



U.S. Department of Housing and Urban Development

CONGRESSIONAL JUSTIFICATIONS



FY 2016

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FISCAL YEAR 2016 BUDGET

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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CONGRESSIONAL JUSTIFICATIONS**

**INTRODUCTION
(Dollars in millions)**

	<u>2014 ACTUAL</u>	<u>2015 ENACTED</u>	<u>2016 ESTIMATE</u>
<u>BUDGET AUTHORITY</u>			
Discretionary	\$34,232	\$34,791	\$41,023
Mandatory	<u>8,444</u>	<u>9,044</u>	<u>7,326</u>
Total Budget Authority	42,676	43,835	48,349
<u>BUDGET OUTLAYS</u>			
Discretionary	38,004	41,348	44,813
Mandatory	<u>522</u>	<u>1,042</u>	<u>(916)</u>
Total Budget Outlays	38,526	42,390	43,897
<u>FULL-TIME EQUIVALENTS</u>			
FTE Staff	8,398	8,588	8,935
(includes S&E, OIG, GNMA)			

NOTES:

Detail may not add to totals due to rounding. These justifications are in two parts. The first part begins with a set of summary tables outlining the Department's budget authority, outlays, and staffing levels. The tabular material is followed by discussions of the Department's programs.

Throughout the justifications, all years refer to fiscal years (beginning October 1 and ending September 30) unless otherwise noted. Also, CR refers to Continuing Resolution.

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)**

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Rental Assistance Demonstration.....	...	...	\$50
Tenant-Based Rental Assistance (TBRA)			
Section 8 Contract Renewals.....	17,365	17,486	18,334
Administrative Fees.....	1,500	1,530	2,020
Section 8 Rental Assistance (Tenant Protection Vouchers).....	130	130	150
Advanced Appropriation for FY 2014.....	[4,000]	...	...
Advanced Appropriation for FY 2015.....	[(4,000)]	[4,000]	...
Advanced Appropriation for FY 2016.....	[...]	[(4,000)]	[4,000]
Advanced Appropriation for FY 2017.....	[...]	[...]	[(4,000)]
Mainstream Voucher Renewals.....	107	83	108
Veterans Affairs Supportive Housing.....	75	75	...
Family Unification Program.....	...	...	20
Need-Based Vouchers.....	...	...	277
Families, Veterans, and Native Americans Homelessness.....	...	...	178
Victims of Domestic and Dating Violence (VDDV).....	...	...	38
Total, TBRA.....	19,177	19,304	21,125
Family Self Sufficiency Program Coordinators.....	75	75	85
Public Housing Capital Fund			
Formula Grants.....	1,786	1,764	1,815
Resident Opportunity and Support Services (ROSS).....	45	45	...
Emergency Capitalization Needs.....	20	23	20
Administrative Receivership.....	...	3	...
Jobs Plus.....	15	15	100
Financial and Physical Assessment Support.....	8	5	3
Rental Assistance Demonstration (transfer).....	1	20	32
Total, Public Housing Capital Fund.....	1,875	1,875	1,970
Choice Neighborhoods			
Choice Neighborhoods Grants.....	85	75	250
Technical Assistance.....	5	5	...
Total, Choice Neighborhoods.....	90	80	250
Public Housing Operating Fund.....	4,400	4,440	4,600

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)**

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
Native American Housing Block Grants			
Formula Grants.....	\$643	\$643	\$658
Native American Housing Interests TA and Capacity Building.....	2	2	...
National or Regional Organization.....	3	3	...
Title VI Federal Guarantees for Tribal Housing Activities			
Program Account.....	2	2	2
Loan Guarantee Limitation.....	[18]	[18]	[17]
Total, Native American Housing Block Grants.....	650	650	660
Indian Housing Loan Guarantee Fund			
Program Account.....	5	6	7
Loan Guarantee Contracts.....	1	1	1
Limitation Level.....	[1,818]	[744]	[1,270]
Total, Indian Housing Loan Guarantee.....	6	7	8
Native Hawaiian Loan Guarantee Fund			
Limitation Level.....	[42]	[42]	[107]
Native Hawaiian Housing Block Grants			
Formula Grants.....	10	9	...
Technical Assistance.....	[0.3]	[0.3]	[0.3]
Total, Native Hawaiian Housing Block Grants.....	10	9	...
Rescission - Drug Elimination Grants.....	...	(1)	...
Subtotal, Public and Indian Housing.....	26,283	26,439	28,748
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Fund			
Entitlement/Non-entitlement.....	3,023	2,993	2,793
Insular Area CDBG.....	7	7	7
Indian Tribes.....	70	66	80
Disaster Assistance.....	...	...	...
Total, CDF.....	3,100	3,066	2,880
HOME Investment Partnerships Program			
Formula Grants.....	998	898	1,048
Insular Areas.....	2	2	2
Self-Help Homeownership Opportunity Program.....	...	...	10
Total, HOME.....	1,000	900	1,060

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)**

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
Community Development Loan guarantees (Section 108)			
Credit Subsidy.....	\$3	...	...
Loan Guarantee Limitation.....	[150]	[500]	[300]
Total, Section 108.....	3	...	...
Self-Help and Assisted Homeownership (SHOP)			
SHOP.....	10	10	...
Section 4 Capacity Building.....	35	35	...
Capacity Building for Rural Housing.....	5	5	...
Total, SHOP.....	50	50	...
Homeless Assistance Grants			
Competitive Grant Renewals (Shelter Plus Care and Supportive Housing).....	1,849	1,878	2,223
Emergency Solutions Grants.....	250	250	250
National Homeless Data Analysis Project.....	6	7	7
Total, Homeless.....	2,105	2,135	2,480
Housing Opportunities for Persons with AIDS (HOPWA)			
Formula Grants.....	297	297	299
Competitive Grants.....	33	33	33
Total, HOPWA.....	330	330	332
Rescission - Brownfields Redevelopment	...	(3)	...
Subtotal, Community Planning and Development.....	6,588	6,478	6,752
HOUSING PROGRAMS			
Project-Based Rental Assistance			
Section 8 Contract Renewals (incl. Mod Rehab & Mod Rehab SRO).....	9,652	9,520	10,545
Contract Administrators.....	265	210	215
Advanced Appropriation for FY 2014.....	[400]	...	...
Advanced Appropriation for FY 2015.....	[(400)]	[400]	[...]
Advanced Appropriation for FY 2016.....	[...]	[(400)]	[400]
Advanced Appropriation for FY 2017.....	[...]	[...]	[(400)]
Total, Project-Based Rental Assistance.....	9,917	9,730	10,760
Housing Counseling Assistance			
Housing Counseling Assistance.....	41	43	56
Administrative Contract Services.....	4	4	4
Total, Housing Counseling Assistance.....	45	47	60

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
Supportive Housing for the Elderly (Section 202)			
PRAC Renewals/Amendments.....	\$292	\$350	\$365
Service Coordinators/Congregate Housing Service Program.....	72	70	77
Section 202 Demonstration.....	20	...	10
Other Expenses.....	...	...	3
Total, Supportive Housing for the Elderly Housing.....	384	420	455
Housing for Persons with Disabilities (Section 811)			
PRAC/PAC Amendments/Renewal.....	106	135	150
Project Rental Assistance Demonstration (PRAD).....	20	...	25
Other Expenses.....	...	...	2
Total, Disabled Housing.....	126	135	177
FHA Funds			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds			
Management Housing Insurance (CMHI)			
Administrative Expenses.....	127	130	174
Direct Loan Limitation.....	[20]	[20]	[5]
Loan Guarantee Limitation Level.....	[400,000]	[400,000]	[400,000]
Total, MMI/CMHI.....	127	130	174
General Insurance and Special Risk Insurance Funds			
Positive Subsidy.....	...	(10)	...
Direct Loan Limitation.....	[20]	[20]	[20]
Loan Guarantee Limitation Level.....	[30,000]	[30,000]	[30,000]
Total, FHA Funds.....	127	120	174
Manufactured Housing Standards Program			
Manufactured Housing Fees Trust Fund	6	10	11
Manufactured Housing General Fund Appropriation.....	1	...	...
Total, Manufactured Housing Standards Program.....	7	10	11
Other Assisted Housing -Rental Housing Assistance Program/Rent Supplement			
Amendments to State Agency/State Aided RS/RAP Contracts.....	10	13	3
Extension of Expiring RS/RAP Contracts.....	11	5	27
Rescission - Other Assisted Housing.....	(4)	...	...
Total Other Assisted Housing.....	17	18	30
Subtotal, Housing Programs.....	10,623	10,480	11,667

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)**

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities			
GNMA - Salaries and Expenses.....	\$22	\$23	\$28
MBS Guarantee Limitation.....	[500,000]	[500,000]	[500,000]
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology			
Core R&T.....	46	50	50
Technical Assistance.....	...	22	...
Total Research and Technology.....	46	72	50
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Initiative Program.....	40	40	46
Fair Housing Assistance Program.....	24	23	23
Fair Housing Training Academy.....	2	2	2
Total, Fair Housing Activities.....	66	65	71
OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES			
Lead-Based Paint Hazard Reduction			
Lead Hazard Control Grants.....	47	48	93
Technical Studies.....	3	2	2
Healthy Homes	15	15	25
Lead Hazard Control Demonstration Program.....	45	45	...
Total, OHHLHC.....	110	110	120

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)**

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD.....	\$1,303	\$1,314	\$1,425
Salaries and Expenses, OIG.....	125	126	129
Working Capital Fund	255	250	334
Subtotal, Management and Administration.....	1,683	1,690	1,888
 HUD Transformation Initiatives.....			
Direct IT Appropriation	40	...	...
Transfers.....	...	...	[120]
 Subtotal, HUD Discretionary Budget Authority (Gross).....	45,461	45,357	49,324
 Offsetting Receipts			
MMI Capital Reserve.....	(9,849)	(8,927)	(6,527)
MMI Receipts.....	...	...	(30)
GNMA Capital Reserve.....	(665)	(832)	(958)
GNMA Receipts.....	(101)	(89)	(118)
FHA (GI/SRI Negative Subsidy).....	(608)	(708)	(657)
Manufactured Housing Fees Trust.....	(6)	(10)	(11)
 Total receipts.....	(11,229)	(10,566)	(8,301)
 Total, HUD Discretionary Budget Authority (Net).....	34,232	34,791	41,023

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)**

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
MANDATORY PROGRAMS			
Native American Housing Block Grants.....	\$1	\$4	...
Indian Housing Loan Guarantee Fund.....	107	11	...
Community Development Loan Guarantee Program Account.....	3	2	...
Local Housing Policy Grants.....	...	...	\$300
Revolving fund for Liquidating Programs.....	1	...	...
FHA Mutual Mortgage Insurance Program Account	5,766	5,554	...
FHA General and Special Risk Program Account.....	210	2,080	...
FHA General and Special Risk Liquidating Account.....	30	(21)	(21)
FHA Mutual Mortgage Insurance Capital Reserve Account.....	4,083	3,373	6,527
Housing for the Elderly or Handicapped Fund Liquidating Account.....	(317)	(444)	(419)
Guarantees of Mortgage-backed Securities Capital Reserve.....	665	832	958
Housing Trust Fund.....	...	...	120
Subtotal, Gross Mandatory Budget Authority.....	10,549	11,391	7,465
Mandatory Receipts.....	(2,105)	(2,347)	(139)
Total, Net Mandatory Budget Authority.....	8,444	9,044	7,326
Total, Net HUD Budget Authority.....	42,676	43,835	48,349

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Housing Certificate Fund.....	\$345	\$248	\$137
Tenant-Based Rental Assistance.....	18,288	19,804	20,929
Family Self-Sufficiency.....	...	75	75
Public Housing Capital Fund.....	2,148	1,783	1,884
Revitalization of Severely Distressed Public Hsg Projects.....	97	90	80
Choice Neighborhoods.....	10	60	88
Public Housing Operating Fund.....	4,283	4,349	4,461
Native American Housing Block Grants.....	747	709	721
Indian Housing Loan Guarantee Fund.....	6	11	10
Native Hawaiian Housing Block Grants.....	30	13	12
Subtotal, Public and Indian Housing.....	25,954	27,142	28,397
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Fund.....	6,369	7,370	6,924
Community Development Loan Guarantees.....	1	5	5
Self-Help Homeownership Opportunity/Habitat.....	75	62	59
Brownfields Redevelopment Program.....	4	5	5
HOME Investment Partnerships Program.....	1,250	1,155	1,044
Homeless Assistance Grants.....	1,878	2,018	2,077
Housing Opportunities for Persons with AIDS (HOPWA).....	303	320	323
Permanent Supportive Housing.....	14	7	3
Rural Housing and Economic Development.....	5	6	2
Subtotal, Community Planning and Development.....	9,899	10,948	10,442
HOUSING PROGRAMS			
Project-Based Rental Assistance.....	9,824	10,278	10,775
Energy Innovation Fund.....	11	20	6
Housing Counseling Assistance.....	37	30	47
Housing for the Elderly (Section 202).....	889	734	672
Housing for Persons with Disabilities (Section 811).....	222	237	262
Flexible Subsidy.....	(42)	(44)	(44)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
FHA Funds:			
Mutual Mortgage Ins. and Coop. Management Housing Ins. Funds:			
Program Account.....	\$103	\$143	\$113
Other Assisted Housing.....	329	287	240
Manufactured Home Inspection and Monitoring.....	8	8	9
Payments to Manufactured Housing Fees Trust Fund.....	1	...	...
Subtotal, Housing Programs.....	11,381	11,693	12,080
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology.....	49	65	60
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Activities.....	63	71	71
LEAD HAZARD CONTROL AND HEALTHY HOMES			
Lead Hazard Reduction.....	122	123	122
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD.....	1,256	1,376	1,418
Salaries and Expenses, OIG.....	119	126	132
Working Capital Fund.....	246	298	286
Gifts and Bequests.....	2	1	...
Subtotal, Management and Administration.....	1,623	1,801	1,836
HUD Transformation Initiatives.....	122	47	49
Subtotal, HUD Discretionary Outlays (Gross).....	49,213	51,890	53,057
Deductions for Offsetting Receipts (Discretionary).....	(6)	(10)	(11)
Reclassification of MMI Receipts.....	(9,849)	(8,927)	(6,527)
GI/SRI Negative Subsidies.....	(608)	(708)	(657)
GNMA Program Account.....	(81)	(65)	(91)
GNMA Receipts.....	(665)	(832)	(958)
Total, HUD Discretionary Outlays (Net).....	38,004	41,348	44,813

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2014-2016
(Dollars in Millions)

	<u>2014</u> <u>ACTUAL</u>	<u>2015</u> <u>ENACTED</u>	<u>2016</u> <u>ESTIMATE</u>
MANDATORY PROGRAMS			
Indian Housing Loan Guarantee Fund.....	\$107	\$11	...
Native American Housing Block Grants.....	...	4	...
Public Housing Capital Fund.....	13	...	...
Community Development Loan Guarantees.....	3	2	...
Neighborhood Stabilization Program.....	303	247	\$72
Revolving Fund.....	1	1	1
Local Housing Policy Grants.....	...	...	6
Housing Trust Fund.....	...	...	1
FHA MMI Program Account.....	5,768	12,892	...
FHA MMI Liquidating.....	4	21	22
FHA MMI Capital Reserve Account.....	(3,248)	(8,496)	(396)
FHA GI/SRI Program.....	210	2,080	...
FHA GI/SRI Funds Liquidating.....	(164)	20	19
Emergency Homeowners' Relief Fund.....	12	69	29
Rental Housing Assistance Fund.....	(2)	(3)	(3)
Housing for the Elderly or Handicapped Fund Liquidating Account.....	(483)	(442)	(417)
Guarantees of Mortgage-Backed Securities.....	157	...	...
Guarantees of Mortgage-Backed Securities Liquidating Account.....	(54)	3	...
Guarantees of Mortgage-Backed Securities Capital Reserve Account.....	...	(3,020)	(111)
Subtotal, HUD Mandatory Outlays (Gross).....	2,627	3,389	(777)
Deductions for Offsetting Receipts (Mandatory).....	(2,105)	(2,347)	(139)
Total, HUD Mandatory Outlays (Net).....	522	1,042	(916)
Total, HUD Outlays.....	38,526	42,390	43,897

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FULL-TIME EQUIVALENT (FTE) EMPLOYMENT
(Excludes Overtime and Terminal Leave)

	ACTUAL	ESTIMATE	REQUEST	INCREASE (+)
	<u>2014</u>	<u>2015</u>	<u>2016</u>	DECREASE (-)
				<u>2016 vs 2015</u>
Salaries and Expenses, HUD.....	7,685	7,812	8,124	312
<u>Other Funds:</u>				
GNMA	110	139	168	29
Office of Inspector General.....	<u>603</u>	<u>637</u>	<u>643</u>	<u>6</u>
Subtotal, Other Funds.....	713	776	811	35
Total, HUD Full-Time Equivalent Staff.....	8,398	8,588	8,935	347

HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL ASSISTANCE DEMONSTRATION PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation .....	...	...	...	...	...	...
2015 Appropriation .....	...	...	...	...	...	...
2016 Request	<u>\$50,000^a</u>	<u>...</u>	<u>...</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>...</u>
Program Improvements/Offsets	+50,000	...	...	+50,000	+50,000	...

a/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$380 thousand.

1. What is this request?

The Department requests \$50 million in fiscal year 2016 for a targeted expansion of the Rental Assistance Demonstration (RAD) program to public housing properties that cannot feasibly convert to long-term Section 8 rental assistance contracts at existing funding levels, specifically those located in high-poverty neighborhoods, including designated Promise Zones, and areas where the Administration is supporting comprehensive revitalization efforts. In working with Public Housing Agencies (PHAs) attempting to convert and transform their stock of public housing through RAD, the Department has clearly learned that offering even limited incremental subsidy would allow for the transformation some properties greatly need and that could not be achieved at current funding levels. This request will cover the incremental subsidy cost of converting approximately 25,000 public housing units, thereby increasing private investment in targeted projects and surrounding neighborhoods.

Additionally, HUD will continue to implement RAD conversions without incremental subsidy in 2016 by making use of:

1. Amounts made available under the existing Public Housing Operating Fund and Capital Fund programs;
2. Tenant Protection Vouchers (TPVs) that otherwise would be issued to tenants upon expiration or termination of Section 8 Moderate Rehabilitation (MR), Mod Rehab SRO (MR SRO), Rent Supplement (RS) and Rental Assistance Payment (RAP) contracts (see Other Assisted Housing justification);
3. Amounts made available under Rental Housing Assistance that would have otherwise been used to amend or extend RS and RAP contracts; and
4. Contract authority recaptured from RS and RAP conversions.

Rental Assistance Demonstration Program

Through conversion, Public Housing Agencies (PHAs) and other owners, working with private industry, will be able to raise capital using private and public financing tools to rehabilitate or redevelop affordable housing in their communities.

The Budget also proposes to eliminate the 185,000-unit cap on Public Housing and MR conversions and clarifies the elimination of the sunset date for conversions of RS, RAP and MR properties under the second component of RAD. These proposals are described in more detail in Section 3.

The main goal of RAD is to use the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance as a tool for PHAs and owners to leverage private debt and equity to address their properties' immediate and long-term capital needs.

2. What is this program?

The Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112-55), modified by the Consolidated and Further Continuing Appropriations Act of 2015 (P.L. 113-235), authorized RAD to test new preservation tools for the HUD-assisted housing stock. Modified by subsequent appropriation bills, RAD currently allows:

1. Public Housing (PH) and MR properties to convert assistance to long-term Section 8 rental assistance contracts (capped at 185,000 units and with rents limited to existing subsidy amounts); and
2. RS, RAP and MR properties, upon contract expiration or termination, to convert tenant protection vouchers (TPVs) to project-based vouchers (PBVs), subject to the availability of annual appropriations of TPVs, or to Project-Based Rental Assistance (as newly enacted in 2015).

RAD targets HUD-assisted properties that are at risk of being lost from the nation's affordable housing inventory. The 1.1 million units in the Public Housing program have a documented capital needs backlog of nearly \$26 billion and are largely inhibited from accessing non-federal sources to help to address this need. As a result, the public housing inventory has been losing an average of 10,000 units annually through demolitions or dispositions. Meanwhile, the 43,500 units assisted under the MR, MR SRO, RS, and RAP programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. Under RAD, PHAs and owners of rental properties assisted under the Public Housing, MR, RS and RAP programs are offered the option to convert the current form of assistance on these properties to long-term, project-based Section 8 rental assistance contracts. By offering a long-term contract tied to a historically more reliable funding stream and a regulatory structure that facilitates partnerships with other forms of private and public financing, RAD achieves the following goals:

Rental Assistance Demonstration Program

1. Promotes local public-private development activity with access to safe, proven tools to leverage private capital;
2. Recapitalizes the HUD-assisted housing portfolio to ensure its long-term stability and affordability;
3. Increases housing choice for residents and safeguards strong resident rights; and
4. Relaxes regulatory burdens to allow flexible local decision making to maintain effective public ownership.

Funding Conversions

Public housing units that converted in calendar years 2013 and 2014 are now reflected in the Project-Based Rental Assistance (PBRA) and Tenant-Based Rental Assistance (TBRA) budget requests. In calendar year 2014, 116 public housing properties containing 11,619 units completed conversion to project-based Section 8 contracts (either PBRA or PBV). These conversions represent approximately \$72 million in funds that will be shifted from the public housing operating and capital accounts to PBRA and TBRA in 2015.

Public housing units that may convert in 2015 are still reflected in the fiscal year 2016 funding requests for the public housing Operating Fund and Capital Fund. In fiscal year 2016, once it is known how many units converted to PBRA and PBV, respectively, HUD will transfer funds from the public housing Operating Fund and Capital Fund into PBRA and TBRA. Authority to execute this transfer is provided within Public Law 112-55. HUD currently estimates that a total of \$125 million will be transferred in fiscal year 2016, though the precise number will be based on the actual number of conversions and the specific funding levels of the converting properties.

3. Why is this program necessary and what will we get for the funds?

Preservation Challenges

The federal Public Housing program provides much-needed affordable housing to about 1.1 million low-income households, many of whom are elderly, disabled, and veterans at risk of homelessness without this resource. Unlike other forms of assisted housing that serve very similar populations, the public housing stock is nearly fully reliant on federal appropriations from the Capital Fund to make capital repairs. Funding and regulatory constraints have impaired the ability for these local and state entities to keep up with needed life-cycle improvements. As a result, a very large capital needs backlog has accumulated.

Rental Assistance Demonstration Program

The most recent capital needs study of the public housing stock, completed in 2010,¹ estimated the backlog of unmet need at approximately \$26 billion, or \$23,365 per unit. Under the strain of this backlog, and without financing tools commonly available to other forms of affordable housing, the public housing inventory loses an average of 10,000 units annually through demolitions and dispositions.

In addition to the public housing stock, RAD targets certain “at-risk” HUD legacy programs. Without RAD, the 34,500 units assisted under MR and MR SRO are limited to short-term renewals and constrained rent levels that inhibit recapitalization. Further, the approximately 9,000 units still assisted under RS and RAP would have no ability to retain project-based assistance beyond the current contract term without RAD. As a result, as their contracts expire, these projects would no longer be available as HUD-assisted affordable housing assets.

RAD as a Preservation Tool

Conversion to long-term Section 8 rental assistance under RAD is essential to preserving these scarce affordable housing assets. Long-term Section 8 rental assistance allows for PHAs and other owners to leverage sources of private and public capital to rehabilitate their properties. While the Department expects and continues to process Public Housing conversions without additional incremental subsidy, HUD requests \$50 million for the incremental subsidy costs of converting assistance under RAD. Such funding will be targeted to public housing projects that: 1) cannot be converted at current funding levels, and 2) are integral to the success of the Administration’s broader efforts in high-poverty areas, including designated Promise Zones. The Department estimates that the \$50 million in incremental subsidies will support the conversion and redevelopment of approximately 25,000 public housing units that otherwise could not convert, thereby increasing private investment in targeted projects and surrounding neighborhoods.

The Transportation, Housing and Urban Development, and Related Agencies Appropriations, 2015 (PL 113-235) made important improvements to RAD in order to maximize participation by those PHAs and other owners whose current funding levels are sufficient for conversion as well as to ensure that funding provided for RAD can be used to convert as many units as possible:

- Increasing from 60,000 to 185,000 unit cap on public housing and MR projects that could convert assistance to long-term Section 8 rental assistance contracts and extending the application deadline for such conversions to September 30, 2018;
- making Section 8 MR Single Room Occupancy (SRO) properties eligible for RAD;
- allowing Rent Supplement and RAP properties to convert to long-term Project-Based Rental Assistance (PBRA) , as necessary, using resources including amounts remaining on the contracts of a converting project and funding that would otherwise be used to provide short-term contract extensions, contract rent amendments, and/or Tenant Protection Vouchers for expiring contracts. To ensure cost neutrality, any increase in cost in the PBRA account as a result of Rent Supp and RAP properties

¹ Abt Associates, Inc. “Capital Needs in the Public Housing Program.” Executive Summary. November 24, 2010.

Rental Assistance Demonstration Program

converting to PBRA contracts must be equal to transfers from the Rent Supp/RAP and/or TBRA accounts; and deleting the sunset date for Rent Supp and RAP conversions.

The Budget eliminates the 185,000-unit cap on Public Housing and MR conversions and, for the second component of RAD, clarifies the elimination of the sunset date for conversions of RS, RAP and MR properties under the second component of RAD. This clarification will give HUD the flexibility to preserve all remaining RS, RAP, and MR properties as their current contracts end.

4. How do we know this program works?

RAD serves as a bridge to bring older subsidized housing programs to the safe, proven, and reliable Section 8 platform. For nearly 40 years, long-term Section 8 rental assistance contracts have proven to be the most effective method of financing and preserving low-income housing. HUD supports 1.2 million units of affordable housing through the Office of Multifamily Housing's Project-Based Rental Assistance program. Property owners in that program have leveraged billions in public and private investment in order to make lifecycle property improvements while maintaining an industry-low foreclosure rate. Because of this program's success, the bipartisan Millennial Housing Commission and other panels of experts for years have recommended allowing public housing properties to leverage limited public resources with private debt and equity, in a manner similar to that done with the Section 8 multifamily programs for decades.

Indeed, as of January 2015, with approximately 13,000 units converted, PHAs and their partners have raised over \$485 million (\$37,000 per unit) to improve and preserve public housing assets (as compared to the average capital need of \$23,365 per unit that was identified in a study of the public housing portfolio) and have begun to make regular deposits into an ongoing "replacement reserve" account to ensure that repair and replacement needs that arise in the future are funded. The remaining awards under HUD's original 60,000 unit cap, plus the over 115,000 units for which HUD has already received approvable applications and that will soon be awarded under the newly raised cap are expected to leverage billions more. Further, HUD continues to receive interest and applications from PHAs that with properties that could be preserved at no additional cost. This is a strong demonstration of the model and how substantial amounts of capital can be accessed. At the same time, since enactment of RAD, the Department has fielded hundreds of inquiries from PHAs and public officials and reviewed countless analyses of worthy projects that are not feasible for conversion at current funding levels; however, these projects would be much more likely to convert under RAD if afforded a modest incremental subsidy. Accordingly, the Department believes that offering limited incremental subsidy would further test and advance RAD's goals.

Meanwhile, the Department has converted to long-term PBV contracts more than 75 RS, RAP, and MR projects that would have otherwise expired or been terminated, and has 85 projects that are actively being processed for preservation.

Rental Assistance Demonstration Program

Finally, to ensure that the program is achieving the desired results, RAD also includes an ongoing evaluation component, which will assess, across different markets and geographic areas and within portfolios managed by PHAs of varying sizes, the following research areas:

- Conversion impact on properties' physical and financial stability;
- Amount and types of capital leveraged; and
- Affected residents' access to residential mobility.

5. Proposals in the Budget

Below are the proposals included in the 2016 request (Section 220 of General Provisions):

- Eliminating the 185,000 unit cap on public housing and MR projects that could convert assistance to long-term Section 8 rental assistance contracts, and
- Confirming the removal of the sunset date for RS, RAP, and MR conversions by clarifying HUD's permanent authority under the second component.

Rental Assistance Demonstration Program

HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Incremental Conversion								
Cost	\$50,000
Transformation								
Initiative (transfer)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>[380]</u>
Total	50,000

Rental Assistance Demonstration Program

HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For continuing activities under the heading "Rental Assistance Demonstration" in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112–55), and in accordance with priorities established by the Secretary, \$50,000,000, to remain available through September 30, 2019: Provided, That such funds shall only be available to properties converting from assistance under Section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g).

**PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

CHOICE NEIGHBORHOODS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$90,000	\$116,595	...	\$206,595	\$125,511	\$10,361
2015 Appropriation/Request	80,000	81,084	...	161,084	116,000	60,000
2016 Request	<u>250,000^a</u>	<u>45,084</u>	<u>...</u>	<u>295,084^a</u>	<u>250,000</u>	<u>88,000</u>
Program Improvements/Offsets	+170,000	-36,000	...	+134,000	+134,000	+28,000

a/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$1.9 million of Budget Authority.

1. What is this request?

The Department requests \$250 million for the Choice Neighborhoods program for fiscal year 2016, which is \$170 million more than the 2015 enacted level. Choice Neighborhoods grants fund the transformation, rehabilitation and replacement of distressed public and/or HUD-assisted housing and support communities working to revitalize neighborhoods of concentrated poverty. Grants are targeted to assist neighborhoods where there are both concentrations of poverty or households with extremely low-income and severely distressed public and/or HUD-assisted housing.

This request will allow the Department to fund:

- Five to 8 Implementation Grants of up to \$30 million each.
- Approximately 5-10 Planning Grants, which may include a new "Planning and Action" Grant option (please see description provided on page 5).

As an investment that leverages significant funds and fosters partnerships, Choice Neighborhoods gives communities the ability to address persistent violent crime, create connections to job opportunities, and improve schools in order to actually change the trajectories of families living in those neighborhoods. The fiscal years 2010-2013 Choice Neighborhoods Implementation Grants leveraged more than \$2.65 billion of investments in those neighborhoods, over 7.1 times the total HUD investment of nearly \$351 million. HUD will use the requested funding to continue to make a real nationwide impact in high-poverty areas, and to model, learn lessons from, and promote this type of effective policy and resource approach across the country.

Choice Neighborhoods supports the Administration's Promise Zones initiative, which is creating partnerships between the federal government, local communities and businesses to create jobs, increase economic activity, reduce violence and expand educational

Choice Neighborhoods

opportunities. The President announced the first 5 Promise Zones in January 2014 and will designate an additional 15 Promise Zones. The fiscal year 2016 Budget request includes companion investments in the Department of Education's Promise Neighborhoods program and the Department of Justice's Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment and economic growth in the Promise Zones.

Key outcomes of Choice Neighborhoods include:

- Transform distressed public and/or assisted-housing units into physically and financially viable housing for the long-term;
- Support positive health, safety, employment, mobility and education outcomes for residents in the target development(s) and the surrounding neighborhoods;
- Create viable, mixed-income neighborhoods that have access to well-functioning services, high quality public schools and education programs, public assets, public transportation, and improved access to jobs; and
- Attract significant financial investments by the public and private sectors to high poverty neighborhoods.

2. What is this program?

Building on the success of the HOPE VI program, Choice Neighborhoods funds competitive grants to transform neighborhoods of concentrated poverty into sustainable mixed-income communities, with a focus on improved housing, successful residents, and vibrant neighborhoods. Choice Neighborhoods helps transform a distressed neighborhood into a neighborhood with the assets and opportunities necessary for children and families to prosper. Grantees include local governments, assisted housing owners, community development corporations, non-profits and for-profit entities as well as public housing agencies (PHAs). Through HOPE VI, we learned that focusing only on the distressed housing site (public or HUD-assisted) does not yield the desired transformative impact on the surrounding neighborhood. Choice Neighborhoods provides two kinds of grants: planning grants, which support the development of comprehensive transformation strategies, and implementation grants, which allow communities to put their plans for neighborhood revitalization into effect.

Implementation Grants

Thus, Choice Neighborhoods Implementation Grants provide funding to address distressed public and/or HUD-assisted housing sites while simultaneously executing a comprehensive plan that addresses other aspects of neighborhood distress, such as violent crime, failing schools, and capital disinvestment. Grantees are required to identify local strengths and challenges, propose feasible solutions and establish strong collaborative partnerships to address affordable housing, employment, education, health, safety, transportation, economic development and other key areas. These grantees must work with stakeholders and partners, including developers and local agencies, as well as non-profit and private enterprises administering grant components, services or other key programs, to develop and implement a transformation plan for the neighborhood. In addition to improvements to the public and assisted housing

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stock, these funds can be used (with leveraged other funding) for improvements to the surrounding community, including economic development; remedies to vacant, foreclosed or other blighted properties; public facilities and assets.

Choice Neighborhoods communities feature a mixed-income approach, with public and/or HUD-assisted housing integrated with other affordable housing and market rate housing. In most circumstances, the public and/or HUD-assisted housing will be replaced on a one-for-one basis. Choice Neighborhoods ensures that children growing up in poorer neighborhoods will have access to high-quality educational opportunities for early learning and schools. Local communities are required to include an education component in their transformation plan, such as early childhood education, school improvements and other education-related services. Links to local education efforts aimed at producing high-quality, full service community schools that leverage additional neighborhood investments and will be at the center of the development model. In addition, HUD has been working closely with the Department of Education to align Choice Neighborhoods' educational outcomes and funding investments with those of the Department of Education's Promise Neighborhoods program, which implements innovative strategies to improve academic achievement and life outcomes in high-poverty areas. Currently, Atlanta, Baltimore, Boston, Little Rock, Los Angeles, Meriden (CT), San Antonio, Tulsa, and Washington, DC have both a Choice Neighborhoods grant and a Promise Neighborhoods grant that target overlapping areas.

