualitative interviews with PHA staff and tenants to explore their experiences with and views of the new policy. (A companion report that presents findings covering 12 to 18 months of follow-up, "Early Effects," is being released under its own cover.) The results indicate that, when the findings for all four PHAs are combined, the new policy did not generate statistically significant increases in tenants' average earnings during the available followup period. The story varied substantially across locations, however, with some positive effects on earnings in Lexington and San Antonio, but not in Louisville and Washington, D.C. The report also presents other impacts on housing subsidies, tenure in the voucher program, receipt of other government benefits, PHA administrative costs, and PHA and tenant experiences with the alternative rent model.

Potential Impacts of Credit Reporting Public Housing Rental Payment Data
October 2019

Private credit rating firms use personal financial histories of U.S. consumers to estimate credit ratings that determine their access to affordable financing for homebuying and other purposes. Households with limited assets or credit histories may lack sufficient data to achieve good credit ratings. To examine potential alternatives to building credit histories, this study incorporated rental payment data from public housing residents into two credit rating calculation models: FICO 9 and VantageScore 3.0. The results of this preliminary research show that including rental history in credit reports could increase the proportions of tenant with scoreable credit histories and with good credit scores, but the change could be detrimental to credit scores for a subset of tenants.

Deriving Local Trend Factors for Fair Market Rent Estimation
March 19, 2019

In the fall of 2018, PD&R tasked a multidisciplinary research team to explore ways to refine HUD's current methodology, particularly as it relates to calculating a trend factor, to address public and Congressional concerns. The first phase (Phase I) of the study presents a statistical approach for deriving local trend factors for selected areas where local Consumer Price Index (CPI) data is available for use in the calculation of FMRs by expanding on HUD's existing methodology for estimating a national trend factor and applying it to CPI data for the 13 metropolitan and 4 regional areas of two different size classes produced by the Bureau of Labor Statistics. The second phase (Phase II) of the report presents alternative approaches to augmenting local market conditions into calculations of FMRs for a broader range of metropolitan areas by utilizing alternative sources of data and empirical frameworks.

Promoting Work and Self-Sufficiency for Housing Voucher Recipients: Early Findings From the Family Self-Sufficiency Program Evaluation
March 2019

In 2012, HUD commissioned a national random assignment evaluation of the Family-Self Sufficiency (FSS) program's impacts on labor market and other quality of life outcomes for households receiving Housing Choice Vouchers (HCVs). The FSS program has two key components: i) funding for Public Housing Authorities (PHAs) to support case managers who work with participant households to develop individualized self-sufficiency plans and access other community services, and ii) funding to support savings and asset development via interest-bearing escrow accounts redeemable upon graduation from the program, generally after 5 years of FSS program participation. This report examines FSS program implementation, participants' engagement in the program, and program impacts on labor force participation and government benefits receipt in the first 24 months after program enrollment. The evaluation finds that while FSS increased participation in a range of employment-related services and support services by a statistically significant 13 percentage points, participants in the FSS program did not increase employment rates or average earnings in the first 2 years, but did experience small shifts from part-time to full-time employment.

Landlord Participation Study
October 2018

The Housing Choice Voucher (HCV) Program is the largest rental housing subsidy program in the United States and has the potential to increase housing options for low-income families. In order to realize this potential, however, the program must attract landlords who accept housing choice vouchers. The primary objectives of this study are: 1) to provide insights from Public Housing Authority (PHA) staff on the factors associated with landlord decisions about whether to participate in the program; and 2) to identify a collection of promising and innovative practices that PHAs have used to increase landlord participation. The study provides key insights into landlord participation in the HCV program and the perspectives of PHA staff on factors influencing landlord decisions on whether to participate. The study also identifies a diverse collection of innovative activities adopted by PHAs to mitigate financial concerns among landlords, make the HCV program simpler, and alleviate landlord concerns about HCV tenants. The study finds that a majority of PHA staff interviewed identified financial reasons as the most important factor affecting landlord participation - with payment standards and fair market rents, damage costs and security deposits, and profit motivations cited as key determining factors.

Homelessness

Understanding Rapid Re-housing: Findings from Initial Interviews with Rapid Re-housing Participants
July 2019

The *Understanding Rapid Re-housing* study seeks to shed light on the current state of rapid re-housing (RRH) with regard to participant experiences as well as program practices in different types of communities. To carry out the study, Abt Associates is synthesizing the current body of research available on RRH, conducting new analyses of existing data, and collecting new data to analyze current RRH program designs and households' experiences using RRH assistance. The report included here, "[Findings from Initial Interviews with Rapid Re-housing Participants](#)" describes findings from one-time in-depth interviews with 30 RRH participants in two communities at different stages of RRH—six enrolled in RRH but still in emergency shelter, 18 currently receiving RRH assistance, and six who had exited RRH in the past six months. This report found that participants reported some anxiety, but also a sense of motivation, around the variation in rental assistance. At the same many were concerned about how they would be able to maintain their housing in the long term. The study concludes in September 2020, and one further product containing follow-up interviews with these RRH enrollees is anticipated.

Market Predictors of Homelessness: How Housing and Community Factors Shape Homelessness Rates Within Continuums of Care
March 26, 2019

Homelessness is an acknowledged problem in many places, though its causes are myriad and may vary based on the characteristics of respective communities. This report investigates heterogeneity in community-level rates of sheltered and unsheltered homelessness, separately and combined, and provides insight into underlying community-level factors associated with homelessness across the United States. This study (1) identifies and describes market variables associated

with sheltered and unsheltered homelessness, (2) constructs and evaluates empirical models of community-level homelessness, and (3) analyzes relationships within subgroup populations of local markets. Findings provide insights into predicting homelessness across different community types and market factors to consider as policy interventions are developed. The study finds that housing factors, such as rental costs, crowding, and evictions, are most consistently associated with higher rates of community-level homelessness. This demonstrates that housing market dynamics and the availability of affordable housing are closely tied to homelessness at the Continuum of Care (CoC) level even when controlling for a range of economic, demographic, safety net, and climate factors.

Understanding Encampments of People Experiencing Homelessness and Community Responses: Emerging Evidence as of Late 2018
January 7, 2019

This paper documents what is known about homeless encampments as of late 2018, based on a review of the limited literature produced by academic and research institutions and public agencies, supplemented by interviews with key informants. This paper is part of a larger research study, sponsored jointly by the U.S. Department of Housing and Urban Development's Office of Policy Development and Research and the U.S. Department of Health and Human Services's Office of the Assistant Secretary for Planning and Evaluation. The goal is to contribute to the understanding of homelessness, including the characteristics of homeless encampments and the people who stay in them, and of local responses addressing encampments and their associated costs. The larger final research report is anticipated January 2020.

HUD-DOJ Pay for Success (PFS) Permanent Supportive Housing (PSH) Demonstration Infographic: Target Populations and Target Outcomes
December 2018

The U.S. Departments of Housing and Urban Development (HUD) and Justice (DOJ) launched the Pay for Success Permanent Supportive Housing Demonstration in 2016. HUD-DOJ are conducting a formative evaluation to assess whether providing permanent supportive housing (PSH) within a pay-for-success (PFS) framework is a successful and cost-effective way of using PSH to provide housing stability and reduce social service use and recidivism for a population continually cycling between homeless services and the criminal justice system. PFS is an innovative financing model that leverages philanthropic and private dollars to provide up-front financing, with the government paying after they generate results, i.e. "pay for success." The current formative evaluation deliverables include an Infographic that tracks demonstration grantee progress through the PFS lifecycle. This Infographic provides information on target populations and target outcomes through June 20, 2018 and will be updated semi-annually.

Manufactured Housing

Report to Congress on the On-Site Completion of Construction for Manufactured Homes
June, 2019

As part of the Consolidated Appropriations Act, 2018 (PL 115–141), Congress directed the U.S. Department of Housing and Urban Development (HUD) to review the final rule, On-Site Completion of Construction of Manufactured Homes (FR–5295-F-02), published on March 7, 2016 (75 FR 35901).¹ In addition to a review of the On-Site Completion of Construction Rule, Congress directed HUD to "develop a solution that ensures the safety of consumers and minimizes costs and burdensome requirements on manufacturers and consumers." One of the alternatives HUD was directed to consider is whether "state and local planning and permitting agencies should have jurisdiction over on-site completion."

Homeownership

Short-Term Impact Report: The HUD First-Time Homebuyer Education and Counseling Demonstration, Preliminary Findings
June 2019

Congress and many researchers and practitioners in the field of housing counseling have asked whether pre-purchase homeownership counseling for first-time borrowers leads to better borrower outcomes and reduced lender risk relative to no counseling. HUD designed The First-Time Homebuyer Education and Counseling Demonstration as a large-scale randomized experiment to answer the question about the relative efficacy of homebuyer education and counseling on first-time borrowers. This report presents preliminary findings on the impact of homebuyer education and counseling for prospective first-time homebuyers. Preliminary findings indicate that the impacts are mixed, with some positive impacts including higher rates of home purchase for young adults (29 years and younger), and either negative or “no impact” findings for other measures – including no impact on loan performance measures (for the 12-18 months after home purchase period). All findings relate to short-term impacts only (given the length of the study) and are based on information drawn from extensive administrative data and a follow-up survey of study participants. This report provides data that will hopefully help contextualize and explain longer-term outcomes expected in the final report in 2021.

Who Participates in Homebuyer Education and Counseling Services and Why? Insights From HUD’s First-Time Homebuyer Education and Counseling Demonstration
October 2018

Congress and many researchers and practitioners in the field of housing counseling have asked whether pre-purchase homeownership counseling for first-time borrowers leads to better borrower outcomes and reduced lender risk relative to no counseling. HUD designed The First-Time Homebuyer Education and Counseling Demonstration as a large-scale randomized experiment to answer the question about the relative efficacy of homebuyer education and counseling on first-time borrowers. Because of the richness of the data collected on study participants at baseline and during the service participation period of the Demonstration, a detailed analysis of the study participants’ personal characteristics that are associated with program participation in – both initiation and completion of – in-person and remote homebuyer education and counseling services was possible. Key findings from *Who Participates in Homebuyer Education and Counseling Services and Why? Insights from HUD’s First-Time Homebuyer Education and Counseling Demonstration* indicate that women and homebuyers with greater education were more likely to participate in homebuyer education and counseling services in general. Those at an early stage of the homebuying process, those who reported being “pretty good at math,” or those who planned to purchase a home without a co-borrower were more likely to participate in in-person services. Those who planned to spend more years living in their purchased home, who scored better on a baseline mortgage literacy quiz, or who had a higher credit score were more likely to participate in remote services. This paper provides data that can inform how HUD’s Housing Counseling Program and service providers market and deliver homebuyer education and counseling services, and serves as a useful basis for readers to assess the ultimate findings of the Demonstration that will be forthcoming in future reports.

Building Technology

Building Even Better Homes: Strategies for Promoting Innovation in Home Building
March 2019

The U.S. Department of Housing and Urban Development has a long history of investing in a more innovative and productive homebuilding industry. This report provides an update to the 2003 RAND report, *Building Better Homes: Government Strategies for Promoting Innovation in Housing*, to better reflect the current understanding and practice of innovation in housing and identify the most useful Federal role for promoting such innovation. Consistent with the original report, the research team examined the structure, characteristics, and motivations within the homebuilding industry that either advance or hinder research and development (R&D), and the diffusion and adoption of housing innovations. The authors propose a new non-linear model of the innovation process that is realistic and appropriate to housing. The report outlines information-gathering and analytic activities needed to inform federal innovation policy and principles that should guide selection of policies for supporting housing technology innovation in public-private context, and strategies to increase the impact of federal R&D investments.

Housing Affordability

The Senate Report 115-268, Transportation and Housing and Urban Development, and Related Agencies Appropriations Bill, 2018, requested that HUD investigate the rental housing affordability crisis in high-cost metropolitan areas and recommend potential solutions to help states and their local government entities. This report summarizes the nation’s rental affordability problem, identifies metropolitan areas with the greatest affordability challenges, and offers recommendations for what these communities can do to alleviate shortages of affordable rental housing. The report also highlights a select number of exemplary approaches that some of these high-cost communities have already implemented to address the affordability crisis.

[FEATURE BOX]

Potential Impacts of Credit Reporting Public Housing Rental Payment Data

The Policy and Economic Research Council (PERC) submitted a Research Partnership proposal to HUD to study a hypothetical, if PHAs provided to credit reporting agencies on their on-time or late rent payment, how would that impact tenant credit scores? This was a perfect research partnership – PERC brought its established relationships with credit reporting agencies and PD&R brought its relationships with Public Housing Authorities.

The study, published in 2019, found that assisted tenants have high rates of poor credit scores or no credit scores. If rental payment were factored into credit scores, the problem of no credit scores would be largely eliminated and overall credit scores would improve. The addition of full-file rental payment data greatly reduced the proportion of tenants that were unscorable (from 48 percent to 8 percent on a commonly used credit score) and increased the proportion with good credit scores of 620 or greater (from 23 percent to 38 percent).

“The initial Research Partnerships proposal for the Policy and Economic Research Council study on how Public Housing tenant rent payment might impact credits scores was submitted in 2015. This was a hard project to complete because of the many different legal agreements that had to be signed between PERC, the housing authorities, and the credit reporting agencies in order to protect the privacy of the tenants. It all proved worthwhile with a study that has inspired policy discussions and even a state law in California.” – Madlyn Wohlman-Rodriguez

Ongoing Research

Research can take many years to complete. Any given year new projects are being started, many more are still under way, and some are completed. The lists below reflect many of the projects recently started and currently under way at the conclusion of FY 2020.

Ongoing Research Projects in the Program Evaluation Division (excluding NOFA grants and Research Partnerships)

Project Title	Vendor/Staff
Evaluation of the Supportive Services Demonstration (also known as the Integrated Wellness and Supportive Housing (IWISH) demonstration)	Abt Associates
EnVision Centers Evaluation	Library of Congress (IAA)
Jobs Plus Outcomes Evaluation	MDRC
HUD First-Time Homebuyer Education and Counseling Demonstration	Abt Associates
Impact Analysis of the Rent Reform Demonstration	MDRC
Evaluation of the HUD/DOJ Pay for Success Permanent Supportive Housing Demonstration	Urban Institute

Evaluation of the Resident Opportunities for Self-Sufficiency Service Coordinator (ROSS-SC) Program	Urban Institute
Evaluation of the Housing Choice Voucher (HCV) Mobility Demonstration	Abt Associates
Rental Assistance Demonstration (RAD) Choice Mobility and Long-Term Affordability	Econometrica
Understanding Rapid Re-housing	Abt Associates
Implementation Analysis of FYI Initiative	Mindy Ault (in-house)
Housing Recovery and CDBG-DR	Urban Institute
Moving To Work Expansion (Cohort 2) Tiered and Stepped Rent Demonstration	MDRC
Moving To Work Expansion (Cohort 1) Implementing Flexibilities	Abt Associates
Youth Homelessness Prevention Demonstration Evaluation	Westat
Moving To Work Retrospective Analysis	Urban Institute
Family Self-Sufficiency Family Unification Program Evaluation	Urban Institute
ROSS for Education (Project SOAR) Assessment of Program Implementation	In-house Research
Choice Neighborhoods Outcomes Evaluation	Urban Institute
ROSS for Education (Project SOAR) Randomized Evaluation	GSA

Ongoing Projects of the Affordable Housing and Research Technology Division (excluding NOFA grants and Research Partnerships)

Project Title	Vendor/Staff
Study of Submetering Utilities in HUD Projects	Concentric Consulting Group
Improving the Quality, Performance and Operation of Manufactured Home HVAC Systems through Plant Installation	System Building Research Alliance
Developing Technical and Regulatory Solutions for Effective Air Sealing of Separation Walls in Attached Housing to Reduce Housing Costs and Increase Efficiency	Safety and IAQ, Newport Partners
HUD Noise Research	Volpe National Transportation Systems Center
Overcoming Barriers to Innovation in Affordable Housing	RNN Architects
Fair Housing Act Design Manual	ATI, Inc. and LCM Architects
Review of Energy Performance Contracts in Public Housing Involving Small and Very Small PHAs	Logistics Management Institute (LMI, LLC)
Walking and Cycling Case Studies	In-House/Borray
Family Self-Sufficiency Program Demonstration and Evaluation	MDRC
Family Self-Sufficiency Program – Sustained Income Growth Study	In-House/Rodgers-Gray
Strategies for Reducing the Regulatory Impediments to the Financing and Siting of Factory Built Housing in American Communities	2M Research
YIMBY 2020: Towards Establishing a Research Agenda for Addressing Regulatory Barriers in the 21 st Century	Chitra Productions, Inc.
MDRT Task Order 6: Identifying a Measure of the Impact of Regulatory Barriers on Affordable Housing,”	2M Research and University of Maryland, College Park
Phase II Evaluation of Innovative FSS Programs Administered by the Nonprofit Compass Working Capital in Partnership with Massachusetts PHAs	Abt Associates
Aging Gracefully in Place: Evaluation of John Hopkins CAPABLE Program	National Center for Healthy Housing
American Housing Survey Non-Response Project	GSA Office of Governmentwide Policy – Office of Evaluation Sciences
An Exploratory Study of Factory-Built Homes and Their Implications for Affordability	2M Research
Survey of IAH Student Competition PHA Partners	In-House/Rekhi and Stern

Ongoing Research Projects of the program Monitoring and Research Division (excluding NOFA grants and Research Partnerships)

Project Title	Vendor/Staff
Alternative Data to Measure Homelessness	Brent Mast and Emily Sokol
Risk of Secondhand Smoke Exposure among HUD-Assisted Tenants (2015 AHS)	Bachand, Helms, P. Ashley
The Effect of COVID-19 on Income among Households in HUD's Housing Choice Voucher Program (PIC)	Bachand
Musty Smells, Mold, and Moisture in the U.S. Housing Stock: Results from the 2015 American Housing Survey and the American Healthy Homes Survey II	Helms, Bachand, P. Ashley
Characteristics of Exited HUD-Assisted Households, 2019 (Data Brief)	Bachand, Helms
Health Status, Health Behavior and Healthcare Utilization of Adult Tenants after Exit from HUD-Assisted Housing, 2005-2016 (NHIS-HUD)	Bachand, Helms, B. Steffen
Health Care Access, Affordability, and Utilization Among Non-Elderly Adults in the Housing Choice Voucher and Public Housing Program (NHIS-HUD)	Helms, Bachand
Performance of ADLs/IADLs Among HUD-Assisted, Older Adults, 2007-2016 (NHIS-HUD)	L. Lozier, Helms, Bachand
A Health Picture of HUD-Assisted Residents, 2005-2016 (NHIS-HUD)	Helms, Bachand
The Effect of PHA Smoke-free Bans on Attempts to Quit and Current Smoking Prevalence among HUD-Assisted Tenants, 2006 to 2016 (NHIS-HUD)	Bachand, Helms
Healthcare access for HUD-Assisted Households in Rural America	Peter Han
Health Effect of Air Pollution on HUD-Assisted Children	Peter Han, Veronica Helms, Craig Pollack
Spatial distribution of HUD-Assisted Households by Rural Industry Groups	Han
"Neighborhood Opportunity Crime, and Poverty"	Mast, Din, Huggins, Shroder
"Neighborhood Opportunity and Wage Income in the HCV Program"	Mast
MDRT Task 8 – Assessing the vulnerability of tenant PII due to FOIA requests	2M Research
Sustained Income Growth – NDNH multiyear data collection and analysis	Rodgers
Household Food Insecurity and U.S. Department of Housing and Urban Development Federal Housing Assistance	V. Helms, R. Gray (and USDA/ERS partners)
Identifying Jurisdictions at Risk of Containing Housing Units With Deteriorated Paint: Results and Targeting Implications for the US Department of Housing and Urban Development	V. Helms, P. Ashley
Housing and Lead Index (HaLI)	V. Helms (and HUD/OLHCHH, HUD/CFO, and GSA partners)
Opportunity Youth in Public and Assisted Housing	V. Helms (with 4 Hopkins co-authors)
Musty Smells, Mold, and Moisture in the U.S. Housing Stock	V. Helms, Bachand, P. Ashley
Radon Testing Among U.S. Homeowners and Renters	V. Helms, Bachand, P. Ashley
Financial worry among working-age persons (aged 18 to 61) with and without disabilities who reside in public and assisted housing	V. Helms (and HUD Research partnership grantee from UNH – D. Brucker)
Quantifying Unhealthy Housing in the U.S. Housing Stock	V. Helms, P. Ashley, C. Pollack
Health Equity and Tenant-based Housing Vouchers: A Review of the Evidence	V. Helms (with CDC partners)
Flood Insurance Coverage of Federal Housing Administration Single-Family Homes (MDRT)	2M Research
Predictive Accuracy of Wildfire Risk Exposure Data in California	Chris Narducci, Alex Din

On-going NOFA Awarded Projects

Project Title	Vendor/Staff
Examining the Impact of Rental Assistance Demonstration on Children Living in Public Housing Communities	The Trustee of Columbia University
Technical Assistance Assessment	Urban Institute
The Re-Purpose Project	University of Florida

Prototype Testing and Evaluation of Accessible Design Retrofit for Semi-Detached and Non-Detached Houses	Home Innovations Research Labs
Affordable, Accessible Housing Solutions for Aging in Place and People with Disabilities	Auburn University
Understanding Child Trajectories in HUD Assisted Housing	University of North Carolina at Chapel Hill
Impact of the City of Chicago Mayor's Office for People with Disabilities (MOPD) Community Development Block grant (CDBG) funded Home Mod program.	Woodstock Institute
The Social and Economic Impacts of the CDBG Program	The University of Idaho
Cost-effectiveness Evaluation of HUD Community Development Block Grant-Disaster Recovery (CDBG-DR) Resilience Investments	University of Iowa
Qualitative Case Studies of Implementation of HUD Community Development Block Grant-Disaster Recovery (CDBG-DR) Resilience Investments	Enterprise Community Partners, INC.
Cooperative Research in Housing Technologies	Home Innovation Research Labs, Inc.
Cooperative Research in Housing Technologies	Newport Partners
Housing and Urban Development Health, Economic and Residential Stability (HUD HEARS) Study	Seattle and King County
Where do Housing Assistance Leavers Go? Examining the Housing and Neighborhood Trajectories for Former HUD-Assisted Households with Children.	The Regents at the University of California
Leveraging Modular Construction with Integrated Hot Water to Increase Efficiency and Reduce Cost	University of California Berkeley
Improving the Quality, Performance and Operation of Manufactured Home HVAC Systems through Plant Installation	System Building Research Alliance
3D Printed Walls: Identifying Best Practices for Residential Building Product System Integration and Conducting Market Barriers Research	Home Innovation Research Labs, Inc.
Resilient Homes meet Resilient Power Systems- Optimizing Factory-installed Solar plus Storage	Louisiana State University
Cooperative Research to Enable 3D Printed Concrete Single-/Multi-Family Housing Technologies	Texas A&M Engineering Experiment Station
Resilient Analysis and Design of Slab-on-Ground Foundations on Expansive Soil	Oklahoma State University
Estimating the Prevalence and Probability of Homeless Youth	Case Western Reserve University
Estimating the Prevalence and Probability of Homeless Youth	Chapin Hall Center for Children
Estimating the Prevalence and Probability of Homeless Youth	Center for Policy Research
Impact of RAD on Children in HUD-Assisted Households	New York University Furman Center for Real Estate and Urban Policy
Understanding the Impact of RAD on Children in HUD-Assisted Households	University of North Carolina at Chapel Hill

On-going Research Partnership Awards

Project Title	Vendor/Staff
High Cost Lending in Rural America and the Great Recession	Middlebury College and USDA
Relationship Between Receipt of Housing Assistance and Social Health	Washington State Department of Social and Health Services
Using Parcel and Household Data to Evaluate the Low-Income Housing Tax Credit and Housing Choice Voucher Programs: Transportation, Crime, Education and Tenant Choice	University of Florida Shimberg Center for Housing Studies
Moving to Opportunity: Platform to Improve Health	Johns Hopkins University

Coming Home: An Evaluation of NYCHA’s Family Reentry Pilot	Vera Institute for Justice
High-Cost Cities, Gentrification, and Voucher Use: Exploring Access to Quality Homes and Neighborhoods	New York University-Furman Center
Modeling Temporary, Interim, and Permanent Housing Demand & Capacity for Medically Fragile & Vulnerable Populations	Old Dominion University
Light-Gauge Cold-Formed Steel Framed Building Shake Table Test Program	University of California San Diego
Housing Outcomes, Tenant Satisfaction, and Community Integration in Single-site and Scattered-site Housing First Models: A Randomized Trial	DePaul University
To Conduct an Independent Study of Savings Associated with Public and Private Mitigation	National Institute of Building Sciences
Washington, DC’s Flexible Rent Subsidy Pilot Program (FSRP)	Urban Institute
Evaluating the Impact of a Work Requirement in Public Housing	University of North Carolina at Chapel Hill
HUD Assisted Resident's with Disabilities	University of New Hampshire
Stabilized Rammed Earth (SRE) Building: Monitoring the Energy Efficiency and Thermal Comfort	West Virginia University
Shared Housing: What can the United States learn from the Federal Republic of Germany’s Shared Multi-Generational Housing Model This proposal will involve a literature review, field research in Germany and United States	German Marshall Fund of the USA
Housing and Children’s Health Study	Johns Hopkins University
Evaluation of Tacoma Housing Authority’s College Housing Assistance Program	Temple University
First time Home Ownership in Fringe Cities: A case of Brockton, MA	President and Fellows of Harvard College
Phase 2 Evaluation of Innovative FSS Programs Administered by the Nonprofit Compass Working Capital in Partnership with Massachusetts PHAs	Abt Associates
JHU-Facilitating the Study of Assisted Housing and Effects on Children and Facilities	Johns Hopkins University
Leveraging Landlords to Enhance Choice and Take-Up in the Housing Choice Voucher Program	New York Furman Center for Real Estate and Urban Policy
Modeling the Mobility and Coordination of Material, Labor, and Displaced Vulnerable Populations for Housing Recovery”	Old Dominion University Research Foundation

FEATURE BOX

Evaluation of the Housing Choice Voucher Mobility Demonstration

PD&R, in collaboration with HUD’s Office of Public and Indian Housing (PIH), is implementing and evaluating the Housing Choice Voucher (HCV) Mobility Demonstration. This large-scale, multi-site randomized controlled trial (RCT) will test and evaluate the effectiveness of providing voucher assistance and mobility-related services to families with children to facilitate moves to lower-poverty, higher opportunity areas. At participating public housing agencies (PHAs) across the country, families with children interested in participating will be randomized to a treatment group that is offered voucher assistance and mobility-related services or a control group that will be offered voucher assistance and business-as-usual services typically provided by the PHA; both families new to the voucher program and families already receiving voucher assistance but interested in moving will be eligible to participate.

The evaluation is planned for two phases: In phase one, HUD will evaluate the effectiveness of a suite of comprehensive mobility-related services, which include a variety of services such as pre-move support, landlord outreach, family financial assistance, landlord financial incentives, and post-move counseling. In phase two, HUD will roll out a third

experimental arm to test the effectiveness of selected mobility-related services, which will consist of subsets of the most promising services that are likely to both promote moves to opportunity areas and be more cost-effective than the full suite of services.

HUD will conduct an impact analysis to assess whether there are differences in the treatment and control group on moves to—and persistence in—opportunity areas as well as understand the costs associated with these services. Additionally, the study team will conduct baseline surveys and interview families, program staff, and landlords which will help HUD understand the barriers to moves to opportunity areas and inform the composition of selected mobility-related services to be tested in phase 2. Importantly, HUD is setting up the study to measure not only short term impacts on moves and persistence, but to also ensure HUD and qualified researchers can assess long term impacts on health, education, employment, and other outcomes through administrative data matching long after the demonstration is completed.

“This is the first time in nearly 30 years to revisit the mobility work initiated by HUD's landmark Moving to Opportunity study, the long-term impacts of which have only recently been understood. It's an exciting study to understand what truly works to help families with children access low poverty, higher opportunity areas, and to further investigate some of the exploratory findings from MTO around health and upward economic mobility in future years.”—Leah Lozier

PD&R's Outreach and Dissemination

PD&R continually aims to improve the way it disseminates research and reaches out to its stakeholders. When in-person events were almost universally cancelled starting in March 2020 due to the COVID-19 pandemic, PD&R started to rely more heavily on electronic means of outreach and dissemination, including our biweekly online magazine *The Edge* and eList updates to ensure researchers and the public stay current on PD&R research and data. With over 7,700 followers on Twitter and 6,500 followers on Facebook, our social media presence provides further opportunities to virtually engage with the public. PD&R also markets our products online and in print in top industry outlets to ensure that we reach a wide audience, even in the absence of in-person events.

Still at the core of PD&R's dissemination work is HUDUser.gov, through which all PD&R's research and communication flow. HUDUser.gov is updated regularly with the latest publication and data releases.

HUDUser Usage FY 2019-2020

	FY 2019	FY 2020
Total number of downloads	12.1 million	10.3 million
Average Downloads per Month	1,005,796	856,552
Number of Visits per Month	670,049	842,479
Orders Processed	756	698
Publications Disseminated	76,085	53,811

“Since its inception in 1978, HUDUser has served as a repository for the important work that PD&R does. Not only does it serve as a source of important information, but over time it has also become the fulcrum around which PD&R's interactions with our stakeholders revolve.” – Ransford Osafo-Danso, Program Manager/COR, Knowledge Management Services, PD&R

HUD Library Historic Document Preservation

Beginning in 2017, PD&R began an ambitious project to scan historic documents to ensure their availability in the future to public and private sector researchers. Though the end of FY 2020, the HUD Library has scanned 1,750 historic and rare documents, some dating back as far as 1910. From World War II housing plans to documents related to the founding of HUD in the 1960s, this project is making significant contributions to the body of research and information related to housing in America. This document preservation project has also made available many PD&R reports from the office's formation in 1973 until the mid-1990s that were not previously found online.

PD&R Sponsored Events

In 2019, PD&R hosted three events that were open to the public and highlighted exciting work being done by PD&R and the Department.

- Quarterly Update –Shaping HUD's Research, Kickoff Event (March 20, 2019): During this event, PD&R gathered feedback from policy experts and members of the public to inform our future research.
- Innovative Housing Showcase (June 1-5, 2019): Hosted in collaboration with the National Association of Home Builders, this event featured new building technologies and housing solutions that are making homeownership more affordable for American families and homes more resilient during natural disasters. Packed with panel discussions, interviews, demos, and exhibits of prototype homes, the Showcase attracted over 5,000 people.

- Quarterly Update – Opportunity Zones (June 20, 2019): This event brought together a panel of experts from the investment, research, and philanthropic sectors to discuss how to maximize the impacts of public and private investments in Opportunity Zones.

To make the events more accessible, the Quarterly Updates were webcast live, then archived and made available for viewing later on HUDUser.gov.

Dissemination to Housing and Community Development Professionals Through Conferences

Housing and community development professionals are members of several associations. It is at events held by those associations that many folks become aware of the research and data produced by PD&R. In 2019 and 2020, PD&R had an exhibit at 19 conferences and events, highlighting the research and data available from HUDUser.

Conferences and Events HUDUser Exhibited in FY 2019–2020:

Event	Date	Location
2018 National Housing Conference Solutions for Affordable Housing Convening	November 27-28, 2018	Washington, DC
2018 HAC Rural Housing Conference	December 4-7, 2018	Washington, DC
National Alliance to End Homelessness 2019 Solutions for Individual Homeless Adults: A National Conference	February 21-22, 2019	San Diego, CA
2019 National Low Income Housing Coalition Housing Policy Forum	March 27-28, 2019	Washington, DC
2019 American Real Estate Society Annual Meeting	April 9-13, 2019	Paradise Valley, AZ
2019 American Planning Association National Planning Conference	April 13-15, 2019	San Francisco, CA
2019 Urban Land Institute Washington Real Estate Trends Conference	April 30, 2019	Washington DC
Affordable Housing Conference of Montgomery County's 2019 Affordable Housing Summit	May 17, 2019	Bethesda, MD
HUD/NAHB Innovative Housing Showcase	June 1-5, 2019	Washington, DC
HAND 28th Annual Meeting & Housing Expo	June 11, 2019	Washington, DC
2019 Association of Public Data Users Annual Conference	July 9-10, 2019	Arlington, VA
National Alliance to End Homelessness 2019 National Conference on Ending Homelessness	July 22-24, 2019	Washington, DC
Public Housing Authorities Directors Association 2019 Legislative Forum	September 9-10, 2019	Washington, DC
2019 National Association of Housing and Redevelopment Officials National Conference & Exhibition	October 10-11, 2019	San Antonio, TX
2019 International City/County Management Association Annual Conference	October 19-22, 2019	Nashville, TN
2019 National League of Cities City Summit	November 20-22, 2019	San Antonio, TX
2019 National Housing Conference Solutions for Affordable Housing Convening	December 3, 2019	Washington, DC
Allied Social Science Associations Annual Meeting	January 3-5, 2020	San Diego, CA
National Alliance to End Homelessness 2020 Solutions for Individual Homeless Adults: A National Conference	February 19-21, 2020	Oakland, CA

Periodicals

PD&R produces several periodicals as part of its outreach efforts to different audiences.

The Edge. *The Edge* is PD&R's biweekly online magazine which provides news, a message from PD&R leadership, and a wide range of information about housing and community development issues, research, and best practices. In 2020, *The Edge* averaged approximately 100,000 views per month.

Most Viewed Edge Articles in FY 19 and FY 20

Article Title	Date Posted
Rent-to-Own Program Rehabilitates Abandoned and Foreclosed Properties	Oct. 20, 2014
Landlords	June 11, 2018
Local and State Strategies for Responding to the COVID-19 Housing Crisis	Sep. 28, 2020
Rental Burdens: Rethinking Affordability Measures	Sep. 22, 2014
Riverview Terrace Navigates RAD Renovation To Continue Providing Affordable Housing to Low-Income Seniors in Westbrook, Maine	Sep. 28, 2020
Rental Assistance Demonstration Evaluation: Final Report	Nov. 4, 2019
Community Land Trusts and Stable Affordable Housing	Nov. 4, 2019
Ensuring Long-Term and Stable Affordability With Community Land Banks and Trusts	Sep. 14, 2020
How Housing Instability Impacts Individual and Family Well-Being	Feb. 4, 2019
Rapid Re-Housing Working Papers	Feb. 4, 2019

Evidence Matters. Evidence Matters is designed to highlight topics that connect policymakers at all levels, as well as researchers, advocates, and industry members, with clear, accessible, and timely information. Since first issue that was published in 2011, we have written 27 Evidence Matters issues, and the subscriber base is more than 25,000, in addition to those that read it online. The following issues of Evidence Matters were written during FY 2019–20:

Winter 2019: Landlords and Vouchers – This issue of Evidence Matters focused on the research regarding landlord acceptance of vouchers, the efforts to increase participation, and the implications of landlord participation in the housing choices of voucher households.

- Feature article: Landlords: Critical Participants in the Housing Choice Voucher Program
- Research Spotlight article: HUD-Sponsored Research Sheds New Light on HCV Landlords
- In Practice article: PHAs Encourage Landlord Participation With Incentives

Spring/Summer 2019: Place-Based Incentives – This issue of Evidence Matters looked at Opportunity Zones within the context of other place-based tax incentives aimed at fostering community development.

- Feature article: Place-Based Tax Incentives for Community Development
- Research Spotlight article: Evaluating Place-Based Incentives
- In Practice article: Shaping Investment in Opportunity Zones

Winter/Spring 2020: Factory-Built Housing – This issue of Evidence Matters highlighted innovations in the factory-built housing industry, as well as challenges hindering its expansion.

- Feature article: Factory-Built Housing for Affordability, Efficiency, and Resilience
- Research Spotlight article: Effects of Market Forces on the Adoption of Factory-Built Housing
- In Practice article: Programs Support Energy-Efficient Module and Manufactured Housing

Summer/Fall 2020: Supporting Homeowners and Renters During Times of Disruption – Set in the context of the COVID-19 pandemic, this issue of Evidence Matters looked at the strains on and supports for different actors in the housing market, including renters, homeowners, landlords, mortgage lenders, and investors.

- Feature article: The Federal Government Steps Up in Times of Disruption
- Research Spotlight article: The Federal Housing Administration: Bringing the Housing Finance System Out of a Chaotic Situation
- In Practice article: State Moratoria Support Households Experiencing Financial Hardship

Cityscape. Cityscape is a multidisciplinary scholarly journal that PD&R publishes three times a year to advance the state of knowledge, policy, and practice in the areas of HUD’s mission. Each issue includes at least one Symposium of scholarly papers on a common theme. Each Symposium has a guest editor. In FY 2019 and 2020, the topics covered and the guest editors of Cityscape Symposia were the following:

Volume 21 Number 1

Symposium: The Fair Housing Act at 50

Guest Editors: Vincent J. Reina and Susan Wachter

Volume 21 Number 2

Symposium: National Survey of Mortgage Originations

Guest Editors: Robert B. Avery and Ron Borzekowski

Volume 21 Number 3

Symposium: Small Area Fair Market Rents

Guest Editors: Adam Bibler, Chalita Brandly, Peter Kahn, Marie Lihn, and Lydia Taghavi

Volume 22 Number 1

Symposium: Housing Tenure and Financial Security

Guest Editors: Jaclene Begley, Christopher Herbert, Michael LaCour-Little, Kristin Perkins, and Jonathan Spader

Volume 22 Number 2

Symposium: Two Essays on Unequal Growth in Housing

Guest Editor: John Carruthers

Departments, which contain short papers to help scholars and new students explore the areas of HUD’s mission in the following areas:

- Impact, which details and explains the benefit and cost calculations for new HUD regulations;
- Policy Briefs summarize a change or trend in national policy that may have escaped the attention of researchers;
- Graphic Detail, which illustrates the power of maps to inform public policy and social science;
- Foreign Exchange, which describes policy innovations in housing and urban development in other countries that may be of interest to U.S. readers;
- Industrial Revolution, which illustrates the potential of technological innovation in residential construction to affect society;
- Spatial Analysis and Methods (SpAM), which takes the reader step by step through pioneer techniques in the analysis of geographic information;
- Evaluation Tradecraft, which shares innovations in the techniques of program evaluation;
- Affordable Design, which describes the winning entries in HUD-sponsored design competitions; and
- Data Shop, which introduces the reader to new datasets and new procedures for using the data in familiar sources.

The Cityscape Advisory Board is comprised of Richard Green, University of Southern California; Carolina K. Reid, University of California, Berkeley; Dolores Acevedo Garcia, Brandeis University; Ira Goldstein, The Reinvestment Fund; Jens O. Ludwig, University of Chicago; Mark Joseph, Case Western University; Mary E. Pattillo, Northwestern University; Patrick T. Sharkey, New York University; Ted Koebel, Virginia Polytechnic Institute; and Matthew Kahn, University of California Los Angeles.

Awards

Innovation in Affordable Housing Student Design and Planning Competition

In FY 2019 and FY 2020, PD&R held the sixth and seventh years of the annual Innovation in Affordable Housing (IAH) Student Design and Planning Competition. The competition encourages innovation in affordable housing and raises future practitioner capacity while fostering teamwork across disciplines—including design, finance, public policy, and planning. It also raises awareness of affordable housing at the graduate level. Interdisciplinary teams of three to five graduate students work to solve problems and craft solutions in response to a project encountered by a public housing authority. A jury of five academics, practitioners, planners, and architects narrow the field to four finalists. The finalists are invited to the project site to walk the grounds and hear from the community.

The competition typically culminates in a final presentation at HUD Headquarters in early April, though in 2020 the presentations were held remotely due to the COVID-19 pandemic. The jury hears each team’s final presentation and asks questions before it leaves for deliberation.

In 2019, the project was located along the world-famous San Antonio River Walk. The San Antonio Housing Authority’s (SAHA’s) new development called the Rex will provide city residents with more affordable housing units and access to tourist hotspots. The winner was University of Maryland College Park’s proposal *Brooklyn Bend*, which received \$20,000, and the runner-up was University of California, Berkeley, which received \$10,000. The remaining two finalist teams were Virginia Polytechnic Institute and State University (Virginia Tech) and Yale University.

In 2020, the project was new development on a vacant 6.6-acre parcel in Santa Fe, New Mexico. The Santa Fe County Housing Authority plans to use the site to provide much-needed housing for families with children. The winner was Yale University’s development *Jacobo Commons*, which received \$20,000, and the runner-up was University of Maryland, College Park, which received \$10,000. The remaining two finalist teams were the University of Michigan, Ann Arbor, and the University of California-Berkeley.



FEATURE BOX:

In Memoriam: Rachelle Levitt

Director of the Research Utilization Division in PD&R from 2010 to 2019, Rachelle Levitt was a keen grower and innovator of our signature publications and events. When first hired, she was asked to sustain and improve a publication that had just published its first edition – *Evidence Matters* – and ensure it was of high quality and accessible. In close partnership with the Policy Development Deputy Assistant Secretary, they grew *Evidence Matters* into PD&R’s flagship publication for practitioners and policymakers, ensuring that the 24 editions she oversaw before retiring met her high standards. She proudly displayed a framed cover of each issue in her office. Using *Evidence Matters* as the hook each quarter, she and her team oversaw a popular public gathering of researchers and practitioners to discuss the issue – called the PD&R Quarterly. When a suggestion was made by an Assistant Secretary that he wanted a daily blog, she gently suggested maybe a bi-weekly eMagazine with a “From the Leadership” post, knowing it would be hard to get a post every two weeks, much less daily. And with that, the *Edge* was born. Looking for a new challenge, she suggested that we use recently-enacted authority for federal agencies to offer prizes and initiate a competition that would inspire students in planning and architecture schools to focus on the creation of affordable rental housing. This led to the birth of the Innovation in Affordable Housing Student Design and Planning Competition, now in its 8th year. All four of these ideas have stood the test of time, becoming important contributors to meeting the mission of HUD. Those innovations and many more are the legacy of Rachelle who passed away on October 13, 2020.

HUD Secretary’s Awards

The HUD Secretary’s awards, managed by PD&R, honor projects that exemplify excellence in four categories: community planning, historic preservation, affordable design, and cooperative public efforts. HUD presents the awards in partnership with several leading housing and community development organizations.

ACHP/HUD Secretary’s Award for Excellence in Historic Preservation

The Advisory Council on Historic Preservation (ACHP), in partnership with the U.S. Department of Housing and Urban Development (HUD), recognizes developers, organizations, and agencies for their success in advancing the goals of historic preservation while providing affordable housing or expanded economic opportunities for low- and moderate-income families and individuals.

Until 2015, the HUD Secretary’s Award for Excellence in Historic Preservation was presented in partnership with the National Trust for Historic Preservation.

- 2019 Winner: Bell Artspace Campus, New Orleans, Louisiana
- 2020 Winner: Historic Ashe Hospital, Jefferson, North Carolina

American Institute of Architects

Housing and Community Design Awards 2017/2018 Excellence in Affordable Housing Design Award

This award recognizes architecture that demonstrates overall excellence in terms of design in response to both the needs and the constraints of affordable housing.

- 2019 Winner: Williams Terrace, Charleston, South Carolina

Housing Accessibility—Alan J. Rothman Award

The purpose of this award is to recognize exemplary projects that demonstrate excellence in improving housing accessibility for people with disabilities.

- 2019 Winner: IFF Access Housing, Chicago, Illinois
- 2020 Winner: Plymouth on First Hill, Seattle, Washington

Creating Community Connection Award

This award recognizes projects that incorporate housing within other community amenities for either revitalization or planned growth.

- 2019 Winner: Anchor Place: Long Beach, California

Community-Informed Design Award

The Community-Informed Design award recognizes design that supports physical communities as they rebuild inner-city social structures and relationships that may have been weakened by outmigration, disinvestment, and the isolation of inner-city areas.

- 2019 Winner: 8869 Avis, Detroit, Michigan
- 2020 Winner: Tierra Linda, Chicago, Illinois

American Planning Association—Opportunity and Empowerment

The HUD Secretary’s Opportunity & Empowerment Award honors excellence in community planning that has led to measurable benefits in increased economic development, employment, education, or housing choice and mobility for low- and moderate-income residents. The award stresses tangible results and recognizes the planning discipline as an important community resource. It emphasizes how creative housing, economic development, and private investments are used in—or in tandem with—a comprehensive community development plan.

- 2019 Winner: Family Scholar House, Louisville, Kentucky
- 2020 Winner: Ebeid Neighborhood Promise initiative, Toledo, Ohio

The Secretary’s Award for Public-Philanthropic Partnerships—Housing and Community Development in Action

The Secretary’s Awards for Public-Philanthropic Partnerships recognize excellence in partnerships that have both transformed the relationships between the sectors and led to measurable benefits in housing and community development, including increased economic development, health, safety, education, workforce development, disaster resilience, inclusivity and cultural opportunities, innovative regional approaches, or housing access for low- and moderate-income families. HUD and The Council on Foundations selected ten foundations in 2019 and selected another seven foundations in 2020 from a dynamic and competitive pool of applicants and the awards were announced by Secretary Ben Carson.

2019 and 2020 Secretary’s Award for Public-Philanthropic Partnerships Winners

2019 Recipients	2020 Recipients
California Community Foundation	Sheller Family Foundation
Citi Foundation	The Homeless Assistance Fund, Inc.
Community Foundation of Utah	Meyer Memorial Trust
Greater Minnesota Housing Foundation	Quicken Loans Community Fund
The Home Partnership Foundation	The Rockefeller Foundation
Medtronic Foundation	Bernard Project (SBP Long-Term Home Rebuilding
National Church Residences Foundation	MUFG Union Bank Foundation
Parkersburg Area Community Foundation	
Puerto Rico Community Foundation	
The Cleveland Foundation	

Excellence in Public-Philanthropic Partnerships Exchange: The Exchange brings together all the former winners (foundations and their government partners) of the Secretary’s Awards for Public-Philanthropic Partnerships in a community of practice. It is a partnership between HUD and the Council on Foundations.

International and Philanthropic Engagement

PD&R also focuses on information sharing on housing and community development issues with other nations and with the philanthropic community

Notable international engagements in 2019 and 2020 included the following:

- **The Organization for Economic Co-operation and Development (OECD):** PD&R works closely with State Department personnel at the US-OECD Mission providing annual input for OECD's Country File on National Urban Policy and the OECD Affordable and Social Housing Data.
- **The OECD Working Party on Urban Policy (WPURB)** provides direction for the work of the OECD Urban Development program. HUD provides a delegate to the OECD's Regional Development Policy Committee and its Working Party on Urban Policy.
- **United Nations Habitat:** PD&R provides support to UN Habitat through various meetings through reviews of State Department clearance requests involving UN Habitat and technical assistance to the US Mission and to the State Department's International Organization Office.
- **World Urban Forum:** UN Habitat hosts the World Urban Forum (WUF), held every two years. It is the world's largest conference on urban issues. HUD attended the 2020 WUF that took place in Abu Dhabi, United Arab Emirates in February with a delegation of four HUD staff. Assistant Secretary Appleton was the United States' Head of Delegation.
- **United States Mission to the United Nations Economic Commission for Europe (UNECE):** UNECE's major aim is to promote pan-European economic integration. PD&R provides a delegate and coordinates membership and information/research exchanges for the UNECE Housing and Land Administration Committee.
- **Japan Aging in Place Memorandum of Cooperation:** A Memorandum of Cooperation (MOC) between HUD; the Japanese Ministry of Land, Infrastructure, Transport, and Tourism; and the Urban Renaissance Agency of Japan was signed on June 30, 2017 to share innovations in housing policy and urban planning approaches to aging in place and community development for older adults. In 2019, HUD hosted a research forum in Los Angeles and a research delegation in Washington, DC and NYC. In 2020, a small delegation led by Assistant Secretary Appleton visited Japan and attended a forum in both Tokyo and Nagoya.
- **German JDOI and the German Marshall Fund of the United States (GMF) Dialogue for Change Program:** In 2019, HUD and the German Federal Ministry of the Interior, Building, and Community (BMI) signed a Joint Declaration of Intent (JDOI), renewing the JDOI previously signed in 2011.

HUD has also entered into Memoranda of Understanding (MOUs) with several countries to facilitate the exchange of ideas on how to best address common housing and community development challenges.

- **Israel MOU and JEDG Meeting:** Since 2017, HUD has participated in the U.S. – Israel Joint Economic Development Group (JEDG), an annual economic policy dialogue between the two countries. Assistant Secretary Appleton attended the 2019 and 2020 JEDG as HUD's representative. In 2018, HUD and Israel's Ministry of Finance signed a Memorandum of Cooperation to work collaboratively and in a mutually beneficial manner to support and learn from research on affordable housing and urban development policies and programs.

- **Korea MOU and Wilson Center Research Partnership:** HUD, Ginnie Mae and the Republic of Korea signed an MOU in October 2014, a new MOU is expected in 2020. A new MOU will focus on best practices and policies surrounding economic revitalization of urban and rural communities and other shared interests.
- **Saudi Arabia MOU:** In 2020, a Memorandum of Understanding (MOU) was signed between HUD and the Saudi Arabian Ministry of Housing. The Saudi Arabian Ministry of Housing is interested in learning more about the U.S. government's mortgage system.

PD&R also leads HUD's coordination with philanthropy, providing resources, tools, and advice. PD&R runs Philanthropic Engagement Workshops for HUD employees nationwide to learn more about the philanthropic sector and identify useful strategies to build partnerships in their regions. PD&R also engages with major foundations around country, ensuring their programs and initiatives are highlighted to HUD staff. One engagement includes an MOU with AARP to support research on healthy aging in place and shared housing, among others.

FEATURE:

International Engagement During a Global Pandemic

PD&R facilitated HUD's collaboration with Australia's Housing and Urban Research Institute (AHURI) to share best practices and highlight each other's research. In September 2020, HUD and AHURI co-hosted the COVID-19 International Housing Policy Roundtable. The purpose of the roundtable was to convene an international policy exchange as the opening of international housing policy dialogue in the context of the COVID-19 pandemic among a range of nations to capture diverse approaches to the pandemic and economic recovery. Representatives from 10 nations participated in the virtual roundtable, which highlighted commonalities and differences between the participants national responses and research strategies to assess the impact of these responses.

Appendix: Publications and Datasets

During the past 2 years, PD&R has released 45 publications, 10 National Summary Reports, 22 Housing Market Indicators (U.S. Housing Market Reports) and 52 datasets.

All reports and datasets listed can be accessed through HUDUser.gov.

Note: This list does not include historical reports posted on HUDUser.gov during this timeframe.

Publications:

U.S. Department of Housing and Urban Development, U.S. Census Bureau, U.S. Department of Commerce
Topical Module History Report: 2009–2019

Shawn Bucholtz, U.S. Department of Housing and Urban Development, Emily Molfino, U.S. Census Bureau, Quentin Brummet, National Opinion Research Center
Identifying Subsidized Housing Units Within the American Community Survey Through Administrative Record Linkage: A Technical Report

McInnis, Debi, Gubits, Daniel, Rodriguez, Brenda, Brown, Scott R., Wood, Michelle, Abt Associates Inc.
Family Options Study: Long-term Tracking Project

Stacy, Christina Plerhoples, Leopold, Josh, Teles, Daniel, Gourevitch, Ruth, Oneto, Alyse, Su, Yipeng, Gerken, Matthew, Urban Institute
Moving to Work Retrospective: The Impact of the Moving to Work Demonstration on the Per Household Costs of Federal Housing Assistance

Watson, Nicole Elsassner, Steffen, Barry L., Martin, Marge, Vandenbroucke, David A.
Worst Case Housing Needs: 2019 Report To Congress

Eggers, Frederick J., Econometrica Inc., SP Group LLC
Characteristics of HUD-Assisted Renters and Their Units in 2017

Eggers, Frederick J., Econometrica Inc., SP Group LLC
Characteristics of HUD-Assisted Renters and Their Units in 2015

Castells, Nina
Moving to Work Retrospective: Evaluating the Effects of Santa Clara County Housing Authority's Rent Reform

Aratani, Yumiko, Charney, Ariel, Lazzeroni, Sarah, Nguyen, Sophie, Moore, Tiana, Hernández, Diana, Brooks-Gunn, Jeanne, Columbia University Mailman School of Public Health, National Center for Children in Poverty
Examining the Effects of the Rental Assistance Demonstration on Children Living in Public Housing in Fresno, California

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
Understanding Whom the LIHTC Serves: Data on Tenants in LIHTC Units as of December 31, 2017

Bower, Anna E., Canes, Michael E., Funk, Stuart D., Prabhakaran, Jyothsna, LMI, Deora, Amy, CIVIS Analytics, Hazelton, Rob, Dominion Due Diligence Group

Review of Energy Performance Contracts in Public Housing

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
HUD Section 811 PRA Project Rental Assistance Program Phase II Evaluation Executive Summary

Vandawalker, Melissa, Breunig, Ian, Dastrup, Samuel, Galantowicz, Sara, Locke, Gretchen, Nichols, Austin, Abt Associates Inc.

HUD Section 811 PRA Project Rental Assistance Program Phase II Evaluation Final Report Implementation and Short-Term Outcomes

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
Use of Alternative Data to Supplement Low- and Moderate-Income Summary Data in the Community Development Block Grant Program

Dunton, Lauren, Brown, Scott R., Abt Associates Inc.

Rapid Re-housing in 2018: Program Features and Assistance Models Understanding Rapid Re-housing

Jefferson, Anna, Thomas, Hannah, Khadduri, Jill, Mahathey, Anna, Dunton, Lauren, Abt Associates Inc.
Understanding Rapid Re-housing: Findings from Initial Interviews with Rapid Re-housing Participants

Turner, Michael, Walker, Patrick, Policy and Economic Research Council
Potential Impacts of Credit Reporting Public Housing Rental Payment Data

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
Scaling Solutions II: A look at best practices in successful public-philanthropic partnerships

Verma, Nandita, Tessler, Betsy L., Greenberg, David H., Yang, Edith, Sutcliffe, Sophia, MDRC, Webb, Michael D., Rohe, William M., Jaramillo, Atticus, University of North Carolina at Chapel Hill, Khare, Amy T., Miller, Emily K., Joseph, Mark L., Case Western Reserve University

HUD's Jobs Plus Pilot Program for Public Housing Residents: Ongoing Implementation Experiences

Riccio, James, Deitch, Victoria

The Rent Reform Demonstration: Early Effects on Employment and Housing Subsidies

Riccio, James, Verma, Nandita, Deitch, Victoria

The Rent Reform Demonstration: Interim Findings on Implementation, Work, and Other Outcomes

Stout, Dennis, Clogston, Frankie, Thackeray, Alexander, Stoloff, Jennifer, Anthony, Brad, Econometrica Inc., Hayes, Christopher, The Urban Institute

Evaluation of HUD's Rental Assistance Demonstration (RAD): Final Report

Morton, Matthew, Dworsky, Amy, Samuels, Gina Miranda, Patel, Sonali
Voices of Youth Count Comprehensive Report: Youth Homelessness in America

Office of Policy Development and Research, U.S. Department of Housing and Urban Development
Report to Congress: Photographic Review of HUD-Assisted Properties

Nisar, Hiren, Vachon, Mallory, Horseman, Charles, Murdoch, Jim

Assessment of Economic Opportunity Metrics for HUD-Assisted Renters

Nisar, Hiren, Vachon, Mallory, Horseman, Charles, Murdoch, Jim
Market Predictors of Homelessness: How Housing and Community Factors Shape Homelessness Rates Within Continuums of Care

Hollar, Michael K., Marcin, Daniel, McFarlane, Alastair, Office of Policy Development and Research, U.S. Department of Housing and Urban Development
Report to Congress on the On-Site Completion of Construction for Manufactured Homes

U.S. Department of Housing and Urban Development, Office of Public and Indian Housing, Office of Policy Development and Research
Impediments to PHA Reimbursement for Surveys and Solutions to Address Delays in HUD's Annual Calculation of Fair Market Rents

Peck, Laura, Moulton, Shawn, Bocian, Debbie Gruenstein, DeMarco, Donna, Fiore, Nichole, Abt Associates Inc.
Short-Term Impact Report: The HUD First-Time Homebuyer Education and Counseling Demonstration, Preliminary Findings

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
HUD's Office of Policy Development & Research Biennial Report FY 2017-2018

Cohen, Rebecca, Yetvin, Will, Khadduri, Jill, Abt Associates Inc.
Understanding Encampments of People Experiencing Homelessness and Community Responses: Emerging Evidence as of Late 2018

Lieberman, Akiva, Bieretz, Brian, Alexandra, Ricks, Cunningham, Mary K., Eldridge, Matt, Gillespie, Sarah, McCoy, Evelyn, Batko, Samantha, DuBois, Nicole
Evaluation of the HUD-DOJ Pay for Success Permanent Supportive Housing Demonstration Baseline Report

2M Research
Deriving Local Trend Factors for Fair Market Rent Estimation

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
FHA Loan Limits and County Land Area

Verma, Nandita, Stephen, Freedman, Tessler, Betsy L., Nuñez, Stephen, Fink, Barbara
Promoting Work and Self-Sufficiency for Housing Voucher Recipients: Early Findings From the Family Self-Sufficiency Program Evaluation

Martin, Carlos, McCoy, Andrew
Building Even Better Homes: Strategies for Promoting Innovation in Home Building

U.S. Department of Housing and Urban Development, Office of Policy Development and Research
Addressing Housing Affordability in High-Cost Metropolitan Areas in the United States

Nisar, Hiren, Murdoch, Jim, Elgin, Dallas, Vachon, Mallory, Horseman, Charles, 2M Research
Landlord Participation Study

Cunningham, Mary K., Liberman, Akiva

HUD-DOJ Pay for Success (PFS) Permanent Supportive Housing (PSH) Demonstration Infographic: Target Populations and Target Outcomes

Gillespie, Sarah, Batko, Samantha, Liberman, Akiva, Urban Institute

Data Use and Challenges in Using Pay for Success to Implement Permanent Supportive Housing: Lessons From the HUD-DOJ Demonstration

Dastrup, Samuel, Finkel, Meryl, Burnett, Kimberly, Sousa, Tanya de

Small Area Fair Market Rent Demonstration Evaluation: Final Report

Walton, Douglas, Wood, Michelle, Rodriguez, Jason, Khadduri, Jill, Gubits, Daniel, Dunton, Lauren, Shinn, Marybeth

Understanding Rapid Re-housing: Supplemental Analysis of Data from the Family Options Study

Gubits, Daniel, Bishop, Korrin, Dunton, Lauren, Wood, Michelle, Spellman, Brooke E., Khadduri, Jill

Understanding Rapid Re-housing: Systematic Review of Rapid Re-housing Outcomes Literature

Moulton, Shawn, Peck, Laura, Fiore, Nichole, Bocian, Debbie Gruenstein, DeMarco, Donna, Abt Associates Inc.

Who Participates in Homebuyer Education and Counseling Services and Why? Insights From HUD's First-Time Homebuyer Education and Counseling Demonstration

Mitchell, Maxine V., CRE, Miller, Robert E., Brett, Deborah, Kinser, Ralph, Moroney, Ann, Tatian, Peter A., Galvez, Martha, Meixell, Braydon, Daniels, Rebecca

Interface of Mobility and Sustainability: Thompson v. HUD Final Report

National Summary Reports:

- October 2018. *2nd Quarter 2018 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- January 2019. *3rd Quarter 2018 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- March 2019. *4th Quarter 2018 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- June 2019. *1st Quarter 2019 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- September 2019. *2nd Quarter 2019 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- December 2019. *3rd Quarter 2019 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- March 2020. *4th Quarter 2019 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- March 2020. *4th Quarter 2019 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- June 2020. *1st Quarter 2020 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.
- September 2020. *2nd Quarter 2020 Housing Market Summary*. Washington, DC: U.S. Department of Housing and Urban Development.

Monthly National Housing Market Indicators (total 22 reports, 3 in 2018, 11 in 2019 and 8 in 2020)

Datasets:

October 2018: HUD USPS Vacancy Data for 3rd Quarter 2018.
October 2018: HUD USPS ZIP Code Crosswalk Files for 3rd Quarter, 2018.
October 2018: Qualified Census Tracts and Difficult Development Areas: Data for 2019.
November 2018: FY 2019 Multifamily Utility Allowance Factors.
January 2019: HUD USPS Vacancy Data for 4th Quarter 2018.
January 2019: HUD USPS ZIP Code Crosswalk Files for 4th Quarter, 2018.
February 2019: Picture of Subsidized Households: 2018 Data.
April 2019: Special Tabulations of Households: 2017 Data.
April 2019: Physical Inspection Scores: 2019 Data.
April 2019: FY 2019 50th Percentile Data.
April 2019: FY 2019 Renewal Funding Inflation Factors.
April 2019: HUD USPS Vacancy Data for 1st Quarter 2019.
April 2019: HUD USPS ZIP Code Crosswalk Files for 1st Quarter, 2019.
April 2019: FY 2019 Income Limits, MTSP Income Limits, URA Income Limits, NSP Income Limits.
June 2019: SOCDS Building Permits 2018 annual data.
June 2019: FY 2019 Low-Vacancy Areas – Set-Aside Tenant Protection Vouchers.
July 2019: HUD USPS Vacancy Data for 2nd Quarter 2019.
July 2019: HUD USPS ZIP Code Crosswalk Files for 2nd Quarter, 2019.
August 2019: Consolidated Planning 2012-2016
August 2019: FY 2020 Fair Market Rents (FMR), Small Area FMR.
September 2019: Qualified Census Tracts and Difficult Development Areas: Data for 2020.
October 2019: HUD USPS Vacancy Data for 3rd Quarter 2019.
October 2019: HUD USPS ZIP Code Crosswalk Files for 3rd Quarter, 2019.
November 2019: FY 2020 Multifamily Utility Allowance Factors.
December 2019: Annual Adjustment Factors 2020
December 2019: Homelessness Prediction Model Data
January 2020: Public Use Microdata Sample (PUMS) Data for 2019
January 2020: HUD USPS Vacancy Data for 4th Quarter 2019.
January 2020: HUD USPS ZIP Code Crosswalk Files for 4th Quarter, 2019.
January 2020: Picture of Subsidized Households: 2019 Data.
January 2020: Wildfire Risk Exposure - California
March 2020: FY 2020 Renewal Funding Inflation Factors.
March 2020: FY 2020 Income Limits, MTSP Income Limits, URA Income Limits, NSP Income Limits.
April 2020: HUD USPS Vacancy Data for 1st Quarter 2020.
April 2020: HUD USPS ZIP Code Crosswalk Files for 1st Quarter, 2020
April 2020: ACS-HUD Data Linkage.
May 2020: SOCDS Building Permits 2019 annual data.
May 2020: Survey of Market Absorption of New Multifamily Units.
May 2020: Survey of Construction.
May 2020: Manufactured Housing Survey.
June 2020: CY 2018 Low Income Housing Tax Credit data.
July 2010: FY 2020 Low-Vacancy Areas – Set-Aside Tenant Protection Vouchers.
August 2020: FY 2021 Fair Market Rents (FMR), Small Area FMR.
August 2020: HUD USPS Vacancy Data for 2nd Quarter 2020.
August 2020: HUD USPS ZIP Code Crosswalk Files for 2nd Quarter, 2020.
August 2020: Migrated AHAR and PIT datasets from HUD Exchange to HUD User.
September 2020: 2015-2017 CINCH and Rental Dynamics Reports.
September 2020: 2021 Qualified Census Tract.
September 2020: Migrated CDBG Income Limits from HUD Exchange to HUD User.
September 2020: Migrated HOPWA Income Limits from HUD Exchange to HUD User.
September 2020: Migrated Housing Trust Fund Income Limits from HUD Exchange to HUD User.
September 2020: Migrated Housing Trust Fund Rent Limits from HUD Exchange to HUD User.

**Supplemental
Materials**

**Office of Inspector
General**



OFFICE OF INSPECTOR GENERAL

TRANSITION BRIEFING



☆☆ OFFICE of ☆☆☆
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

Table of Contents

Organization Overview	4
OIG Mission.....	4
Mandatory Work	4
Access to Information	4
HUD Employee Cooperation	4
Organizational Structure	5
Inspector General & Immediate Office	5
Office of Legal Counsel.....	5
Office of Audit.....	5
Office of Evaluation.....	6
Office of Investigation	6
Office of Management.....	7
Office of Information Technology.....	7
Operational Challenges Facing HUD	7
COVID-19 Related Challenges.....	7
Continuity of the Office of the Chief Information Officer and the Office of the Chief Financial Officer Initiatives	8
Management and Performance Challenges and Oversight Priorities.....	10
HUDOIG Current Leadership Team.....	11
Rae Oliver Davis – Inspector General	11
Stephen M. Begg – Deputy Inspector General	12
Chuck Jones – Senior Advisor for Operations and External Affairs	13
Jacquelyn Phillips – Chief Strategy Officer.....	14
Kilah White – Assistant Inspector General for Audit	15
Kimberly Randall – Deputy Assistant Inspector General for Audit.....	16
John Buck – Deputy Assistant Inspector General for Audit	17
Brian Pattison – Assistant Inspector General for Office for Evaluation	18
Kathryn Saylor – Deputy Assistant Inspector General for Office of Evaluation	19
Thomas Kelly – Assistant Inspector General for Investigation	20
Maura Malone – Counsel to the Inspector General	21
Athena R. Jones – Deputy Counsel to the Inspector General.....	22
Chris Webber – Deputy Assistant Inspector General for Information Technology	23

Table of Contents

HUDOIG Congressional Considerations	24
Appendix A: HUD OIG Budget Overview for Fiscal Year 2016 through Fiscal Year 2020	25
Appendix B: SAR 83 - Semiannual Report to Congress for the period ending March 31, 2020 .	35
Appendix C: Top Challenges Facing the U.S. Department of Housing and Urban Development: COVID-19 Emergency Relief and Response Efforts	166
Appendix D: Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2020 and Beyond	171

Organization Overview

OIG Mission

The mission of the U.S. Department of Housing and Urban Development (HUD or the Department), Office of Inspector General (OIG), is to “promote economy, efficiency, and effectiveness in the administration of, and ... prevent and detect fraud and abuse in ... [HUD’s] programs and operations.”¹ OIG fulfills this mission by conducting audits, investigations, and evaluations related to HUD programs and operations.² HUD OIG’s budget overview for fiscal year 2016 through fiscal year 2020 can be found in appendix A.

Mandatory Work

HUD OIG is required to perform certain functions by law, such as financial statement audits and the Federal Information Security Modernization Act evaluation, and as a result, must plan around a series of annually required mandatory reports and reporting requirements. Likewise, HUD receives appropriations and supplemental funding that also provide constraints on or emphases for our work. For a more in depth view of work and mission execution please see OIG’s most recent Semi-Annual Report which can be found in appendix B.

Access to Information

The Inspector General Act of 1978 authorizes OIG to have timely access to all HUD records and information. Therefore, the Department and its employees must comply with all OIG requests for access to HUD information and records in a timely manner and may not deny OIG access or withhold information during an OIG interview based on HUD policy, union contract, or legal privilege.³ The Department’s disclosure of privileged information to OIG does not waive the privilege.⁴

HUD Employee Cooperation

To complete OIG mission effectively, the cooperation of HUD employees is essential. HUD policy directs employees to promptly report to their supervisors or directly to OIG “instances of, and information on, any known or suspected violations of law, rules, or regulations, or gross mismanagement, waste of funds, abuse of authority or substantial and specific danger to the public health and safety.”⁵ If an employee reports the instance to a supervisor, supervisors are responsible for ensuring that the reported instance is promptly referred to OIG.

¹Inspector General Act of 1978, 5 U.S.C. (United States Code) Appx. 3 § 2.

²Id.

³5 U.S.C. Appx. 3, § 6; 8.8.14 Joint Cooperation Memo. See also *Shermco Indus. Inc. v. Secretary of Air Force*, 613 F.2d 1314 (5th Cir. 1980); *Defenders of Wildlife v. U.S. Department of the Interior*, 314 F. Supp. 2d 1, 20-21 (D.D.C. 2004) (documents remained protected by deliberative process privilege despite reference to those documents in an OIG report).

⁴Although HUD employees may not withhold information from OIG on the basis of privilege, OIG provides the Department an opportunity to review OIG reports containing potentially-privileged information before publication or disclosure to other parties and assert any applicable privileges at that time.

⁵HUD Handbook 2000.3, Sec. 3-1(B)(1991); see also 5 U.S.C. Appx. 3 § 7 (a) (“The Inspector General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.”).

HUD employees are required to cooperate fully with OIG. Cooperation includes being completely candid and forthcoming when interviewed and providing all requested records to OIG in a timely manner.⁶ If an employee does not cooperate with OIG, a supervisor may direct him or her to appear for an interview or provide other pertinent information. If an employee fails to follow such direction, he or she may be disciplined. Additionally, if an employee makes a false statement to OIG during the course of an investigation, he or she may be subject to both criminal and administrative penalties.

It is not appropriate for management to question an employee about OIG interviews or requests, including the specific questions asked or the content of interviews. Additionally, consistent with the Fifth Amendment, an employee may refuse to provide information to OIG if he or she believes the information might be used in a criminal proceeding against him or her.⁷ If an employee is the subject of an investigation but no potential for criminal prosecution exists, OIG will advise him or her in writing that no potential for criminal prosecution exists and that he or she must cooperate with OIG.⁸

Employees may retain a private attorney at personal expense to represent them during an OIG investigation or interview. Attorneys employed by the Department represent the agency only and may not represent and employee at an OIG interview or attend such interview. Additionally, if an employee is a member of a bargaining unit, he or she may be entitled to have a union representative present during interviews.

Organizational Structure

Inspector General & Immediate Office

The Inspector General (IG) and her immediate office staff provide executive leadership and set strategic direction for a nationwide staff of attorneys, auditors, evaluators, investigators, and support professionals, who conduct independent reviews and investigations of and for HUD, its beneficiaries, its grantees, and its partners.

Office of Legal Counsel

The Office of Legal Counsel (OLC) provides independent legal and policy advice to the IG and all components of OIG on a variety of substantive and procedural matters relating to OIG's audit, evaluation, and investigation activities. OLC also partners with other offices by playing major roles in reviewing and redrafting policies, regulations, and legislative proposals to remedy any legal concerns. Additionally, OLC represents OIG in administrative litigation; manages the OIG ethics program, including providing ethics training, advice, and financial disclosure reviews; provides legal support for OIG acquisition and personnel actions, and coordinates OIG responses to Freedom of Information Act and other document requests.

⁶HUD Handbook 2000.3, Sec. 3-2.

⁷Garrity v. New Jersey, 385 U.S. 493 (1967); HUD Handbook 2000.3, Sec. 3-2(C).

⁸Kalkines v. United States, 473 F.2d 1391 (Fed. Cir. 1973).

Office of Audit

The Office of Audit (OA) conducts audits of HUD operations as well as its program partners that carry out hundreds of HUD programs and activities. OA consists of 3 headquarters divisions, 8 regional offices, and 25 field offices. Headquarters divisions specialize in audits of HUD's financial management and reporting and information technology systems. Four regions and their respective field offices focus on assisted housing and community planning and development programs, and the remaining four regions and field offices focus on housing insurance and finance programs.

HUD officials, policymakers, and other stakeholders use OA's insights to help ensure that HUD and its partners succeed in carrying out the Department's mission. Audits provide HUD recommendations on which departmental officials can take action to improve internal operations, programs, and program activities. OA recommendations also impact proposed legislation and regulations and prevent fraud, waste, and abuse in HUD operations and programs.

OA's performance audits focus on whether programs are achieving desired results in an efficient and effective manner and are carried out in accordance with applicable laws and regulations. Audits of HUD's annual financial statements assess whether these required statements are fairly represented and internal controls over financial reporting and information systems are adequate.

Office of Evaluation

The Office of Evaluation (OE) provides actionable information to HUD, Congress, and other stakeholders to drive mission success. OE develops independent assessments in a timely, credible, and constructive manner. OE products assess the efficiency, effectiveness, impact, and sustainability of HUD operations, programs, or policies and identify and recommend improvements and administrative action.

OE is comprised of two divisions – the Program Evaluations Division (PED) and the Information Technology Evaluations Division (ITED). PED conducts traditional program evaluations that uncover the root causes of issues at HUD and provide a roadmap for HUD to fix those issues. ITED focuses its evaluation efforts on IT systems and cybersecurity. Together, these divisions provide HUD OIG a flexible tool, though the use of innovative methodologies and rapid response, that achieve positive results.

Office of Investigation

The Office of Investigation (OI) conducts criminal, civil, and administrative investigations to prevent fraud, waste, and abuse in HUD programs. OI has 7 regional offices and 32 field offices. OI's highly skilled team consists of criminal investigators, who exercise statutory law enforcement authority to make arrests, execute search warrants, and serve subpoenas. This team also collaborates with forensic auditors, information technology specialists, investigative analysts, and administrative support staff.

In general, OI focuses its investigations on possible violations of Federal, State, and local laws or regulations in the administration of HUD programs and activities or misconduct on the part of HUD employees or the recipients of HUD funds. OIG is obligated to detect and deter fraud and criminal activities throughout all of HUD's programs and those entities HUD oversees.

Investigations may result in criminal charges, civil complaints, and administrative sanctions and decisions. Criminal charges filed against individuals or entities may result in criminal prosecutions, plea agreements, incarceration, restitution, fines, and penalties. Civil claims can lead to settlements or verdicts with restitution, fines, penalties, forfeitures, assessments, exclusion of individuals or entities from participation in Federal programs, administrative sanctions, and personnel actions.

The Office of Special Investigations (OSI) is an investigative section within OI which conducts special reviews addressing high level, sensitive, complex, enterprise-risk, and public interest issues having critical impact to HUD. Further, OSI conducts all HUD OIG internal misconduct investigations; misconduct investigations of HUD officials, generally GS-15 and above; and whistleblower investigations.

Office of Management

The Office of Management (OM) is comprised of five divisions. OM provides mission support in the areas of human capital; employee relations; acquisition; budgeting and financial management; and administrative logistical support. OM works in conjunction with other OIG offices to ensure collaborative, comprehensive, and effective solutions that advance HUD OIG's strategic goals and overall mission objectives.

Office of Information Technology

The Office of Information Technology (OIT) is comprised of three divisions. The OIT divisions work to develop and maintain highly effective, reliable, secure, and innovative information systems; provide agile software development and application support; protect and defend against information security threats and risks; and exceed industry best practices and federal security requirements to ensure the confidentiality, integrity, and availability of all resources within HUD OIG's distributed computing environment.

Operational Challenges Facing HUD

COVID-19 Related Challenges

The pandemic caused by the coronavirus disease of 2019 (COVID-19) created unprecedented challenges for American families, communities, and the economy. When the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed into law on March 27, 2020, Congress provided more than \$12 billion in funding to the U.S. Department of Housing and Urban Development (HUD) to assist renters, landlords, vulnerable populations, and impacted communities in preventing, preparing for, and responding to the COVID-19 pandemic through its grant programs. The CARES Act also created protections for renters, homeowners, and landlords participating in HUD programs through temporary moratoriums on evictions and certain foreclosure actions and forbearance on payments of federally backed mortgaged loans. In June 2020, the Pandemic Response Accountability Committee released its report on *Top Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts*,⁹ which included the Office of Inspector General's (OIG) assessment of

⁹Top Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts, https://www.oversight.gov/sites/default/files/oig-reports/Top%20Challenges%20Facing%20Federal%20Agencies%20-%20COVID-19%20Emergency%20Relief%20and%20Response%20Efforts_1.pdf See also Appendix C: Top Challenges Facing the U.S. Department of Housing and Urban Development: COVID-19 Emergency Relief and Response Efforts

the top challenges HUD faced in the early phases of the pandemic.¹⁰ That report included OIG's analysis of the challenges the pandemic presented to (1) rental assistance programs, (2) mortgage loan forbearance administration, (3) assistance for vulnerable populations, (4) assistance for communities' response, and (5) HUD's mission performance.¹¹

HUD, like all Federal agencies, was challenged initially with implementing the substantial program changes required by the CARES Act and communicating to the public and program administrators about those changes during a rapidly evolving pandemic that required nearly all staff to work remotely. Additionally, the pandemic presents new challenges for HUD and its program participants in implementing necessary changes to their programs operations. OIG is concerned that the pandemic will exacerbate HUD's already existing Top Management and Performance Challenges.

To evaluate HUD's pandemic response, OIG has initiated agile engagements that are limited in scope so that OIG can complete this work quickly and offer insights to policymakers and the public in a timely manner. Through OIG's initial work and continuous risk assessments, as well as its communications with HUD leadership and its program participants, OIG has identified several ongoing challenges: (1) ensuring that the public receives accurate information about HUD's pandemic response and relief programs, (2) ensuring that CARES Act grant funds reach intended beneficiaries in a timely manner and are used appropriately, (3) implementing mortgage loan forbearance requirements in HUD's programs, and (4) performing HUD's mission operations through the pandemic.

Continuity of the Office of the Chief Information Officer (OCIO) and the Office of the Chief Financial Officer (OCFO) Initiatives

OIG believes on-going initiatives within HUD's OCIO and OCFO should continue.

Office of the Chief Information Officer

Modernization of information technology and their cybersecurity has advanced more in the past three years, than in the past decade. HUD was at a deficit and much of their cybersecurity program lacks fundamental elements that have been federal requirements for at least ten years. Historically, HUD's OCIO leadership lacked; technical expertise, a viable modernization roadmap, experience in managing IT projects with many overlapping requirements, and most of all lacked leadership continuity. Between 2013 and 2018 HUD had five different CIO's (Official and Acting) all with short terms at HUD and therefore none of them successfully gained momentum or sustained efforts to overcome years of stagnation.

HUD OCIO's current modernization roadmap consists of plans for approximately 40 systems, with another 24 system as candidates for future modernization. In the past year, substantial progress has been made in modernizing systems supporting the Federal Housing Administration loan lifecycle. Prior to 2020 HUD's loan origination and the endorsement process was manual. Hard copy loan case binders were submitted for

¹⁰The HUD Inspector General was designated as a Pandemic Response Accountability Committee (PRAC) member on April 1, 2020, by PRAC Chairman-DOJ Inspector General Michael Horowitz.

¹¹See Appendix C: Top Challenges Facing the U.S. Department of Housing and Urban Development: COVID-19 Emergency Relief and Response Efforts

manual processing. With the Pandemic and mandatory telework requirements, HUD's business mission was limited by manual business processes. In response to the situation the CIO expedited the modernization effort to provide lenders with capabilities to electronically submit binders. Additionally, the FHA Catalyst claims module and the implementation of robotic process automation to improve efficiencies in systems such as the TRACS will contribute to the decommissioning of 42 legacy systems. Those responsive modernization efforts occurred because the current leadership had instituted an agile development methodology, had a technically sound plan, ongoing delivery of sprints and able to continue development on concurrent projects with a final goal identified. Complex multi-year IT projects will demand consistent leadership and ongoing funding or reallocated funds to further HUD's success.

HUD's Cybersecurity Program had the lowest cybersecurity scores out of all the CFO agencies in fiscal year 2013 and remained as a deficient program for numerous years. However, within the past year, HUD began to make substantial strides in maturing the program. In FY19, OCIO implemented a zero base review (ZBR) which assessed each IT system and provided an information risk management status. In addition, the CIO emphasized the importance of remediating findings from OIG and GAO audit recommendations. Before fiscal year 2020, HUD had over 230 open OIG recommendations, while the GAO also had many open recommendations related to HUD's IT issues. Over the past year, a primary goal of the CIO was to take actions and resolve open recommendations. As a result of those actions, as of August 2020, there were 147 open IT recommendations with another 78 submitted recommendation closure requests that OIG is in the process of reviewing. Resolving open recommendations has and will continue to contribute to HUD's improvements.

Office of the Chief Financial Officer

In mid-2018, the OCFO developed and began implementing a robust and aggressive financial management transformation plan, which focused on improvements needed with HUD's workforce, processes, and technology. The plan is multifaceted and was developed knowing that it would require (1) buy-in from leadership across the Department, (2) long-term funding commitment of resources (people and funding), and (3) multiple years (up to 5 years), for the overall vision to come to fruition. OCFO has shared this plan with GAO, OMB, Treasury, and Congress.

Two years into the project, the OCFO, in collaboration with senior leadership across HUD's program offices, has been successful in the implementation of several activities toward achieving a compliant financial management environment. As a result, HUD has seen a marked decrease in the number of material weaknesses and significant deficiencies reported in its annual financial statement audits, as well as a decrease in the number of instances of noncompliance (with laws, regulations, contracts, and grant agreements). However, the transformation project is not complete, and several goals remain that OCFO has not yet achieved. One of the main goals and objective of the plan was to allow for the transformation to be sustainable through leadership changes. Continued commitment to completing the plan by new leadership across HUD would allow HUD's financial management maturity, to include operational efficiency, financial systems and reporting, and financial integrity, is at an effective level that would result in unmodified

financial statement audit opinions; no FISMA findings or material weaknesses, significant deficiencies, or noncompliance with laws and regulations reported; automated end-to-end processes; and modernized IT systems and integrated financial and program data.

Management and Performance Challenges and Oversight Priorities

The Reports Consolidation Act of 2000 requires OIG to issue a report summarizing what we consider to be the most serious management and performance challenges facing the Department. In turn, HUD is required to include this report in its annual agency financial report. This report represents OIG's independent perspective on the top management challenges facing HUD in fiscal year 2020 and beyond.

The challenges discussed in this report represent OIG's view of HUD's greatest vulnerabilities to waste, fraud, abuse, and mismanagement and the most significant barriers to HUD's success in accomplishing its mission. That report¹² includes a discussion of each challenge as well as an acknowledgement of the HUD actions taken and progress made in addressing the challenge. HUD's top management and performance challenges for fiscal year 2020 include:

1. HUD's Human Capital – Fewer Employees, Significant Reliance on Contracted Services.
2. Ensuring the Availability of Affordable Housing That Is Decent, Safe, Sanitary, and in Good Repair.
3. Protecting the Mortgage Insurance Programs.
4. Providing Adequate Monitoring and Oversight of Its Operations and Program Participants.
5. Administering Disaster Recovery Assistance.
6. Modernizing Technology and the Management and Oversight of Information Technology.
7. Instituting Sound Financial Management.
8. Ensuring Ethical Conduct.

In addition to Top Management Challenges, and to ensure that OIG is doing the right work at the right time, OIG has established a set of Oversight Priority Areas. The following are some cornerstone oversight priorities: Ensuring Safe and Affordable Housing, Advancing Economic Opportunities Initiatives, Fair Housing, Protecting the Mortgage Insurance Funds, Monitoring and Oversight, Administering Disaster Assistance, Information Technology and Cybersecurity, Financial Management, Human Resource Management and Procurement, and Ethical Conduct.

¹²See Appendix D, Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2020 and Beyond

HUDOIG Current Leadership Team



Rae Oliver Davis – Inspector General

Ms. Rae Oliver Davis was sworn in as Inspector General for the U.S. Department of Housing and Urban Development (HUD) on January 23, 2019. As Inspector General, Ms. Oliver Davis is the senior official responsible for audits, evaluations, investigations, and oversight efforts relating to HUD's programs and operations to ensure integrity, economy, efficiency, and effectiveness in these programs. The Office of Inspector General (OIG) at HUD is one of the original 12 Inspectors general authorized under the Inspector General Act of 1978.

Before her position as Inspector General, Ms. Oliver Davis was appointed as the Acting Assistant Inspector General in February 2017. In that capacity, she was responsible for the oversight of the Office of Special Inquiry (OSI) within OIG. OSI conducts sensitive investigations regarding waste, fraud, and abuse of HUD programs and the conduct of its employees.

She has served nearly a decade in the Inspector General community. Before joining HUD OIG, she served as chief investigative counsel for the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). SIGTARP is an independent federal law enforcement agency under the U.S. Department of the Treasury that targets financial institution crime. She also served in the Office of the General Counsel for the Office of the Inspector General for the U.S. Postal Service.

Ms. Oliver Davis served as an Assistant United States Attorney for the Western District of Tennessee from 2002 to 2007. She also served as an Assistant Attorney General for the State of Tennessee from 1999 to 2002. Earlier in her career, Ms. Oliver Davis served on the then U.S. Senate Governmental Affairs Committee and the U.S. House Government Reform and Oversight Committee.

Ms. Oliver Davis received a Juris Doctor degree from the University of Memphis, Cecil C. Humphreys School of Law, and a bachelor's degree in political science from Murray State University.

Stephen M. Begg – Deputy Inspector General

Office of the Inspector General

Stephen M. Begg was appointed Deputy Inspector General for the U.S. Department of Housing and Urban Development (HUD) in July 2020. As Deputy Inspector General for the Office of Inspector General (OIG), he oversees the operations of a nationwide organization of auditors, investigators, evaluators, counsel, and support staff.

In his previous role, Mr. Begg was the OIG Chief of Staff, where he coordinated and supported the operational efforts of each OIG component to execute the Inspector General's strategic vision in carrying out HUD OIG's oversight responsibilities.

Mr. Begg joined HUD OIG in 2014 as an attorney-advisor in HUD OIG's Office of Legal Counsel. He later served as the Acting Deputy Assistant Inspector General for the Office of Special Inquiry, where he managed attorneys, criminal investigators, and forensic auditors responsible for conducting sensitive investigations into allegations of senior official misconduct and enterprise-level fraud, waste, and abuse in HUD programs.

Before joining HUD OIG, Mr. Begg was an attorney with the U.S. Postal Service (USPS) OIG's Office of General Counsel. During that time, he was appointed as a Special Assistant United States Attorney in the Middle District of Tennessee to support a multiagency, complex criminal investigation. He also served as a paralegal and analyst in USPS OIG's Office of General Counsel while attending law school. He began his career with USPS OIG as a technical operations officer in the Office of Investigations.

Mr. Begg received a Juris Doctor degree from The Catholic University of America, Columbus School of Law, and a bachelor's degree in public administration from James Madison University.

Chuck Jones – Senior Advisor for Operations and External Affairs

Office of the Inspector General

Mr. Chuck Jones is a Senior Advisor for Operations and External Affairs for the U.S. Department of Housing and Urban Development, Office of Inspector General. In this role, Mr. Jones oversees a portfolio of the organization's critical functions, including communications, congressional affairs, budget and financial management, human capital, information technology, and employee engagement.

Mr. Jones has more than 25 years of experience in leadership positions in the banking and financial services industries, which includes many years in oversight positions in the Inspector General community and on congressional committees. He most recently served as the Deputy Chief of Staff with the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). Before his tenure with SIGTARP, Mr. Jones spent several years in the private sector, focusing on congressional and governmental relations.

Additionally, Mr. Jones has held multiple staff positions on congressional committees and worked for Senator Thomas Carper as the Staff Director on the Subcommittee on Economic Policy for the Committee on Banking, Housing, and Urban Affairs. Mr. Jones has held several positions in the executive branch, working for the U.S. Department of Agriculture and the Federal Housing Finance Board. Mr. Jones also served in the White House in the Office of Presidential Personnel and as a White House Liaison to the State Department.

Mr. Jones holds a Master of Arts degree from The Catholic University of America and a Bachelor of Arts degree from Henderson State University.

Jacquelyn Phillips – Chief Strategy Officer

Office of the Inspector General

As Chief Strategy Officer, Ms. Phillips is responsible for assisting the Inspector General in developing the Office of Inspector General's (OIG) strategic plan, creating initiatives to execute on that plan, and implementing programs to monitor and improve performance, manage risk, and strengthen internal controls. She joined the U.S. Department of Housing and Urban Development (HUD) OIG in 2017 and has served as the Director of Planning, Performance, Risk Management, and Engagement Division for the last 3 years. In that role, she stood up OIG's Enterprise Risk Management Program, Engagement Board process, and Joint Planning efforts. She has also led the development and launch of OIG's new website, the publication of its first HUD OIG Top Management Challenges as a stand-alone report, and the first issuance of the Federal Employee Viewpoint Survey to OIG staff.

Before joining HUD OIG, Ms. Phillips served as the Chief Knowledge Officer at the U.S. Postal Service OIG, where she oversaw learning, knowledge management, and employee engagement initiatives and platforms. She previously served as the Director of the Office of Emergency Programs at the U.S. Department of the Treasury, where she managed continuity and emergency planning and operations for the Department's 11 bureaus and more than 120,000 employees.

She began her Federal career with the Federal Emergency Management Agency. She is a decorated veteran, having previously served as an active-duty U.S. Army Intelligence Officer in Iraq and Afghanistan, and she currently serves as a U.S. Army Reserves Officer.

Kilah White – Assistant Inspector General for Audit

Office of Audit

In December 2019, Kilah White was appointed Assistant Inspector General for Audit. As the AIG for Audit, Ms. White is responsible for overseeing the audits and reviews of HUD's programs and operations.

Ms. White has over 20 years of experience with HUD OIG and has worked in every major HUD program area. She was promoted to Assistant Regional Inspector General for Audit in January 2010. In this position, Ms. White was responsible for managing all audits and reviews conducted field staff. In 2017, she became the Regional Inspector General for Audit for Region 6 (Fort Worth Region). In this role, she published numerous impactful audit reports covering major HUD program areas resulting in significant monetary benefits. She has proven her ability to lead collaborative teams and complete complex audits to drive positive change in the Department. Her recent work in disaster oversight has been instrumental in the Department's improvement of controls in the CDBG-DR program. Kilah has also dedicated herself to the success of others in her role as the Ombudsman Coordinator and lead of the HUD OIG Federal Employee Viewpoint Survey Employee Council. She has received numerous awards and recognition for her audits of HUD programs.

Ms. White is a Certified Internal Auditor and Certified ACL Data Analyst. She received her Bachelor of Science degree in Accounting from Howard University in Washington D.C. in 2001. A native of Detroit, she currently lives in Washington D.C.

Kimberly Randall – Deputy Assistant Inspector General for Audit - Western Field Operations

Office of Audit

Kimberly Randall was appointed the Deputy Assistant Inspector General for Audit (DAIGA) for Western Field Operations in April 2016. As the DAIGA, Ms. Randall is responsible for overseeing the audits and reviews of HUD's programs and operations in the western United States.

Ms. Randall has over 30 years of Federal service, serving within three OIGs throughout her career. Ms. Randall began her Federal auditing career with the U.S. Department of Agriculture in Kansas City, MO, moved on to the Resolution Trust Corporation in 1991, and joined HUD OIG in 1995, remaining in the Kansas City area. She served as a senior auditor for HUD OIG until 2004 when she became an Assistant Regional Inspector General for Audit for Region 7. In 2010, Ms. Randall became the first Division Director for HUD OIG's newly created Civil Fraud Division and remained in that role until becoming the DAIGA in 2016. Through her auditing and civil fraud efforts in all major HUD program areas, Ms. Randall has brought about substantial monetary benefits to HUD and its program participants.

Ms. Randall has received many awards during her career, including multiple Awards for Excellence from the Council of Inspectors General on Integrity and Efficiency, HUD OIG Inspector General and Manager of the Year awards, and awards from multiple U.S. Attorney's Offices. Ms. Randall earned a bachelor's degree in accounting from Central Missouri State University in 1989 and is a Certified Public Accountant and Certified Fraud Examiner. She is also a member of the Association of Government Accountants and the Association of Certified Fraud Examiners. Ms. Randall is a native Missourian and lives in the Kansas City area. She and her husband have a son, daughter-in-law, and two granddaughters.

John Buck – Deputy Assistant Inspector General for Audit - Eastern Field Operations

Office of Audit

John Buck was appointed as the U.S. Department of Housing and Urban Development (HUD) Deputy Assistant Inspector General for Audit – Eastern Field Operations in October 2013. The Office of Inspector General's mission is independent and objective reporting to the Secretary and Congress for the purpose of bringing about positive change in the integrity, efficiency and effectiveness of HUD operations. As the Deputy Assistant Inspector General for Audit, Mr. Buck is responsible for audits and reviews of HUD's programs and operations in the eastern United States and for HUD's nationwide Disaster Recovery efforts.

Mr. Buck has over 36 years' experience conducting and managing audits of federal programs. Mr. Buck began his federal auditing career in 1983 as an auditor with the US Army Audit Agency, Philadelphia, PA office. He held increasingly responsible positions with the Army Audit Agency in Stuttgart Germany, at the Pentagon, and Fort Monmouth, NJ. He joined the HUD OIG in December 2001 as an Assistant Regional Inspector General for Audit (ARIGA) for Region 3 and was promoted to Regional Inspector General for Audit (RIGA) in August 2005. As the RIGA from August 2005 through September 2013 he published numerous audit reports covering all major HUD program areas resulting in significant monetary benefits.

Mr. Buck has received numerous awards during his career including the Council of Inspectors General on Integrity and Efficiency (CIGIE) Award for Excellence, HUD OIG Audit Manager of the Year Award, and the U.S. Army Auditor General Award. Mr. Buck has a Master's Degree in General Administration from Central Michigan University and an undergraduate degree in Accounting from Temple University. He is a Certified Government Financial Manager, a graduate of the Federal Executive Institute and the U.S. Army Management Staff College and a member of the Association of Government Accountants. Mr. Buck is a native of the Philadelphia area and has a wife, four sons, and two grandsons.

Brian Pattison – Assistant Inspector General for Office for Evaluation

Office of Evaluation

Mr. Brian Pattison has served as the Assistant Inspector General for Evaluation (AIGE) for the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) since December 2016. The HUD OIG mission is to use traditional and innovative approaches to promote economy, efficiency, and effectiveness in the administration of HUD programs. Mr. Pattison achieves this outcome working with his diverse team to produce work products that provide actionable information to HUD and OIG to drive mission success. The work of Mr. Pattison and his team have yielded numerous congressional briefings and hearings, secretarial briefings, and significant improvements within HUD.

Throughout his career, Mr. Pattison has worked for various Federal OIGs and private industry supporting audits, evaluations, inspection, and investigations. He previously served as a Regional Inspector General with the U.S. Department of Health and Human Services (HHS) in Kansas City, MO, where he directed programs that provided evaluation results, data support, and quality assessment services across HHS. Prior to his tenure at HHS, Mr. Pattison was Vice President of Audits, Evaluations, and Investigations for Integrity Management Services, Inc. where he managed activities related to auditing techniques, compliance oversight, evaluations, high-level assessments, inspections, investigations, and regulatory review. He also served in management and leadership roles while at OIGs at the U.S. Department of Justice in Washington, D.C. and the Social Security Administration in Dallas, TX.

Mr. Pattison holds a Master of Science in Management and Leadership degree from Western Governors University-Missouri. He graduated with honors from Willamette University in Salem, OR with a Bachelor of Science degree in economics and a minor in political science.

Kathryn Saylor – Deputy Assistant Inspector General for Office of Evaluation

Office of Evaluation

Kathy Saylor became the Deputy Assistant Inspector General for Office of Evaluation in December 2016. She oversees the Integrated Data Analytics Division (iDAD), Field Analytic Support (FAS) and the Information Technology Evaluation Division (iTED). iDAD enables the OIG to remain vigilant of emerging or continuing threats by using data science to create actionable information for strategic and tactical decision making. FAS leads data analytic support for HUD OIG and assists in developing data analyses skills and provides guidance for accessing program data. iTED conducts independent evaluations and makes recommendation for strengthening HUD's information technology and cybersecurity operations, policies, and programs.

Before her appointment as the DAIG for Evaluations, Ms. Saylor served as the Assistant Inspector General for Evaluations and the Director of the Information Technology Evaluations Division at HUD OIG.

Ms. Saylor came to HUD after working more than 8 years for the U.S. Department of the Interior OIG, where she led the FISMA evaluations, conducted audits, and performed OIG oversight of the agency's IT, IT Security and Privacy Programs. In addition to her time in the Inspector General community her 21-year Federal career includes various audit positions with the U.S. Government Accountability Office, Internal Revenue Service, and U.S. Air Force Accounting and Finance Center. Additionally, Ms. Saylor served as the Managing Director of Falcon Lease Finance Corporation, managing aircraft leasing transactions, and spent several years in public accounting.

She holds a Master of Science in Management degree with Information Security Management emphasis from Colorado Technical University in Denver, CO. She received her Bachelor of Arts degree in Accounting from Fort Lewis College in Durango, CO. Ms. Saylor is a certified Project Management Professional and holds IT and security credentials, including Certified Information Systems Security Professional, Certified Information Systems Auditor and Certified in Risk and Information Systems Control.

Ms. Saylor is a native of Denver, CO. She is widowed and has four daughters, a son, three son-in-law's, and eight grandchildren.

Thomas Kelly – Assistant Inspector General for Investigation

Office of Investigation

Mr. Thomas Kelly was named Assistant Inspector General for Investigation in October 2019. In his role Mr. Kelly is responsible for the day to day oversight of the Headquarters Operations Division, the Special Investigations Division, and Special Agents assigned to the Joint Civil Fraud Division, and the Regional Offices comprising 37 field offices.

Mr. Kelly has 25 years of experience in federal law enforcement and he has served in Senior Executive Service roles with IRS Criminal Investigation (IRS-CI), the Department of Justice (DOJ), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP).

He began his career as a Special Agent with IRS-CI in the Los Angeles field office. Over his 19 years with IRS-CI, he served as an ASAC and SAC overseeing asset forfeiture programs and criminal investigations into money laundering, tax fraud, and other complex financial fraud schemes. He also served as the Director of the Financial Crimes section at IRS-CI headquarters developing policy and coordinating efforts across 40 program areas including Bank Secrecy Act violations, Financial Crimes Task Forces, and IRS-CI's Money Laundering program. Tom finished his career with IRS-CI as the Director of Field Operations overseeing operations in 15 states and 1,000 employees.

Mr. Kelly has also served as the Director of DOJ's Organized Crime Drug Enforcement Task Forces (OCDETF) Fusion Center, where he was responsible for OCDETF's intelligence gathering operations. He managed personnel from over 20 partner agencies dedicated to the collection and analysis of investigative information in support of comprehensive, multi-jurisdictional investigations of the most significant domestic and international drug trafficking and money laundering networks.

Additionally, he served as the Assistant Deputy Special Inspector General for Investigations at SIGTARP, where he oversaw field operations of all TARP-related investigations of financial institutions in the United States. He was also a Senior Special Agent at the Federal Housing Finance Authority (FHFA) OIG.

Maura Malone – Counsel to the Inspector General

Office of Legal Counsel

Maura Malone was named Counsel to the Inspector General in September 2020. Ms. Malone joined the Office of Legal Counsel (OLC) in 2014 as a senior attorney-advisor, and has held a number of critical positions within OLC, including serving as Deputy Counsel. Ms. Malone has also been a leader in a number of our strategic initiatives, such as overseeing our FY 2020 Top Management Challenges Report, developing a roadmap for our CARES Act oversight, enhancing our Whistleblower Protection Program, and assisting with the creation of our new risk program. Ms. Malone has also served as our Whistleblower Protection Coordinator and has played an important role in our legislative affairs efforts.

Before joining HUD OIG, Ms. Malone served in several staff and leadership roles in HUD's Office of General Counsel (OGC) over a 22-year tenure. Most recently, she served as the Assistant General Counsel for OGC's Finance Division, which is responsible for advising the Government National Mortgage Association, and as the Deputy Assistant General Counsel for OGC's Administrative Proceedings Division, which pursues administrative sanctions against participants in HUD programs who violate HUD requirements.

Athena R. Jones – Deputy Counsel to the Inspector General

Office of Legal Counsel

Athena R. Jones, Colonel, United States Air Force (Retired), was appointed as the U.S. Department of Housing and Urban Development's (HUD) Deputy Counsel to the Inspector General in February 2018. She is responsible for overseeing the day-to-day operations of the HUD Office of Inspector General's (OIG) Office of Legal Counsel (OLC), which provides independent legal advice, counseling, and opinions concerning HUD OIG programs and operations. OLC also reviews audit, investigation, and evaluation reports for legal sufficiency and compliance with HUD OIG's policies and procedures. Additionally, OLC coordinates with the HUD Office of General Counsel and manages HUD OIG's responses to requests and appeals made under the Freedom of Information Act and the Privacy Act.

Ms. Jones started her military career as an attorney on an Air Force base and retired as the General Counsel for the Army and Air Force Exchange Service, an \$8 billion retail organization – the “Walmart” of the military. While in the Air Force, she served as legal advisor to the Special Operations Command, deployed to support joint task force operations, negotiated agreements with the United States Army in Iraq and Afghanistan, tried numerous courts martial, and served as a Special Assistant U.S. Attorney and a Military Magistrate. After retiring from the Air Force, Ms. Jones completed a Master of Business Administration (MBA) degree and led a team of forensic auditors and investigators looking into black marketing in South Korea. She then joined HUD to head its Ethics Office, and in 2011, she transferred to the OIG.

Ms. Jones is a recognized leader in the field of ethics and has lectured on legal topics across the country before the Interagency Ethics Council, the Society for Advancement of Management, the Martindale-Hubbell Counsel to Counsel Forum, the Texas Bar Association, and the Army and Air Force Judge Advocate General's schools. For her Air Force career contributions, Ms. Jones was awarded the Legion of Merit, Defense Meritorious Service Medal, Meritorious Service Medal with four oak leaf clusters, and Air Force Commendation Medal with two oak leaf clusters.

In addition to her MBA, Ms. Jones holds a Bachelor of Arts degree in English and a Juris Doctor degree. She was commissioned in the Air Force shortly after she finished law school and retired 26 years later. She has been admitted to the bars of Oklahoma and Texas and is an honorary member of the bar of the Republic of the Philippines. Ms. Jones is a Certified Fraud Examiner and a Leading Professional in Ethics and Compliance.

Chris Webber – Deputy Assistant Inspector General for Information Technology

Office of Information Technology

Chris Webber was appointed as the U.S. Department of Housing and Urban Development (HUD) Deputy Assistant Inspector General (DAIG) for Information Technology in April 2017. The Office of Inspector General's (OIG) mission is independent and objective reporting to the HUD Secretary and Congress for the purpose of bringing about positive change in the integrity, efficiency, and effectiveness of HUD operations. In his role as DAIG for Information Technology, Mr. Webber is responsible for the oversight of OIG's Information Technology Infrastructure, Information Management, and IT Security.

Before his appointment as DAIG, Mr. Webber served as the Chief Information Officer for the Federal Housing Finance Agency OIG and the Federal Labor Relations Authority. Prior to these posts, Mr. Webber served as the Deputy Director of Information Assurance for the Executive Office of the President. Before he started his federal career, Mr. Webber worked in the ".com" industry in Seattle, WA.

Mr. Webber has lived in the Washington, DC, metropolitan area for more than 43 years. He and his wife live in Maryland with their four children.

HUDOIG Congressional Considerations

There are no immediate Congressional Considerations as of the time of submission.

Appendix A: HUD OIG Budget Overview for Fiscal Year 2016 through Fiscal Year 2020



Table of Contents

1.) Appropriation Summary

Description: A breakdown of the OIG's appropriated resources and budget requests from FY 2016 - FY 2022.

2.) Personnel Obligation Summary

Description: Summary of personnel obligations from FY 2016 - FY 2020 including per FTE statistics and overall staff by position.

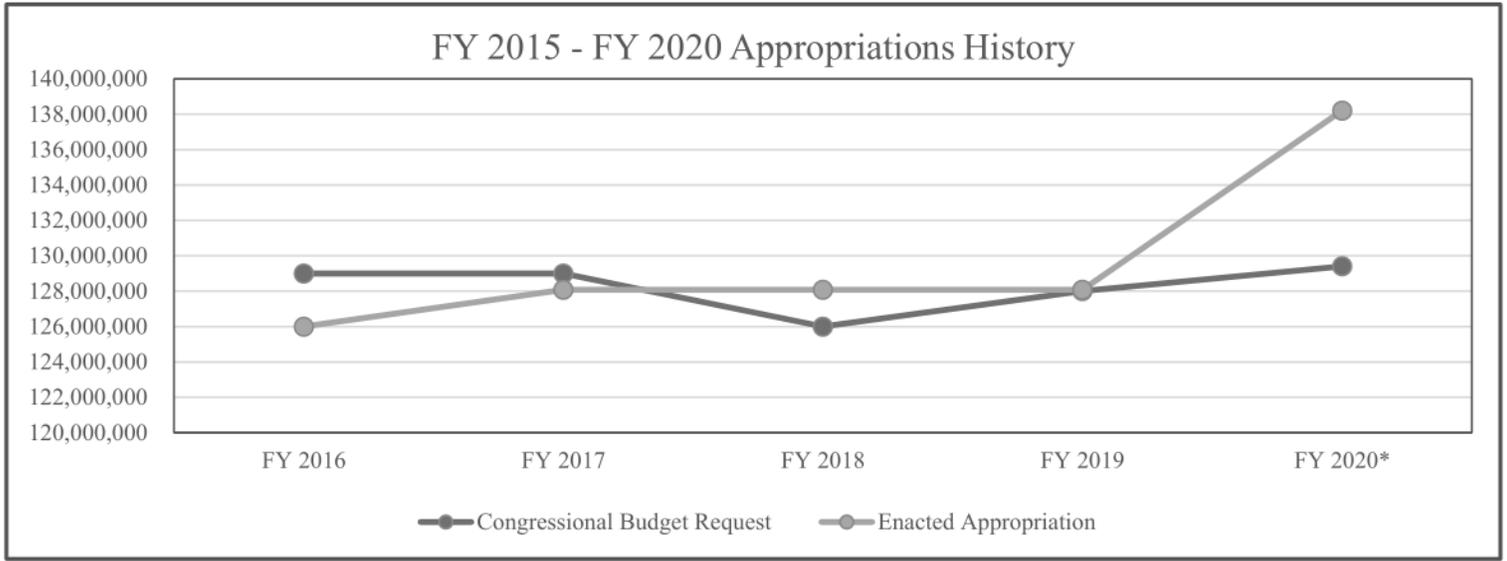
3.) Non-Personnel Obligation Summary

Description: Breakdown of OIG non-personnel obligations by category for FY 2016 - FY 2020.

4.) HUD Consolidated Financial Audit

Description: Explanation of OIG outsourcing effort as it relates to the annual financial audit.

Appropriations Summary



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
Congressional Budget Request	129,000,000	129,000,000	126,000,000	128,000,000	129,400,000
Enacted Appropriation	126,000,000	128,082,000	128,082,000	128,082,000	138,200,000

* The FY 2020 omnibus appropriation provided \$10 million (FY 2020/2021 two year funding) for the explicit purpose of outsourcing the HUD financial statement audit.

	Congressional Budget Request	Amended Budget Request	House Mark
FY 2021	133,300,000	145,514,000	145,514,000

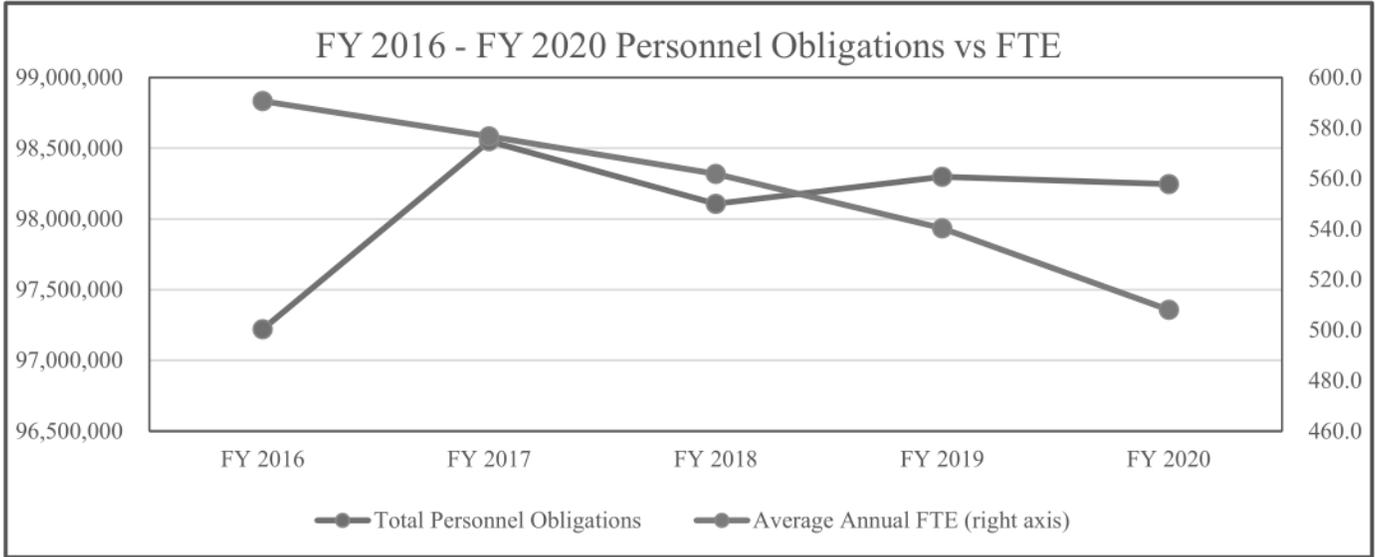
Due to the timing of the FY 2020 omnibus appropriation and the new requirement in that legislation that the OIG outsource the HUD consolidated financial audit, the FY 2021 Congressional budget request did not accurately represent the needs of the OIG. In February 2020 the OIG presented an amended budget request to both House and Senate Appropriators that would act as a more accurate representation of the OIG's FY 2021 requirements. In July 2020 H.R. 7617 the House passed FY 2021 THUD appropriation endorsed the full amount of the amended budget request.

Appropriations Summary

	OMB Budget Request
FY 2022	145,770,000

The OIG's FY 2022 OMB justification was submitted to OMB on September 14th. The budget request was built based on the OMB guidance of assuming a hard freeze in FY 2021 at FY 2020 appropriated levels. In the FY 2022 budget justification the OIG requests resources to increase oversight of the sprawling Ginnie Mae portfolio, increase staff responsible for oversight of HUD Fair Housing programs, augment IT staff to improve OIG internal case management and audit tracking systems, and procure outside legal expertise in mortgage backed securities.