Other eligible activities include:

- Providing supportive services for residents, primarily focused on case management and service coordination to access programs from other key agencies and local service providers, with two goals in mind: 1) moving affected residents along the spectrum of self-sufficiency; and 2) promoting health, safety and education;
- Relocation assistance costs, including mobility/relocation counseling over multiple years, vouchers, reasonable moving costs, and security deposits. Previous efforts have shown that families relocating from high poverty neighborhoods need well-designed relocation plans with mobility counseling and relocation cost coverage to maximize their relocation opportunities;
- Critical community improvements based on challenges identified during the planning process to enhance the neighborhood outcomes. Such projects include economic development activities (construction cost write-downs for commercial business such as a grocery store; loan and grant programs for existing commercial businesses; façade improvements; revolving loan funds for business attraction and retention), programs to improve housing in the surrounding neighborhood (loans or grants to existing homeowners for property repair), and open space and community parks (acquisition of underutilized land for new parks, community gardens or community facilities and expansion of existing facilities to better serve the community);
- Endowments, reserves or revolving loan funds for ongoing operating and capital needs and for resident services; and
- Rehabilitation, redevelopment or development of affordable housing, including foreclosed or vacant properties.

With fiscal years' 2010-2013 Choice Neighborhoods funding, the Department awarded 13 Implementation Grants in the amount of \$350.95 million. As grantees continue to implement their multi-year transformation plans, they have already established partnerships and secured other funding. One recent highlight includes a fiscal year 2013 Implementation Grant awarded to co-grantees the Housing Authority of the City of Pittsburgh (HACP) and the City of Pittsburgh to revitalize the Hamilton-Larimer public

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housing complex and East Liberty Gardens, a HUD-assisted housing complex. They are replacing all 155 original units and building an additional 97 market rate and 82 Low Income Housing Tax Credit (LIHTC) units on adjacent vacant land and in the core of the neighborhood where there is a need for smaller, in-fill development. All funding for the first phase of development has been committed to the project, including \$56 million from other public and private resources.

The Larimer/East Liberty neighborhood is located in the heart of the East End of Pittsburgh, three miles from downtown. The neighborhood is adjacent to emerging businesses and development, including the revitalized East Liberty business district - a hub for IT businesses including Google. Through strategic acquisition of properties, HACP, the City and their partners will draw this economic activity from the edges into the core of the neighborhood along a central corridor. These economic development activities will create at least 10 new business start-ups and expansions and 20 permanent jobs, leveraging new mixed-use development that will bring more than 1,200 new jobs to the area and 400,000 square feet of new office space as well as a transit oriented development project that is renovating and expanding the public transit center in the neighborhood. The restoration of the neighborhood is a priority for a wide range of stakeholders, including the City, the Urban Redevelopment Authority, Carnegie Mellon University, the University of Pittsburgh and other key partners, demonstrated by over \$117 million in leverage.

Planning Grants

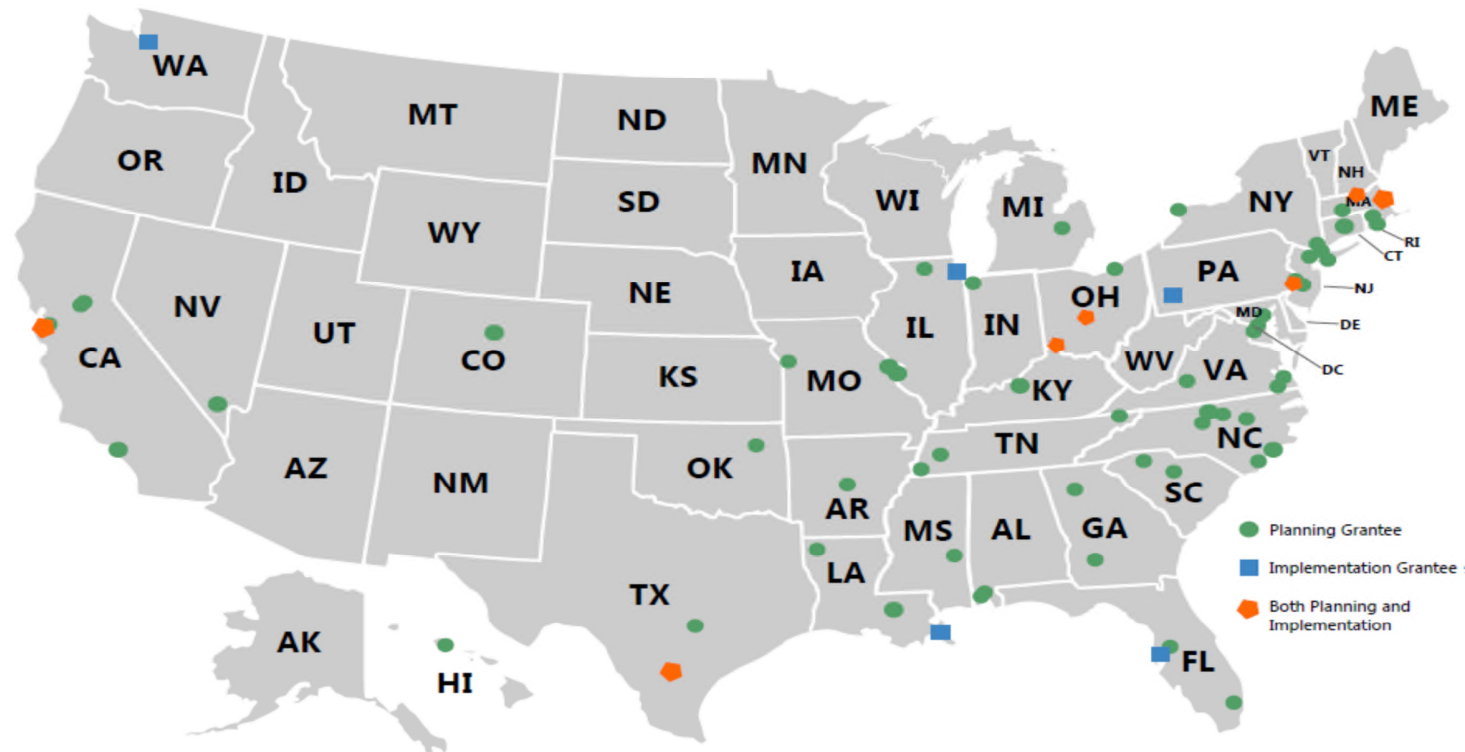
Planning Grants assist communities in identifying needs and then developing neighborhood transformation plans intended to meet those needs. Importantly, funds enable grantees to build the support structure necessary for implementation, in part by increasing grantee capacity to undertake a comprehensive planning process that incorporates a broad base of community stakeholders. From fiscal year 2010 through fiscal year 2014, the Department awarded 63 Planning Grants totaling \$20.1 million.

The assessment of local conditions and options, which is central to the comprehensive community planning process, leads directly to partnerships focused on particular community needs. This approach allows Planning Grants to generate immediate action in addition to paving the way for the successful implementation of large-scale neighborhood transformation plans. For example, the City of Columbus, Columbus Metropolitan Housing Authority, and The Ohio State University, through their dynamic partnership "Partners Achieving Community Transformation (PACT)" received a fiscal year 2011 Planning Grant that has led to several significant successes. The Planning Grant positioned the Housing Authority to successfully compete for a Choice Neighborhoods Implementation Grant. The Housing Authority was awarded a fiscal year 2013 Implementation Grant to realize their plan, which includes the development of 449 mixed-income housing units. The planning and implementation efforts have leveraged more than \$180 million in public and private sources – including a \$34.5 million commitment from the City of Columbus to be invested in homeownership finance programs, significant infrastructure improvements, streetscape and façade improvements, small business loan programs, and the construction of a new state-of-the-art aquatic center. This planning effort has also led to a \$10 million commitment from The Ohio State University that will establish a new adult education center to provide 130 participants annually with training and certification opportunities in various medical health professions.

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For fiscal year 2016, the Department will structure the planning grants announcement to allow planning grantees the option of accomplishing additional tasks with a "Planning and Action" Grant. These would be larger grants (up to \$3 million) that would enable recipients to better bridge the transition from planning to implementation. The current Planning Grants are dedicated to planning activities and are not used for any services, programs, or physical improvements. Planning and Action Grants, however, would allow grantees to not only plan but to tackle some 'early start' projects in the neighborhood to establish momentum.

Choice Neighborhoods | FY2010-2013 Implementation Grantees & FY2010-2014 Planning Grantees



3. Why is this program necessary and what will we get for the funds?

The spatial concentration of poverty remains a serious challenge for poor families and children in accessing opportunities and moving up the economic ladder. Where a poor family lives dramatically affects their life opportunities. For example, concentrated poverty exacerbates the housing-jobs imbalance through which residents of poor neighborhoods are isolated from opportunities for employment and advancement because of distance or poor access to transportation.

The HOPE VI, Homeownership Zone, and Empowerment Zone programs revealed that coordinated area-wide employment of federal resources with local planning and decision-making can transform and improve entire neighborhoods and communities. Choice Neighborhoods builds on this knowledge and brings together resources in a way no other federal program does. Existing programs do not provide sufficient funding to redevelop severely distressed public and HUD-assisted housing, while also directing attention to the people and broader neighborhood. The Choice Neighborhoods approach links multiple HUD program efforts and multi-Departmental efforts that will provide a comprehensive framework, build on existing successes, provide strong positive outcomes for families and communities, and reduce related program costs.

According to the 2008-2012 American Community Survey (ACS) data, 13.6 million people live in “extreme poverty” census tracts, where the poverty rate exceeded 40 percent. Neighborhoods of extreme poverty differ dramatically across multiple factors, including the economic health and vitality of the broader metropolitan economy; the proximity of the community to areas of employment (e.g., downtowns) or transportation infrastructure; and the scale and condition of subsidized housing. Moreover, the concentration of poverty has a consistent negative effect on the residents of the community. The Pew Charitable Trusts’ Economic Mobility Project research shows that one of the most important factors in determining whether children will do better financially than their parents is not their family’s economic status, but whether or not they grow up in a high-poverty neighborhood. Further, it is possible to predict health, economic, and educational outcomes of children, not on their talents, abilities or how hard they work, but on where they live. Choice Neighborhoods is designed to change these outcomes and allow residents of these communities to reengage in the economy.

The Department estimates that approximately 105,000 units (81,910 public housing and 22,275 HUD-assisted housing units) are severely distressed and located in distressed neighborhoods. This number considers the age, size and physical condition of the public and HUD-assisted housing projects and includes distressed units that are located in neighborhoods of concentrated poverty. In order to reach these units, the Choice Neighborhoods program spurs large-scale projects that leverage millions of dollars in additional private and public investment as part of comprehensive, locally determined neighborhood transformation plans, rebuilding not just the housing, but the neighborhoods that have suffered due to the deteriorated housing.

Without Choice Neighborhoods, communities across the country will be substantially hindered in their ability to implement transformative changes. As seen in the HOPE VI program, this funding provides a starting point to bring in significant amounts of

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leveraged funds. Over the course of the HOPE VI program, HOPE VI provided \$6.1 billion in federal funds to sites all over the country, which will ultimately leverage an additional \$13.5 billion.

The Department commissioned a Capital Needs Assessment (CNA) study to update the data on the estimated needs of public housing units. The 2010 CNA study estimated the level of immediate needs and needs over a 20-year period accrued annually based upon assessment of a statistically valid sample of public housing developments. The study places the existing need, or backlog, at up to \$26 billion and annual accrual need at \$3.4 billion. Choice Neighborhoods is one of the only programs in the federal government that provides funding for the transformation of distressed housing in high-poverty neighborhoods. As demonstrated through the fiscal year 2013 Choice Neighborhoods application process, where 96 applications were submitted for the \$113.7 million of fiscal year 2013 funding available, there is a great demand for this type of federal assistance.

Promise Zones Initiative

The Choice Neighborhoods program contributes to the President's Promise Zones initiative, which will help revitalize 20 of America's highest-poverty communities by creating jobs, attracting private investment, increasing economic activity, expanding educational opportunity, and reducing violent crime. For children, growing up in high-poverty neighborhoods is a stronger predictor of downward economic mobility than parental occupation, education, labor force participation, and other family characteristics combined. The research suggests that the negative consequences of growing up in a low-income family are compounded when growing up in a neighborhood of concentrated poverty. The Departments of HUD, Justice, Education, Treasury, Health and Human Services, and other federal agencies work together closely under the Ladders of Opportunity and Promise Zones initiatives, co-investing, and pooling their expertise to support local communities in developing and obtaining the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. One immediate achievement has been to align federal resources to target neighborhoods where the funding can have the most impact. In conjunction with the Department of Justice, their public safety plan to reduce violent crime, illegal drugs and gang activity in the neighborhood. HUD and the Department of Education have already coordinated Notice of Funding Availability (NOFA) language to ensure that Choice Neighborhoods and Promise Neighborhoods contain mutual incentives for localities to focus on the entirety of interconnected needs in target HUD is providing the first class of Choice Neighborhoods Implementation Grantees with additional funding to focus on enhancing communities, and ease the burden of gaining access to resources necessary to carry out comprehensive efforts. The Department of Health and Human Services has also provided bonus points in some of its grant competitions to communities that have received a Choice Neighborhoods grant to further advance improvements to resident health. To date, three Choice Neighborhoods are included in areas designated as a Promise Zone and three more are in areas named as finalists. Also, nine of the communities funded by a Choice Neighborhoods grant have received a Promise Neighborhoods grant from the Department of Education, and eight of the communities have also received a Byrne Criminal Justice Innovation grant from the Department of Justice.

4. How do we know this program works?

HOPE VI, the predecessor program to Choice Neighborhoods, is one of the most analyzed federal housing programs, with studies examining issues ranging from development conditions, property values and neighborhood effects to resident outcomes in employment and health. HUD's Office of Policy Development and Research created a 2003 report, "Interim Assessment of the HOPE VI Program Cross-Site Report," which found that after 10 years, the first round of HOPE VI grants resulted in sites that had been redeveloped from 100 percent public housing to mixed-income neighborhoods. The program resulted overall in: a substantial improvement in housing quality; better site management (as evidenced by well-maintained common areas and substantially lower vacancy and turnover rates); a reduction in crime; and increased availability of supportive services and community facilities (including childcare, Boys and Girls Club programs, medical clinics, and office space for case managers and supportive services providers).

A study by the Urban Institute estimated that transforming a 700-unit project with new mixed-income housing, and using vouchers to help some residents relocate elsewhere, could save an estimated \$3.9 million a year in federal housing subsidies while serving the same number of very low-income families¹. The same redeveloped project could also boost surrounding home values and generate local tax revenues of \$6.5 million over a 20-year period. These estimated savings could be generated because HOPE VI projects are less expensive to operate (through physical improvements, reductions in vandalism, and increases in occupancy rates). Additionally, HOPE VI redevelopment resulted in improved physical conditions (lower vacancy rates, reduced crime, and lower operating and capital costs); better quality of life for residents for both those relocated and those living in redeveloped properties (increased needed services, improved health, higher rates of employment and earnings); and surrounding neighborhood improvements (increased property values leading to increased local property tax revenue).

Leveraging

The dollars, expertise, and other resources leveraged under Choice Neighborhoods demonstrate the transformative impact of the program. Grantees leverage funds from state, local and private sources as well as other HUD and federal programs, including the Low-Income Housing Tax Credit (LIHTC) program, New Markets Tax Credits, Promise Neighborhoods, HOME Investment Partnerships (HOME) program, and the Community Development Block Grant (CDBG) program. The fiscal years' 2010-2013 Choice Neighborhoods grants leveraged \$2.65 billion of investments in those neighborhoods. For every \$1 in Choice Neighborhoods Implementation funding, an additional \$7.15 is leveraged. As we have seen with our existing grantees, they continue to attract leverage even after the Choice Neighborhoods grant has been awarded. For example:

- The Seattle Housing Authority, an Implementation Grant recipient, received funding from both the Gates Foundation and JP Morgan Chase to further enhance implementation of their plan. The grant from the Gates Foundation expands the

¹ Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report (June 2007)

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partnership with Seattle University to improve education initiatives for the children that attend the nearby elementary school, which historically has been a low-performing school. The funding from JP Morgan Chase, combined with Choice grant funding and support from the City of Seattle, is building a much-needed “hill climb” to connect the public housing site with the Little Saigon business district located nearby, down a steep hill.

- In New Orleans, HUD’s initial investment of \$4,500,000 into the People Component of the Transformation Plan will support the provision of a comprehensive service strategy and will be further supported by an additional \$14.6 million in new and existing services to provide families with pathways to self-sufficiency and economic mobility for the long-term. The leveraged dollars represent an array of local partners that have committed to providing job training and placement opportunities, enrichment activities for children and youth, adult education, physical and mental health services, and other critical programs necessary for families to succeed. Key partners include: City of New Orleans Job One, Total Community Head Start, YMCA, Home Builders Institute, Good Work Network, Tulane Health Center, Partners for Youth Development, the arts community, and many others. New commitments received since the grant award include \$120,000 from the W.K. Kellogg Foundation and \$60,000 from J.P. Morgan Chase for critical programs supporting children and youth and has served as an advisor on youth engagement and education strategies.

Some early outcomes include:

- 708 of 887 residents receiving case management resulting in direct access to local resources and tailored individual and family intervention
- 43 youth participating in youth development activities in 2014 resulting in readiness for college and career opportunities
- 23 residents hired into Section 3 positions
- 21 residents completed job training in 2014, including 9 that completed core training in carpentry or electrical work through the National Center for Construction Education and Research
- Graduation rate increased to 85 from 79 percent the previous year
- Students at or above Grade Level according to state mathematics assessments – increased from 34.3 to 60.0 percent
- Students at or above Grade Level according to state reading or language arts assessments - increased from 40.7 to 74.0 percent.

Choice Neighborhoods

Partners and Stakeholders

By expanding the pool of eligible grant applicants to include local governments, PHAs, assisted housing owners, designated Community Development Corporations (CDCs), and other for-profit and nonprofit entities and by linking other federal, state, and local funds to Choice Neighborhoods grantees, the spectrum of stakeholders working to improve outcomes as part of Choice Neighborhoods has increased. In engaging other federal partners and additional applicants, Choice Neighborhoods has tapped new constituencies needed to successfully execute comprehensive neighborhood transformation including non-profit and for profit housing developers, financing sources, foundations, human service and community development organizations across the country with proven capacity and the demonstrated ability to lead and support needed public-private partnerships. In addition, over 35 major public and assisted housing organizations joined together to form the Choice Neighborhoods Coalition in early 2011 to support authorizing legislation for the program. To date the Choice Neighborhoods program has been authorized through annual appropriations under the HOPE VI statute (section 24 of the U.S. Housing Act of 1937, as amended). As such, the Department continues to seek authorizing legislation to formally establish the program.

Current Evaluations and Research

HUD is currently conducting an implementation evaluation for the first five Choice Neighborhoods Implementation Grantees through a contract with the Urban Institute. This project is also establishing baseline conditions in these five sites to support a more in-depth follow-up evaluation from 2017-2020. The 2013 interim report "Developing Choice Neighborhoods" describes the implementation efforts across each site, analyzing the development of each Transformation Plan. The Urban Institute's preliminary analysis suggests that Choice Neighborhoods has played an important role beyond the funding that it provides, stating that Choice Neighborhoods appears to be broadening the groups of stakeholders involved in redevelopment. The report not only highlights the significant level of coordination needed across a diverse set of stakeholders, but also acknowledges that grantees with high levels of local government involvement (particularly when a local government serves as a grantee or implementation partner) are better positioned for success. Finally, this report acknowledges the contextual differences between each implementation site, noting that outcomes will subsequently be unique to each locally driven implementation effort.

In fiscal year 2016, the HUD's Office of Policy Development and Research (PD&R) office is requesting \$2.4 million for the next phase of the evaluation.

In addition, HUD has awarded four small research grants for aspects of Choice Neighborhoods not fully addressed by the Urban Institute project. For example, these grants support case studies of Choice Neighborhoods Planning Grants and the development of sophisticated databases to demonstrate implementation grant outcomes. HUD, working with other agencies across the Federal government, is also exploring ways to strengthen data capacity and conduct rigorous evaluations to understand the impacts of Promise Zones and other important cross-sector initiatives designed to improve outcomes for high-poverty communities and

Choice Neighborhoods

individuals living in those communities. A key focus will be on utilizing reliable administrative data sources at the Federal, State, and local level for measuring common outcomes across multiple sites, an approach that can enhance the quality of the evaluations while minimizing their costs.

5. Proposals in the Budget

- Continued use of prior year funds. The Budget proposes allowing prior year Choice and HOPE VI funds to continue to be available notwithstanding HOPE VI sunset date (Sec. 239).
- Optional Main Street Housing Grants funding. This provision amends permanent law in Section 24(n) of the Housing Act of 1937 and Section 403 of the HOPE VI Program Reauthorization and Small Community Mainstreet Rejuvenation and Housing Act of 2003, and makes directing up to 5 percent of funding in this account to the Main Street Housing Grants program optional, not required (Sec. 258).
- HOPE VI recaptures for Choice Neighborhoods purposes. The Department requests authority to re-purpose no-year HOPE VI funds that have been recaptured through the grant close out process to make Choice Neighborhoods awards since no new grants are being awarded under the HOPE VI program (account language).

Choice Neighborhoods

**PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Choice Neighborhoods								
Grants	\$90,000	\$116,595	\$206,595	\$125,511	\$80,000	\$81,084	\$161,084	\$250,000
Technical Assistance ..	...	...	...	...	...	...	...	...
Transformation								
Initiative (transfer)	...	...	...	...	...	...	...	[1,900]
Total	90,000	116,595	206,595	125,511	80,000	81,084	161,084	250,000

**PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
Appropriations Language**

The fiscal year 2016 Budget includes proposed changes in the appropriation language listed and explained below. The language proposed in fiscal year 2016 is italicized and underlined, and language proposed for deletion is bracketed.

For competitive grants [under the Choice Neighborhoods Initiative (subject to section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v), unless otherwise specified under this heading),] for transformation, rehabilitation, and replacement housing needs of both public and HUD-assisted housing and to transform neighborhoods of poverty into functioning, sustainable mixed income neighborhoods with appropriate services, schools, public assets, transportation and access to jobs, [\$80,000,000] \$250,000,000, to remain available until September 30, [2017] 2018: *Provided*, That grant funds may be used for resident and community services, community development, and affordable housing needs in the community, and for conversion of vacant or foreclosed properties to affordable housing: [*Provided further*, That the use of funds made available under this heading shall not be deemed to be public housing notwithstanding section 3(b)(1) of such Act:] *Provided further*, That grantees shall commit to an additional period of affordability determined by the Secretary of not fewer than 20 years: *Provided further*, That grantees shall undertake comprehensive local planning with input from residents and the community, and that grantees shall provide a match in State, local, other Federal or private funds: *Provided further*, That grantees may include local governments, tribal entities, public housing authorities, and nonprofits: *Provided further*, That for-profit developers may apply jointly with a public entity: *Provided further*, That for purposes of environmental review, a grantee shall be treated as a public housing agency under section 26 of the United States Housing Act of 1937 (42 U.S.C. 1437x), and grants under this heading shall be subject to the regulations issued by the Secretary to implement such section: [*Provided further*, That of the amount provided, not less than \$50,000,000 shall be awarded to public housing authorities:] *Provided further*, That such grantees shall create partnerships with other local organizations including assisted housing owners, service agencies, and resident organizations: *Provided further*, That the Secretary shall consult with the Secretaries of Education, Labor, Transportation, Health and Human Services, Agriculture, and Commerce, the Attorney General, and the Administrator of the Environmental Protection Agency to coordinate and leverage other appropriate Federal resources: [*Provided further*, That no more than \$5,000,000 of funds made available under this heading may be provided to assist communities in developing comprehensive strategies for implementing this program or implementing other revitalization efforts in conjunction with community notice and input: *Provided further*, That the Secretary shall develop and publish guidelines for the use of such competitive funds, including but not limited to eligible activities, program requirements, and performance metrics:] *Provided further*, That unobligated balances, including recaptures, remaining from funds appropriated under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" in fiscal year 2011 and prior fiscal years may be used for purposes under this heading, notwithstanding the purposes for which such amounts were appropriated. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**INFORMATION TECHNOLOGY FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

INFORMATION TECHNOLOGY FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$250,000	\$103,856 ^a	...	\$353,856	\$207,554	\$246,441
2015 Appropriation	250,000	149,011 ^b	...	399,011	337,000	298,000
2016 Request	<u>334,000</u>	<u>66,011</u> ^c	<u>...</u>	<u>400,011</u>	<u>344,000</u>	<u>286,000</u>
Program Improvements/Offsets	+84,000	-83,000	...	+1,000	+7,000	-12,000

- a/ This includes \$9 million in recaptures of prior year obligations, and a \$5 million transfer from S&E in 2014. It includes \$21.3 million DME carryover and \$68.5 million O&M carryover.
- b/ This figure includes \$4 million in anticipated O&M recaptures. It includes \$40.7 million DME carryover and \$104.3 million O&M carryover. The carryover into fiscal year 2015 includes \$49.4 million of funding for the HUD Information Technology Service ("HITS") contract. These funds would ordinarily have been obligated in August 2014, but were delayed due to ongoing contract negotiations that resulted in a savings of \$7 million. All O&M carryover of fiscal year 2014 funds (\$71.8 million), including this funding for HITS, was obligated in the first quarter of fiscal year 2015.
- c/ This figure includes \$4 million in anticipated O&M recaptures. It includes \$20 million DME carryover and \$42 million O&M carryover.

1. What is this request?

In fiscal year 2016, HUD requests \$334 million for the Information Technology (IT) Fund, an increase of \$84 million over the fiscal year 2015 appropriation. This request includes a one-time requirement of \$60 million to fund the transition of HUD's IT infrastructure to new service providers, which will require HUD to operate both the old and new IT infrastructure environments simultaneously for up to twelve months.

The request supports both Operations and Maintenance (O&M), and Development, Modernization, and Enhancement (DME). It includes \$286 million of two-year funding and \$48 million of three-year funding.

The IT Fund provides funding for HUD's IT infrastructure and systems, which support the entire Department, including all of HUD's mortgage insurance liabilities, rental subsidies, and formula and competitive grants. In addition to supporting HUD's existing systems and other Departmental priorities, the requested IT Fund investment will generate the following outcomes:

- Modernization of HUD's financial management systems to bring the Department into compliance with Federal standards and support transparent, efficient execution of its over \$45 billion annual budget;

Information Technology Fund

- Transition of HUD's IT infrastructure to a new environment through the HUD Enterprise and Architecture Transformation (HEAT) project;
- Conversion of HUD's IT infrastructure from vendor owned and operated to Government owned and operated;
- Development and deployment of the electronic consolidated planning tool to manage plans required for the community development grants;
- Enhanced Departmental cybersecurity posture through compliance with the Federal Information Security Modernization Act of 2014;
- Compliance with the Federal Datacenter Consolidation Act;
- Compliance with the Federal Shared Services Initiative;
- Re-platforming (modernization) of FHA legacy (mainframe) mortgage systems;
- An IT portfolio management tool to provide project management, Enterprise Architecture, technology/release management, and vendor management capabilities; and
- Other priority investments as needed.

Fiscal Year 2016 Request in Detail (\$ in Millions)

IT Fund	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Operations & Maintenance	\$205	\$250	\$250
HEAT One-Time Transition Costs ¹	...	...	60
Development, Modernization, and Enhancement	45	...	24
Total	\$250	\$250	\$334

¹ This request, to fund the transition costs from the HUD Information Technology Services (HITS) contract to HEAT, is technically O&M, but because it is a one-time cost and not a recurring O&M liability, it is listed separately in this table.

Information Technology Fund

Moving to a True Working Capital Fund

HUD is currently developing a Working Capital Fund implementation plan, the goal of which is to develop a roadmap that will allow the Department to stand up a robust Working Capital Fund to improve the stability, accountability, transparency, and efficiency of enterprise investments and services. The Department is evaluating various governance structures and funding mechanisms and expects to finalize an implementation strategy in the coming months.

Operations & Maintenance (O&M)

These funds provide for the operations and maintenance of the current IT systems and applications, supporting the business and administrative functions in HUD and the IT Infrastructure (servers, communication equipment and support, desktops, mobile devices, enterprise licenses/intellectual property and all of the ancillary engineering, management and security) to make HUD IT services efficient and compliant. These funds are allocated to the following IT Segments or functional areas, consistent with the Federal Enterprise Architecture:

Information Technology Fund

O&M Funding by Segment (\$ in Thousands)

Segment	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Acquisition Management	\$2,796	\$1,618	...
Administrative Management	1,277	1,130	\$1,131
Business Analytical Services	4,619	5,000	4,937
Controls & Oversight	5,481	5,160	6,580
Customer Relationship Management	2,723	2,801	2,779
Data Management Services	1,446	1,274	1,454
Digital Asset Services	2,580	4,095	2,646
Financial Management	17,995	8,342	13,504
Grants Management	7,860	6,446	6,182
Human Resource Management	901	1,030	1,058
Information Technology	154,690	161,331	219,147
Mortgage Insurance	39,317	33,207	31,633
Planning and Budgeting	2,381	1,189	1,319
Public Affairs	3,819	3,441	3,406
Regulatory, Legislative, and Enforcement	6,094	5,811	5,816
Subsidies Management	8,357	7,246	7,654
eGov Initiatives	1,650	879	693
TOTAL	\$263,986	\$250,000	\$309,939

The increase in the Information Technology Segment is to fund HUD's transition to a new IT infrastructure environment through the HUD Enterprise and Architecture Transformation (HEAT) project.

Unlike many agencies, HUD's IT Infrastructure is completely outsourced (including hardware, telecommunications, data centers, technical support, etc.) to outside vendors through the HITS contracts. These contracts, which are primarily supported by two vendors, are not structured to provide HUD with details on costs or execution. The HEAT project, which began preliminarily in 2014, will continue in earnest through 2016 and will separate out IT functions supported by these vendors (e.g., help desk, cloud

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computing, system integration, data center), allowing for the potential of more diversity in service providers and providing the Department with greater insight into the cost drivers of its IT infrastructure. The HITS to HEAT transition also aims to improve HUD's security, internal monitoring and management capabilities, and to reduce the per-FTE cost of its core IT infrastructure.

This will include:

- moving the current HUD data center (where all of HUD's applications and systems are stored and managed) to a shared-service federal data center, or to cloud providers where feasible;
- establishing a new IT help desk;
- acquiring the services of a systems integrator;
- purchasing of vendor owned IT infrastructure equipment;
- enhancing the cyber security posture of the Department;
- modernizing HUD legacy computing platforms (mainframes);
- procuring wireless technology services; and
- re-competing the support for desktops, laptops and devices.

HUD was the first Federal Department to completely outsource its infrastructure. Outsourcing shifts the burden of managing IT infrastructure to the vendor and allows HUD to take advantage of emerging technologies in infrastructure and computing capabilities, such as cloud services. However, when the Department is transitioning between vendors, the outsourced model requires a transition period when both outsourced IT infrastructure environments are running simultaneously. In other words, the outsourced model requires a "bump" in funding to support two environments and to pay both sets of vendors during the transition.

To the greatest extent possible, HUD intends to buy the IT equipment provided by our current vendors and to "lift and shift" that equipment to the new data center. This will significantly reduce the risk of having applications fail as a result of migrating them to the new data center. HUD has many legacy applications and platforms that are no longer supported by the original developers.

HUD will be procuring a systems integrator team as part of our transition to a new data center. Many of HUD's systems rely on information from other HUD systems to properly function. The systems integrator will plan the optimal strategy for systems and platforms to move into the data center. While our "lift and shift" process will not reduce the total number of applications and systems on its own, the systems integration plan will be vital in developing a roadmap for how to eliminate, consolidate, and upgrade systems without breaking integration points or taking critical functions offline.

HUD will take advantage of cloud technology as a part of our transition to a new IT infrastructure environment. During the transition, we will be moving several applications to the cloud, such as email, Customer Relationship Management, components of FHA Transformation, the Next Generation Management System (NGMS), and other new systems we have developed in recent years.

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Unfortunately, many of HUD's legacy systems are not cloud ready because the technology is too old to be supported by most cloud vendors.

Additionally, HUD will use this transition to take advantage of existing federal wireless contracts to provide wireless services. HUD will award multiple contracts with multiple vendors to ensure employees have the best coverage for their local areas.

Other O&M Changes

The increase in Financial Management Segment O&M is to sustain the system interfaces with the Department of Treasury as part of the New Core project. These interfaces are necessary to ensure the continued inter-communication between HUD's program and information systems with Treasury's accounting processes. The elimination of the Acquisition segment is also due to the New Core project, as HUD's procurement systems will migrate to the Department of Treasury.

The decrease in Digital Asset Services O&M represents the completion of support to transition HUD paper records to digital assets. This one-time cost in fiscal year 2015 will support the services needed to convert paper documents to digital documents.

Other O&M increases across the segments reflect the constrained resource environment in fiscal year 2015. The increases in fiscal year 2016 will allow HUD to avoid further reductions in services (and potentially more downtime), reduce risks (systems will be maintained instead of waiting to fix them if they break), and address changes for new legislative or regulatory requirements.

Development, Modernization, and Enhancement (DME)

DME Funding by Project (\$ in Thousands)		
Project Name	Segment Name	FY 2016 Request
New Core	Financial Management	\$21,151
Grants Management eCon Planning Suite	Grants Management	2,000
HUDPLUS	Information Technology	910
TOTAL		\$24,061

New Core

In fiscal year 2016, HUD will implement Release 4 of New Core, the final stage of the first phase of the migration of our core financial management and administrative systems and transaction processing to a shared services environment operated by the U.S. Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center (ARC). This final stage will focus on the migration of financial management and grants and loans processing to ARC.² Once this effort is complete, HUD will have an integrated core financial system that will increase accuracy, speed, transparency, and accountability in financial management and budgeting. This will enable HUD to quickly accommodate legislative changes in its financial system, and to make high-quality data available to support managerial decision-making. Completion of New Core Phase One, in conjunction with NGMS, will enable HUD to decommission HUDCAPS.