Personnel Obligation Summary

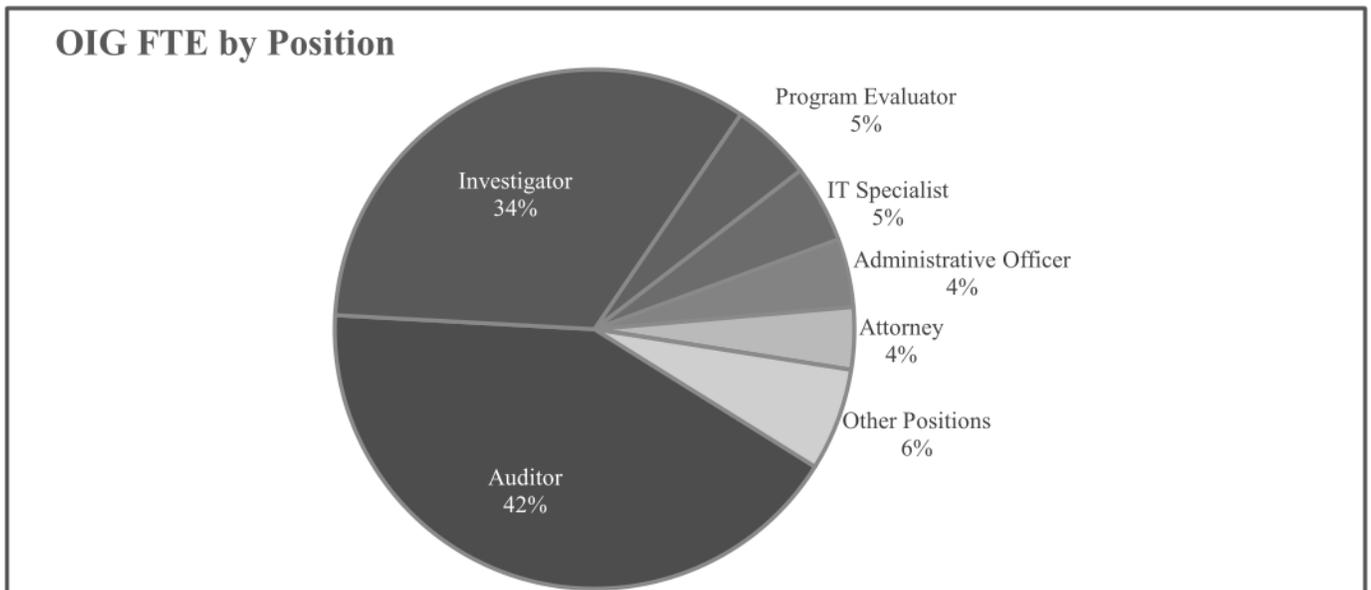


Annual Appropriation

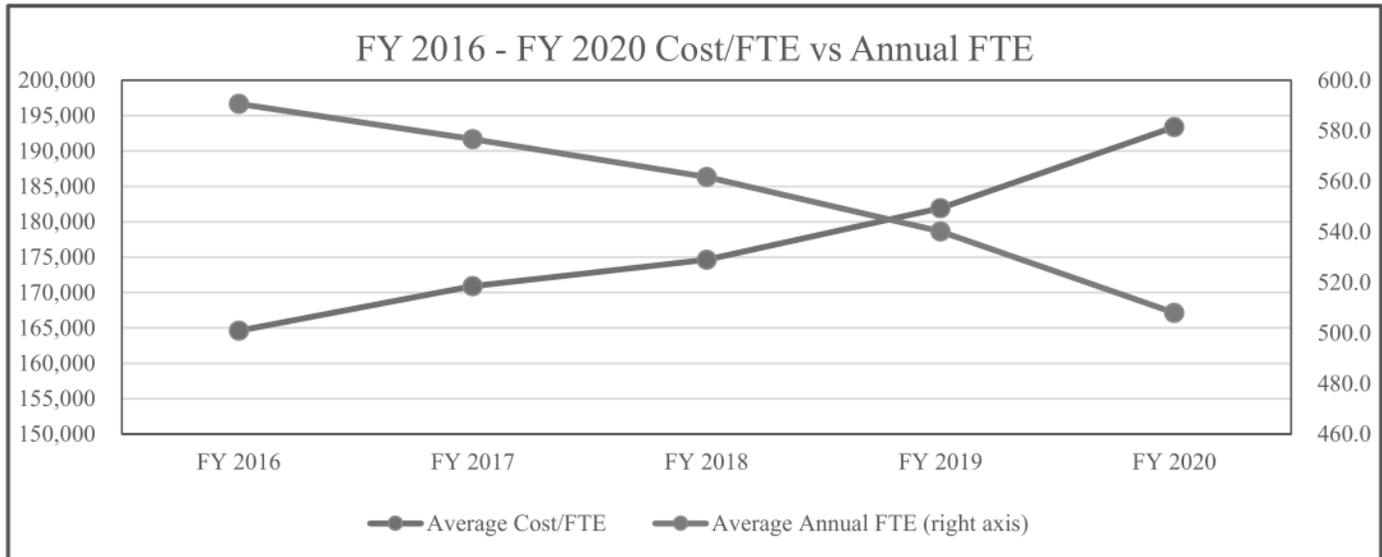
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Compensation	70,503,387	71,017,822	70,687,543	71,104,503	69,834,860
Benefits	26,231,789	26,472,361	26,779,270	26,635,197	28,048,730
Other Personnel Expenditures	485,219	1,059,284	641,223	557,974	363,041
Total Personnel Obligations	97,220,394	98,549,467	98,108,036	98,297,675	98,246,631

% of Total Appropriation*	77.2%	76.9%	76.6%	76.7%	76.6%
----------------------------------	--------------	--------------	--------------	--------------	--------------

* For FY 2020 this metric excludes funding for outsourcing the financial audit



Personnel Obligation Summary



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Average Annual FTE	590.6	576.7	561.8	540.3	508.0
Cost / FTE	164,601	170,895	174,638	181,946	193,399

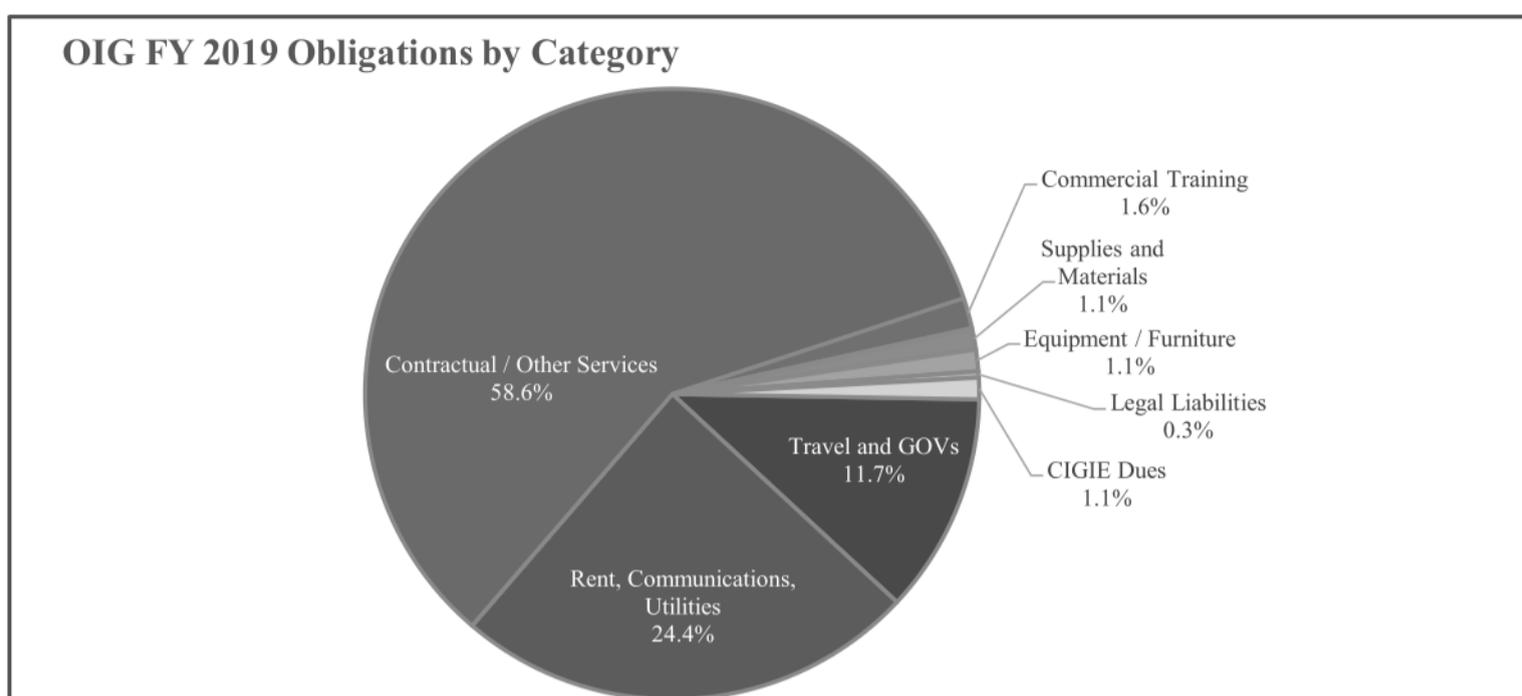
The OIG employs a highly professional workforce that is primarily comprised of 1811 law enforcement personnel, auditors, program evaluators and legal staff. This workforce possesses the skillset necessary to oversee and evaluate HUD programs with the expertise expected by both internal and external stakeholders. Over the last five fiscal years the OIG's average cost per FTE has increased over 17 percent due to cost-of-living-adjustments, benefit cost inflation, and increases to the FERS agency contribution rate. The OIG's personnel requirements represent nearly 77% of annual appropriated resources, meaning that as personnel costs increase the ability to maintain FTE becomes impossibly difficult. The OIG is constantly searching for ways to reduce operational costs, but this effort has only a marginal effect when personnel cost inflation continues to rise without accompanying appropriated resources.

Supplemental and Reimbursable Appropriations

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Compensation	2,194,667	2,071,924	286,797	936,405	1,711,947
Benefits	806,843	786,615	111,507	351,070	627,189
Total Personnel Obligations	3,001,509	2,858,538	398,304	1,287,475	2,339,136
Average Annual FTE	20.2	18.7	2.3	7.3	12.7

The OIG currently has supplemental appropriations for oversight of the HUD disaster relief response to the Harvey, Irma, and Maria hurricanes, and for oversight of HUD's use of CARES Act appropriated funding.

Non-Personnel Obligation Summary



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Average % of Total
Travel and GOVs	4,092,319	3,596,083	3,437,682	3,411,330	1,403,957	10.9%
Transportation Of Things	39,619	31,847	481	234	818	0.1%
Rent, Communications, Utilities	7,391,526	6,987,126	6,829,889	7,129,663	6,841,241	24.2%
Printing and Reproduction	6,261	3,386	1,121	3,046	1,936	0.0%
Contractual / Other Services	15,138,576	16,831,678	17,708,059	17,157,827	19,738,410	59.5%
Commercial Training	418,970	390,870	362,184	471,630	278,690	1.3%
Supplies and Materials	328,550	354,155	278,970	332,654	331,054	1.1%
Equipment / Furniture	601,482	510,212	372,240	335,389	513,413	1.6%
Legal Liabilities	14,053	12,445	316,958	96,250	197,500	0.4%
Confidential Expenditures			2,114		21,000	0.0%
CIGIE Dues		340,200	281,780	333,013	333,320	1.1%
Grand Total	28,031,355	29,058,002	29,591,477	29,271,037	29,661,339	100.0%

% of Total Appropriation*	22.2%	22.7%	23.1%	22.9%	23.1%
---------------------------	-------	-------	-------	-------	-------

* For FY 2020 this metric excludes funding for outsourcing the financial audit

Non-Personnel Cost Drivers

	FY 2019 % of Non-Personnel Obligations	FY 2020 % of Non-Personnel Obligations
Contractual / Other Services	58.6%	66.5%

The OIG utilizes outside support services for a variety of operational requirements:

- 1.) Information Technology Support: The OIG utilizes contractual support for IT business operation support including network engineering, developer services, IT help desk resources, nationwide internet access for OIG staff, and other essential IT operational support. These IT related support services make up on average 60% of the total spending on outside contractual services. Outside of personnel costs, IT operations represents the largest expenditure for the OIG.
- 2.) Bureau of Fiscal Service: HUD as a whole including the OIG has a shared services agreement with the Department of Treasury to support backend accounting operations, HR support services, and some procurement support services. This IAA represents slightly over 10% of all contractual service spending.
- 3.) DHS Security / Space Renovation / Other Needs: The remainder of contractual service spending is related to a number of needs including the security costs associated with all OIG offices, space renovation costs when necessary to augment OIG office space, government purchase card transactions and other miscellaneous needs.

Non-Personnel Obligation Summary

	FY 2019 % of Non-Personnel Obligations	FY 2020 % of Non-Personnel Obligations
Rent, Communications, Utilities	24.4%	23.1%

Rent payments made to GSA for costs associated with both headquarters and field offices on average represent over 95% of spending in this category. The OIG supports 42 individual office locations across the country. The OIG is constantly assessing how to reduce the space footprint of the organization, in the past this has been achieved through the combining of offices or elimination of underutilized office space. However, maintaining a presence in areas where HUD has a large footprint is important for our oversight role and the OIG's ability to work directly with local HUD program staff.

	FY 2019 % of Non-Personnel Obligations	FY 2020 % of Non-Personnel Obligations
Travel / GOVs	11.7%	4.7%

Standard travel and the use of government owned vehicles (GOV) utilized by special agents traditionally represents anywhere from 10-12% of the OIG's non-personnel obligations. The ability for OIG personnel to travel and conduct oversight of HUD programs is essential to the fulfilling the organization's mission. Of course, finding ways to virtualize activities and eliminating travel has continued to grow as a tool but overall the ability for OIG staff to travel remains vitally important to their oversight role. It should be noted, FY 2020 represents an anomaly to this pattern due to restrictions placed on travel for over half the fiscal year as a result of the COVID-19 pandemic.

HUD Consolidated Financial Audit

As referenced on the appropriations summary in the FY 2020 omnibus appropriations legislation the OIG received \$10 million for the explicit purpose of outsourcing the HUD consolidated financial statement audit. The financial statement audit includes the books, Ginnie Mae, the Federal Housing Administration (FHA), and HUD. In the past the audit has been a tremendously labor and cost intensive mandatory oversight activity for the OIG. The funding in FY 2020 was provided with two-year budget authority with the understanding that procuring these services would take some time and would possibly extend beyond the end of FY 2020. The entities being audited are some of the most complex financial institutions in the country meaning that there are few accounting firms that are capable of doing the work on this scale with the quality necessary. Complicating this process are the conflicts of interest between some of the larger accounting firms and Ginnie Mae or FHA.

Based on market research and a thorough strategic planning process the decision was made to separate the overall financial audit into two contract vehicles. The contract to conduct the audit of Ginnie Mae was awarded in March 2020. The FY 2020 Ginnie Mae financial audit is being conducted and completed by this awardee. The second contract vehicle for conducting the audit of FHA and HUD is on track to be awarded by December 2020. The OIG should accomplish the required outsourcing for the entirety of the FY 2021 consolidated financial statement audit.

Shown below is the current financial audit procurement plan. The total amount for the FHA/HUD contract is still unknown until roughly December 2020. The projection shown on the below table is based on the independent government cost estimate (IGCE). As stated above the FY 2021 audit should be fully outsourced.

Audit Year	Contract	Portion of Audit	Audit Year Supported	Cost by Contract	Annual Cost
FY 2020 Audit	FHA Actuarial Support*	FHA	FY 2020	342,629	2,103,834
	Contract #1 (3/2020)	GNMA	FY 2020	1,761,205	
FY 2021 Audit	Contract #2 (12/2020)	FHA/HUD	FY 2021	8,250,000	9,935,280
	Contract #1 Option Year 1 (3/2021)	GNMA	FY 2021	1,685,280	
FY 2022 Audit	Contract 2 Option Year 1 (12/2021)	FHA/HUD	FY 2022	8,250,000	9,976,627
	Contract #1 Option Year 2 (3/2022)	GNMA	FY 2022	1,726,627	

* This service was procured as a standalone contract this FY, the future FHA/HUD contract will include this service.

Appendix B: SAR 83 - Semiannual Report to Congress for the period ending March 31, 2020

OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

SEMIANNUAL REPORT TO CONGRESS

For the period October 1, 2019, to March 31, 2020



★ ★ OFFICE *of* ★ ★
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

INTRODUCTION

HIGHLIGHTS.....	3
PROFILE OF PERFORMANCE.....	4
TABLE OF CONTENTS.....	5

HIGHLIGHTS

For the period October 1, 2019,
to March 31, 2020



\$1,605,425

Recommendations that funds
be put to better use



281

Subpoenas



\$5,819,503

Recommended
questioned costs



97

Arrests



\$21,499,708

Collections from audits



92

Indictments-informations



\$12,704,686

Investigative recoveries and
receivables to HUD programs



94

Convictions-pleas-pretrial
diversions

PROFILE OF PERFORMANCE

For the period October 1, 2019,
to March 31, 2020

AUDIT RESULTS

This Reporting Period

Recommendations that funds be put to better use	\$1,605,425
Recommended questioned costs	\$5,819,503
Collections from audits	\$21,499,708
Administrative sanctions	2
Civil actions	0
Subpoenas	6

INVESTIGATIVE RESULTS

Total restitutions and judgments	\$29,522,163
Total recoveries and receivables to HUD programs	\$12,704,686
Arrests	97
Indictments and informations	92
Convictions, pleas, and pretrial diversions	94
Civil actions	11
Total administrative sanctions	71
Suspensions	18
Debarments	11
Program referrals	5
Evictions	32
Other ¹	5
Systemic implication reports	0
Search warrants	31
Subpoenas	274

¹Includes reprimands, suspensions, demotions, or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees as the result of OIG activities

TABLE OF CONTENTS

IG MESSAGE	6
PRIORITY AREAS	7
PROGRAM AREAS	11
Chapter 1 – Single Family Housing	12
Chapter 2 – Public and Indian Housing	16
Chapter 3 – Multifamily Housing and Healthcare	20
Chapter 4 – Community Planning and Development	23
Chapter 5 – Disaster Relief	25
ADDITIONAL REPORTS	28
Chapter 6 – Other Significant Audits and Evaluations	29
Chapter 7 – Legislation, Regulations, and Other Directives	34
Chapter 8 – Report Resolution	40
Chapter 9 – Whistleblower Ombudsman	64
Chapter 10 - Peer Review Reporting	66
APPENDICES	68
Appendix 1 – Reports Issued	69
Appendix 2 – Tables	75
Appendix 3 – Inspector General Empowerment Act	116
Appendix 4 – Reporting Requirements	123
Appendix 5 – Acronyms and Abbreviations	125
Appendix 6 – OIG Telephone Directory	126



A MESSAGE FROM THE INSPECTOR GENERAL

It is my pleasure to submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress, which covers the period October 1, 2019, to March 31, 2020.

During this reporting period, the work of our Office of Investigation continued to protect taxpayer funds and the integrity of HUD programs. Our investigative activity resulted in 94 arrests, 92 indictments, 94 convictions, and 71 administrative sanctions. Our criminal investigative efforts returned \$12.7 million to HUD programs and also resulted in \$29.5 million in judicial orders of restitution. Our audit reports issued during this reporting period questioned \$5.8 million in costs and identified \$1.6 million in funds that could be put to better use, and HUD collected \$21.5 million as a result of our audit work.

The work we completed and initiated in this period falls primarily within the Oversight Priority Areas outlined on page 7 of this report. We made recommendations for HUD to improve its public housing agencies' (PHA) tracking and inspection practices for developments that might contain lead-based paint. We recommended that HUD comply with the laws that require it to take over the troubled PHAs that are unable improve and operate at the level required to provide sufficiently safe and affordable housing to their communities. We also reviewed the Puerto Rico Department of Housing's capacity to administer nearly \$20 billion in disaster recovery assistance grants and made recommendations to help improve its financial management and procurement controls, which will help achieve long-term recovery for millions of Puerto Ricans in need. Throughout the reporting period, we also identified many areas for improvement in HUD's information technology and security processes.

Our continued partnership with the U.S. Department of Justice has helped us protect HUD's mortgage insurance funds by securing a multi-million-dollar settlement, under the False Claims Act, with a lender who knowingly originated and underwrote hundreds of reverse mortgages that did not meet HUD's

requirements, resulting in substantial losses to the government. We will continue to use the False Claims Act as an important tool to fight fraud in HUD programs and return funds to HUD and the U.S. Treasury.

We have initiated work in several areas that have not received oversight in the recent past. For example, we are currently surveying the Office of Fair Housing and Equal Opportunity, which is responsible for eliminating housing discrimination, promoting economic opportunity, and achieving diverse, inclusive communities. We have also begun an evaluation of the effectiveness of HUD's internal hiring processes.

As the first half of fiscal year 2020 comes to a close, our Nation is responding to the pandemic caused by the coronavirus disease of 2019 (COVID-19). The pandemic has dramatically impacted our country and our economy. Through the Coronavirus Aid, Relief, and Economic Security Act, Congress provided more than \$12 billion to HUD to assist homeowners, renters, landlords, and impacted communities. In response, we developed a framework of five key oversight areas to guide our work: rental assistance, mortgage loan forbearance, assistance for vulnerable populations, assistance for communities' response, and HUD's mission performance. Our audits, evaluations, investigative initiatives, and other innovative reviews will align with these five key areas to ensure that timely and effective relief is provided to the intended recipients and that relief efforts are not undermined by fraud, waste, or abuse.

In closing, I want to express my gratitude to Congress and the Department for their sustained interest and commitment to improving HUD's programs and operations. I also want to express my sincere admiration to the staff of HUD OIG for their outstanding accomplishments and dedication. Their drive and determination have brought HUD OIG to where it is today – a lean, well-established, focused team.

Rae Oliver Davis
Inspector General

OVERSIGHT WORK

PRIORITY AREAS

The U.S. Department of Housing and Urban Development's (HUD) mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers, meet the need for quality affordable rental homes, utilize housing as a platform for improving quality of life, build inclusive and sustainable communities free from discrimination, and transform the way HUD does business.

The HUD Office of Inspector General's (OIG) mission is to protect the integrity of HUD and its programs and to promote their efficiency and effectiveness. To ensure that we are doing the right work at the right time, OIG has established a set of Oversight Priority Areas, which includes our identified Top Management Challenges for the Department. We also include primary, cornerstone functions of the Department as well as emerging issues and recent strategic priorities that the Department has identified. Below is an overview of our 12 Oversight Priority Areas.

➔ Ensuring Safe and Affordable Housing

➔ Advancing Economic Opportunities Initiatives

➔ Fair Housing

➔ Protecting the Mortgage Insurance Funds

➔ Monitoring and Oversight

➔ Administering Disaster Assistance

➔ Information Technology and Cybersecurity

➔ Financial Management

➔ Human Resource Management and Procurement

➔ Ethical Conduct

➔ Emerging Issues and Opportunities

➔ Mandatory Work

➔ Ensuring Safe and Affordable Housing

HUD is responsible for providing quality homes for all. HUD continues to be challenged by the increasing scarcity of safe and affordable housing, which increasingly impacts persons above very low-income levels. Over time, the balance of HUD support has shifted from public housing to providing rental housing assistance through subsidies, depending more and more on private rental stock. HUD-funded housing stock is aged, sometimes environmentally impacted, and in need of critical repairs to protect the health and safety of tenants. HUD seeks to extend the life of these units through various financing and programmatic vehicles, such as the Rental Assistance Demonstration Program and low-income housing tax credits, which also shifts HUD oversight to a private rental model. The Housing Choice Voucher Program, which provides tenants assistance in accessing the private rental market, has been highly successful for low-income persons but depends on available private rental housing, and need for the subsidy far outstrips appropriations. Further, HUD has limited tools to address safety and affordability issues impacting such housing.

➔ Advancing Economic Opportunities Initiatives

Advancing economic opportunity is the first priority goal of HUD's Strategic Plan and has been a signature focus of Secretary Carson. HUD initiatives and programs in this priority area focus on economic development in local communities, which increases opportunities for individuals and families receiving government benefits to find employment and become self-sufficient. Many of these initiatives are entirely new, such as EnVision Centers and Opportunity Zones. Other programs are longstanding self-sufficiency programs, such as the

Moving To Work Demonstration, Family Self Sufficiency, and Section 3 opportunities to local residents.² HUD's strategic plan also includes as a priority goal reducing the length of homelessness in communities. Examining the effectiveness of the Department's efforts to combat homelessness is a focus for us in this priority area.

➔ Fair Housing

HUD is the Federal entity tasked with eliminating housing discrimination and promoting inclusive communities. HUD's enforcement of fair housing laws extends beyond HUD programs into all fair housing issues throughout the country, and it accomplishes its mission through both education and enforcement in local communities and in Federal housing programs and by promoting economic opportunity for protected classes. HUD is also empowered to mandate compensation to victims of discriminatory housing practices. HUD was appropriated approximately \$65 million in fiscal year 2017 to support its fair housing mission. According to the Office of Fair Housing and Equal Opportunity's fiscal year 2017 Annual Report to Congress, HUD and State and local agencies completed nearly 8,000 investigations into housing discrimination cases and achieved nearly \$9 million in monetary relief during that year. HUD's fair housing work extends to sexual harassment associated with housing as a form of sex discrimination, and this is an area of particular focus for HUD OIG.

➔ Protecting the Mortgage Insurance Funds

The Federal Housing Administration (FHA) maintains a portfolio of more than 8 million mortgages with an outstanding balance of nearly \$1.2 trillion. The liquidity for the FHA lenders is created by Government

²The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting, and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons.

National Mortgage Association (Ginnie Mae) mortgage-back securities. FHA is challenged by a lack of safeguards, which increases HUD claim costs. Both FHA and Ginnie Mae are challenged by the increased participation of nonbanks that are less regulated. Ginnie Mae is rapidly moving toward accepting digital mortgages, which may increase risks of fraud as well as challenges to information security, data transfers, and platform integration. To date, FHA has been silent on its role regarding digital mortgages. HUD is also challenged by risks within its programs, including the structural weaknesses in the Home Equity Conversion Mortgage program, which HUD has been unable to resolve.

➔ Monitoring and Oversight

HUD's annual and supplemental budgets are predominantly made up of grants and other subsidies to be passed through to governments, organizations, and individuals. HUD continues to face challenges with effective management controls, monitoring, and oversight of its programs and program recipients. Lack of appropriate staffing plays a major role in this challenge. HUD is challenged with a lack of management controls of its programs, lack of monitoring within CPD and Section 232 programs, weaknesses in its standards for and oversight of public housing agencies, and a demonstrated inability to manage troubled participants and assets across its programs.

➔ Administering Disaster Assistance

HUD is a primary actor in the Federal effort to assist communities recovering from disasters, receiving more than \$90.4 billion since 2001. Despite the multiyear timespan of disaster recovery and the expectation that such activity will not decrease, HUD continues to administer the program disaster by disaster. Therefore, HUD faces continuing challenges to clarify and simplify its requirements; ensure that it has sufficient resources to efficiently monitor grants; ensure that expenditures are

eligible and supported and proper financial and procurement controls are in place to reduce fraud, waste, and abuse; ensure that citizens who seek disaster assistance understand their options and obligations; and reduce administrative delays in the funds disbursement process.

➔ Information Technology and Cybersecurity

HUD depends on data systems to assist and track the millions of participants in its programs. The systems contain more than a billion records containing personally identifiable information, as well as confidential business information and nonpublic HUD information. To properly protect these systems and information, HUD must ensure data privacy, ongoing system modernization, cybersecurity, and data governance. HUD's persistent information technology and cybersecurity challenges have been longstanding and have materially impacted the agency mission and services. Although improvements were made during fiscal year 2019, HUD is still developing a sound strategic approach with ongoing oversight to help HUD manage its risks, improve the maturity of its cybersecurity program, meet the needs of its stakeholders, and protect taxpayer dollars.

➔ Financial Management

For several years, HUD's financial management has been challenged by issues relating to HUD's internal controls, noncompliance with several statutory requirements, and significant weaknesses in its financial management systems and processes. Since 2018, HUD has made progress in addressing governance structures, management practices, and accountability. In addition, Ginnie Mae has implemented a loan-level system for loans it services, which may resolve the longstanding disclaimer of its financial statements. HUD received a qualified opinion for the fiscal year 2019 audit, which is notable progress from the disclaimer of opinion that HUD had received in previous fiscal years. Beyond the financial

statement audit, there are additional areas of concern associated with HUD legacy financial systems and the departmentwide application of an effective internal control system.

➔ Human Resource Management and Procurement

Over the past 10 years, HUD's staffing level has declined while its programs and responsibilities have increased. Between fiscal years 2015 and 2018, HUD's attrition rate outpaced its hiring capacity. In fiscal year 2019, HUD hired 44 more employees than separated and it is important that HUD sustains this improvement. Yet, employees onboard often do not have the right skill sets, tools, or capacity to perform the range of functions needed within HUD. Leadership gaps resulting from extended vacancies and constant turnover have contributed to poor or delayed decisions and an inability to sustain positive changes. Many, if not all, of the challenges HUD faces are impacted by its staffing issues. Although HUD has increasingly relied on contractors to fill staffing gaps, HUD faces challenges with properly directing and monitoring these contractors, which have significant influence on the development, implementation, and oversight of HUD programs.

➔ Ethical Conduct

HUD regularly hires senior industry participants to execute its many multi-billion-dollar programs, many of whom later return to the industry they previously regulated. HUD must ensure that these participants uphold the integrity of the programs and avoid even the appearance of cronyism and corruption. HUD must ensure that it has a robust ethics program that sufficiently educates and deters revolving door misconduct. Additionally, the Department must rely on its senior officials to identify potential conflicts of interest and remove themselves from decisions affected by those conflicts. While the law and departmental policy contain safeguards to ensure that current and former employees do not misuse their HUD

positions and remain free from conflicts of interest, HUD continues to face significant challenges in monitoring, identifying, and mitigating potential ethical lapses. These challenges present significant risk to the Department's reputation and program integrity.

➔ Emerging Issues and Opportunities

The environment in which HUD operates is ever changing. HUD must strive for success in its mission in ways that are sustainable in – and take advantage of – the changing environment. Some environmental changes may become a Top Management Challenge or contribute to a Top Management Challenge; others may offer new solutions to old problems. HUD OIG strives to be cognizant of emerging issues and opportunities facing the Department and proactive in assessing risks and opportunities for HUD to more effectively address these issues.

➔ Mandatory Work

HUD OIG is required to perform certain functions by law, such as financial statement audits and the Federal Information Security Modernization Act evaluation, and as a result, must plan around a series of annually required mandatory reports and reporting requirements. Likewise, HUD receives appropriations and supplemental funding that also provide constraints on or emphases for our work. This priority area focuses on ensuring that HUD OIG meets its mandatory requirements but also performs them in a way that is most efficient and effective.

PROGRAM AREAS

SINGLE FAMILY HOUSING.....	12
PUBLIC AND INDIAN HOUSING.....	16
MULTIFAMILY HOUSING AND HEALTHCARE.....	20
COMMUNITY PLANNING AND DEVELOPMENT.....	23
DISASTER RELIEF.....	25

CHAPTER 1

SINGLE FAMILY HOUSING

The Federal Housing Administration (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. Some of the highlights from this semiannual period are outlined in this chapter.



OFFICE OF AUDIT

Strategic Initiative 1: Contribute to the reduction of fraud in single-family insurance programs

Key program results	Questioned costs	Funds put to better use
1 audit	\$0	\$0

REVIEW OF FHA'S HOME AFFORDABLE MODIFICATION PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited HUD's Federal Housing Administration, Home Affordable Modification Program's (FHA-HAMP) policies for reporting nonincentivized loan modifications and filing partial claims. The objective was to determine whether there was a need for HUD to issue a policy requiring loan servicers to report FHA-HAMP nonincentivized loan modifications and file FHA-HAMP nonincentivized partial claims within specific timeframes.

HUD's FHA-HAMP loss mitigation policy did not include deadlines to ensure timely reporting for nonincentivized loan modifications and filing of nonincentivized partial claims. The servicers were not obligated to always report or report in a timely manner nonincentivized loan modifications and file or file in a timely manner nonincentivized partial claims in FHA Connection. As a result, mortgage data from HUD's systems may not have accurately reflected the status of the FHA-insured mortgages for monitoring and financial reporting of the Mutual Mortgage Insurance Fund. In addition, OIG's recent corrective action verification review showed

that HUD's Claims Subsystem programming did not always properly calculate the time between claims to suspend payment for claims that had a reported prior loss mitigation action within 24 months because the claims were not submitted in order.

OIG recommended that HUD (1) update its loss mitigation policies, to include deadlines for the servicers to file the FHA-HAMP nonincentivized partial claims, and consider imposing sanctions for noncompliance with these deadline requirements and (2) update its loss mitigation policies, to include deadlines for the servicers to report the new terms of the FHA-HAMP nonincentivized loan modifications, and consider imposing sanctions for noncompliance with these deadline requirements. **(Audit Report: 2020-AT-0801)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
19	24	\$20,734,249

FATHER AND SON IMPRISONED FOR MORE THAN 7 YEARS FOR DEFRAUDING THE HUD REO PROGRAM

A father and son, Sergio Garcia, Sr., and Sergio Garcia, Jr., were sentenced in U.S. District Court to a total of 88 months imprisonment and 3 years supervised release. They were also ordered to pay a total of \$500,454 in

restitution, with \$496,389 due to HUD and the rest due to the victims. The Garcias were sentenced following their earlier guilty pleas to conspiracy to commit mail fraud. They conspired with others to contract with HUD to buy hundreds of HUD real estate-owned (REO) homes across two States and sell them for a profit on the day of purchase. The purchase contracts provided to HUD stated that they or one of their businesses was purchasing the properties as an investor and would pay with cash or use other financing not involving FHA. The conspirators used fraudulent letters to show that they or their company had access to the funds needed to complete each purchase. Once under contract to purchase homes from HUD, the conspirators advertised the homes for resale and placed their own “for sale” signs at the homes. When the conspirators could not find a purchaser to buy the homes, they allowed their purchase contracts with HUD to expire and filed false liens on the homes for the full purchase price, thus impeding HUD’s ability to sell the homes to other interested buyers. The Garcias filed false liens on 87 REO homes, delaying HUD’s sale of those homes and leading to a loss of value of almost \$500,000 in eventual sales. HUD OIG and the Federal Bureau of Investigation conducted this investigation. **(Hammond, IN)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

TRIO ORDERED TO PAY RESTITUTION OF MORE THAN \$3.4 MILLION

Ira Davis, a recruiter; Henry Florez, an investor; and Michael Rogers, a loan officer, were sentenced in U.S. District Court in relation to their earlier guilty pleas to bank fraud. The three were sentenced to a collective 36 months incarceration and 8 years supervised release and ordered to pay more than \$3.4 million in restitution to HUD. Over a course of 2 years, Davis, Florez, and Rogers submitted or caused to be submitted



false representations to financial institutions regarding the sales price of properties, the source of the downpayments, and the amount of sales proceeds. This false information on real estate contracts, loan applications, and HUD-1 settlement statements allowed the trio to assist individuals in qualifying for FHA loans and purchase 16 properties for which they otherwise would not have qualified. The loss to HUD for the loans is approximately \$3.4 million. HUD OIG conducted this investigation.

(Chicago, IL)

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

MORTGAGE INDUSTRY PROFESSIONAL SENTENCED TO 46 MONTHS IN PRISON

Dilcia Mercedes, a mortgage payment processor, was sentenced in U.S. District Court in connection with her earlier guilty plea to money laundering and unauthorized access of a computer with intent to defraud. Mercedes was sentenced to 46 months incarceration and ordered to pay more than \$2 million in restitution to the mortgage company and the mortgage company's insurer. For nearly 3 years, Mercedes monitored unclaimed customer escrow accounts, then diverted the unclaimed escrow payments by accessing the mortgage company's computer system and having the payments sent via wire transfers and Automated Clearing House transfers to bank accounts and prepaid debit cards controlled by Mercedes and others. Mercedes exceeded her computer access authorization by using a coworker's computer login and password to approve the fund transfers, then making false entries canceling borrower escrow checks to make it appear as though customers had requested the unclaimed funds to be wire transferred to their bank accounts. A total of 1,543 mortgages were impacted by this scheme, of which 211 were FHA insured. HUD OIG, the Internal Revenue Service Criminal Investigation

Division, and the Federal Reserve Board OIG conducted this investigation.

(Camden, NJ)

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

DIRECT ENDORSEMENT LENDER AND HECM MORTGAGE ORIGINATOR TO PAY \$2.47 MILLION

Finance of America Reverse, L.L.C., as successor to Urban Financial Group, Inc., an FHA-approved direct endorsement lender that originated FHA-insured home equity conversion mortgages (HECM), entered into two settlement agreements in which it agreed to pay the Federal Government \$2.47 million. As part of the first settlement agreement, HUD received \$1.31 million to resolve False Claims Act claims. HUD received an additional \$500,000 as part of the second settlement agreement to resolve its administrative liability under the Program Fraud Civil Remedies Act. Between January 2007 and April 2010, Urban Financial Group is alleged to have violated the False Claims Act by knowingly originating and underwriting hundreds of HECM loans that did not meet HUD requirements, which resulted in HUD's incurring substantial losses. HUD OIG and the United States Attorney's Office for the District of Columbia conducted this investigation. **(Washington, DC)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

CHAPTER 2

PUBLIC AND INDIAN HOUSING

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,100 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. Some of the highlights from this semiannual period are outlined in this chapter.



AUDIT

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Questioned costs	Funds put to better use
6 audits	\$3,926,226	\$408,968

REVIEW OF THE PUBLIC HOUSING OPERATING AND CAPITAL FUNDS

HUD's Office of Inspector General (OIG) audited the Public Housing Operating Fund and Capital Fund programs at the Springfield Housing Authority in **Springfield, MA**, to determine whether the Authority complied with procurement and contract administration requirements for these programs.

Authority officials did not always comply with Federal procurement requirements and their own procurement policy. Specifically, they did not always adequately perform and document procurements, and contract terms were not always consistent with other procurement documents. In addition, Authority officials did not always comply with contract administration requirements. Specifically, they did not always ensure that contract amounts were not exceeded, change orders were approved in a timely manner, and completion documents were submitted as required. As a result, the Authority incurred nearly \$38,000 in ineligible costs, more than \$916,000 in unsupported costs, and nearly \$409,000 in unspent funds that may need to be reallocated.

OIG recommended that HUD require Authority officials to (1) repay the ineligible costs from non-Federal funds, (2) support that the amount spent on contracts was fair and reasonable or repay the funds, (3) support that the amount not yet spent on contracts was fair and reasonable or reallocate the funds, (4) establish and implement adequate record-keeping procedures to comply with Federal procurement requirements, and (5) establish and implement adequate controls so the Authority does not exceed the contract amount without appropriate contract amendments and approvals. **(Audit Report: 2020-BO-1002)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF HUD'S HOUSING CHOICE VOUCHER PROGRAM

HUD OIG audited the Housing Authority of the City of **Long Beach, CA's** Housing Choice Voucher Program to determine whether the Authority administered its program in compliance with program requirements, with an emphasis on its financial transactions, cost and payroll allocations, contracting, and procurement.

The Authority did not follow requirements under 2 CFR (Code of Federal Regulations) part 200 and 24 CFR part 982 in administering its program. It did not adequately support or perform overhead allocations, follow procurement requirements, or ensure that costs were eligible. As a result, HUD had no assurance that program funds totaling more than \$2.4 million were appropriately used for the operation of the program. In addition nearly \$6,000 was used for ineligible program expenses.

OIG recommended that HUD require the Authority to (1) develop and implement a HUD-approved cost allocation plan, (2) support the

reasonableness of more than \$1.9 million in overhead allocations or repay the program from non-Federal funds, (3) determine how much of the general operating costs applied to the program and repay potential overcharges (nearly \$51,000) to the program from non-Federal funds, (4) support or repay nearly \$26,000 in personnel expenses and more than \$64,000 for accounting services that applied to other programs from non-Federal funds, (5) support the reasonableness of the nearly \$341,000 Casterline and more than \$33,000 Genesis contract amounts or repay the program from non-Federal funds, (6) implement additional written procurement and contracting policies and procedures, and (7) repay the program for the unallowable expenses from non-Federal funds. **(Audit Report: 2020-LA-1002)**
(HUD OIG Priority Area: **Monitoring and Oversight**)

REVIEW OF HUD'S COMPLIANCE WITH THE LEAD SAFE HOUSING RULE

HUD OIG audited HUD's oversight of PHAs' compliance with the Lead Safe Housing Rule to determine whether HUD's oversight was adequate.

HUD did not have adequate oversight of PHAs' compliance with the Lead Safe Housing Rule. Specifically, it did not always obtain sufficient documentation to support that a public housing development was either exempt from or complied with the Rule and review all potential cases of noncompliance. HUD also did not ensure that PHAs reported accurate construction dates of housing developments to determine the applicability of the Rule. As a result, HUD lacked assurance that PHAs complied with the Rule, thus potentially exposing children under 6 years of age to lead-based paint hazards.

OIG recommended that HUD ensure that (1) it appropriately determines exemptions from the Rule and documents support of the determinations; (2) it determines whether children under 6 years of age reside in an exempt development; (3) the developments without sufficient support of an exemption either support the exemption status or complete the required lead-based paint inspections and provide the documentation to the appropriate field office; (4) the potentially noncompliant developments are reported in its response tracking system and reviewed for compliance with the Rule; (5) timeframes are established for reporting potentially noncompliant developments in its tracking system, monitoring PHAs for compliance, and implementing corrective actions and resolution; (6) a framework is developed for administrative action for noncompliant PHAs; and (7) PHAs accurately report the construction dates of their housing developments. **(Audit Report: 2020-CH-0003)**
(HUD OIG Priority Area: **Ensuring Safe and Affordable Housing**)

INVESTIGATION

Program Results

Administrative- civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
30	39	\$1,992,279

PUBLIC HOUSING AGENCY ADMINISTRATOR SENTENCED FOR IDENTITY THEFT

Tonya Lewis, a former administrative assistant and human resources manager for a PHA, was sentenced in U.S. District Court in relation to an

earlier guilty plea to aggravated identity theft. Lewis was sentenced to 24 months incarceration and 12 months supervised release and ordered to pay restitution of \$150,189 to the PHA. Over approximately 3½ years, the PHA employee used PHA operating account transactions to misappropriate PHA funds for personal gain in the amount of \$95,689. In doing so, Lewis used the identity of another PHA employee to further misappropriate PHA funds. Lewis used the funds to make payments on her personal car, purchase party supplies and bulk alcohol, and go on vacations, among other expenditures. HUD OIG conducted this investigation. **(Mobile, AL)**

(HUD OIG Priority Area: Ethical Conduct)

EVALUATION

HUD HAS NOT REFERRED TROUBLED PUBLIC HOUSING AGENCIES AS THE LAW AND REGULATIONS REQUIRE

The Office of Public and Indian Housing (PIH) has not referred troubled PHAs to the Assistant Secretary for Public and Indian Housing to take them over as the law and regulations require. Without this referral mechanism, a PHA could remain troubled for an indefinite period while conditions stagnate or deteriorate. HUD OIG identified 18 PHAs that remained troubled for more than 2 years without being referred.

PIH is creating a process for referring troubled PHAs, but two problems exist with its approach. First, the draft process that OIG reviewed in this evaluation would provide more options to the Assistant Secretary than the law and regulations allow. Second, PIH cannot meet the statutory deadlines for referral of a troubled PHA without substantial changes to the assessment process or changes to the law and regulations, which PIH is not making as part of its new process. The new process would allow some

troubled PHAs more time to recover than the law and regulations allow. PIH's training that existed at the time of OIG's fieldwork on the authority and process for declaring a PHA in substantial default and for taking PHAs into possession suggests remedies that do not fully comply with the law and regulations. Finally, PIH has not submitted an annual troubled PHAs report to Congress for at least 11 years as the law requires, thereby missing another opportunity to strengthen the accountability and transparency of its recovery process.

OIG recommended that PIH (1) refer troubled PHAs directly to the Assistant Secretary for Public and Indian Housing when they have not met the 1- or 2-year recovery requirements, (2) ensure that referrals to the Assistant Secretary recommend only recovery options allowed by the law and regulations, (3) update training to include the actions that PIH must take when a troubled PHA does not meet the 1- or 2-year recovery requirements, (4) provide training on remedies for long-term troubled PHAs to all PIH staff members who routinely interact with troubled PHAs, and (5) submit an annual troubled PHAs report to Congress in accordance with the statute. **(Evaluation Report: 2019-OE-0001)**

(HUD OIG Priority Area: Monitoring and Oversight)

CHAPTER 3

MULTIFAMILY HOUSING AND HEALTHCARE

In addition to multifamily housing developments, healthcare facilities, and hospitals with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, HUD subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and disabled. Some of the highlights from this semiannual period are outlined in this chapter.

AUDIT

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Questioned costs	Funds put to better use
3 audits	\$0	\$0

REVIEW OF HUD'S RENTAL ASSISTANCE DEMONSTRATION PROGRAM

HUD's Office of Inspector General (OIG) reviewed HUD's funding allotment for tenant protection assistance at the Vineville Christian Towers (project) in **Macon, GA**, related to a housing conversion action and its approval of the project's Rental Assistance Demonstration Program (RAD) conversion. The objective was to determine whether HUD accurately allotted funding for tenant protection assistance and whether it properly approved the project's proposed RAD conversion.

HUD inaccurately allotted funding for tenant protection assistance at the project and improperly approved the project's RAD conversion. Specifically, it inappropriately processed a funding allotment for tenant protection assistance for a housing conversion action at the project based on unsupported requests from program offices. Further, HUD improperly approved the project's RAD conversion for 90 units. As a result, nearly \$715,000 in tenant protection assistance funding was inaccurately

allocated, and more than \$624,000 in housing assistance payments and administrative fees was improperly provided through an ineligible Section 8 Project-Based Voucher Program housing assistance payments contract.

OIG recommended that HUD update and implement internal procedures (1) for processing housing conversion actions to require documentation, including but not limited to expired contracts or financial documentation from HUD's Line of Credit Control System, to show when the last payment was made for the contract to support the proposed housing conversion actions before allotment of tenant protection funds and (2) to require verification that tenant protection funds were not previously allotted for the same type of housing conversion action. OIG also recommended that for the remaining retroactive RAD conversions not completed, HUD take steps, including but not limited to (1) maintaining adequate approval documentation and (2) training staff responsible for reviewing and approving RAD applications, to ensure that it enforces its requirement that the tenant protection assistance be provided to tenants before the submission of the RAD application. **(Audit Report: 2020-AT-0802)**
(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
1	1	\$54,456

INTERNATIONAL FUGITIVE SENTENCED FOR SUBSIDIZED HOUSING FRAUD

A project-based multifamily tenant, Allan Mann, also known as Hailee Randolph DeSouza, was sentenced in U.S. District Court in relation to an earlier guilty plea to submitting false statements to HUD. Mann was sentenced to 18 months incarceration and ordered to pay restitution of \$53,256, with \$34,744 due to HUD. From 2004 to 2018, Mann made false statements and certifications to the government about his identity in order to receive HUD-subsidized rental assistance as well as Medicaid medical assistance. Mann was wanted by Canadian law enforcement for more than 30 years in connection with the June 1987 alleged abduction of his biological son during a scheduled weekend visit. Mann used the false identity of Hailee Randolph DeSouza in order to receive U.S. government benefits. HUD OIG; the U.S. Marshals Service; the U.S. Department of Health and Human Services OIG; the Social Security Administration OIG; the Diplomatic Security Service; and Homeland Security Investigations conducted this investigation. **(New Haven, CT)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)



CHAPTER 4

COMMUNITY PLANNING AND DEVELOPMENT

The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. Some of the highlights from this semiannual period are outlined in this chapter.



AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Questioned costs	Funds put to better use
5 audits ³	\$739,836	\$390,077

REVIEW OF THE CONTINUUM OF CARE PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited Community Action North Bay in **Fairfield, CA**, regarding its Continuum of Care Program to determine whether the Community administered its program in accordance with HUD requirements.

The Community did not administer its Continuum of Care Program in accordance with HUD requirements. Specifically, it did not maintain documents required to support that (1) it met the matching contribution requirement, (2) its rapid rehousing and permanent supportive housing programs assisted eligible individuals, and (3) program income and expenses were supported and eligible. As a result, the Community is at risk of having to repay HUD nearly \$648,000. It also could not support the eligibility of individuals assisted by its rapid rehousing and permanent supportive housing programs.

OIG recommended that HUD require the Community to (1) support that it met the matching contribution requirement or reimburse HUD nearly \$578,000 from non-Federal funds, (2) reclassify nearly \$29,000 as

program income to the specific permanent supportive housing program, and (3) support that nearly \$3,000 paid to a board member for legal services was allowed through a HUD-approved waiver or repay HUD from non-Federal funds. **(Audit Report: 2020-LA-1001)**

(HUD OIG Priority Area: Monitoring and Oversight)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
7	26	\$6,713,028

FORMER NONPROFIT HOUSING PROGRAM MANAGER SENTENCED FOR IDENTITY THEFT AND THEFT BY SWINDLE

Cynthia Waight, former housing program manager of a nonprofit community resource center for adults with serious mental illnesses, was sentenced in State District Court in connection with her earlier guilty plea to identity theft and theft by swindle. Waight was sentenced to 12 months incarceration and 120 months probation and ordered to pay \$136,543 in restitution to the nonprofit, 11 individual victims, and others. Over a span of 15 months, Waight created and submitted falsified applications for housing assistance on behalf of fictitious clients of the nonprofit. Once the funds were made available, Waight created, endorsed, and cashed 99 checks issued to the fictitious clients totaling almost \$100,000, which she then used on gambling ventures at a casino. HUD OIG conducted this investigation. **(Minneapolis, MN)**

(HUD OIG Priority Area: Financial Management)

³The total CPD audits, questioned costs, and funds put to better use amounts include questioned costs for any disaster-related audits included in the community planning and development area (one audit). The writeups for this audit is shown separately in chapter 5 of this semiannual report.

CHAPTER 5

DISASTER RELIEF

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 2001, Congress has appropriated \$83.7 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$82.2⁴ billion in active disaster grants, the funds have been allocated nationwide, with nearly \$51.8 billion obligated and more than \$40.4 billion disbursed as of March 31, 2020. HUD's Office of Inspector General (OIG) continues to take steps to ensure that the Department remains diligent in assisting communities with their recovery efforts.

Disaster	Funds allocated	Funds disbursed	% of funds disbursed	Fiscal year funds allocated
Harvey, Irma, & Maria	\$35.8 billion	\$382.6 million	1%	2017 & FY 2018
Louisiana, Texas, & West Virginia ⁵	2.5 billion	1.14 billion	45%	2016 & FY 2017
Hurricane Sandy	15.2 billion	11.5 billion	76%	2013
Hurricanes Ike, Gustav & Dolly	6.1 billion	5.4 billion	89%	2008
Hurricanes Katrina, Rita & Wilma	19.7 billion	18.6 billion	95%	2006 & 2008
9-11	3.5 billion	3.27 billion	94%	2001 & 2002



⁴The more than \$1.4 billion difference between appropriated and allocated funds is due to nonmajor program appropriations made since fiscal year 2001.

⁵In addition to Louisiana, Texas, and West Virginia (LTW is the name of the grant), funding was included for North and South Carolina and Florida in fiscal year 2017, but the grant name (LTW) remained the same.

AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Questioned costs	Funds put to better use
1 audit ⁶	\$55,010	\$361,501

REVIEW OF THE PUERTO RICO DEPARTMENT OF HOUSING

HUD OIG audited the Puerto Rico Department of Housing (PRDOH) in **San Juan, PR**, to determine whether the PRDOH (1) had the capacity to administer its Community Development Block Grant Disaster Recovery (CDBG-DR) grants⁷ in accordance with applicable regulations and requirements and (2) had in place financial and procurement policies and procedures that promoted the expenditure of funds and the acquisition of goods and services in accordance with Federal requirements.

The PRDOH should strengthen its financial and procurement capacity to administer its CDBG-DR grants in accordance with applicable regulations and requirements. Specifically, it could strengthen its capacity by (1) improving its financial controls, (2) improving its processes for preventing duplication of benefits, (3) improving its procurement controls, and

(4) continuing to increase its staffing. Strengthening its capacity would help ensure that the PRDOH properly administers more than \$19 billion in CDBG-DR funds in accordance with applicable requirements. Further, the PRDOH did not follow Federal and its own procurement requirements when it acquired goods and services. As a result, HUD had no assurance that purchases were reasonable, necessary, and allowable.

OIG recommended that HUD require the PRDOH to (1) develop adequate procedures outlining steps for tracking monthly grant expenditures and reprogramming funds and program income and develop and implement a financial management system for its 2008 CDBG-DR grant, (2) review and update its policies and procedures to prevent duplication of benefits, (3) review and update its procurement policies and procedures, and (4) continue to fill its vacancies. In addition, HUD should require the PRDOH to submit supporting documentation showing compliance with procurement requirements and that purchases totaling nearly \$417,000 were reasonable and necessary costs or reimburse the program more than \$55,000 from non-Federal funds and cancel nearly \$362,000 in CDBG-DR obligations.

(Audit Report: 2020-AT-1002)

(HUD OIG Priority Area: Administering Disaster Assistance)

⁶Disaster-related audits fall under the purview of the Office of Community Planning and Development (CPD). The total disaster audits, questioned costs, and funds put to better use amounts shown above do not include questioned costs for any CPD audits that are not disaster related.

⁷The CDBG-DR grants reviewed were for the 2017 and 2008 disasters.

INVESTIGATION

*Program Results**

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
2	9	\$416,270
*Figures included in CPD stats		

DISASTER RECIPIENT SENTENCED FOR THEFT

Anthony Novello, a disaster aid recipient, was sentenced in State Superior Court in connection with an earlier guilty plea to theft by unlawful taking. Novello was sentenced to 5 years probation and ordered to pay \$142,414 in restitution to the New Jersey Department of the Treasury. Novello falsified an application and grant agreement to support his false certification that his primary residence was damaged during Hurricane Sandy in 2012. The damaged property was a vacation home and, therefore, ineligible for the CDBG-DR funds, which were HUD funds administered by the New Jersey Department of Community Affairs through the Resettlement Program and Reconstruction, Rehabilitation, Elevation, and Mitigation Program. HUD OIG, the U.S. Small Business Administration OIG, and the New Jersey Division of Criminal Justice conducted this investigation. **(Toms River, NJ)**
(HUD OIG Priority Area: Administering Disaster Assistance)



ADDITIONAL REPORTS

OTHER SIGNIFICANT AUDITS AND EVALUATIONS..... 29

LEGISLATION, REGULATIONS, AND OTHER DIRECTIVES.... 34

REPORT RESOLUTION..... 40

WHISTLEBLOWER OMBUDSMAN..... 64

PEER REVIEW REPORTING..... 66

CHAPTER 6

OTHER SIGNIFICANT AUDITS AND EVALUATIONS

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant reports are discussed within this chapter.

AUDIT

Strategic Initiative 4: Contribute to improving HUD's execution of and accountability for fiscal responsibilities as a relevant and problem-solving advisor to the Department

Key program results	Questioned costs	Funds put to better use
8 audits	\$618,270	\$0

AUDIT OF HUD'S FISCAL YEAR 2019 CONSOLIDATED FINANCIAL STATEMENTS

HUD OIG audited HUD's consolidated financial statements⁸ in accordance with the Chief Financial Officers Act of 1990 as amended. The objectives

were to express an opinion on the fair presentation of HUD's consolidated financial statements and to report on HUD's internal controls over financial reporting and compliance with select provisions of applicable laws, regulations, contracts, and grant agreements. This report supplements OIG's independent auditor's report on the results of its audit of HUD's consolidated financial statements for the fiscal year ending September 30, 2019.

OIG expressed a qualified opinion on HUD's consolidated financial statements for fiscal year 2019 because of the significant effects of certain unresolved audit matters, which restricted its ability to obtain sufficient, appropriate evidence about HUD's non-credit reform loans and other liabilities resulting from the Government National Mortgage Association's (Ginnie Mae) guaranty asset and guaranty liability. This report provides additional details on one material weakness, three significant deficiencies, and three instances of noncompliance with laws, regulations, contracts, and grant agreements. The most significant finding relates to instances in which HUD's accounting did not always comply with Federal generally accepted accounting principles. OIG also identified (1) weaknesses in internal controls over financial reporting; (2) weaknesses in the financial management system and computing environment; (3) financial management governance deficiencies; and (4) three instances of noncompliance with laws, regulations, contracts, and grant agreements. The most significant OIG recommendations were that HUD (1) improve its validation methodology for accrued grant liabilities; (2) develop, implement, and improve policies and procedures related to internal controls over financial reporting, including the Federal Housing Administration's (FHA) and Ginnie Mae's estimation models; and (3) ensure

⁸HUD's consolidated financial statements include its two component entities, the Federal Housing Administration (FHA) and Ginnie Mae.

that sufficient documentation is maintained and is sufficiently traceable to support transactions related to non-credit reform loans. **(Audit Reports: 2019-FO-0003 and 2019-FO-0004)**
(HUD OIG Priority Area: **Financial Management**)

AUDIT OF THE FEDERAL HOUSING ADMINISTRATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2019 AND 2018

HUD OIG audited FHA's principal financial statements and notes for the fiscal years ending September 30, 2018 and 2019, including a review of FHA's internal control over financial reporting and testing of its compliance with selected provisions of laws, regulations, contracts, and grant agreements.

In OIG's opinion, FHA's fiscal years 2018 and 2019 financial statements were presented fairly, in all material respects, in accordance with the U.S. generally accepted accounting principles for the Federal Government. This opinion is reported in FHA's Fiscal Year 2019 Annual Management Report. The results of OIG's audit of FHA's principal financial statements and notes for the fiscal years ending September 30, 2018 and 2019, including its report on FHA's internal control over financial reporting and compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to FHA, are presented in this report.

OIG's audit disclosed one significant deficiency in internal controls and no instances of noncompliance with applicable laws, regulations, contracts, and grant agreements. OIG recommended that FHA strengthen its system of internal control processes, policies, and procedures to (1) ensure complete model research and concurrent model documentation and (2)

prevent inaccurate financial reporting and misstatements from occurring in the financial statements and notes. **(Audit Report: 2020-FO-0001)**
(HUD OIG Priority Area: **Financial Management**)

AUDIT OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEAR 2019 FINANCIAL STATEMENTS

HUD OIG audited Ginnie Mae's fiscal year 2019 financial statements, including its internal control over financial reporting and compliance with selected provisions of applicable laws, regulations, and contracts.

In fiscal year 2019, OIG was unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of Ginnie Mae's financial statements. Specifically, OIG had significant modeling concerns affecting Ginnie Mae's guaranty asset, guaranty liability, and allowance for loan losses, which prevented it from completing its audit work due to time constraints imposed by the statutory reporting deadlines. These issues concerned the appropriateness and reasonableness of the model methodologies, specifications, and model assumptions, which raised questions about the reliability of the significant accounting estimates produced by these models. Additionally, OIG was unable to audit the nonpooled loan assets due to (1) documentation challenges to support balances for claims receivable and reimbursable costs and (2) insufficient time to complete necessary audit procedures for mortgage loans held for investment and acquired properties.

Given the significance of all of these limitations combined, it is OIG's professional opinion that there may be risks that undetected misstatements that could be material may exist in these statements.

Therefore, OIG deemed its audit scope to be insufficient to express an opinion on Ginnie Mae's fiscal year 2019 financial statements as a whole. OIG identified two material weaknesses; one significant deficiency; and one reportable noncompliance with selected provisions of laws, regulations, and contracts. OIG made 18 new audit recommendations.

(Audit Report: 2020-FO-0002)

(HUD OIG Priority Area: Financial Management)

REVIEW OF THE LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM

HUD OIG audited the City of **Detroit, MI**'s Housing and Revitalization Department's Lead Hazard Reduction Demonstration Grant Program to determine whether the Department administered the program in accordance with HUD's requirements.

The Department did not administer the program in accordance with HUD's requirements. Specifically, it did not (1) maintain documentation to support that healthy homes assessment and data collection services were cost reasonable, (2) ensure that landlords gave preference in renting vacant assisted units to targeted families, (3) maintain adequate lead inspection documentation to support that lead-based paint hazard control activities were necessary, (4) obtain HUD approval before spending healthy homes supplemental funds in excess of \$5,000 per unit, and (5) calculate annual income correctly for one assisted household. As a result, the Department and HUD lacked assurance that more than \$616,000 in program funds was used in accordance with HUD's requirements.

OIG recommended that HUD require the Department to (1) support that the contract for healthy homes assessment and data collection services was cost reasonable, (2) support that landlords gave preference in renting vacant assisted units to targeted families, (3) support that lead-based paint hazard control activities were necessary, (4) coordinate with HUD to determine whether healthy homes supplemental funds used in excess of \$5,000 per unit were used for eligible activities, and (5) implement adequate procedures and controls to address the findings cited. **(Audit Report: 2020-CH-1001)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF HUD'S COMPLIANCE WITH THE PURCHASE CARD PROGRAM FOR FISCAL YEARS 2017 AND 2018

HUD OIG audited HUD's compliance with the purchase card program requirements for fiscal years 2017 and 2018, based on its risk assessment, to determine whether HUD maintained accurate records of cardholders and transactions; HUD employees took purchase card training when required; and HUD purchase cards were used for potentially illegal, improper, or erroneous transactions.

HUD did not have accurate and complete records of cardholders and transactions, including errors in cardholder closure dates, errors in training dates, inadequate tracking of merchant category code overrides, and incomplete transactional data. In addition, purchase cardholders and approving officials did not always take purchase card training when required. Further, OIG identified 10 instances in which HUD purchase cards were used for improper purchases and incurred improper interest charges totaling more than \$29,000.

OIG recommended that HUD (1) implement processes to periodically audit or reconcile the shared service provider's records, (2) review ratios of cardholders to approving officials, (3) ensure that training is taken when required, (4) suspend cardholders or approving officials who fail to take training or repeatedly cause HUD to pay interest, and (5) research the incomplete monthly transactional data and identify a solution. In addition, OIG recommended that HUD (1) enhance the process to periodically analyze data for split transactions or improper merchant category codes, (2) improve notifications to employees, and (3) follow up on any potential issues identified. **(Audit Report: 2020-KC-0001)**

(HUD OIG Priority Area: Financial Management)

REVIEW OF HUD'S COMPLIANCE WITH THE TRAVEL CARD PROGRAM FOR FISCAL YEAR 2018

HUD OIG audited HUD's compliance with the travel card program requirements for fiscal year 2018, based on its risk assessment, to determine whether HUD travel cards were used for potentially illegal, improper, or erroneous purchases and whether travel cards were used when required.

From a sample of transactions identified as high risk, OIG found that HUD's travel cards were used for 166 potentially illegal, improper, or erroneous purchases totaling nearly \$23,000. In addition, 19 employees used their personal sources of payment instead of the government travel card in violation of the Federal Travel Regulations.

OIG recommended that HUD (1) take appropriate actions against the employees identified, (2) improve controls to ensure the proper use of the travel cards and detect employees who do not use their government travel

cards when required, and (3) provide employees with appropriate training on the issues identified and ensure that all cardholder training is up to date. **(Audit Report: 2020-KC-0002)**

(HUD OIG Priority Area: Financial Management)

EVALUATION

OVERVIEW OF HUD'S HOUSING ASSISTANCE PROGRAMS

At the request of Senator Enzi, HUD OIG reviewed HUD's housing assistance programs based on their purpose, types of assistance, and eligible participants. This report also includes the 5-year funding history for each HUD program office that administers housing assistance programs.

HUD administers 73 housing assistance programs that promote home ownership, provide rental assistance, and support public housing. Six HUD program offices administer the 73 active housing assistance programs, including the Office of Housing, the Office of Community Planning and Development, the Office of Public and Indian Housing, the Office of Fair Housing and Equal Opportunity, Ginnie Mae, and the Office of Lead Hazard Control and Healthy Homes. Of the 73 active housing assistance programs, 23 programs provide home-ownership assistance, 28 programs provide rental housing assistance, and 22 programs provide both types of housing assistance. There are no specific areas of significant program overlap across HUD's 73 active housing assistance programs. From fiscal years 2014 to 2018, Congress appropriated approximately \$257.90 billion to HUD's housing assistance programs. **(Evaluation Report: 2019-OE-0004)**

(HUD OIG Priority Area: Monitoring and Oversight)

MANAGEMENT ALERT: RECORDS AND PRIVACY PROTECTION ISSUES IDENTIFIED DURING FISCAL YEAR 2019 FISMA EVALUATION

During the HUD OIG Federal Information Security Modernization Act of 2014 (FISMA) evaluation, OIG reviewed HUD's records and privacy programs. Based on the initial findings, OIG issued a management alert due to HUD's failure to meet basic records management and privacy requirements for more than 1 billion records containing personally identifiable information. Specifically, HUD is unable to identify, categorize, and adequately secure all of its electronic and paper records that contain personally identifiable information. This management alert does not contain any recommendations, although further work is being conducted to provide HUD with a comprehensive report and associated recommendations. **(Evaluation Product: 2019-OE-0007)**
(HUD OIG Priority Area: Information Technology and Cybersecurity)



CHAPTER 7

LEGISLATION, REGULATIONS, AND OTHER DIRECTIVES

Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed more than 750 hours to reviewing 143 issuances. The draft directives consisted of 102 notices, 7 mortgagee letters, and 34 other directives. OIG provided comments on 37 (or 26 percent) of the issuances and nonconcurred on 18 (or 13 percent) but lifted 10 nonconcurrences. Of the 34 other directives, OIG reviewed two proposed rules and three final rules, taking no position on three and providing comments on two; 25 handbooks or guidebooks; one research report; two U.S. Department of Housing and Urban Development (HUD) legislative referral memorandum reports; and one set of frequently asked questions regarding Community Development Block Grant (CDBG) Disaster Recovery acquisition activities. The following is a summary of selected reviews for this 6-month period.

Notices, Mortgagee Letters, and Other Directives

OFFICE OF SINGLE FAMILY HOUSING

Updates to FHA's Single Family Housing Policy Handbook - On October 24, 2019, the Federal Housing Administration (FHA) issued HH 4000.1, FHA Single Family Housing Policy Handbook, effective October 15, 2019, incorporating the final rule in Federal Register Notice FR-5715-F-02 and Mortgagee Letter 2019-17. The rule provided requirements for lenders to

obtain approval under the direct endorsement lender review and approval process authority for condominiums and for standards that projects must meet to be approved for mortgage insurance on individual units. The rule further provided flexibility with respect to the concentration of FHA-insured units, owner-occupied units, and the amount that can be set aside for commercial and nonresidential space. The mortgagee letter provided updated origination requirements for home equity conversion mortgages (HECM) (reverse mortgages) on condominium units. The mortgagee letter also established borrower eligibility requirements for prospective HECM borrowers seeking to use the single-unit approval process to obtain FHA insurance on an individual condominium unit. OIG previously provided a no position response on the rule and the mortgagee letter and provided a no position response to the issuance of the handbook.

Maximum rehabilitation costs in qualified opportunity zones for limited 203(k) mortgages

– On November, 22, 2019, HUD issued Mortgagee Letter 2019-18, increasing the maximum rehabilitation costs in qualified opportunity zones for limited 203(k) mortgages from \$35,000 to \$50,000. OIG provided a no position response regarding this mortgagee letter.

Credit risk retention regulations – On December 20, 2019, HUD issued a Federal Register Notice, Docket No. FR-6172-N-01, seeking comments on beginning the review of the definition of qualified residential mortgage, the community-focused residential mortgage exemption, and the exemption for qualifying three- to four-unit residential mortgage loans, in each case as currently set forth in the Credit Risk Retention Regulations adopted by the Department. HUD made this commitment jointly with the U.S. Treasury, Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation;

U.S. Securities and Exchange Commission; and Federal Housing Finance Agency. OIG provided a no position response regarding this notice.

Mortgagee electronic funds transfer accounts – On January 29, 2020, HUD issued Mortgagee Letter 20-02, eliminating the manual process to establish and maintain electronic funds transfer (EFT) accounts. FHA is leveraging technology to allow lenders to establish and maintain EFT accounts through the Lender Electronic Assessment Portal. OIG provided a no position response regarding this notice.

Foreclosure and eviction moratorium in connection with the presidentially declared COVID-19 national emergency – On March 18, 2020, HUD issued Mortgagee Letter 2020-04, informing lenders of a foreclosure and eviction moratorium for all FHA-insured single-family mortgages (all FHA Title II forward and HECM reverse mortgage programs) for a period of 60 days. The moratorium applies to the initiation of foreclosures and to the completion of foreclosures in process. Similarly, evictions of persons from properties secured by FHA-insured single-family mortgages are also suspended for a period of 60 days. In addition, deadlines of the first legal action and reasonable diligence timelines are extended by 60 days. This mortgagee letter did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

Reverification of employment and exterior-only and desktop-only appraisal scope of work options for FHA single-family programs impacted by COVID-19 – On March 27, 2020, HUD issued Mortgagee Letter 2020-05, informing lenders and appraisers of FHA's single-family modification to the reverification of employment requirements due to the presidentially declared COVID-19 national emergency and exterior-only or

desktop-only appraisal inspection option, which limits face-to-face contact for certain transactions affected by the declaration. The reverification of employment guidance in this mortgagee letter is effective immediately for cases closed on or before May 17, 2020. The appraisal guidance in this mortgagee letter is effective immediately for appraisal inspections completed on or before May 17, 2020. This mortgagee letter did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

OFFICE OF PUBLIC AND INDIAN HOUSING

30-day notice of proposed information collection: National Standards for the Physical Inspection of Real Estate demonstration – On December 12, 2019, HUD published a notice (Federal Register 7011-N-55) in which HUD is requesting information from PHAs, owners, and agents (POA) that participate in the National Standards for the Physical Inspection of Real Estate (NSPIRE) multistage demonstration to identify potential adjustments to standards, protocols, and processes. Through this notice, HUD is requesting from the POAs the following: an annual self-inspection report or work order receipts, a property profile, copies of building system certificates, local code violations over the rolling calendar year, and participation in feedback sessions. HUD is developing a standardized electronic system and data exchange standard for this collection and will distribute self-inspection software for properties to collect and submit these data electronically. OIG's review of the notice resulted in a comment that the demonstration for HUD to collect data to identify potential adjustments to standards, protocols, and processes does not address what action, if any, HUD will take against the expected 60,000 participants if their self-reported information indicates violations of HUD's housing quality standards or the local codes. Further, OIG stated that the proposed demonstration does not seem to have a clear beginning or ending

date. HUD issued the notice with a change to the number of expected participants, reducing the count from 60,000 to 35,000. There were no other changes made to the notice.

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Green mortgage insurance premium compliance reporting

guidance – On January 8, 2020, HUD issued Notice 2020-1 (related to Mortgagee Letter 2020-01), which reiterates the requirements to all multifamily accelerated processing lenders and borrowers regarding how to report and maintain compliance with green mortgage insurance premium (MIP) requirements according to the rider to the regulatory agreement, “Borrowers Obligation to Maintain Projects Energy Performance as Consideration for MIP Reduction.” This notice outlines a compliance monitoring framework that applies to all properties that have a green MIP in the FHA multifamily-insured portfolio. OIG provided a no position response regarding this notice.

Delegated processing for certain capital advance projects – On February 11, 2020, HUD issued Housing Notice H-20-2, which updates and replaces Notice 2013-12 that defined HUD’s procedures for processing certain Section 202 Supportive Housing for the Elderly projects and Section 811 Supportive Housing for Persons With Disabilities under a delegated processing system. According to the notice, the delegated processing procedures complement the Department’s capital advance processing mechanism. The program enhances the Department’s ability to provide timely, high-quality underwriting, while streamlining the compliance process for sponsors and owners undertaking mixed-finance transactions. Further, the delegated processing program gives selected State and local agencies the choice to review and process capital advance projects. OIG provided a no position response regarding this notice.

Revision of the Section 223(f) policy requiring 3 years of postconstruction sustained occupancy – On March 2, 2020, HUD issued Housing Notice H 20-03 (related to Mortgagee Letter 2020-03), which revises HUD’s policy that applications for refinancing or acquisition of existing properties under Section 223(f) of the National Housing Act may not be accepted unless and until 3 years have passed since completion of construction or substantial rehabilitation of the property. Applications for refinancing of newly built or substantially rehabilitated properties will now be accepted as soon as properties achieve the applicable programmatic debt service coverage ratio for not less than 1 full month. This notice supersedes all previous guidance concerning the time elapsed between construction completion and the date of an application for Section 223(f) mortgage insurance, including the 2016 Multifamily Accelerated Processing Guide. To mitigate risks to the FHA Insurance Fund, this notice also outlines limitations that will apply to applications for properties with less than 3 years elapsed since completion of construction. This notice applies to all applications for mortgage insurance under Section 223(f) except health care properties under Section 232. OIG provided a no position response regarding this notice.

Rental Assistance Demonstration Program: revised notice – On October 10, 2019, HUD published a notice (Federal Register FR-5630-N-13), which announces the posting of the fourth revision to the Rental Assistance Demonstration Program (RAD) notice and solicits public comment on changed eligibility and selection criteria. Some of the key changes to RAD include establishing a mechanism for public housing agencies (PHA) to enter into partnerships in order to pool resources or capacity with each other so as to effectively convert properties through RAD and broadening the use of “tiered” environmental reviews so that

streamlined submissions are needed for certain 24 CFR (Code of Federal Regulations) part 50 reviews. This notice also includes new waivers and alternative requirements that subject any non-RAD Project-Based Voucher Program (PBV) units located in the covered project to certain waivers and alternative requirements applicable to RAD units. Some of these waivers and alternative requirements include waiving the site selection provisions related to deconcentrating poverty and expanding housing and economic opportunity for the existing site, specifying alternative requirements to allow for the phase-in of tenant rent increases caused purely as a result of conversion, and specifying an alternative requirement to ensure that applicants on the PHA's communitywide public housing waiting list have been offered placement on a covered project's site-based PBV waiting list. OIG's review of the notice resulted in comments to the Department, which include suggesting that HUD consider how the partnerships to pool resources or capacity will work and how they will impact residents and communities; whether there are sufficient policies, procedures, and controls in place to ensure that HUD and responsible entities continue to comply with the National Environmental Policy Act of 1969 and 24 CFR parts 50 and 58; how to ensure that the public is able to understand and participate in the environmental review process; and how these changes impact the affordability of housing, current tenants, and those on waiting lists. HUD issued the notice without making any changes in these areas.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Four-year completion requirement for HOME-assisted projects – On January 8, 2020, HUD issued Notice CPD-20-01, providing guidance to HOME Investment Partnerships program participating jurisdictions regarding the requirement that HOME-assisted projects be completed within 4 years of the commitment of HOME funds and outlining the

process for resolving noncompliance. For HOME projects that do not meet the 4-year completion requirement, the participating jurisdiction must take additional steps to resolve the noncompliance. Generally, if a project has not been completed within 4 years of the commitment date, the participating jurisdiction must repay all HOME funds disbursed for the project. The participating jurisdiction may request a voluntary grant reduction in lieu of repayment. It may request a 1-year extension by submitting a letter to the Office of Community Planning and Development director in its local HUD field office. The notice explains the steps for requesting an extension. OIG Provided a no position response on this notice.

Disaster funding – HUD published Notice FR-6182-N-01 on January 27, 2020, announcing the allocation of \$3.8 billion in CDBG Disaster Recovery funds appropriated by the Supplemental Appropriations for Disaster Relief Act, 2019, and the Additional Supplemental Appropriations for Disaster Relief Act, 2019. The notice contained clarifications on waivers and alternative requirements included in prior notices. Section IV.B.2 of the notice states, "Grantees must comply with procurement requirements for states or for local governments, as applicable, in the Prior Notices (as amended)." During the clearance review process, OIG previously nonconcurred with HUD regarding State procurement processes because HUD does not require States to comply with requirements at 24 CFR 200.318 through 200.326. For example, FR-6109-N-02, dated August 23, 2019, stated, "A State has proficient procurement policies and processes if HUD determines that its procurement processes/standards uphold the principles of full and open competition and include an evaluation of the cost and price of the property or service, and if its procurement processes/standards either

- a. adopted 2 CFR 200.318 through 200.326; or
- b. follows its own procurement policies and procedures and establishes requirements for procurement policies and procedures for local governments and subrecipients based on full and open competition pursuant to 24 CFR 570.489(g), and the requirements applicable to the State, its local governments, and subrecipients include evaluation of the cost or price of the product or service; or
- c. adopted 2 CFR 200.317, meaning that it will follow its own State procurement policies and procedures and evaluate the cost or price of the product or service, but impose 2 CFR 200.318 through 200.326 on its subgrantees and subrecipients. A grantee must demonstrate that its procurement policies and procedures will allow the grantee to comply with the procurement requirements in section V.A.26.⁹ of this notice.”

OIG nonconcurred because the notice did not reference 2 CFR part 200, which required grantee procurement standards to be equivalent to 200.318 through 200.319, and did not address 200.319, which identified situations considered to be restrictive of competition. HUD informed OIG that it would not address OIG’s nonconcurring comments because they were the same issues OIG has had for approximately 5 years. Because OIG’s nonconcurrences of the past 5 years had not been resolved, OIG did not nonconcur but commented that it continues to believe that HUD should include references to 2 CFR part 200 in the State procurement requirements.

⁹This section requires State grantees to comply with procurement requirements at 24 CFR 570.489(g) and evaluate the cost or price of the product or service.

ADMINISTRATIVE AND OTHER PROGRAM AREAS

White House Council on Eliminating Regulatory Barriers to Affordable Housing

– On November 22, 2019, for consistency with President Trump’s Executive Order 13878, “Establishing a White House Council on Eliminating Regulatory Barriers to Affordable Housing,” dated June 25, 2019, HUD published Federal Register Notice FR-6187-N-01, requesting public comment on Federal, State, local, and tribal laws, regulations, land use requirements, and administrative practices that artificially raise the costs of affordable housing development and contribute to shortages in the housing supply. It also seeks data, other information, analyses, and recommendations on methods for reducing these regulatory barriers. While HUD welcomed comments on all aspects of developing a plan for reducing barriers to affordable housing development, HUD was particularly interested in receiving information, data, analyses, and recommendations on the following:

- Federal, State, and local barriers to affordable housing development
- Basis for reducing barriers to affordable housing development
- Plan and development implementation

OIG had no position on the notice.

Fair Housing Act design and construction requirements; adoption of additional safe harbors

– On January 15, 2020, HUD published a proposed rule, FR-6138-P-01, which proposed amending HUD’s Fair Housing Act design and construction regulations by incorporating by reference the 2009 edition of the International Code Council (ICC) Accessible and Usable Building and Facilities (ICC A117.1-2009) standard as

a safe harbor. The Accessible and Usable Buildings and Facilities standard is a technical standard for the design of facilities that are accessible to persons with disabilities. HUD proposed to determine whether compliance with ICC A117.1-2009 satisfies the design and construction requirements of the Fair Housing Act and its amendments. This rule also proposes to designate the 2009, 2012, 2015, and 2018 editions of the International Building Code (IBC) as safe harbors under the Fair Housing Act. The IBC is a model building code and not law, but it has been adopted as law by various States and localities. The IBC provides minimum standards for public safety, health, and welfare as they are affected by building construction. OIG provided a comment regarding the accessibility of the hyperlinks contained in the proposed rule.

Adjustment of civil monetary penalty amounts for 2020 – On March 6, 2020, HUD published a final rule, FR-6196-F-01, which provides for 2020 inflation adjustments of civil monetary penalty amounts required by the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The annual adjustment is based on the percentage change between the U.S. Department of Labor’s Consumer Price Index for All Urban Consumers (CPI-U) for the month of October preceding the date of the adjustment and the CPI-U for October of the prior year (28 U.S.C. (United States Code) 2461 note, section (5)(b)(1)). Based on that formula, the cost-of-living adjustment multiplier for 2019 is 1.01764. Because HUD is not applying these adjustments retroactively, the 2020 increases apply to violations occurring on or after this rule’s effective date. OIG provided a no position response regarding this final rule.

CHAPTER 8

REPORT RESOLUTION

In the report resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon needed actions and timeframes for resolving recommendations. Through this process, OIG strives to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes reports issued before the start of the period that do not have management decisions, have significantly revised management decisions, or have significant management decisions with which OIG disagrees. It also has a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on report resolution, see appendix 3, table B, "Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report."

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2020

ADDITIONAL DETAILS TO SUPPLEMENT OUR REPORT ON HUD'S FISCAL YEARS 2013 AND 2012 (RESTATED) FINANCIAL STATEMENTS

ISSUE DATE: DECEMBER 16, 2013

HUD OIG audited the Office of Public and Indian Housing's (PIH) implementation of U.S. Treasury cash management regulations as part of the annual audit of HUD's consolidated financial statements for fiscal years 2013 and 2012. OIG found that HUD's implementation of the new cash management process for the Housing Choice Voucher Program departed from Treasury cash management requirements and Federal generally accepted accounting principles (GAAP). OIG also reported that there were not sufficient internal controls over the process to ensure accurate and reliable financial reporting. Due to weaknesses in the process, material financial transactions were not included in HUD's consolidated financial statements; therefore, public housing agencies (PHA) were allowed to continue to hold Federal funds in excess of their immediate disbursing needs, which is in violation of Treasury cash management regulations. The OIG report included a recommendation (2C) that HUD PIH implement a cost-effective method for automating the cash management process, to include an electronic interface of transactions to the standard general ledger.

HUD issued three proposals to address recommendation 2C. However, OIG rejected all three proposals because they were too vague and did not include a high-level plan showing the actions PIH will take until the final action date to implement corrective action. Further, the proposals included several contingencies, from which OIG cannot determine whether PIH is making progress in addressing the recommendation.

This issue was referred to the Assistant Secretary on June 19, 2014, and September 30, 2014, but as of March 31, 2015, a new proposal had not been made. Therefore, this issue was referred to the Deputy Secretary on March 31, 2015. OIG briefed the Deputy Secretary's staff on the subject on April 20, 2015. On August 24, 2016, PIH indicated that in coordination with the Office of the Chief Information Officer (OCIO), plans were being developed to address the recommendation. OIG follows up during each audit cycle to determine the status of this recommendation.

In fiscal year 2019, PIH began to make progress on this recommendation by completing a performance of work statement to obtain a contractor to design and implement an Enterprise Voucher Management System (eVMS) that would address the issue. PIH expected portions of this system to be implemented in fiscal year 2020; however, in March 2020, PIH informed OIG that although the contractor had completed phase 1 of the performance of work statement, there had been unexpected delays. Currently, eVMS cannot be placed into production until OCIO and the Office of the Chief Procurement Officer (OCPO) take further actions, including (1) the release of eVMS phase II funding, (2) the completion of a securities and vulnerabilities assessment to lift the moratorium OCIO placed on a data warehouse that eVMS must access for family-level Public and Indian Housing Information Center data, and (3) onboarding of a new contractor because the initial contract has ended. The eVMS application is also pending future funding to complete phase II development and operations and maintenance support. PIH is hesitant to provide a management decision because of the remaining unknowns. Therefore, as of March 31, 2020, HUD had not submitted a new proposed management decision. **(Audit Report: 2014-FO-0003)**

HUD DID NOT ALWAYS RECOVER FHA SINGLE-FAMILY INDEMNIFICATION LOSSES AND ENSURE THAT INDEMNIFICATION AGREEMENTS WERE EXTENDED

ISSUE DATE: AUGUST 8, 2014

HUD OIG audited HUD's controls over its Federal Housing Administration (FHA) loan indemnification recovery process to determine whether HUD had adequate controls in place to monitor indemnification agreements and recover losses on FHA single-family loans.

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered the final default date for billing only. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had a potential loss to HUD of approximately \$1 million. The remaining 43 loans were either terminated or did not go into delinquency before the

indemnification agreement expired, or the agreement did not state that it would extend to loans that were streamline refinanced.

OIG rejected three management decisions proposed by the Offices of Single Family Housing and Finance and Budget because they did not follow the plain language explicitly stated in signed indemnification agreements. The Offices of Single Family Housing and Finance and Budget disagree with OIG's determination that HUD should have billed lenders for FHA loans that either were in default or went into default during the indemnification agreement period.

OIG referred the matter to the Assistant Secretary for Housing – Federal Housing Commissioner on January 8, 2015. OIG met with the HUD Offices of General Counsel, Housing, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, the HUD Office of General Counsel and OIG Office of Legal Counsel continued discussions.

Single Family Housing received two legal opinions from HUD's Office of General Counsel, dated January 26, 2015, and February 24, 2015, respectively. Combined, the legal opinions support Single Family Housing's and Finance and Budget's position that they have collected in a manner consistent with longstanding policy that emphasized the definition of the "date of default." Single Family Housing maintains that its collection practice is consistent with FHA's regulatory definition of "date of default" found in 24 CFR (Code of Federal Regulations) 203.331, which refers to the first "uncorrected" failure and the first failure to pay that is not satisfied by later payments.

OIG disagrees and believes that Single Family Housing and Finance and Budget have adopted a collection practice not supported by the plain language of the indemnification agreements or required by HUD regulations. Based on the plain language explicitly stated in signed indemnification agreements, OIG believes that the indemnification agreement should be enforced for any loan that "goes into default" during the indemnification agreement term, regardless of whether the loan emerged from a default status after the agreement expired. In response to HUD's legal opinions, OIG received its own legal opinion from the OIG Office of Legal Counsel, which supports OIG's position.

OIG has had past discussions with HUD's Offices of General Counsel, Single Family Housing, and Finance and Budget regarding the recommendations in question but has not reached agreeable management decisions. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision. In March 2020, OIG restarted discussions with HUD and plans to seek OIG Office of Legal Counsel guidance regarding statute of limitations provisions that may affect the resolution of this audit.

(Audit Report: 2014-LA-0005)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2014 AND 2013 FINANCIAL STATEMENTS AUDIT

ISSUE DATE: FEBRUARY 27, 2015

HUD OIG audited the Government National Mortgage Association's (Ginnie Mae) fiscal year 2014 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. OIG found a number of material weaknesses in Ginnie Mae's financial reporting specifically related to the auditability of several material

assets and reserve for loss liability account balances. The audit report had 20 audit recommendations to (1) correct the financial statement misstatements identified and (2) take steps to strengthen Ginnie Mae's financial management operations.

Initially, OIG did not reach consensus with Ginnie Mae on the necessary corrective actions for 9 of the 20 audit recommendations and referred the matter to the Deputy Secretary for a decision on September 21, 2015. Since that time, OIG has reached an agreement for management decisions on four of the nine management decisions that it previously rejected. As a result, there are now five audit recommendations without a management decision. OIG's audit recommendations request that HUD's Office of the Chief Financial Officer (OCFO) provide oversight of Ginnie Mae's financial management operations, but HUD's proposed corrective action plan to provide the oversight of Ginnie Mae lacked specificity. As of March 31, 2020, the five recommendations previously referred to the Deputy Secretary remained unresolved. **(Audit Report: 2015-FO-0003)**

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2015 AND 2014 (RESTATED) FINANCIAL STATEMENTS AUDIT

ISSUE DATE: NOVEMBER 13, 2015

HUD OIG audited Ginnie Mae's fiscal year 2015 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. This report had new and repeat audit findings. Of 11 audit recommendations, OIG and Ginnie Mae did not reach consensus on the necessary corrective actions for 3 recommendations.

Ginnie Mae did not provide a response to OIG to explain Ginnie Mae's refusal to implement one audit recommendation related to compliance with the Debt Collection Improvement Act.

For the remaining two information technology (IT)-related audit recommendations, Ginnie Mae's master servicer (MSS) disagreed with one audit recommendation. The MSS believes that it has the proper segregation of duties for cash processes, payment processing, and reconciliation of all financial activities. However, OIG disagrees and maintains its original position that segregation of duties means that no single person should have control of two or more conflicting functions within a transaction or operation. Further, while a security camera system, criminal background checks, etc., are helpful, they do not take the place of good internal controls, which include the segregation of duties.

Regarding the second IT audit recommendation, Ginnie Mae's MSS agreed to regularly review the market discount fraction change report and confirm this review in its monthly self-evaluation. However, this response and management's plan of action did not fully address OIG's recommendation. The methods identified were neither sufficient nor adequate to address OIG's (1) finding "that management had an ineffective monitoring tool in place" and (2) recommendation that management automate the approval process to include restricting the capability to make unauthorized changes unless evidence of approval is present or increase the scope of the "Admin Adjustment Report" to include all exceptions and adjustments. The issue was not that a review process was not in place but that the review was not meaningful or effective because the tool or report used to review financial adjustment changes was limited. The manual approval process also enabled staff to avoid obtaining approval before making adjustments because there were (1) no checks

and balances and (2) no restrictions in the financial system to prevent unauthorized adjustments. Management's plan of action did not address OIG's concern.

OIG referred this matter to the President of Ginnie Mae on April 21, 2016, and to the Deputy Secretary for a decision on March 6, 2017. On September 12, 2018, Ginnie Mae provided additional information in response to the three unresolved recommendations. OIG reviewed the information and concluded that the information did not adequately address the recommendations. As of March 31, 2020, OIG was awaiting a decision from the Deputy Secretary on these recommendations. **(Audit Report: 2016-FO-0001)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2015 AND 2014 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 18, 2015

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies, including the areas of (1) accounting for liabilities for PIH programs in accordance with GAAP and FFMIA and (2) HUD's financial management governance structure and internal controls over financial reporting. HUD disagreed with several recommendations made in each of these areas, and as a result, OIG referred them to the Principal Deputy Assistant Secretary for Public and Indian Housing and the Deputy Chief Financial Officer on April 21, 2016. OIG received a response to only one recommendation, and disagreement remained on the actions necessary to correct the deficiencies identified in the report. OIG referred the remaining recommendations to the Deputy Secretary on September 20, 2016. OIG had received two new proposals as of March 31, 2018; however,

OIG could not agree with them due to an insufficient proposal that was not clear on how to address the recommendations and insufficient evidence to support closure.

Accounting for liabilities for PIH programs in accordance with GAAP and FFMIA: OIG reported that HUD is not recognizing the accounts payables arising from shortages identified in PIH's cash management reconciliations. In 2016, PIH's position was that it did not record the payables because the cash management reconciliations are completed 45-60 days after each quarter. By the time they are conducted, the PHA could have used either restricted or unrestricted net position balances or requested frontload funding to cover the shortages. PIH believed that adjusting the prepaid expense was the most practical way to account for the cash reconciliation activities. OIG did not agree that this position complied with GAAP because adjusting the prepaid expense after payables have been paid is not accrual accounting. In March 2020, PIH submitted documentation indicating that it has changed its position and now believes that the implementation of eVMS will address this recommendation. OIG plans to meet with PIH in April 2020 to discuss a possible management decision. However, OIG maintains that this recommendation cannot be resolved until PIH's cash management process is automated, as detailed in Audit Report 2014-FO-0003. As of March 31, 2020, PIH had not submitted a new management decision for the recommendation made in 2014-FO-0003 or this recommendation.

HUD's financial management governance structure and internal controls over financial reporting: OIG reported on deficiencies found in the financial governance and financial reporting areas. OIG could not accept the proposed management decisions for eight recommendations because OCFO (1) requested final action target dates that were too far

into the future, (2) claimed that the deficiencies had been addressed by the new processes implemented by New Core when they had not, and (3) did not provide sufficient detail to support that the recommendations would be fully addressed. OIG communicated these issues to HUD on March 7, 2016, and April 6, 2017. HUD submitted new proposals for four of the eight recommendations, which OIG accepted. On December 19, 2019, OCFO submitted a revised management decision for one of the four remaining management decisions, which OIG accepted. As of March 31, 2020, OIG had not received new proposed management decisions for the three remaining recommendations. **(Audit Report: 2016-FO-0003)**

HUD DID NOT ALWAYS PROVIDE ADEQUATE OVERSIGHT OF PROPERTY ACQUISITION AND DISPOSITION ACTIVITIES

ISSUE DATE: JUNE 30, 2016

HUD OIG audited HUD's Community Development Block Grant (CDBG) program's property acquisition and disposition activities. OIG's audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its CDBG program.

OIG found that HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed, 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six totaling \$20.1 million had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective. These conditions occurred because HUD did not have adequate controls to ensure that

it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities.

The OIG report included a recommendation that the Deputy Assistant Secretary for Grant Programs direct field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in December 2016. However, after discussions with HUD, OIG rejected the proposed management decision because it did not specifically address directing field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing its monitoring plans and grantee monitoring strategies as recommended. For OIG to consider the proposed management decision as an acceptable alternative action, OIG requested clarification and documentation from HUD. However, HUD did not provide the requested information and documentation, and OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on March 30, 2017. HUD proposed another management decision in April 2017; however, OIG rejected it because it also did not directly address the intent of the recommendation. OIG referred this recommendation to the Deputy Secretary on August 23, 2017, and as of March 31, 2020, had not received a decision. **(Audit Report: 2016-PH-0001)**

HUD DID NOT ALWAYS PROVIDE ACCURATE AND SUPPORTED CERTIFICATIONS OF STATE DISASTER GRANTEE PROCUREMENT PROCESSES

ISSUE DATE: SEPTEMBER 29, 2016

HUD OIG audited HUD's controls over its certifications of State disaster recovery grantee procurement processes to determine whether HUD's certifications were accurate and supported. OIG found that HUD did not always provide accurate and supported certifications of State disaster grantee procurement processes. Specifically, it (1) allowed conflicting information on its certification checklists, (2) did not ensure that required supporting documentation was included with the certification checklists, and (3) did not adequately evaluate the supporting documentation submitted by the grantees. These conditions occurred because HUD did not have adequate controls over the certification process. Due to the weaknesses identified, HUD did not have assurance that State grantees had proficient procurement processes in place, and the Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.¹⁰

The report included five recommendations for the Deputy Assistant Secretary for Grant Programs, who in turn proposed corrective actions on January 11, 2017. OIG rejected the proposed actions on January 27, 2017. OIG referred the recommendations to the General Deputy Assistant Secretary for Community Planning and Development on February 6, 2017. The General Deputy Assistant Secretary responded to the referral on February 21, 2017. For all of the recommendations, the General Deputy

Assistant Secretary stated that OIG's disagreement regarding the definition of a proficient procurement process as it relates to State disaster grantees and the meaning of "equivalent" as it relates to a State's procurement policies and procedures being "equivalent to" or "aligned with" the Federal procurement standards was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the Federal standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The General Deputy Assistant Secretary asserted that the legal opinion for the New Jersey audit applied to this audit. Based on this information, the General Deputy Assistant Secretary believed it was appropriate to close all of the recommendations.

OIG disagreed with the General Deputy Assistant Secretary's request to close the recommendations in this audit based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.¹¹ OIG has two main areas of disagreement with the decision: (1) OIG continues to assert that 24 CFR 85.36 was applicable to the State because its procedures needed to be equivalent to these Federal standards, and (2) OIG asserts that the applicability of 24 CFR 85.36 was not the only basis for the recommendations in the New Jersey audit report and believes that the decision failed to consider the other bases of the recommendations. Further, the Deputy Secretary's decision did not address all of the issues

¹⁰Public Law 113-2, dated January 29, 2013

¹¹2015-PH-1003, dated June 4, 2015

with HUD's process for certifying State disaster grantee procurement processes that were identified in the subject audit report. OIG referred these recommendations to the Deputy Secretary on March 31, 2017, and as of March 31, 2020, had not received a decision. **(Audit Report: 2016-PH-0005)**

AUDIT OF FISCAL YEARS 2016 AND 2015 (RESTATED) FINANCIAL STATEMENTS AUDIT

ISSUE DATE: NOVEMBER 14, 2016

HUD OIG audited Ginnie Mae's fiscal year 2016 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. Of the 19 recommendations issued, OIG did not reach consensus on the necessary corrective actions for 2 audit recommendations.

The first disagreement was associated with the recommendation for Ginnie Mae to reverse the accounting writeoff of the advances account. In conjunction with the subledger data solution, Ginnie Mae needs to conduct a proper analysis to determine whether any of the \$248 million balances in the advances accounts are collectible. Ginnie Mae believed that it could not reverse the \$248 million residual balance in the advances account. Based on its analysis, Ginnie Mae explained that this residual balance should have been charged off by the realized losses incurred on liquidated loans from fiscal years 2009 through 2016 but was not. Therefore, according to Ginnie Mae, this residual balance was no longer supportable or collectible after the sale of the mortgage servicing rights.

Additionally, Ginnie Mae stated that it cannot pursue additional collection from its MSSs based on the terms of a settlement agreement. OIG has

concerns about the reliability of Ginnie Mae's analysis because when OIG auditors attempted to review Ginnie Mae's support for the advances writeoff, OIG was unable to validate the accuracy of the information used in its analysis. For example, of \$248 million, OIG could not validate the \$180 million in realized losses because this information was based on rough estimates (\$50 million) and MSSs' accounting reports that were considered unauditable (\$130 million). Ginnie Mae could not explain the other \$68 million. Further, the audit showed that the \$248 million residual balance may contain advances related to unliquidated nonpooled loans. Specifically, in fiscal year 2016, Ginnie Mae informed HUD OIG that all advance balances associated with liquidated loans were removed from the advances account and attached (carried forward) to the liquidated loans balance. However, in fiscal year 2017, OIG learned that this was not the case. According to Ginnie Mae, the advance balances associated with these loans were not carried forward. Therefore, there are legitimate collection action claims that Ginnie Mae can pursue on these unliquidated nonpooled loans.

The second disagreement was related to OIG's recommendation for Ginnie Mae to appropriately exclude the loan impairment allowance on other indebtedness instead of reporting it as part of loan impairment allowance on the mortgage held for investment (MHI) account. Ginnie Mae partially agreed with OIG regarding the MHI allowance issue. Ginnie Mae agreed that it should have excluded from the MHI allowance account the allowance portion related to the reimbursable preforeclosure expense but not the nonreimbursable preforeclosure expense portion. According to Ginnie Mae, it included the nonreimbursable preforeclosure expense in the MHI allowance calculation because the expense was necessary to collect proceeds of the MHI loans. Ginnie Mae cited Accounting Standards Codification (ASC) 450-20 and the Interagency Policy Statement on

the allowance for loan and lease losses as the bases for its conclusion with respect to the issue of nonreimbursable preforeclosure expense. Overall, Ginnie Mae concluded that in estimating the MHI allowance, the expected or anticipated recoveries from insurance, as well as the expected but not yet incurred preforeclosure costs, will need to be included in determining the collectability of cash flows from these loans. Regarding nonreimbursable preforeclosure expenses, OIG does not agree with Ginnie Mae that its inclusion in the ASC 450-20 or ASC 310-10 components of the MHI allowance was in accordance with GAAP.

OIG referred both disagreements to the Deputy Secretary on August 24, 2017. In December 2019, Ginnie Mae provided additional documentation for both disagreements, but OIG was unable to complete the review before the end of this reporting period. **(Audit Report: 2017-FO-0001)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2016 AND 2015 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 15, 2016

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the areas of HUD's loan guarantee balances. OIG rejected HUD's initial management decision on April 24, 2017, as it did not contain adequate evidence to provide closure. OIG referred this recommendation to the Deputy Secretary on July 24, 2017; however, as of March 31, 2020, OIG had not received a decision. **(Audit Report: 2017-FO-0003)**

HUD'S TRANSITION TO FEDERAL SHARED SERVICE PROVIDER FAILED TO MEET EXPECTATIONS

ISSUE DATE: FEBRUARY 1, 2017

HUD OIG audited the effectiveness of the controls over the New Core Interface Solution (NCIS) and PRISM™ and the impact of the implementation of release 3 of phase 1 of the New Core Project on the preparation of HUD's financial statements.

HUD's transition to a Federal shared service provider (FSSP) did not significantly improve the handling of its financial management transactions. Weaknesses identified with the controls over NCIS and PRISM™ contributed to this issue. A year after the transition, HUD had inaccurate data resulting from the conversions and continued to execute programmatic transactions using its legacy applications. The transition increased the number of batch processes required to record programmatic financial transactions and introduced manual processes and delays for budget and procurement transactions. These conditions occurred because of funding shortfalls as well as HUD's decisions to (1) separate phase 1 of the project into smaller releases, (2) move forward with the implementation despite unresolved issues, and (3) terminate the project before its completion. These system issues and limitations inhibited HUD's ability to produce reliable, useful, and timely financial information.

While HUD considered its New Core Project implementation successful, it acknowledged that not all of the originally planned capabilities were deployed. HUD needs to pursue new process improvement projects to address the functionalities that were not achieved with phase 1 of New Core, which will require additional time and funding. HUD will also need to pursue process improvements for the functionality planned in the future phases of the project. In April 2016, HUD ended the New

Core Project and the transition to an FSSP after spending \$96.3 million; however, the transition did not allow HUD to decommission all of the applications it wanted to or achieve the planned cost savings.

OIG made two recommendations that were directed to the Deputy Secretary; specifically, (1) reevaluate the functionality initially planned under the New Core Project and determine how the agency will implement the functionality needed for budget formulation, cost accounting, property management, and the consolidation of HUD's financial statements and (2) take an active role in the implementation of financial management improvement initiatives or projects moving forward to ensure collaboration within HUD and that adequate funding and governance are in place.

OIG referred these recommendations to the Deputy Secretary on June 6, 2017. In September 2019, OCFO initiated actions to work with the Deputy Secretary to address these weaknesses. However, as of March 31, 2020, HUD had not submitted management decisions for these recommendations. **(Audit Report: 2017-DP-0001)**

HUD'S OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT DID NOT APPROPRIATELY ASSESS STATE CDBG GRANTEES' RISK TO THE INTEGRITY OF CPD PROGRAMS OR ADEQUATELY MONITOR ITS GRANTEES

ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community Development's (CPD) risk assessment and monitoring of its State CDBG recipients. OIG's reporting objective was to determine whether CPD appropriately assessed State CDBG grantees' risk to the integrity of CPD programs and adequately monitored its grantees.

OIG found that CPD did not appropriately assess State CDBG grantees' risk to the integrity of CPD programs or adequately monitor its grantees. This condition occurred because its field office staff did not follow CPD risk assessment and monitoring requirements and field office management responsible for reviewing staff performance did not correct noncompliance of staff performing these responsibilities. In addition, the headquarters desk officer review function was administrative in focus and failed to note noncompliance. As a result, CPD cannot be assured that its field offices correctly identified the high-risk grantees or conducted adequate monitoring to mitigate risk to the integrity of CPD programs.

The report included five recommendations, including recommendations to (1) develop and implement a policy requiring field offices to rate grantees of at least medium risk that have not been monitored in their respective program area within the last 3 years on factors that require assessments of capacity, program complexity, and monitoring findings, resulting in repayment or grant reductions; (2) develop and implement guidance for field offices to maintain supporting documentation in their official files with an adequate explanation of procedures performed

to verify risk scores assigned, which could include upgrading CPD's systems to allow for the attachment of supporting documentation for risk analysis; and (3) update monitoring exhibits to require staff to document procedures performed, provide sufficient explanation to verify procedures performed and conclusions drawn, and reference appropriate supporting documentation.

CPD provided proposed management decisions on October 19, 2017, for all five recommendations. OIG concluded that the response did not adequately address the three recommendations discussed above. OIG advised HUD of its concerns in October 2017 but was ultimately unable to reach agreement.

OIG referred the three recommendations without management decisions to the Assistant Secretary for Community Planning and Development on December 19, 2017. Following OIG's referral, CPD submitted proposed management decisions, along with additional documentation, on March 30, 2018. Based on the documentation submitted, OIG was not able to reach resolution on the remaining three recommendations. OIG referred these recommendations to the Deputy Secretary on June 25, 2018. On June 27, 2018, HUD again submitted proposed management decisions. However, the management decisions did not appropriately address the recommendations, and OIG could not concur. OIG has attempted to resolve the disagreement; however, as of March 31, 2020, had not received a decision from the Deputy Secretary. **(Audit Report: 2017-FW-0001)**

HUD NEEDS TO CLARIFY WHETHER ILLEGAL-UNDOCUMENTED ALIENS ARE ELIGIBLE FOR ASSISTANCE UNDER THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM

ISSUE DATE: AUGUST 21, 2017

HUD OIG assisted the U.S. Attorney's Office, Southern District of New York, in a civil investigation related to illegal-undocumented aliens receiving Housing Opportunities for Persons With AIDS (HOPWA) assistance. The HOPWA program at 24 CFR part 574 is a HUD CPD grant program that provides formula allocations and competitively awarded grants to eligible States, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV-AIDS.

Noncitizen or alien ineligibility for federally funded programs is a recurring issue in Congress. Two laws primarily govern noncitizen or alien eligibility for housing programs: Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - 8 U.S.C. (United States Code) 1611 (PRWORA) and Section 214 of the Housing and Community Development Act of 1980 as amended. PRWORA states that aliens, who are not qualified aliens, are not eligible for "Federal public benefits," a term defined in the law to include public and assisted housing. Under this statute, illegal aliens do not meet the definition of qualified aliens and as a result are ineligible for Federal public benefits. However, PRWORA exempted certain Federal public benefits from the alien eligibility restrictions, including programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) specified by the Attorney General, after consultation with the appropriate Federal agency.

The issue of nonqualified aliens receiving assistance under HOPWA or other homeless assistance programs has not been clearly addressed in

HUD regulations and guidance. Specifically, OIG has not been able to identify clear guidance as to whether programs that are funded through HUD's community development programs and administered through nonprofits (such as HOPWA) have been clearly designated as a "Federal public benefit." This designation is important because aliens, who have not been qualified to be considered "qualified aliens" under 8 U.S.C. 1611, are not eligible for Federal public benefits. Also, it is not clear whether homeless assistance grants are considered a Federal public benefit. There is a conflict as to whether "housing assistance" and "homeless assistance" are synonymous. If homeless assistance grants were considered a Federal public benefit, HOPWA benefits would not be available to illegal-undocumented aliens. However, because it is unclear whether such grants are considered Federal public benefits, there is a potential for unqualified aliens to fall under the exceptions under 8 U.S.C. 1611 (which include emergency type programs) and qualify to receive benefits.

OIG recommended that HUD CPD (1) clarify whether assistance provided under its community development programs, such as HOPWA, are considered "Federal public benefits" and are, therefore, subject to PRWORA's noncitizen eligibility restrictions and (2) consult with the Office of the Attorney General to establish whether HOPWA and other homeless assistance programs are a Federal public benefit that meets the definition of "providing assistance for the protection of life or safety" and are, therefore, exempt from PRWORA noncitizen eligibility restrictions.

HUD CPD submitted management decisions for both recommendations on December 18, 2017, but the management decisions stated that CPD was not able to take action on the recommendations, and OIG rejected

them. This issue was referred the Assistant Secretary on December 19, 2017. In January 2018, OIG attempted to meet with HUD regarding the recommendations but was unsuccessful. The issue was referred to the Deputy Secretary on February 27, 2018. As of March 31, 2020, OIG was awaiting a decision from the Deputy Secretary. **(Audit Memorandum: 2017-CF-0801)**

HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEES FOLLOWED PROFICIENT PROCUREMENT PROCESSES

ISSUE DATE: SEPTEMBER 22, 2017

HUD OIG audited HUD's oversight of disaster grantee procurement processes to determine whether HUD provided sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing products and services. OIG found that HUD did not provide sufficient guidance and oversight to ensure that State disaster grantees followed proficient procurement processes. Since HUD agreed to correct procurement issues from a previous audit,¹² OIG has issued 17 audit reports on disaster grantees with questioned costs totaling nearly \$391.7 million related to procurement. These conditions occurred because HUD was so focused on providing maximum feasible deference to State grantees that it was unable to ensure that grantees followed proficient procurement processes. HUD also believed that State grantees were not required to have procurement standards that aligned with each of the Federal procurement standards. As a result, HUD lacked assurance that State grantees purchased necessary products and services competitively at fair and reasonable prices.

¹²Audit Report 2013-FW-0001, *Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed*, issued March 28, 2013

OIG made four recommendations to the Deputy Assistant Secretary for Grant Programs, who in turn proposed corrective actions on November 24, 2017. For two of the recommendations, the Deputy Assistant Secretary for Grant Programs stated that the matter of the applicability of the Federal procurement standards at 2 CFR 200.318 through 200.326¹³ (or 24 CFR 85.36(b) through (i)) and the requirements of the Federal Register notices on procurement was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.¹⁴ In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations.

The Deputy Assistant Secretary for Grant Programs also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation¹⁵ addressed this issue. The report stated that the Committee believed that as long as HUD provided consistent and rigorous oversight of the procurement processes employed by the State and local recipients, an equivalent, though not identical, procurement standard that upholds the principles

of fair and open competition can prevent Federal dollars appropriated for disaster recovery from being spent irresponsibly. The Deputy Assistant Secretary for Grant Programs further stated that HUD clarified its definition of proficient procurement processes and policies when it published subsequent Federal Register notices allocating funds under Public Laws 114-113, 114-223, and 114-254. Based on this information, the Deputy Assistant Secretary believed it was appropriate to close these two recommendations.

OIG disagrees with the Deputy Assistant Secretary's request to close these two recommendations based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG continues to assert that the procurement standards at 24 CFR 85.36 were applicable to the State because its procedures needed to be equivalent to these Federal standards. OIG acknowledges the Senate Committee's belief that consistent and rigorous oversight of equivalent State procurement processes and standards that uphold the principles of fair and open competition can prevent Federal dollars from being spent irresponsibly. However, Federal procurement involves the acquisition of products and services at fair and reasonable prices, which OIG believes is a higher standard and necessitates performing cost estimates and cost analyses. OIG believes that HUD weakened its interpretation of Federal procurement standards in the subsequent Federal Register notices because rather than considering a State's procurement process proficient if its procurement standards were equivalent to the Federal

¹³Before December 26, 2014, the relevant procurement requirements were found at 24 CFR 85.36. HUD has since moved its uniform administrative requirements, cost principles, and audit requirements for Federal awards to 2 CFR part 200.

¹⁴2015-PH-1003, dated June 4, 2015

¹⁵Senate Report 1115-138, dated July 27, 2017

standards, HUD considered a State's procurement process proficient if its procurement standards operated in a manner that provided for full and open competition. Because of the disagreement, OIG rejected the Deputy Assistant Secretary's request to close the recommendations.

In response to another recommendation, OIG rejected it because the proposed corrective action did not directly address improving controls by having HUD personnel who specialize in procurement evaluate the proficiency of State grantee procurement processes for those States that select the equivalency option to ensure that the State processes fully align with or meet the intent of each of the Federal procurement standards at 2 CFR 200.318 through 200.326.