The completion of the first phase of the New Core project and the eventual decommissioning of HUDCAPS will produce several tangible benefits for the Department. This funding will enable the Department to decommission up to 11 legacy systems between fiscal years 2015 and 2017, in addition to HUDCAPS. Based on initial estimates, HUD's current O&M costs can be reduced by as much as \$100-120 million over ten years by decommissioning these legacy systems. By operating within ARC's shared services framework, HUD will be positioned to address JFMIP, FFMIA, OIG, and GAO compliance issues, audit findings, and material weaknesses. New Core will also strengthen the Department's system of internal controls and funds management. This will allow HUD to address multiple OIG compliance issues and GAO findings that impact HUD's audit opinion.

Schedule for Completion: Development projected through fiscal year 2020

Grants Management eCon Planning Suite

The requested DME invested for the eCon Planning Suite is for an expansion of the suite to support other Federal Agencies' planning processes, such as, such as Department of Commerce (Economic Development Agency Comprehensive Economic Development Strategy) or Health and Human Services (Community and Social Services Block Grants).

The eCon Planning Suite provides an online tool designed to support state and local grantees and the public to assess affordable housing and community development needs and market conditions. It empowers its users to make data-driven, place-based decisions for HUD Program funds that are invested in local communities through their Consolidated Plans. By providing access to better data and tools, and by creating an integrated planning and grants management platform, the eCon Planning Suite improves needs assessment, strategic investment decision-making, and program outcome reporting.

² Previous releases in Phase One include the migration of HUD's budgeting, accounting, financial management, Federal reporting, procurement, travel and relocation, and time and attendance processing to ARC.

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With the proposed funds, HUD will perform a feasibility study to identify potential partners in other Federal agencies. Once partners are identified, HUD will refine business and information technology requirements, and develop system enhancements to the eCon Planning Suite to help other Agencies' grantees better understand how disparate federal funds can be used together.

Schedule for Completion: HUD expects the feasibility and requirements analysis to be complete by the first quarter of fiscal year 2017, and planning and implementation to be complete by the first quarter of fiscal year 2018.

HUDPLUS

The HUDPLUS tool currently supports IT portfolio management and decision making. The tool has become the repository for the IT Fund budget formulation submission, allowing HUD to objectively evaluate and rank IT projects and systems. HUDPLUS gives HUD decision makers the insight they need to optimize the funds that are being spent on IT. These funds will add the project management module to the portfolio module. With this module, HUD will be able to leverage a multitude of project data (schedules/milestones, funding, acquisitions, risks) which will allow HUD to have a way to quickly, consistently, and seamlessly track the progress of the HUD project. This tool will bring together multiple pieces of data to allow HUD Investment managers and decision-makers to evaluate the status and health of the IT projects.

Schedule for Completion: The Project Management Module will be completed in September 2017.

Appendix: Description of IT Portfolio Segments

The Acquisition Management segment: Enables HUD to effectively manage the lifecycle (e.g., purchasing, tracking, maintenance, and replacement/retirement) of the physical goods and contracted services it acquires in support of delivering its services and executing its programs. The Acquisition Management segment includes goods acquisition, inventory control, logistics management, and services acquisition.

The Administrative Management segment: Enables the IT that performs administrative and logistical services supporting the entire HUD workforce/enterprise. The IT in this segment includes facilities, fleet and equipment management systems and tools, help desk services, security management, travel and workplace policy development and management systems and tools.

The Business Analytical Services segment: Includes the tools and capabilities supporting the extraction, aggregation, and presentation of information to facilitate decision analysis and business evaluation. The Business Analytical Services segment includes analysis and statistics, visualization (geospatial), knowledge discovery, business intelligence and reporting.

The Controls & Oversight segment: Provides the tools that provide and promote the effective use of accurate, timely and reliable information assessing the condition of the Department's housing portfolio—serving both the Office of Public and Indian

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Housing (PIH) and the Office of Multifamily Housing (MFH). The systems provide information to inform decisions for efficient and effective use of HUD's program dollars to ensure safe, decent and sanitary conditions in affordable housing and assists

The Customer Relationship Management Services segment: Includes the tools and systems involved in planning, scheduling, and controlling the activities between the customer and the enterprise, both before and after a product or service is offered. The Customer Relationship Management Services segment would include tools that support call center management, customer analytics, sales and marketing, product management, brand management, customer/account management, contact and profile management, partner relationship management, customer feedback and surveys.

The Data Management Services segment: Includes capabilities that provide for the usage, processing and general administration of information. The Data Management Services segment includes data exchange, data mart, data warehouse, meta data management, data cleansing, extraction and transformation, loading and archiving, data recovery and data classification.

The Digital Asset Services segment: Defines the set of capabilities to support the generation, management, and distribution of intellectual capital and electronic media across the business and extended enterprise. The Digital Asset Services segment includes content management, document management, knowledge management, and records management.

The Financial Management segment: Includes the systems and tools that support the management of HUD's financial resources control and the flow of financial information across information systems. The Financial Management segment includes accounting, funds control, payments, collections and receivables, asset and liability management, reporting and information, and cost accounting/performance measurement.

The Grants Management segment: Includes the IT systems and tools that support the notification, submission, award, review and completion of HUD's grant programs, including the large grant programs that support community development, the construction and rehabilitation of homes, community structures and infrastructure, and other community revitalization and job creation efforts to preserve community assets. This segment also supports HUD's programs that help communities prevent/end homelessness, provide education and awareness programs on lead safety, counseling new home buyers and support fair and equitable housing programs.

The Human Resource Management segment: Includes the systems and tools that manage human resources strategy, staff acquisition, organization and position management, compensation management, benefits management, employee performance management, employee relations, labor relations, separation management, and human resources development.

The Information Technology segment: Includes the hardware, software, infrastructure and services (communications networks, systems engineering, security services) to effectively provide IT capabilities that run the business and administrative applications as well as the enterprise-wide capabilities (email, enterprise licenses, etc.) necessary to execute our mission. The Information

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Technology segment includes system development, lifecycle/change management, system maintenance, IT infrastructure maintenance, information security, record retention, information management, information sharing, and system and network monitoring.

The Mortgage Insurance segment: Provides automated operation of FHA mortgage insurance and housing financing functions, including underwriting, participant performance, risk management, and financial and asset management. The systems in this segment execute the operations of FHA and Housing programs that sustain homeownership and affordable housing.

The Planning & Budgeting segment: Includes the tools and systems that support budget formulation, capital planning, enterprise architecture, strategic planning, budget execution, workforce planning, management improvement, budget and performance integration, and tax and fiscal policy.

The Public Affairs segment: Includes the systems and tools that support the exchange of information and communication between the federal government, citizens and stakeholders in direct support of citizen services, public policy, and/or national interest. The Public Affairs segment includes customer services, official information dissemination, product outreach, and rule publication.

The Regulatory, Legislative & Enforcement segment: Includes the tools and systems that monitor and oversee HUD sponsored programs; developing regulations, policies, and guidance to implement laws; and developing and tracking, and amendment of public laws.

The Subsidies Management segment: Includes the tools and systems that support the development and management of programs that provide housing assistance to citizens including the rental of single-family and multifamily properties, and the management and operation of federally supported housing properties.

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INFORMATION TECHNOLOGY FUND
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Operations and Maintenance	\$205,000	\$82,532	\$287,532	\$182,484	\$250,000	\$108,333	\$358,333	\$310,000
Development, Modernization, and Enhancement	<u>45,000</u>	<u>21,324</u>	<u>66,324</u>	<u>25,070</u>	<u>...</u>	<u>40,678</u>	<u>40,678</u>	<u>24,000</u>
Total	250,000	103,856	353,856	207,554	250,000	149,011	399,011	334,000

NOTES

1. Operations and Maintenance Carryover into 2014 includes \$9.0 million in recaptures. Development, Modernization, and Enhancement Carryover into 2014 includes \$70 thousand in recaptures. All funds that are available for either O&M or DME are included as O&M carryover.
2. Operations and Maintenance Carryover into 2015 includes \$4 million in anticipated recaptures. All funds that are available for either O&M or DME are included as O&M carryover.

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INFORMATION TECHNOLOGY FUND Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the development of, modifications to, and infrastructure for Department-wide and program-specific information technology systems, for the continuing operation and maintenance of both Department-wide and program-specific information systems, and for program-related maintenance activities, [\$250,000,000] *\$334,000,000*, of which *\$286,000,000* shall remain available until September 30, [2016] *2017, and of which \$48,000,000 shall remain available until September 30, 2018*: *Provided*, That any amounts transferred to this Fund under this Act shall remain available until expended: *Provided further*, That any amounts transferred to this Fund from amounts appropriated by previously enacted appropriations Acts may be used for the purposes specified under this Fund, in addition to any other information technology purposes for which such amounts were appropriated. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**HUD TRANSFORMATION INITIATIVE FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

TRANSFORMATION INITIATIVE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$40,000 ^a	\$21,916 ^b	...	\$61,916	\$40,321	\$121,930
2015 Appropriation .....	...^c	21,192 ^d	...	21,192	19,543	47,000
2016 Request	<u>120,000</u> ^e	<u>1,649</u> ^d	<u>...</u>	<u>121,649</u>	<u>60,000</u>	<u>49,000</u>
Program Improvements/Offsets	+120,000	-19,543	...	+100,457	+40,457	+2,000

a/ Fiscal year 2014 includes a direct appropriation of \$40 million for TA, Research, and Demonstrations.

b/ Includes \$0.410 million of actual recaptures in fiscal year 2014.

c/ No fiscal year 2015 appropriations were provided for the TI account.

d/ Excludes \$0.403 million of unobligated funds that expired at the end of fiscal year 2014.

e/ In fiscal year 2016, \$120 million is requested to be transferred for TA, Research, and Demonstrations. All Information Technology investments will be funded via the Information Technology Fund.

1. What is this request?

The 2016 Budget seeks authority for the Secretary to transfer up to \$120 million from the program accounts listed below to the Transformation Initiative (TI) Fund. The TI Fund supports the Department by increasing knowledge about the effectiveness of HUD's policies and programs on the ground, and by supporting HUD's partners as they deliver housing and community development programs locally. The TI Fund will be allocated as follows:

- \$35 million for research, evaluations, and program demonstrations.
- \$85 million for technical assistance (TA) and capacity building, including forms of assistance described under Sections 4(b)(1) and 4(b)(2) of the HUD Demonstration Act of 1993, as amended. This includes training, education, support and advice to community development corporations (CDCs) and community housing development organizations (CDHOs) as well as loans, grants and general assistance to help these organizations carry out community development and provide affordable housing activities for low- and moderate-income persons, as previously funded through the Self-Help and Assisted Homeownership Opportunity Program (SHOP) account. This modified approach will enable HUD to better integrate technical assistance and capacity building.

Transformation Initiative Fund

HUD proposes that this increase of \$98 million over the fiscal year 2015 enacted level for research, demonstrations, and technical assistance be provided via transfers from program accounts. HUD is requesting an increase for the following reasons: 1) the need for greater investment in critical research, evaluations, and program demonstrations; 2) to expand the place-based model of technical assistance; and 3) to provide capacity building for CDCs and CHDOs.

The TI's central concept is to make the Department's investments increasingly coordinated, cost-effective, and impactful by generating and communicating evidence in a cross-cutting way to those who need it. In fiscal year 2016, HUD will expand its focus on providing place-based TA, which provides direct support to help a community improve its investment of HUD funding across various programs and partners. For example, place-based TA fosters shared visions among multiple affordable housing providers in a city, such as Public Housing Agencies (PHAs), CHDOs, city departments, local developers, and homelessness service agencies.

Outcomes of the TI Fund since its initiation in 2010 include:

- A foundation of evidence on the impact and effectiveness of HUD programs for determining HUD programmatic priorities and investments.
- Effective and integrated delivery of HUD programs and services in local communities across the country.
- Strong CDCs and CHDOs that are leaders in providing and supporting affordable housing in their communities.
- Cities and counties have the tools to develop and execute comprehensive strategies to improve their economic trajectory.

Proposals in the Budget:

- Evaluation Funding Flexibility Pilot. Expanded legislative flexibilities allowing funding for research, evaluation, and statistical purposes that is unexpended at the completion of a contract, grant, or cooperative agreement to be deobligated and reobligated for additional research, evaluation, or statistical purposes.

This justification presents the Department's priorities for the TI research, evaluations, and demonstrations, followed by priorities for technical assistance and capacity building.

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The table below provides the estimated transfers:

Transformation Initiative Fund, Program Transfers	Treasury Account	FY 2016 Estimated Transfers
Choice Neighborhoods.....	86-0349	1,900,000
Community Development Fund.....	86-0162	20,000,000
Fair Housing Activities.....	86-0144	539,600
Family Self Sufficiency.....	86-0350	646,000
HOME Investment Partnerships Program.....	86-0205	8,056,000
Homeless Assistance Grants.....	86-0192	0
Housing Counseling Assistance.....	86-0156	456,000
Housing for Persons with Disabilities (Section 811).....	86-0237	1,345,200
Housing for the Elderly (Section 202).....	86-0320	3,458,000
Housing Opportunities for Persons with AIDS.....	86-0308	2,523,200
Lead Hazard Reduction.....	86-0174	912,000
Mortgage Mutual Insurance Program Account	86-0183	1,322,400
Native American Housing Block Grants.....	86-0313	5,016,000
Project-Based Rental Assistance.....	86-0303	20,000,000
Public Housing Capital Fund.....	86-0304	14,972,000
Public Housing Operating Fund.....	86-0163	18,473,600
Rental Assistance Demonstration.....	86-0406	380,000
Tenant-Based Rental Assistance.....	86-0302	20,000,000
Total.....		120,000,000

Research, Evaluations, and Program Demonstrations

2. What is this program?

The TI Fund provides a predictable, flexible stream of funding for high quality Research and Evaluation projects and Program Demonstrations that will inform sound policymaking and effective program implementation. Such evaluation is essential for public

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accountability, as described below and as Congress has conveyed through statutes such as the Government Performance and Results Act Modernization Act (GPRA Modernization Act).

Strategic investments in Research and Evaluation through TI build knowledge, provide public accountability, and inform policy to increase efficiency and effectiveness of the Department's existing programs. As explained in the following table (Figure 1), a well-planned, rigorous, sustained, and effective evaluation program is possible only with sufficient and predictable funding such as HUD is requesting through TI. The National Research Council's 2008 evaluation of PD&R, "Rebuilding the Research Capacity at HUD," pointed to the inadequacy of evaluation resources, limited to R&T, for informing the Department on how to invest program resources with the greatest effectiveness, efficiency, accountability, and innovation. TI resources for program evaluation, research, and ongoing development of performance metrics enable HUD to deploy scarce program resources in the most cost-effective way possible.

The major Program Demonstrations funded through TI include components that employ scientific methods to rigorously test program innovations. Demonstrations can be used to explore fundamental questions about housing market dynamics and their impact on economic, social and environmental objectives. The demonstrations will improve programs, help State and local governments, non-profits, and for-profit organizations develop more effective strategies for housing and community and economic development, and improve the delivery and reduce the cost of public services.

The TI's research, evaluation and demonstration priorities are informed by HUD's "Research Roadmap 2014–2018," developed by PD&R through an extensive consultation and prioritization process, as recommended by the National Research Council (NRC). HUD is planning to refresh the Roadmap during fiscal years 2015 and 2016 to ensure that the research agenda continues to address rapidly evolving housing and urban development challenges. The following table highlights how HUD's proposed research funding approach aligns with objectives of public accountability that numerous objective, bi-partisan organizations view as served only through research and evaluation.

Figure 1: TI Enables HUD's Evaluation Practice to be Consistent with Current Best Practices

National Research Council (2008), "Rebuilding the Research Capacity at HUD"	<ul style="list-style-type: none"> • PD&R should regularly conduct rigorous evaluations of all of HUD's major programs • HUD should engage stakeholders to identify research priorities • Evaluation funding should be significantly expanded • Program set-asides would be the best approach for funding the evaluation program
American Evaluation Association (2013), "Evaluation Roadmap for More Effective Government" (http://www.eval.org/d/do/472)	<ul style="list-style-type: none"> • Conduct evaluations of public programs and policies throughout their life cycles and use evaluation to both improve programs and assess their effectiveness • Stable, continuous evaluation funds should be provided through appropriations or program fund set-asides.
Government Accountability Office (2014), "Program Evaluation: Some Agencies Reported that Networking, Hiring, and Involving Program Staff Help Build Capacity"	<ul style="list-style-type: none"> • Greater use of evaluation in decision making is associated with independent, central evaluation offices, access to external expertise, and evaluation staff expertise.
Coalition for Evidence-Based Policy (http://coalition4evidence.org/)	<ul style="list-style-type: none"> • Many types of research [can] identify the most promising social interventions....However,...evidence of effectiveness generally cannot be considered definitive without ultimate confirmation in well-conducted randomized controlled trials.

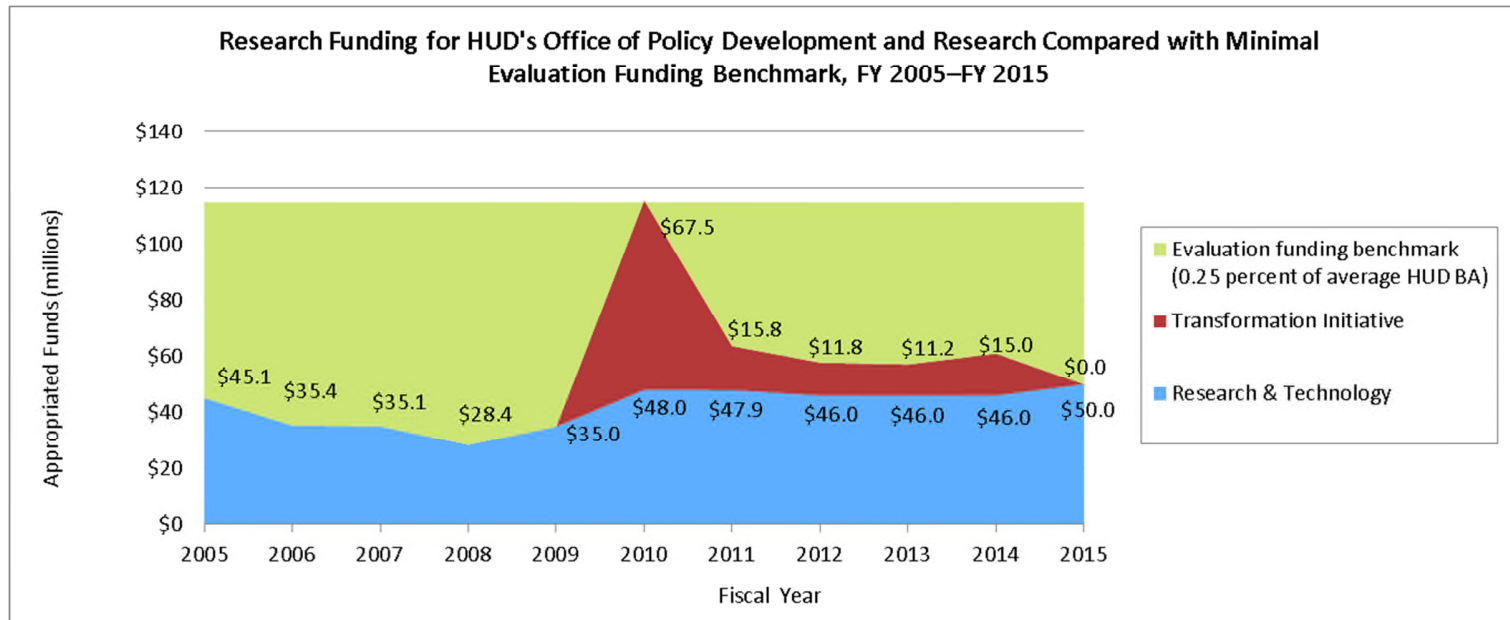
TI Research and Evaluation as well as Program Demonstrations strongly complement the Research & Technology (R&T) account. The R&T account establishes the nation's basic infrastructure of housing data, through regular surveys and data compilation as well as basic research and dissemination in the areas of housing and community development. Not only do TI projects frequently rely on the data supported by the R&T account, but R&T also funds dissemination of TI research to Congress and the public.

The lower level of research funding through a combination of TI and R&T resources for fiscal year 2015 is destabilizing HUD's evaluation planning and compromising a number of major evaluations and demonstrations previously initiated with TI resources. Examples include potentially transformative investments such as the Pre-purchase Housing Counseling demonstration, the Rent Reform demonstration, and the evaluation of Project-Based Rental Assistance transfer authority. After mandatory surveys were funded through R&T, almost no discretionary, contracted research was possible, regardless of priorities established by PD&R

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stakeholders through the research roadmapping process. Research funding at the fiscal year 2015 level is turning HUD back toward the role of operating large public programs without evidence. As the bipartisan editors of *Moneyball for Government* concluded, “based on our estimate, less than one dollar out of every hundred dollars the federal government spends is backed by even the most basic evidence.”¹ The following exhibit provides such a comparison for PD&R research, evaluation, and demonstration resources.

The chart shows that public investment in housing and urban development research falls far below that one-percent level, even including the mandatory survey research in R&T. A minimal benchmark of 0.25 percent of HUD’s budget authority for research



would, as shown, average \$115 million annually for the past 10 years. The \$35 million in research funds requested through the TI set-aside for fiscal year 2016 would, along with R&T funding of the data infrastructure, put HUD on a path toward greater evidence-based accountability and operations.

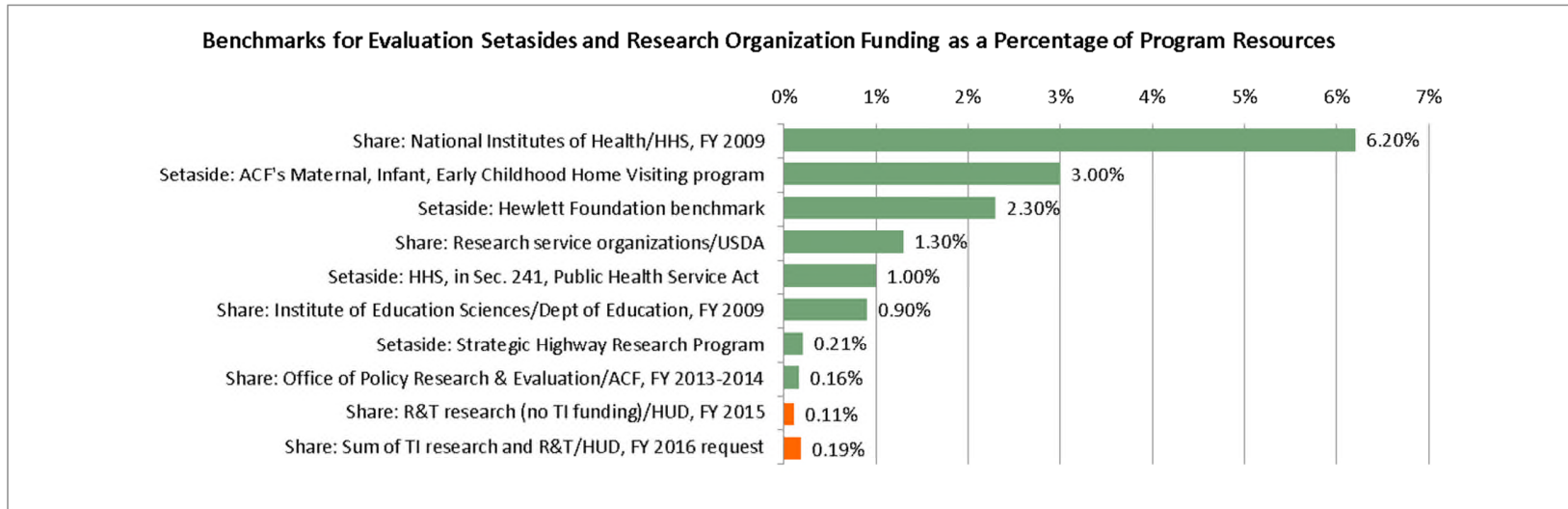
On average during the past 10 years, only \$1.17 has been invested in research per \$1,000 of HUD program investments to assess whether they are reaching their full potential or could achieve cost efficiencies. The minimal 0.25 percent benchmark implies it

¹ Peter Orszag and Jim Nussle, eds. 2014.

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should be \$2.50 of research per \$1,000. This lack of federal investment to better understand the interaction of the socioeconomic and built environments that so strongly define opportunities for American families and youth has clear implications about the numerous challenges that persist in HUD's policy domain.

Numerous public and private research organizations that could be considered a peer group for PD&R are funded much more adequately, as shown in the following chart. For fiscal year 2016, the requested set-aside for TI will begin to restore HUD's research capacity to a range that is consistent with good government and a number of benchmarks, as shown below. The fiscal year 2016 total request for TI and R&T research reaches 0.19 percent (of HUD's fiscal year 2015 budget authority), about 50 percent greater than the fiscal year 2015 ratio (when TI was unfunded), and 75 percent of the 0.25 percent benchmark. Moving toward best practices and parity for HUD research funding will better reflect the extent to which the other policy domains shown intersect with HUD programs and would benefit from greater integration of HUD's place-based insights into research and evaluation.



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TI is already enabling path breaking research, evaluation, and program demonstrations that are beginning to yield crucial evidence for better program effectiveness. Detailed information on TI Research and Demonstration projects already underway can be found at this website: http://www.huduser.org/portal/about/trans_init.html. TI research studies with important findings that will be released in fiscal year 2015 include the Family Options study, which is scientifically showing the impact of different interventions to address family homelessness; the Housing Choice Voucher Administrative Fee study, which rigorously demonstrates the costs associated with efficient program administration; research on Native American housing needs and programs; and early findings from Choice Neighborhoods, among others.

3. Why is this program necessary and what will we get for the funds?

Continued authority for TI will enable HUD to accelerate and sustain its evolution into a fully efficient, effective, and accountable agency. The TI Fund enhances the value of the federal resources invested in the Department's programs. The coordinated approach made possible by TI enables the Department to improve effectiveness by better deploying information through an iterative process that continually builds on prior accomplishments and lessons learned.

PD&R proposes to select from the following Research and Evaluation projects and Program Demonstration projects for funding in fiscal year 2016. Estimated budgetary costs for projects are shown, but the final project selections will be made upon funding enactment, based on updated cost estimates and agency priorities. HUD will notify Congress of significant deviations from these priorities through HUD's annual operating plan.

Summary of PD&R FY 2016 TI Research, Evaluation, and Demonstration Projects Under Consideration

Project Title	Summary Description	Funding			HUD Strategic Goal				Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Accelerating Post-Disaster Community Recovery	A number of new approaches toward long-term recovery are being tested in response to Hurricane Sandy. This research will document those efforts and from that research use lessons learned to develop a mechanism, such as "programs in a box," that makes it possible for local governments to estimate post-disaster needs more accurately, and roll out disaster recovery to stricken communities more effectively in addition to enhancing federal guidance and support for community planning before disasters.	\$2,000	•					•	•
Assessing the Effectiveness of Mortgage Modification Protocols	Will inform policy on critical post-foreclosure recovery efforts. Examines eligibility rules and mortgage modification protocols; alternatives to Net Present Value; and restoring borrower equity through principal reductions or principal forbearance.	\$1,000			•				•

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Project Title	Summary Description	Funding			HUD Strategic Goal				Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Assessing the Impact of Qualified Mortgage Rules	Research will explore impact of Qualified Mortgage (QM) rules on the FHA and the GSE's to assess the need for new policies or programs from FHA. Research will address whether non-QM lending could become a new subprime market and whether FHA might be able to better serve the non-QM borrowers at lower costs.	\$1,000			•				•
Assessing the Pay-for-Success Model in the Affordable Housing and Community Development Field.	Pay-for-Success --a model of partnering with philanthropic and private sector investors to incentivize better outcomes at lowers costs-- and other impact investing tools may have applicability to HUD's policies and programs allowing for a higher rate of return on taxpayer investments. This study will provide an in-depth review of the PFS and other impact investing tool models and their feasibility for application in HUD's programs.	\$500				•	•	•	•
Assessment of HUD Technical Assistance to Program Grantees	In 2010, Congress appropriated all technical assistance for HUD programs in a single account allowing for a more coordinated, strategic approach to delivering technical assistance. Study will assess the effectiveness of the technical assistance provided by HUD under this coordinated model across several measures.	\$900			•	•	•	•	

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		Funding			HUD Strategic Goal				Interagency
Project Title	Summary Description	Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Assessing How PHA Mergers and Consortia Realize Economies of Scale in Operations	Study will assess PHA efforts to combine administrative functions or jurisdictional boundaries, such as consolidating programs into a new PHA, establishing consortia, jointly contracting inspections, or erasing jurisdictional boundaries to eliminate portability.	\$500				•			
Benchmarking of PHAs and MFHs using the ENERGY STAR Portfolio Manager Tool	Utility benchmarking is the process of tracking and assessing building utility consumption and greenhouse gas (GHG) emissions against those of similar buildings. This research will explore lessons learned and outcomes for public housing authorities and other HUD multifamily properties when benchmarking via EPA’s Energy Star Portfolio Manager.	\$250				•		•	•
Choice Neighborhoods: Exploring the Impact of Investment on Family and Neighborhood Outcomes	In FY 2014, HUD completed an implementation study of five Choice Neighborhood sites in Boston, Chicago, New Orleans, San Francisco, and Seattle. This study will assess the outcomes of the completed Choice Neighborhood investments in the same five sites.	\$2,400	•			•		•	

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		Funding			HUD Strategic Goal				
Project Title	Summary Description	Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	Interagency
Comparing Subsidy Costs of Federal Rental Housing Assistance Programs	Leveraging improved data and recent program evaluations, this study will analyze the comparative costs of providing a unit of housing with various housing subsidy programs. Research will also examine subsidy layering and the characteristics of cost-effective housing subsidy programs.	\$2,400				•			•
Competitive Evaluation Grants: Assessing the Impacts of CDBG and HOME Eligible Activities	Provides an outcome assessment of two major block grant programs that can be difficult to evaluate as a whole. Allows researchers to apply for funding to measure the relevance and effectiveness of particular eligible activities in each program.	\$2,500	•		•	•	•	•	
Creating Effective Promise Zones: A Process Evaluation	This process evaluation will examine how Promise Zone grantees leverage federal grant resources to achieve a range of outcomes related to creating jobs, expanding economic security, improving public safety, increasing access to affordable housing, and expanding education opportunities. This study will include the 15 designated urban sites through round 3 of the program.	\$3,200					•	•	•

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Project Title	Summary Description	Funding			HUD Strategic Goal				Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Evaluation of Energy Performance Contracts in Public Housing	Energy Performance Contracting (EPC) is an innovative financing technique designed to provide customers with cost-effective improvements – energy conservation measures (ECMs) – that are installed without up-front expenditures. This baseline research will allow exploration of the cost-benefit analysis for public housing authorities that have executed an EPC.	\$400						•	
Evaluation of PBRA Transfer Authority	FY 2012 Consolidated Appropriations Act provided HUD with the authority to transfer PBRA subsidies from currently assisted properties to different properties. This phase of the evaluation will examine the impact of these transfers on the cost-effectiveness of the subsidy as well as the physical and financial condition of the subsidized stock.	\$1,100		•		•			

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Project Title	Summary Description	Funding			HUD Strategic Goal				Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Evaluation of Programs Serving Homeless Youth	HUD's 2014 Point-in-Time Count identified 45,205 unaccompanied homeless children and youth (defined as single individuals, aged 24 or younger experiencing homelessness without a parent or guardian) experiencing homelessness on a single night in January 2014. This study, which would be conducted in phases in partnership with the U.S. Department of Health and Human Services, will explore available housing models for serving youth, including programs funded by both HUD and HHS, and assess the extent to which a rigorous evaluation, using either an experimental or quasi-experimental design, might be feasible.	\$2,500					•		•
Evaluation of Section 202 Enhanced Service Coordination/Wellness Nurse Demonstration in Existing Housing	HUD is conducting a demonstration of enhanced service coordination for low-income elderly residents in HUD-assisted properties. This funding request will support a baseline and follow-up survey with participants as well as multi-year access to the needed Medicare and Medicaid data.	\$3,000		•		•	•		•

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Project Title	Summary Description	Funding			HUD Strategic Goal			Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities
Evaluation of Section 4 Capacity Building and Rural Capacity Building	Under Section 4 of the HUD Demonstration Act of 1993, Congress provides grants to national community development intermediaries to enhance the capacity community development corporations and community housing development organizations. This evaluation will examine the extent to which organizations assisted by the intermediaries have significantly expanded their community development and housing activities after receiving assistance.	\$1,800						•
Evaluation of the Section 811 Project Rental Assistance Demonstration	This demonstration provides funding directly to states to integrate people with disabilities into the community and provide supportive health services where they live. This FY 2016 request will build on previous Congressional investment to provide a 24-month follow-up survey that measures outcomes of the program participants over time.	\$2,500					•	•

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Project Title	Summary Description	Funding			HUD Strategic Goal			Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities
Expanding Housing Opportunity through Building Technology	This body of work will provide research on expanding housing opportunity through innovative building technology. Research will focus on incorporating resilient construction in building codes, pre-disaster mitigation, residential disaster resistance, and adopting enhanced installation and construction management into new building technologies.	\$1,550						•
Impact of Energy Efficiency on Rent Reasonableness and Payment Standards	HUD annual apportions approximately \$2.4 billion in utility allowances within the Housing Choice Voucher program, but rent reasonableness and payment standards are local policy choices that impact the gross rents in the program. This study will analyze a representative sample of local rent reasonableness and payment standard schedules to better understand how to achieve a cost-effective HCV program along with energy-efficiency.	\$900				•		
Impact of Real Estate Owned Properties on Neighborhoods	Focusing on the FHA portfolio, this study will explore the merits of REO disposition individually through real estate agents to owner occupants versus bulk sales to investors.	\$1,000			•			•

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Project Title	Summary Description	Funding			HUD Strategic Goal			Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities
Impacts of Tight Credit Markets	Credit has tightened significantly since the end of the housing boom, but little data on the effects of this trend is available. This study will assess the trends in lending as well as changes in the pool of potential homebuyers.	\$1,000			•			
Improving Access to Credit by Understanding Alternative Credit Scores	In light of new generations of FICO scores and other alternative scoring methods, this research will explore the impact on borrowers, coverage of the new methods, and the role of new methods in supporting increased homeownership for creditworthy borrowers. Study will have a special focus on the Millennial generation, immigrants, low-income borrowers, and minority borrowers.	\$1,000			•			
Moving to Work Demonstration, Phase 2: Assessing Key MTW Innovations on PHAs and Households	This study will assess the impacts of key innovations aimed at two of MTW's statutory goals: (i) increased self-sufficiency (such as time limits) and (ii) lowering federal costs of housing subsidies, considering both impacts on PHAs and on households served.	\$2,400		•		•	•	

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Project Title	Summary Description	Funding			HUD Strategic Goal			Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities
Moving to Work Demonstration, Phase 3: Evaluating Household and Community-Wide Impacts and Housing Outcomes	The nature of MTW innovations that address choice (a statutory goal) are likely to affect the surrounding communities, as may other practices that engage local institutions such as schools. This study will assess whether program innovations have had measurable impacts on the location and type of housing households access, as well as broader impacts on the community.	\$1,400		•		•	•	
Multi-disciplinary Research Team (MDRT)	Initiated in FY 2014, MDRT provides funding for a team of qualified researchers to provide high-quality, quick-turnaround research that leverages HUD and external data to help support HUD's priority policies and goals. Five task orders were awarded with the first round of the program. This funding request will allow HUD to exercise the final contract option for MDRT.	\$800		•	•	•	•	•
Policy-Focused Administrative Data Matching	Initiative will award multiple grants up to \$100,000 each with a match requirement to focus on administrative data matching at the state or local level. Matched data will support descriptive analyses of educational, employment, and health indicators by housing assistance category and other key demographic variables.	\$1,000	•			•	•	•

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Project Title	Summary Description	Funding			HUD Strategic Goal				Interagency
		Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Pre-Purchase Counseling Demonstration	Supports continued demonstration on impacts of in-person vs. remote education and counseling for first-time homebuyers. FY 2016 request supports 36-month data analysis and final report.	\$1,350	•		•				
Risk Monitoring Model for Rental Integrity Modeling (RIM)	Rental integrity monitoring (RIM) reviews have produced substantial reductions of errors in tenant income and rent calculations in public and assisted housing programs. This study will develop a RIM risk-monitoring model that can be focused on programs that present a higher potential for risk of error.	\$750				•			
Tracking Outcomes of the Jobs Plus Pilot Program	This study will build on an FY 2014 cooperative agreement awarded by HUD to conduct a process evaluation of eight grantees of the Jobs Plus Pilot program. The FY 2016 funding will be used to track the outcomes of program and non-program participants with an emphasis on changes in quarters worked and earned incomes.	\$1,000				•	•		
Understanding Reverse Mortgages and the Borrowers Who Use Them	Assessment of all issues affecting the reverse mortgage market and the Home Equity Conversion Mortgage (HECM) program. Study will also explore the cost/benefits of a government-backed reverse mortgage program.	\$2,000			•				

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		Funding			HUD Strategic Goal				Interagency
Project Title	Summary Description	Preliminary Cost Estimate (1,000)	Supplement	New Phase	Home-ownership & Housing Finance	Affordable Rental Housing	Housing as a Platform	Resilient, Inclusive Communities	
Understanding Small Investor Landlords	U.S. small investors own the majority of rental units, but little is known about these investors. This study will examine existing quantitative and qualitative knowledge about small investors to inform development of related supplemental questions for the 2017 Rental Housing Finance Survey.	\$750				•			
Utility Conservation Messaging and Behavior	This effort proposes to perform behavioral-based initiatives aimed at reducing energy consumption by developing and implementing practices that residents and the surrounding communities can replicate and maintain over time. The initiative would involve energy consumption reduction competition among PHD residents as well as a study exploring real-time energy feedback to determine effective messaging strategies for residents.	\$1,500				•		•	
What We Know Now: A Survey of Fair Housing Knowledge	This project builds on studies from 2002 and 2006 to assess public knowledge of fair housing law and its enforcement. Use of a pre-existing survey instrument will significantly reduce the time and cost of this study.	\$875		•				•	

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In establishing fiscal year 2016 research priorities, PD&R seeks to complete previously initiated research efforts and leverage opportunities generated through such investments, as well as to engage emerging research needs identified through the Research Roadmap and other means. The distribution of proposed projects by strategic goal and the nature of the potential project funding is shown below.