In response to the remaining recommendation, OIG rejected it because the proposed guidance and training did not include State grantees that chose to certify that their procurement processes and standards were equivalent to the Federal procurement standards at 2 CFR 200.318 through 200.326. OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on January 25, 2018. The Assistant Secretary did not respond. OIG referred these recommendations to the Deputy Secretary on March 16, 2018, and as of March 31, 2020, had not received a decision. **(Audit Report: 2017-PH-0002)**

HUD COULD IMPROVE ITS CONTROLS OVER THE DISPOSITION OF PROPERTIES ASSISTED WITH CDBG FUNDS

ISSUE DATE: SEPTEMBER 29, 2017

HUD OIG audited HUD's oversight of the disposition of real properties assisted with CDBG funds. OIG's objective was to determine whether HUD had adequate controls over the disposition of real properties assisted with CDBG funds.

OIG found that HUD could improve its oversight of the disposition of real properties assisted with CDBG funds. Although HUD's drawdown and reporting system allowed grantees to enter identifying information for assisted properties and its field offices performed risk-based monitoring of grantees, HUD's controls were not always sufficient to ensure that grantees (1) entered addresses of assisted properties into its system, (2) provided proper notice to affected citizens before changing the use of assisted properties, (3) adequately determined the fair market value of assisted properties at the time of disposition, and (4) properly reported program income from the disposition of the properties. Further, HUD did not fully implement guidance related to the applicability of change of use requirements after voluntary grant reductions. OIG attributed these deficiencies to HUD's lack of emphasis on verifying address information, its field office staff's not being adequately trained to use data to monitor HUD's interest in properties, and the Milwaukee field office's incorrectly interpreting program requirements. As a result, HUD could not track and monitor its interest in the properties and did not have assurance that grantees properly handled changes in use and properly reported program income.

OIG recommended that the Deputy Assistant Secretary for Grant Programs develop a process to ensure that grantees properly report the addresses of assisted properties in the Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG indicated that this process could include but is not limited to developing a process to extract data reported in IDIS on activities with the matrix codes related to real property and training and instructing CPD's field office staff to extract these data and manually check for address and program income data on grantees' activities, particularly activities that are completed but have properties that could still be subject to program income requirements.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in January 2018, which OIG rejected. OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on February 6, 2018, and to the Deputy Secretary on March 26, 2018. In an attempt to reach agreement, OIG held discussions with CPD officials on February 13, 2018, and March 8, 2018. On March 28, 2018, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. CPD proposed to (1) ensure that its staff is aware of a recent CPD notice; (2) ensure that its staff and grantees are aware of the record retention requirements related to change-of-use and reversion-of-asset requirements; (3) present a webinar for field staff on the importance of requirements related to real property, especially program income in relation to the acquisition and disposition of real properties, and the requirement to maintain inventories of real property; (4) identify, create, or revise a report that lists acquisition-related activities or includes addresses and accomplishment data for staff to use for monitoring; and (5) evaluate the adequacy of several sections of the CDBG Single Audit Compliance Supplement, to include reviews for real property acquisition and disposition and related to program income issues.

OIG rejected HUD's March 28, 2018, proposal for several reasons. For example, HUD's proposal (1) did not clearly cover all categories of activities related to real property assisted with CDBG funds but, rather, focused on those specifically related to acquisitions and dispositions and (2) did not commit to changes that would result in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and properly calculate and report program income from the disposition of these properties regularly. While it alluded to a report that could be used by field staff to prepare for monitoring, it did not indicate that HUD's monitoring process would be updated to require field offices to consider

the relevant information. Further, while HUD committed to reviewing the CDBG Single Audit Compliance Supplement requirements, it did not commit to this review's resulting in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and that grantees properly calculate and report program income from the disposition of these properties. As of March 31, 2020, OIG was awaiting a decision from the Deputy Secretary. **(Audit Report: 2017-NY-0002)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2017 AND 2016 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 15, 2017

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the area of HUD's administrative control of funds system and internal control documentation. Recommendations were made to OCPO to address the deficiency of not maintaining adequate records for interagency agreements (IAA) in its procurement system of record, ARC's PRISM. OIG issued a referral regarding two recommendations to address this deficiency to OCPO on March 22, 2018, but could not reach an agreement. OCPO stated that it no longer had access to the documents in question because the previous system was shut down and data migration had not yet occurred. OCPO indicated that it was not willing to correct a deficiency with the maintenance of IAAs within PRISM because it would not be a prudent use of taxpayer funds.

On May 31, 2018, OIG referred these recommendations to the Deputy Secretary due to disagreement. On July 5, 2018, OCPO provided the remaining changes to its internal policies and procedures for one of the two recommendations, and OIG concurred with the management decision

on October 30, 2018. However, OCPO did not provide additional corrective action plans for resolving the missing IAAs and modifications in its procurement system of record. As of March 31, 2020, OIG had not received a decision from the Deputy Secretary. **(Audit Report: 2018-FO-0004)**

HUD'S OFFICE OF BLOCK GRANT ASSISTANCE HAD NOT CODIFIED THE COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM

ISSUE DATE: JULY 23, 2018

HUD OIG audited HUD's Office of Block Grant Assistance's (OBGA) CDBG Disaster Recovery program. OIG found that although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG Disaster Recovery program. It had not codified the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and it had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive order presented a barrier to codification, as it required CPD to identify two rules to eliminate in order to create a new codified rule. OIG believes OBGA has the authority under the Housing Act of 1974 and it should codify the program. OBGA's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to the grantees. For example, 59 grantees with 112 active Disaster Recovery grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. Further, codifying the CDBG Disaster Recovery program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

In April 2019, OBGA acknowledged that issuance of multiple Federal Register notices created a compliance burden for CDBG Disaster Recovery grantees, but it disagreed that codification was necessary. OBGA stated that OIG did not consider the following items:

1. There is no requirement for codification.
2. Congress has not established CDBG Disaster Recovery as an authorized program.
3. Publication of the Federal Register notices is predicated on the authorities granted in each appropriation.

Further, OBGA made the following statements to support why it will not implement the recommendation: (1) codification is not necessary, (2) Federal Register notices are required, and (3) codification has limited or no applicability for future disasters.

On September 30, 2019, OIG referred the disagreement and recommendation to the Deputy Secretary for resolution, and as of March 31, 2020, OIG was awaiting a decision. **(Audit Report: 2018-FW-0002)**

THE STATE OF NEW YORK DID NOT ENSURE THAT PROPERTIES PURCHASED UNDER THE ACQUISITION COMPONENT OF ITS PROGRAM WERE ELIGIBLE

ISSUE DATE: MARCH 29, 2019

HUD OIG audited the State of New York's CDBG Disaster Recovery-funded New York Rising Buyout and Acquisition program. OIG's objective was to determine whether the State ensured that properties purchased under the acquisition component of the program met applicable HUD, Federal, and State requirements.

OIG found that the State did not ensure that properties purchased under the acquisition component of its program met eligibility requirements. Specifically, it did not ensure that properties (1) were substantially damaged and (2) complied with flood hazard requirements. Further, it may have improperly purchased properties that did not comply with flood insurance requirements. These deficiencies occurred because the State did not have adequate controls and relied on applicants and other entities to ensure compliance with requirements. For example, the State relied on letters from local governments provided by its applicants to show that properties were substantially damaged, but it did not have a process to ensure that the substantial damage determination letters were accurate and supported. As a result, the State disbursed more than \$3.5 million for ineligible properties and incentives and more than \$5.9 million for properties that it could not show met applicable requirements, and HUD did not have assurance that Disaster Recovery funds were used for their intended purpose.

OIG recommended that HUD require the State to (1) reimburse more than \$3.5 million in settlement costs and incentives paid for properties that did not meet eligibility requirements or should not have received incentives; (2) provide documentation showing that 15 properties met requirements related to substantial damage, flood hazards, and flood insurance or reimburse more than \$5.9 million paid to purchase the properties; and (3) conduct a review of the other properties purchased under its program to ensure that properties were eligible and reimburse the amount paid for any additional properties found to be ineligible. Further, OIG recommended that HUD require the State to provide documentation showing that the acquisition component of its program has ended or improve its controls to ensure that properties purchased are eligible.

The Principal Deputy Assistant Secretary for Community Planning and Development proposed management decisions on October 2019. As of March, 31, 2020, OIG was reviewing the proposed management decisions. **(Audit Report: 2019-NY-1001)**

THE STATE OF NEW YORK DID NOT ENSURE THAT APPRAISED VALUES USED BY ITS PROGRAM WERE SUPPORTED AND APPRAISAL COSTS AND SERVICES COMPLIED WITH REQUIREMENTS

ISSUE DATE: MAY 29, 2019

HUD OIG audited the State of New York's CDBG Disaster Recovery-funded New York Rising Buyout and Acquisition program. OIG's objectives were to determine whether the State ensured that (1) the appraised fair market values used to determine award amounts under its program were supported and (2) appraisal costs for its program complied with applicable requirements and were for services performed in accordance with Federal, State, and industry standards.

OIG found that the State did not ensure that (1) appraised fair market values used to determine award amounts under its program were supported and (2) appraisal costs complied with applicable requirements and were for services performed in accordance with applicable Federal, State, and industry standards. The State also did not ensure that it had a clear and enforceable agreement with the City of New York before relying on appraisal services provided by the City's contractor and did not ensure that the appraisal services were properly procured and performed. These issues occurred because the State did not have adequate controls over its program. As a result, HUD and the State did not have assurance that (1) more than \$367.3 million paid to purchase properties was supported; (2) more than \$3.4 million disbursed for appraisal services was for costs that

were reasonable, necessary, and adequately documented; and (3) appraisal services were properly procured and performed. If the State improves controls over its program, it can ensure that up to \$93.4 million not yet disbursed is put to better use.

OIG recommended that HUD require the State to (1) provide documentation to support the appraised values of the properties purchased; (2) provide support to show that appraisal costs were reasonable, necessary, supported, and for services that were performed in accordance with requirements; (3) execute an agreement with the City for the use of appraisal services and show that services were properly procured; and (4) strengthen controls to ensure that Disaster Recovery funds used for appraisal services are for costs that are reasonable, necessary, supported, and for services that comply with applicable requirements.

The Deputy Assistant Secretary for Grant Programs did not propose management decisions to address the 10 recommendations contained in the audit report. In an attempt to reach agreement, OIG held discussions with CPD officials on June 17, 2019, September 10, 2019, and September 24, 2019. Due to not reaching agreement, OIG referred the 10 recommendations to the Assistant Secretary for Community Planning and Development on October 3, 2019. In another attempt to reach agreement, OIG held a discussion with CPD officials on November 21, 2019, but when agreement was not reached, OIG referred the recommendations to the Deputy Secretary on February 20, 2020. On February 26, 2020, CPD indicated that it was preparing management decisions. However, as of March 31, 2020, OIG had not received a decision from the Deputy Secretary. **(Audit Report: 2019-NY-1002)**

THE NORTH CAROLINA DEPARTMENT OF COMMERCE DID NOT ADMINISTER ITS NEIGHBORHOOD STABILIZATION PROGRAM GRANTS AS REQUIRED BY HUD

ISSUE DATE: JUNE 14, 2019

HUD OIG audited the North Carolina Department of Commerce's Neighborhood Stabilization Program (NSP) grants because the Department received more than \$57 million in NSP1 and NSP3 funding. OIG's audit objective was to determine whether the Department administered its NSP1 and NSP3 grants in accordance with HUD requirements.

The Department did not administer its NSP1 and NSP3 grants in accordance with HUD requirements. Specifically, it did not deobligate grant funds in a timely manner, reallocate grant funds with proper justification, maintain adequate documentation to support grant expenditures, properly track program income, and ensure that six NSP activities met their national objectives. These conditions occurred primarily due to a lack of written and implemented policies and procedures. As a result, the Department (1) allowed more than \$417,000 in grant funds to remain unused, (2) improperly reallocated \$1.3 million in grant funds, (3) used more than \$1.1 million in grant expenditures without adequate supporting documentation, (4) underreported at least \$6.1 million in program income to HUD, and (5) drew down more than \$11.9 million in grant funds without showing that a national objective was met.

OIG recommended that HUD require the Department to (1) reprogram and put unused NSP1 funds to better use, (2) support more than \$2.4 million or reimburse its NSP grants from non-Federal funds, (3) reconcile and update NSP income reported to HUD, (4) develop and implement a remediation plan to show that national objectives have been met as required to

support more than \$11.9 million in program funds, and (5) establish and implement written policies and procedures and provide adequate training to staff to recapture and reallocate unused NSP funds in a timely manner and to help ensure accurate reporting of program income. OIG also recommended that HUD (1) work with the Department so that it plans properly to ensure that the six activities identified in this report meet a national objective, thereby avoiding extended delays, and (2) review the Department's expenditure of the more than \$736,000 in remaining NSP1 grant funding before its drawdowns.

HUD agrees with the majority of OIG's recommendations. However, HUD disagrees with OIG on the recommendation related to the Department's inability to support that a national objective was met in accordance with 24 CFR 570.200(a)(2).

HUD states that it was unreasonable to question the cost as unsupported because the NSP rules do not require the Department to achieve a national objective within a set timeframe and the activities are still in the process of being implemented. HUD stated that it has granted control of how long a grant remains open to the NSP grantees, such as the Department; therefore, HUD has no authority in this situation to force the Department to complete the activity. Further, HUD stated that the field office has these grant awards on its books and will continue to track implementation and be available for technical assistance and that it will provide guidance and review when the Department is ready to close its NSP awards. Lastly, HUD stated that the field office will validate the Department's achievement of a national objective and identify any unsupported costs. HUD further asserted that it is, therefore, already positioned to ensure that national objectives are achieved and does not require this recommendation to remain open.

At the time of OIG's review, two of the six activities did not have an expected activity completion date specified. Implementing the recommendation and developing and using a remediation plan for the six NSP activities to show that the national objectives have been met as required to support \$11.9 million in program funds drawn will assist the Department and HUD in avoiding extended delays adversely impacting potential program beneficiaries and ensuring compliance and achievement of the program's goals.

OIG has explained that the documentation to close the recommendation would be the remediation plan that the Department would develop and that the recommendation would stay open until the remediation plan was fully implemented, showing that the national objectives have been met as required to support the program funds drawn down for the six activities. OIG acknowledged that program regulations do not impose a timeframe for meeting a national objective due to incompleteness of the activities. While timeframes are not imposed, this does not mean that grantees have indefinite and unlimited time to meet program requirements, such as meeting the national objectives. NSP is an inactive program, and no new funding is available as it was authorized by Congress from 2008 to 2011. In other words, it has been nearly 10 years since NSP ended; however, the activities remained open. Extended delays adversely impact potential program beneficiaries.

OIG cannot accept the management decision until the decision is revised to implement the recommendation or it can be demonstrated that the six activities have met a national objective since the time this audit report was issued. OIG rejected HUD's proposed management decision to not implement and close the recommendation and referred these issues to the Deputy Assistant Secretary for Operations on March 31, 2020. **(Audit Report: 2019-AT-1004)**

HUD PAID RENTAL SUBSIDIES TO BENEFIT PUBLIC HOUSING AND VOUCHER TENANTS REPORTED AS EXCLUDED FROM FEDERAL PROGRAMS OR DECEASED

ISSUE DATE: JUNE 25, 2019

HUD OIG audited HUD to determine whether it provided PHAs with access to the information contained in the Do Not Pay system. OIG performed this audit because the Housing Opportunity Through Modernization Act of 2016 requires HUD to ensure that PHAs have access to information contained in the Bureau of Fiscal Services' Do Not Pay system established by the Improper Payments Elimination and Recovery Improvement Act of 2012. Do Not Pay is a collection of data sources, one of which is the General Services Administration's System for Award Management (SAM) database of excluded parties.

OIG found, among other things, that HUD paid potentially improper rental subsidies to benefit 1,550 tenants who were reported as excluded from Federal programs. OIG recommended that HUD issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the SAM excluded parties list is reviewed by PHAs to determine eligibility in a manner consistent with the regulations in 2 CFR parts 180 and 2424 so that ineligible applicants or tenants are not admitted or recertified to put up to an estimated \$13.7 million in annual rental subsidies to better use.

In its October 8, 2019, management decision, PIH disagreed with this recommendation. PIH submitted a legal opinion from HUD's Office of General Counsel in support of its position. PIH maintains that persons included on the excluded parties list are eligible for admission to and continued occupancy in public housing and the Housing Choice Voucher Program. PIH also asserted that section 102(E) of the Housing Opportunity

Through Modernization Act of 2016 addresses electronic income verification but HUD provides a mechanism for compliance through the Enterprise Income Verification system. Further, the Act requires only that HUD give PHAs access to the Do Not Pay system and does not explicitly mandate that HUD require PHAs to deny admission and terminate the tenancy of individuals on the excluded parties list. HUD has never mandated that individuals be ineligible on the basis of being on the excluded parties list.

OIG rejected this management decision because it does not resolve the recommendation. It is the position of OIG that 2 CFR parts 180 and 2424 apply to the tenants indicated in the report. Office of Management and Budget (OMB) guidance does not limit the reach of its debarment and suspension provisions to procurement transactions. The purpose of the nonprocurement debarment and suspension system is to protect the public interest by ensuring the integrity of Federal programs by conducting business only with responsible persons. In this regard, contracts of assistance and subsidies are considered nonprocurement covered transactions under OMB regulations, and HUD regulations define subsidized tenants as being covered by this restriction. OMB guides agencies to check the governmentwide SAM exclusions to determine whether a person is excluded and whether that person is ineligible as a result. HUD's regulations define recipients under HUD assistance agreements as well as ultimate beneficiaries of HUD programs as principals or participants in the transaction. Assisted or subsidized tenants are either recipients under HUD assistance agreements, ultimate beneficiaries of HUD programs, or both. Therefore, OIG continues to recommend that HUD issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the SAM excluded parties list is reviewed by PHAs to determine eligibility.

Because OIG did not reach agreement with the Deputy Assistant Secretary for Public Housing and Voucher Programs, on February 19, 2020, OIG referred its disagreement to the Assistant Secretary for Public and Indian Housing. However, OIG did not reach agreement with the Assistant Secretary for Public and Indian Housing on the actions necessary to correct the deficiencies identified in the report. Therefore, OIG referred the recommendation to the official serving in the Deputy Secretary role on March 31, 2020, for his final decision as the Departmental Audit Resolution Official. **(Audit Report: 2019-KC-0002)**

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2020

RISK-BASED ENFORCEMENT COULD IMPROVE PROGRAM EFFECTIVENESS

ISSUE DATE: FEBRUARY 12, 2016

HUD OIG evaluated the effectiveness of the Departmental Enforcement Center (DEC). Historically, HUD program managers have not wanted to enforce program requirements. That reluctance increases the risk that program funds will not provide maximum benefits to recipients and allows serious noncompliance to go unchecked. When it was created, DEC had independent enforcement authority, but it lost that authority when it moved from the Deputy Secretary's office to the Office of General Counsel. DEC lost control of funding and staffing levels and contended with inadequate IT systems and support. Although program offices were asking for more DEC financial analyses, they did not consistently use enforcement actions to remedy noncompliance. Further, managers' reluctance to enforce program requirements limited DEC's effectiveness in most programs. Turnover, retirements, and hiring limitations could leave

DEC without enough skilled staff to support future workloads needed to service HUD programs and enforce program requirements. Risk-based monitoring and enforcement offers the opportunity to provide quality, affordable rental housing, improve the quality of life, and build strong, resilient communities.

OIG made eight recommendations, two of which remain open. OIG has not reached an agreed-upon management decision for either of these recommendations.

To address one of these recommendations, HUD plans to develop protocols that would provide data-driven referrals to DEC on financial and physical performance failures. HUD plans to develop two: one among the Real Estate Assessment Center (REAC), DEC, and PIH and another among REAC, DEC, and the Office of Multifamily Housing Programs. HUD has developed and provided draft protocols. In February 2020, OIG met with DEC officials to discuss the status of the recommendation and learned that the new National Standards for the Physical Inspection of Real Estate demonstration may impact the implementation of the recommendation. During the next reporting period, OIG will contact REAC on DEC's behalf to encourage the collaboration necessary to resolve and close this recommendation.

To address the other recommendation, HUD needs to strengthen DEC's authority to enforce program requirements. In April 2019, OIG changed the status of this recommendation to resolved-open based on HUD's proposed actions in response to a U.S. Government Accountability Office report. However, after reviewing the protocols developed between DEC and PIH, OIG determined that the protocol does not strengthen DEC's authority to enforce program requirements or include any provisions

for DEC to make independent assessments. Therefore, OIG changed the status of this recommendation to unresolved-open. On March 31, 2020, OIG referred this recommendation to the Deputy Secretary for final action. **(Evaluation Report: 2014-OE-0002)**

OPPORTUNITIES FOR IMPROVEMENT WITHIN CPD'S RISK MANAGEMENT PROCESS FOR HURRICANE SANDY GRANTS

ISSUE DATE: MARCH 29, 2017

HUD OIG evaluated the risk analysis process for Hurricane Sandy grants performed by HUD CPD. CPD uses a risk analysis process to rank grantees that pose the greatest risk to the integrity of its programs. According to CPD, the risk analysis results guide how the monitoring phase of the risk management process is conducted. After CPD management certifies the risk analysis results, management develops a monitoring strategy. By monitoring grantees, CPD aims to ensure that a grantee performs and delivers on the terms of the grant while reducing the possibility of fraud, waste, and mismanagement.

OIG observed that (1) CPD's risk analysis worksheet did not consider risk related to performance outputs, (2) the risk analysis did not consider the likelihood of risk events occurring, (3) no clear correlation between the risk analysis and monitoring existed, (4) CPD made limited use of data analytics in its risk management process, and (5) CPD staff was not trained to conduct a risk analysis.

OIG made five recommendations, two of which remain open. OIG has not reached an agreed-upon management decision for one of these recommendations. To address this recommendation, CPD plans to improve the risk analysis process, namely through data automation. The

intent of the recommendation is to include the likelihood of future risk occurrence in the risk analysis, but CPD's planned changes do not address how it has incorporated or plans to incorporate the likelihood of risk occurrence into its updated risk analysis. In August 2019, OIG notified CPD officials that CPD should specify how its planned changes to the risk analysis process will incorporate the likelihood of risk occurrence into its updated risk analysis and when it expects to complete these changes. To date, CPD has not provided this information. During this next reporting period, OIG will refer this recommendation to the Deputy Secretary for final action. **(Evaluation Report: 2016-OE-0004S)**

HUD WEB APPLICATION SECURITY EVALUATION

ISSUE DATE: JUNE 6, 2018

HUD OIG completed a targeted web application security evaluation of HUD in support of a Counsel of the Inspectors General on Integrity and Efficiency Federal cross-cutting project, making nine recommendations for improvement to the Department. OIG assessed HUD's capability to identify and mitigate critical IT vulnerabilities in the Department's publicly accessible web applications. OIG identified key deficiencies in HUD's practices that put HUD's extensive collection of sensitive data, including personal information of private citizens, at increased risk of unauthorized access and compromise. Of particular concern was the discovery of multiple operating web applications unknown to OCIO.

To date, HUD has not provided management decisions for the nine open recommendations or a required estimated completion date for providing the management decisions. On June 2, 2017, HUD concurred with all recommendations and agreed to work with OIG to assign responsibility and complete resolution. Due to key leadership changes and a priority

focus on providing OIG with management decisions for the fiscal years 2017 and 2018 Federal Information Security Modernization Act of 2014 evaluations, management decisions for this report have not been provided. HUD OCIO is working closely with OIG to provide management decisions and estimated completion dates for the recommendations. OIG agreed to close one recommendation due to technology changes in the HUD IT environment, leaving eight open recommendations. **(Evaluation Report: 2016-OE-0002)**

HUD IT SYSTEM MANAGEMENT AND OVERSIGHT OF THE SECTION 184 PROGRAM

ISSUE DATE: AUGUST 13, 2018

HUD OIG evaluated the IT systems supporting the Office of Native American Programs' (ONAP) Indian Home Loan Guarantee Program (Section 184 program) following concerns that HUD had not used provided resources to address shortcomings in internal controls and the ability to deploy a reliable IT system. OIG observed that (1) a newly developed IT system, called the Loan Origination System (LOS), had significant limitations, requiring lenders and program officials to continue to use a HUD legacy IT system and manual processes for maintaining files, servicing loans, and managing claims; (2) only 1 of 38 lenders was able to access and use LOS due to HUD's inability to resolve and implement a user access solution; (3) LOS had no capability to conduct loan servicing and claims, which are still conducted using Excel spreadsheets; and (4) LOS lacked critical management reporting capabilities. Despite HUD's investing \$4 million into the development of LOS, the system does not satisfy all management and oversight objectives.

OIG made five recommendations, with all five remaining open. HUD and ONAP concurred with all five recommendations in August 2018 with a suspense of November 26, 2018, to provide OIG with management decisions. OIG received a management decision for the fourth recommendation from HUD OCIO. However, due to the LOS contract lapse in September 2018 and the inability to award a new contract, HUD and ONAP have been unable to provide management decisions for the remaining four recommendations. ONAP has been in regular contact with OIG and states that a new contract for maintaining LOS must be in place in order to coordinate with HUD on the management decisions. The LOS solicitation was released in March 2019 and was awarded at the beginning of calendar year 2020. **(Evaluation Report: 2018-OE-0004)**

SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significantly revised management decisions made during the reporting period.

During the current reporting period, there were no significantly revised management decisions.

SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

Section 5(a)(12) of the Inspector General Act, as amended, requires that OIG report information concerning any significant management decision with which OIG disagrees.

During the reporting period, OIG did not disagree with any significant management decision.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

Section 804(b) of FFMIA requires OIG to report in its Semiannual Reports to Congress instances and reasons when an agency has not met the intermediate target dates established in its remediation plans required by FFMIA. Section 803(a) of FFMIA requires that each agency establish and maintain financial management systems that comply with (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level.

As of September 30, 2019, OIG and HUD noted noncompliance with the three Section 803(a) elements of FFMIA. Specifically, there were eight financial systems¹⁶ that were noncompliant with one or more of the three Section 803(a) requirements. HUD has continued to implement its remediation plans to address the longstanding weaknesses in its financial management systems. The latest target date for remediation is April 11, 2020, and as of March 31, 2020, HUD was on track to meet the intermediate target dates in its remediation plans.

¹⁶The eight financial systems that were noncompliant with FFMIA as of September 30, 2019, were New Core Interface Solution, Integrated Pool Management System, Single Family Mortgage Asset Recovery Technology, Integrated Disbursement and Information System Online, Disaster Recovery Grant Reporting System, Tenant Rental Assistance Certification System, Federal Asset Management Enterprise System, and Ginnie Mae Financial Accounting System.

CHAPTER 9

WHISTLEBLOWER OMBUDSMAN

Whistleblowers play a critical role in keeping our Government programs honest, efficient, and accountable. The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to ensure that HUD and HUD OIG employees are aware of their rights to disclose misconduct, waste, or abuse in HUD programs without reprisal and to assist HUD and HUD OIG employees in seeking redress when employees believe that they have been subject to retaliation for whistleblowing. HUD OIG also investigates complaints of whistleblower retaliation by government contractors and grantees.

HUD OIG's Whistleblower Protection Coordinator Program works with HUD and HUD OIG employees to provide information on

- employee options for disclosing misconduct, waste, or abuse in HUD programs;
- statutory protections for Federal employees who make such disclosures; and
- how to file a complaint with the Office of Special Counsel under the Whistleblower Protection Act when an employee believes that he or she has been retaliated against for making protected disclosures.

The HUD OIG Whistleblower Protection Coordinator Program continued its focus on staff training and individual assistance. The mandatory whistleblower training is presented in conjunction with the OIG annual ethics training. The 2019 training was presented on September 19, 2019. It was presented live and is posted on OIG's website for employees who could not attend in person.

The Whistleblower Protection Coordinator meets with HUD employees individually, upon request. Generally, OIG will refer HUD employees with whistleblower retaliation complaints to the Office of Special Counsel. OIG does not track these matters unless the Office of Special Counsel requests OIG assistance in investigating a complaint. During this semiannual reporting period, OIG did not substantiate any whistleblower retaliation complaints against HUD employees.

OIG received a number of complaints filed under 41 U.S.C (United States Code) section 4712. This provision extends whistleblower protection to employees of Federal contractors, subcontractors, grantees, and subgrantees. If the employee of a HUD grantee or contractor believes he or she has been retaliated against for whistleblowing, he or she may file a complaint with OIG, and OIG will investigate the complaint and provide findings of fact to HUD. OIG is required to complete its investigation within 180 days, unless the complainant agrees to an extension.

The chart below provides further information on those complaints.

Whistleblower Ombudsman Data

Number of complainants asserting whistleblower status ¹⁷	11 (3 referred to hotline)
Complaints referred for investigation to the HUD OIG Office of Investigation (OI)	8
Complaint investigations opened by OI	7
Complaints declined by OI	1
Complaints currently under review by OI	6
Employee complaint investigations closed by OI	1

¹⁷Not all complainants are found to be whistleblowers under Section 4712. For example, many complainants raise questions regarding treatment by public housing agencies (PHA) following their alleged disclosures of wrongdoing by the same PHA. They claim to be whistleblowers, but they are not employees of the grantee. These complaints are referred to OIG's hotline for appropriate referral and disposition.

CHAPTER 10

PEER REVIEW REPORTING

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), section 989C, requires inspectors general to report the latest peer review results in their semiannual reports to Congress. The purpose in doing so is to enhance transparency within the government. The Offices of Audit, Investigation, and Evaluation are required to undergo a peer review of their individual organizations every 3 years. The purpose of the review is to ensure that the work completed by the respective organizations meets the applicable requirements and standards. The following is a summary of the status of the latest round of peer reviews for the organization.

OFFICE OF AUDIT**Peer Review Conducted on HUD OIG by DOT OIG**

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), received a grade of pass (the highest rating) on the peer review report issued by the U.S. Department of Transportation (DOT) OIG on September 28, 2018. There were no recommendations included in the System Review Report. The report stated:

In our opinion, the system of quality control for the audit organization of the HUD OIG in effect for the year ended March 31, 2018, was suitably designed and complied with to provide the HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal Audit organizations can receive a

rating of pass, pass with deficiencies, or fail. The HUD OIG has received a peer review rating of pass.

Peer Review Conducted by HUD OIG on DOD OIG

HUD OIG conducted an external peer review of the U.S. Department of Defense (DoD) OIG, Office of Audit, and issued a final report September 27, 2018. DoD OIG received a peer review rating of pass.

A copy of the external quality control review report can be viewed at <https://media.defense.gov/2018/Oct/05/2002048826/-1/-1/1/TRANSMITTAL%20MEMO%20AND%20SYSTEM%20REVIEW%20REPORT.PDF>.

OFFICE OF INVESTIGATION**Peer Review Conducted on HUD OIG by DHS OIG**

The U.S. Department of Homeland Security (DHS) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on July 3, 2017. DHS OIG determined that HUD OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

Peer Review Conducted by HUD OIG on USDA OIG

HUD OIG conducted an external peer review of the U.S. Department of Agriculture (USDA) OIG, Office of Investigation, and issued a final report on October 4, 2016. HUD OIG determined that USDA OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency.

OFFICE OF EVALUATION

Peer Review Conducted by HUD OIG on FHFA OIG

HUD OIG conducted an external peer review of the Federal Housing Finance Agency (FHFA) OIG's inspection and evaluation functions and issued a final report September 10, 2019. FHFA OIG received a peer review rating of pass.

A copy of the external quality control review report can be viewed at <https://www.fhfa.gov/sites/default/files/Final%20Report%20-%20External%20Peer%20Review%20of%20FHFA%20OIG.pdf>.

Peer Review Conducted on HUD OIG

During the review period, the Office of Evaluation has not been reviewed.

APPENDIXES

REPORTS ISSUED.....	69
TABLES.....	75
INSPECTOR GENERAL EMPOWERMENT ACT.....	116
REPORTING REQUIREMENTS.....	123
ACRONYMS AND ABBREVIATIONS.....	125
OIG TELEPHONE DIRECTORY.....	128

APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports

Chief Financial Officer	
2020-CH-0001	HUD's Office of the Chief Financial Officer Generally Complied With the Digital Accountability and Transparency Act of 2014 With a Few Exceptions, 11/07/2019.
2020-FO-0003	Additional Details To Supplement Our Fiscal Year 2019 U.S. Department of Housing and Urban Development Financial Statements Audit, 02/07/2020.
2020-FO-0004	HUD's Fiscal Year 2019 Consolidated Financial Statements Audit, 02/14/2020.
2020-KC-0002	HUD's Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases and Were Not Always Used When Required, 01/31/2020.

Chief Procurement Officer	
2020-KC-0001	HUD's Purchase Card Program Had Inaccurate Records, Untimely Training, and Improper Purchases, 01/31/2020. Questioned: \$1,807. Unsupported: \$1,807.

Community Planning and Development	
2020-LA-0001	The Office of Special Needs Assistance Programs' Award Review Process Generally Complied With HUD Continuum of Care Program Requirements, 03/31/2020.

APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports continued...

Government National Mortgage Association	
2020-FO-0002	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Year 2019, 02/07/2020.
Housing	
2020-CH-0002	HUD May Be Able To Improve Its Cash Flow Model To Estimate and Reestimate the Credit Subsidy for Cohorts of Mortgages Within the Section 232 Program, 03/17/2020.
2020-FO-0001	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2019 and 2018, 11/14/2019.
2020-FW-0001	HUD Did Not Have Adequate Oversight To Ensure That Its Payments to Subsidized Property Owners Were Accurate and Supported When It Suspended Contract Administrator Reviews, 02/26/2020.
Public and Indian Housing	
2020-CH-0003	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule, 03/18/2020.

APPENDIX 1 - REPORTS ISSUED

Audit-Related Memorandums¹⁸

Community Planning and Development	
2020-NY-0801	Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs, Continuum of Care Homeless Assistance Grants Program, Regarding Drug Control Accounting for Fiscal Year 2019, 01/31/2020.
Housing	
2020-AT-0801	HUD Had Not Established Deadlines for Reporting FHA-HAMP Nonincentivized Loan Modifications and Filing Nonincentivized Partial Claims, 02/04/2020.
2020-AT-0802	HUD Inaccurately Allotted Funding for Tenant Protection Assistance and Improperly Approved a Proposed RAD Conversion, 02/18/2020.

¹⁸The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards; to close out assignments with no findings and recommendations; to respond to requests for information; or to report on the results of a survey, an attestation engagement, or civil actions or settlements.

APPENDIX 1 - REPORTS ISSUED

External Audit Reports

Community Planning and Development	
2020-AT-1002	The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants, 03/16/2020. Questioned: \$55,010. Unsupported: \$55,010. Better use: \$361,501.
2020-DE-1001	Del Norte Neighborhood Development Corporation, Denver, CO, Failed To Provide Eight Units of HOME-Funded Affordable Housing for the Required 20-Year Period, 11/26/2019. Questioned: \$37,000.
2020-LA-1001	Community Action North Bay, Fairfield, CA, Did Not Administer Its Continuum of Care Program in Accordance With HUD Requirements, 01/31/2020. Questioned: \$647,826. Unsupported: \$632,663. Better use: \$28,576.
Lead Hazard Control	
2020-CH-1001	The City of Detroit's Housing and Revitalization Department, Detroit, MI, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's Requirements, 10/02/2019. Questioned: \$616,463. Unsupported: \$616,463.

APPENDIX 1 - REPORTS ISSUED

External Audit Reports continued...

Public and Indian Housing	
2020-AT-1001	The Christian Church Homes, Oakland, CA, Did Not Ensure That the Rental Assistance Demonstration Program Conversion Was Accurate and Supported for Vineville Christian Towers, 11/04/2019. Questioned: \$485,475.
2020-BO-1001	The New Hampshire Housing Finance Authority, Bedford, NH, Complied With Housing Choice Voucher Program Requirements, 03/04/2020.
2020-BO-1002	The Housing Authority of the City of Springfield, MA, Did Not Always Comply With Procurement and Contract Administration Requirements, 03/19/2020. Questioned: \$954,073. Unsupported: \$916,132. Better use: \$408,968.
2020-CH-1002	The Wausau Community Development Authority, Wausau, WI, Generally Complied With HUD's and Its Own Requirements Regarding Housing Quality Standards Inspections, 12/12/2019.
2020-LA-1002	The Housing Authority of the City of Long Beach, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements, 03/05/2020. Questioned: \$2,486,678. Unsupported: \$2,481,030.

APPENDIX 1 - REPORTS ISSUED

Evaluation Reports

Public and Indian Housing	
2019-OE-0001	HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require, 2/4/2020.

Community Planning and Development	
2019-OE-0004	Overview of HUD's Housing Assistance Programs, 3/31/2020.

Evaluation-Related Memorandums

Chief Information Officer	
2019-OE-0007	Management Alert: Records and Privacy Protection Issues Identified During FY 2019 FISMA Evaluation, 12/19/2019.

APPENDIX 2 - TABLES

TABLE A

Audit Reports Issued Before Start of Period With No Management Decision as of March 31, 2020***Significant Reports Described in Previous Semiannual Reports**

Report number	Title	Issue date
* 2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013
* 2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014
* 2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015
* 2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015
* 2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015

Report number	Title	Issue date
* 2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016
* 2016-PH-0005	HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes	09/29/2016
* 2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016
* 2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016
* 2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017
2017-FW-0001	HUD's Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees' Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees	07/10/2017
2017-CF-0801	HUD Needs To Clarify Whether Illegal-Undocumented Aliens Are Eligible for Assistance Under the Housing Opportunities for Persons With AIDS Program	08/21/2017
* 2017-PH-0002	HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes	09/22/2017

Report number	Title	Issue date
* 2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017
* 2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2017
* 2018-FW-0002	HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program	07/23/2018
* 2019-NY-1001	The State of New York Did Not Ensure That Properties Purchased Under the Acquisition Component of Its Program Were Eligible	03/29/2019
* 2019-NY-1002	The State of New York Did Not Ensure That Appraised Values Used by Its Program Were Supported and Appraisal Costs and Services Complied With Requirements	05/29/2019
* 2019-AT-1004	The North Carolina Department of Commerce Did Not Administer Its Neighborhood Stabilization Program Grants as Required by HUD	06/14/2019
* 2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased	06/25/2019

Evaluation Reports Issued Before Start of Period With No Management Decision as of March 31, 2020

Report number	Title	Issue date
2014-OE-0002	Risk-Based Enforcement Could Improve Program Effectiveness	02/12/2016
2016-OE-0002	HUD Web Application Security Evaluation	08/13/2018
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	03/29/2017
2016-OE-0004S	Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017

APPENDIX 2 - TABLES

TABLE B**Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report**

Report number	Report title	Issue date	Decision date	Final action
2005-AT-1013	Corporacion para el Fomento Economico de la Ciudad Capital, San Juan, Puerto Rico, Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements	09/15/2005	01/11/2006	Note 1
2006-CH-1021	Housing Authority of the County of Cook, Chicago, Illinois, Had Weak Controls over Its Section 8 Housing Choice Voucher Program	09/30/2006	01/26/2007	09/30/2037
2009-AT-0001	HUD Lacked Adequate Controls To Ensure the Timely Commitment and Expenditure of HOME Funds	09/28/2009	03/18/2011	Note 1
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2011-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2010 and 2009 Financial Statements	11/15/2010	08/08/2011	Note 1

Report number	Report title	Issue date	Decision date	Final action
2011-PH-1005	The District of Columbia Did Not Administer Its HOME Program in Accordance With Federal Requirements, Washington, DC	12/23/2010	04/22/2011	Note 1
2011-NY-1010	The City of Buffalo Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Buffalo, NY	04/15/2011	01/25/2012	Note 1
2011-AT-1018	The Municipality of San Juan Did Not Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	09/28/2011	01/12/2012	Note 1
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 1
2012-PH-0001	HUD Needed To Improve Its Use of Its Integrated Disbursement and Information System To Oversee Its CDBG Program	10/31/2011	02/28/2012	Note 1
2012-LA-0001	HUD Did Not Adequately Support the Reasonableness of the Fee-for-Service Amounts or Monitor the Amounts Charged	11/16/2011	03/27/2012	05/29/2020
2012-AT-1009	The Municipality of Bayamón Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Bayamon, PR	05/23/2012	09/18/2012	Note 1

Report number	Report title	Issue date	Decision date	Final action
2012-PH-1011	Prince George's County Generally Did Not Administer Its HOME Program in Accordance With Federal Requirements, Largo, MD	08/03/2012	11/30/2012	Note 1
2012-CH-1012	The Saginaw Housing Commission Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements, Saginaw, MI	09/27/2012	01/07/2013	01/01/2023
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA	10/31/2012	01/31/2013	Note 1
2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements	11/15/2012	05/15/2013	Note 1
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA	03/14/2013	05/15/2013	Note 2
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR	03/22/2013	06/14/2013	Note 1
2013-NY-1006	Nassau County Did Not Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 1

Report number	Report title	Issue date	Decision date	Final action
2013-KC-0002	HUD Did Not Enforce the Reporting Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Public Housing Authorities	06/26/2013	10/24/2013	Note 1
2013-LA-1009	The City of Hawthorne Inappropriately Used Nearly \$1.6 Million in HOME Funds for Section 8 Tenants, Hawthorne, CA	09/13/2013	01/06/2014	Note 1
2013-LA-1010	The City of Hawthorne Did Not Administer Its CDBG Program Cost Allocations in Accordance With HUD Rules and Requirements, Hawthorne, CA	09/20/2013	01/06/2014	Note 1
2013-NY-1010	The City of Auburn Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Auburn, NY	09/26/2013	01/24/2014	Note 1
2013-CH-1011	The Michigan State Housing Development Authority Did Not Follow HUD's Requirements Regarding the Administration of Its Program, Lansing, MI	09/30/2013	01/15/2014	07/31/2029
2013-CH-1012	The Hamtramck Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hamtramck, MI	09/30/2013	01/21/2014	05/31/2020
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	12/03/2013	01/24/2014	Note 1

Report number	Report title	Issue date	Decision date	Final action
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	Note 1
2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013	07/09/2014	Note 3
2014-AT-1004	The State of Mississippi Did Not Ensure That Its Subrecipient and Appraisers Complied With Requirements, and It Did Not Fully Implement Adequate Procedures for Its Disaster Infrastructure Program, Jackson, MS	12/30/2013	04/15/2014	Note 1
2014-FW-0001	The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	02/07/2014	03/17/2015	Note 2
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	Note 1
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	Note 1
2014-FO-0004	HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	04/15/2014	01/07/2015	12/31/2020

Report number	Report title	Issue date	Decision date	Final action
2014-CH-1003	The Hamtramck Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, or Its Own Requirements, Hamtramck, MI	04/30/2014	08/08/2014	05/31/2020
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office	05/12/2014	03/17/2015	Note 2
2014-AT-1005	The City of Huntsville, Community Development Department, Did Not Adequately Account for and Administer the Mirabeau Apartments Project, Huntsville, AL	05/29/2014	09/23/2014	Note 1
2014-LA-0004	HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers	06/30/2014	10/20/2014	05/29/2020
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	07/02/2014	10/27/2014	Note 1
2014-NY-1008	Palladia, Inc., Did Not Administer Its Supportive Housing Program in Accordance With HUD Requirements, New York, NY	07/25/2014	11/21/2014	Note 1
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	Note 1

Report number	Report title	Issue date	Decision date	Final action
2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014	12/03/2014	Note 3
2014-CH-1006	The Goshen Housing Authority Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program, Goshen, IN	08/14/2014	01/21/2015	06/30/2020
2014-PH-1008	The State of New Jersey Did Not Fully Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Tourism Marketing Program	08/29/2014	09/02/2015	Note 1
2014-NY-0003	Asset Repositioning Fees for Public Housing Authorities With Units Approved for Demolition or Disposition Were Not Always Accurately Calculated	09/04/2014	12/29/2014	12/31/2020
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office	09/24/2014	03/17/2015	Note 2
2014-LA-1007	The City of Los Angeles Did Not Always Ensure That CDBG-Funded Projects Met National Program Objectives, Los Angeles, CA	09/29/2014	01/27/2015	Note 1
2015-FW-1801	The Management of the Housing Authority of the City of Taylor, Taylor, TX, Did Not Exercise Adequate Oversight of Its Programs	10/02/2014	01/21/2015	06/24/2020

Report number	Report title	Issue date	Decision date	Final action
2015-NY-1001	The City of New York Did Not Always Disburse CDBG Disaster Recovery Assistance Funds to Its Subrecipient in Accordance With Federal Regulations, New York, NY	11/24/2014	03/23/2015	Note 1
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	Note 1
2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015	06/25/2015	Note 3
2015-AT-0001	HUD's Office of Community Planning and Development Did Not Always Pursue Remedial Actions but Generally Implemented Sufficient Controls for Administering Its Neighborhood Stabilization Program	03/31/2015	08/28/2015	Note 1
2015-LA-1004	The Housing Authority of the County of San Bernardino, San Bernardino, CA, Used Shelter Plus Care Program Funds for Ineligible and Unsupported Participants	05/29/2015	09/16/2015	Note 1
2015-PH-1003	The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	06/04/2015	10/02/2015	Note 1
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	Note 1

Report number	Report title	Issue date	Decision date	Final action
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	12/31/2021
2015-LA-1005	NOVA Financial & Investment Corporation's FHA-Insured Loans With Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	07/09/2015	09/11/2015	Note 1
2015-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Section 203(k) Rehabilitation Loan Mortgage Insurance Program	07/31/2015	11/27/2015	Note 1
2015-KC-0002	The Office of Community Planning and Development's Reviews of Matching Contributions Were Ineffective and Its Application of Match Reductions Was Not Always Correct	08/11/2015	12/09/2015	Note 1
2015-AT-0002	HUD's Office of Multifamily Asset Management and Portfolio Oversight Did Not Comply With Its Requirements for Monitoring Management Agents' Costs	08/21/2015	12/16/2015	Note 1
2015-NY-1010	New York State Did Not Always Administer Its Rising Home Enhanced Buyout Program in Accordance With Federal and State Regulations	09/17/2015	03/01/2016	Note 1
2015-NY-1011	Program Control Weaknesses Lessened Assurance That New York Rising Housing Recovery Program Funds Were Always Disbursed for Eligible Costs	09/17/2015	03/18/2016	Note 1

Report number	Report title	Issue date	Decision date	Final action
2015-CH-1009	The State of Illinois' Administrator Lacked Adequate Controls Over the State's Community Development Block Grant Disaster Recovery Program-Funded Projects	09/30/2015	01/28/2016	06/28/2021
2015-LA-1009	loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2015-LA-1010	loanDepot's FHA-Insured Loans With Golden State Finance Authority Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	Note 3
2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015	03/22/2016	Note 3
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	Note 1
2016-AT-1002	The Municipality of Toa Alta, PR, Did Not Properly Administer Its Section 108 Loan Guarantee Program	12/17/2015	04/12/2016	Note 1

Report number	Report title	Issue date	Decision date	Final action
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	Note 1
2016-NY-1003	The City of Rochester, NY, Did Not Always Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	02/05/2016	06/17/2016	Note 1
2016-SE-1001	Homewood Terrace, Auburn, WA, Did Not Always Conduct Timely Reexaminations, Properly Request Assistance Payments, or Verify Income Information	03/09/2016	07/06/2016	Note 1
2016-NY-1006	New York State Did Not Always Disburse Community Development Block Grant Disaster Recovery Funds in Accordance With Federal and State Regulations	03/29/2016	07/27/2016	Note 1
2016-NY-1007	The City of Jersey City, NJ's Community Development Block Grant Program Had Administrative and Financial Control Weaknesses	03/30/2016	06/08/2016	Note 1
2016-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/13/2016	10/04/2016	12/31/2020
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans	05/20/2016	09/16/2016	Note 1

Report number	Report title	Issue date	Decision date	Final action
2016-BO-1003	The State of Connecticut Did Not Always Administer Its Neighborhood Stabilization Program in Compliance With HUD Regulations	06/28/2016	10/25/2016	Note 1
2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016	02/16/2017	Note 3
2016-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements	08/29/2016	12/15/2016	Note 1
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems	08/31/2016	12/22/2016	Note 1
2016-FW-1006	The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs	08/31/2016	12/16/2016	Note 1
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	04/01/2025
2016-CH-1009	The Condominium Association and Management Agent Lacked Adequate Controls Over the Operation of West Park Place Condominium, Chicago, IL	09/30/2016	01/25/2017	Note 2

Report number	Report title	Issue date	Decision date	Final action
2016-FW-1010	The State of Oklahoma Did Not Obligate and Spend Its Community Development Block Grant Disaster Recovery Funds in Accordance With Requirements	09/30/2016	01/17/2017	Note 1
2016-PH-1009	The State of New Jersey Did Not Disburse Disaster Funds to Its Contractor in Accordance With HUD, Federal, and Other Applicable Requirements	09/30/2016	01/27/2017	Note 1
2017-BO-1001	The State of Connecticut Did Not Always Comply With CDBG Disaster Recovery Assistance Requirements	10/12/2016	02/01/2017	Note 1
2017-KC-0001	FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time	10/14/2016	02/28/2017	Note 1
2017-NY-1001	The City of New York, NY, Implemented Policies That Did Not Always Ensure That CDBG Disaster Recovery Funds Were Disbursed in Accordance With Its Action Plan and Federal Requirements	11/02/2016	05/08/2017	Note 1
2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016	04/06/2017	Note 3
2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016	09/13/2017	Note 3

Report number	Report title	Issue date	Decision date	Final action
2017-NY-1004	The City of New York, NY, Lacked Adequate Controls To Ensure That the Use of CDBG-DR Funds Was Always Consistent With the Action Plan and Applicable Federal and State Requirements	12/21/2016	04/17/2017	Note 1
2017-NY-1005	Union County, NJ'S HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements	01/13/2017	05/11/2017	Note 2
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	Note 1
2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017	05/25/2017	Note 3
2017-DP-0002	Review of Information Systems Controls Over FHA's Single Family Premiums Collection Subsystem – Periodic and the Single Family Acquired Asset Management System	02/09/2017	06/12/2017	Note 1
2017-KC-1801	Final Action Memorandum: Purchaser of HUD-Insured Single-Family Property Settled Allegations of Causing the Submission of a False Claim	02/23/2017	02/23/2017	06/15/2021
2017-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	Note 2

Report number	Report title	Issue date	Decision date	Final action
2017-PH-1001	The City of Pittsburgh, PA, Did Not Always Administer Its CDBG Program in Accordance With HUD and Federal Requirements	03/22/2017	07/19/2017	Note 1
2017-CF-1803	United Shore Financial Services, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	03/29/2017	03/29/2017	03/27/2022
2017-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	12/31/2023
2017-KC-0003	HUD Did Not Ensure That Lenders Properly Processed Voluntary Terminations of Insurance Coverage on FHA Loans and Disclosed All Implications of the Terminations to the Borrowers	05/22/2017	09/19/2017	Note 1
2017-PH-1003	The Yorkville Cooperative, Fairfax, VA, Did Not Administer Its HUD-Insured Property and Housing Assistance Contract According to Applicable Requirements	05/22/2017	09/19/2017	Note 1
2017-KC-0005	Owners of Cooperative Housing Properties Generally Charged More for Their Section 8 Units Than for Their Non-Section 8 Units	06/12/2017	10/06/2017	Note 1
2017-LA-1005	The City of Huntington Park, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	06/16/2017	10/17/2017	Note 1

Report number	Report title	Issue date	Decision date	Final action
2017-KC-0006	HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program	07/14/2017	10/19/2017	Note 2
2017-LA-1006	The City of Fresno, CA, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements	08/09/2017	11/21/2017	Note 1
2017-PH-1005	The State of New Jersey Did Not Always Disburse Disaster Funds for Its Sandy Homebuyer Assistance Program To Assist Eligible Home Buyers	08/14/2017	11/15/2017	Note 1
2017-AT-1011	The Lexington Housing Authority, Lexington, NC, Did Not Administer Its RAD Conversion in Accordance With HUD Requirements	08/21/2017	12/11/2017	Note 2
2017-FW-1011	BLM Companies LLC Failed To Ensure That It Protected and Preserved HUD Properties Under Its Field Service Manager Contract for Area 1D	08/29/2017	12/26/2017	Note 1
2017-FW-1012	The City of New Orleans, New Orleans, LA, Did Not Always Properly Administer Its HOME Program	09/06/2017	12/19/2017	Note 2
2017-KC-0007	HUD Subsidized 10,119 Units for Tenants Who Were Undercharged Flat Rents	09/12/2017	12/01/2017	Note 2

Report number	Report title	Issue date	Decision date	Final action
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	Note 1
2017-NY-1010	The State of New York Did Not Show That Disaster Recovery Funds Under Its Non-Federal Share Match Program Were Used for Eligible and Supported Costs	09/15/2017	01/12/2018	Note 1
2017-LA-0005	HUD Did Not Always Follow Applicable Requirements When Forgiving Debts and Terminating Debt Collections	09/21/2017	01/17/2018	Note 1
2017-PH-1006	The Owner of Schwenckfeld Manor, Lansdale, PA, Did Not Always Manage Its HUD-Insured Property in Accordance With Applicable HUD Requirements	09/25/2017	01/23/2018	Note 2
2017-CF-1807	Residential Home Funding Corp. Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	09/30/2021
2017-DP-0003	New Core Project: Although Transaction Processing Had Improved Weaknesses Remained	09/28/2017	01/25/2018	Note 1
2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017	01/26/2018	Note 3

Report number	Report title	Issue date	Decision date	Final action
2017-CH-1009	The Owner and Management Agents Lacked Adequate Controls Over the Operation of Mary Scott Nursing Center, Dayton, OH	09/30/2017	01/26/2018	Note 2
2017-CH-1011	BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements	09/30/2017	01/25/2018	Note 1
2018-FO-0003	Fiscal Years 2017 and 2016 (Restated) Financial Statements Audit	11/15/2017	04/03/2018	Note 1
2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2017	07/02/2018	Note 3
2018-AT-1802	Yabucoa Housing Project, Yabucoa Volunteers of America Elderly Housing, Inc., Yabucoa, PR, Section 202 Supportive Housing for the Elderly Program	12/29/2017	04/20/2018	Note 1
2018-CF-0801	Management Alert: HUD Did Not Provide Acceptable Oversight of the Physical Condition of Residential Care Facilities	01/05/2018	08/14/2018	Note 2
2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program	01/29/2018	05/22/2018	Note 2

Report number	Report title	Issue date	Decision date	Final action
2018-NY-1003	The Housing Authority of the City of Asbury Park, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	02/08/2018	06/07/2018	01/28/2050
2018-PH-1001	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements	02/12/2018	06/11/2018	Note 2
2018-DP-0002	Review of Selected FHA Information Systems and Credit Reform Estimation and Reestimation Process Applications	02/13/2018	05/07/2018	Note 2
2018-PH-1002	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements	02/16/2018	06/12/2018	Note 2
2018-KC-1001	CitiMortgage, Inc., O'Fallon, MO, Improperly Filed for FHA-HAMP Partial Claims Before Completing the Loan Modifications and Reinstating the Loans	03/05/2018	06/13/2018	Note 2
2018-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit	03/09/2018	06/07/2018	Note 2
2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration	03/22/2018	07/25/2018	Note 1