Summary of Potential FY 2016 Research, Evaluation and Demonstrations by Strategic Goal and Use of Funding (\$1,000)

HUD Strategic Goal	Supplements of Existing Projects	Next Phase of Existing Projects	New Proposals	Total
1 - Homeownership and Finance	1,350	0	6,000	7,350
2 - Affordable Rental Housing	0	1,100	5,300	6,400
3 - Housing as a Platform	0	0	5,000	5,000
4 - Resilient and Inclusive Communities	2,000	875	3,750	6,625
– Multiple or Cross-Cutting Efforts	5,900	7,600	8,350	21,850
Total	9,250	9,575	28,400	47,225

4. How do we know this program works?

The elements of TI work in conjunction: research and rigorous evaluations provide solid evidence of program impacts relative to resource inputs, programmatic approaches and outputs; field demonstrations allows for the development and careful testing of new program approaches; coordinated technical assistance helps partners better implement programs and use federal funds efficiently. The coordinated approach enables HUD to build programs on foundations of real evidence, provided in timely fashion to the managers and program partners who need it.

Evaluations and demonstrations have over many years provided critical policy guidance in the housing and urban development domain. As early as the 1970s, the Housing Allowance demonstrations tested the tenant based model of providing housing assistance at modest cost that has evolved to today's Housing Choice Voucher program. The Moving-To-Opportunity (MTO) demonstration measured long-term impacts of MTO on families and children over more than 16 years, and showed that promoting housing mobility and poverty distribution has powerful impacts on resident health.

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The National Research Council's (NRC) evaluation of PD&R's research program determined that it frequently reveals opportunities for savings to taxpayers. Significant savings resulted from the Quality Control studies initiated in the early 1990s to investigate substantial inaccuracies in setting rents for tenants in HUD's assisted housing programs. NRC noted that the process implemented on the basis of this research reduced annual net rent errors by \$1.4 billion between 2000 and 2005; the reduction in annual net errors was approaching \$1.8 billion by 2011. The NRC also highlighted other PD&R research that provided a timely warning of a costly weakness in a Federal Housing Administration (FHA) program.

Finally, it is important to understand how TI-funded research, evaluations and demonstrations, as well as R&T-funded survey data efforts, are further complemented and enhanced by in-house research efforts, interagency collaborations to match administrative data with survey data, and other efforts to leverage the Department's information assets. For example, during 2014 PD&R partnered with the Department of Health and Human Services (HHS) to successfully pilot the matching of HUD tenant data with Medicare and Medicaid records. During 2015, PD&R expects to successfully complete a major milestone in matching multiple years of tenant data with national health survey data administered by the National Center for Health Statistics. Such low-cost collaborations create important new opportunities for researchers and policymakers and, in this era of increasing healthcare costs, point to new pathways for addressing and mitigating federal cost drivers and improving public outcomes.

Technical Assistance and Capacity Building

2. What is this program?

Through the TI Fund, the Department delivers technical assistance and capacity building to equip its customers with the knowledge, skills, tools, and systems to implement HUD programs and policies successfully. TI TA is cross-Departmental, recognizing that HUD's customers often interact with a variety of HUD programs, policies, and offices when they implement housing and community development programs.

HUD's TA Approach:

- TA under the TI Fund is designed to be well-targeted to grantee, PHA, and partner needs. TA providers perform needs assessments before beginning TA in order to understand both the challenges and the causes of the challenges that a grantee or PHA is facing. For example, errors in grant reporting may be due to staff error or a need for staff training, but could also be the result of a lack of proper systems and processes for tracking grant activities.
- To ensure that the assistance provided through TA and capacity building sticks, HUD's TA is designed to empower and build the long-term operational systems and skill sets of HUD's grantees, PHAs, and partners. The goal is to teach grantees to fish, so that once the TA ends, improved performance is sustained. For example, a TA provider might assist with uncovering inconsistencies or inaccuracies in grantee reports, but would also work with the grantee to improve their reporting systems and ensure staff is trained to use the systems.
- HUD's TA and capacity building is delivered with an emphasis on achieving outcomes. For example, TA that helps a grantee with reporting is not just about compliance with HUD reporting requirements, but about improving reporting systems so that the grantee has accurate data to inform decisions about grant activities. The end goal of TA is successful delivery of housing and community development programs and effective stewardship of federal funds.

Fiscal Year 2016 Details:

- In fiscal year 2016, HUD will expand its focus on providing place-based TA, which provides direct support to help a community improve its investment of HUD funding across various programs and partners. For example, place-based TA fosters shared visions among multiple affordable housing providers in a city, such as PHAs, CHDOs, city departments, local developers, and homelessness service agencies.

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- Fiscal year 2016 TI TA funds will also include capacity building for CDCs and CHDOs in rural and urban communities, including funding for loans, grants, or predevelopment assistance that was previously funded under the Self-Help Homeownership Opportunities Program (SHOP) account . Incorporating these capacity building efforts under TI allows HUD to ensure its TA investments are well-aligned, comprehensive, and fully responsive to the specific needs of communities. The relationship between HUD grantees (such as city departments) and CDCs and CHDOs is critical: the success of one is often dependent on the effectiveness of the other.
- TI TA funds also support the HUD Exchange, a one-stop resource that houses a growing number of HUD's online guidebooks, toolkits, courses, and peer exchanges, and the TA Portal, a system for managing TA requests, work plans, progress, and outcomes, allowing for better reporting on how TA funds are invested.

3. Why is this program necessary and what will we get for the funds?

Complex federal requirements, staff turnover at city agencies and PHAs, changing housing market conditions, and the knowledge required to understand financing for housing and community development projects necessitate ongoing technical assistance, training, and support for HUD grantees and PHAs. TA protects the billions of dollars that the federal government invests in communities by ensuring that grantees and intermediaries have the knowledge, skills, and ability to use funds effectively.

TA has a direct impact on the ability of HUD's partners and grantees to carry out affordable housing and community development programs. In the past year, TA funds were deployed to:

- Assist PHAs and multifamily owners recapitalize and preserve public and assisted housing by making them aware of opportunities and strategies, such as the Rental Assistance Demonstration, and guiding them through the process;
- Help troubled and PHAs address systemic financial, operational, and governance challenges so that they are better able to serve the community by providing safe and decent housing;
- Assist with resolving delays in project pipelines in order to ensure timely completion of affordable housing and community development projects carried out by CPD grantees;
- Help Choice Neighborhoods grantees develop plans for neighborhood economic development; and
- Provide ongoing and up-to-date training for grantees on programs, systems, and requirements including environmental review, HUD-VASH, Consolidated Planning, Emergency Shelter Grans, Section 108 Loans, Community Development Block Grant-Disaster Recovery, and Housing Opportunities for Persons with Aids.

Transformation Initiative Fund

Building on the lessons learned from OneCPD, in fiscal year 2014 HUD launched Community Compass, a single agency platform for awarding and tracking technical assistance across multiple programs and funding sources. The Community Compass NOFA asked applicants to consider how TA can be delivered in a way that takes into account an array of affordable housing and community development needs in a city, county, or region. Addressing challenges holistically gives HUD more “bang for its TA buck” and in some cases is essential to ensuring that HUD’s funds have the most impact in a community. For example, a City and a PHA may be pursuing different and conflicting, or duplicative, strategies to increase the availability of affordable housing in a community. Providing comprehensive TA can help foster discussions to align strategies and resources, making HUD and local dollars go further.

In addition, the fiscal year 2016 TI TA request adds the capacity building tools previously funded through the SHOP account. By integrating new tools, such as loans and grants to CDCs and CHDOS, concurrently with an expansion of more aggressive place-based TA, we anticipate getting both improved outcomes across HUD’s programs and better efficiencies from the TA investments.

Continued investment in TA in fiscal year 2016 will ensure that HUD can sustain the progress made toward cross-programmatic, better-targeted TA.

4. How do we know this program works?

TA has a real, if indirect, impact on the effectiveness of affordable and public housing and community development projects.

In fiscal year 2014, HUD delivered direct technical assistance to 88 communities, trained thousands of grantee staff and practitioners (Figure 2), and developed more than 150 new resources, tools, and webinars. The Office of Community Planning and Development (CPD) launched the first phase of its online financial management curriculum, and the Office of Public Housing (PIH) made substantial progress developing training for PHA board members and executive staff on financial management and governance.

Figure 2: Type of training activity	# of participants
Attended an in-person training	6,058
Participated in a live training that was delivered remotely, via the web	5,358
Participated in a self-paced online course or training	3,534
Viewed informational videos	22,562

TA engagements from the past few years are showing results:

Cook County, IL

Cook County struggled with a history of organizational, programmatic and financial issues which resulted in a substantial backlog of uncommitted funds and stalled projects. As a result of receiving TA in 2013 and 2014, Cook County greatly

Transformation Initiative Fund

improved its program management & oversight and produced 147 rental units and 90 homeowner units in 2013. Other accomplishments include:

- Improved relationships with partners, demonstrated by an increase in the number of developers (from two to twelve) and CHDOs (from two to seven) involved in its programs.
- Decrease in audit findings. The most recent HOME Investment Partnerships (HOME) audit had no findings, and the Community Development Block grant (CDBG) audit had one, which was promptly corrected. Past findings are now resolved.
- Use of funds. Neighborhood Stabilization Program (NSP) 1 and 3 funds were expended in full in advance of the deadline. HOME funds were 100 percent committed through 2013, and CDBG funds were expended six months advance of the deadline.
- Increased leverage, including \$4.8 million leveraged by CDBG funding and \$39.3 million from HOME funding.

Washington, D.C.

As a result of limited staff capacity and challenges underwriting proposed affordable housing projects, Washington D.C. historically did not deploy CPD funding for multifamily affordable housing in a timely and compliant manner. The District also struggled to coordinate multiple funding streams, which led to an ineffective use of federal and local funding for affordable housing projects.

The District was recently awarded \$39.9 million in CPD and local funding, which it then awarded through an integrated RFP process that combined multiple sources of funding, including CDBG, HOME, and Housing for Persons with Aids (HOPWA). The projects were thoroughly underwritten and are on track to be developed in the next three years, resulting in 618 affordable housing units and a community facility. This is the largest number of affordable units slated for production in the District in a single year with these funding sources.

Phoenix, AZ

A "Continuum of Care (CoC) Check-up" revealed that the Phoenix CoC needed help improving its assessment and intake system, rethinking how transitional housing is used, and tracking data to inform decisions. TA helped the CoC accomplish the following milestones:

- Designed and implemented a coordinated assessment system used across all entry points, and screened and referred more than 2,500 individuals through the new system in the first 9 months.

Transformation Initiative Fund

- Developed a strategic plan related to use of transitional housing stock, prompting several transitional housing programs to realign their programs to fit the needs of the CoC.
- Created 97 new beds for the chronically homeless by reallocating 3 supportive service-only projects and a transitional housing project.
- Adopted a standard program evaluation process for HUD funds that prioritizes performance outcomes, deeper targeting, more effective use of resources, and creating more permanent supportive housing.

TA Outcomes

In 2014, HUD developed a common set of outputs and outcomes for assessing the effectiveness of TA projects across offices. Previously, offices within HUD were tracking TA through disparate measures, and much of the data was about outputs, such as number of products developed or number of hours spent providing TA. HUD also has relied on anecdotal evidence to demonstrate TA effectiveness. Standardized outcomes will allow HUD to begin tracking TA consistently across programs and TA providers and will inform future TA investments. The outputs and outcomes will be tracked in the TA Portal beginning in 2015.

Examples of TA outcomes:

- Adoption of targeted and efficient project selection process designed to select viable projects
- Adoption of organizational and/or staffing changes or model
- Adoption of a process for meaningful community engagement
- Adoption of data-driven housing and a community development plan
- Increased quality of data and reporting

5. Proposals in the Budget

- **Evaluation Funding Flexibility Pilot.** High-quality evaluations and statistical surveys are essential to building evidence about what works. They are also inherently complicated, dynamic activities; they often span many years, and there is uncertainty about the timing and amount of work required to complete specific activities--such as the time and work needed

Transformation Initiative Fund

to recruit study participants. In some cases the study design may need to be altered part-way through the project in order to better respond to the facts on the ground. The existing procurement vehicles lack the flexibility needed to match the dynamic nature of these projects.

In order to streamline these procurement processes, improve efficiency, and make better use of existing evaluation resources the Budget proposes to provide PD&R, the Department's technical lead on TI, with expanded flexibilities to reobligate funds that have been recaptured from surveys and demonstrations. Without this authority, research funds on contracts, grants, or cooperative agreements that are unspent after the project is completed would be returned to Treasury if recaptured more than three years after the date of appropriation. With this authority, PD&R would be able to apply the funds to support other research projects that the Congress has identified as a priority.

This request is a part of a larger proposed pilot program which includes HHS's Assistant Secretary for Planning and Evaluation and the Office for Planning, Research and Evaluation in the Administration for Children and Families; The Department of Labor's Chief Evaluation Office and Bureau of Labor Statistics; The Department of Justice's National Institute of Justice and Bureau of Justice Statistics; the Census Bureau; and the Department of Housing and Urban Development's Office of Policy Development & Research. These flexibilities will allow agencies to better target evaluation and statistical funds to reflect changing circumstances in the program (Sec. 259).

Transformation Initiative Fund

HUD TRANSFORMATION INITIATIVE FUND
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Combating Mortgage Fraud .....	...	\$355	\$355	...	...	\$355	\$355	...
Research, Evaluation Metrics, and Demonstrations	\$15,000	11,448	26,448	\$7,841	...	18,205	18,205	\$35,000
Technical Assistance ..	25,000	10,113	35,113	32,480	...	2,632	2,632	85,000
Information Technology	...	...	...	...	...	...	...	...
Total	40,000	21,916	61,916	40,321	...	21,192	21,192	120,000

NOTES:

- The fiscal year 2013 carryover into 2014 includes \$0.410 million of actual recaptures.
- The fiscal year 2014 carryover into fiscal year 2015 excludes \$0.403 million which expired at the end of fiscal year 2014.
- All Information Technology investments are funded in the Information Technology Fund as of fiscal year 2014.

HUD TRANSFORMATION INITIATIVE FUND
Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

Of the amounts made available in this Act under each of the following headings under this title, the Secretary may transfer to, and merge with, this account up to \$120,000,000, and such transferred amounts shall be available until September 30, 2018, for (1) research and evaluation; (2) program demonstrations; and (3) technical assistance and capacity building, including forms of assistance described under Sections 4(b)(1) and 4(b)(2) of the HUD Demonstration Act of 1993, as amended: "Choice Neighborhoods Initiative", "Community Development Fund", "Fair Housing Activities", "Family Self-Sufficiency", "HOME Investment Partnerships Program", "Homeless Assistance Grants", "Housing Counseling Assistance", "Housing for Persons with Disabilities", "Housing for the Elderly", "Housing Opportunities for Persons with AIDS", "Lead Hazard Reduction", "Mutual Mortgage Insurance Program Account", "Native American Housing Block Grant", "Project-Based Rental Assistance", "Public Housing Capital Fund", "Public Housing Operating Fund", "Rental Assistance Demonstration", and "Tenant-Based Rental Assistance": Provided, That any such amounts, or portion thereof, transferred to this account, may be transferred back to be merged with any such other account and to be available for the same purpose and same time period as provided under this Act: Provided further, That with respect to amounts made available under this heading for research and evaluation or program demonstrations, notwithstanding section 204 of this title, the Secretary may enter into cooperative agreements funded with philanthropic entities, other Federal agencies, or State or local governments and their agencies for such projects: Provided further, That with respect to the previous proviso, such partners to the cooperative agreements must contribute at least a 50 percent match toward the cost of the project: Provided further, That of the amounts made available under this heading, not less than \$85,000,000 shall be available for technical assistance and capacity building.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

TENANT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$19,177,746	\$230,135 ^{a/}	...	\$19,407,881 ^{b/}	\$19,180,263	\$18,287,745
2015 Appropriation	19,304,160	227,618 ^{b/}	...	19,531,778 ^{c/}	19,531,778	20,060,000
2016 Request	<u>21,123,496^d</u>	<u>...</u>	<u>...</u>	<u>21,123,496^e</u>	<u>21,123,496</u>	<u>21,044,000</u>
Program Improvements/Offsets	+1,819,336	-227,618	...	+1,591,718	+1,591,718	+984,000

a/ Includes \$5.3 million in recaptured funds.

b/ Total resources and obligations for fiscal year 2014 include \$528 thousand transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

c/ Total resources and obligations for fiscal year 2015 exclude an estimated \$32 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

d/ Includes an estimated transfer to the Transfer Initiative (TI) account of \$20 million of Budget Authority.

e/ Total resources and obligations for fiscal year 2016 exclude an estimated \$63 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

1. What is this request?

The Department requests \$21.123 billion for the Section 8 Housing Choice Voucher (HCV) program for fiscal year 2016, which is an increase of \$1.82 billion from the fiscal year 2015 enacted level. This funding will provide about 2.4 million very low-income families with decent, safe, and sanitary housing while supporting the approximately 700,000 landlords and property owners who participate in the HCV program by providing a fair market rent so that they can meet mortgage payments, local tax obligations, utility expenses, and maintain properties in good physical condition. It also addresses the loss of assisted units under the voucher program that resulted from sequestration cut and reduced funding levels in 2013 by requesting approximately 67,000 new incremental vouchers.

The fiscal year 2016 request includes funding for the following activities:

- \$18.334 billion for contract renewals, which is an increase of \$848 million from the fiscal year 2015 enacted level (adjusted for anticipated savings of \$30 million).

Tenant-Based Rental Assistance

- \$2.020 billion in administrative fees, which is an increase of \$490 million from the fiscal year 2015 enacted level and represents an approximate fee eligibility proration of 90 percent.
- \$150 million for Tenant Protection Vouchers (TPV), which is an increase of \$20 million from the fiscal year 2015 enacted level.
- \$107.6 million in contracts and administrative fees originally funded under the Section 811 Tenant-Based program. This is an increase of \$24 million from the fiscal year 2015 enacted level.
- \$277 million for Need-Based Vouchers for incremental rental voucher assistance.
- \$177.5 million for rental voucher assistance for use by Families, Veterans, and Native Americans experiencing Homelessness as well as victims of domestic and dating violence.
- \$37.5 million for emergency transfers from assisted housing for Victims of Domestic and Dating Violence (VDDV), Sexual Assault and Stalking.
- \$20 million for new vouchers for the Family Unification Program (FUP).

Key outcomes of the Housing Choice Voucher (HCV) program are:

- Ensuring that families currently assisted under the HCV program continue to receive assistance, thereby preventing them from having worst case housing needs or facing homelessness;
- Supporting the Federal Strategic Plan to End Homelessness (FSP) by reducing the number of chronically homeless individuals, families, and veterans;
- Maximizing the federal investment and the number of families assisted through HUD's rental housing assistance programs through comprehensive monitoring of utilization; and
- Providing greater access to housing and better housing opportunities for very low- and extremely low-income families.

Proposals in the Budget

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at \$30 million).
- Authorize Triennial Re-Certification of Fixed-Income Families.
- Improve the Process for Establishing Fair Market Rents.
- Expand the Moving to Work program.
- Extend the maximum term of Family Unification Program (FUP) Vouchers Issued to Youths Aging out of Foster Care from 18 to 60 months.

2. What is this program?

The HCV program is the federal government's major program for assisting very low-income families, the elderly, and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The HCV program currently provides rental assistance to about 2.2 million families. The program serves the most economically vulnerable families in the country, including families with disabilities, elderly families, formerly homeless veterans, and families with children. Many families assisted by the program formerly experienced worst-case housing needs and, without the benefit of this program, would be at immediate risk of homelessness. Of the families currently receiving HCV assistance, 76 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 36 percent have a disabled head of household, and 24 percent are elderly.

The HCV program is authorized under Section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f (o)) and is administered locally by approximately 2,300 Public Housing Agencies (PHAs). A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice, including single-family homes, townhouses, and apartments, in which the owner agrees to rent under the program (provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA). Tenant-based housing assistance is provided on behalf of the family or individual as opposed to a subsidy tied to a particular unit or project. Participating families may subsequently choose to move to another unit, neighborhood, or community without losing their rental assistance.

The PHA pays the housing subsidy directly to the owner of the unit on behalf of the participating family. The family is responsible for paying the difference between the gross rent of the unit and the amount subsidized by the program. The family must pay a minimum of 30 percent of their adjusted monthly income toward rent and utilities. The amount of the subsidy is capped by the payment standard established by the PHA, which may be between 90 and 110 percent of the Fair Market Rent (FMR) for the area. If families rent units with rents above the payment standard, for instance for units located in more desirable areas with greater opportunity, the family pays the difference between the gross rent and the payment standard in addition to the 30 percent of monthly adjusted income.

Funding for the HCV program consists of two main cost components: (1) Housing Assistance Payments (HAP) made to owners to cover the difference between a tenant's rent contribution and the unit rent, and (2) administrative fees paid to PHAs to cover the cost of administering the program.

Contract Renewals

For calendar year 2016 contract renewals, the Department requests \$18.334 billion. Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis. As in previous years, the

Tenant-Based Rental Assistance

Department's request includes up to \$75 million in set-aside funding within the contract renewals allocation to make adjustments to renewal allocations to protect against potential cost increases that would not be reflected in the renewal formula. This funding will ensure that all families assisted in calendar year 2015 will be covered by renewal funding in calendar year 2016.

Administrative Fees

In fiscal year 2016, the Department requests \$2.020 billion for administrative fees with the goal of funding PHAs at 90 percent of fee eligibility. Administrative fees are a vital component of the HCV program, providing PHAs with the resources necessary to administer the requested rental assistance funding to about 2.4 million families. Administrative responsibilities include managing waiting lists, conducting physical inspections, determining rent reasonableness, approving units, determining and verifying tenant income annually, reviewing applications, evaluating tenant eligibility and calculating the amount of rent subsidy. These tasks are personnel-intensive processes for PHAs. Administrative fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people. Failing to provide adequate administrative fees will disrupt PHA operations and will impact efforts to achieve agency priority goals such as maximizing the number of families housed through HUD's affordable housing programs, serving homeless veterans and other vulnerable populations, and expanding housing choice in areas of opportunity.

HUD has recognized the critical need for data regarding the actual cost of administering the HCV program and as such has undertaken an in-depth time and motion study to determine the costs of running the program effectively and efficiently. The purpose of the study is to provide comprehensive and detailed data on the administrative costs and burdens on the individual components of HCV program administration to better inform the Department and Congress of funding needs. The study will also use the findings to inform the Department of potential improvements to the funding formula that could better reflect the actual expenses associated with running the program effectively. Intensive time management and other data collection activities took place at 60 high performing PHAs over the course of 2013 and the early part of 2014, with a final report to be issued in early 2015.

Section 8 Rental Assistance (Tenant Protection Vouchers)

The Department requests \$150 million for Tenant Protection Vouchers (TPVs) in 2016. This funding level takes into consideration the need for the Department to operate within fiscal constraints, while balancing its commitment to make progress on key initiatives. This request is necessary to protect HUD-assisted families from the risk of displacement through no fault of their own when:

- public and assisted housing may be subject to demolition and disposition (including HOPE VI);
- voluntary and mandatory conversions of public housing units, including moving to a Section 8 platform;
- Multifamily unit owners prepay preservation-eligible mortgages or do not renew expiring Section 8 contracts;

Tenant-Based Rental Assistance

- property owners face foreclosure or HUD takes enforcement actions against owners that fail to maintain their properties in safe and sanitary conditions; and
- HUD and partners renew properties and neighborhoods under the Choice Neighborhoods Program.

Since the cost to fully fund approximately 33,500 vouchers needed exceeds \$150 million, HUD plans to optimize the \$150 million by funding voucher increments only through the balance of 2016 (rather than for a full 12-month period) and to then request the full amount needed for renewal in 2017. Failure to adequately fund the TPV request will place families at high risk of significant rent increases, eviction, and/or homelessness. The Department will continue to closely monitor tenant protection demand in 2015, as it may be an early indicator of the level of demand that can be expected in 2016.

Veterans Affair Supportive Housing (HUD-VASH)

Notwithstanding the Federal Government's objective to end Veteran homelessness by the end of 2015, the Department acknowledges that existing HUD-VASH voucher allocations, along with the provision that HUD-VASH vouchers may only be reissued upon turnover to HUD-VASH eligible homeless veterans, should provide sufficient resources to serve this target population. HUD has been appropriated \$500 million in HUD-VASH vouchers since 2008, with another \$75 million appropriated in fiscal year 2015.

Section 811 Mainstream Renewals

In fiscal year 2016, the Department requests \$107.6 million for renewals of vouchers originally appropriated under the Section 811 Mainstream Program. The Housing for Persons with Disabilities (Section 811) program provides tenant-based assistance for persons with disabilities to access affordable, private housing of their choice.

Need-Based Vouchers

In fiscal year 2016, the Department requests \$277 million for Need-Based Vouchers, which will support approximately 37,000 new vouchers. In 2013, as a result of the sequestration cuts and the overall reduction in funding, the number of assisted units under the voucher program decreased by approximately 67,000 units because PHAs used nearly \$600 million in reserves to prevent the termination of assistance to families. Although HUD and the PHAs were able to prevent the termination of any assisted family due to insufficient funding in 2013, many PHAs were unable to reissue vouchers that turned over during the course of the year, and others rescinded vouchers from families that were in the midst of their housing search. The loss of these vouchers coincided with the release of the latest Worst Case Housing Needs Report in 2015, which reported that in 2013 nearly 7.7 million households had worst case housing needs. Given the unmet demand for housing assistance across the country, it is critical to restore these lost vouchers. HUD is requesting funding to restore these vouchers. These

Tenant-Based Rental Assistance

vouchers will be awarded via an allocation method based on relative need as determined by the Secretary, and are not targeted to a specific population. The balance of the 67,000 vouchers will be addressed through new allocations of vouchers targeted to specific needs populations, discussed separately below.

Families, Veterans, and Native Americans Experiencing Homelessness

As a pivotal United States Interagency Council on Homelessness (USICH) partner in the effort to prevent and end homelessness, the Department is looking beyond its traditional programs that directly address homelessness, in order to expand on the opportunities within the rental assistance programs. The Department is planning to use the Public Housing and Housing Choice Voucher programs to serve those who are homeless, near homeless, or at risk of becoming homeless, including homeless veterans. The proposed budget enables HUD to continue the strategies that support the four major goals to prevent and end homelessness outlined below:

1. Build on past progress to prevent and end chronic homelessness;
2. Prevent and end homelessness for veterans;
3. Prevent and end family and youth homelessness; and
4. Set a path to ending all types of homelessness.

Across the Public Housing and Housing Choice Voucher program offices, HUD has committed staff on an ongoing basis to support this initiative. These staff supported the initial scoping of work related to the USICH and the Department's Annual Performance Goal (APG) to reduce homelessness. The Department continues to conduct regional meetings with PHAs and their Continuum of Care partners to highlight best practices and successful local initiatives. Staff also collect and interpret data and develop guidebooks and notices.

Through our engagement of PHAs and Continuums of Care, HUD has seen an increase in the numbers of homeless families served by the Public Housing program. In fiscal year 2014, PHAs reported housing 2,215 families experiencing homelessness. At the same time, public housing reduces the number of vulnerable families that would otherwise fall into homelessness. In recent years, public housing admissions dropped by 5.5 percent overall, indicating that families experiencing homelessness are benefiting from greater program access even as overall new admissions are decreasing as a result of fewer families leaving public housing.

In fiscal year 2016, the Department requests \$177.5 million for rental voucher assistance for use by families, veterans, and Native Americans experiencing homelessness as well as victims of domestic and dating violence who are not currently living in assisted housing. These vouchers are to be awarded competitively to PHAs and tribally designated entities in geographic areas of demonstrated need. PHAs receiving vouchers for homeless families would be required to partner with local Continuum of Care to identify program participants through a coordinated

Tenant-Based Rental Assistance

assessment process. Supportive services would be provided through community partners and mainstream service agencies. For veterans, PHAs would continue to partner with community-based service providers. Veterans would be eligible regardless of discharge status. In order to serve Native Americans facing homelessness and overcrowding, eligible recipients of Indian Housing Block Grants would compete for vouchers that may be used for newly constructed and acquired housing.

Homelessness on Indian reservations and in most traditional Native American communities typically differs from urban homelessness. Homelessness is frequently less visible in Indian Country because Native American families tend to take in relatives who are homeless and endure overcrowding, rather than have family exposed to the elements. Therefore, homelessness presents as overcrowding in Native American communities. For example, Native American families are considerably more likely to experience overcrowding, with 8.1 percent reporting overcrowding, compared to 3.1 percent for all races, according to the Homeless Counts for Indian Country released in 2012 by the Housing Assistance Council (HAC). American Indian and Alaska Native households in large tribal areas were more than three times as likely to live in housing that was overcrowded and more than 11 times more likely to live in housing that did not have adequate plumbing facilities.