Report number	Report title	Issue date	Decision date	Final action
2018-CF-1801	MetLife Home Loans, LLC, and a Borrower's Son Settled Allegations of Failing To Comply With HUD's Federal Housing Administration HECM Loan Requirements	03/23/2018	08/09/2018	Note 1
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements	03/26/2018	07/11/2018	Note 2
2018-LA-1003	The City of South Gate, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	03/29/2018	07/25/2018	Note 2
2018-KC-1002	The Kansas City, MO, Health Department Did Not Spend Funds in Accordance With HUD Requirements	04/06/2018	08/02/2018	Note 2
2018-SE-1001	The Spokane, WA, Housing Authority Did Not Follow Permanent Relocation Requirements for Its RAD Conversion of the Parsons Apartments	04/24/2018	05/15/2018	Note 2
2018-FW-1003	The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants	05/07/2018	08/16/2018	Note 2
2018-LA-0002	HUD Did Not Have Adequate Controls To Ensure That Grantees Submitted Accurate Tribal Enrollment Numbers for Program Funding	05/07/2018	08/23/2018	12/31/2020

Report number	Report title	Issue date	Decision date	Final action
2018-FW-1004	The City of Dallas, TX, HOME Investment Partnerships Program Was Not Always Administered in Accordance With Requirements	05/08/2018	08/30/2018	06/08/2020
2018-FW-0802	Interim Report - Potential Antideficiency Act and Generally Accepted Accounting Principle Violations Occurred With Disaster Relief Appropriation Act, 2013, Funds	05/15/2018	09/12/2018	Note 2
2018-CH-0002	HUD Lacked Adequate Oversight of Lead-Based Paint Reporting and Remediation in Its Public Housing and Housing Choice Voucher Programs	06/14/2018	12/06/2018	12/31/2021
2018-BO-1003	The City of Providence, RI, Did Not Properly Administer Its HOME Program	06/20/2018	09/28/2018	Note 2
2018-FW-0001	CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds	06/26/2018	10/16/2018	Note 2
2018-AT-1006	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements	07/13/2018	11/09/2018	Note 2
2018-AT-1008	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Fully Comply With HUD's Program Requirements After the Completion of Its Rental Assistance Demonstration Program Conversion	07/13/2018	11/09/2018	Note 2

Report number	Report title	Issue date	Decision date	Final action
2018-FW-1005	Eastwood Terrace Apartments, Nacogdoches, TX, Multifamily Section 8, Subsidized Questionable Tenants, Overhoused Tenants and Uninspected Units	08/02/2018	11/26/2018	Note 2
2018-KC-0002	HUD's Office of the Chief Financial Officer Did Not Locate or Recover Its Funds Held by State Unclaimed Property Administrators	08/07/2018	08/07/2018	Note 2
2018-FW-1802	Final Civil Action: The Former Executive Director of the Housing Authority of the City of Beeville, TX, Et Al, Settled False Claims Allegations in the Housing Choice Voucher Program	08/21/2018	08/21/2018	12/31/2022
2018-LA-0801	The Office of Native American Programs Section 184 Program Continues To Operate Without Adequate Oversight 3 Years After the Prior OIG Audit	08/27/2018	12/21/2018	12/31/2021
2018-DE-1001	Meeker Housing Authority, Meeker, CO, Improperly Used Project Operating Funds for Its 221(d)(3) Multifamily Housing Insurance Program	09/06/2018	04/05/2019	04/05/2020
2018-BO-0001	HUD's Office of Residential Care Facilities Did Not Always Have and Use Financial Information to Adequately Assess and Monitor Nursing Homes	09/17/2018	03/07/2019	Note 2
2018-BO-1005	The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs	09/19/2018	03/27/2019	07/31/2020

Report number	Report title	Issue date	Decision date	Final action
2018-KC-0004	HUD Did Not Always Identify and Collect Partial Claims Out of Surplus Foreclosure Proceeds	09/20/2018	04/18/2019	12/31/2021
2018-LA-0005	HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection	09/21/2018	03/08/2019	Note 2
2018-PH-1006	The Owner of Luther Towers II, Wilmington, DE, Did Not Manage Its HUD-Insured Project in Accordance With Its Regulatory Agreement and HUD Requirements	09/21/2018	02/22/2019	Note 2
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program	09/24/2018	02/26/2019	03/31/2021
2018-PH-1007	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds	09/25/2018	03/01/2019	10/31/2020
2018-NY-1005	The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	09/26/2018	02/28/2019	10/01/2020
2018-NY-1006	The Buffalo Municipal Housing Authority, Buffalo, NY, Did Not Administer Its Operating Funds in Accordance With Requirements	09/26/2018	02/26/2019	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2018-PH-1008	The City of Erie, PA, Did Not Always Administer Its Code Enforcement and Community Policing Activities in Accordance With HUD and Federal Requirements	09/26/2018	03/07/2019	Note 2
2018-LA-0007	HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays	09/27/2018	04/03/2019	04/02/2021
2018-NY-1007	The City of New York, NY, Did Not Always Use Disaster Recovery Funds Under Its Program for Eligible and Supported Costs	09/27/2018	02/28/2019	Note 2
2018-AT-0801	HUD's Improper Approvals Resulted in Invalid Exemptions and an Ineligible Capital Funds Expenditure for the Lexington-Fayette Urban County Housing Authority	09/28/2018	03/18/2019	Note 2
2018-AT-1011	The City of Hattiesburg, MS, Did Not Always Administer Its HOME Investment Partnerships Program in Accordance With HUD's and Its Own Requirements	09/28/2018	02/13/2019	Note 2
2018-CH-1009	The Owner and Management Agent for Rainbow Terrace Apartments, Cleveland, OH, Did Not Always Operate the Project in Accordance With the Regulatory Agreement and HUD's Requirements	09/28/2018	03/25/2019	07/01/2020
2018-FW-1007	The State of Louisiana, Baton Rouge, LA, Did Not Always Maintain Adequate Documentation or Comply With Website Reporting Requirements	09/28/2018	03/29/2019	Note 2

Report number	Report title	Issue date	Decision date	Final action
2018-PH-0003	HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program	09/28/2018	02/22/2019	07/31/2020
2018-CF-0802	HUD Failed To Enforce the Terms of a Settlement Agreement With Fifth Third Bank Because It Did Not Record Indemnified Loans in Its Tracking System	09/29/2018	12/21/2018	Note 2
2018-CH-1010	The City of Chicago's Department of Public Health, Chicago, IL, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's and Its Own Requirements	09/30/2018	03/14/2019	Note 2
2019-FO-0002	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2018 and 2017 (Restated)	11/14/2018	05/30/2019	Note 2
2019-FO-0003	Additional Details To Supplement Our Fiscal Years 2018 and 2017 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2018	07/11/2019	09/30/2021
2019-CH-1001	The Housing Authority of the City of North Chicago, North Chicago, IL, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Housing Choice Voucher Program	12/20/2018	03/28/2019	02/28/2024
2019-DP-0001	Information System Control Over Integrated Pool Management System	12/21/2018	04/11/2019	04/11/2020

Report number	Report title	Issue date	Decision date	Final action
2019-CH-1002	The Detroit Housing Commission, Detroit, MI, Did Not Always Administer Its Moderate Rehabilitation Program in Accordance With HUD's and Its Own Requirements	02/06/2019	06/05/2019	05/23/2020
2019-AT-1002	Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements	03/18/2019	07/16/2019	07/16/2020
2019-DP-0004	Fiscal Year 2018 Review of Information Systems Controls in Support of the Financial Statements Audit	03/27/2019	06/20/2019	08/31/2020

Significant Audit Reports Issued Within the Past 12 Months That Were Described in Previous Semiannual Reports for Which Final Action Had Not Been Completed as of March 31, 2020

Report number	Report title	Issue date	Decision date	Final action
2019-KC-0001	FHA Improperly Paid Partial Claims That Did Not Reinstate Their Related Loans	04/11/2019	08/02/2019	07/31/2021
2019-FW-1001	The Little Rock Housing Authority, Little Rock, AR, Did Not Fully Meet Rental Assistance Demonstration Program Requirements	04/23/2019	09/20/2019	10/31/2022
2019-BO-1001	The City of Bridgeport, CT, Did Not Properly Administer Its HOME Program	04/25/2019	08/07/2019	07/29/2020
2019-BO-1002	The Housing Authority of the City of Woonsocket, RI, Did Not Always Comply With Capital Fund Program and Procurement Requirements	05/07/2019	10/22/2019	08/31/2020
2019-FW-0001	CPD Did Not Enforce the Disaster Appropriations Act, 2013, 24-Month Grantee Expenditure Requirement	05/17/2019	03/31/2020	Note 2
2019-FW-1003	Northline Point Apartments, Houston, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units	06/10/2019	09/18/2019	07/01/2020

Report number	Report title	Issue date	Decision date	Final action
2019-AT-1004	The North Carolina Department of Commerce Did Not Administer Its Neighborhood Stabilization Program Grants as Required by HUD	06/14/2019	01/14/2020	Note 3
2019-FW-1004	The City of Dallas, Dallas, TX, Did Not Follow Environmental Requirements or Effectively Manage Its Community Housing Development Organizations	06/17/2019	10/10/2019	09/15/2020
2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased	06/25/2019	10/17/2019	Note 3
2019-FW-1005	Northlake Homeless Coalition, Mandeville, LA, Did Not Always Follow Continuum of Care Program Requirements	07/11/2019	10/23/2019	10/31/2020
2019-LA-1008	The Compton Housing Authority, Compton, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements	07/11/2019	10/23/2019	07/31/2020
2019-LA-0801	HUD Completed the Agreed-Upon Corrective Actions for One of the Two Recommendations Reviewed From Prior OIG Audit Report 2015-LA-0001 on FHA-HAMP Partial Claims	07/15/2019	10/08/2019	10/07/2020
2019-NY-1003	New York City Department of Housing Preservation and Development, New York, NY, Did Not Always Ensure That Units Met Housing Quality Standards but Generally Abated Payments When Required	08/02/2019	11/25/2019	05/29/2020

Report number	Report title	Issue date	Decision date	Final action
2019-BO-1003	The Commonwealth of Massachusetts Did Not Always Ensure That Its Grantees Complied With Applicable State and Federal Laws and Requirements	08/05/2019	12/03/2019	09/22/2020
2019-AT-1005	The Municipality of Yauco, PR, Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements	08/09/2019	12/10/2019	11/29/2020
2019-FW-1006	The Bogalusa Housing Authority, Bogalusa, LA, Did Not Always Administer Its Public Housing Programs in Accordance With Requirements	08/16/2019	11/26/2019	11/30/2020
2019-CH-1003	The Management Agent for Lake View Towers Apartments, Chicago, IL, Did Not Always Comply With HUD's Section 8 HAP Program Requirements	09/03/2019	12/18/2019	12/01/2020
2019-AT-1006	Palm Beach County Housing Authority, West Palm Beach, FL, Did Not Support and Spend HUD Funds According to Regulations	09/30/2019	12/13/2019	12/31/2020
2019-CF-1803	Pacific Horizon Bancorp, Inc., and Two Loan Officers Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/30/2019	09/30/2019	08/01/2024
2019-CH-1004	The Taylor Housing Commission, Taylor, MI, Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files	09/30/2019	01/14/2020	10/31/2020

Report number	Report title	Issue date	Decision date	Final action
2019-KC-0003	FHA Insured at Least \$13 Billion in Loans To Ineligible Borrowers With Delinquent Federal Tax Debt	09/30/2019	01/15/2020	01/31/2022

AUDITS EXCLUDED:

88 audits under repayment plans

31 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

NOTES:

1 Management did not meet the target date. Target date is over 1 year old.

2 Management did not meet the target date. Target date is under 1 year old.

3 No Management decision

Significant Evaluation Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report

Report number	Report title	Issue date	Decision date	Final action
2013-ITED-0001	FY 2013 Federal Information Security Management Act (FY13 FISMA)	11/29/2013	11/29/2013	Note 1
2014-ITED-0001	FY14 HUD Privacy Program Evaluation	04/30/2014	04/30/2014	Note 1
2014-OE-0003	FY 2014 Federal Information Security Modernization Act (FY14 FISMA)	11/15/2014	11/15/2014	Note 1
2015-OE-0001	FY 2015 Federal Information Security Modernization Act (FY15 FISMA)	11/15/2015	11/15/2015	Note 1
2015-OE-0002	HUD IT Modernization	09/28/2015	09/25/2015	Note 1
2016-OE-0002	HUD Web Application Security Evaluation	06/06/2018	NA	Note 3
2016-OE-0004S	Opportunities for Improvement within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017	08/20/2019	Note 2

Report number	Report title	Issue date	Decision date	Final action
2016-OE-0006	FY 2016 Federal Information Security Modernization Act (FY16 FISMA)	11/10/2016	11/10/2016	Note 1
2017-OE-0007	FY 2017 Federal Information Security Modernization Act (FY17 FISMA)	10/31/2017	8/16/2018	Note 1
2018-OE-0001	HUD Privacy Program Evaluation Report	09/13/2018	11/27/2018	Note 1
2018-OE-0002	Fire Safety Planning for the Weaver Building Needs Improvement	06/12/2018	11/29/2018	Note 1
2018-OE-0003	FY 2018 Federal Information Security Modernization Act (FY18 FISMA)	10/31/2018	05/17/2019	Note 1
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018	NA	Note 2

NOTES:

1 Management did not meet the target date. Target date is more than 1 year old.

2 No management decision

APPENDIX 2 - TABLES

TABLE C

**Inspector General-Issued Reports With Questioned and
Unsupported Costs at March 31, 2020**

(in Thousands)

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
A1 For which no management decision had been made by the beginning of the reporting period	23	\$992,809	\$419,719
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	1	20,157	0
A3 For which additional costs were added to reports in beginning inventory	-	532	169
A4 For which costs were added to noncost reports	1	4	4
B1 Which were issued during the reporting period	8	5,284	4,703
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	33	1,018,786	424,595

TABLE C CONTINUED...

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
C For which a management decision was made during the reporting period	20 ¹⁹	\$548,834	\$16,053
(1) Dollar value of disallowed costs: Due HUD	5 ²⁰	7,124	6,969
Due program participants	15	14,463	8,466
(2) Dollar value of disallowed costs:	3 ²¹	527,247	618
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	20,157	0
E For which no management decision had been made by the end of the reporting period	11 <33> ²²	449,795 <411,508> ²²	408,542 <392,789> ²²

¹⁹Nine audit reports also contain recommendations with funds to be put to better use.

²⁰One audit report also contains recommendations with funds due program participants.

²¹Two audit reports also contain recommendations with funds agreed to by management.

²²The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

APPENDIX 2 - TABLES

TABLE D

**Inspector General-Issued Reports With Recommendations
That Funds Be Put to Better Use at March 31, 2020**

(in Thousands)

Audit reports	Number of audit reports	Dollar value
A1 For which no management decision had been made by the beginning of the reporting period	20	\$15,294,662
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	0	0
A3 For which additional costs were added to reports in beginning inventory	-	806
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	3	799
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	23	15,296,267

TABLE D CONTINUED...

Audit reports	Number of audit reports	Dollar value
C For which a management decision was made during the reporting period	10 ²³	\$6,547,370
(1) Dollar value of recommendations that were agreed to by management: Due HUD Due program participants	2 9	6,130,812 416,558
(2) Dollar value of recommendations that were not agreed upon by management	0	0
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0
E For which no management decision had been made by the end of the reporting period	13 <7> ²⁴	8,748,897 <5,227,892> ²⁴

²³Nine audit reports also contain recommendations with questioned costs.

²⁴The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

EXPLANATIONS of TABLES C and D

The Inspector General Act Amendments of 1988 require inspectors general and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in misleading reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management’s decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize their efforts.

The closing inventory for items with no management decision in tables C and D (line E) reflects figures at the report level as well as the recommendation level.

APPENDIX 3

INSPECTOR GENERAL
EMPOWERMENT ACT**SUMMARY OF REPORTS WITH NO ESTABLISHMENT COMMENT**

The Inspector General Impowerment Act (IGEA) requires the Office of Inspector General (OIG) to report on each audit and evaluation report for which the U.S. Department of Housing and Urban Development (HUD) did not return comments within 60 days of HUD OIG's providing the report to the Department.

On February 22, 2019, HUD OIG's Office of Investigation delivered Systemic Implication Report (SIR) FY (fiscal year) 19-001, Systemic Implication Report Pertaining to the Housing Choice Voucher Program Initial Certification and Annual Recertifications, to HUD's Office of Public and Indian Housing. Specifically, the SIR recommended that HUD standardize the initial certification and annual recertification questionnaire for the Housing Choice Voucher Program. It specifically recommended that HUD standardize and require the use of a personal declaration form regarding a tenant's declaration of his or her income and assets. The Department did not respond within the requisite 60 days, and HUD OIG had not received a response as of March 31, 2020.

SUMMARY OF REPORTS WITH OPEN RECOMMENDATIONS

The IGEA requires OIGs to report on each audit and evaluation report for which there are any outstanding unimplemented recommendations, including the combined potential cost savings of these recommendations. Summaries for the Office of Audit and Office of Evaluation (OE) are presented below.

OFFICE OF AUDIT

The Department currently has 1,586 outstanding (open) unimplemented recommendations with a combined potential cost savings of nearly \$23 billion. The following table and charts reflect the reasons why they remain unimplemented.

- 1,396 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not finished implementing the recommendation.
- 190 recommendations are currently without management decisions (agreement between the Department and OIG). Fifty-eight recommendations are beyond the 180-day statutory requirement due to disagreement and were reported in table A of OIG's Semiannual Report to Congress (SAR). The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.
- 415 open recommendations have management decisions in place but are currently under investigative, legislative, or judicial action or under a valid repayment plan and are, therefore, suspended pending resolution.

Office of Audit Summary

Calendar year	Number of open recommendations	Cumulative estimated cost savings from open recommendations
Pre-2001	4	\$1,851,998
2001	1	200,000
2002	7	1,379,626
2003	14	1,813,658
2004	8	8,303,357
2005	5	3,006,373
2006	15	10,843,620
2007	16	5,081,749
2008	33	72,339,854
2009	27	78,907,224
2010	21	23,773,119
2011	40	100,074,028
2012	25	15,245,514
2013	79	378,486,540
2014	153	517,097,667
2015	138	855,372,119
2016	205	7,859,218,641
2017	188	1,038,294,638
2018	257	4,533,736,967
2019	219	7,115,521,980
2020	131	4,944,439
Total	1,586	22,625,493,111

OFFICE OF EVALUATION

OE conducts evaluations focused on improving departmental process and programs. As of the writing of this SAR, OE's recommendations have not focused on producing direct cost savings but, rather, improving program effectiveness, reducing the likelihood of negative outcomes, and addressing HUD's top management challenges.

The following table summarizes OE's open recommendations by calendar year.

Calendar year	Number of open recommendations
2013	10
2014	21
2015	24
2016	6
2017	22
2018	59
2019	0
2020	5
Total	147

Statistical Table Showing Investigative Report Metrics

The data used in this statistical table were extracted from HUD OIG's Case Management System. The Case Management System and its underlying infrastructure allow for data input and maintain data integrity during the complete investigative case cycle, while ensuring data privacy and confidentiality. The system was developed in .Net 4.5.1, and the database is SQL 2012. HUD OIG develops queries to extract data from the Case Management System to meet business requirements, such as the information used to create this statistical table. The footnotes referenced in the table provide additional guidance pertaining to each requested category of information.

Reporting Period: FY 2020, Period 1 (SAR 83) October 1, 2019, Through March 31, 2020

Measure	Total
A. Total number of investigative reports issued during the reporting period ²⁵	228
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period	157
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	60
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities ²⁶	92

²⁵Includes approved reports of investigations

²⁶Includes all charging documents reported: criminal complaints, indictments, informations, and superseding indictments

INVESTIGATIONS OF SENIOR GOVERNMENT EMPLOYEES

The IGEA requires OIG to summarize in the SAR each investigation involving a senior government employee when allegations of misconduct were substantiated. Listed below are the cases for this reporting period.

HUD OIG initiated an investigation regarding allegations that a senior U.S. Department of Commerce (DOC) OIG official directed an OIG staff member to create an internal memorandum regarding a phone call his ex-wife made to his office to inquire about his salary. Additionally, the complainant alleged that the official reviewed and edited the memorandum and directed the employee to provide him with a copy. The official also improperly removed a copy of this document from DOC OIG without authorization and improperly presented it in court in connection with his personal divorce litigation. The allegations were substantiated, and the official resigned after a request to do so by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The investigation was not referred for criminal prosecution.

INSTANCES OF WHISTLEBLOWER RETALIATION

The IGEA requires OIG to include in the SAR a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.

There are no instances of whistleblower retaliation to report in this SAR period.

OIG INDEPENDENCE

The IGEA requires OIG to include in the SAR a detailed description of any attempt by the establishment to interfere with the independence of OIG, including incidents in which the establishment has resisted or objected to oversight activities or restricted or significantly delayed access to information.

OIG has no instances of attempts to interfere with OIG independence to report in this SAR period.

REPORTS THAT WERE CLOSED DURING THE PERIOD THAT WERE NOT DISCLOSED TO THE PUBLIC

Section 5(a)(22) of the IGEA, as amended, requires that OIG report on each audit and investigation conducted by the office that is closed during the reporting period and was not disclosed to the public.

OFFICE OF AUDIT

The office of audit did not close any audits this semiannual period that were not disclosed to the public.

OFFICE OF INVESTIGATION

During the current reporting period, OIG has four investigative reports that were closed but not disclosed to the public. The allegations include the following:

1. HUD OIG initiated an investigation regarding allegations that a senior DOC OIG official directed an OIG staff member to create an internal memorandum regarding a phone call his ex-wife made to his office to inquire about his salary. Additionally, the complainant alleged that the official reviewed and edited the memorandum and directed the employee to provide him with a copy. The official also improperly removed a copy of this document from DOC OIG without authorization and improperly presented it in court in connection with his personal divorce litigation. The allegations were substantiated, and the official resigned after a request to do so by CIGIE. The investigation was not referred for criminal prosecution.
2. HUD OIG initiated an investigation regarding allegations that a senior HUD employee colluded with outside trade organizations to enact unnecessary Federal regulations for the benefit of some housing manufacturers over others and to implement billions of dollars in subsidies, which were not needed. The complainant also alleged that the employee may have participated in a blackmail attempt against the editor of a trade periodical, which was critical of HUD regulation. The investigation was referred to the U.S. Attorney's office for criminal prosecution but was declined. The allegations were not substantiated, and the investigation was closed. The employee retired before completion of the investigation.
3. HUD OIG initiated an investigation regarding allegations that a former HUD OIG supervisor committed prohibited personnel practices by hiring an employee. The complainant also alleged that the employee bragged to several people that she was going to be offered the job by the supervisor before the official selection was made. The allegations were not substantiated, and the investigation was closed. The investigation was not referred for criminal prosecution.
4. HUD OIG initiated an investigation regarding allegations that a senior HUD official misused her position to benefit a particular Federal Housing Administration lender. The allegations were not substantiated. HUD OIG closed this investigation with no referral to the Department for action. The investigation was not referred for criminal prosecution.

OFFICE OF EVALUATION

Open Information Technology and Privacy Program Recommendations Issued to the U.S. Department of Housing and Urban Development by the Office of Inspector General's Office of Evaluation

HUD OIG reviewed the status of all information technology (IT) and privacy program recommendations issued to HUD by OIG OE through fiscal year 2019. At the time of issuance of this report, of the 265 IT and privacy program recommendations OE had issued since fiscal year 2014, 113 have been closed, and 152 remain open. Four recommendations have overdue management decisions. The report analyzes the number of recommendations by functional area and the progress made toward closing recommendations. In addition, the report lists OIG's understanding of some of HUD's key challenges to closing recommendations and provides possible steps toward increasing HUD's effectiveness in addressing and resolving its open recommendations.

To ensure success in remediating these weaknesses and strengthening HUD's IT, cybersecurity, and privacy programs, it will be essential that adequate staff and resources are allocated to implement IT plans and projects. The Office of the Chief Information Officer and OE conduct at least quarterly working meetings to discuss and address all open IT and cybersecurity evaluation recommendations and are working closely together to improve the process for tracking and closing those recommendations. (Evaluation Topic Brief: **2019-OE-0006**)

APPENDIX 4

REPORTING REQUIREMENTS

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act of 1988, are listed below.

Source requirement	Pages
Section 4(a)(2)-review of existing and proposed legislation and regulations.	34-39
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	11-27, 64-65
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	40-63
Section 5(a)(3) ²⁷ -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, table B, 79
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	11-27
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No instances

²⁷Unsupported costs are a subset of questioned costs that the Inspector General Act requires be identified separately from the cumulative questioned costs identified.

REPORTING REQUIREMENTS CONTINUED...

Source requirement	Pages
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 1, 69
Section 5(a)(7)-summary of each particularly significant report.	11-27
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 2, table C, 111
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 2, table D, 113
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 2, table A, 75
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	62
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	62
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	63

APPENDIX 5

ACRONYMS AND ABBREVIATIONS

ACD	Accelerated Claims Disposition
ARC	Administrative Resource Center
ASC	Accounting Standards Codification
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant Disaster Recovery
CFR	Code of Federal Regulations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CPD	Office of Community Planning and Development
CPI-U	Consumer Price Index for All Urban Consumers
CWCOT	Claims Without Conveyance of Title
DEC	Departmental Enforcement Center
DHS	U.S. Department of Homeland Security
DOC	U.S. Department of Commerce
DoD	U.S. Department of Defense
DOT	U.S. Department of Transportation
EFT	electronic funds transfer
eVMS	Enterprise Voucher Management System
FFMIA	Federal Financial Management Improvement Act
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FISMA	Federal Information Security Modernization Act of 2014
FSSP	Federal shared service provider
FY	fiscal year
GAAP	generally accepted accounting principles
Ginnie Mae	Government National Mortgage Association
HAMP	Home Affordable Modification Program
HECM	home equity conversion mortgage
HOPWA	Housing Opportunities for Persons With AIDS
HUD	U.S. Department of Housing and Urban Development
IAA	interagency agreement
IBC	International Building Code

ICC	International Code Council
IDIS	Integrated Disbursement and Information System
IGEA	Inspector General Empowerment Act
IT	information technology
LOS	Loan Origination System
LTW	Louisiana, Texas, and West Virginia
MHI	mortgage held for investment
MIP	mortgage insurance premium
MSS	master servicer
NCIS	New Core Interface System
NSP	Neighborhood Stabilization Program
NSPIRE	National Standards for the Physical Inspection of Real Estate
OBGA	Office of Block Grant Assistance
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCPO	Office of the Chief Procurement Officer
OE	Office of Evaluation
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONAP	Office of Native American Programs
PBV	Project-Based Voucher Program
PHA	public housing agency
PIH	Office of Public and Indian Housing
POA	PHAs, owners, and agents
PRDOH	Puerto Rico Department of Housing
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
RAD	Rental Assistance Demonstration Program
REAC	Real Estate Assessment Center
REO	real estate owned
SAM	System for Award Management
SAR	Semiannual Report to Congress
SIR	Systemic Implication Report
U.S.C.	United States Code
USDA	U.S. Department of Agriculture

APPENDIX 6

OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

Headquarters	Washington, DC	202-708-0364
Region 1	Boston, MA	617-994-8380
	Hartford, CT	860-240-9739
Region 2	New York, NY	212-264-4174
	Buffalo, NY	716-551-5755
	Newark, NJ	973-622-7900
Region 3	Philadelphia, PA	215-656-0500
	Baltimore, MD	410-962-2520
	Pittsburgh, PA	412-644-6372
	Richmond, VA	804-771-2100
Region 4	Atlanta, GA	404-331-3369
	Greensboro, NC	336-547-4001
	Miami, FL	305-536-5387
	San Juan, PR	787-766-5540
Region 5	Chicago, IL	312-913-8499
	Columbus, OH	614-280-6138
	Detroit, MI	313-226-6190

Region 6	Fort Worth, TX	817-978-9309
	Baton Rouge, LA	225-448-3975
	Houston, TX	713-718-3199
	New Orleans, LA	504-671-3000
	Albuquerque, NM	505-346-6463
	Oklahoma City, OK	405-609-8606
	San Antonio, TX	210-475-6800
REGION 7-8-10	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5452
	Seattle, WA	206-220-5360
REGION 9	Los Angeles, CA	213-894-8016
	Las Vegas, NV	702-366-2100
	Phoenix, AZ	602-379-7250
	San Francisco, CA	415-489-6400

OFFICE OF EVALUATION

Headquarters	Washington, DC	202-708-0430
---------------------	----------------	--------------

OIG TELEPHONE DIRECTORY CONTINUED...

OFFICE OF INVESTIGATION

Headquarters	Washington, DC	202-708-5998	Region 6	Fort Worth, TX	817-978-5440
				Baton Rouge, LA	225-448-3941
Region 1-2	New York, NY	212-264-8062		Houston, TX	713-718-3220
	Boston, MA	617-994-8450		New Orleans, LA	504-671-3700
	Hartford, CT	860-240-4800		Oklahoma City, OK	405-609-8601
	Manchester, NH	603-666-7988		San Antonio, TX	210-475-6822
	Newark, NJ	973-776-7347			
Region 3	Philadelphia, PA	215-430-6756	Region 7-8-10	Denver, CO	303-672-5350
	Baltimore, MD	410-209-6695		Billings, MT	406-247-4080
	Pittsburgh, PA	412-644-2668		Kansas City, KS	913-551-5566
	Richmond, VA	804-822-4890		Salt Lake City, UT	801-524-6091
Region 4	Atlanta, GA	404-331-5001		St. Louis, MO	314-539-6559
	Greensboro, NC	336-547-4000		Seattle, WA	206-220-5380
	Miami, FL	305-536-3087	Region 9	Los Angeles, CA	213-534-2496
	San Juan, PR	787-766-5868		Las Vegas, NV	702-366-2144
Region 5	Chicago, IL	312-353-4196		Phoenix, AZ	602-379-7252
	Cleveland, OH	216-357-7800		Sacramento, CA	916-930-5693
	Columbus, OH	614-469-5737		San Francisco, CA	415-489-6685
	Detroit, MI	313-226-6280			
	Indianapolis, IN	317-957-7377			
	Minneapolis- St. Paul, MN	612-370-3130			

FRAUD ALERT

Every day, loan modification and foreclosure rescue scams rob vulnerable homeowners of their money and their homes. The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), is the Department's law enforcement arm and is responsible for investigating complaints and allegations of mortgage fraud. Following are some of the more common scams.

Common Loan Modification Scams

- ➔ **Phony counseling scams:** The scam artist says that he or she can negotiate a deal with the lender to modify the mortgage — for an upfront fee.
- ➔ **Phony foreclosure rescue scams:** Some scammers advise homeowners to make their mortgage payments directly to the scammer while he or she negotiates with the lender. Once the homeowner has made a few mortgage payments, the scammer disappears with the homeowner's money.
- ➔ **Fake "government" modification programs:** Some scammers claim to be affiliated with or approved by the government. The scammer's company name and website may appear to be a real government agency, but the website address will end with .com or .net instead of .gov.
- ➔ **Forensic loan audit:** Because advance fees for loan counseling services are prohibited, scammers may sell their services as "forensic mortgage audits." The scammer will say that the audit report can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service.
- ➔ **Mass joinder lawsuit:** The scam artist, usually a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The scammers will try to "sell" participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee.
- ➔ **Rent-to-own or leaseback scheme:** The homeowner surrenders the title or deed as part of a deal that will let the homeowner stay in the home as a renter and then buy it back in a few years. However, the scammer has no intention of selling the home back to the homeowner and, instead, takes the monthly "rent" payments and allows the home to go into foreclosure.

Remember, only work with a HUD-approved housing counselor to understand your options for assistance. HUD-approved housing counseling agencies are available to provide information and assistance. Call 888-995-HOPE to speak with an expert about your situation. HUD-approved counseling is free of charge. If you suspect fraud, call HUD OIG.

Diversity and Equal Opportunity

The promotion of high standards and equal employment opportunity for employees and job applicants at all levels. HUD OIG reaffirms its commitment to nondiscrimination in the workplace and the recruitment of qualified employees without prejudice regarding their gender, race, religion, color, national origin, sexual orientation, disability, or other classification protected by law. HUD OIG is committed and proactive in the prevention of discrimination and ensuring freedom from retaliation for participating in the equal employment opportunity process in accordance with departmental policies and procedures.

**Report fraud, waste, and mismanagement
in HUD programs and operations by**

Faxing the OIG hotline:
202-708-4829

Emailing the OIG hotline: hotline@hudoig.gov

Sending written information to
Department of Housing and Urban Development
Inspector General Hotline (GFI)
451 7th Street SW
Washington, DC 20410

Online at
<https://www.hudoig.gov/hotline>



Scan to Report Fraud

www.hudoig.gov

Report #83

Appendix C: Top Challenges Facing the U.S. Department of Housing and Urban Development: COVID-19 Emergency Relief and Response Efforts

Top Challenges Facing the U.S. Department of Housing and Urban Development:

COVID-19 Emergency Relief and Response Efforts

The U.S. Department of Housing and Urban Development (HUD) has been provided more than \$12 billion to perform its responsibilities under the CARES Act in the following areas: (1) rental assistance, (2) mortgage loan forbearance, (3) assistance for vulnerable populations, (4) assistance for communities' response, and (5) continued performance of HUD's mission. The HUD OIG addresses the Department's top management challenges surrounding CARES Act implementation in this context, based on prior OIG work and ongoing conversations with HUD.

-
- **Rental Assistance**
 - **Mortgage Loan Forbearance**
 - **Assistance for Vulnerable Populations**
 - **Assistance for Communities' Response**
 - **Continued Performance of HUD's Mission**



Rental Assistance

Congress provided HUD more than \$2.6 billion in supplemental rental subsidies for tenants who have lost income and to ensure that landlords who provide subsidized housing and face significant increases in costs due to the COVID-19 pandemic are not forced out of the affordable housing market. The CARES Act also protects tenants of covered properties from eviction for 120 days.

HUD will be challenged to ensure that these grantees provide additional rental subsidies to tenants properly and in a timely manner and accurately track and report on the expenditure of these funds. It is unclear whether HUD has the ability to determine whether eligible renters are aware of and their landlords are complying with the moratorium. There has also been notable media coverage of tenants being sexually harassed and assaulted by their landlords when they are unable to meet rent obligations. These are fair housing violations, and HUD will be challenged to alert tenants as to their rights and provide avenues for a remedy.

The pandemic also presents a challenge to the HUD-assisted rental stock. The current shelter-in-place orders prevent all but emergency maintenance on the affordable housing portfolio. In addition, HUD allowed public housing agencies to waive or postpone certain program safeguards, such as on-site inspections. It is unclear what the impact of deferred inspection and maintenance will be on an already aging portfolio.

Mortgage Loan Forbearance

Congress provided borrowers with single-family mortgages insured by HUD's Federal Housing Administration (FHA) up to 180 days forbearance, with the right to request an additional 180 days. In addition, Congress provided up to 90 days forbearance to apartment building owners with FHA-insured mortgages. Because the vast majority of FHA-insured loans are securitized into mortgage-backed securities (MBS), nonpayment on FHA mortgages due to forbearance impacts payments to MBS investors, which could have a negative impact on the residential securities market. HUD's Government National Mortgage Association (Ginnie Mae) guarantees payment on MBS backed by FHA mortgages. HUD, through FHA and Ginnie Mae, is tasked with ensuring that borrowers are provided needed forbearance while also protecting the financial system destabilized by borrower nonpayment.

HUD faces challenges on several fronts. Initially, HUD must ensure that borrowers protected by forbearance are aware of their rights. Ginnie Mae must

act to preserve the stability in the residential securities market by closely monitoring and addressing the risk that continued forbearance creates for its counterparties. While Ginnie Mae has established a temporary assistance program for the MBS it insures for issuers who are unable to make full payments to investors, Ginnie Mae acknowledges that this assistance does not include taxes and insurance payments, which lenders and issuers must advance on behalf of the nonpaying borrowers. The assistance also does not include servicer fees, which would have been included in the borrowers' payment. Further, Ginnie Mae has limited insight into the actions of other market actors, such as government-sponsored enterprises, and credit lines used by its issuers. Prolonged forbearance may create a risk of default of one or more of the Ginnie Mae issuers due to an inability to pay amounts due on their MBS.

As forbearances end, FHA will be required to track and monitor lender and borrower agreements to repay the forborne amounts. In many cases, servicers will be able to file a partial claim with HUD, allowing the servicer to recoup lost funds from HUD's insurance funds. HUD will need to track and monitor transactions for millions of loans. Partial claims due to forbearance will likely have a significant impact on FHA's mortgage insurance fund. Failure of borrowers to pay insurance premiums as part of their monthly payment will also strain the mortgage insurance fund.

Assistance for Vulnerable Populations

Congress has provided more than \$4.1 billion for populations facing greater health risks from the pandemic, including individuals experiencing homelessness, people with HIV/AIDS, and older adults. The vast majority of these funds are for Emergency Solutions Grants—an increase of more than 1,300 percent over HUD's fiscal year 2020 appropriation for this program. This deluge of funding may significantly strain HUD systems and staff, as well as the state and local entities tasked with implementing this program. HUD will be dependent on the grantees and subgrantees reporting their use of funds to meet CARES Act reporting requirements.

Although not referenced in the CARES Act, HUD provides mortgage insurance for residential care facilities under Section 232 of the National Housing Act.¹ In its 2020 top management challenges report, the OIG specifically noted HUD's failure to monitor residential care facilities and take action regarding financially challenged nursing homes.² The concentration of COVID-19 in nursing homes and senior living facilities and the financial impact on operators of these facilities may place even more mortgages at risk of default.

¹*National Housing Act (1934), as amended.*

²*HUD OIG, Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2020 and Beyond (December 4, 2019).*

Assistance for Communities' Response

Congress provided more than \$5 billion to support local communities in responding to the pandemic through the Community Development Block Grants (CDBG) program. Communities' pandemic response needs are new and extremely time sensitive, requiring HUD to develop new standards and issue CDBG funds with extraordinary speed. Further, the CARES Act more than doubles HUD's CDBG appropriation for fiscal year 2020 and adds different criteria for these funds. In audits dating back several years, the OIG found that HUD was already challenged with monitoring this program and assessing risk.

HUD's efforts regarding other presidentially declared disaster relief efforts are ongoing. States are the initial grantees for disaster funding and must develop and oversee a network of local disaster relief entities. Many states are already severely taxed by pandemic efforts. As the United States enters hurricane season on June 1, 2020, HUD and its grantees may be challenged to respond in a timely manner to new disasters in addition to ongoing pandemic response activities.

HUD's Mission Performance

As of April 21, 2020, HUD reported publicly that 95 percent of its staff is working remotely to continue HUD's mission and implement new CARES Act responsibilities. HUD will need to ensure that it can continue to perform essential mission functions in light of these additional program obligations and operational limitations. HUD already experiences significant challenges in the areas of human capital and procurement, financial management, information systems technology, and monitoring and oversight, as outlined in the 2020 top management challenges report. All of the new work required by HUD under the CARES Act will amplify these challenges.

*This report was compiled at the request of the **Pandemic Response Accountability Committee (PRAC)**. A total of 37 Inspectors General contributed to the PRAC's report. To read the full report visit: https://www.oversight.gov/sites/default/files/oig-reports/Top%20Challenges%20Facing%20Federal%20Agencies%20-%20COVID-19%20Emergency%20Relief%20and%20Response%20Efforts_1.pdf*

Appendix D: Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2020 and Beyond



U.S. Department of Housing and Urban Development
OFFICE OF INSPECTOR GENERAL



Top Management Challenges

Facing the U.S. Department of
Housing and Urban Development
in 2020 and Beyond

Memorandum

Date: October 18, 2019

Subject: Management and Performance Challenges for Fiscal Year 2020 and Beyond

From: Rae Oliver Davis
Inspector General, G 

To: Dr. Benjamin Carson, Sr.
Secretary, S

Each year, in compliance with Public Law 106-531, the Reports Consolidation Act of 2000, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), issues a report summarizing what we consider the most serious management challenges facing the Department. In turn, HUD is required to include this report in its annual agency financial report. This report represents HUD OIG's perspective on the top management challenges facing HUD in fiscal year 2020.

HUD's top management challenges result from critical unaddressed internal or external risks, either longstanding or recently emerged. They represent HUD's greatest vulnerabilities to waste, fraud, abuse, and mismanagement or pose significant risk to HUD's ability to accomplish its mission. In developing this report, we considered the issues affecting HUD and applied our own judgment. We have continued to use the framework adopted last year after concluding that most of the challenges identified in 2019 are ongoing. We have added two new challenges – human capital and ethical conduct – based on the broad impact these challenges have on HUD's ability to accomplish its mission across programs and operations.

We have identified top management challenge within the following eight broad categories:

1. HUD's Human Capital – Fewer Employees, Significant Reliance on Contracted Services.
2. Ensuring the Availability of Affordable Housing That Is Decent, Safe, Sanitary, and in Good Repair.
3. Protecting the Mortgage Insurance Programs.
4. Providing Adequate Monitoring and Oversight of Its Operations and Program Participants.
5. Administering Disaster Recovery Assistance.

6. Modernizing Technology and the Management and Oversight of Information Technology.
7. Instituting Sound Financial Management.
8. Ensuring Ethical Conduct.

Within each of these categories, we have identified specific programs and practices, which represent critical risk to HUD's ability to meet the needs of its beneficiaries and protect taxpayer dollars. We have also identified HUD's progress, where applicable, to begin to address these challenges. We look forward to working with HUD to address these critical areas for improvement.

Contents

Top Management Challenge 1 HUD's Human Capital—Fewer Employees, Significant Reliance on Contracted Services	5
Top Management Challenge 2 Ensuring the Availability of Affordable Housing That Is Decent, Safe, Sanitary, and in Good Repair	10
Top Management Challenge 3 Protecting the Mortgage Insurance Programs	15
Top Management Challenge 4 Providing Adequate Monitoring and Oversight of Operations and Program Participants	20
Top Management Challenge 5 Administering Disaster Recovery Assistance	24
Top Management Challenge 6 Modernizing Technology and the Management and Oversight of Information Technology	29
Top Management Challenge 7 Instituting Sound Financial Management	34
Top Management Challenge 8 Ensuring Ethical Conduct	37
Appendix HUD Management's Response to the OIG Report on Management and Performance Challenges	40

TOP MANAGEMENT CHALLENGE

1

HUD's Human Capital—Fewer Employees, Significant Reliance on Contracted Services



- HUD Struggles To Maintain a Qualified Federal Workforce
- HUD Relies on Contractors To Conduct Its Mission

The U.S. Department of Housing and Urban Development's (HUD) accomplishment of its mission has been challenged by a steady decline in staffing and related reliance on third parties to operate, implement, and monitor HUD programs. As of May 2019, HUD had 7,306 employees, nearly 30 percent fewer than it had 20 years ago. HUD predicts that by fiscal year 2020, 57 percent of its employees will be retirement eligible.¹ At the same time, HUD's overall footprint in lending and grant programs has increased and with this, its responsibilities to manage this portfolio of programs. Examples include Federal Housing Administration (FHA) and Government National Mortgage Association (Ginnie Mae) support to the U.S. residential lending system during the financial crisis² and new and burgeoning programs to support America's aging population, including home equity conversion mortgages (HECM)³ and the Section 232 program⁴ (which insures mortgages on residential care facilities). HUD also faces an aging rental housing portfolio and increasing demand for affordable housing. Finally HUD, as a key source of disaster recovery funds, has administered \$83.7 billion in funding since 2001, of which \$35.8 billion has been appropriated since 2017.

¹ HUD Strategic Workforce Plan 2018-22, issued June 28, 2018, p. 10

² As of August 2019, FHA's insured loan balance was almost \$1.5 trillion, and Ginnie Mae's insured securities approached \$2.087 trillion.

³ As of 2018, FHA had insured more than one million HECM loans, of which approximately 551,000 are still active. See the U.S. Government Accountability Office (GAO) report, Reverse Mortgages, HUD Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing, GAO-19-702 (September 2019).

⁴ The 232 program has also grown substantially. As of March 2018, HUD insured 2,458 loans with a principal balance exceeding \$19.6 billion (Audit Report 2018-BO-0001, HUD's Monitoring of the Financial Performance of Section 232 Nursing Homes, issued September 17, 2018).

HUD has been challenged to adjust its workforce to these changes and to seek other avenues for meeting its human capital needs, primarily through contracts. The impacts of these challenges contribute to many of the other management challenges discussed in this report.

HUD Struggles To Maintain a Qualified Federal Workforce

By HUD's own assessment, its top enterprise risks include the hiring and retention of qualified staff, the justification of staffing levels and reassignments, and staff training and skills gaps.

A key issue is attracting and hiring qualified staff. Over the past 2 years, the Office of Inspector General (OIG) has expressed concerns about HUD's inability to retain leadership and supporting staff in certain key positions. Over the last year, HUD's Federal staff has continued to decrease by the hundreds, and the lack of staff in key management positions has affected a number of HUD offices. A review of HUD's staff directories indicates the scope of the problem. The Office of Housing, HUD's largest office, is led by an Assistant Secretary who also acts as HUD's Deputy Secretary. The current Deputy Assistant Secretary in Housing is also acting, and nearly a quarter of the management positions in Housing are either vacant or filled by acting staff.⁵ The Office of Administration lacks an Assistant Secretary, one of the two deputies is acting, and approximately one quarter of the Office of the Chief Human Capital Officer's management positions are either vacant or held by acting staff.⁶ In the Office of Public and Indian Housing (PIH), a quarter of the management positions are either vacant or held by acting staff. In the Office of the Chief Information Officer (OCIO), approximately half of the key positions are either vacant or held by acting staff.⁷ And in the Office of Fair Housing and Equal Opportunity, nearly two-thirds of the field management positions are either vacant or held by acting staff.⁸



HUD's hiring processes take longer than the Federal standard of 80 days, with HUD reporting its average time to hire as 113 days in fiscal year 2018, resulting in a deficiency in hiring needed staff, even when funds are available.

Specifically, a March 2019 U.S. Government Accountability Office (GAO) report examined HUD staffing for its Community Development Block Grant Disaster Recovery (CDBG-DR) program and noted that despite significant increases in appropriations for disaster relief, the program's number of staff members had increased at a significantly slower rate.⁹ HUD officials reported an intent to hire some 20 new staff members with

⁵ Office of Housing Directory, https://www.hud.gov/program_offices/housing/dirhousi

⁶ The Office of the Chief Human Capital Officer's Key Staff Directory, https://www.hud.gov/program_offices/administration/about/ochcodir

⁷ Chief Information Officer Functional Points of Contact, https://www.hud.gov/program_offices/cio/dirccio

⁸ Who's Who in FHEO [Office of Fair Housing and Equal Opportunity], https://www.hud.gov/program_offices/fair_housing_equal_opp/fheodir

⁹ GAO report, Disaster Recovery, Better Monitoring of Block Grant Funds is Needed, GAO-19-232 (March 2019)

approved funding in fiscal years 2018 and 2019; however, as of August 2019, HUD had not hired any additional staff.

HUD has made progress in filling senior positions, notably in the hiring of a Chief Financial Officer (CFO). The CFO is making strides to address the Department's longstanding financial governance issues. In addition, HUD's Strategic Plan and its Integrity Taskforce are focusing on improving HUD's hiring process, with goals that include shortening the hiring timeframe, expanding avenues for hiring, and improving data resources. HUD's fiscal year 2018 Performance Plan notes that it has reduced its hiring timeline by several days. Additionally, HUD's hiring performance may improve due to congressional action in fiscal year 2019, which authorized HUD to annually spend salaries and expenses over a 2-year period.

HUD also faces challenges in its workforce and strategic planning. The same issues HUD referenced as enterprise risks were identified by GAO in multiple reports dating back to 2013. GAO noted that while HUD has historically responded to these reports by updating its workforce and strategic plans, HUD has struggled with maintaining these updates and its strategic vision regarding its workforce. For example, the 2019 GAO report on CDBG-DR noted that HUD had not conducted any strategic workforce planning and could not demonstrate that planned hiring would provide the needed knowledge, skills, and abilities for its mission.

In March 2018, HUD adopted a Human Capital Operation Plan and Strategic Workforce Plan and noted particular challenges regarding its aging workforce and the need to close skills gaps.¹⁰ HUD identified in its fiscal year 2018 Performance Report that it had completed strategic workforce and succession planning for 67 percent of its mission-critical occupations.¹¹

HUD Relies on Contractors To Conduct Its Mission

With HUD's number of Federal employees in decline, the Department relies on third parties to manage program development, implement and monitor HUD programs, and support HUD planning and policy development. While contracting out for services has enabled HUD to conduct its mission despite a decreasing workforce, HUD faces challenges in overseeing the contractors' substantive program work, monitoring their performance, and evaluating the value of the services. In fiscal year 2017, HUD awarded 1,589 contracts and related commitments with a total cost of \$3.9 billion.¹² Ginnie Mae,¹³ the Office of Housing,¹⁴ OCIO, and the Office of Administration are the largest users of these contracting services. HUD's fiscal year 2019 Forecast of Contracting Opportunities

¹⁰ This plan is required by 5 CFR (Code of Federal Regulations) part 250, subpart B, and is required to align with the HUD Strategic Plan.

¹¹ HUD Fiscal Year 2020 Annual Performance Plan and Fiscal Year 2018 Annual Performance Report, p. 79, fn. 171

¹² Evaluation Report, 20017-OE-0006, HUD's Use of Contractors, dated December 20, 2018

¹³ In fiscal year 2018 alone, Ginnie Mae obligated \$616 million for contractors, while the appropriation for its in-house staff was \$27 million. Ginnie Mae has estimated that contractors constitute more than 80 percent of its human capital, with most of those contractors performing core Ginnie Mae functions. See GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019).

¹⁴ Housing relies heavily on contractors for numerous back office functions, most notably to support its claims payments, real-estate owned (REO) program, and asset sales program. Contractors also implement HUD's distressed asset sales program, which is increasingly used by HUD in lieu of REO sales. See GAO report, FHA Property Conveyance, GAO-19-517 (June 2019).

identifies additional HUD functions that rely on contractors, ranging from the development of HUD policy and guidance documents to the comprehensive management of Section 232 program troubled projects – which would include monitoring troubled assets, managing claims, foreclosure, and receivers – and acting as an accounts receivable lender. HUD recently sought industry input for a contract that would establish a HUD Office of Chief Data Officer, including developing the structure and terms of the office, operationalizing the office, developing governance standards, and training HUD staff.¹⁵

HUD's reliance on third parties for key functions creates challenges for HUD's Federal staff members, who must understand the HUD program and the contract structure and requirements. In its 2019 Enterprise Risk List, HUD acknowledged risks regarding untimely procurement, improper training and workload of contracting officer representatives (COR), and inadequate oversight of vendors and third-party service providers. A contract's failure risks HUD's ability to accomplish its mission. For example, HUD's recent lapse in a contract to operate HUD's records management and tracking system prevented Freedom of Information Act (FOIA) requestors from submitting requests online, and HUD was unable to electronically track requests or redact documents.¹⁶ HUD processed more than 2,000 FOIA requests in both fiscal years 2017 and 2018.¹⁷

HUD's contract deficiencies have also contributed to the Department's failure to provide OIG with timely access to electronically stored information. In April 2019, the Inspector General outlined for the Secretary the significant negative effects that delayed access to electronically stored information has had on OIG's oversight efforts, specifically in criminal investigations.¹⁸ In 2017, OIG raised similar concerns with deficiencies in HUD's e-discovery contract, which could subject HUD to monetary and other court sanctions and otherwise prevent HUD from effectively prosecuting and defending lawsuits.¹⁹

HUD's procurement office is understaffed and cannot handle HUD's current procurement needs. In 2014, Ginnie Mae transitioned its contracting needs to the U.S. General Services Administration (GSA) after concluding that HUD could not meet these needs in a timely manner.²⁰ HUD relies on the U.S. Department of Health and Human Services' Shared Services for acquiring several contracts. Additionally, HUD is working with GSA's Technology Transformation Services' Center for Excellence to procure six major information technology (IT) modernization contracts.

HUD relies heavily on program staff to oversee contracts. CORs generally work in the program offices seeking the services. In many cases, COR functions are an additional duty to the employee's current position. Ginnie Mae has identified a shortage of Federal staff to oversee its contracts.²¹

The Secretary has included the goal of streamlining acquisition management in HUD's 2018-2022 Strategic Plan.²² HUD's Integrity Taskforce includes a project management

¹⁵ FedScoop, HUD Wants some Help In Creating Its Office of the Chief Data Officer, dated May 17, 2019

¹⁶ Propublica, HUD's System for Processing Public Records Requests Died During the Shutdown, February 13, 2019

¹⁷ HUD 2018 Annual FOIA Report at https://www.hud.gov/program_offices/administration/foia/foiarpts

¹⁸ Management Alert: OIG Access to Electronically-Stored Information Memorandum No: 2019-IG-001

¹⁹ Evaluation Report 2017-OE-0008, E-Discovery Management System's Capacity To Meet Customer Demand for Electronic Data, dated December 6, 2017

²⁰ GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019)

²¹ GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019). According to the report, Ginnie Mae plans to hire a contractor to help fill this gap.

²² See HUD Fiscal Year 2020 Annual Performance Plan and Fiscal Year 2018 Annual Performance Report, p. 89.

team focused on this issue, stating that it has completed an assessment of HUD's Procurement Office and has begun to initiate a process to improve time to acquisition and to provide full-time CORs in some offices.

TOP MANAGEMENT CHALLENGE

2

Ensuring the Availability of Affordable Housing That Is Decent, Safe, Sanitary, and in Good Repair



- Affordable Housing
- Safe Housing
- Housing Inspections

HUD is responsible for providing quality, affordable homes for all. HUD's basic property standards require that housing be decent, safe, sanitary, and in good repair. HUD is challenged with addressing the full spectrum of housing needs, from emergency homelessness, low-rent public housing, and multifamily and scattered-site rental assistance to single-family home ownership. Economic and demographic factors, as well as aging housing stock, contribute to the Nation's severe shortage of safe, affordable housing. HUD needs to take continuous action to ensure that the quality and quantity of affordable and safe housing match demand.

Affordable Housing

HUD has several programs designed to ensure affordable housing for low- to moderate-income households, the largest of which are its public housing and rental housing assistance programs. HUD's 2017 Worst Case Housing Needs Report found that there is a critical unmet need for safe and affordable housing.