TPVs for Domestic and Dating Violence

The Department requests \$37.5 million in fiscal year 2016 to provide new incremental vouchers for emergency transfers from assisted housing for victims of domestic violence, dating violence, sexual assault or stalking, as established by the Violence Against Women Act of 2013.

Family Unification Program

In fiscal year 2016, the Department requests \$20 million for new vouchers for the Family Unification Program (FUP). The vouchers would remain FUP vouchers upon turnover. FUP vouchers are provided to eligible families who have been certified by the local child welfare agency as a family whose lack of adequate housing is a primary reason for either the imminent placement of their child(ren) in foster care, or a delay in returning their child(ren) to the family. The Budget also proposes FUP vouchers be available to eligible youth aging out of foster care for a period of up to five years, up from the current period of 18 months (more information about this proposal is found in Section 5, Proposals in the Budget)

Key Partners and Stakeholders

HUD works with numerous partners and stakeholders in providing HCV assistance to families. In addition to the millions of families that HUD assists, important partners and stakeholders include:

Tenant-Based Rental Assistance

- PHAs;
- Private owners;
- Other Federal agencies such as the Department of Veteran Affairs, HUD's Federal partner in the administration of HUD-VASH vouchers, where vouchers and supportive services are provided to assist homeless veterans;
- State and local entities, such as Public Child Welfare Agencies;
- Housing Industry Associations; and
- Resident Groups.

The primary HUD partner in the HCV program is the PHA that directly administers the program locally. HUD enters into an Annual Contributions Contract (ACC) with the PHA, under which the PHA is responsible for the administration of the HCV program in accordance with Federal law and program regulations. In addition, approximately 700,000 private rental property owners are also critical program stakeholders. Owner participation in the HCV program is voluntary. Without owners who are willing to participate in the HCV program, the program would cease to function.

Federal, State, and Local Partners

In addition to PHAs and owners, Special Purpose Voucher programs, which include HUD-VASH, Family Unification Program (FUP), and Non-Elderly Disabled (NED) Category 2 voucher programs, all rely heavily on interagency partnerships for their success.

The Family Unification Program (FUP), for example, depends on interagency partnerships at both the national and local levels. At the national level, HUD works closely with the Department of Health and Human Services (HHS). At the local level, PHAs administer the FUP in partnership with Public Child Welfare Agencies (PCWAs) who are responsible for referring FUP families and youths to the PHA for determination of eligibility for rental assistance.

Finally, the families served by the program are the stakeholders who derive the greatest benefit from a well-administered, adequately funded program. Based on current tenant characteristics, 76 percent of families have extremely low-incomes (defined as household income at or below 30 percent of median income) and 20 percent have incomes between 31 and 50 percent of median income (the demographic table in Section 4 provides additional information about voucher program participants for calendar year 2014). HUD's estimates in Worst Case Housing Needs 2013 (forthcoming) reveal that only 65 affordable units are available nationwide per 100 very low-income renters, and 39 units per 100 extremely low-income renters.

Tenant-Based Rental Assistance

Moving-to-Work (MTW) Demonstration

Moving-to-Work (MTW) is a demonstration program that provides PHAs the opportunity to design and test innovative, locally designed strategies that use federal dollars more efficiently, helps residents find employment and become self-sufficient, and increases housing choices for low-income families. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their federal funds. MTW PHAs are required to use the opportunities presented by MTW to inform HUD about ways to better address local community needs. The Budget includes a proposal to expand the MTW Demonstration, which is described further in Section 5 below.

3. Why is this program necessary and what will we get for the funds?

The Housing Choice Voucher (HCV) program serves the most economically vulnerable families in the country, including disabled families, elderly families, formerly homeless veterans, and families with children. About 2.4 million very low-income families will be able to live in housing that is decent, safe, and sanitary because of the rental assistance that they receive through the HCV program. This program is critically important because without HCV rental assistance, these families typically would be left with extremely poor options: living on the streets, accepting crowded or substandard housing, or facing severe rent burdens for market-rate units.

Serve the poorest and most vulnerable Americans with severe housing needs

The HCV program provides housing to our nation's neediest citizens, which include the elderly, persons with disabilities, the homeless, veterans, and at-risk youth. These programs target families and individuals whose incomes are below 30 percent of area median income and are either homeless or at high risk for homelessness. Over the past 5 years, the Department has taken a number of steps to ensure that PHAs are aware of special requirements associated with special needs vouchers. HUD has also focused on providing quality technical assistance and monitoring of these vouchers to ensure that they are being utilized for the population intended. Moreover, the HCV program is a key element in reducing both veterans, chronic and family homelessness under the President's Federal Strategic Plan to Prevent and End Homelessness. Of the families currently receiving HCV assistance, 76 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 36 percent have a disabled head of household, and 24 percent are elderly. If the HCV program does not assist these families, they will be at great risk of homelessness or will be forced to choose between decent housing and other life necessities such as food, clothing, and medicine.

The HCV program addresses many of the serious problems low-income families face such as homelessness, lack of neighborhood choice, and economic insecurity. The program also focuses on helping families with specific housing needs such as seniors, persons with

Tenant-Based Rental Assistance

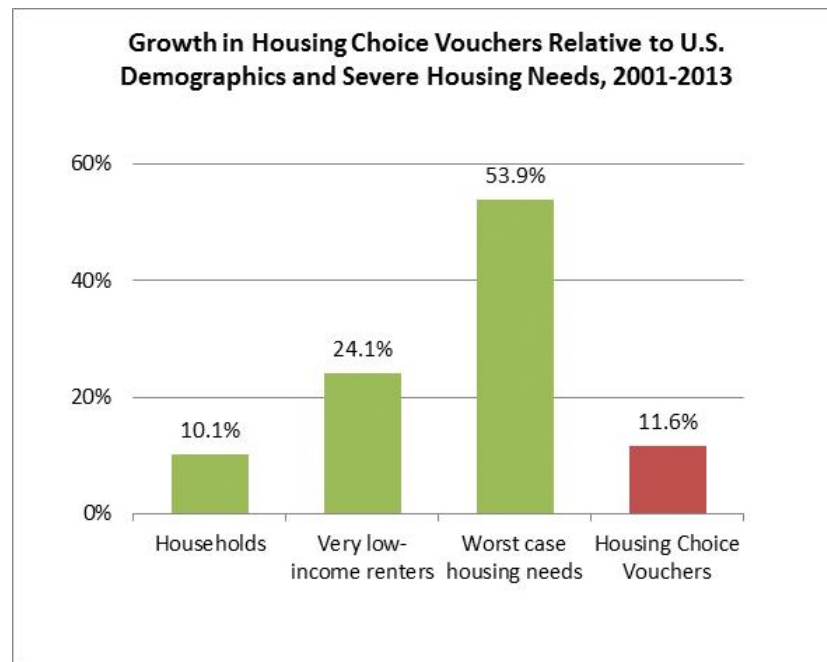
disabilities and at-risk youth through targeted vouchers and effective partnerships with federal, state, and local agencies to assist these vulnerable populations.

Addressing the Shortage of Affordable Rental Housing

The primary challenge that the HCV program seeks to address is the critical shortage of affordable rental housing in the United States. In doing so, the HCV program reduces the number of families and individuals with severe housing needs.

The state of the economy and the increased demand for rental housing generated by the foreclosure crisis has exacerbated the need for rental assistance. *Worst Case Housing Needs 2013* (forthcoming) shows that 7.7 million renter households had worst case housing needs in 2013, up over 30 percent since 2007. Worst case needs are defined as renters with very low-incomes (below half the median in their areas) who do not receive government housing assistance and who either paid more than 50 percent of their monthly incomes in rent, lived in severely inadequate conditions, or both. Through the HCV program, HUD enables a large inventory of rental housing in the private market to become affordable housing to very low-income families. Further, 54 percent of worst case needs occur in suburbs or non-metropolitan areas rather than in central cities, indicating that the locational flexibility provided by vouchers is crucial for addressing the national housing crisis.

The chart below illustrates the modest expansion of HCV resources in comparison to changes in demographics and severe housing needs in the U.S. The HCV program lagged far behind the 24.1 percent increase in very low-income renters, and addressed only a small fraction of the 53.9 percent increase in worst case needs during the same period. National rental policy fell short of adequately addressing the affordable rental housing demand that arose from underlying market needs, the economic recession, and the homeownership crisis during this trying period.



4. How do we know this program works?

The HCV program is one of three major federal programs providing very low-income families, the elderly, and persons with disabilities with decent, safe, and affordable housing. The program currently provides housing assistance to about 2.2 million families. Approximately 36 percent of these families have a disabled head of household and almost 24 percent have an elderly head of household; and a little over 50 percent are families with children. As the demographic table below illustrates, the HCV program assists the most economically vulnerable families — 76 percent of those assisted have extremely low incomes (less than 30 percent of the area median income). The average annual gross income of an HCV family is \$13,138. With the average monthly rent of \$978, these families would be extremely rent-burdened if they did not receive assistance from the HCV program, assuming they could find owners willing to lease units to them at all with such limited resources. Many of these families would have worst-case housing needs and would be at risk of homelessness without the program. Applying the prevalent rates for worst case needs among unassisted renters (for both the extremely low-income and very low-income, 31-50 percent of median categories) to the characteristics of current voucher holders, means an estimated 1.46 million of about 2.4 million households would likely experience worst case needs if they did not receive housing assistance.

Housing Choice Voucher Program Tenant Characteristics

<div><div><div><div><div><div></div><div></div></div><div><div>Who Does HCV Serve?</div><div>The HCV program serves 5.59 million Americans in over 2.2 million households.</div></div></div><div><div><div><div><div><div></div><div></div></div><div><div>Percentage of HCV by Family Size</div><div><div><div><div><div><div>38%</div><div>22%</div><div>17%</div><div>23%</div></div><div><div>1 Person</div><div>2 Person</div><div>3 Person</div><div>4+ Persons</div></div></div></div></div></div></div></div></div></div></div></div></div></div>	<div><div><div><div><div><div></div><div></div></div><div><div>Who are HCV Tenants?</div><div>The HCV Program serves a diverse demographic mix. 67% of residents are in a minority group</div></div></div><div><div><div><div><div><div>White, non-Hispanic</div><div>33%</div></div><div>Black</div><div>47%</div></div><div><div><div>Hispanic</div><div>15%</div></div><div>Asian/P.I.</div><div>3%</div></div><div><div><div>Native American</div><div>1%</div></div></div></div></div></div><div><div><div><div><div><div></div><div></div></div><div><div>Head of Household by Age</div><div><div><div><div><div><div>% 85 or older</div><div>2%</div></div><div><div>% 62 or older</div><div>22%</div></div><div><div>% 51 to 61</div><div>22%</div></div><div><div>% 25 to 50</div><div>55%</div></div><div><div>% 24 or younger</div><div>2%</div></div></div></div></div></div></div></div></div></div></div></div></div></div>	<div><div><div><div><div><div></div><div></div></div><div><div>Head of Household Characteristics</div><div><div><div><div><div>Families with children - 48%</div><div>Elderly - 24%</div><div>Non-elderly disabled - 36%</div></div></div></div></div></div></div></div></div><div><div><div><div><div><div></div><div></div></div><div><div>Share of Rent from HUD and Assisted Households</div><div>The average household contribution to rent (includes utilities) per month is \$346 HUD contributes an average of \$716 per month, including administrative fees</div></div></div></div></div></div></div>
<div><div><div><div><div><div></div><div></div></div><div><div>Income Levels of Assisted Households</div><div>Tenants make an average gross income of \$13,138 The overwhelming majority (82%) of tenants make less than \$20,000/year The Average household income was 22% of the local area median income</div></div></div></div></div></div>	<div><div><div><div><div><div></div><div></div></div><div><div>Household Incomes Compared to their Local Area Median Income*</div><div><div><div><div><div>Extremely Low Income (Less than 30% AMI)</div><div>76%</div></div><div><div>Very Low Income (30% to 50% AMI)</div><div>20%</div></div><div><div>Low Income (50% to 80% AMI)</div><div>4%</div></div></div></div></div></div></div></div></div></div>	

Notes: HUD's income limits are adjusted based on actual median incomes for the state and locality (metropolitan area).

*30 percent of AMI is approximately \$19,170 per year for a 4-person household, (national estimate - adjusted based on actual state and local incomes) and \$13,420 for a single person. Note, that the US national poverty guideline for 2014 was set at \$23,850 for a 4-person household (the guidelines are not adjusted locally, but provide a single limit for the 48 contiguous states and DC).

*The 5.59 million persons served figure is derived by applying the family size of households with reported tenant characteristics data to the projected total number of households served (2.202 m.)

Tenant-Based Rental Assistance

Program Improvements

HUD makes a concerted effort to ensure that the program operates efficiently and effectively. To reduce fraud, waste, and abuse in the HCV program, the Department has mandated the use of the Enterprise Income Verification (EIV) system by all PHAs that administer the HCV program. The use of EIV increases the efficiency and accuracy of rent determinations and income determinations while reducing improper payments and underreported income.

The Department has several major ongoing initiatives currently under way to improve the HCV program that will continue in 2016:

HUD Oversight, Monitoring, and Risk Assessment of PHAs

The comprehensive National Risk Assessment Tool developed in 2013 to proactively identify and address risk at PHAs was fully operational in 2014 and continues to be utilized to measure risk at PHAs and prioritize oversight in fiscal year 2015 and beyond.

PIH is also in the process of developing an Enterprise Risk Management (ERM) program which will allow it to identify and manage four categories of risks: PHA entity, PHA project, PIH program, and PIH enterprise. During fiscal year 2014, PIH established an organizational-wide working group to develop an ERM framework for PIH. Also during fiscal year 2014, PIH established an Office of Risk Management (ORM) and chartered a PIH ERM Risk Committee. PIH plans to have the ORM and PIH Risk Committee coordinate information from all levels of the organization so it can manage its risks strategically on portfolio level basis. The PHA entity segment of this program was fully operational during fiscal year 2014 and is covered by OFO's National Risk Assessment process; while the project, program, and enterprise categories are being operationalized during the first quarter of fiscal year 2015. PIH expects the entire model to be completed and fully implemented by the end of fiscal year 2015.

HUD Quality Control on PHA inspections and Inspection Standards for HCV

HUD is taking a number of steps to assess and mitigate the risk related to the physical condition of units assisted under the Housing Choice Voucher Program. HUD's Real Estate Assessment Center (REAC) is currently preparing to conduct a sample of physical inspections and assessment of 39,000 HCV units. In addition to performing independent quality control inspections on HCV units, REAC is working to transition the current HQS inspection process and standards to that of a Uniform Physical Condition Standard (UPCS) protocol, that is more transparent and has a proven high level of accuracy and reliability. The transition of the HQS to a new UPCS model is a high priority project, which REAC hopes will effectuate more uniformity in the physical inspection process for the HCV program.

Tenant-Based Rental Assistance

Continue Implementation of Cash Management Procedures

In January 2012, HUD implemented new cash management procedures for the disbursement of HCV funding. The process of disbursing only the funds required to meet current HAP costs will result in the re-establishment of HUD-held reserves, whereby unused HAP funds will remain obligated but undisbursed at the HUD level rather than held by PHAs. This change will reduce program risk and provide for greater transparency and accountability regarding the use and availability of program reserves. It is also one of the first steps toward an overall system migration and development of cash management policies and processes within the Next Generation Management System (NGMS).

Next Generation Management System

The Next Generation Management System (NGMS) is a business-driven investment whose aim is to enhance HUD's affordable housing (AH) program management, improve end user satisfaction, streamline complex business processes, and integrate disparate Information Technology (IT) systems into a common, modernized platform. These goals will help improve the Agency's ability to accurately quantify budgetary data resources, measure program effectiveness, and scrupulously justify the agency's budget formulations and requests. By aligning current and future AH processes, HUD aims to simplify business operations and maximize investment returns with business-driven, service-oriented solutions that employ shared and standardized technology. NGMS will provide an integrated, seamless and singular view of financial and program data used to make real-time business decisions, but are currently warehoused in disparate data sources.

Important milestones achieved include the delivery of important portions of the Budget Formulation and Forecasting project, including data validation and partial budget versions and budget formulation. The planned delivery of full budget versions, Mod Rehab, scenarios, Mainstream 5 and budget formulation is planned for the 2nd quarter of calendar year 2015, providing full functionality to HUD for future year budget efforts. Additionally, the Portfolio and Risk Management Tool (PRMT) continues to progress, with initial operating capability delivered in September 2013, and supplemental operating capability delivery planned for the 1st quarter of calendar year 2015. PRMT integrates data from various HUD IT systems into user friendly "dashboards" that enhance HUD's ability to analyze trends, make better projections, more easily identify issues, and increases HUD's efficiency and effectiveness in utilizing appropriated funds. PRMT also supports HUD's goal of achieving a standard of operational excellence, while also supporting HUD's ability to meet HUD's mission of creating strong, sustainable, inclusive communities and quality, affordable homes for all.

Administrative Fee Study

As noted earlier, HUD has undertaken a comprehensive time-and-motion study to determine the actual cost to administer an effective and efficient HCV program. The purpose of the study is to evaluate high-performing and efficient PHAs and develop an appropriate fee methodology that adequately reflects operational costs. Results are anticipated to be published in early calendar year 2015.

Small Area FMR Demonstration

The Fair Market Rent (FMR) is the basis for determining the maximum monthly subsidy for an assisted family. Currently, a single FMR is calculated throughout a non-metropolitan county or a metropolitan area, which is generally comprised of several metropolitan counties. The Small Area FMR Demonstration establishes FMRs by zip code areas for participating jurisdictions. HUD expects that calculating FMRs at a smaller geography within metropolitan areas will provide Voucher tenants in some areas with greater ability to move into opportunity areas, where jobs, transportation, and educational opportunities exist. It will also affect other areas where HUD may be over-subsidizing, since the current FMR is higher than prevailing rents. This demonstration will collect and report overall program cost implications, additional administrative burdens, and tenant data to determine the extent to which tenants are using the expanded set of payment standards to move into opportunity areas. Non-metropolitan counties will continue to have one countywide FMR.

5. Proposals in the Budget

Over the past several years, PHAs have requested that HUD provide relief from various requirements related to the operation of PIH programs as well as greater flexibility in the use of PIH resources. The Department has undertaken a comprehensive review and evaluation of these requests to identify items that merit implementation. Enactment and implementation of proposed measures will generate a cost savings to the Department; reduce the administrative burden on PHAs and provide them with flexibilities that will enhance their capacity to respond to local housing needs; and/or promote program efficiencies at the PHA or HUD level. Several of the measures will also reward agencies that perform well.

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at \$30 million). This provision would generate estimated savings of \$30 million in fiscal year 2016. The change would increase the threshold for the deduction of medical and related care expenses from 3 to 10 percent of family income. This provision was included in the Department's fiscal years 2014 and 2015 budget requests, and is repeated for 2016. The 2016 TBRA renewal funding request reflects the associated first-year savings of implementing this proposal based on analysis of the Congressional Budget Office's (CBO) estimates of cost savings generated by this proposal as included in previous proposed legislation. (Sec. 229)
- Improve the Process for Establishing Fair Market Rents. FMRs, which are based on rent survey data, are currently used for rent-setting in both the voucher and project-based Section 8 programs. This proposal removes the statutory requirement that FMRs be published for comment in the Federal Register, making it possible for HUD instead to publish proposed FMRs to the Web along with any proposed material changes in methodology. A similar version of this language appeared in the Department's fiscal year 2015 budget

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request. This provision has no direct fiscal impact; however, it will reduce administrative burden and accelerate the amount of time it takes to establish FMRs. Expand the Moving-to-Work (MTW) program. (Sec. 226)

- Expand the Moving-to-Work (MTW) program. This legislative proposal incrementally expands the MTW program to high capacity PHAs. In partnership with HUD, participating PHAs will design and implement innovative policies related to housing preservation, family self-sufficiency, mobility, cost-effectiveness and other priority areas. Key tenant protections will continue to apply and PHAs will be subject to rigorous reporting and evaluation requirements. Up to fifteen PHAs, totaling no more than 150,000 combined HCV and public housing units, would be selected competitively. (Sec. 242)
- Authorize Triennial Re-Certifications of Fixed-Income Families. Under current law, PHAs and owners must recertify the incomes of all program participants on an annual basis. This proposal would authorize PHAs and owners to recertify fixed-income families every 3 years. Eligible families would be defined as those families for whom at least 90 percent of income is from sources such as Social Security; federal, state, local, and private pension plans; and the supplemental security income program. These families are estimated to be about 50 percent of public housing, voucher, and project-based section 8 tenants. If implemented, this policy change would significantly reduce administrative burden on PHAs and owners. (Sec. 243)
- Extend Family Unification Program (FUP) Vouchers Issued to Youths Aging out of Foster Care. PHAs administer FUP in partnership with Public Child Welfare Agencies. FUP is a program under which HCVs are provided to eligible participants referred to the PHA by the PCWA. There are two types of eligible FUP participants. The first are families for whom the lack of adequate housing is a primary factor in either the imminent placement of the family's child or children in out-of-home care, or the delay in the discharge of the child or children to the family from out-of-home care. The second eligible population for FUP is youths at least 18 years old and not more than 21 years old, who left foster care at age 16 or older and who lack adequate housing. Unlike FUP vouchers for families or the HCV program in general, FUP assistance for youth is time limited by the law. A FUP youth's rental assistance must be terminated once the youth has received 18 months of HCV housing. This proposal would extend the time limit on HCV assistance for FUP youth from the current 18 months to 5 years. HUD believes that this time extension will provide FUP youth with the additional time that is necessary for many of them to become self-sufficient. Furthermore, it reduces the PHA's administrative burden by better aligning the time period of assistance with more common lease terms in many markets. (For example, if a FUP youth currently has to move to a new unit after the first year of assistance, in markets where the initial lease term is typically one year it is challenging to find owners willing to rent to the youth when the assistance will terminate in six months.) (Account language)

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**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Summary of Resources by Program
(Dollars in Thousand)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Contract Renewals	\$17,365,527	\$111,017	\$17,476,544	\$17,358,803	\$17,486,000	\$117,741	\$17,603,741	\$18,333,816
Administrative Fees ...	1,500,000	16,289	1,516,289	1,477,070	1,530,000	39,219	1,569,219	2,020,037
Section 8 Rental Assistance	130,000	6,393	136,393	113,546	130,000	22,847	152,847	150,000
FSS Coordinators .....	...	57,502	57,502	56,932	...	570	570	...
Veterans Affairs Supportive Housing (VASH) Program	75,000	7,572	82,572	68,923	75,000	13,649	88,649	...
Family Unification Program .....	...	...	...	...	...	...	...	20,000
Disaster Displacement Assistance .....	...	1,729	1,729	...	...	1,729	1,729	...
Section 811 Mainstream Renewals	106,691	29,629	136,320	104,505	83,160	31,815	114,975	107,643
Non-Elderly Disabled ..	...	4	4	...	...	4	4	...
Rental Assistance Demonstration	528	...	528	484	...	44	44	...
Need - Based Vouchers Families, Veterans, and Native Americans Homelessness .....	...	...	...	...	...	...	...	177,500
Victims of Domestic and Dating Violence (VDDV) Transformation Initiative (transfer) .....	...	...	...	...	...	...	...	37,500
	...	...	...	...	...	...	...	[20,000]
Total	19,177,746	230,135	19,407,881	19,180,263	19,304,160	227,618	19,531,778	21,123,496

a/ Reflects reporting revision to FY 2014 obligations for Contract Renewals and Administrative Fees.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act" herein), not otherwise provided for, ~~[\$15,304,160,000]~~ *\$17,123,496,210*, to remain available until ~~[expended] September 30, 2018~~, shall be available on October 1, ~~[2014]~~ *2015* (in addition to the \$4,000,000,000 previously appropriated under this heading that became available on October 1, ~~[2014]~~ *2015*), and \$4,000,000,000, to remain available until ~~[expended] September 30, 2019~~, shall be available on October 1, ~~[2015]~~ *2016*: *Provided*, That the amounts made available under this heading are provided as follows:

(1) ~~[\$17,486,000,000]~~ *\$18,333,816,000* shall be available for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act) and including renewal of other special purpose *or* incremental vouchers: *Provided*, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year ~~[2015]~~ *2016* funding cycle shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register, and by making any necessary adjustments for the costs associated with the first-time renewal of vouchers under this paragraph including tenant protection, HOPE VI, and Choice Neighborhoods vouchers: *Provided further*, That in determining calendar year ~~[2015]~~ *2016* funding allocations under this heading for public housing agencies, including agencies participating in the Moving To Work (MTW) demonstration, the Secretary may take into account the anticipated impact of changes in *medical expense threshold*, targeting, and utility allowances, on public housing agencies' contract renewal needs: ~~[Provided further, That none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract, except for public housing agencies participating in the MTW demonstration, which are instead governed by the terms and conditions of their MTW agreements:]~~ *Provided further*, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph (except as otherwise modified under this paragraph), prorate each public housing agency's allocation otherwise established pursuant to this paragraph: *Provided further*, That except as provided in the following provisos, the entire amount specified under this paragraph (except as otherwise modified under this paragraph) shall be obligated to the public housing agencies based on the allocation and pro rata method described above, and the Secretary shall notify public housing

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agencies of their annual budget by the latter of 60 days after enactment of this Act or March 1, ~~[2015]~~ 2016: *Provided further*, That the Secretary may extend the notification period with ~~[the prior written approval of]~~ notification to the House and Senate Committees on Appropriations: *Provided further*, That public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements and shall be subject to the same pro rata adjustments under the previous provisos: *Provided further*, That the Secretary may offset public housing agencies' calendar year ~~[2015]~~ 2016 allocations based on the excess amounts of public housing agencies' net restricted assets accounts, including HUD held programmatic reserves (in accordance with VMS data in calendar year ~~[2014]~~ 2015 that is verifiable and complete), as determined by the Secretary: *Provided further*, That public housing agencies participating in the MTW demonstration shall also be subject to the offset, as determined by the Secretary, ~~[excluding amounts subject to the single fund budget authority provisions of their MTW agreements,]~~ from the agencies' calendar year 2015 MTW funding allocation: *Provided further*, That the Secretary shall use any offset referred to in the previous two provisos throughout the calendar year to prevent the termination of rental assistance for families as the result of insufficient funding, as determined by the Secretary, and to avoid or reduce the proration of renewal funding allocations: *Provided further*, That up to ~~[\$120,000,000]~~ \$75,000,000 shall be available only: (1) for adjustments in the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs of vouchers resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) for vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act; (3) for adjustments for costs associated with HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers; (4) for adjustments for public housing agencies with voucher leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation, and for additional leasing of vouchers that were issued but not leased prior to the end of such calendar year; and (5) for public housing agencies that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding; and (6) for adjustments in the allocations for public housing agencies that experienced a significant increase, as determined by the Secretary, in renewal costs as a result of participation in the Small Area Fair Market Rent demonstration: *Provided further*, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary;

(2) \$277,000,000 shall be for incremental rental voucher assistance under section 8(o) of the Act to be distributed based on relative need, as determined by the Secretary: Provided, That the Secretary shall make such funding available, notwithstanding section 204 (competition provision) of this title:

~~[(2)](3)~~ [(3)] \$130,000,000 \$150,000,000 shall be for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to section 18 of the Act, conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted

Tenant-Based Rental Assistance

housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI and Choice Neighborhood vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project-based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106–569, as amended, or under the authority as provided under this Act: *Provided*, That when a public housing development is submitted for demolition or disposition under section 18 of the Act, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents: *Provided further*, That the Secretary may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, subject only to the availability of funds: *Provided further*, That of the amounts made available under this paragraph, \$5,000,000 may be available to provide tenant protection assistance, not otherwise provided under this paragraph, to residents residing in low vacancy areas and who may have to pay rents greater than 30 percent of household income, as the result of (1) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (2) the expiration of a rental assistance contract for which the tenants are not eligible for enhanced voucher or tenant protection assistance under existing law; or (3) the expiration of affordability restrictions accompanying a mortgage or preservation program administered by the Secretary: *Provided further*, That such tenant protection assistance made available under the previous proviso may be provided under the authority of section 8(t) or section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)): *Provided further*, That the Secretary shall issue guidance to implement the previous provisos, including, but not limited to, requirements for defining eligible at-risk households within 120 days of the enactment of this Act: *Provided further*, That any tenant protection voucher made available from amounts under this paragraph shall not be reissued by any public housing agency, except the replacement vouchers as defined by the Secretary by notice, when the initial family that received any such voucher no longer receives such voucher, and the authority for any public housing agency to issue any such voucher shall cease to exist: *Provided further*, That the Secretary, for the purpose under this paragraph, may use unobligated balances, including recaptures and carryovers, remaining from amounts appropriated in prior fiscal years under this heading for voucher assistance for nonelderly disabled families and for disaster assistance made available under Public Law 110–329;

[(3)](4) [\$1,530,000,000] \$2,020,037,000 shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to \$10,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the administration of disaster related vouchers, Veterans Affairs Supportive Housing vouchers, and other special purpose incremental vouchers: *Provided*, That no less than [\$1,520,000,000] \$2,010,037,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year [2015] 2016 funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public

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Law 105–276): *Provided further*, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this heading from prior fiscal years, ~~[excluding]~~ *including* special purpose vouchers, notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That all public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements, and shall be subject to the same uniform percentage decrease as under the previous proviso: *Provided further*, That amounts provided under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development activities;

~~[(4)]~~(5) ~~[\$83,160,000]~~ \$107,643,210 for the renewal of tenant-based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), including necessary administrative expenses: *Provided*, That administrative and other expenses of public housing agencies in administering the special purpose vouchers in this paragraph shall be funded under the same terms and be subject to the same pro rata reduction as the percent decrease for administrative and other expenses to public housing agencies under paragraph ~~[(3)]~~4) of this heading;

~~[(5)]~~ \$75,000,000 for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: *Provided*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, public housing agency administrative performance, and other factors as specified by the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: *Provided further*, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: *Provided further*, That the Secretary shall set aside an amount provided under this paragraph for a rental assistance and supportive housing demonstration program for Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: *Provided further*, That such demonstration program shall be modeled after, with necessary and appropriate adjustments for Native American grant recipients and veterans, the rental assistance and supportive housing program funded under this paragraph, including

Tenant-Based Rental Assistance

administration in conjunction with the Department of Veterans Affairs and overall implementation of section 8(o)(19) of the Act: *Provided further*, That amounts for rental assistance and associated administrative costs shall be made available by grants to recipients eligible to receive block grants under the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. section 4101 et seq.): *Provided further*, That funds shall be awarded based on need, administrative capacity, and any other funding criteria established by the Secretary in a Notice published in the Federal Register after coordination with the Secretary of the Department of Veterans Affairs within 180 days of enactment of this Act: *Provided further*, That such rental assistance shall be administered by block grant recipients in accordance with program requirements under the Native American Housing Assistance and Self-Determination Act of 1996: *Provided further*, That the first and second provisos under this paragraph shall apply to use of funds made available for this demonstration, as appropriate: *Provided further*, That the Secretary, in coordination with the Secretary of the Department of Veterans Affairs, shall coordinate with block grant recipients and any other appropriate tribal organizations on the design of such demonstration and shall ensure the effective delivery of supportive services to Native American veterans that are homeless or at-risk of homelessness eligible to receive assistance under this demonstration: *Provided further*, That grant recipients shall report to the Secretary, as prescribed by the Secretary, utilization of such rental assistance provided under this demonstration: *Provided further*, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over; and]

(6) \$177,500,000 shall be used for incremental rental voucher assistance for use by families, veterans, and tribal families who are experiencing homelessness, as well as victims of domestic and dating violence: Provided, That eligibility for veterans is made without regard to discharge status: Provided further, That the Secretary of Housing and Urban Development (the Secretary) shall make such funding available through a competitive process to public housing agencies that partner with eligible Continuums of Care, as identified by the Secretary and to recipients eligible to receive block grants under the Native American Housing Assistance and Determination Act of 1996 (NAHASDA) (25 U.S.C. section 4101 et seq.): Provided further, That assistance provided to recipients eligible under NAHASDA shall be subject to requirements of NAHASDA: Provided further, That the Secretary may waive, or specify alternative requirements for any provision or statute or regulation that the Secretary administers in connection with the use of funds made available under this paragraph upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: Provided further, That the Secretary shall issue guidance to implement the previous proviso;

(7) \$37,500,000 shall be made available to provide incremental rental voucher assistance for victims of domestic violence, dating violence, sexual assault, or stalking, as defined by the Violence Against Women Act Reauthorization Act of 2013 (Public Law 113-4), who require an emergency transfer: Provided further, That the Secretary shall issue guidance to implement this paragraph;

Tenant-Based Rental Assistance

(8) \$20,000,000 shall be made available for new incremental voucher assistance through the Family Unification Program: Provided, That the assistance made available under this paragraph shall continue to remain available for family unification upon turnover: Provided further, That the amounts made available under this paragraph shall be used only in connection with tenant-based assistance on behalf of—

(A) any family—

(i) who is otherwise eligible for such assistance; and

(ii) who the public child welfare agency for the jurisdiction has certified is a family for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child or children in out-of-home care; and

(B) for a period not to exceed 60 months, otherwise eligible youths who have attained at least 18 years of age and not more than 21 years of age and who have left foster care at age 16 or older; and

(9) The Secretary shall separately track all special purpose vouchers funded under this heading.

(Department of Housing and Urban Development Appropriations Act, 2015.)

**PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

FAMILY SELF-SUFFICIENCY PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$75,000	...	...	\$75,000	\$75,000	...
2015 Appropriation	75,000	...	...	75,000	75,000	\$75,000
2016 Request	<u>85,000^a</u>	<u>...</u>	<u>...</u>	<u>85,000</u>	<u>85,000</u>	<u>75,000</u>
Program Improvements/Offsets	+10,000	...	...	+10,000	+10,000	...

a/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$646 thousand of Budget Authority.