Although these programs assist millions of American households, the report found that the supply of affordable rental units for very low-income renters is inadequate, with only 62 affordable units available per 100 very low-income renters and only 38 units available per 100 extremely low-income renters.²³

Further, because of the rapid increase in renter households and competition among applicants, that scarcity of affordable units is impacting people higher on the income scale. HUD has stated that a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.²⁴

In June 2019, the President issued an executive order to establish a White House Council on Eliminating Regulatory Barriers to Affordable Housing. Secretary Carson will chair the Council, which is tasked with studying the effects of exclusionary zoning by local governments. These zoning regulations prohibit the development of multifamily complexes in areas zoned for single-family residences. Secretary Carson stated, “Increasing the supply of housing by removing overly burdensome rules and regulations will reduce housing costs, boost economic growth, and provide more Americans with opportunities for economic mobility.”²⁵

Out of necessity, HUD is implementing a number of creative strategies to address the affordable housing issue. For instance, to address an estimated \$35 billion capital needs shortfall, HUD is using programs like the Rental Assistance Demonstration Program (RAD) to encourage public housing agencies (PHA) to transition public housing units to a private-public partnership model. According to an August 2018 newsletter, HUD reports that RAD has saved 100,000 affordable residences.²⁶ In another example, multifamily project owners who receive tenant subsidies from HUD are using alternative financing vehicles, such as low-income housing tax credits and municipal revenue bonds to leverage capital for aging properties. Under its existing regulatory scheme, this majority of alternate financing processes is outside HUD’s control. The long-term effect of both of these approaches remains unknown. OIG’s past work demonstrates that some negative effects could derive from these funding models. Some observable and foreseeable consequences include the possible reduction of affordable housing stock as financing is paid off, program funds are defederalized, and regulatory oversight is limited (caused by the absence of regulatory agreements). OIG will continue to monitor HUD’s implementation of these strategies to increase the availability of quality, affordable housing.

Safe Housing

In addition to ensuring that affordable housing is available, HUD is responsible for guaranteeing that the units are environmentally safe. HUD’s most noteworthy safe housing challenges include addressing lead paint hazards and hazardous waste in public housing.

²³ Worst Case Housing Needs, 2017 Report to Congress, The Office of Policy Development and Research, August 2017

²⁴ HUD’s program definition of affordable housing, https://www.hud.gov/program_offices/comm_planning/affordablehousing/

²⁵ DS News, Ben Carson Named Affordable Housing Chair, June 25, 2019

²⁶ HUD Newsletter on Rental Assistance Demonstration, 100,000 Homes Preserved, dated August 13, 2018

Many buildings constructed before 1978 contain lead paint. HUD has created a strategic goal to remove lead-based paint and other health and safety hazards from its housing sites. Recent events at the New York City Housing Authority demonstrate the challenges HUD faces in implementing this goal. For years, the Authority violated key HUD and U.S. Environmental Protection Agency (EPA) lead paint safety regulations, including failure to inspect apartments for lead paint hazards and to remediate peeling lead paint. In a 2018 audit report, OIG found that HUD did not (1) ensure that PHAs properly reported and mitigated cases involving children with lead contamination, (2) establish policies and procedures for PHAs reporting children with lead contamination, or (3) ensure that PHAs completed required lead-based paint inspections.²⁷

Lead paint is also a major concern for HUD's multifamily housing programs.



According to the Centers for Disease Control and Prevention, nearly 24 million households contain elevated levels of lead paint, with roughly 1.2 million of these households identified as low income with children under 6 years of age.²⁸

While Congress has conducted hearings on viable approaches to permanently deal with these lead problems, no solution has been identified. OIG's continuing work on the hazards of lead paint in public housing indicates that some property owners have disregarded the Lead Safe Housing Rules, with little attempt at compliance.

Drinking water contaminated with lead is also an ongoing public housing issue. In 2016 and 2017, OIG reported that HUD did not provide sufficient guidance and oversight to ensure that properties approved for mortgage insurance had a continuing and sufficient supply of safe and potable water.²⁹ As a result, HUD may have endorsed loans for properties with water contaminants that affected tenants' health.

In addition to HUD's challenges with lead paint and water contamination, some subsidized housing tenants have an increased risk of contamination from hazardous waste sites, commonly called Superfund sites.³⁰ After elevated levels of lead were found in the blood of 21 children at the West Calumet Housing Complex in East Chicago in 2016, HUD collaborated with EPA to conduct a nationwide review to identify its properties that were near Superfund sites. EPA found that 18,158 HUD-assisted buildings were located within 1 mile of a Superfund site. EPA also found that approximately 41 percent of the sites had not been cleaned, had ongoing human exposure to toxins, had soil contamination, or had no data to determine the level of exposure to toxins.³¹ Although EPA reported these findings to HUD in October 2016, HUD has not determined which

²⁷ Audit Report 2018-CH-0002, HUD's Oversight of Lead-Based Paint in Public Housing and Housing Choice Voucher Programs, issued June 14, 2018

²⁸ The Prevalence of Lead-Based Paint Hazards in U.S. Housing, (David Jacobs et al) Environmental Health Perspectives, Vol. 110, No. 10, October 2002

²⁹ Audit Report 2016-PH-0003, HUD Did Not Ensure That Lenders Verified That FHA-Insured Properties in Flint, MI, Had Safe Water, issued July 29, 2016, and Audit Report 2017-PH-0003, Oversight of Safe Water Requirements for FHA-Insured Loans Nationwide, issued September 29, 2017

³⁰ The Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund, was enacted by Congress on December 11, 1980. Superfund sites are contaminated sites that exist due to hazardous waste being dumped, left out in the open, or otherwise improperly managed. These sites include manufacturing facilities, processing plants, landfills, and mining sites.

³¹ Report entitled EPA/HUD NPL Proximity Analysis, October 2016 (nonpublic)

sites pose the greatest risk to residents and has not tested sites to determine whether contaminants exist, which could endanger nearby residents.

Property owners' use of alternative financing mechanisms has become more prevalent in the subsidized housing market. Specifically, property owners in the multifamily market are using low-income housing tax credits and mortgage revenue bonds to create a funding stream with advantageous financial terms in return for keeping the units affordable for low- and moderate-income households.

The structure of these alternative financing deals can result in the overleveraging of properties and shortages of operating funds, issues that are sometimes revealed through deferred maintenance or the property's inability to meet its financial obligations. Although alternatives to HUD-insured financing are viable options, the properties lack a regulatory agreement (associated with FHA insurance), which provides more safeguards and remedies for HUD than the Section 8 contracts. Additionally, the assignment of a Section 8 contract to a bond servicer creates a situation in which most of the value of the subsidies is committed first to debt service.

OIG investigations reveal that relationships solely governed by the housing assistance payments contract create a severe disadvantage for HUD's ability to enforce the contract terms. When landlords fail to provide decent, safe, and sanitary housing, HUD's only recourse is to terminate the contract. Some landlords have pressed this advantage to their benefit through extracting fees and proceeds from the financing transactions and severely deferring maintenance, the latter of which can create deplorable conditions and in some cases, dangerous and deadly outcomes.

Housing Inspections

HUD is tasked with the challenge of providing oversight of its properties to ensure that they are decent, safe, sanitary, and in good repair. HUD uses Real Estate Assessment Center (REAC) inspections to assess the physical condition of many of HUD's insured and subsidized properties. HUD has acknowledged inspection process limitations, such as the Department's use of a single inspection process, regardless of the property type. HUD is currently modernizing its process with the development and testing of a new protocol called the National Standards for the Physical Inspection of Real Estate (NSPIRE). The NSPIRE process places greater value on the living areas of dwellings and requires the owners' affirmative acknowledgement that their self-inspections are 100 percent completed.

REAC inspections have repeatedly produced substandard and inconsistent results in public housing, multifamily, and healthcare facility inspections. When program participants fail inspections, HUD management is typically slow or completely fails to act. PIH allows PHAs to use Federal funds to hire REAC consultants, resulting in an insider group of REAC Inspectors who coach PHAs and multifamily owners on manipulating the system. HUD acknowledges that the current REAC system permits owners to pass inspection even if they fail the unit inspections. Egregious health and safety violations inside living units are valued at less than one percentage point of the overall score. On multiple occasions, healthcare and multifamily facilities that made few or no changes between REAC inspections would receive substantially different scores in later inspections. Public housing and multifamily properties scoring less than 80 are supposed to be inspected annually; however, despite failing REAC scores, many nursing home

properties were not inspected again for more than 3 years. NSPIRE is purported to resolve many of the unacceptable REAC deficiencies that allow units to obtain passing scores while health and safety issues persist.

HUD has expressed a need for nursing home facilities to have inspection procedures separate from those of housing. However, the development of these procedures is not expected to occur until the completion of NSPIRE's 2-year testing period. The Office of Residential Care Facilities is responsible for overseeing the administration of HUD's skilled nursing facilities. HUD policy allows properties with a score of 60 (out of 100) to be inspected solely by the Centers for Medicaid and Medicare Services. The resulting inspection process is skewed toward patient care and disregards the physical structures in which services are provided. This practice, coupled with HUD's self-proclaimed "aggressive avoidance of claim" strategy when dealing with healthcare facilities, creates an environment in which extremely vulnerable individuals may be exposed to unsafe and unhealthy living conditions.

TOP MANAGEMENT CHALLENGE

3

Protecting the Mortgage Insurance Programs



- FHA's Mortgage Insurance Programs Lack Sufficient Safeguards
- HECM Losses Undermine FHA's MMI Fund
- Ginnie Mae's Nonbank Issuers Increase Its Risk
- Ginnie Mae's Shift Toward an Entirely Digital Mortgage Life Cycle Presents New Challenges

HUD plays a significant role in the housing finance market by providing insurance to private lenders through FHA and expanding market liquidity through Ginnie Mae. FHA provides government insurance and guarantees on single-family mortgages, HECMs, apartment buildings, residential health facilities, and hospitals. By committing the full faith and credit of the United States to repayment of lenders should the borrower default, HUD expands affordable home ownership, rental housing, and healthcare facilities. As of May 2019, FHA had insured more than 8 million mortgages with an outstanding principal balance of nearly \$1.2 trillion, amounting to 17 percent of all mortgages in the United States.

Ginnie Mae, a wholly owned corporation within HUD, allows lenders with government-insured and -guaranteed loans to bundle those loans as collateral for mortgage-backed securities (MBS) and sell those securities to investors, thereby recouping funds extended to fund the loans and replenishing lenders' liquidity. Ginnie Mae's outstanding MBS portfolio is valued at more than \$2 trillion.³² Ginnie Mae issuers, which issue the MBS and service the collateral loans, are required to ensure that investors are paid monthly, regardless of whether the borrower pays. The issuer must advance its own funds when

³² Progress Update: Ginnie Mae 2020-The Road to Modernizing and Enhancing Our Programs, issued June 2019

the borrower defaults until it can make a claim to a loan guarantee agency (for example, FHA). These issuers must have significant liquidity available to meet these obligations.

While Ginnie Mae is funded through fees and maintains a reserve of \$15.9 billion,³³ FHA's guarantees are backed by mortgage insurance funds, primarily the Mutual Mortgage Insurance (MMI) Fund. The MMI Fund is funded by insurance fees from borrowers and is used to pay lenders when loans default. If HUD cannot maintain the MMI Fund at a certain level, it must seek an appropriation consistent with Federal Credit Reform requirements.

FHA's Mortgage Insurance Programs Lack Sufficient Safeguards

To maintain the solvency of mortgage insurance programs, FHA must ensure that the borrower meets HUD's eligibility requirements and follows the processes put into place to avoid or minimize default expenses.

Individuals who have delinquent Federal debt or who are subject to Federal administrative offset for delinquent child support are ineligible for FHA-insured loans. Lenders who originate the FHA-insured loans make these eligibility decisions and approve insurance on HUD's behalf. In fiscal year 2019, HUD OIG found that lenders lacked information critical to compliance with Federal requirements and that FHA did not adequately guide lenders on reviewing an applicant's child support records. HUD OIG estimated that in 2016 alone, FHA insured more than 9,500 ineligible loans worth \$1.9 billion. As of August 2019, FHA is working with representatives from the U.S. Department of the Treasury's Do Not Pay portal to evaluate using the portal to identify delinquent Federal debt or child support as part of the FHA insurance endorsement process.

When an FHA-insured loan defaults and the lender submits a claim, HUD is obligated to reimburse the lender for losses, including the unreimbursed principal of the mortgage and the holding costs of the lender during the foreclosure and conveyance process. Typically, the longer the process takes, the greater the costs for HUD. HUD regulations incorporate timeframes for foreclosure and conveyance, but HUD does not establish a maximum timeframe for filing a claim or a limitation on holding costs when timeframes are not observed.

HUD regulations require the servicer to obtain a good and marketable title and convey the property to HUD, generally within 30 days of the date on which the servicer filed the foreclosure deed for record. FHA officials said the conveyance process should take about 37 days to complete—30 days for servicers to make necessary repairs and convey title to FHA and 7 days for FHA to inspect the property and process it for sale. A June 2019 GAO report found that from 2010 to 2017, the process for conveying foreclosed-on properties to FHA took a median of 70 days, with servicers exceeding the required conveyance timeframe 55 percent of the time.³⁴ In 2017 alone, the corresponding figure was 72 percent. In fiscal year 2018, HUD recouped only 54-59 percent of losses paid out on defaulted loans conveyed to HUD.³⁵

³³ As of March 2019, this was the balance of Ginnie Mae's Capital Reserve Fund.

³⁴ GAO report, Federal Housing Administration - Improved Procedures and Assessment Could Increase Efficiency of Foreclosed Property Conveyance, GAO-19-517 (June 2019)

³⁵ Congressional Research Service report, FHA Single-Family Mortgage Insurance: Financial Status of the Mutual Mortgage Insurance Fund (MMI Fund), by Katie Jones, updated March 4, 2019

In March 2018, FHA implemented a preconveyance inspection pilot, in which FHA physically inspects certain properties and provides the servicer with the opportunity to fix any issues before conveying the property. However, HUD has not addressed the significant lag between HUD timeframes for conveyance, the actual conveyance times of a majority of submitted properties, and the impact of this lag on costs to HUD.

HECM Losses Undermine FHA's MMI Fund

The HECM portfolio has had a longstanding negative impact on the MMI Fund that has worsened this past year. In HUD's 2018 Annual Report to Congress on the financial status of the MMI Fund, HUD reported that the net worth of its HECM portfolio was a negative \$13.63 billion. In fiscal year 2018, HECM claims increased to \$5.69 billion, up from \$5.03 billion reported in fiscal year 2017.



As a result of the rising claims, fiscal year 2018 net cash flow from insurance operations was a negative 21.75 percent of the value of the existing HECM portfolio.

Because the HECM program is complicated and targets an aging population, it is vulnerable to fraud schemes. The program incorporates protections for these borrowers, but they could be improved. For example, applicants are required to attend housing counseling to obtain the HECM loan, but HUD does not require that these sessions be conducted in person. Because a great majority of these counseling sessions take place over the telephone, a housing counselor would not know whether he or she was speaking with the borrower or someone posing as the borrower or whether an interested party or family member was coaching the elderly borrower. According to a 2018 report by the U.S. Special Committee on Aging, elder financial abuse was one of the top 10 consumer scams targeting seniors in 2017.³⁶

HUD must ensure that lenders participating in the HECM program comply with HUD requirements and minimize claim costs to HUD. When a loan becomes due and payable, the lender is permitted to submit a claim to HUD for reimbursement of the outstanding loan amount, allowable costs of servicing, and debenture interest (DBI) on the unpaid principal balance. But the lender is required to observe a number of HUD timeframes to claim interest. The failure to observe these timeframes requires that the lender curtail or exclude DBI to the date of failure in the claim to HUD.

Since 2015, the OIG has conducted several investigations, which found that the HECM industry was aware of the DBI regulations and in some cases, chose to ignore them and concealed failures to observe these timeframes. For a time, lenders have acknowledged their failure to follow HUD regulations and were willing to settle with the government. OIG's progress in prosecuting these violations has been hampered, however, by HUD's lack of support. The Department's failure to enforce lender misconduct places HUD at greater risk for losses in the future.

³⁶ U.S. Special Comm. on Aging, 115th Cong., Fighting Fraud: Senate Aging Committee Identifies Top 10 Scams Targeting Our Nation's Seniors (Comm. Print 2018)

HUD has made several program changes over the years to stabilize the HECM program. FHA plans to continue to assess the HECM portfolio throughout fiscal year 2020 and consider other changes as warranted.³⁷

Ginnie Mae's Nonbank Issuers Increase Its Risk

In the past 10 years, Ginnie Mae's issuers have transitioned from being predominantly banks (with an 82 percent majority in 2011) to nonbanks (with a 78 percent majority in 2018).³⁸ Issuers are responsible for servicing, remitting, and reporting activities on the mortgages that collateralize the MBS. They must have sufficient liquidity to advance payments to investors, even when a borrower does not pay, or advance funds to purchase the loan from the pool. Nonbanks are financial institutions that only offer mortgage-services, have no depositor base, and are less regulated than banking institutions. The average amount of MBS issued per nonbank issuer has increased from \$484 million to \$1.16 billion within the past 10 years.³⁹ Both OIG and Ginnie Mae have reported that the increase and complexity of nonbank issuers presents an unmitigated challenge for monitoring efforts.⁴⁰

Nonbank issuers have improved consumer access to federally insured mortgages, but according to Ginnie Mae officials, the sharp growth in nonbank issuers increases HUD's oversight challenges and costs associated with monitoring them. In its 2017 annual report, Ginnie Mae noted that the majority of nonbank issuers involved third parties in their MBS transactions, complicating its oversight of the issuers. Ginnie Mae also noted that monitoring nonbanks significantly increased Ginnie Mae staff's workload.

In addition to an increase in the overall number of nonbank issuers, the concentration of MBS among the largest nonbank issuers has increased. Between 2011 and 2018, the average MBS issuance by the top five nonbank issuers increased from \$7.2 billion to \$28.7 billion (in fiscal year 2017 dollars). If one of these issuers failed, Ginnie Mae would be significantly impacted if it assumed the defaulted portfolio, as it did with the Taylor, Bean, and Whitaker default in 2009. As of September 2018, the vast majority of the issuers on Ginnie Mae's Watch List—an enhanced oversight tool used to monitor issuers exposing Ginnie Mae to relatively high credit or operational risk—were nonbank issuers.⁴¹

In a September 2017 audit, OIG found that Ginnie Mae was not prepared for the shift in its issuer base and Ginnie Mae staff lacked necessary skills to respond to increased risks posed by the shift. Ginnie Mae reported that it was exploring proposals or stress testing to assess a lender's liquidity and include a requirement that lenders have a "living will" that describes how the lender would break down its operations in the event of financial distress or the lender's failure.⁴² Ginnie Mae has also issued new counterparty risk

³⁷ Annual Report to Congress on the financial health of FHA's MMI Fund for fiscal year 2018

³⁸ GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019)

³⁹ GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019)

⁴⁰ OIG Topic Brief, *Monitoring of Nonbank Issuers*, February 28, 2017

⁴¹ GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019)

⁴² GAO report, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, GAO-19-191 (April 2019)

⁴² Ginnie Mae 2020 Roadmap for Sustaining Low-Cost Homeownership, issued June 2018

requirements for subservicing arrangements, which would warrant enhanced financial requirements for issuers.⁴³ Ginnie Mae is developing the Default Playbook, which is intended to create a new framework to address issuer default management. While Ginnie Mae has made significant progress in improving and operationalizing the playbook in fiscal year 2018, it is an ongoing project with an expected completion date of September 30, 2020.

Ginnie Mae's Shift Toward an Entirely Digital Mortgage Life Cycle Presents New Challenges

In a fiscal year 2019 report, OIG noted that the mortgage industry's move toward an entirely electronic loan process is an emerging issue for FHA and Ginnie Mae. Because both entities currently rely on paper notes and mortgages, the shift will require adding new platforms and security measures for digital mortgages. This would include digital promissory notes, which are the legal evidence of debts.

Ginnie Mae has committed to modifying the MBS program to include mortgages that only exist in digital form.⁴⁴ It concluded that creating a complete digital mortgage process, from loan application through securitization, will increase credit access for many Americans. As of June 2019, Ginnie Mae reports that it is drafting the process, specifically the technology and document requirements an issuer will need to meet to participate in Ginnie Mae's digital mortgage pilot. In the fall of 2019, Ginnie Mae intends to release the official guidance on the agency's digital mortgage pilot.⁴⁵ Ginnie Mae issued a request for information through GSA to validate the factors that will impact a request for proposals for an eVault vendor. Ginnie Mae states that it plans to issue a request for contract proposals and award a contract by the fall of 2019.

As its issuers adopt e-notes, Ginnie Mae will need to ensure that it can demonstrate legal ownership of the note should the issuer default. Because a paper note will not exist, Ginnie Mae will need to demonstrate in bankruptcy court that the electronic record is the original note and is secure. Additionally, OIG will need to be able to access and understand the security related to the note and mortgage to conduct audits and investigations.

⁴³ Ginnie Mae All Participant Memos 18-07, Counterparty Risk Management Policy Series – Volume 1, published November 5, 2018, and 19-02, Counterparty Risk Management Policy Series – Volume 2: Minimum Portfolio Servicing Spread Requirements for Single Family Issuers, published March 7, 2019

⁴⁴ Ginnie Mae 2018 Annual Report

⁴⁵ Progress Update: Ginnie Mae 2020-The Road to Modernizing and Enhancing Our Programs, published June 2019

TOP MANAGEMENT CHALLENGE

4

Providing Adequate Monitoring and Oversight of Operations and Program Participants



- Insufficient Monitoring of Operations
- Insufficient Monitoring and Oversight of Programs and Program Participants

HUD implements many of its programs through grants, subsidies, and other payments to State and local government entities, private organizations, and individuals. HUD's program funding amounts to approximately \$50 billion per year. HUD relies heavily on partners, such as State and local governments, PHAs, and private housing providers, to use its programs for intended beneficiaries. To protect Federal funds and ensure that intended beneficiaries receive the benefits of these programs, HUD must regularly evaluate the programs' effectiveness and monitor its partners' use of HUD funds.

While the Department has taken steps to improve programmatic risk management and management controls, HUD continues to struggle in effectively managing its own operations and oversight of its program participants' activities. In fiscal year 2019, OIG identified more than \$1 billion in questioned costs⁴⁶ and more than \$7.2 billion in funds to be put to better use.⁴⁷ HUD has demonstrated a lack of guidance on appropriate review of programmatic management controls, a lack of staff to conduct monitoring, and a lack of reliable information from program partners used to assess program performance and compliance.

⁴⁶ Questioned costs - Costs that have been challenged during the audit by the auditor and are comprised of three categories of costs: ineligible costs, unsupported costs, and unnecessary or unreasonable costs

⁴⁷ Funds to be put to better use – Funds to be put to better use quantify monetary savings from management actions in response to OIG recommendations, which prevent improper obligations or expenditures of agency funds or avoid unnecessary expenditures.

Insufficient Monitoring of Operations

For years, OIG has identified HUD's failure to perform its programs' management control reviews (MCR). MCRs are intended to provide reasonable assurance that programs and activities are effectively and efficiently managed and are protected against fraud, waste, abuse, and mismanagement. The MCRs are part of GAO's Standards for Internal Control in Federal Government.⁴⁸

HUD's handbook on conducting MCRs has been removed from its website and has been under revision for the past 2 years, leaving HUD without official guidance on performing these reviews. Since 2015, HUD has not conducted routine or timely MCRs, depriving management of an important monitoring tool that should provide key feedback on the effectiveness and efficiency of departmental operations.⁴⁹ HUD plans to revise the Management Controls Handbook in 2020.

HUD has made progress in assessing enterprise risk as required by Office of Management and Budget (OMB) Circular A-123, although the enterprise risk management program modules have yet to be implemented.⁵⁰ Enterprise risk and fraud management is one of HUD's eight priority areas in its transformation program. In July 2019, HUD issued a new Front End Risk Assessment Policy Handbook, which is applicable to new and substantially amended HUD programs.

Insufficient Monitoring and Oversight of Programs and Program Participants

HUD's monitoring and oversight of third-party program implementation is an ongoing management challenge. HUD lacks a sufficient monitoring model, which limits its ability to prevent and detect fraud, waste, and mismanagement. As a result, grantees and PHAs misspend or cannot justify the expenditure of millions of dollars, with little risk of detection or repercussions. Additionally, HUD's monitoring does not always identify or address the root cause of performance failures. OIG is focused on the continuing challenges of the three program offices listed below.

Monitoring of CPD

HUD's Office of Community Planning and Development's (CPD) mission is to develop viable communities through integrated approaches that provide decent housing, provide suitable living environments, and expand economic opportunities for low- and moderate-income persons. To accomplish this mission, CPD awards grants to fund community development projects, local affordable housing programs, homeless assistance programs, and disaster recovery efforts.⁵¹ Grant recipients may use subgrantees, other government agencies, and private-sector companies to help them meet their objectives.

⁴⁸ GAO report, Standards for Internal Control in the Federal Government, GAO-14-704G (September 10, 2014)

⁴⁹ Audit Report, 2018-FO-0004, Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Audit, issued November 15, 2017; Audit Report 2017-FO-0003, Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit, issued November 15, 2016

⁵⁰ OMB, Management's Responsibility for Enterprise Risk Management and Internal Control Structure, Circular No. A-123 (July 15, 2016)

⁵¹ Because of the scope of HUD disaster recovery efforts, this report addresses those management challenges separately.

In numerous audits dating back to 2015, OIG found that HUD conducted little or no monitoring of CPD program grantees. For the monitoring that was conducted, OIG found that CPD could not be assured that its field offices correctly identified its high-risk grantees or conducted adequate monitoring to mitigate program risk.⁵² In 2018, OIG performed a comprehensive review of CPD's monitoring model and found that CPD did not have effective supervisory controls and its risk assessment and monitoring did not provide effective oversight of programs and grantees.⁵³ HUD is working to implement controls based on OIG's report recommendations but has yet to fully implement them.

CPD continues to waive an OMB reporting requirement for grantees to provide information on their grant's obligations, disbursement, and program income,⁵⁴ despite annual OIG recommendations since 2014. This information would assist CPD in determining whether grantees complied with applicable regulations and statutes and strengthen its monitoring and oversight of grantees.

Monitoring of PHAs

PIH administers public housing, tenant subsidy, and resident self-sufficiency and economic independence programs. Approximately 57.6 percent of HUD's annual appropriations go through PIH.⁵⁵ PHAs are key partners in PIH programs, such as the Housing Choice Voucher Program. HUD electronically monitors the voucher program through a system that relies on PHAs' self-assessments and self-reported information.



Past audits and HUD's onsite reviews have confirmed that these self-assessments are not always accurate, questioning the reliability of the information in PIH systems.

Due to its limited funding for new systems development and staffing constraints, PIH employs a risk-based approach to monitoring. Currently, HUD uses a Two-Year Tool to analyze a PHA's utilization situation and a National Risk Assessment Tool to determine which PHAs need increased monitoring or technical assistance, based on their performance, amount of funding, and compliance scores. HUD will continue to face challenges in monitoring PHAs until it has implemented a reliable, real-time, and all-inclusive monitoring tool.

PIH allows PHAs to use a fee-for-service model by paying a central office cost center for certain expenses rather than allocating overhead costs. This practice affects the funding of the Housing Choice Voucher Program, Public Housing Operating Fund, and Public Housing Capital Fund. Once the allocated funds are paid to the central office cost center, the funds are defederalized and are no longer required to be spent on their respective PIH programs. When OIG questioned HUD's lack of support for its central office cost

⁵² Audit Report 2017-FW-0001, HUD's Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees' Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees, issued July 10, 2017

⁵³ Audit Report 2018-FW-0001, CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds, issued June 26, 2018

⁵⁴ The report is OMB Standard Form 425 – Federal Financial Report.

⁵⁵ This calculation did not include supplemental appropriations for disaster recovery.

center fee limits, it found that PHAs transferred ineligible and unsupported funds to the central office cost centers.⁵⁶ OIG also found that HUD lacked adequate justification for allowing PHAs to charge an asset management fee, which allows PHAs to defederalize more than \$81 million annually.

In December 2018, HUD and OIG reached an agreement on corrective action. HUD agreed to issue rules restricting the use of program funds paid to the central office cost center by requiring those funds to benefit low-income households. HUD also agreed to regularly assess the reasonableness of the central office cost center fee limits. Because of the significance of this issue, PHAs' central office cost center funding will remain a top management challenge until HUD's new rule is adopted. Final action is targeted for completion by May 2020.

Monitoring of Section 232 Residential Care Facilities

FHA provides residential care facilities, such as nursing homes, assisted living facilities, and board and care homes, with mortgage insurance, which can cover the purchase, refinance, new construction, or substantial rehabilitation of a project. HUD has failed to properly monitor these facilities and take appropriate action with troubled properties.



For example, in 2018, OIG conducted an audit of 18 financially challenged nursing homes. OIG found that four of the nursing homes had been in default for up 6.5 years and an additional nine nursing homes should have been classified as troubled.

Along with multiple regulatory agreement violations, OIG found that a majority of the facilities provided inaccurate or incomplete financial data and that the data were not provided in a timely fashion.⁵⁷ In 2018, OIG issued a management alert regarding HUD's failure to oversee the physical condition of these facilities.⁵⁸

In July 2018, HUD issued a request for information on contract support to monitor potentially troubled facilities, process default claims, manage receivership for defaulted owners, and manage accounts receivable financing and disposition of the property. No contract has been announced to date, but OIG believes that a contract by HUD for these activities would significantly help in addressing 232 monitoring issues.

⁵⁶ Audit Report 2014-LA-0004, HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers, issued June 30, 2014

⁵⁷ Audit Report 2018-BO-0001, HUD's Office of Residential Care Facilities Did Not Always Have and Use Financial Information To Adequately Assess and Monitor Nursing Homes, issued September 17, 2018

⁵⁸ Management Alert - HUD Did Not Provide Acceptable Oversight of the Physical Condition of Residential Care Facilities, 2018-CF-0801, issued January 2018

TOP MANAGEMENT CHALLENGE

5

Administering Disaster Recovery Assistance



- Codifying the CDBG-DR Program
- Ensuring That Expenditures Are Eligible and Supported
- Ensuring and Certifying That Grantees Are Following Federal Procurement Regulations
- Addressing Concerns That Citizens Encounter When Seeking Disaster Recovery Assistance
- Preventing Fraud in Disaster Recovery Assistance

HUD plays a key role in assisting individuals and communities recovering from disasters. Since 2001, Congress has appropriated more than \$83 billion specifically for disaster recovery assistance. In 2017 and 2018, Congress appropriated \$35.8 billion for recovery from Hurricanes Harvey in Texas; Irma in Florida, Georgia, South Carolina, and the U.S. Virgin Islands; Maria in Puerto Rico and the Virgin Islands; and Nate in Mississippi. While disaster assistance is an ongoing challenge for HUD, disaster recovery in Puerto Rico is particularly urgent, given the scope of the devastation, the geographic challenge involved in providing recovery assistance on an island, questions regarding Puerto Rico's capacity to handle funds, and the slow pace of funds and recovery projects.

HUD's primary program for disaster recovery assistance is the CDBG-DR program. Each disaster is funded through a supplemental appropriation separate from HUD's annual CDBG appropriation. Through the CDBG-DR program, HUD awards grants for disaster recovery efforts to States and units of local government, which work with subgrantees and contractors to implement these recovery programs. HUD's role is to rapidly provide funding to jurisdictions, ensure that grantees have the capacity to administer these funds through acceptable programs, and balance the fluid nature of disaster recovery efforts, while ensuring that the funds provided by HUD are being spent properly and effectively.

The following outlines the particular challenge areas for HUD as it administers this ever-growing program.

Codifying the CDBG-DR Program

Unlike other HUD programs, the CDBG-DR program is operated through a series of Federal Register notices. HUD's primary notice containing multiple requirements and waivers is issued for each disaster recovery supplemental appropriation. The primary notice largely repeats the same requirements and waivers from appropriation to appropriation and is periodically updated by additional notices that refer back to the original notices. The supplemental notices issued for more recent disasters may contain new standards that relate to prior disasters. The number of notices continues to increase with each supplemental appropriation, and some grantees manage multiple grants for different disasters.



As of August 2019, HUD had issued 74 notices for CDBG-DR, covering \$83.7 billion. Currently, 72 of the notices are being used to oversee 103 active CDBG-DR grants that total more than \$55.9 billion.

Beginning in August 2019, HUD announced a separate disaster-related program called CDBG-MIT, which is aimed at disaster mitigation.⁵⁹ Since 2018, the program, funded by disaster supplemental appropriations, requires grantees to use a portion of their allocation to mitigate future disaster risks. The program also operates via allocation notices for mitigation funding and will fund grantees for disasters dating back to 2015.

HUD's process is cumbersome and confusing. It delays HUD allocations and forces grantees to cross-reference multiple notices to ensure that they are following the most recent HUD requirements and waivers. CDBG-DR grantees face additional challenges in coordinating the use of CDBG-DR funds with other disaster recovery programs that are initiated at different times and administered by other agencies.

Since 2017, OIG has recommended that HUD codify the CDBG-DR program to simplify the process and standards and to speed up allocation. In March 2019, GAO found that without permanent statutory authority and regulations, such as those that govern other disaster assistance programs, CDBG-DR appropriations require HUD to customize grant requirements for each disaster in Federal Register notices, which is a time-consuming process that delays the disbursement of funds.⁶⁰ HUD officials have stated that the permanent authorization of CDBG-DR would allow HUD to issue regulations for disaster recovery and help address grantee challenges.⁶¹ In May 2019, Secretary Carson

⁵⁹ HUD Press Release 19-129, HUD Releases Program Requirements for CDBG-Mitigation Program, released August 23, 2019

⁶⁰ GAO report, Better Monitoring of Block Grant Funds is Needed, GAO-19-232 (March 25, 2019)

⁶¹ OIG has recommended that HUD issue regulations under the existing CDBG authority. HUD disagrees that it has this authority. See OIG Audit Report 2018-FW-0002, HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program, issued July 23, 2018.

testified that he would support codification, which he believed would be helpful.⁶² In fiscal year 2019, Congress has proposed bills to codify CDBG-DR.⁶³

Ensuring That Expenditures Are Eligible and Supported

CDBG-DR funding is generally appropriated indefinitely (until spent or returned). Of the \$83.7 billion appropriated by Congress for various disasters since 2001, \$55.9 billion (67.5 percent) had been obligated, and \$40.9 billion (49.4 percent) had been disbursed as of September 30, 2018. Oversight of these activities is difficult due to the diverse nature of the projects and the fact that some construction projects can take between 5 and 10 years to complete. In addition, the structure of the HUD CDBG-DR program provides grantees considerable leeway to revise plans without prior HUD approval.

As disasters continue to occur around the country, HUD's challenge has been ensuring that grantees have the capacity to administer the funds and are using disbursed disaster funds for eligible and supported items. HUD must assess whether grantees that develop and implement action plans for recovery understand the unmet need in their jurisdiction, have the capacity to administer the program, and have the financial procedures and processes in place to ensure that funds will be appropriately spent and documented. A March 2019 GAO report found that HUD's processes were lacking in each of these areas. While HUD has a review checklist, HUD staff lacks guidance on how to assess the grantee and a lack of documentation in the official records to support decision making. As a result, conclusions of sufficiency may vary based on the reviewer.

Once grants are made, HUD monitors the grantees' implementation of CDBG-DR grants but heavily relies on these same grantees to oversee subgrantees and beneficiaries. HUD continues to be challenged in its monitoring capabilities.



In its March 2019 report, GAO found that while HUD determined that the large size of the 2017 CDBG-DR grants posed higher risks, it had no comprehensive plan to monitor these grants.⁶⁴

Further, HUD had not conducted workforce planning to determine the number of staff members needed to monitor the 2017 CDBG-DR grants and other outstanding grants. In fiscal year 2018, HUD planned to hire several additional staff members but as of July 2019, had not added any additional staff. HUD OIG audits of grantees continue to identify improper grant payments and ineligible expenditures.⁶⁵

The Puerto Rico CDBG-DR grants present additional issues and demonstrate instances of HUD progress and future management questions. Puerto Rico was awarded \$19.9 billion in CDBG-DR funds. HUD released \$1.5 billion of those funds to Puerto Rico in

⁶² May 21, 2019, Testimony of Secretary Ben Carson before the House Financial Services Oversight Committee

⁶³ 116th Congress, H.R. 3702, Reforming Disaster Recovery Act of 2019, introduced July 11, 2019 (also known as the Green-Wagner Bill). See also S.2301 Reforming Disaster Recovery Act, introduced July 25, 2019.

⁶⁴ GAO report, Better Monitoring of Block Grant Funds is Needed, GAO-19-232 (March 25, 2019)

⁶⁵ See, for example, Audit Report 2019-NY-1001, The State of New York Did Not Ensure That Properties Purchased Under the Acquisition Component of Its Program Were Eligible, issued March 29, 2019.

2018.⁶⁶ In August 2019, HUD announced plans to appoint a Federal financial monitor to oversee Puerto Rico's disbursement of disaster recovery funds.⁶⁷ HUD claims that this new position will lead a special team to monitor all disaster recovery funds previously awarded or scheduled to be awarded, which will include 100 percent of expenditures. HUD states that it has established a governance framework for overseeing these funds, but it is unclear whether and how Puerto Rico's oversight processes will be applied to other grantees with which HUD has capacity or oversight concerns.

Ensuring and Certifying That Grantees Are Following Federal Procurement Regulations

OIG continues to have concerns about HUD's ability to ensure that disaster recovery grantees follow Federal procurement regulations. Between 2013 and 2017, 17 OIG audits found issues relating to the procurement of disaster recovery funds, totaling nearly \$391.7 million.⁶⁸ OIG has raised concerns about HUD's certification standards, which allow States to certify to requirements using their own standards rather than the Federal standard regulating each aspect of the program. Further, the OIG audits found that grantees' procurement processes did not align with HUD's and HUD could not certify that State procurement procedures aligned with HUD's requirements.⁶⁹ As a result, products and services may not have been purchased competitively at fair and reasonable prices.⁷⁰

HUD has yet to address OIG's recommendations from the September 2017 rollup report. OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on January 25, 2018, but the Assistant Secretary did not respond. On March 16, 2018, OIG referred these recommendations to the Deputy Secretary for a decision, but as of August 2019, the Deputy Secretary had not responded.

Addressing Concerns That Citizens Encounter When Seeking Disaster Recovery Assistance

Individuals impacted by disaster face challenges in obtaining assistance from HUD or any of the Federal and State agencies, nonprofits, or others offering assistance to those affected by a disaster. According to a recent OIG evaluation, citizens may enter a convoluted process and face substantial difficulties in receiving disaster recovery assistance, depending on how, when, and where they enter the response effort. Many nonprofit, private, and government organizations and agencies provide citizens (homeowners and businesses) with a range of assistance and access options in the disaster response and recovery process. The path of the process is not linear, and citizens may start at various points within the disaster recovery assistance process.

⁶⁶ In February 2019, HUD released an additional \$8.2 billion to Puerto Rico but in August 2019 determined to delay these funds, citing alleged corruption and government unrest.

⁶⁷ HUD Notice 119-115, HUD To Appoint Federal Financial Monitor to Oversee Puerto Rico Disaster Funds, issued August 2, 2019

⁶⁸ Audit Report 2017-PH-0002, HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes, issued September 22, 2017

⁶⁹ Audit Report 2016-PH-0005, HUD Certifications of State Disaster Grantee Procurement Processes, issued September 29, 2016

⁷⁰ Audit Report 2017-PH-0002, HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes, issued September 22, 2017

Citizens may experience lengthy delays between the initial application process and the closing of their cases, due to inconsistent communication, coordination, and collaboration. Further, citizens may experience delays in funding, duplication of benefits, and other challenges after the process is completed.⁷¹

Preventing Fraud in Disaster Recovery Assistance

Fraud is an ongoing challenge for HUD as it balances program rules and requirements, while allowing its grantees the flexibility to design their program delivery model in a way that addresses the unique needs of each jurisdiction. HUD must not only include clearly defined requirements, but also strategically design key program forms that are consistent for all grantees and include the proper certifications. OIG investigative staff has identified instances in which HUD's CDBG DR program lacks permanent statutory authority and proper certifications, creating ambiguities that hinder successful prosecutions. Prosecutors across all levels of government are often hesitant to proceed with legal action if these conditions are not met. Additionally, these ambiguous program requirements and a lack of proper certifications present a major risk to grantees and program participants. In the absence of codification of program rules, HUD should define key program requirements and require certifications in key program forms that would be most effective in preventing changes, which would clarify program requirements, improve participant accountability, and better support OIG's criminal and civil enforcement efforts.

Defining Key Program Requirements:

- Grantees and program participants should be clear on the definition of the term "primary residence."
- There should be consistent language incorporated into the action plan and grant agreement, which informs grantees, subgrantees, and contractors that OIG has oversight authority for all CDBG DR spending and that they are obligated to produce all documents, records, and recipient data to OIG upon request.

Enhancing Program Certifications:

- The signing of certifications under the penalty of perjury by grantees, subgrantees, and contractors is among the most effective tools for educating the program participants on the terms and conditions of grants, for preventing fraud from occurring, and for prosecuting fraud when it occurs.
- It is important that certifications address the specific needs of HUD's program areas. HUD should not rely solely on generic certifications, which are of limited usefulness in educating the grantee of its obligations to comply with grant requirements.
- Grantees should be required to certify to specific activities, costs, or requirements so that HUD has evidence that the grantee had knowledge of the grant requirements and indicated its intent to comply with those requirements.

⁷¹ Evaluation Report 2017-OE-0002S, Navigating the Disaster Assistance Process, issued April 10, 2017

TOP MANAGEMENT CHALLENGE

6

Modernizing Technology and the Management and Oversight of Information Technology



- Modernization
- Procurement
- Project Management
- Federal Information Security Modernization Act
- Cybersecurity

For years, HUD has struggled with maintaining its outdated systems, which cannot be adapted to handle HUD's increasingly complex mission tasks. HUD struggles with its information security program's maturity level and cybersecurity issues. It is hindered by its decentralized IT resources spanning across multiple program offices, specialized job vacancies, and a lack of staff expertise in IT.⁷²

HUD is making progress with a number of these IT deficiencies under its new Chief Information Officer, but the depth and breadth of these issues will require a multiyear investment and strategy.

Modernization

Between 1974 and 1995, HUD instituted its IT systems to support its program and business processes. These systems are now outdated and incompatible with current technology, making them more susceptible to failure and breach because they are no longer supported through patches and updates. Since 2009, HUD OIG has issued numerous audit and evaluation recommendations related to HUD IT issues. Currently, 230 of these recommendations remain open or unresolved. Additionally, GAO has 22 open recommendations related to HUD's IT issues. HUD legacy systems' maintenance is costly because they require specialized skills to maintain and operate them.

⁷² The human capital issues are discussed more fully in Challenge 1: HUD's Human Capital.

These outdated systems create risks for the reliability and security of HUD information. In October 2018, OIG reported on the continued weaknesses of HUD's internal information system data processing controls and security, placing this information at risk for unauthorized access and modification.⁷³ These outdated systems also impede HUD's ability to report complete and accurate data to the public as required by the Digital Accountability and Transparency Act of 2014 (DATA Act).⁷⁴

HUD has made progress in the past year. As of the fourth quarter of 2018, HUD states that it is compliant with the reporting requirements of the DATA Act for all programs.⁷⁵ HUD has also significantly increased its IT investments. In fiscal year 2019, HUD received approximately \$459 million for its IT systems and plans to spend about a quarter of this allocation (about \$118 million) on major projects. HUD's fiscal year 2019 major project funding dollars more than doubled the previous year's investment amount of \$54.8 million.⁷⁶ HUD OIG believes this major project funding will help modernize HUD and reduce its systems' recurring operation and maintenance cost. HUD must continue to identify, prioritize, and successfully implement modernization and IT security program improvement efforts and will need to institute proper oversight to ensure that information security is built into all current and future projects.

Procurement

Because HUD IT modernization will occur through acquisition, HUD's procurement capacity and governance are key factors in HUD's IT modernization efforts. According to the Office of the Chief Procurement Officer (OCPO), in fiscal year 2017, fewer than five people were adequately trained or possessed the expertise to manage HUD's IT projects and contracts. OIG has not tracked the trained staff numbers since this report, but OIG's IT Evaluations Division validated that all program offices, including OCIO, continue to have difficulty awarding contracts because of HUD's lack of expertise. Additionally, OCPO has had a difficult time in hiring experienced contracting personnel and has multiple vacancies.

In 2016, GAO reported that HUD lacked well-documented and fully developed selection processes to ensure consistent contract applicant selection criteria.⁷⁷ In addition, HUD lacked robust processes to ensure that its contractors met their obligations, such as contractor oversight and contractor performance evaluations against expected outcomes.



While HUD has adopted many acquisition procedures since the 2016 GAO report, it has not fully implemented these procedures, leaving significant gaps in its IT acquisition framework.

HUD contracts have begun to include IT security-specific contracting language and service-level agreements to mitigate and monitor the associated IT risks. Additionally,

⁷³ HUD Fiscal Year 2018 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report, 2018-OE-003, issued October 31, 2018 (nonpublic)

⁷⁴ Digital Accountability and Transparency Act of 2014, Public Law 113-101, May 9, 2014

⁷⁵ OIG is working to confirm this through its fiscal year 2019 auditing schedule.

⁷⁶ Federal IT Dashboard: <https://itdashboard.gov/#explore-2017>

⁷⁷ GAO report, Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight, GAO-16-497 (public release August 19, 2016)

HUD has provided OIG with an acceptable action plan that will use qualitative and quantitative performance metrics to monitor and report on contractor performance regarding IT systems and services. Even with these improvements, HUD will need to incorporate oversight practices to ensure that the corrective plan is consistently implemented.

Project Management

Historically, HUD has maintained a decentralized IT system and application management model that has resulted in autonomous applications operating on multiple platforms across program offices, resulting in duplication of services. Further, OIG has repeatedly found instances in which OCIO did not have an accurate inventory or knowledge of its web application environment,⁷⁸ which makes modernization efforts extremely challenging. HUD's 2013 New Core project, which was intended to transition legacy financial systems, failed in 2016.

OIG notes that HUD is now working with GSA's Centers for Excellence to modernize HUD's IT infrastructure by adopting a cloud platform to manage data, a central contact center, and a "customer experience" technology.⁷⁹ HUD also plans to create an Office of Chief Data Officer, which will have advance analytics capacity for use in both operations and program management. HUD issued requests for information, which closed in May 2019. HUD must ensure that it applies lessons learned when implementing these critical projects.

Federal Information Security Modernization Act

In 2002, a law passed that required Federal agencies to develop, document, and implement an information security and protection plan. In accordance with the Federal Information Security Modernization Act (FISMA), OIG is required to annually assess HUD's information security program efforts on a maturity model spectrum. OIG's most recent FISMA assessment found that HUD continued to struggle to increase from an overall "defined" level of maturity, or level 2 out of 5 levels. According to OMB and the FISMA OIG metric guidance, a "managed and measurable" maturity level of 4 represents an effective level of security. In the fiscal year 2018 FISMA report, issued October 31, 2018, HUD OIG assigned maturity levels based on the OMB metrics that assess eight IT domains.⁸⁰ Table 1 below shows the FISMA report's overall conclusions.

⁷⁸ HUD Fiscal Years 2016 and 2018 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Reports, respectively 2016-OE-006, issued November 9, 2016, and 2018-OE-0003, issued October 31, 2018 (nonpublic)

⁷⁹ GSA press release, HUD Issues RFIs for Centers of Excellence Phase II Work, dated May 20, 2019

⁸⁰ OMB based these metrics on eight IT domains that align to the five National Institute of Standards and Technology cybersecurity framework function areas. The metrics are assessed using maturity models. These models allow for the measurement of HUD's information security program effectiveness.

Table 1: FISMA results

	Maturity level				
	1	2	3	4	5
Risk Management	✓	✓	⊖	⊖	⊖
Configuration Management	✓	✓	⊖	⊖	⊖
Identity and Access Management	✓	✓	⊖	⊖	⊖
Data Protection & Privacy	✓	✓	⊖	⊖	⊖
Security Training	✓	✓	⊖	⊖	⊖
Information Security Continuous Monitoring	✓	✓	⊖	⊖	⊖
Incident Response	✓	✓	✓	⊖	⊖
Contingency Planning	✓	✓	⊖	⊖	⊖

Key: 1 - ad hoc, 2 - defined, 3 - consistently implemented, 4 - managed and measurable, 5 - optimized (level 4 = effective program according to OMB)

HUD showed improvement in the incident response domain, increasing from level 2 to level 3 from last year, but both the configuration management and identity and access management domains decreased from level 3 to level 2. HUD’s newly added domain of data protection and privacy was assessed at level 2. All other areas remained a level 2. HUD has remained at an overall level 2 since the new metrics were introduced in 2016.

The FISMA report highlights specific weaknesses associated with each IT domain. The collective FISMA evaluation reports have a total of 92 recommendations, 30 new recommendations and 62 recommendations from prior FISMA assessments that remain open. HUD demonstrates a lack of overall progress, mostly regresses in all domains except incident response, and clearly has more work to do to achieve a managed and measurable maturity level 4.

Cybersecurity

According to the Consolidated Appropriations Act of 2017, HUD is required to incorporate a cybersecurity funding analysis into the President’s budget. The Act identifies cybersecurity as an important component of IT modernization efforts and securing Federal systems from cyber-related threats.⁸¹

⁸¹Section 630 of the Consolidated Appropriations Act, 2017 (Public Law No. 115-31) amended 31 U.S.C. (United States Code) 1105(a)(35), which is further discussed at https://www.whitehouse.gov/wp-content/uploads/2018/02/ap_21_cyber_security-fy2019.pdf.



However, HUD continues to allocate far less of its funding for cybersecurity than other CFO agencies, at \$16.6 million in fiscal year 2018 and \$18.7 million in fiscal year 2019.

This amount is just 5 percent of the total fiscal year 2019 HUD IT budget, compared to other Federal agencies' allocation average of 14 percent.⁸² Not only is HUD insufficiently invested in technology, it is underinvested in cybersecurity personnel. The fiscal year 2017 HUD OIG FISMA evaluation report noted that it is important for HUD to develop a common and risk-based approach to allocate resources that address IT risks identified in HUD OIG reports, GAO reports, and HUD self-assessments.⁸³

Although HUD has established a working plan to begin the initial stages in monitoring network data and devices, it still does not have a fully operable integrated Security Operations Center capable of monitoring the enterprise technology infrastructure. HUD's outdated cybersecurity policies leave critical process and procedural gaps, resulting in operational risks, despite its added effort to modernize the IT and staff critical personnel shortages.

⁸²HUD Fiscal Year 2018 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report, 20187-OE-003, issued October 31, 2018 (nonpublic)

⁸³ HUD Fiscal Year 2017 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report, 20187-OE-003, issued October 31, 2017 (nonpublic)

TOP MANAGEMENT CHALLENGE

7

Instituting Sound Financial Management



- HUD's Financial Management Governance
- HUD's Internal Control Framework and Financial Management Maturity
- HUD's Financial Management Systems Weaknesses

HUD's financial management has long suffered due to (1) an immature governance process, (2) ineffective internal controls, and (3) an antiquated financial management system consisting of legacy systems and manual processes that have kept HUD from producing reliable and timely financial reports. As a result, HUD has been unable to achieve an unmodified audit opinion⁸⁴ on its financial statements for the last 6 years and has received a disclaimer of opinion for 5 of those years. Ginnie Mae, a HUD component, has also been unable to achieve an unmodified opinion and has received a disclaimer of opinion for the last 5 years due to its poor governance and a weak internal control framework. HUD's CFO has developed and implemented several remediation strategies in an effort to resolve HUD's most longstanding and material deficiencies. While HUD has made significant progress in fiscal year 2019, more work is needed to remediate the effects of years of financial management inattention so that HUD can operate at a level capable of producing reliable financial reports.

HUD's Financial Management Governance

HUD continues to struggle with financial management, due in part to an extended period in which HUD was without leadership in key roles and followed a siloed approach to financial management, which weakened HUD's internal control environment and

⁸⁴ Codification of Statements on Auditing Standards, AU-C Section 700.11, T4e opinion expressed by the auditor when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework

framework. These weaknesses caused preventable deficiencies to occur undetected and have precluded HUD from resolving financial integrity issues in a timely manner. As of June 2019, HUD has more than 250 open audit recommendations stemming from the Annual Consolidated Financial Statement and Federal Information System Controls Audit Manual audits.

As part of an Office of the Chief Financial Officer (OCFO) transformation strategy, HUD's CFO has begun to address these challenges by establishing basic governance structures, providing direction, and instilling entity-wide accountability for sound financial management. The OCFO transformation strategy includes (1) improving governance and communication and building relationships across the agency, (2) improving internal controls by evaluating audit findings and developing overall remediation plans and execution, and (3) working with HUD's Chief Information Officer on an IT strategy to address OCFO data needs. During fiscal year 2019, HUD prioritized the implementation and closure of many open recommendations, efforts that will continue in 2020. While HUD's objectives and strategy are dynamic and could broadly affect the entire agency, it will require significant financial and human resources commitments from the HUD Secretary, Congress, and other stakeholders and will take years to implement. In addition, Ginnie Mae implemented a loan-level accounting system in fiscal year 2019, which Ginnie Mae claims will resolve many longstanding weaknesses that have prevented a complete audit of its financial statements for the last 5 years. HUD OIG's audit work in this area is ongoing, and the audit results will be reported at a later date.

HUD's Internal Control Framework and Financial Management Maturity

HUD operates at a financial maturity level, which is, at best, "basic" based on the U.S. Treasury's Financial Management Maturity Model.



Additionally, HUD's most recent OMB Circular A-123 reviews have cited 21 of 42 financial reporting and complementary internal controls as "failing" or not properly designed.

HUD's weakened internal control framework has caused reporting errors in HUD's financial reporting, requiring HUD to restate its financial statements for the last 5 consecutive years. OIG has found that in prior years, HUD was noncompliant with the DATA Act,⁸⁵ the Improper Payments and Elimination and Recovery Act (IPERA), the Debt Collection Improvement Act, the Federal Financial Management Improvement Act, and the Federal Managers Financial Integrity Act.⁸⁶

⁸⁵ Audit Report 2018-FO-0001, DATA Act Compliance Audit of the U.S. Department of Housing and Urban Development, issued November 3, 2017

⁸⁶ Audit Report 2018-FO-0004, Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit, issued November 14, 2017, reissued December 6, 2017

In the past year, HUD has made significant efforts in addressing these deficiencies. HUD has indicated that its financial management processes are now 100 percent compliant with DATA Act standards. OIG's Office of Audit is currently reviewing HUD's claim and will report results later this year. HUD has also developed a corrective action plan to be compliant with IPERA by 2020.

In fiscal year 2019, after 5 years of development, Ginnie Mae has completed its accounting policies and procedures and developed internal controls for its nonpooled loan asset portfolio. OIG is currently evaluating these controls to determine whether they will resolve longstanding noncompliance, which has prevented HUD from auditing Ginnie Mae's financial statements for the last 5 years.

HUD needs to continue to work on completing its policies, procedures, and other artifacts necessary to resolve HUD's internal control deficiencies and improve its maturity level.

HUD's Financial Management Systems Weaknesses

For several years, OIG has reported on HUD's antiquated financial management systems and infrastructure, which challenge HUD's ability to produce timely and reliable financial reports and comply with significant laws and regulations. Several significant financial business processes continue to be manual or are nonexistent, resulting in unreliable and untimely financial reporting and poor financial management oversight. For example, PIH complies with cash management requirements, using manual processes and Excel spreadsheets, resulting in untimely reports on HUD's accounting for prepayments, accounts payable, and accounts receivable. Additionally, HUD lacks an adequate cost accounting system that can accurately report program costs.

HUD is still recovering from an unsuccessful attempt to transition specific core accounting functions to a shared service provider. The transition resulted in significant differences between the General Ledger and subsidiary systems, which remain unresolved 4 years after implementation.

In the past year, HUD has made progress. Ginnie Mae has implemented an automated system to process its accounting activities for its nonpooled loan assets portfolio, which totaled a net of \$3 billion as of September 30, 2018. OIG's audit of this system implementation is ongoing.

In addition, HUD began a pilot program that uses a module of Oracle Federal Financials to properly account for its property, plant, and equipment (PP&E). Previously, HUD did not have a proper information system to support the financial reporting requirements for its PP&E.

HUD continues to face challenges in maintaining its legacy systems and ensuring that they can support proper financial management of HUD's numerous programs and operations.

TOP MANAGEMENT CHALLENGE

8

Ensuring Ethical Conduct



- Revolving Door With Related Industries
- HUD's Reliance on External Actors To Carry Out Its Assisted Housing Mission
- Better Detection and Deterrence of Ethical Misconduct Needed To Benefit the Department's Mission

HUD relies heavily on external parties to implement and manage its programs. While close relationships with private-sector and other external actors may be necessary for HUD to carry out its work, these relationships pose a risk that conflicts of interest or similar ethical misconduct will prevent the Department from effectively carrying out its mission.

Revolving Door With Related Industries

HUD works closely with State and local government and private entities, which focus on implementing and managing HUD programs and rely heavily on HUD grants, insurance, and subsidies to support their enterprises. In addition, the employees of these entities are highly experienced and knowledgeable about HUD programs and are a natural source of hiring for the Department. It is common for representatives of an industry to leverage their experience and expertise to fill senior-level positions within the Department and then to leverage the experience and expertise gained at HUD to secure prominent positions within the industry.

While HUD benefits from the knowledge and abilities that industry representatives bring with them when they enter government service, employees transitioning between HUD and the industries it regulates present a significant "revolving door" risk for the Department. HUD must ensure that its employees act for the benefit of the public and remain free from any actual or perceived conflicts of interest. HUD must also safeguard

nonpublic, predecisional information and ensure that its policymaking process is fair to all market participants and free from undue influence. Even the appearance that departmental decisions are influenced by improper considerations of personal gain undermines the credibility and integrity of those decisions.

Over the last several years, HUD OIG has investigated instances of senior-level HUD employees using their positions at the Department to provide inappropriate access to particular program participants, improperly hire former colleagues, improperly leverage their former HUD positions to obtain information from departmental staff, or otherwise improperly benefit themselves or others.

For example, in 2014, HUD OIG raised numerous concerns with the Department's entering into an agreement to permit a high-ranking Council of Large Public Housing Authorities (CLPHA) employee to serve a detail assignment in a senior HUD position from 2011 to 2014. While in this position, the detailee improperly hired a former colleague and exhibited bias in favor of CLPHA in developing HUD policy and guidance. Within this same timeframe, HUD entered into similar agreements with other detailees, which granted those detailees policymaking authority over the same programs in which their private employer participated.

HUD OIG has also investigated several cases of senior officials seeking or negotiating employment with firms in the mortgage-banking industry and failing to appropriately recuse themselves from departmental decision making impacting those firms. Similarly, OIG has also investigated instances in which senior officials failed to fully recuse themselves from decisions affecting their former employers.



The Department must rely on its senior officials to identify potential conflicts of interest and remove themselves from decisions affected by those conflicts. While the law and departmental policy contain safeguards to ensure that current and former employees do not misuse their HUD positions and remain free from conflicts of interest, these cases suggest that HUD faces significant challenges in monitoring, identifying, and mitigating potential ethical lapses. These challenges present significant risk to the Department's reputation and program integrity.

HUD's Reliance on External Actors To Carry Out Its Assisted Housing Mission

HUD relies substantially on nongovernmental actors to carry out its assisted housing mission, and a key part of accomplishing this mission is to ensure that those actors follow the basic standards of ethical conduct. However, several recent OIG audits, evaluations, and investigations have shown that actual or apparent conflicts of interest are commonly found in underperforming or troubled PHAs.

For example, OIG identified conflicts of interest in its 2018 evaluation report on a severely troubled PHA in Alexander County, IL.⁸⁷ The report described how the PHA had violated multiple legal and policy restrictions, misused Federal funds, committed civil rights violations, and created deplorable housing conditions for its residents. Evidence of the PHA's extreme dysfunction was evident in its hiring and procurement practices, which did not meet acceptable ethical standards. Further, the evaluation noted that nepotism was so pervasive in the PHA's staffing arrangements that its organizational chart resembled a "family tree."

OIG further identified ethical lapses by Alexander County Housing Authority leadership officials in a 2019 investigative report.⁸⁸ The report found that the Authority's long-tenured executive director negotiated both sides of a contract, authorizing him to provide consulting services to the Authority. He then resigned from his executive director position to obtain a \$50,000 buyout and began collecting payments from the Authority on the consulting contract he had arranged for himself.

OIG has dozens of similar "public corruption" open investigations, which largely focus on assisted PHA officials allegedly misusing their positions to benefit themselves, family members, or friends or otherwise engaging in ethical misconduct.

Several recent audits have also shown how ethical misconduct is commonly associated with problematic or troubled PHAs. For example, a 2018 audit found that a historically troubled PHA in Maryland spent more than \$1.6 million in program funds on contracting services from companies owned by individuals related to its leadership officials.⁸⁹ A 2016 audit found that an Alabama PHA with thousands of prospective tenants on its waiting list failed to provide necessary rehabilitation for hundreds of its public housing units, despite making \$1.2 million in payments to a construction company owned by a relative of one of its leadership officials.⁹⁰

Better Detection and Deterrence of Ethical Misconduct Needed To Benefit the Department's Mission

OIG believes that improvements in the Department's ability to detect and deter ethical misconduct would increase the level of efficiency and public trust in its operations. HUD should look for ways to improve upon its existing programs aimed at promoting compliance with Federal ethics regulations, including improvements to its employee training and reporting requirements and in how it counsels employees when potential ethics issues arise. HUD should also find ways to enhance its ability to identify and prevent ethical lapses by its program participants to ensure that they are capable of carrying out their responsibilities effectively.

⁸⁷ Evaluation Report 2017-OE-0014, HUD's Oversight of the Alexander County Housing Authority, issued July 24, 2018

⁸⁸ June 5, 2019, Report of Investigation, Alexander County Housing Authority's Improper Usage of HUD Subsidized Asset Management Project Funds

⁸⁹ Audit Report 2018-PH-1007, Crisfield Housing Authority, Crisfield, MD, Public Housing Program Operating and Capital Funds, issued September 25, 2018

⁹⁰ Audit Report 2016-AT-1010, Mobile Housing Board, Mobile, AL, issued August 4, 2016

Appendix

Management's Response to the OIG Report on Management and Performance Challenges

HUD is committed to fulfilling its mission to create strong, sustainable, inclusive communities, and quality affordable homes for Americans. The work of the HUD OIG is intended to help HUD ensure that our workforce operates with fairness and integrity, and that our programs are delivered in the most efficient and effective way possible.

We are laser focused on improving our business operations by addressing serious challenges, mitigating the risks associated with our programs and past practices, and transforming our processes to address waste, fraud and abuse. We are also committed to addressing open OIG audit findings by proactively updating our policies, streamlining our financial reporting procedures, collaborating with stakeholders, and educating our workforce.

We are continuing to prioritize infrastructure improvements related to human capital, and although more work needs to be done, we have taken steps to improve our hiring process and engage our employees in problem solving efforts aimed at achieving organizational goals and improving the quality of work. We are also working to transform our information technology program by supporting the center of excellence activities, enhancing our acquisition management processes, and prioritizing efforts to improve customer experience.

Over the last year, we made substantial progress in the area of governance and program management. We improved internal controls and implemented a robust Enterprise and Fraud Risk Management framework to enhance coordination, improve reporting and better combat fraud. We believe that organizational excellence is achieved by leveraging diversity, fostering a culture of ethics and integrity, and promoting increased transparency. To this end, we have launched a number of substantive efforts including an Agency-wide Integrity Task Force and a Financial Transformation Plan to help us remediate our remaining material weaknesses and deficiencies. HUD is fully committed to supporting and stimulating continuous process improvement and we will continue to make smart investments in technology and people to achieve our goal of financial excellence and ensure effective mission delivery.

Additionally, we recognize the important role HUD plays in assisting individuals and communities in recovering from disasters. We remain committed to helping

those in need by further enhancing our disaster program oversight, working to simplify the processes, and focusing on improving the citizen experience.

We will use the findings to help inform process improvement efforts and guide us in solving our most pressing management challenges, we were expecting more rigor in a number of audits. We are vested in working collaboratively with the OIG to foster a problem-solving environment that instills more audit rigor, improves mission delivery, better services America's taxpayers, and creates the best place to work for our most valuable asset, our employees.



Top Management Challenges
Facing the U.S. Department of
Housing and Urban Development
in 2020 and Beyond

www.hudoig.gov

**Supplemental
Materials**

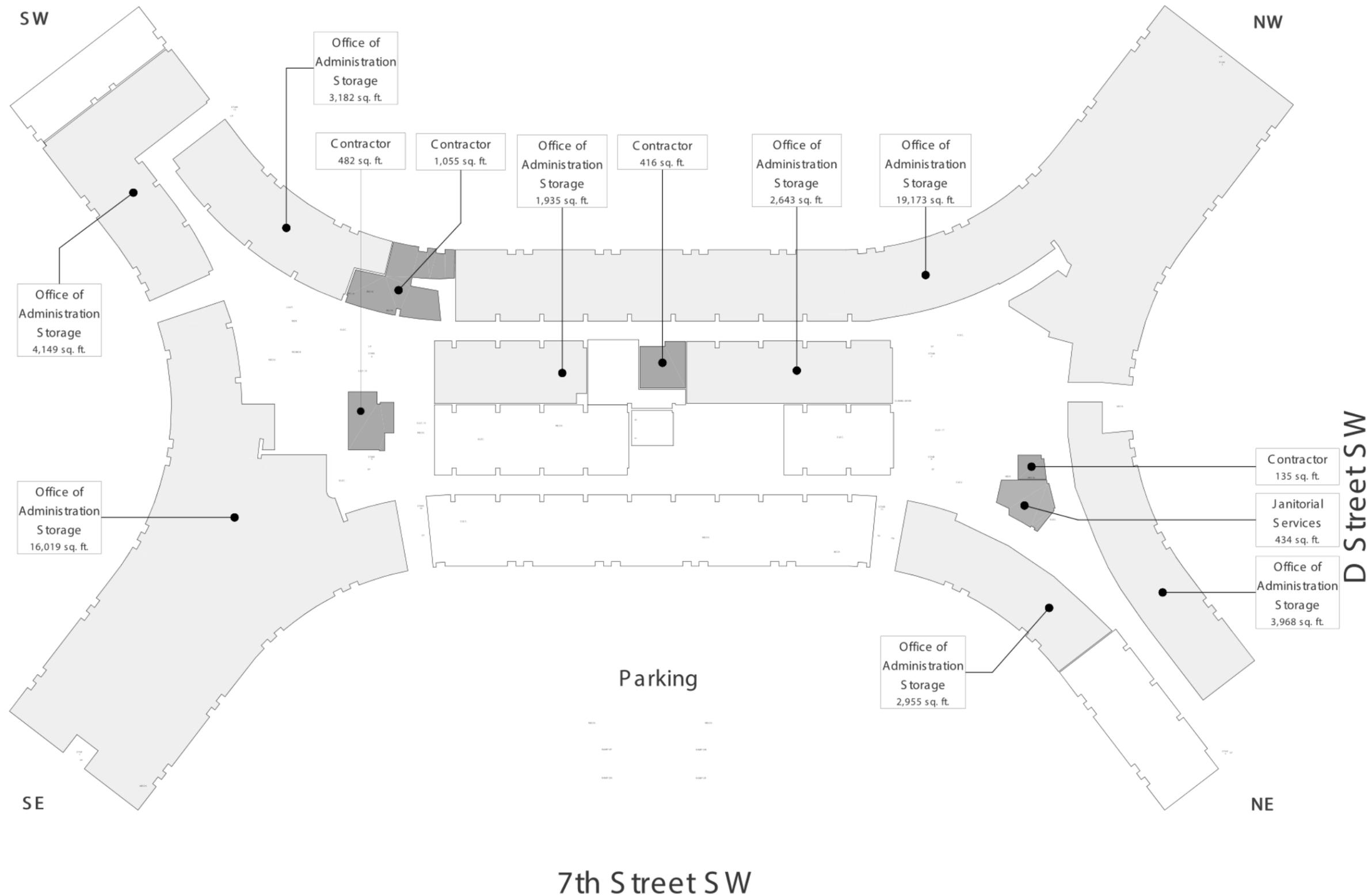
**Office of
Administration**

Department of Housing
and Urban Development

Weaver Building
451 7th Street SW,
Washington DC 20410

SPACE ALLOCATION PLANS
OCTOBER 2020





Office of Administration	4,149
	3,128
	19,173
	3,968
	2,955
	2,643
	1,935
	16,019
	53,970
Contractor	1,055
	482
	416
	135
	2,088
Janitorial Services	434
	434
Total Occupied Space	56,492

Sub-Basement Floor Plan

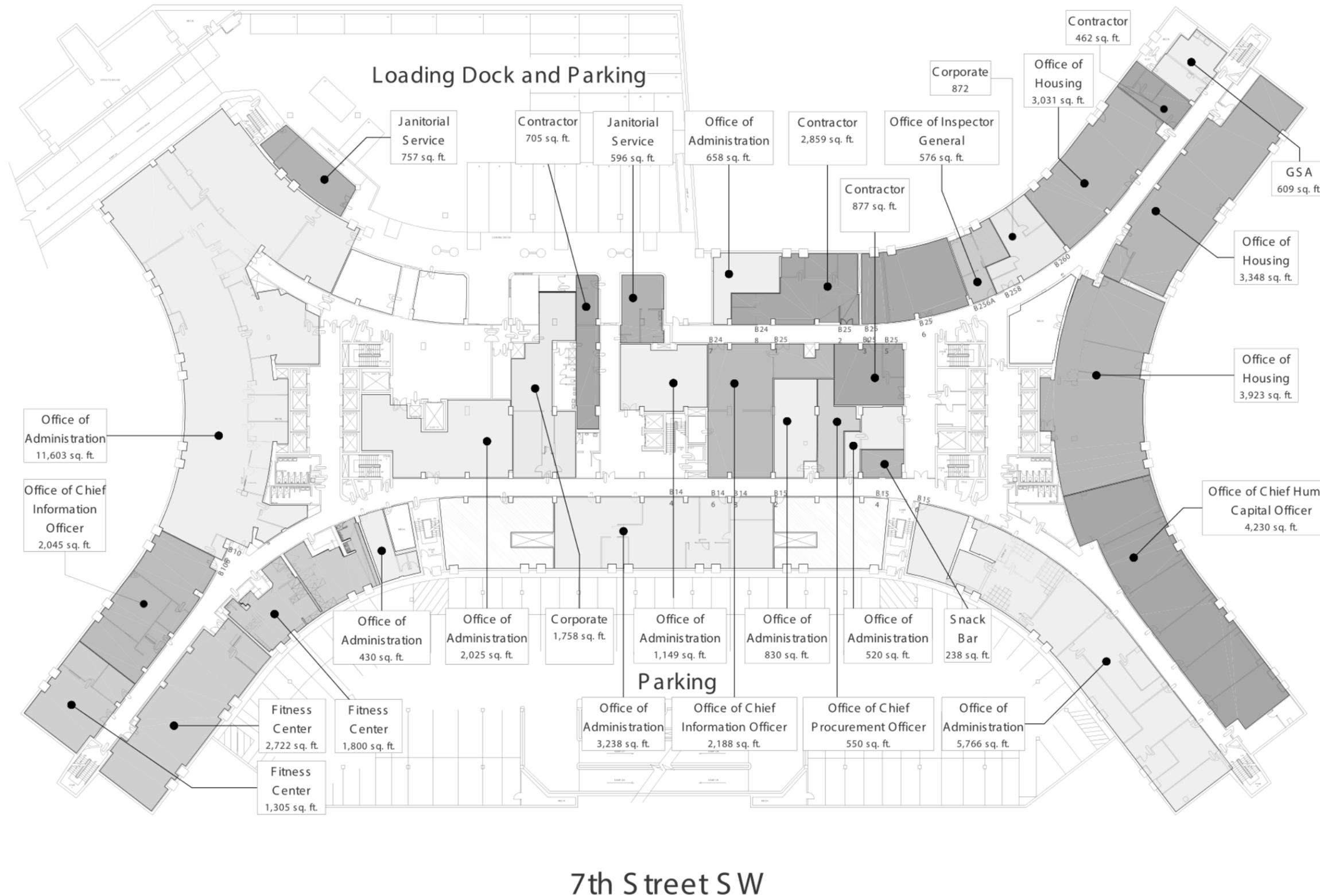
Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



SB
Floor Plan

Office of Administration	13,690
	2,025
	430
	830
	1,149
	3,238
	520
	658
	5,766
	609
	28,915
Office of Housing	3,923
	3,348
	3,031
	10,302
GSA	609
	609
Office of Chief Procurement Officer	550
	550
Office of Chief Human Capital Officer	4,230
	4,230
Office of Chief Information Officer	2,188
	2,045
	4,233
Fitness Center	1,305
	2,723
(Showers)	1,800
	5,828
Snack Bar	238
	238
Contractor	705
	877
	1,419
	1,440
	462
	4,903
Janitorial Service	757
	596
	1,353
Corporate	1,758
	872
	2,630
Total Occupied Space	63,791



Basement Floor Plan

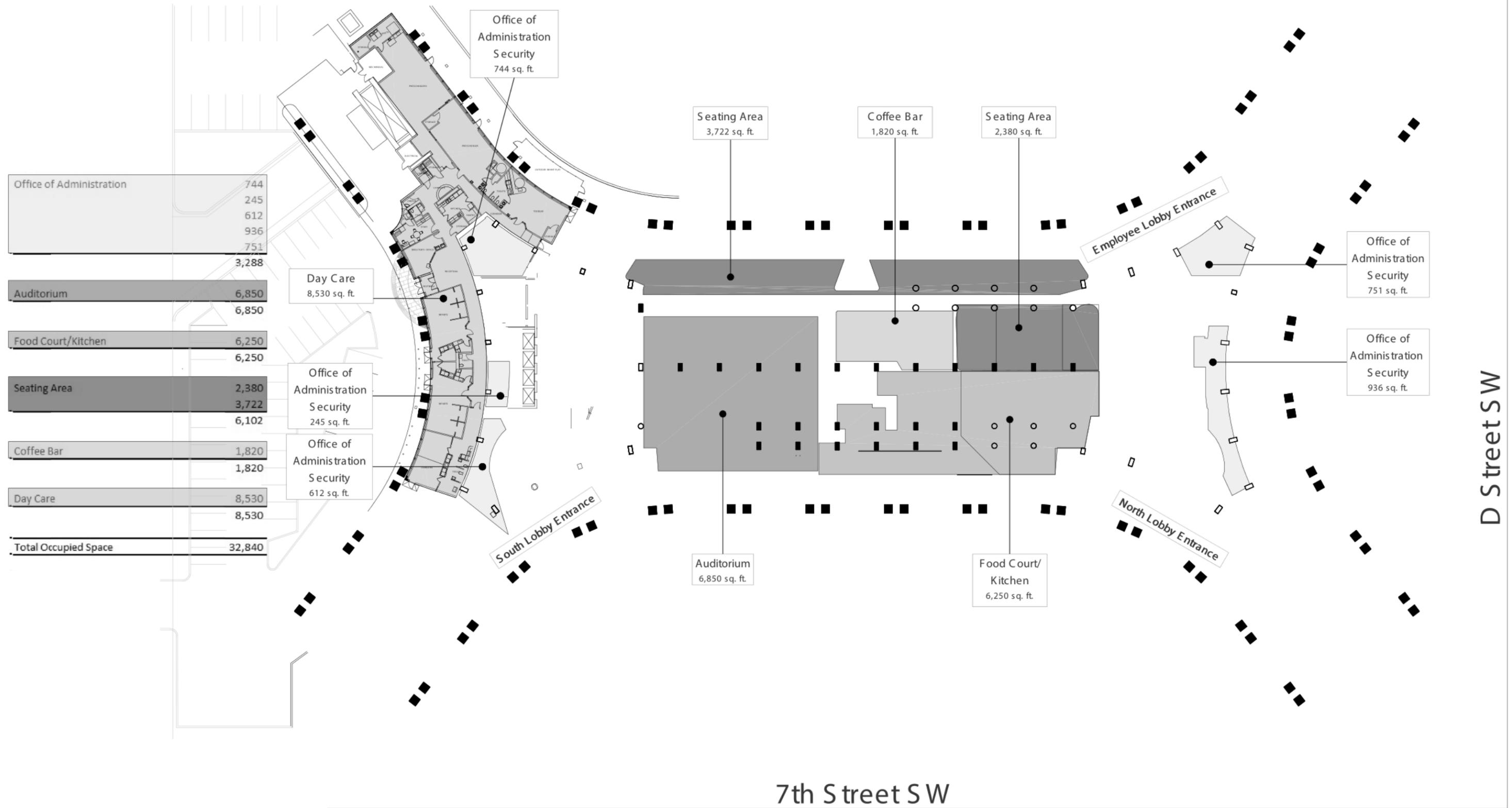
Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



D Street SW

7th Street SW



First Floor Plan

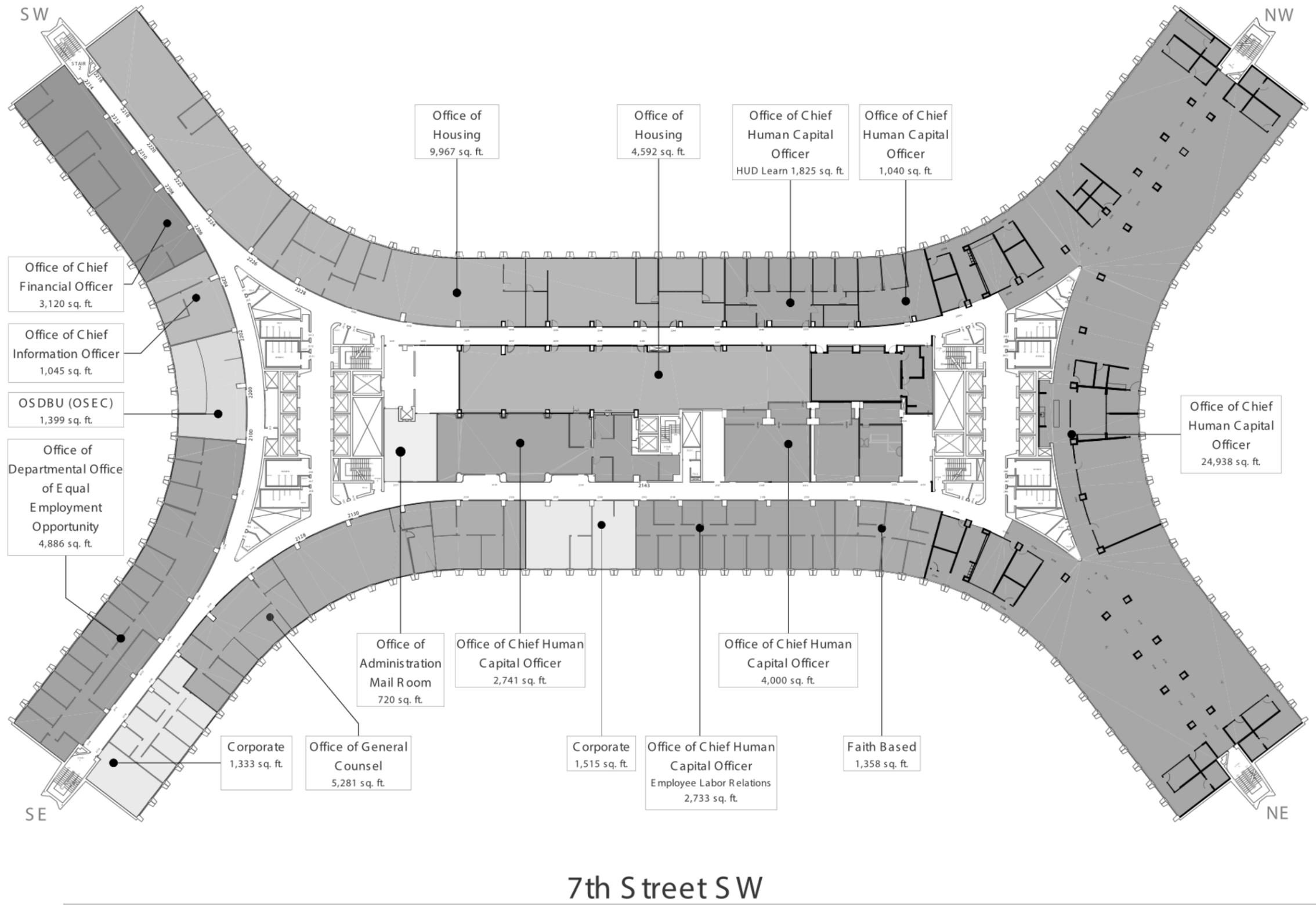
Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



1
Floor Plan

Office of Chief Human Capital Officer	24,938
	2,733
	1,825
	1,040
	3,998
	2,741
	37,275
Office of Housing	9,967
	4,592
	14,559
Office of Departmental Equal Employment Opportunity	4,886
	4,886
Office of General Counsel	5,282
	5,282
Office of Chief Financial Officer	3,120
	3,120
Office of Chief Information Officer	1,045
	1,045
OSDBU (OSEC)	1,399
	1,399
Office of Administration	720
	720
Faith Based	1,358
	1,358
Corporate	1,515
	1,333
	2,848
Total Occupied Space	72,492



Second Floor Plan

Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

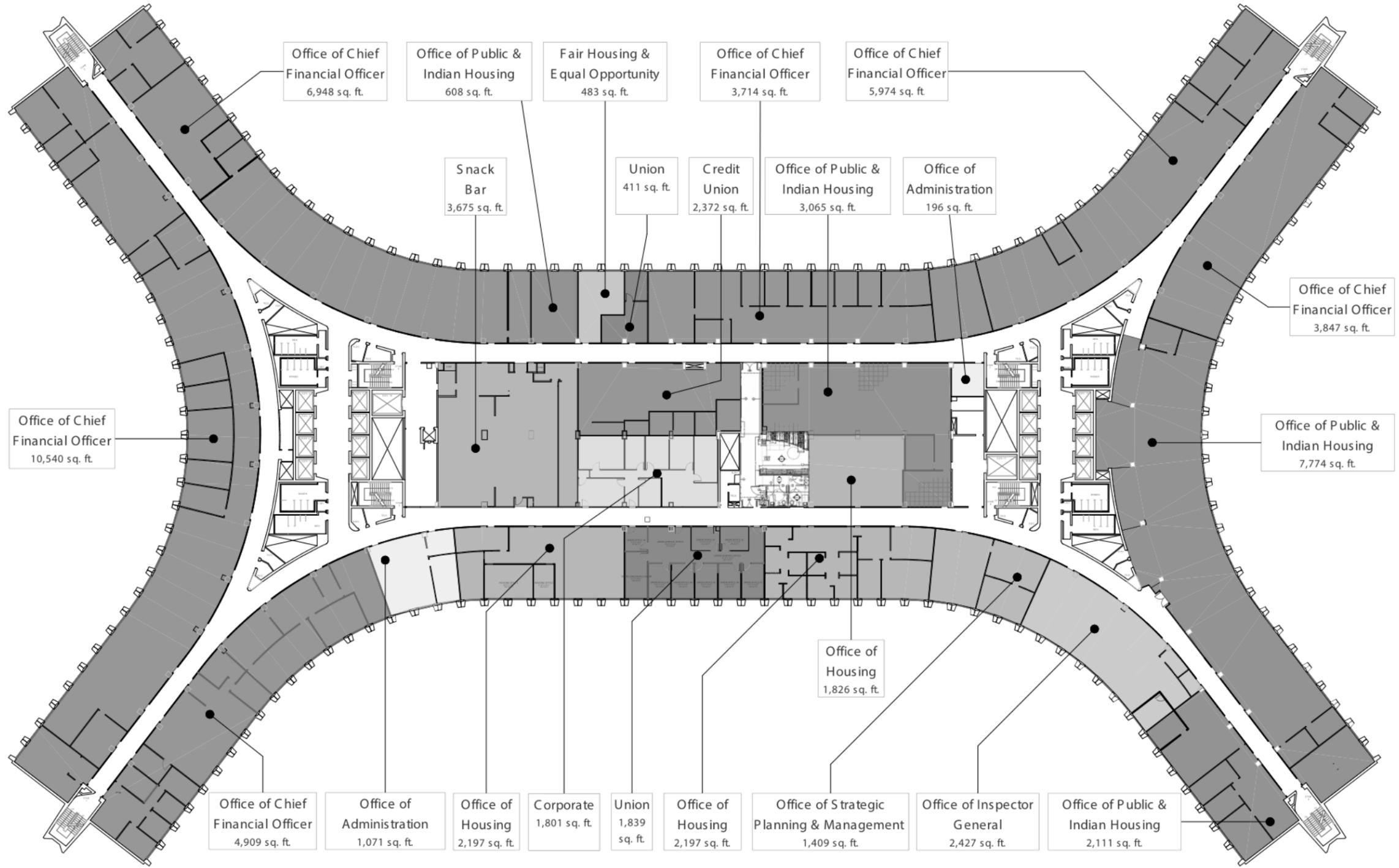
October 2020



2
Floor Plan

D Street SW

Office of Chief Financial Officer	10,540
	4,909
	6,948
	3,714
	5,974
	3,847
	35,932
Office of Housing	2,197
	2,197
	1,826
	6,220
Office of Inspector General	2,427
	2,427
Office of Administration	1,071
	196
	1,267
Office of Public & Indian Housing	7,774
	2,111
	3,065
	608
	13,558
Fair Housing & Equal Opportunity	483
	483
Office of Strategic Planning and Management	1,409
	1,409
Union	1,839
	411
	2,250
Corporate	1,801
	1,801
Credit Union	2,372
	2,372
Snack Bar	3,675
	3,675
Total Occupied Space	71,394



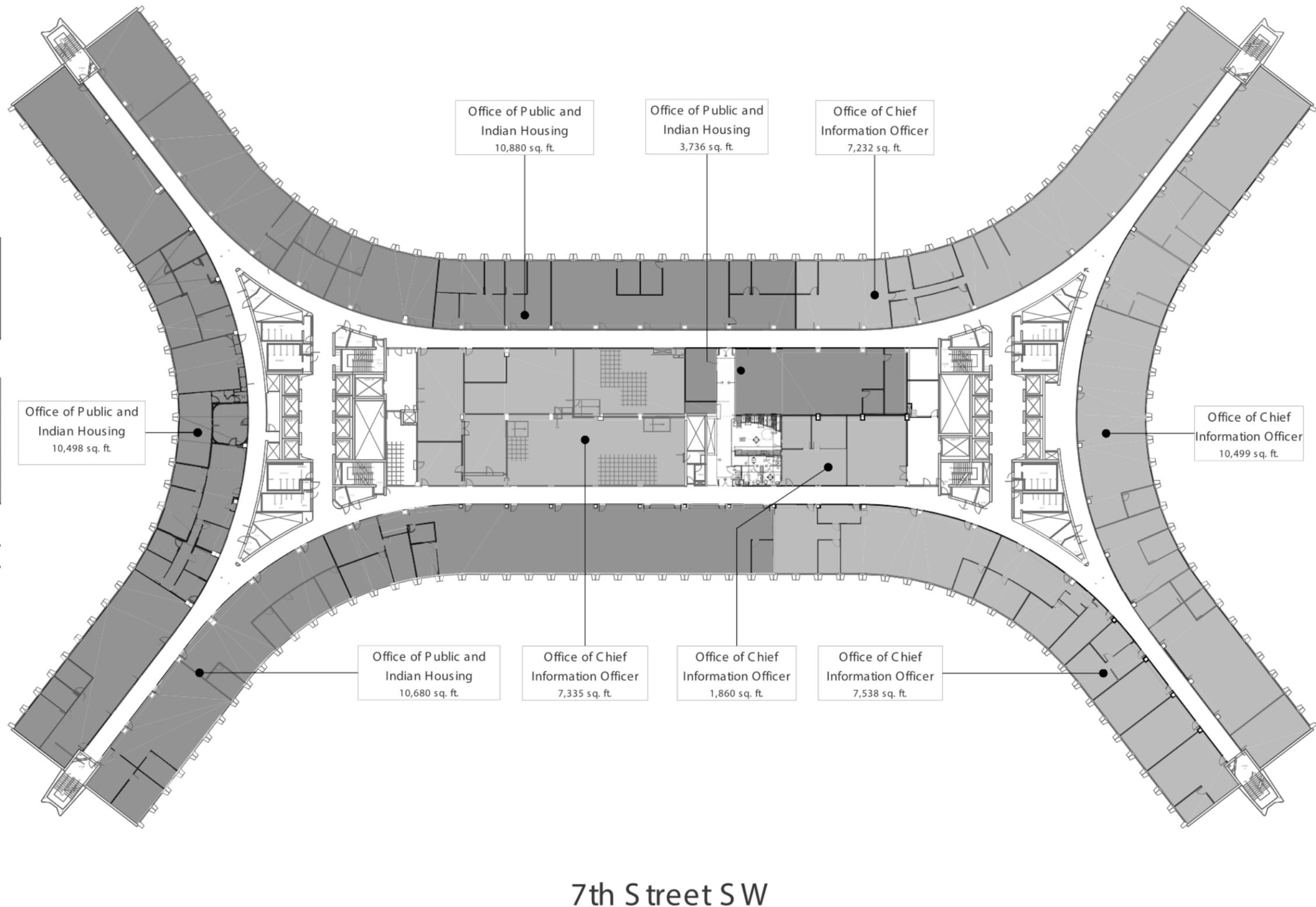
Third Floor Plan

Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



3
Floor Plan



Office of Public and Indian Housing	10,498
	10,880
	10,680
	3,736
	35,794
Office of Chief Information Officer	7,232
	7,335
	1,860
	10,499
	7,538
	34,464
Total Occupied Space	70,258

D Street SW

7th Street SW

Fourth Floor Plan

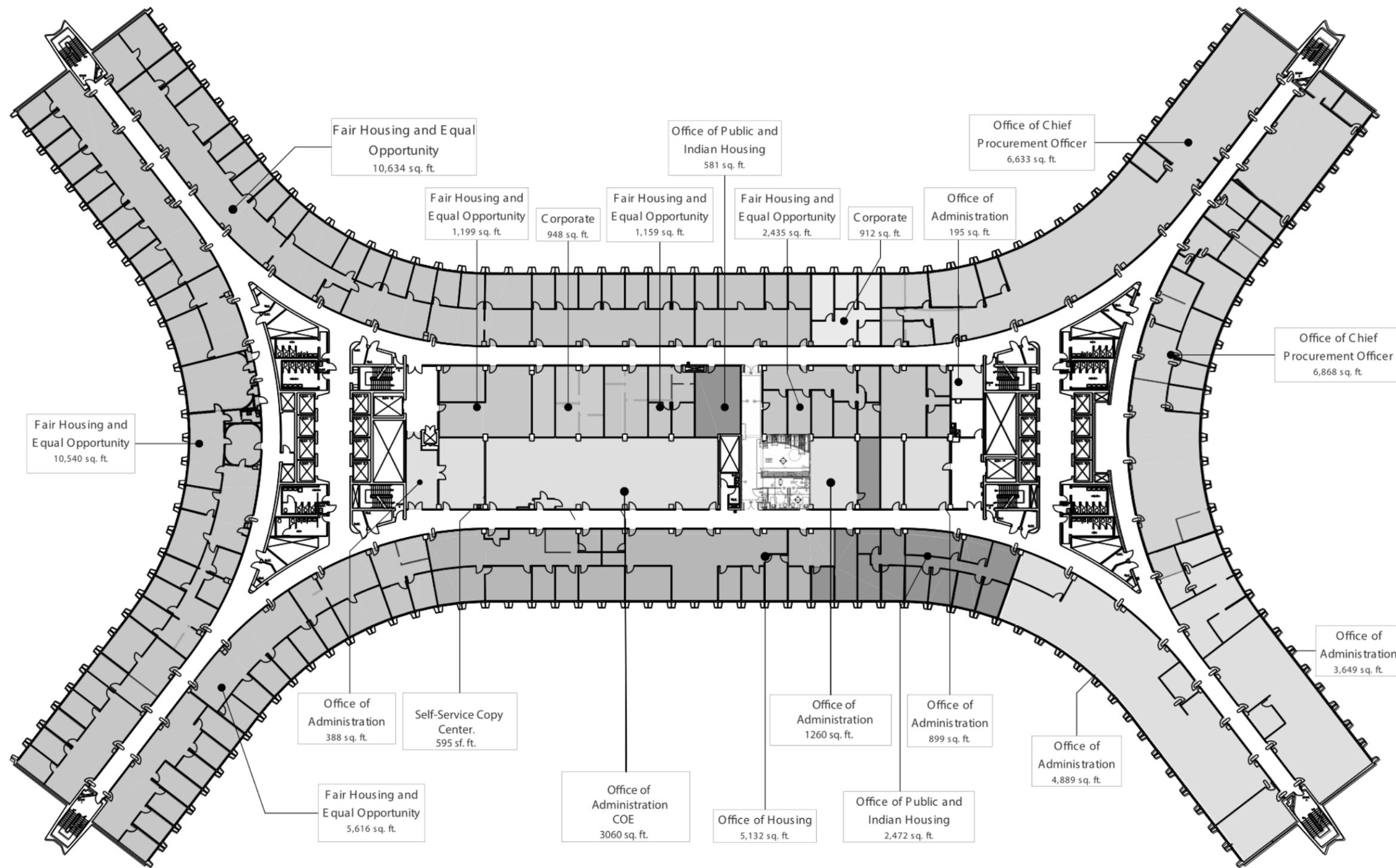
Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



4
Floor Plan

Fair Housing and Equal Opportunity	10,634
	10,540
	5,616
	1,199
	1,159
	2,435
	31,583
Office of Housing	5,132
	5,132
Office of Public and Indian Housing	581
	2,472
	3,053
Office of Chief Financial Officer	300
	300
Office of Chief Procurement Officer	6,868
	6,633
	592
	14,093
Departmental Equal Employment Opportunity	607
	607
Office of Administration	195
	899
	388
	595
	3,060
	1,260
	3,649
	4,889
	13,935
Corporate	948
	912
	1,860
Total Occupied Space	70,563



D Street SW

7th Street SW

Fifth Floor Plan

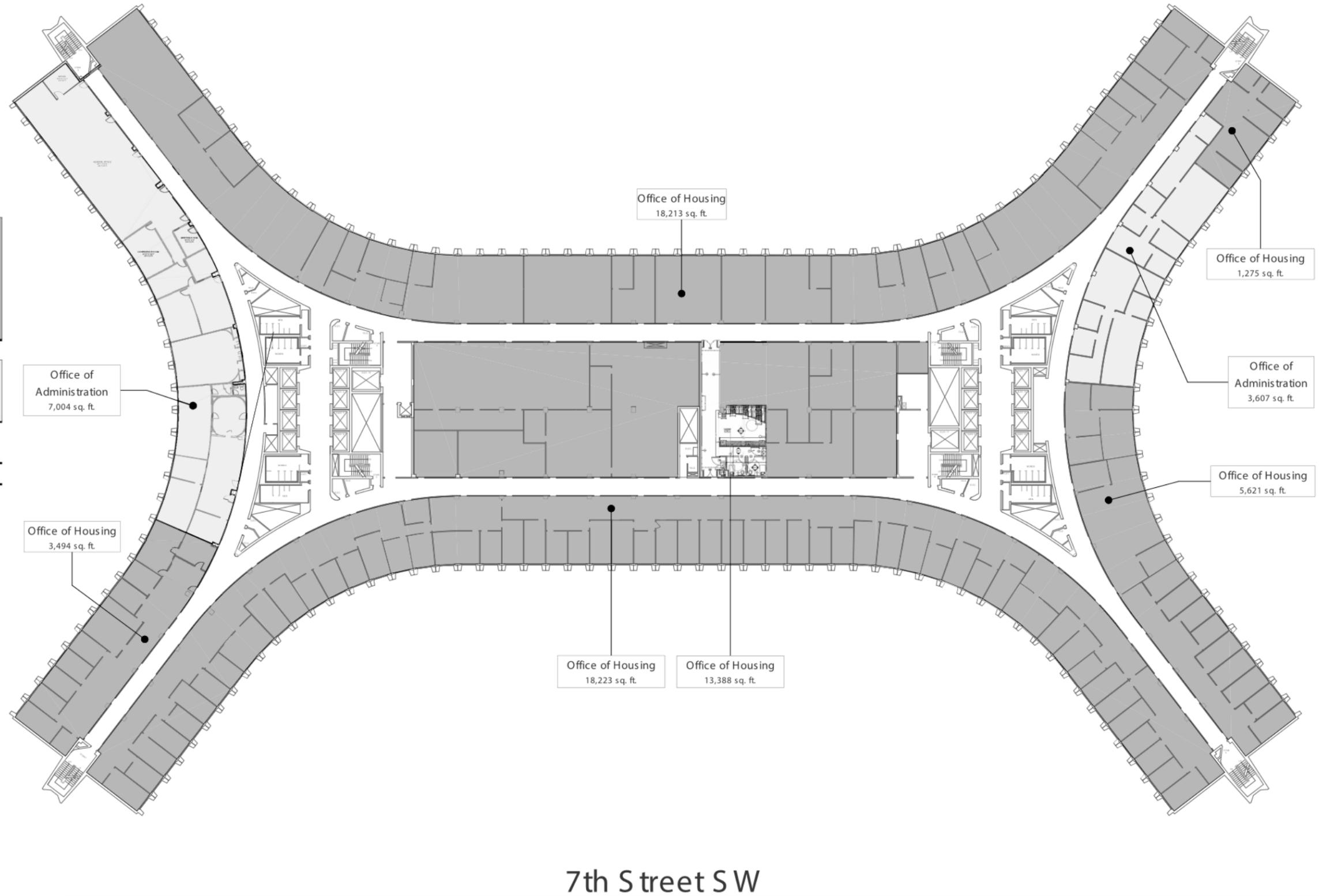
Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



5
Floor Plan

Office of Housing	13,388
	18,223
	3,494
	5,621
	18,213
	1,275
	60,214
Office of Administration	7,004
	3,607
	10,611
Total Occupied Space	70,825



Sixth Floor Plan

Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

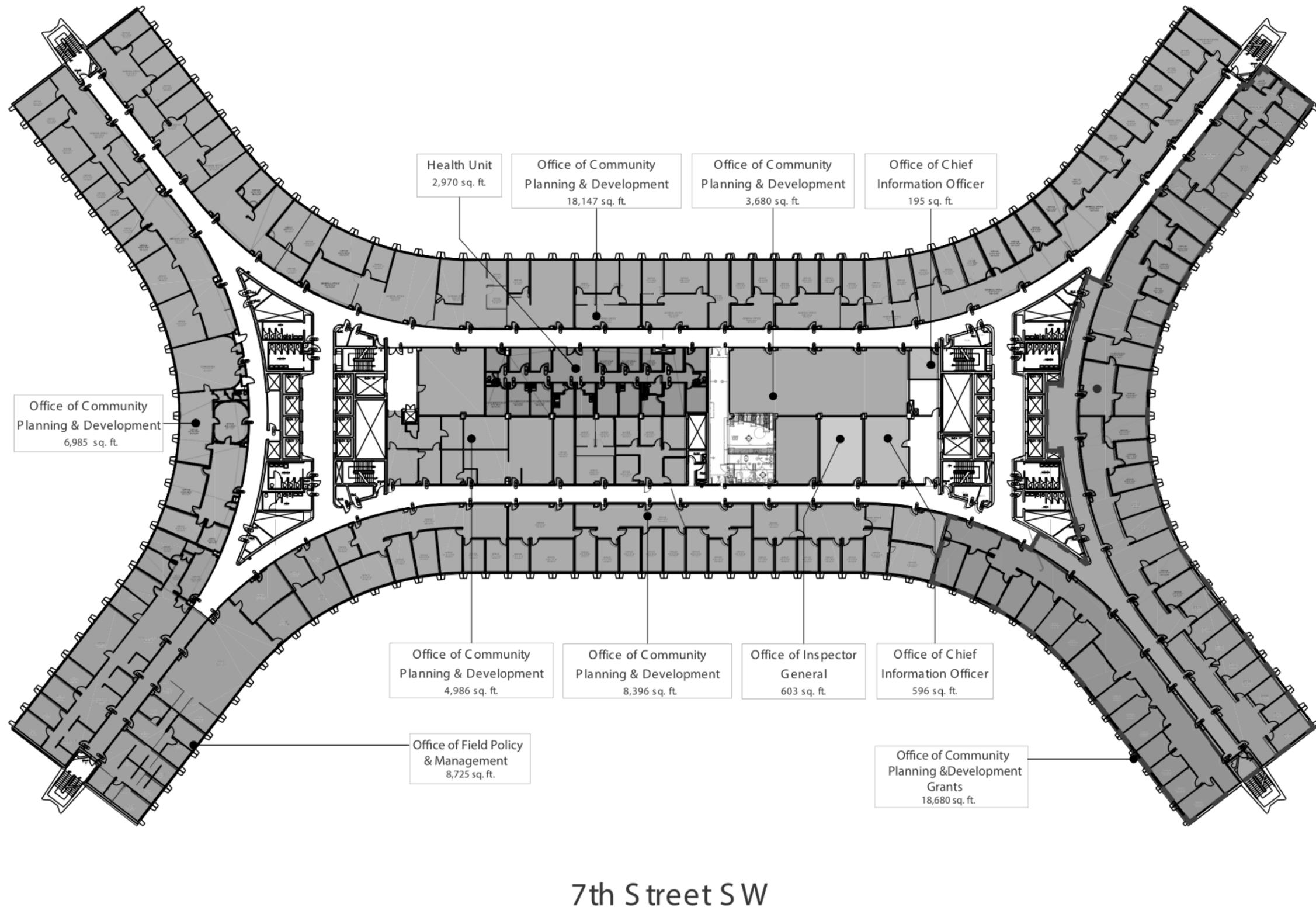
October 2020



6
Floor Plan

D Street SW

7th Street SW



Office of Community Planning Grants	6,985
	18,147
	8,396
	18,680
	52,208
Office of Chief Information Officer	596
	195
	791
Office of Inspector General	603
	603
Health Unit	2,970
	2,970
Office of Field Policy & Management	8,725
	8,725
Total Occupied Space	64,694

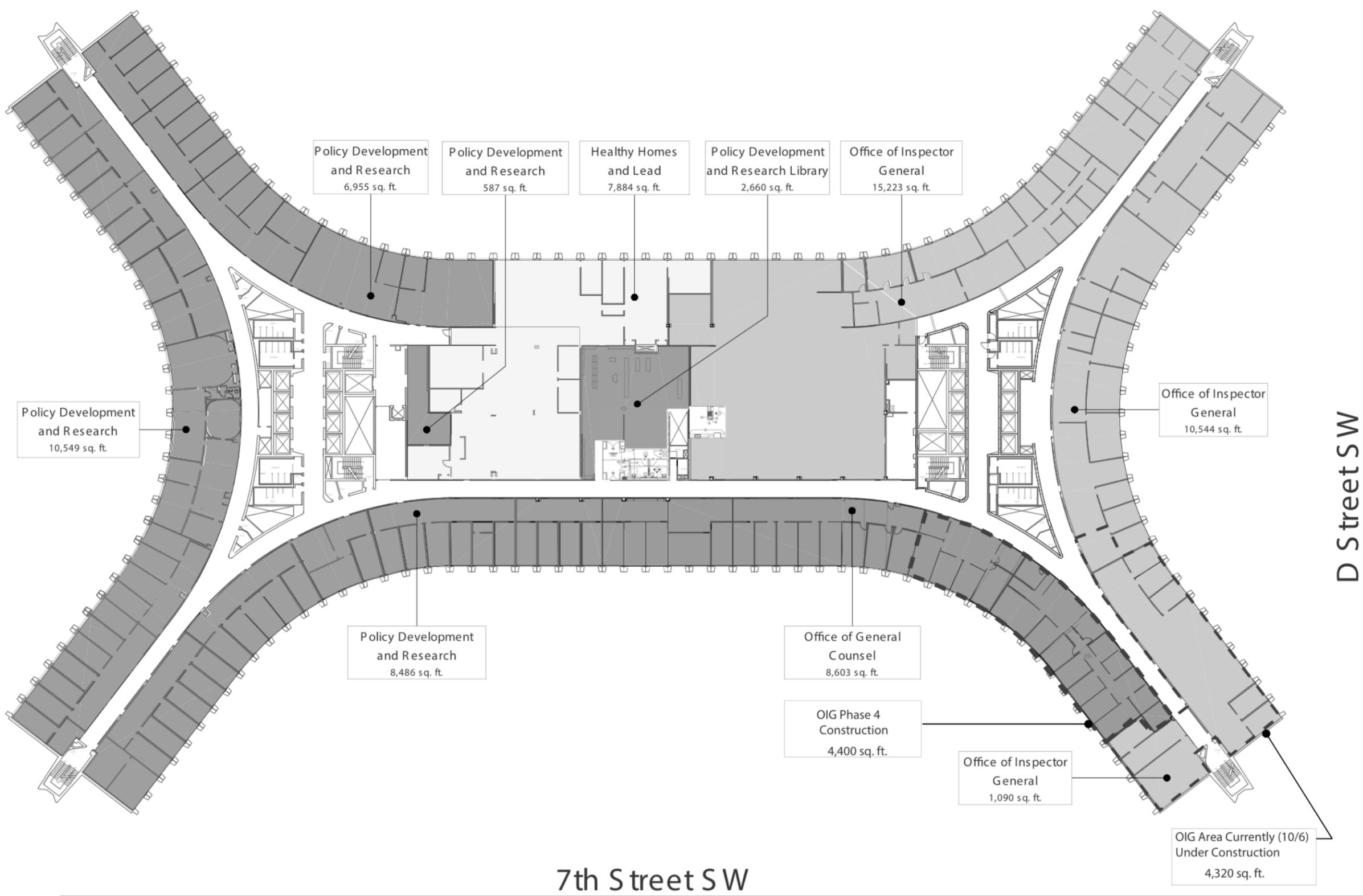
Seventh Floor Plan

Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



7
Floor Plan



Policy Development and Research	8,486
	10,549
	6,955
	587
	26,577
Healthy Homes and Lead	7,884
	7,884
Office of General Counsel	8,603
	8,603
Office of the Inspector General	15,223
	10,544
	1,090
	26,857
Library	2,660
	2,660
Total Occupied Space	72,581
OIG Under Construction	4,320
OIG Planned Construction	4,400

7th Street SW

D Street SW

Eight Floor Plan

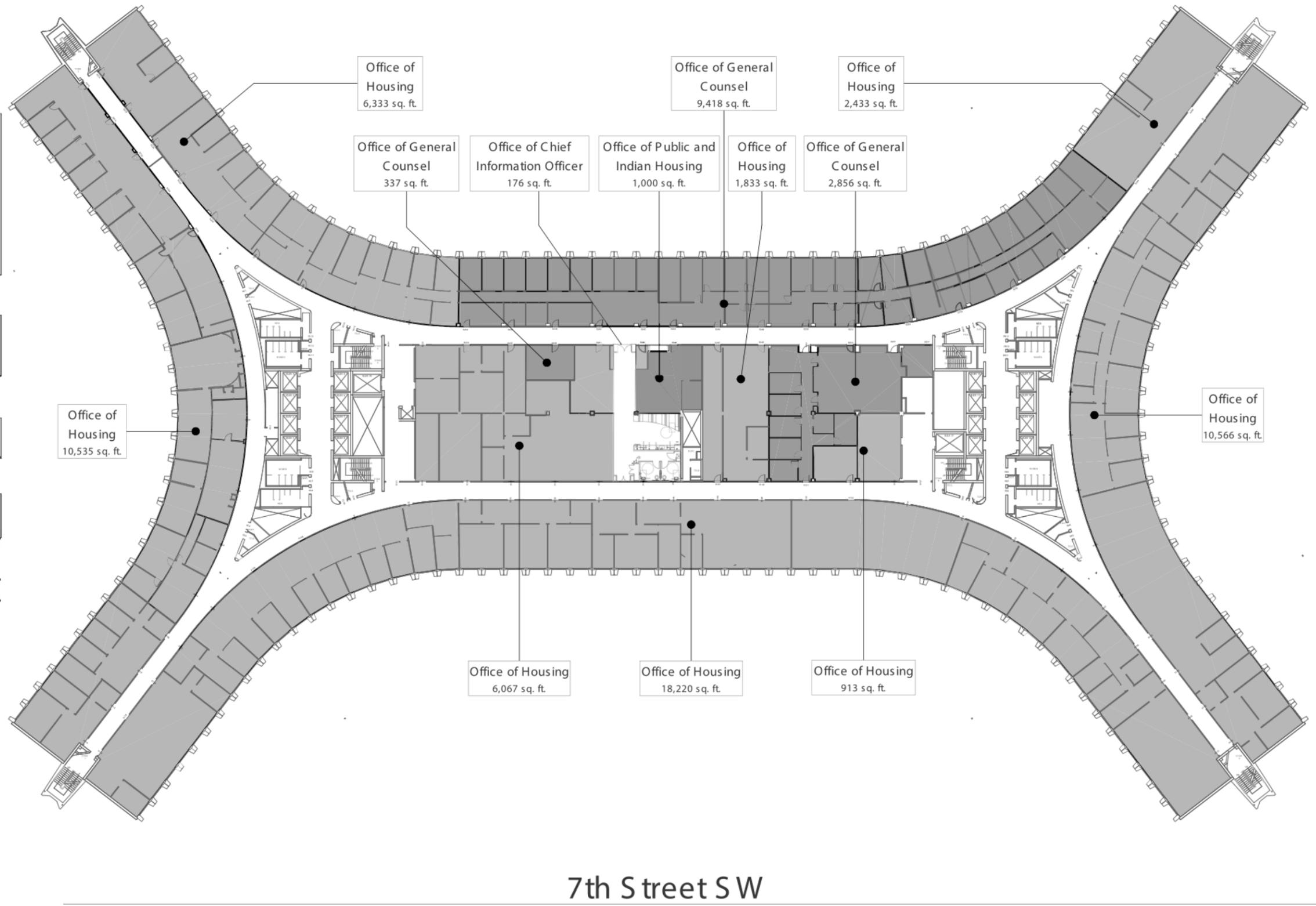
Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



8
Floor Plan

Office of Housing	10,535
	6,333
	6,067
	18,220
	908
	10,566
	2,433
	1,833
	56,895
Office of General Counsel	9,418
	2,856
	337
	12,611
Office of Chief Information Officer	176
	176
Office of Public and Indian Housing	1,000
	1,000
Total Occupied Space	70,682



Ninth Floor Plan

Scale: 22" x 34" Paper 1" = 24'-0"
 11" x 17" Paper 1" = 48'-0"
 8 1/2" x 11" Paper 1" = 96'-0"

October 2020



9
Floor Plan