1. What is this request?

The Department requests \$85 million for the Family Self-Sufficiency (FSS) program, which is a \$10 million increase from the fiscal year 2015 enacted level. In fiscal year 2014, the Public Housing and Housing Choice Voucher FSS programs were merged. In fiscal year 2015, the program was made available to families participating in the Section 8 Project-Based Rental Assistance (PBRA) program. The Department now requests an expansion of eligibility so that owners of multifamily (PBRA) properties with project-based subsidy contracts under Section 8 can be allowed to compete for FSS coordinator funding.

The request would fund approximately 1,600 Family Self-Sufficiency Program Coordinators that will serve approximately 80,000 families.

Key outcomes of the FSS program include:

- Higher savings, earnings, and employment rates among program participants;
- Reduced debt, higher education attainment, and improvement in credit scores; and
- Participants graduating from the program would not require Temporary Assistance to Needy Families (TANF) assistance and their need for rental assistance would decrease or be eliminated.

Proposals in the Budget

- Expand eligibility to apply for funds to owners of Section 8 Project-Based Rental Assistance (PBRA) properties.

Family Self-Sufficiency Program

2. What is this program?

The FSS program helps families in Public Housing and the Housing Choice Voucher program make progress toward economic security by combining:

1. Stable affordable housing;
2. Work-promoting service coordination to help families set goals and overcome barriers to increase work opportunities; and
3. A rent incentive in the form of an escrow account that grows as families' earnings increase.

The program funds FSS Coordinators who help participants achieve employment goals and accumulate assets by linking participants to local service providers. FSS Coordinators in each local program build partnerships with employers and service providers in the community to help participants obtain jobs and services. As such, FSS Coordinators are essential to the success of the FSS program. FSS program participants receive training and counseling that enables them to increase their earned income and decrease or eliminate the need for rental assistance. As a result, rental assistance resources become available to serve new families over time.

FSS Coordinators help program participants access the following services: child care, transportation, literacy training and education, job training, employment counseling, substance/alcohol abuse treatment or counseling, financial literacy courses and/or coaching, asset-building strategies, household skill training, homeownership counseling and others. However, these services are not funded by the FSS program.

Generally, families have 5 years in which to achieve their goals. Participants who successfully graduate from the program become and stay employed become independent of Temporary Assistance for Needy Families (TANF) assistance, and achieve the other goals they set for themselves. Graduating participants gain access to their escrow account.

Actual examples of outcomes for program graduates and their families:

- J.B. (Clackamas, OR) had \$0 income at the time of FSS enrollment. With the support of FSS, she secured employment in a manufacturing facility at \$18,240 annually and was then promoted, raising her earned income to \$36,553. J.B. paid off all her court debts, traffic fines, and assessments -- over \$3,500 total -- to have her driving privileges restored. Since graduating FSS, she continues to participate in her weekly support group meetings and is paying \$822 of the \$950 contract rent.

Family Self-Sufficiency Program

- Eva (El Paso, TX) is a single mother of two who had been living in public housing for over 20 years. She holds a full time job as a hair stylist. She had wanted to purchase a home, but based on the advice of her parents she did not believe in banks and was unable to take the next step. Through the FSS program, she enrolled in financial training and was encouraged to start building credit. This support was the key. Eventually, she was able to purchase her own home in a matter of months. She said that she was grateful for the years of housing support, but, "It's time for me to move on and let someone else move in."
- J.S. (Oregon City, OR) was a TANF recipient with three children. While in the FSS program, she completed Medical Assistant training and her annual income increased from \$8,360 (TANF and Child Support) to an earned income of \$38,900. As a result, she was no longer in need of TANF, Medicaid, or SNAP (Food Stamps) and has gone from paying \$0 rent to paying \$839 of the monthly \$900 contract rent.
- Tonya (Jersey City, NJ) increased her income from \$11,774 to \$32,085 while in FSS. She earned her Associate's degree in Early Childhood Education. Her program was mostly independent study and thus required above-average commitment and self-motivation. FSS was there to help. When she started FSS, she was receiving TANF and paying only \$336 of the \$1,127 monthly rent. By the time she graduated from FSS, the balance had shifted and the PHA was only paying \$388 while she was paying the rest.

Consolidation and Expansion of the Family Self-Sufficiency Program

The fiscal year 2014 consolidation of the existing Public Housing and Housing Choice Voucher FSS programs, and expansion to allow participation by PBRA families authorized in fiscal year 2015, enable coordinators to provide better, more uniform services to families assisted under HUD's largest rental assistance programs. The Department requests continued appropriation of coordinator funding in a single account, and authority to expand eligibility to apply for funds to PBRA owners. The request will: (1) allow PHAs to continue to serve FSS participants who reside in properties going through conversion from Public Housing to Project-Based Vouchers or PBRA under the Department's Rental Assistance Demonstration (RAD); (2) enable PHAs to open FSS participation to PBRA residents in their community in cases where PHAs administer the PBRA program; and (3) afford PBRA owners the authority to administer an FSS program by hiring a coordinator with their own funds, if they so choose, or to compete for appropriated coordinator funds.

Family Self-Sufficiency Program

2. Why is this program necessary and what will we get for the funds?

FSS Coordinator funding, paired with HUD's rental housing subsidies, has the ability to address the lack of economic security and self-sufficiency of many assisted housing residents. The program provides opportunities for greater participant economic security and independence, thereby supporting HUD's Strategic Plan Goal 3, Use Housing as a Platform for Improving Quality of Life.

The consolidation of the Public Housing and Housing Choice Voucher FSS programs enacted in fiscal year 2014, and expansion to PBRA residents in fiscal year 2015 were positive steps toward making the program more efficient and effective. Expansion of the competition to PBRA owners will support new programs for PBRA residents and allow the FSS program to have the ability to serve any resident regardless of the type of housing assistance they receive. It will allow for the most optimal use of limited funds by using only one well-established program to serve these residents.

Current outcomes from the Public and Indian Housing Information Center (PIC) data system in fiscal year 2014 include:

- Over 72,000 households actively participated in the program (59,000+ in the Housing Choice Voucher program and 13,000+ in Public Housing).
- 4,382 families successfully completed their FSS contracts and graduated (3,808 in Housing Choice Voucher FSS and 574 in Public Housing FSS).
- 100 percent of graduating families did not require temporary cash assistance (TANF/welfare). This is a requisite of graduating from the program.
- 56 percent of participants that had been in the program for at least one year show an increase in earned income (57 percent in Housing Choice Voucher FSS and 53 percent from Public Housing FSS). Average escrow at graduation for those with a positive escrow balance was approximately \$6,600.
- 1,401 (32.6 percent) of graduates exited rental assistance within one year of graduation; (1,177 from Housing Choice Voucher (31.53 percent); and 224 from Public Housing (40 percent)).
- 485 (11.3 percent) graduating families went on to purchase a home. (401 from Housing Choice Voucher (10.74 percent), 84 from Public Housing (15 percent)).

3. How do we know this program works?

The FSS program is a particularly cost-effective program in that it does not fund the full complement of wrap-around services utilized by residents to achieve self-sufficiency. Instead, residents are able to benefit from an array of services leveraged from state, city and local programs by the Service Coordinators. HUD's fiscal year 2016 budget proposal intends to capitalize even further on the efficiencies of the program by not only serving Housing Choice Voucher and Public Housing residents, but also expanding eligibility to residents in the Project-Based Rental Assistance (PBRA) program. This will permit coordinators to provide better and more uniform services for families assisted through the Housing Choice Voucher, Public Housing, and PBRA programs. This proposal also supports the Department's commitment to the Rental Assistance Demonstration (RAD) and will allow residents who currently participate in the Public Housing FSS program to continue to receive services when their development converts under RAD.

In an effort to further evaluate and expand upon prior promising study results (described below), HUD's Office of Policy Development and Research (PD&R) continues to undertake a longitudinal, randomized control study of the FSS program and would like to collaborate with the foundation community to more robustly test various FSS models within the study. The request supports the FSS program through the period of the study, and the Department intends to modify the program as needed as further evidence-based outcomes as are identified.

Preliminary findings of current studies suggest promising results. A trial being conducted by Manpower Demonstration Research Corporation (MDRC) is testing the FSS program, and two alternative strategies in New York City. Early reports show that the FSS program combined with more immediate cash incentives conditioned upon full-time work has produced a significant [increase in] work rates among participants who were not initially working. Both the FSS program and the more immediate cash assistance on their own have been shown to produce an earnings gain for participants who are receiving Supplemental Nutrition Assistance Program (SNAP) benefits.

HUD's PD&R conducted a study of FSS participant outcomes from 2005 to 2009. The 2011 report found that during that period, program graduates were more likely to be employed and had higher incomes than non-program graduates. The average annual income for FSS graduates had increased from \$19,902 to \$33,390.¹ HUD's first national evaluation of FSS covered the period from 1996-2000, and revealed that the median income for FSS families increased 72 percent during participation in the FSS program,

¹ De Silva, Lalith et. al. Evaluation of the Family Self-Sufficiency Program: Prospective Study. 2011. Prepared by Planmatics, Inc. and Abt Assoc. Inc. for the U.S. Department of Housing and Urban Development. Available on the Internet at: <http://www.huduser.org/Publications/pdf/FamilySelfSufficiency.pdf>

Family Self-Sufficiency Program

while a similar group of non-FSS participants' median incomes increased by only 36 percent during the same period.² While this study indicated that the program has positive impacts, this study did not control for self-selection and is the main reason why HUD is completing the rigorous evaluation described above.

4. Proposal in the Budget

- Expand eligibility to apply for funding to Project-Based Rental Assistance (PBRA) owners. The fiscal year 2015 appropriations Act allowed PBRA residents to participate in established FSS programs at PHAs and allowed PBRA owners to establish FSS programs on their own without HUD funding. The current Budget proposal allows PBRA owners to compete for appropriated coordinator funding. This would increase the ability for PBRA owners to provide continued services for families in a development transitioning to PBRA through the Department's Rental Assistance Demonstration (RAD) program and encourage PBRA owners to establish new FSS programs to serve their residents. (Account language)

² Lubell, Jeff. HUD Program Evaluation Confirms FSS' Success in Promoting Self-Sufficiency and Asset-Building. 2004. Available on the Internet at:

<http://www.fsspartnerships.org/includes/FSS%20Evaluation%20Summary.pdf>

Robert C. Ficke and Andrea Piesse. Evaluation of the Family Self-Sufficiency Program, Retrospective Analysis, 1996 to 2000. 2005. Prepared by WESTAT, in collaboration with Johnson, Bassin and Shaw, for the U.S. Department of Housing and Urban Development. Available on the Internet at:

<http://www.huduser.org/publications/econdev/selfsufficiency.html>

Family Self-Sufficiency Program

**PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Grants	\$75,000	...	\$75,000	\$75,000	\$75,000	...	\$75,000	\$85,000
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[646]
Total	75,000	...	75,000	75,000	75,000	...	75,000	85,000

Family Self-Sufficiency Program

PUBLIC AND INDIAN HOUSING FAMILY SELF-SUFFICIENCY PROGRAM Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the Family Self-Sufficiency program to support family self-sufficiency coordinators under section 23 of the United States Housing Act of 1937, to promote the development of local strategies to coordinate the use of assistance under sections [8(o)] 8 and 9 of such Act with public and private resources, and enable eligible families to achieve economic independence and self-sufficiency, ~~[\$75,000,000]~~ \$85,000,000, to remain available until September 30, [2016] 2017: *Provided*, That the Secretary may, by Federal Register notice, waive or specify alternative requirements [under sections b(3), b(4), b(5), or c(1) of] to section 23 of such Act in order to facilitate the operation of a unified self-sufficiency program for individuals receiving assistance under different provisions of the Act, as determined by the Secretary: *Provided further*, That owners of [a privately owned] multifamily [property] properties with [a] project-based subsidy contracts under section 8 [contract] may compete for funding under this heading and/or voluntarily make a Family Self-Sufficiency program available to the assisted tenants of such property in accordance with procedures established by the Secretary: *Provided further*, That such procedures established pursuant to the previous proviso shall permit participating tenants to accrue escrow funds in accordance with section 23(d)(2) and shall allow owners to use funding from residual receipt accounts to hire coordinators for their own Family Self-Sufficiency program[: *Provided further*, That the Secretary may carry out a demonstration testing the effectiveness of combining vouchers for homeless youth under the Family Unification Program authorized under section 8(x) of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) ("the Act" herein) with assistance under the Family Self-Sufficiency program authorized under section 23 of the Act: *Provided further*, That the Secretary may establish alternative requirements to those contained in section 8(x) of the Act to facilitate such a demonstration: *Provided further*, That any public housing agency that has existing Family Unification Program vouchers and an established Family Self-Sufficiency program may participate in such demonstration provided that they can demonstrate (1) an agreement with the public child welfare agency or agencies to serve the target population; (2) capacity to serve the target population; (3) the success of the agency's existing Family Self-Sufficiency program in serving residents; (4) partnerships with local organizations that serve homeless youth; and (5) any other factors established by the Secretary: *Provided further*, That the Secretary shall monitor and evaluate the demonstration and report on whether the demonstration helped homeless youth achieve self-sufficiency] (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING CERTIFICATE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$36,728 ^a	\$120,990 ^b	-\$793 ^c	\$156,925	...	\$345,000
2015 Appropriation .....	...	179,000 ^d	-3,000	176,000	\$176,000	248,000
2016 Request	<u>...</u>	<u>23,000^e</u>	<u>-3,000</u>	<u>20,000</u>	<u>20,000</u>	<u>137,000</u>
Program Improvements/Offsets .....	...	-156,000	...	-156,000	-156,000	-111,000

a/ This number represents source year 1975-1987 recoveries that were cancelled and an equal amount of budget authority was appropriated (the same treatment of recoveries enacted in fiscal years 2014 and 2015 is proposed for fiscal year 2016).

b/ Includes \$116 million in carryover and \$4 million in recoveries (excluding source years 1975-1987).

c/ Includes \$792,779 thousand from source year 1974 or prior, which was cancelled per P.L. 113-76.

d/ Includes \$116 million in carryover and \$23 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2015. Of the anticipated recoveries, per 113-235 \$15 million is estimated to be from source years-1975-1987 and will be cancelled and an equal amount appropriated, and \$3 million is estimated to be from source year 1974 or prior and will be cancelled.

e/ Includes \$0 carryover and \$23 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2015. Of the recoveries, \$15 million is estimated to be from source years 1975-1987 and would be cancelled and an equal amount appropriated, and \$3 million is estimated to be from source year 1974 or prior and would be cancelled.

1. What is this request?

No new additional budget authority is requested for this account.

Appropriations language for the Housing Certificate Fund provides that recaptures from source years 1975 through 1987 will be cancelled and an amount of additional budget authority equal to the amount cancelled will be appropriated. HUD anticipates recaptures originating in this timeframe to be \$15 million for fiscal year 2016.

Non-cancelled recaptures will be used for renewals of or amendments to rental assistance contracts, and administrative fees – primarily in the Project-Based Section 8 Program.

2. What is this program?

The Housing Certificate Fund (HCF) is best described as a conglomeration account. Prior to 2005, it was the account that funded what are now the Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA) programs. In 1998, some smaller accounts (including Annual Contributions for Assisted Housing) were consumed by HCF, making it an even more eclectic mix. Prior to and including 1974, HCF received contract authority (CA); between 1975 and 1987, HCF was appropriated both CA and budget authority (BA). It is for this reason the recaptures are handled differently depending on their source year.

In 2005, the account stopped receiving BA and the TBRA and PBRA accounts were established. HCF would continue to “hold” the account’s prior obligations; it would pay the original term (long-term up to 40-year) contract expenses as they came due and recapture funds as appropriate. As original contract terms drew to completion, annual renewals would subsequently take place in the PBRA account, thus slowly depleting the inventory of projects and contracts in HCF, while increasing the number of projects in PBRA.

Recaptures are primarily used for renewals, amendments, and administrative fees for multifamily housing programs.

3. Why is this program necessary and what will we get for the funds?

Please see the Project-Based Rental Assistance justification.

4. How do we know that this program works?

Please see the Project-Based Rental Assistance justification.

Housing Certificate Fund

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Contract Renewals	\$35,935	\$3,902	\$39,837	...	-\$3,000	\$43,630	\$40,630	...
Contract Administrators	...	117,088	117,088	...	...	135,370	135,370	...
Section 8 Amendments ..	...	...	...	...	...	...	...	...
Administrative Fees ...	...	...	...	...	...	...	...	...
Total	35,935	120,990	156,925	...	-3,000	179,000	176,000	...

NOTES:

1. Fiscal year 2014 Budget Authority consists of recaptures of \$36.7 million, net of balances (1974 and prior) which have been withdrawn \$(792,780).
2. "2013 Carryover Into 2014" includes \$41.4 million in recaptures, net of balances withdrawn (\$793 thousand) and Appropriations permanently reduced (\$36.7 million).
3. "2014 Carryover Into 2015" includes \$23 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2014, of which \$3 million is from source year 1974 and cancelled.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

(INCLUDING [RESCISSIONS] CANCELLATIONS)

Unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under this heading, the heading "Annual Contributions for Assisted Housing" and the heading "Project-Based Rental Assistance", for fiscal year [2015] 2016 and prior years may be used for renewal of or amendments to section 8 project-based contracts and for performance-based contract administrators, notwithstanding the purposes for which such funds were appropriated: Provided, That any obligated balances of contract authority from fiscal year 1974 and prior that have been terminated [shall be rescinded] are hereby permanently cancelled: Provided further, That amounts heretofore recaptured, or recaptured during the current fiscal year, from section 8 project-based contracts from source years fiscal year 1975 through fiscal year 1987 are hereby [rescinded] permanently cancelled, and an amount of additional new budget authority, equivalent to the amount [rescinded] permanently cancelled is hereby appropriated, to remain available until expended, for the purposes set forth under this heading, in addition to amounts otherwise available. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

PUBLIC HOUSING OPERATING FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$4,400,000 ^a	...	...	\$4,400,000	\$4,396,021	\$4,283,555
2015 Appropriation	4,440,000 ^b	...	...	4,440,000	4,388,000	4,349,000
2016 Request	<u>4,600,000^c</u>	<u>...</u>	<u>...</u>	<u>4,600,000</u>	<u>4,488,000</u>	<u>4,461,000</u>
Program Improvements/Offsets	+160,000	...	...	+160,000	+100,000	+112,000

a/ Includes an estimated \$1.3 million transferred from the Public Housing Operating Fund for implementation of the Rental Assistance Demonstration (RAD).

b/ Includes an estimated \$52 million that will be transferred for implementation of RAD.

c/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$18 million of Budget Authority and an estimated \$93.6 million that will be transferred for implementation of RAD.

1. What is this request?

The Department requests \$4.6 billion for the Public Housing Operating Fund for fiscal year 2016, which is a \$160 million increase over the 2015 enacted level. This request, which represents an 86 percent proration against formula eligibility (net of the estimated \$93.6 million RAD transfer), will allow the Department to continue to serve 1.1 million households (2.6 million residents) by providing operating subsidy payments to more than 3,100 Public Housing Authorities (PHAs) for the operation, management, and maintenance of publicly owned affordable rental housing throughout the United States and its territories.

This request is necessary to meet the operating needs of critical public housing properties throughout the country. The requested funding reflects inflation adjustments for Project Expense Levels (PELs), Utility Expense Levels (UELs), and changes in tenant incomes and their corresponding rent contributions¹, which offset formula eligibility. This request also reflects a total of \$63 million in

¹ The PEL inflation factor (2.98 percent) incorporates economic assumptions from the Office of Management and Budget (OMB) for pay/non-pay cost indices and is based on a weighted average. For utilities, a blended methodology using Consumer Price Index cost data and OMB forecasts yields an inflation factor of 2.84 percent. The inflation factor for tenant income (1.06 percent) was validated against tenant income changes reported in the Public and Indian Housing Information Center (PIC) and found to be reasonable based on recent historical trends. Eligible Unit Months (EUMs) were derived from the most recent Public Housing unit occupancy data reflected within HUD's systems and adjusted for anticipated changes in the inventory expected to become effective in 2015.

The increase in estimated eligibility is due primarily to inflation factors, but is mitigated by increased rent contributions and a projected net reduction of units through demolitions and dispositions out of the inventory and conversions under the Rental Assistance Demonstration.

Public Housing Operating Fund

anticipated savings in fiscal year 2016 from changes to the flat rent policy (enacted in fiscal year 2014, resulting in \$40 million in savings) and a proposed increase in the medical expense exclusion threshold from 3 to 10 percent (\$23 million in savings).

Key outcomes of the Operating Fund program are:

- Increasing occupancy in public housing;
- Decreasing energy costs; and
- Leveraging Federal resources.

Proposals in the Budget

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at \$23 million)
- Provide Additional Operating/Capital Fund Flexibility
- Expand the Moving-to-Work (MTW) Program
- Authorize Triennial Re-Certifications of Fixed-Income Families
- Launch a Utilities Conservation Pilot

2. What is this program?

Authorized by Section 9 of the United States Housing Act of 1937, the Public Housing Operating Fund program supports the operation of 1.1 million units of public housing, contributing to the long-term viability and preservation of the portfolio. Of the families served by the program, approximately 60 percent are elderly and/or disabled households on a fixed income. The program also allows communities to consider their local priorities for serving housing needs, by establishing preferences for the elderly, disabled, homeless veterans, homeless persons generally, as well as the working poor. In addition, Public Housing remains a key component of the overall effort to eliminate homelessness, including veteran's homelessness.

Operating Fund eligibility for PHAs is determined based on a formula. That formula was established through negotiated rulemaking in 2007 and is codified at 24 CFR 990. A 2003 study by the Harvard University Graduate School of Design (the "Harvard Cost Study") provided the basis for negotiations. The Harvard Cost Study examined Public Housing operating expenses at a well-run public housing authority relative to Federal Housing Administration (FHA) insured affordable rental housing.

Operating Fund subsidy eligibility has four primary cost drivers:

1. Allowable Project Expense Levels (PEL), which were baselined against comparable FHA properties;

Public Housing Operating Fund

2. Reimbursement cost of utilities, or the Utilities Expense Level (UEL);
3. Tenant incomes and their corresponding rent contributions; and, finally
4. Number of months a unit is eligible for funding, or the Eligible Unit Months (EUMs).

The Public Housing program provides deeply affordable, publicly owned housing units. It is an essential piece of the housing market that provides support for some of the nation's most vulnerable renters as well as local economies. Wage-earners residing in public housing earn too little to afford market-rate housing, yet they are contributing members of the local communities in which they reside. The program conveys direct and indirect benefits on those communities in the form of employment opportunities, either at the PHA or associated with the provision of services to residents, and in terms of the goods and services purchased by PHAs.

Public Housing serves vulnerable, low- and extremely low-income families. Currently, the program serves families with an average household income of approximately \$13,724. In comparison, the median household income in the United States is \$63,900². Extremely low-income families (families earning less than 30 percent of an area's median income) make up approximately 70 percent of public housing households. More than 40 percent of all households served include children. The average household contributes more than \$270 a month toward rent and utilities.

PHAs must undertake a significant level of administrative and program implementation requirements that go well beyond the activities that other real estate owners and operators, including those in other HUD supported multifamily programs, perform. These requirements are codified within both the 1937 Housing Act as well as program regulations. The Department is focused on identifying meaningful ways to reduce the level of administrative burden and streamline program requirements in ways that would not undermine accountability or program outcomes.

Some areas of PHA responsibility are:

- Annual recertifications
- Timely rent collection
- Submission of annual audited and unaudited financial statements to HUD
- Asset management over the physical and financial integrity of the program
- Validation of community service requirement completion
- Annual unit inspections
- Prioritization and planning for the long-term capital needs and viability of their properties

Public Housing Operating Funds are used to support such costs and activities as:

² http://www.huduser.org/portal/datasets/il/il14/Medians2014_v2.pdf

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- Day-to-day management and operations for public housing including intake and maintenance staffs;
- Routine and preventative maintenance;
- Energy costs associated with public housing units;
- Anti-crime and anti-drug activities, including the costs of security;
- Operating costs for public housing units within mixed-finance projects that are owned and operated by private owners;
- Supportive services to residents, including service coordinators;
- Resident participation activities, including resident councils so that residents can have a voice in management and policy setting at the PHA;
- Insurance; and
- Debt service incurred to finance the rehabilitation and development of public housing units.

HUD is engaged in several priority initiatives to ensure the long-term preservation and sustainability of the public housing portfolio and that grantees are good stewards of federal resources. Several key initiatives are described below.

Homelessness Initiative

As a pivotal United States Interagency Council on Homelessness (USICH) partner in the effort to prevent and end homelessness, the Department is looking beyond its traditional programs that directly address homelessness, in order to expand on the opportunities within the rental assistance programs, both Public Housing and Housing Choice Voucher programs, to serve those who are homeless, near homeless, or at risk of becoming homeless, including homeless veterans. The proposed budget enables HUD to continue the strategies that support the four major goals to prevent and end homelessness outlined below:

1. Build on past progress to prevent and end chronic homelessness;
2. Prevent and end homelessness for veterans;
3. Prevent and end family and youth homelessness; and
4. Set a path to ending all types of homelessness.

Across the Public Housing and Housing Choice Voucher program offices, HUD has committed staff on an ongoing basis to support this initiative. These staff supported the initial scoping of work related to the USICH and the Department's Annual Performance Goal

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(APG) to reduce homelessness. The Department continues to conduct regional meetings with PHAs and their Continuum of Care partners to highlight best practices and successful local initiatives. Staff also collect and interpret data and develop guidebooks and notices.

Through our engagement of PHAs and Continuums of Care, HUD has seen an increase in the numbers of homeless families served by the Public Housing program. In fiscal year 2014, PHAs reported housing 2,215 families experiencing homelessness. At the same time, public housing reduces the number of vulnerable families that would otherwise fall into homelessness. In recent years, public housing admissions dropped by 5.5 percent overall, indicating that families experiencing homelessness are benefiting from greater program access even as overall new admissions are decreasing as a result of fewer families leaving public housing.

Energy and Sustainability Initiatives

The President has set an ambitious goal of cutting energy waste in half over the next 20 years. The President's plan calls on federal agencies to rapidly increase investments in energy productivity, increase the use of renewable energy technology within the Public Housing portfolio, ramp up energy-efficiency standards, and deploy the tools and technology needed to engage consumers, the private sector, and government leaders. Building upon the work of the Energy Performance Contracting (EPC) program, the Budget includes a proposal for a Utilities Conservation Pilot (see below) that would expand opportunities for PHAs of all sizes to undertake needed energy conservation measures.

The Department's strategy to achieve its targets includes conducting regional communications to increase PHA awareness of the program's flexibility and current guidance, providing technical assistance tools to facilitate EPC project planning and implementation among small agencies, as well as examining opportunities for the Department to grant increased flexibility within our current statutory framework.

One of the Department's Agency Performance Goals (APG) is to complete cost-effective energy, green, and healthy retrofits (APG 4). From 2010 to 2011, the EPC program contributed nearly half of the 119,965 Public and Indian Housing (PIH) energy-efficient units over a 2-year period, which helped the Department exceed its APG 4 goal and resulted in 201,444 energy, green, and healthy retrofit units overall. The program has continued to contribute large numbers to APG 4.

Moving-to-Work

MTW is a demonstration program that provides PHAs 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. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their federal funds. MTW PHAs are expected to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.

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Rental Assistance Demonstration

The Department continues its Rental Assistance Demonstration (RAD) to test new preservation tools for the HUD-assisted housing stock. It will use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the fiscal year 2016 Operating Fund and Capital Fund appropriations to the Tenant-Based Rental Assistance (TBRA) or Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing units converting under RAD in calendar year 2015. For additional information, refer to the Rental Assistance Demonstration justification.

3. Why is this program necessary and what will we get for the funds?

Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. HUD's forthcoming report to Congress, Worst Case Housing Needs 2013, reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 48.9 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

As of the end of fiscal year 2013 through increased efforts between HUD's Office of Field Operations and PHAs, the Department increased public housing occupancy to more than 1.091 million units. The program's increased occupancy highlights the Department's focus on making the most efficient use of program resources. Working with HUD, PHAs have become even more successful at ensuring that all affordable housing resources are available to meet surging demands within their community. As a consequence of the recent recession and foreclosure crisis, increasing numbers of families face shrinking household incomes, altered employment opportunities, and are more likely to rent rather than own their home.

The Department has been working toward several goals identified in its Strategic Plan. While achievement of these goals depends on strong performance across several programs, adequate funding of the public housing program is critical to success in several key areas:

- "Meet the Need for Quality Affordable Rental Homes" (Goal 2);
- "Utilize Housing as a Platform of Improving Quality of Life" (Goal 3); and
- "Build Inclusive and Sustainable Communities Free From Discrimination" (Goal 4).

Not only would funding at a lower level potentially reduce the number of families served, it will also lead to the following negative consequences:

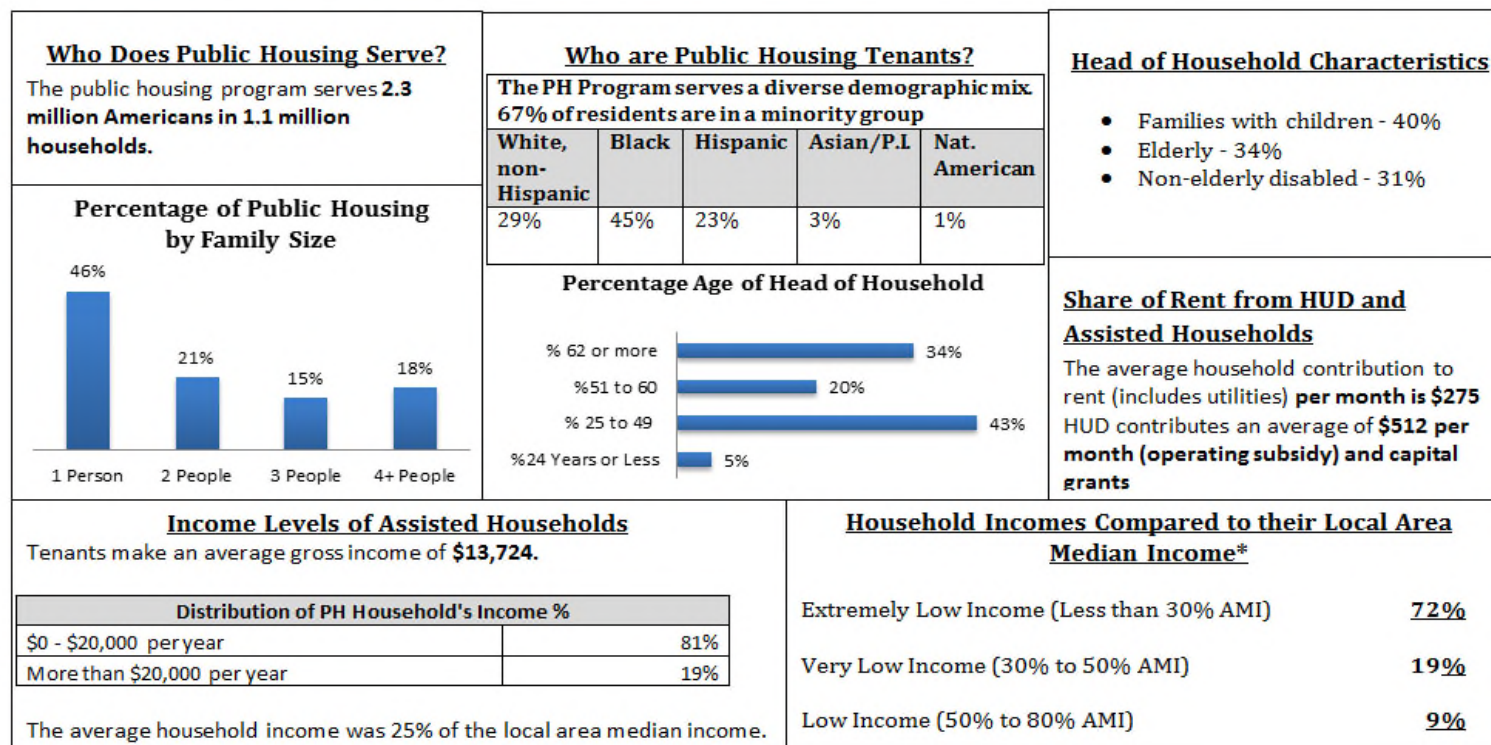
Public Housing Operating Fund

- Diminished quality of life for residents;
- Increased capital needs;
- Longer periods of vacancy;
- Increased worst-case housing needs and homelessness;
- Diminished community security; and
- Job losses.

Further, funding at a lower level may also undermine the capacity of PHAs to address their properties' capital needs through conversion under HUD's Rental Assistance Demonstration (RAD). While PHAs can voluntarily convert to project-based Section 8 funding under RAD, Congress provided no additional, incremental subsidy to facilitate such conversions. Properties convert at their existing subsidy levels, which — in the interest of preservation — must be demonstrably adequate to address capital needs without undermining long-term operating sustainability. To the extent existing subsidy levels are reduced, it will reduce the pool of public housing properties that are eligible for conversion through RAD.

Public Housing Operating Fund

Public Housing Program Tenant Characteristics



HUD's income limits are adjusted based on actual median incomes for the state and locality (metropolitan area).

*30 percent of AMI is approximately \$19,170 per year for a 4-person household, (national estimate - adjusted based on actual state and local incomes) and \$13,420 for a single person. Note, that the US national poverty guideline for 2014 was set at \$23,850 for a 4-person household (the guidelines are not adjusted locally, but provide a single limit for the 48 contiguous states and DC).

4. How do we know this program works?

As part of the Department's goal in fiscal years 2011 and 2012, the Department increased occupancy within the Public Housing program by over 21,000 additional families. The program has achieved a sustained 96 percent occupancy rate, which is beyond the level commonly attained within the rental housing market. Our goal is to maintain this higher occupancy rate and not lose ground as we continue to maximize the availability of this important affordable housing resource.

The Department intends to take measures to meet this goal that will not only serve more families, but will also improve the overall management and oversight of the program. While working toward identifying goal targets, the Department completed a thorough analysis of its policies, a comprehensive review of data, and other steps needed to increase capacity building. Moving forward, this new information will enable the Department to be more confident in linking performance standards to the budget request.

Additionally, HUD will continue its work to increase the supply of energy-efficient affordable housing units and promote green and sustainable housing practices. HUD exceeded its most recent two-year Annual Performance Goal of 159,000 energy efficient and healthy units, by completing 161,400 units of which almost half (78,000) were public housing units.

Metrics used to measure the performance of Public Housing include the Enterprise Income Verification (EIV) System and the Public Housing Assessment System (PHAS), which collectively measure the level of improper payments, physical state of units, and the financial condition of the organizations. HUD will continue to take aggressive steps to address the causes of improper rental housing assistance payments and ensure that the right benefits go to the right people. To ensure attainment of the aforementioned goals, HUD is focusing on the PHAs, owners, management agents, and contract administrators' compliance with the mandated EIV system use to further reduce income reporting errors.

HUD Oversight, Monitoring, and Risk Assessment of PHAs

PIH has recognized that a more proactive risk analysis and identification model is necessary in order to facilitate earlier detection of problems, target interventions and improve oversight at PHAs. Accordingly, PIH is continuing to move forward with the Comprehensive National Risk Assessment and the Public Housing Agency Recovery and Sustainability initiative (PHARS). Other proposed improvement initiatives include the Compliance Monitoring pilot and revisions to Section 6(j) in fiscal year 2015. Collectively, PIH believes these efforts will improve its ability to oversee and monitor the more than 4,000 PHAs that administer these programs.

Public Housing Operating Fund

This strategy prioritizes PHAs nationally based on risk with an emphasis on recent data and historic trends. Using quantitative and qualitative analysis to determine financial, physical, governance, and management risk PIH will develop mitigation strategies to address the risk based on the severity and available resources. The mitigation strategy, built from the PHARS model, a place-based approach to turning around troubled and substandard PHAs, which focused on identifying the root cause and executing a recovery strategy focused on outcomes.

Field Offices will focus on individual PHAs with the greatest risk at both the entity and project level using both on-site and remote monitoring tools. For the Public Housing program, and specific to the Operating Fund, this will include looking at occupancy rates, as well as metrics like tenant account receivables and physical inspection scores.

The primary source of data for the Public Housing program is the PIH Information Center (PIC) system. The Department has been working toward clarifying definitional boundaries in the PIC system through the development of stricter protocols, particularly for analyzing vacancy data. Program monitoring directives such as this provide the greatest potential for success in optimizing Public Housing funds. The Department will continue to work to validate data entered into the PIC system on a routine basis, to guarantee the quality, accuracy and reliability of the data, which drives policy and program decisions at the national level.

5. Proposals in the Budget

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at \$23 million). This provision would generate estimated savings of \$23 million in fiscal year 2016. The change would increase the threshold for the deduction of medical and related care expenses from 3 to 10 percent of family income. This provision was included in the Department's fiscal year 2015 budget request, and is repeated for 2016. (SEC. 229)
- Provide Additional Operating/Capital Fund Flexibility. The 2016 Budget proposes to allow PHAs with more than 250 public housing units greater flexibility to use their public housing Operating and Capital funds interchangeably. In addition, HUD is proposing to allow PHAs the flexibility to use their Operating Reserve funds not only for operating purposes, but also for capital improvements.

Larger PHAs are restricted to using funds from Capital Fund and Operating Fund grants for the prescribed eligible uses of §§ 9(d) and (e), respectively, of the 1937 Act irrespective of the nature of an individual PHA's needs, except that they may use up to 20 percent of their annual capital grants for eligible Operating Fund expenses.

Public Housing Operating Fund

Specifically, the 1937 Act limits the use of Operating Funds for capital improvements to only paying debt service rather than for direct expenditure on the capital improvements, even when available Operating Funds are sufficient to meet the need. As a result, PHAs must pay financing charges to use existing funds for rehabilitation and development of the housing stock. Typically, these transactions are fully collateralized with on-hand operating reserves, meaning the PHA is effectively paying the financing fees and incurring a liability to access their funds HUD. With a \$26 billion backlog in capital needs, PHAs need greater flexibility to address as much need as possible with the limited resources available.

HUD proposes to allow PHAs with more than 250 public housing units to transfer up to 30 percent of their Capital Funds to their Operating Fund. PHAs would be allowed to use these funds for operating expenses. In addition, such PHAs would be allowed to use their operating reserves for capital expenditures.

This proposal would not increase HUD or PHA expenditures, but shift funding. Based on the fiscal year 2014 allocation of funds, this would impact 791 PHAs. Using the fiscal year 2016 request for funding, approximately \$162 million could be transferred from the Capital Funds of these PHAs to their Operating Funds and Operating Fund reserves.(SEC. 223)

- Expand the MTW Program to High-Capacity PHAs. In partnership with HUD, participating PHAs will design and implement innovative policies related to housing preservation, family self-sufficiency, mobility, cost-effectiveness and other priority areas. Key tenant protections will continue to apply and PHAs will be subject to rigorous reporting and evaluation requirements. Up to fifteen PHAs, managing no more than 150,000 combined Housing Choice Voucher and Public Housing units, would be selected competitively.(SEC. 242)
- Allow for triennial recertification of fixed income households. This proposal would apply to HCV, Project-Based Rental Assistance, and public housing. Similar to proposals found in earlier comprehensive voucher program reform bills, it would authorize PHAs and owners to recertify fixed-income families every 3 years. Eligible families would be defined as those families for whom at least 90 percent of income is from sources such as Social Security; federal, state, local, and private pension plans; and the supplemental security income program. If implemented, this policy change would significantly reduce administrative burden on PHAs and owners. It is estimated that more than half of all public housing households can be classified as elderly or disabled households, and are likely to be fixed income families.(SEC. 243)
- Utility Conservation Pilot. HUD proposes to implement a pilot program modeled on the Operating Fund's Frozen Rolling Base with a portion of the savings accruing to the federal government. The objectives are to:
 - Extend energy incentives to a broader range of PHAs,

Public Housing Operating Fund

- Reduce the amount of financing that would be required to implement repairs, and
- Significantly streamline the application process.

The Department believes more PHAs will be able to undertake energy conservation measures (ECMs) and reduce their energy consumption while also addressing a portion of public housing's \$26 billion backlog of capital needs. HUD is committed to helping PHAs find solutions to substantially reduce their utility and water consumption, thereby reducing program costs, as well as decrease their environmental impact. The Energy Performance Contracting (EPC) Program has been very successful at helping large and medium sized agencies leverage energy savings to finance ECMs. However, current budgets make the requirement to take on debt to finance repairs difficult. Further, many small agencies have been unable to secure financing based on the size of their transaction. This pilot could reduce the need to take on debt in many cases, and, potentially, eliminate the need entirely in others.

The Utility Conservation Pilot would allow PHAs to freeze their rolling base at current consumption levels if they commit to achieving a reduction in their energy consumption. The time period for freezing the base would be based on the percentage of reduction the PHA estimates it will achieve. The frozen rolling based would be reduced by 1 percent a year until it is equal to a PHA's actual consumption, for up to a maximum of 20 years.

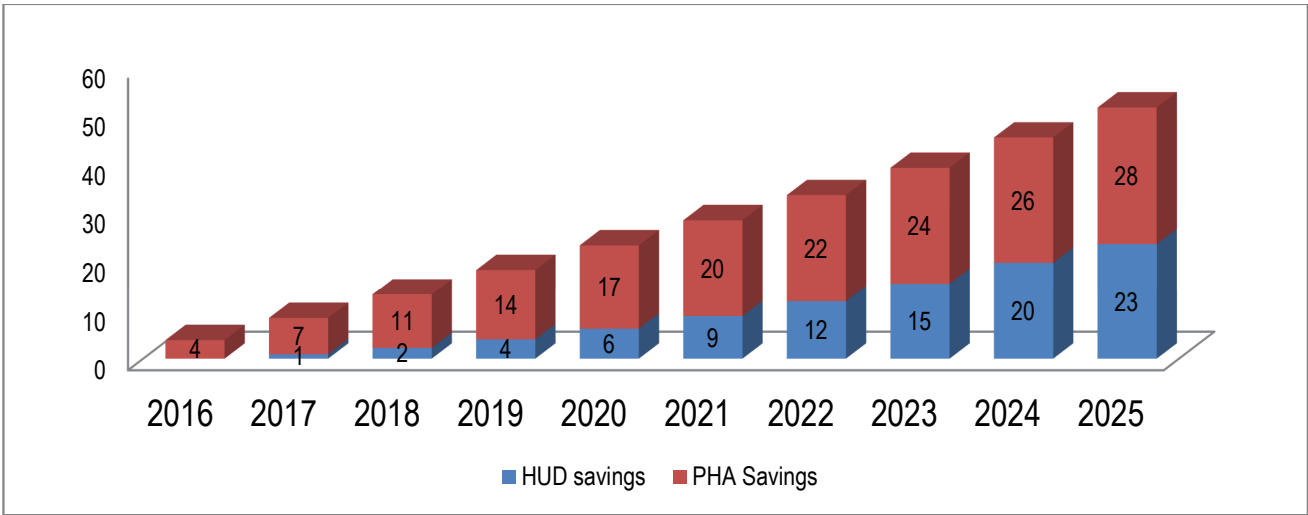
For example, if a PHA commits to achieve a 5 percent reduction in consumption, their utility reimbursement under the Operating Fund would gradually roll down over a period of 5 years. In year one, the PHA would receive 100 percent of the subsidy calculated using the frozen rolling base. In year 2, the PHA would receive 99 percent until finally, in year 6 the PHA's operating subsidy would reflect the PHA's actual energy consumption at 95 percent of their original consumption level.

Models for this pilot show estimated cost savings over 10 years from 2016 - 2025 of potentially \$265 million. Of these savings, HUD would retain 92 million over the 10 year period. This includes "avoided cost" savings of \$26.9 million due to replacing aging or failing equipment and facilities. PHAs will reduce their carbon emissions by 586,000 tons of CO² and the pilot stands to create 2,227 jobs over the 10 year period. These estimates are based on the following conservative assumptions:

- 2.5 percent or 28,436 public housing units will join the pilot annually starting in 2016 with 284,000 units over 10 years;
- PHAs achieve a reduction of energy consumption equivalent to 11 percent of total amount they spend on energy costs based on a multifamily archetype. 11 percent savings are achieved by year 12 which is the typical project term for current PHA ECM contracts;
- PHAs invest \$800 in capital costs per unit annually with a \$227 million investment over 10 years.(SEC. 244)

Energy Utility Cost Savings from PIH's Utility Conservation Pilot (\$M)

Including energy utility cost savings and avoided cost savings



Total Cumulative Savings (2016-25): \$265M
HUD Share: \$92M
HUD Share (energy utility costs): \$65M
HUD Share (avoided costs): \$27M

Public Housing Operating Fund

OPERATING FUND FORMULA ELIGIBILITY				
#	Description	Actual FY 2014	Estimate FY 2015	Estimate FY 2016
1	Non-Utility Expense Level (PEL)	\$5,309,075,417	\$5,489,252,759	\$5,567,428,656
2	Utilities	1,622,050,966	1,695,594,981	1,717,417,125
3	Less: Tenant Income	<u>(2,976,777,747)</u>	<u>(3,001,834,626)</u>	<u>(3,080,892,122)</u>
4	Public Housing Operating Fund Base (line 1-3)	3,954,348,636	4,183,013,114	4,203,953,659
5	MTW Alternative Formula Grant, PHAs not in Base	\$535,094,450	\$553,350,205	\$568,694,468
6	Public Housing Add-ons			
7	Elderly/Disabled Coordinators	\$16,442,843	\$17,038,074	\$17,545,809
8	Resident Participation	\$25,550,775	\$25,499,409	\$25,114,160
9	Energy-Add On for Loan Amortization	\$43,754,554	\$45,338,469	\$46,689,555
10	Payments in Lieu of Taxes	\$139,613,869	\$144,667,891	\$148,978,994
11	Cost of Independent Audit	\$24,871,148	\$25,771,484	\$26,539,474
12	Asset Management Fee	\$38,937,854	\$38,859,576	\$38,272,480
13	Information Technology Fee	\$26,003,546	\$25,951,270	\$25,559,194
14	Asset Repositioning Fee	\$47,078,343	\$48,782,579	\$50,236,300
15	Mutual Help and Turnkey Units	\$169,068	\$175,188	\$180,409
16	Estimated Appeals		\$10,000,000	\$10,000,000
17	Stop Loss	<u>\$138,970,397</u>	<u>\$138,691,019</u>	<u>\$136,595,654</u>
18	Subtotal Operating Fund Base (line 4-17)	\$4,990,835,483	\$5,257,138,278	\$5,298,360,157

Public Housing Operating Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Operating Subsidy	\$4,398,668	...	\$4,398,668	\$4,396,021	\$4,388,000	...	\$4,388,000	\$4,506,314
PHA Financial Hardship Assistance .....	...	...	...	...	...	...	...	...
Rental Assistance Demonstration (transfer)	1,332	...	1,332	...	52,000	...	52,000	93,686
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[18,474]
Total	4,400,000	...	4,400,000	4,396,021	4,440,000	...	4,440,000	4,600,000

NOTES:

The Rental Assistance Demonstration transfers reflected are the estimated amounts needed in 2015 and 2016 to support public housing properties converting to the Section 8 platform in either the Tenant-Based or Project-Based Rental Assistance accounts in the first full year following conversion. In the second full year following conversion, those properties' units will be picked up as part of the Tenant-Based or Project-Based renewal formulas (e.g., units converting in 2014 are reflected in the PBRA and TBRA accounts in 2016).

Public Housing Operating Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For **[2015]** 2016 payments to public housing agencies for the operation and management of public housing, as authorized by section 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(e)), **[\$4,440,000,000]** \$4,600,000,000.

(Department of Housing and Urban Development Appropriations Act, 2015.)

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

PUBLIC HOUSING CAPITAL FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$1,875,000 ^a	\$83,006	...	\$1,958,006	\$1,861,112	\$2,149,052
2015 Appropriation	1,875,000 ^b	100,947 ^c	...	1,975,947	1,875,000	1,783,000
2016 Request	<u>1,970,000^d</u>	...	...	<u>1,970,000</u>	<u>1,970,000</u>	<u>1,884,000</u>
Program Improvements/Offsets	+95,000	-100,947	...	-5,947	+95,000	+101,000

a/ Includes an estimated \$582 thousand transfer from the Public Housing Capital Fund for implementation of the Rental Assistance Demonstration (RAD).

b/ Includes an estimated \$20 million that will be transferred for the implementation of RAD.

c/ Carryover includes \$96.7 million in actual carryover and \$4.2 million in recaptures realized in fiscal year 2014. Excludes carryover in the amount of \$284 thousands from 1974 to 1975 (Mandatory BA) that will be returned to treasury and is unavailable as a resource.

d/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$15 million of Budget Authority and an estimated \$31.6 million that will be transferred for the implementation of RAD.

1. What is this request?

The Department requests \$1.970 billion for the Public Housing Capital Fund, which is an increase of \$95 million from the 2015 enacted level. This request is comprised of:

- \$1.815 billion for Public Housing Capital Fund grants, the primary funding source for public housing rehabilitation and development (this amount is net of estimated \$31.6 million RAD transfer);
- \$100 million for the Jobs-Plus Pilot Initiative, an evidence-based strategy for increasing the employment opportunities and earnings of public housing residents;
- \$20 million for the Emergency and Disaster Reserve, which resolves capital needs arising from unforeseen emergency situations or non-Presidentially declared natural disasters; and
- \$3 million for Financial and Physical Assessment Support, which funds financial and physical assessment for rental housing assistance programs.

Key outcomes of the Capital Fund program are:

- Improving the quality of public housing;
- Increasing occupancy in public housing;

Public Housing Capital Fund

- Decreasing energy costs; and
- Leveraging federal resources.

Proposals in the Budget

- Provide Additional Operating/Capital Fund Flexibility;
- Expand the Moving-to-Work (MTW) Demonstration Program; and
- Authorize Tribally Designated Housing Entities to Administer a Jobs-Plus Program Using Jobs-Plus funds.

2. **What is this program?**

The Public Housing Capital Fund is a formula-driven program that serves as the primary source of funding for public housing rehabilitation and development by providing grants to approximately 3,100 public housing authorities (PHAs). It supports the Department's mission by enabling PHAs to provide safe, decent, and affordable housing to approximately 1.1 million households who cannot afford, or will not be served by, housing in the private market. More than 50 percent of these households consist of fixed-income seniors or families in which the head-of-household is a disabled person. Of the amount requested for fiscal year 2016, approximately \$1.815 billion will fund Public Housing Capital Fund grants. This is equivalent to 53 percent of the recommended annually accrued need.

Eligible uses of Capital Fund formula grants include, but are not limited to:

- Addressing deferred maintenance needs;
- Development, financing, and rehabilitation activities;
- Vacancy reduction;
- Resident relocation;
- Programs supporting economic self-sufficiency of public housing residents;
- Resident security and safety activities;
- Homeownership activities;
- Integrated utility management and energy saving measures; and
- Debt service due to unit rehab.

Public Housing Capital Fund

Accessing Private Capital. Recognizing the need to identify capital resources other than from direct grants, the Department was granted the authority to implement a Rental Assistance Demonstration (RAD). Under RAD, PHAs have the option to convert individual properties to the Section 8 program, enabling them to leverage private capital to address properties' capital backlog and to fund a capital replacement reserve for anticipated repair and replacement needs.

The Department will use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the fiscal year 2016 Operating Fund and Capital Fund appropriations to the Tenant-Based Rental Assistance (TBRA) or Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing units converting under RAD in calendar year 2015. In addition, through the Capital Fund Financing Program (CFFP), PHAs may pledge a portion of their future Capital Fund program grants as payment for debt service.

The viability of both RAD and CFFP depends on adequate funding of the Capital Fund program. Conversion rents for PHA participants in RAD are based on current funding; thus a reduction may impede conversions under RAD. A PHA's commitment to CFFP creditors must be honored first. The reduced appropriations of recent years have increased debt service coverage ratios at PHAs that entered into CFFP transactions in earlier years. The credit rating agencies have issued negative outlooks or downgrades on all outstanding CFFP bonds. As a result, PHAs wishing to enter into new transactions have faced increased interest rates and decreased expectations for future funding levels in the underwriting process.

Moving-to-Work. Moving-to-Work (MTW) is a demonstration program that provides PHAs 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. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their federal funds. MTW PHAs are expected to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.

Job-Plus Initiative. The Department requests \$100 million to support the Jobs-Plus Initiative, an evidence-based strategy for increasing the employment opportunities and earnings of public housing residents through a three-pronged program of employment services, rent-based work incentives, and community support for work. The increase in funding from the prior year will allow more PHAs to participate, including those with larger and higher cost developments. It will also potentially provide flexibility around program length and maximum grant size.

This approach, piloted in 1996, offers PHAs the additional resources needed to focus intensively on employment-related activities and incentives for residents. In the Jobs-Plus demonstration that ran from 1998 to 2003, residents in developments where the program was well-implemented earned about 14 percent more per year than residents in comparison developments. Subsequent

Public Housing Capital Fund

follow-up research by MDRC indicates that this earnings difference could be sustained—and could even grow—after the program ended.

Emergency and Natural Disaster Reserve. The Department requests up to \$20 million to be set aside in a reserve to make grants to PHAs for capital needs arising from emergency situations or non-Presidentially declared natural disasters. PHAs that suffer damage as a result of Presidentially-declared natural disasters are eligible to receive funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act.

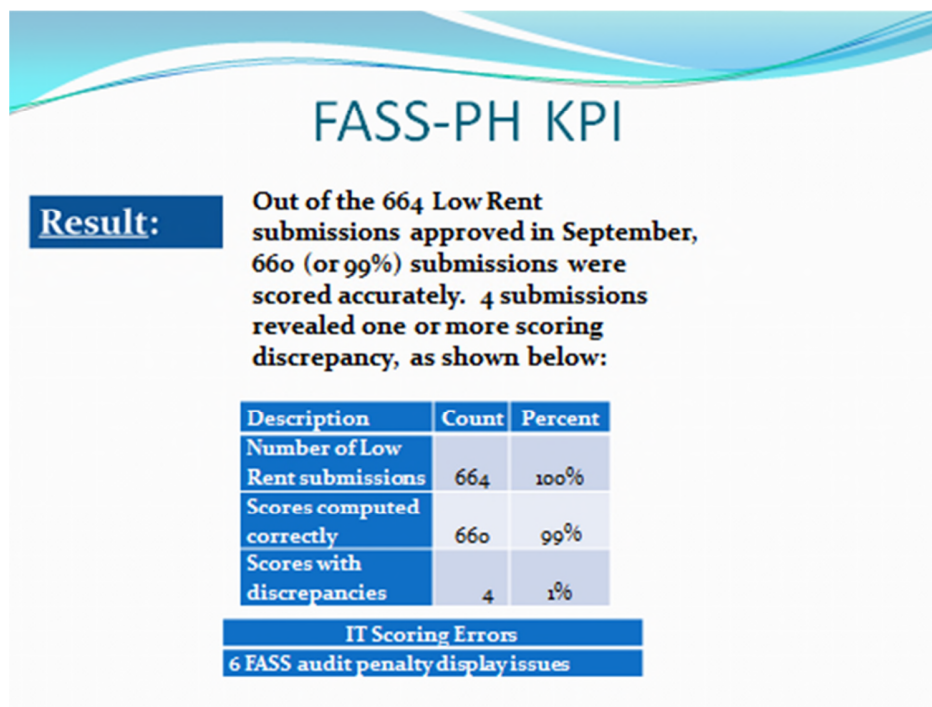
Financial and Physical Assessment Support. The Department requests up to \$3 million to support financial and physical assessment support for rental housing assistance programs. These activities are primarily performed by the Real Estate Assessment Center (REAC), which provides the Offices of Housing and Public and Indian Housing with timely and accurate assessments of HUD's assisted real estate portfolio using physical and financial assessments. The table below, which includes the fiscal year 2016 request, represents the Department's active plan for Financial and Physical Assessment Support for Rental Housing Assistance programs.

Public Housing Capital Fund

REAC Financial and Physical Assessment Obligations and Activities by Fiscal Year		
	FY 2015 (estimated)	FY 2016 (estimated)
Projected BA carryover into FY	\$17,557,320	\$9,575,881
Projected new BA in FY	5,000,000	3,000,000
Total funds available for FY (Carryover + new BA)	\$22,557,320	\$12,575,881
Estimated Obligations by Activity		
	FY 2015 (estimated)	FY 2016 (estimated)
Physical Assessments (Conduct physical inspections of PHAs, quality assurance reviews and provide reports.)	\$2,054,232	\$4,078,223
Financial Assessments (Conduct financial reviews of PHAs, audits, quality assurance reviews and provide reports.)	5,358,329	3,303,786
Program Support (All other activities such as R&D quality assurance, Technical Assistance Center, IMS/PIC to support the creation of Financial and Physical Assessments.)	5,568,878	5,176,336
Total funds obligated	\$12,981,439	\$12,558,345
Total Carryover into Next FY	\$9,575,881	\$17,536

Public Housing Capital Fund

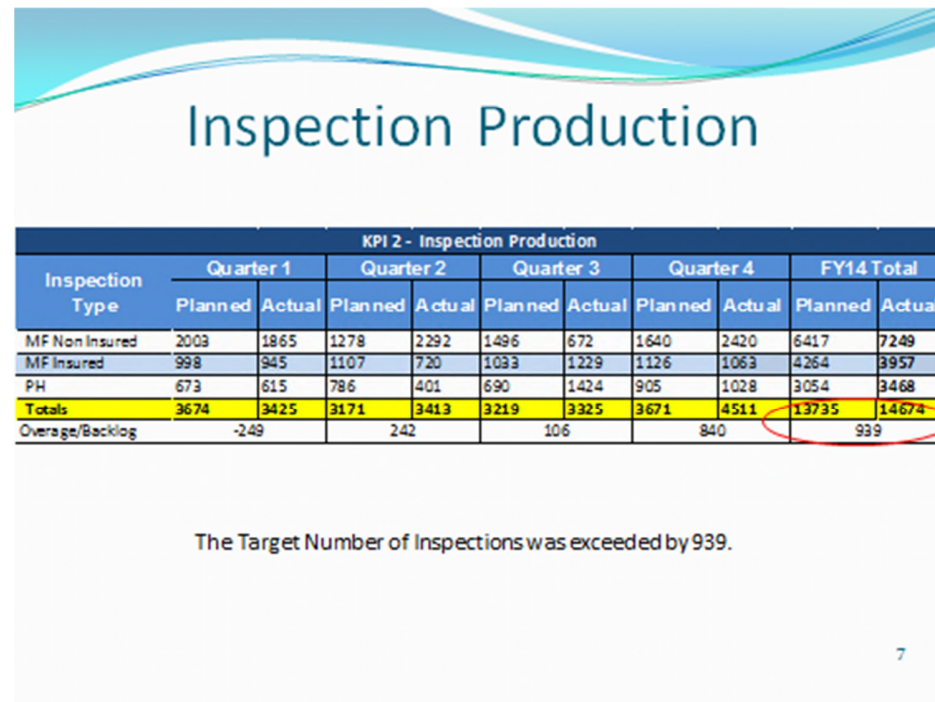
- Financial Assessment: The REAC Financial Assessment Subsystem for Public Housing (FASS-PH) assesses the financial condition of approximately 3,100 PHAs that receive HUD funds to manage and operate public housing units. In addition to assessing PHAs' financial health, FASS-PH conducts various analyses to aid in improving PHAs' financial outlook by identifying, addressing and mitigating risks. FASS-PH also receives comments from agencies' independent financial auditors. FASS-PH enables the Offices of Housing and PIH managers and decision-makers to determine where their customer support, assistance, and recovery assets are most needed. FASS-PH's independent calculations of project and PHA financial scores from approved submissions show 99 percent of system generated FASS-PH scores are accurate.



- Physical Assessment: REAC's Physical Assessment Subsystem (PASS) manages the physical assessment protocols required to evaluate the overall physical condition of approximately 7,200 Public Housing and 30,000 Multifamily

Public Housing Capital Fund

Housing properties that receive rental assistance or are insured by the Federal Housing Administration mortgage insurance program. Inspections are conducted periodically by Reverse Auction sourced inspectors using a risk-based approach, with the lowest scored properties being inspected annually. PASS completes 90 percent of target inspection production by inspection type (MF Non-Insured, MF Servicing Mortgagee and Public Housing).



REAC has introduced several tools and processes to improve the inspection procedure and outputs. The White House Physical Inspection Alignment project has conducted 1,200 aligned inspections, creating more inspection uniformity, reduced costs, and limited duplicative physical inspections performed by different government entities. Photo capability has put REAC's inspection program on par with commercial industry standards and is providing validation of the inspection results and clear evidence of housing deficiencies.

Public Housing Capital Fund

- Program Support: REAC also verifies the accuracy of reported resident income via the Enterprise Income Verification system to ensure that housing subsidies are paid accurately by managing a series of computer income matching procedures on residents living in HUD housing with the Social Security Administration and the Department of Health and Human Services.
- PHA Intervention: Based on the financial and physical assessments conducted through the FASS-PH and PASS and the use of that data to identify at-risk and troubled PHAs, REAC and the Office of Field Operations work collaboratively to identify those PHAs requiring targeted interventions based on the National Risk Assessment, which relies on the data provided from the FASS-PH and PASS subsystems.
- Administrative and Judicial Receiverships. Balances from prior fiscal years are sufficient to support the costs of administrative and judicial receiverships in fiscal year 2016; therefore, the Budget requests no additional funding for this activity.

PIH is establishing an Enterprise Risk Management (ERM) model based on the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) ERM integrated framework. Based on modern risk management best practices, the ERM model will enhance identification and prioritization of risk and management of appropriate mitigation strategies. The goal is to change the business processes of PIH offices allowing management to make better resource decisions, proactively develop strategies for addressing risks and embracing opportunities, and standardize risk management decision making criteria.

PIH continues to refine and implement a comprehensive national risk assessment tool and risk mitigation strategy to facilitate the early detection of problems, target intervention and improve oversight at both the entity and property level of PHAs. The National Risk Assessment tool combines data points from existing HUD systems with a qualitative staff survey completed by public housing field staff to determine the level of risk at a PHA. Preemptive measures, however, will not necessarily prevent receiverships from occurring.

A discussion of why a PHA might end up in receivership has been provided to the Committees on Appropriations in the annual report "Status of PHAs under Administrative and Judicial Receivership," submitted earlier this year. It also covers the types of technical assistance HUD provides. Since fiscal year 2013, PIH has engaged technical assistance providers for PHAs under receivership using contract procurement actions and competitively awarded cooperative agreements.

In fiscal year 2014, HUD transitioned three PHAs out of administrative receivership and back to local control: the Housing Authority of the City of Cocoa (HACC), the Virgin Islands Housing Authority (VIHA), and the Housing Authority of New Orleans (HANO). These transitions followed capacity building and technical assistance with an emphasis on governance, financial management, and asset redevelopment. The judicial receivership of the Housing Authority of

Public Housing Capital Fund

Kansas City also ended in 2014. The Detroit Housing Commission, Lafayette Housing Authority, East St. Louis Housing Authority and Wellston Housing Authority are each expected to transition to local control by the end of calendar year 2015.

Below is a breakdown of projected obligations and carryover.

Administrative and Judicial Receiverships Obligations and Activities by Fiscal Year		
	FY 2015 (Estimated)	FY 2016 (Estimated)
Total Carryover at FY Start	\$6,415,136	\$4,315,136
Budget Authority	\$3,000,000	\$0
Total funds available for FY (Carryover + BA)	\$9,415,136	\$4,315,136
Activities		
	FY 2015 (Estimated)	FY 2016 (Estimated)
Gary Housing Authority Recovery Administration	\$1,600,000	\$0
East St. Louis Repositioning	\$500,000	\$0
Community Compass Technical Assistance NOFA ¹	\$3,000,000	\$3,000,000
Total funds obligated	\$5,100,000	\$3,000,000
Total Carryover into Next FY	\$4,315,136	\$1,315,136
¹ FY 2014 Community Compass Technical Assistance NOFA obligations are anticipated to fund activities that include approximately \$1M in financial services technical assistance at Gary Housing Authority and \$2,000,000 in technical assistance at anticipated new receiverships.		

3. Why is this program necessary and what will we get for the funds?

Public housing is one of the few options for many of the nation's lowest-income families and helps prevent them from slipping into homelessness. However, more than half of the nation's public housing stock was constructed prior to 1970 and requires significant rehabilitation. The most recent Capital Needs Assessment (CNA), completed in 2010, estimated the backlog of unmet public housing capital need at approximately \$26 billion. The projected annual accrual of needs across the inventory is estimated to be at least \$3.4 billion per year on average over the next 20 years.

Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. HUD's forthcoming report to Congress, *Worst Case Housing Needs 2013*, reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 48.9 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

The rise in hardships among renters is due to substantial increases in rental housing demand and weakening incomes that increased competition for already scarce affordable units. Increased demand and static or shrinking supply have resulted in unprecedented wait times for housing assistance; as a result, many communities have closed their waitlists.

The Capital Fund remains essential to achieving this Administration's goals related to improving the quality of public housing, increasing occupancy in public housing, decreasing energy costs, and leveraging federal resources.

- Improving the quality of public housing. More than half of the nation's public housing stock was constructed prior to 1970; some as early as 1936. As a result, these units require significant rehabilitation work to bring them into a condition that is safe, decent, and sustainable. Despite the addition of replacement public housing units, there has been a net loss of over 135,000 public housing units since fiscal year 2000, representing an average loss of approximately 9,000 units annually. As units are lost, residents are displaced and housed through the Housing Choice Voucher program, likely at a higher cost per family over time. This request empowers PHAs to meet as many of their capital needs as possible in fiscal year 2016, given constraints in the current fiscal environment, while HUD continues to pursue long-term solutions to address properties' capital needs, such as through RAD and Choice Neighborhoods.
- Increasing occupancy in public housing. HUD's goal is to maintain occupancy of public housing units at 96 percent of available inventory. HUD is focused on the challenge of preserving the availability of quality affordable rental housing in order to provide a stable platform for low-wage families to improve their lives, preventing homelessness and reducing worst-case housing needs. In

Public Housing Capital Fund

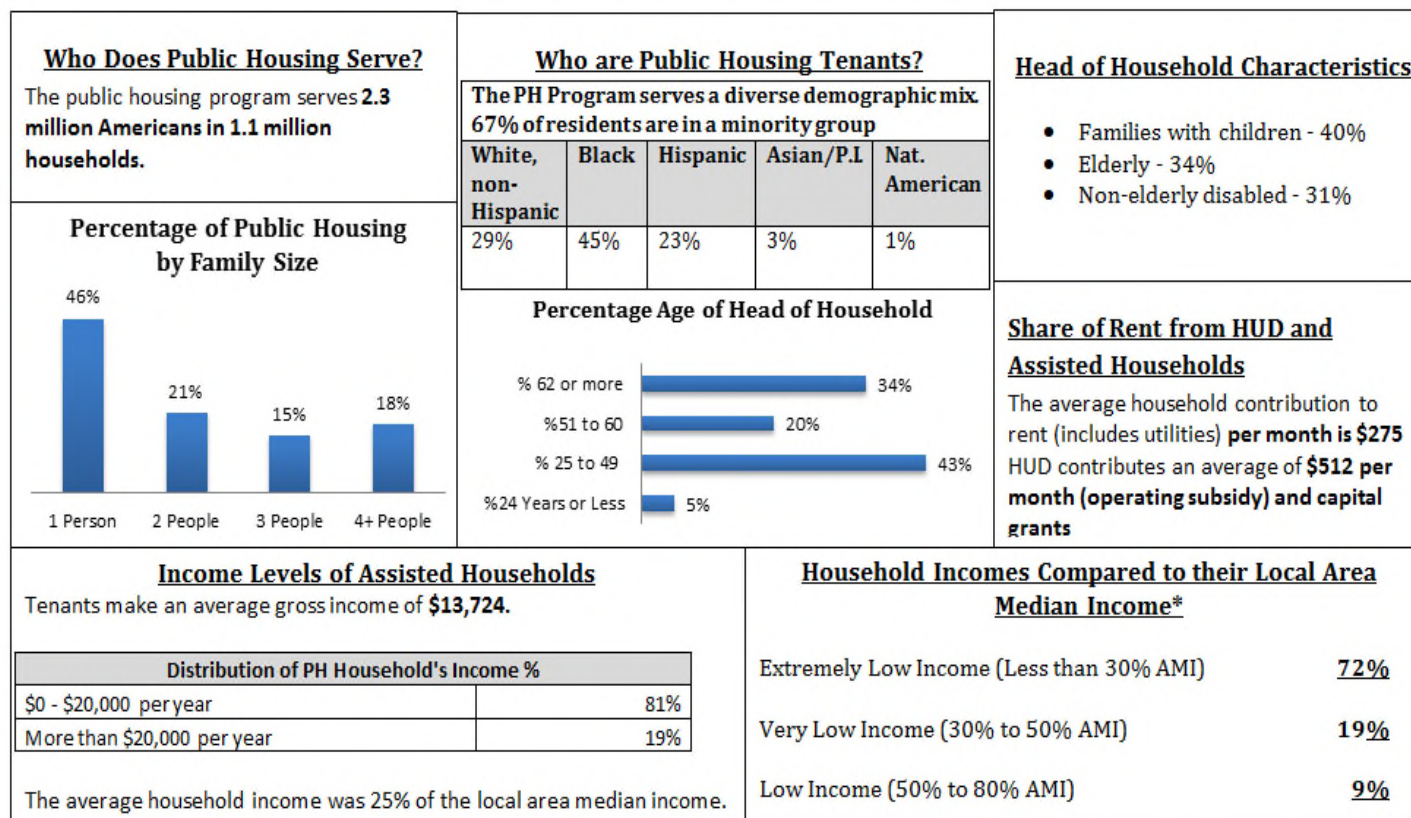
fiscal year 2014, more than 2,000 additional public housing units were developed, due in part to physical improvements made through Capital Fund programs. The fiscal year 2016 request is expected to enable HUD to continue providing housing resources for the additional families to whom access had been expanded in earlier years.

- Decreasing energy costs. As part of the Administration's climate plan, the Department is committed to expanding energy-efficient housing options. HUD's goal is to complete cost-effective energy, green, and healthy retrofits of 85,000 HUD-supported affordable homes in fiscal year 2015. In fiscal year 2014, the Capital Fund contributed to achieving this goal by enabling PHAs to make more than 5,493 units and unit equivalents more energy efficient, and build an additional 795 green units.
- Leveraging federal resources. Given the current federal fiscal environment, PHAs cannot meet needs by using only federal funds and must leverage outside investment. One of the programs created to achieve this purpose is the CFFP. HUD has approved approximately 186 transactions involving 246 PHAs through the CFFP. The total amount of loan and bond financing approved to date is approximately \$4.5 billion. The CFFP has evolved such that PHAs are further leveraging their Capital Fund dollars by utilizing the CFFP to obtain Low-Income Housing Tax Credits. Approximately \$2.5 billion worth of tax credits have been leveraged using CFFP funds.

The Capital Fund program is the only source of federal funding dedicated to addressing the rehabilitation and development needs of the public housing inventory. These funds contribute to the preservation of this public asset and the continued availability of housing to some of the nation's most economically vulnerable populations.

Public Housing Capital Fund

Public Housing Program Tenant Characteristics



HUD's income limits are adjusted based on actual median incomes for the state and locality (metropolitan area).

*30 percent of AMI is approximately \$19,170 per year for a 4-person household, (national estimate - adjusted based on actual state and local incomes) and \$13,420 for a single person. Note, that the US national poverty guideline for 2014 was set at \$23,850 for a 4-person household (the guidelines are not adjusted locally, but provide a single limit for the 48 contiguous states and DC).

4. How do we know this program works?

The most recent Capital Needs Assessment (CNA), completed in 2010, estimated the backlog of unmet public housing capital need at approximately \$26 billion. According to the 2010 CNA, the backlog need has not increased significantly since the 1998 CNA. This is attributable, in part, to the shrinking size of the public housing inventory and, in part, to expenditures from Capital Fund grants to meet needs at properties. The projected annual accrual of needs across the inventory is estimated to be at least \$3.4 billion per year on average over the next 20 years. The Capital Fund program has been successful at holding the aggregate condition of the inventory at a level consistent with the 1998 CNA to the extent it has been funded at levels enabling PHAs to meet annual need.

The following are examples of how we know that the Public Housing Capital Fund program is working:

The Capital Fund Helps Protect the Value of the Existing Public Housing Stock. Public housing constitutes an economic and social asset that cannot be created or sustained by the private market. Replacing this inventory would be cost prohibitive. The Capital Fund preserves as many of these units as possible to mitigate the heightened costs of future replacement. It is essential to protecting the economic value of the nation's public housing inventory and to serving some of the most economically vulnerable families.

Capital Fund Expenditures Contribute Significantly to Local Economies. Direct spending by PHAs on capital improvements, construction, maintenance, and operations totals approximately \$6.5 billion per year. This direct spending generates significant indirect economic activity in these communities.

The Capital Fund Helps PHAs Leverage Resources. As discussed earlier, the CFFP has been used to leverage more than \$4.5 billion of funding in 186 transactions. Additionally, Capital Funds have also been used to leverage other sources of funds to create public housing units. In fiscal years 2007 through 2014, \$2.12 billion in Capital Funds were invested in mixed-finance transactions to leverage \$7.9 billion in private and other public funding sources. A total of 165 PHAs closed 439 mixed-finance transactions during the 8-year period. These are significant accomplishments given the complexity of CFFP and mixed-finance transactions.

The Capital Fund Develops and Builds Green, Sustainable, and Accessible Communities. The Capital Fund enables PHAs to not only preserve and rehabilitate public housing units, but also to build energy- and cost-efficient public housing and to develop green and sustainable communities. By fiscal year 2016 HUD anticipates full implementation of the green Physical Needs Assessment (PNA) in public housing as identified in HUD's Strategic Plan.

Public Housing Capital Fund

Selected examples are summarized below.

- **Philadelphia (PA) Housing Authority ("PHA").** The PHA's LEED Gold Norris Apartments has been recognized for outstanding achievement by the Mid-Atlantic Regional Council of the National Association of Housing and Redevelopment Officials (NAHRO). Norris Apartments is PHA's first-ever LEED certified development, and meets nationally accepted standards for planning, design, construction, and operation of high-performance green buildings. Energy savings for the apartment units are projected at 29 to 39 percent, while the townhomes are projected to save 38 to 45 percent, compared to conventionally -built units. The design includes a small pocket park in the center courtyard that provides green space for residents while limiting rainwater runoff into the city sewer system. Norris Apartments is a transit-oriented development near the Temple University Station, a hub for all of SEPTA's regional rail lines, and is ideally located near a variety of educational services and the commercial corridor of Broad Street. The 51-unit redevelopment effort complements ongoing public and private development in the neighborhood and has attracted positive attention from students and private citizens in the area. PHA invested approximately \$45 million in Capital Funds leveraging over \$92 million in private and other public funds.
- **Pinellas County (FL) Housing Authority ("PCHA").** PCHA developed Pinellas Heights, a new mixed-finance, energy-efficient community for seniors with incomes below 60 percent of AMI. Funding for the \$24 million community included Capital Funds as well as funds from several other non-profit, public and private sources. Pinellas Heights features 153 units, including 21 public housing units. Pinellas Heights received the National Green Building Standards Silver designation. Energy efficient features will help those with limited incomes stretch their budgets, and key design elements will help to resist storms and foster the safety of the residents. In addition, Pinellas Heights has as a library, a computer lab, an exercise room, a dining room, meeting rooms, seating areas, and onsite management offices.

5. Proposals in the Budget

- Provide Additional Operating/Capital Fund Flexibility. The 2016 Budget proposed to allow PHAs with more than 250 units the flexibility to transfer up to 30 percent of Capital Funds to Operations; allow Operating Reserve Funds to be used not only for operating purposes, but also for capital improvements; and establish a Capital Fund Replacement Reserve to be held by Treasury in LOCCS.

Larger PHAs are restricted to using funds from Capital Fund and Operating Fund grants for the prescribed eligible uses of §§ 9(d) and (e), respectively, of the 1937 Act irrespective of the nature of an individual PHA's needs, except that they may use up to 20 percent of their annual capital grants for eligible Operating Fund expenses.

Public Housing Capital Fund

Specifically, the 1937 Act limits the use of Operating Funds for capital improvements to only paying debt service rather than for direct expenditure on the capital improvements, even when available Operating Funds are sufficient to meet the need. As a result, PHAs must pay financing charges to use existing funds for rehabilitation and development of the housing stock. Typically, these transactions are fully collateralized with on-hand operating reserves, meaning the PHA is effectively paying the financing fees and incurring a liability to access their funds HUD. With a \$26 billion backlog in capital needs, PHAs need greater flexibility to address as much need as possible with the limited resources available.

HUD proposes to allow PHAs with more than 250 public housing units to transfer up to 30 percent of their Capital Funds to their Operating Fund. PHAs would be allowed to use these funds for operating expenses. In addition, such PHAs would be allowed to use their operating reserves for capital expenditures.

This proposal would not increase HUD or PHA expenditures, but shift funding. Based on the fiscal year 2014 allocation of funds, this would impact 791 PHAs. Using the fiscal year 2016 request for funding, approximately \$162 million could be transferred from the Capital Funds of these PHAs to their Operating Funds and Operating Fund reserves.

Also, PHAs would be allowed to establish a capital reserve account. A Capital Fund Replacement Reserve account would allow PHAs to accumulate funds for large-scale capital expenditures identified in their Physical Needs Assessments. The reserve account would be held by the Treasury in LOCCS.

Replacement reserve accounts are routinely used in the private sector and are required for multifamily properties insured by the Federal Housing Administration. These accounts improve the ability of PHAs, especially small PHAs, to address their backlog of capital needs by allowing PHAs to accumulate sufficient funding across several years to engage in large capital projects without need of financing.

Establishing a replacement reserve account would be a voluntary option for PHAs. HUD has discussed this proposal with the industry, who support this concept in theory. It is unknown what percentage of PHAs would opt to use these accounts.

To facilitate this proposal, HUD is recommending eliminating the current 2-year obligation and 4-year expenditure requirements for Capital Funds placed in replacement reserve accounts. Instead, HUD would specify a new timeframe for expenditure of those funds, and would also establish a limit to the amount a PHA could maintain in its replacement reserve accounts. PHAs would identify the proposed use of the funds. (Section 223)

Public Housing Capital Fund

- Expand the MTW Program to High-Capacity PHAs. In partnership with HUD, participating PHAs will design and implement innovative policies related to housing preservation, family self-sufficiency, mobility, cost-effectiveness and other priority areas. Key tenant protections will continue to apply and PHAs will be subject to rigorous reporting and evaluation requirements. Up to fifteen PHAs, managing no more than 150,000 combined Housing Choice Voucher and Public Housing units, would be selected competitively. (Section 242)
- Authorize Tribally Designated Housing Entities to Administer a Jobs-Plus Program Using Jobs-Plus funds. HUD proposes to allow tribes and tribally designated housing entities (TDHEs) to administer a Jobs-Plus pilot program funded from the Jobs-Plus appropriation. This pilot program would be informed by the MDRC Jobs-Plus demonstration, and incorporate lessons learned from the Jobs-Plus program grants currently being competed. The core components of the program would remain the same – a rent incentive that encourages work, job promotion and training activities for tribal members and clients of TDHEs, and community support for work that involves saturation of the community with positive work messages. The pilot would be tailored to account for the specific needs of Indian Country. (Account Language)

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Formula Grants	\$1,786,418	\$20,495	\$1,806,913	\$1,802,789	\$1,764,000	\$11,274	\$1,775,274	\$1,815,432
Emergency/Disaster Reserve	20,000	8,451	28,451	21,204	23,000	4,530	27,530	20,000
Resident Opportunities and Supportive Services	45,000	17,394	62,394	17,378	45,000	45,175	90,175	...
Administrative Receivership .....	...	16,527	16,527	10,111	3,000	6,415	9,415	...
Financial and Physical Assessment Support ...	8,000	18,809	26,809	9,250	5,000	17,557	22,557	3,000
Tenant Opportunity ....	...	...	...	...	...	...	...	...
Jobs-Plus	15,000	...	15,000	...	15,000	15,000	30,000	100,000
Technical Assistance ..	...	1,330	1,330	380	...	996	996	...
Capital Fund Training and Education Facilities .....	...	...	...	...	...	...	...	...
Rental Assistance Demonstration (transfer)	582	...	582	...	20,000	...	20,000	31,568
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[14,972]
Total	1,875,000	83,006	1,958,006	1,861,112	1,875,000	100,947	1,975,947	1,970,000

NOTES:

The Rental Assistance Demonstration transfers reflected are the estimated amounts needed to support public housing properties converting to the Section 8 platform in either the Tenant-Based or Project-Based Rental Assistance accounts in the first full-year following conversion. In the second full-year following conversion, those properties' units will be picked up as part of the Tenant-Based or Project-Based renewal formulas.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) ("the Act"), [~~\$1,875,000,000~~] *\$1,970,000,000*, to remain available until September 30, [2018] *2019: Provided*, That notwithstanding any other provision of law or regulation, during fiscal year [2015] *2016* the Secretary of Housing and Urban Development may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) regarding the extension of the time periods under such section: *Provided further*, That for purposes of such section 9(j), the term "obligate" means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: *Provided further*, That up to [~~\$5,000,000~~] *\$3,000,000* shall be to support ongoing Public Housing Financial and Physical Assessment activities: [*Provided further*, That up to \$3,000,000 shall be to support the costs of administrative and judicial receiverships:] *Provided further*, That of the total amount provided under this heading, not to exceed [~~\$23,000,000~~] *\$20,000,000* shall be available for the Secretary to make grants, notwithstanding section 204 of this Act, to public housing agencies for emergency capital needs [including safety and security measures necessary to address crime and drug-related activity as well as needs] resulting from unforeseen or unpreventable emergencies and natural disasters excluding Presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.) occurring in fiscal year [2015: *Provided further*, That of the amount made available under the previous proviso, not less than \$6,000,000 shall be for safety and security measures: *Provided further*, That of the total amount provided under this heading \$45,000,000 shall be for supportive services, service coordinator and congregate services as authorized by section 34 of the Act (42 U.S.C. 1437z-6) and the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.)] *2016: Provided further*, That of the total amount made available under this heading, up to [~~\$15,000,000~~] *\$100,000,000* may be used for [incentives as part of] a Jobs-Plus [Pilot] initiative modeled after the Jobs-Plus demonstration: *Provided further*, That the funding provided under the previous proviso shall provide competitive grants to partnerships between public housing authorities, local workforce investment boards established under section 117 of the Workforce Investment Act of 1998, and other agencies and organizations that provide support to help public housing residents obtain employment and increase earnings: *Provided further*, That applicants must demonstrate the ability to provide services to residents, partner with workforce investment boards, and leverage service dollars: [*Provided further*, That the Secretary may set aside a portion of the funds provided for the Resident Opportunity and Self-Sufficiency program to support the services element of the Jobs-Plus Pilot initiative:] *Provided further*, That the Secretary may allow PHAs to request exemptions from rent and income limitation requirements under sections 3 and 6 of the United States Housing Act of 1937 as necessary to implement the Jobs-Plus program, on such terms and conditions as the Secretary may approve upon a finding by the Secretary that any such waivers or alternative requirements are

Public Housing Capital Fund

necessary for the effective implementation of the Jobs-Plus **[Pilot]** initiative as a voluntary program for residents: *Provided further*, That the Secretary shall publish by notice in the Federal Register any waivers or alternative requirements pursuant to the preceding proviso no later than 10 days before the effective date of such notice: **[Provided further**, That for funds provided under this heading, the limitation in section 9(g)(1) of the Act shall be 25 percent: *Provided further*, That the Secretary may waive the limitation in the previous proviso to allow public housing agencies to fund activities authorized under section 9(e)(1)(C) of the Act: **]** *Provided further, That of the amount provided for the Jobs-Plus initiative, the Secretary may set aside up to \$15,000,000 for competitive grants to Indian tribes and tribally designated housing entities, as defined in section 4(13) of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), to provide support to help residents of housing assisted under NAHASDA obtain employment and increase earnings: Provided further, That such assistance shall be modeled after the Jobs-Plus initiative, with necessary and appropriate adjustments made by the Secretary for NAHASDA grant recipients and families living on or near a reservation or other Indian areas: Provided further, That the Secretary may waive, or specify alternative requirements for, any provision of any statute that the Secretary administers in connection with the use of funds made available under this heading, upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective use of grants under the previous proviso and after publication in the Federal Register not later than 10 days before the effective date of such waiver or alternative requirement: Provided further*, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year **[2015]** 2016 to public housing agencies that are designated high performers[: *Provided further*, That the Department shall notify public housing agencies of their formula allocation within 60 days of enactment of this Act]. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE AMERICAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$650,000	\$43,940	...	\$693,940 ^a	\$665,398	\$747,378
2015 Appropriation	650,000	32,542	...	682,542 ^b	672,542	712,852
2016 Request	<u>660,000</u>	<u>10,000</u>	<u>...</u>	<u>670,000</u> ^c	<u>662,000</u>	<u>721,400</u>
Program Improvements/Offsets	+10,000	-22,542	...	-12,542	-10,542	+8,548

a/ Includes permanent indefinite authority of \$1.4 million for the Title VI program for upward re-estimates, and \$4.0 million in recaptures realized in fiscal year 2014.

b/ Includes permanent indefinite authority of \$4.0 million for the Title VI program for upward re-estimates.

c/ Includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or \$5 million, whichever is less, of Budget Authority.

1. What is this request?

The Department requests \$660 million for the two programs authorized by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), which are the Indian Housing Block Grant program and the Federal Guarantees for Financing Tribal Housing Activities program, also known as the "Title VI" loan guarantee program:

- \$658 million for the Indian Housing Block Grant, which is the primary program authorized by NAHASDA, and
- \$2 million for the Title VI loan guarantee program to be used as credit subsidy in support of loan guarantees.

This request is approximately 1.5 percent more than the fiscal year 2015 request of \$650 million. The increase will ensure that the current level of assistance can be maintained, and low-income American Indian and Alaska Native families will not be put at risk of losing safe, decent, affordable housing. Despite the program's consistent successes, the demand for affordable housing in Indian Country has increased year after year. Meanwhile, due to a number of years at level or decreased funding, inflation has steadily eroded the buying power of the block grants, making new development less feasible. Instead of constructing new homes, many

Native American Housing Block Grants

recipients are choosing to use their scarce funds to operate and maintain their current, aging stock, including "HUD homes" that were funded before IHBG was implemented (funded by the U.S. Housing Act of 1937).

This level of funding will support the following outcomes:

- Provide \$658 million in block grant funds to approximately 362 recipients representing 551 tribal entities in 34 States.
- Construct, acquire, or rehabilitate 4,415 homeownership units and 1,380 rental units (5,795 total units). This level of funding will also allow grantees to operate and maintain low-income "HUD units," funded before NAHASDA was enacted, which numbered approximately 48,766 in fiscal year 2014. It will also provide other housing services through the eligible activities recognized by NAHASDA.
- Guarantee up to \$17.5 million in loans with the \$2 million in requested credit subsidy for the Title VI loan guarantee program. IHBG recipients may use this program to borrow funds from private lenders to develop larger housing developments.

Key outcomes of the IHBG program are:

- Increases in quantity, quality, and energy efficiency of affordable homes in Indian Country;
- A greater number of large-scale housing developments using the Title VI program to borrow funds at market rates;
- Greater capacity of tribal housing entities to administer housing programs; and
- Enhanced sustainability of Native American communities.

2. What is this program?

The Indian Housing Block Grant (IHBG) program and the Federal Guarantees for Financing Tribal Housing Activities program are two programs authorized by the Native American Housing Assistance and Self-Determination Act of 1996 (P.L. 104-330, 25 U.S.C. 4101 *et seq.* "NAHASDA"). NAHASDA was reauthorized in 2008 through fiscal year 2013 (P.L. 110-411). The program is the principal means by which the United States fulfills its trust obligations to low-income American Indian and Alaska Natives to provide safe, decent, and sanitary housing. Further, IHBGs are the main source of funding for housing assistance in Indian Country.

IHBG is an annual formula grant that provides housing and housing-related assistance to low-income American Indians and Alaska Natives who live on Indian reservations or in other traditional Indian areas. The actual IHBG grant recipients are eligible tribal entities or their designated housing entities, which in turn deliver housing assistance to families in need. In addition to 566 federally recognized Indian tribes, five non-federally recognized Indian tribes with Indian housing authorities are eligible to

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participate in NAHASDA programs because they entered into contracts and received funding from HUD pursuant to the U.S. Housing Act of 1937, prior to the enactment of NAHASDA. These five state-recognized tribes were “grandfathered” into the IHBG program.

IHBG recipients have the flexibility to design and implement appropriate, place-based housing programs, according to local needs and customs. This fundamental provision of IHBG has proved to be extremely effective in Indian Country, where local conditions, needs, and cultures vary widely. Local control has empowered Indian community planners to strategically consider long-term housing development that makes sense for their particular circumstances, taking into consideration climate, geography, and their population’s needs and preferences. IHBG recipients also have the flexibility to leverage their federal dollars to access other sources of funds, which spurs further community and economic development.

Fundamentally, NAHASDA programs (the IHBG and the Title VI Guarantee program), recognize the rights of tribal self-determination and self-governance, and the unique relationship between the federal government and the governments of Indian tribes, established by long-standing treaties, court decision, statutes, Executive Orders, and the United States Constitution. The foundation of HUD’s partnership with federally recognized tribes is its government-to-government consultation policy, which includes a commitment to engage in formal negotiated rulemaking when appropriate, as when developing federal policies that have tribal implications.

IHBG Eligible Activities: The program allows grant recipients to develop and support affordable housing and provide housing services through the following seven eligible activities:

1. Development. The acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing, which may include real property acquisition, site improvement, development and rehabilitation of utilities, necessary infrastructure and utility services, conversion, demolition, financing, administration and planning, improvement to achieve greater energy efficiency, mold remediation, and other related activities.
2. Indian Housing Assistance. The provision of modernization or operating assistance for housing previously developed or operated pursuant to a contract between the Secretary and an Indian housing authority. “Indian Housing Assistance” refers to the operation and maintenance of “pre-NAHASDA,” or “1937 Act” HUD units.
3. Housing Services. Funds used to provide housing counseling for rental or homeownership assistance; establishment and support of resident management organizations; energy auditing; supportive and self-sufficiency services; and other related services assisting owners, residents, contractors, and other entities participating or seeking to participate in eligible housing activities.

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4. Housing Management Services. The provision of management services for affordable housing, including preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, the costs of operation and maintenance of units developed with funds provided by NAHASDA, and management of affordable housing projects.
5. Crime Prevention and Safety. Funding provided for safety, security, and law enforcement measures with activities appropriate to protect residents of affordable housing from crime.
6. Model Activities. The Department may approve housing activities under model programs that are designed to carry out the purposes of the Act and are specifically approved by the Secretary as appropriate for such purpose. Examples of model activities include: renovating a homeless facility in the community, providing rental subsidy for units developed under the low-income housing tax credits program, and developing a neighborhood park to be used primarily by low-income residents.
7. Administrative Expenses. Recipients may expend up to 20 percent of their grant funds for planning and administration, or 30 percent, if the annual IHBG is \$50,000 or less (24 CFR § 1000.238). Activities include administrative management, evaluation and monitoring, preparation of the Indian Housing Plan and Annual Performance Report, and staff and overhead costs directly related to carrying out affordable housing activities.

Title VI Program and Eligible Activities: Title VI of NAHASDA, "Federal Guarantees for Financing Tribal Housing Activities," established a loan guarantee program for IHBG recipients. Regulations are at 24 CFR PART 1000, Subpart E. The program guarantees repayment of 95 percent of unpaid principal and interest due on obligations. These guaranteed loans are for the IHBG recipients (Indian tribes and their tribally designated housing entities (TDHE)) that are in need of additional funds for housing activities.

The tribe or TDHE pledges future IHBG grant funds as security for repayment of the loan obligation to a private lender or investor who then provides lump sum project financing. HUD provides a guarantee to the lender or investor to repay all or a portion of the unpaid principal balance and accrued interest if a borrower fails to repay the debt and a default is declared.

The target for fiscal years 2015 and 2016 is to guarantee five loans each year. As of September 30, 2014, 80 guarantees for approximately \$207 million had been issued over the 15-year life of the program. Almost 3,000 affordable housing units or the supporting infrastructure have been financed with this funding. In fiscal year 2013, six loans were guaranteed, for a total of \$19.48 million. In fiscal year 2014, five loans were guaranteed, for \$14.42 million.

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The White House Council on Native American Affairs includes more than 30 federal departments and agencies, and coordinates the Administration's engagement with tribal governments. The President's national policy initiative advances the Administration's concerted efforts to restore and heal relations with Native Americans and strengthen the nation-to-nation relationship between the United States and tribal governments, bolstering the federal policies of self-determination and self-governance that will help American Indian and Alaska Native leaders build and sustain their own communities. As part of the President's commitment to Native Americans, HUD's Office of Native American Programs frequently collaborates with other federal agencies as well as state, local, non-profit, and for-profit entities that serve Indian Country. HUD has worked with such entities to address disaster recovery efforts in Indian Country and the lack of access to safe drinking water and basic sanitation.

3. Why is this program necessary and what will we get for the funds?

The lack of housing and infrastructure in Indian Country is severe and widespread, and far exceeds the funding currently provided to tribes. Access to financing and credit to develop affordable housing in Indian Country is often difficult to obtain.

The request will assist grantees in the construction, acquisition, and rehabilitation of at least 4,415 homeownership units and 1,380 rental units; and fund the operation and maintenance of approximately 48,000 HUD-funded housing units. The Title VI program will guarantee approximately five loans to develop affordable housing projects.

Since its first funding year in 1998, through fiscal year 2014, the IHBG program distributed about \$10.7 billion to approximately 360 recipients representing more than 550 tribal governments. Recipients have used those funds over the last 16 years to build or acquire more than 36,000 affordable homes, and rehabilitate more than 71,000 (in addition to other housing assistance activities, such as operation and maintenance); however, experts in the late 1990s estimated that Indian Country was in immediate need of 90,000 to 200,000 new affordable units. While IHBG is an effective program, it is able to address less than half of the immediate need.

Among the 566 federally recognized tribes, economic conditions vary widely; however most tribes suffer from high poverty rates. The IHBG formula shows, in the last 11 years (2003-2014):

- the number of low-income families in the IHBG formula areas grew by 39 percent, from 224,461 families, to 311,019 families;
- the number of overcrowded households, or households without adequate kitchens or plumbing, grew by 18 percent, from 91,032 households to 107,695 households; and
- the number of families with severe housing costs grew by 51 percent, from 42,401 families, to 64,235 families.

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The table below shows examples of the disproportion between the increases in development costs compared to the increases in the Indian Housing Block Grant over an 11-year period. The total development costs (TDCs) shown are for a modest 3-bedroom home. The NAHASDA appropriation for fiscal year 2003 was \$649 million. In fiscal year 2014, it was \$650 million. The 1.5 percent increase in fiscal year 2016 will ensure that the current level of assistance can be maintained for the pre-NAHASDA units, maintain the level of housing units, and the level of housing-related assistance to low-income American Indians and Alaska Natives who live on Indian reservations or in other traditional Indian areas in Indian Country.

Recipient/Tribe	2003 TDC	2014 TDC	% TDC Changed	2003 IHBG	2014 IHBG	% IHBG Changed
Navajo (AZ)	\$156,219	\$314,213	101%	\$92,530,695	\$85,990,708	-7.07%
Cherokee (OK)	\$130,576	\$256,598	97%	\$30,152,266	\$28,697,052	-4.83%
Cook Inlet (AK)	\$243,822	\$492,291	102%	\$14,778,007	\$15,702,500	6.26%
Pine Ridge (SD)	\$149,369	\$291,137	95%	\$9,915,277	\$11,499,720	15.98%
Blackfeet (MT)	\$150,343	\$315,296	110%	\$6,273,002	\$6,961,162	10.97%
Puyallup (WA)	\$189,848	\$372,059	96%	\$2,300,477	\$2,423,743	5.36%
Menominee (WI)	\$170,953	\$354,517	107%	\$2,631,825	\$2,620,899	-0.42%
Aroostook (ME)	\$156,920	\$299,392	91%	\$641,067	\$606,546	-5.4%

The U.S. Census American Community Survey 2006-2010 reports:

- 26.4 percent of American Indians and Alaska Natives live below the poverty level, compared to 13.8 percent of the national population.
- Of the American Indian and Alaska Native persons living on Indian lands, 11.6 percent live in overcrowded housing.

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- In selected American Indian counties in Arizona-New Mexico, there is a 16 percent overcrowding rate; in that same area, almost 10 percent of AIAN households have incomplete plumbing, and about 9 percent lack complete kitchen facilities.
 1. In selected Alaska Native counties in Alaska, there is a 22 percent overcrowding rate. In that same area, 18 percent of households lack complete plumbing, and 15 percent of households lack complete kitchens.

Overcrowding has negative effects on a families' health, especially children's health, and tends to exacerbate domestic violence, substance abuse, truancy, and poor performance in school. Homes suffer more wear and tear when they are overcrowded, and the over use of appliances coupled with poor ventilation can lead to conditions that promote mold growth.

Native American Housing Needs Study: In fiscal year 2014, HUD continued the ongoing comprehensive study on housing needs in Indian Country, including native communities in Alaska and Hawaii. This study, the *Assessment of Native American, Alaska Native and Native Hawaiian Housing Needs*, was mandated by Congress under the Consolidated Appropriations Act, 2010. It is being conducted by HUD's Office of Policy Development and Research and the Urban Institute. The Department budgeted \$4.0 million for the study, but that was increased to \$5.447 million in order to add a household survey in Hawaii and additional consultations.

The study, which has been underway since fiscal year 2011, examines housing needs through several approaches, including: reviewing data from the 2000 and 2010 Decennial Censuses, and from the American Community Survey, conducting interviews with tribal leaders and with staff at the tribally designated housing entities, surveying Native American households, and analyzing the impact of the IHBG program. Another component of the study will be a separate report on Native Hawaiian housing issues. An ongoing commitment to the comprehensive and scientific research of housing conditions in Indian Country will be necessary to accurately measure and analyze the effects of this program. The study's final report is expected to be published in August 2015.

4. How do we know this program works?

Program Evaluations: A comprehensive, independent evaluation of the IHBG program was conducted in fiscal year 2009. The evaluators (ACKCO and Abt Associates) concluded that the program addresses the primary housing needs in Indian Country. However, the evaluators pointed out that, "It is clear that for most tribes, the magnitude of housing problems dwarfs the resources available from IHBG." The final report noted that, in fiscal year 2008, about two-thirds of tribes received grants of less than \$500,000. When the researchers asked tribal housing administrators about the ability of the IHBG program to address local housing needs, all 28 respondents were consistent in their response. They praised the program, saying that the structure of the program is good and offers sufficient flexibility for addressing a variety of housing needs.

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A comprehensive, independent evaluation of the Title VI Loan Guarantee program was conducted in fiscal year 2008. The evaluators (ACKCO and Abt Associates) concluded, "Overall, the impact of the Title VI loan guarantee program on tribal members, tribes, and surrounding communities has been significant. Tribal members have greater access to affordable housing opportunities, which has engendered a sense of pride and independence among tribal members. Among tribes, the program addressed their most pressing housing conditions, provided critical learning opportunities to understand the housing development process, and created access to private financing markets that otherwise would not have been available to tribes. The program has also affected surrounding communities by improving the community's aesthetics and increasing the community's skill base."

In February 2010, the Government Accountability Office (GAO) published its Report to Congressional Committees on Native American Housing. That report stated: "Most grantees that we [GAO] surveyed and interviewed view NAHASDA as effective, largely because it emphasizes tribal self-determination. Grantees feel the program has helped to improve housing conditions and increase access to affordable housing . . . The concept of tribal self-determination is fundamental to the administration of this program, and its practice has resulted in efficient and effective uses of funds that are appropriate for each community. The somewhat paternalistic programs of the past, in which a national HUD office mandated how much, where, and what types of housing assistance should be provided, were primarily designed for urban areas, and generally did not work well in Indian Country. In contrast, applying the concepts of local control and tribal self-determination to the block grant program has been warmly received by tribal officials and has resulted in well run, innovative housing programs."

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The chart illustrates the number of affordable housing units built, acquired, and rehabilitated since fiscal year 2007 (figures for fiscal years 2015 and 2016 represent targets for those years):

Fiscal Year	Number of Units Built or Acquired	Units Rehabilitated	Total Units
FY 2016 (target estimated based on \$660 m request)	1,874	3,921	5,795
FY 2015 (target estimated based on \$650 m request)	1,874	3,921	5,795
FY 2014	971	3,716	4,687
FY 2013	1,359	4,128	5,487
FY 2012	2,290	4,576	6,866
FY 2011	2,140	5,537	7,677
FY 2010	2,082	3,485	5,567
FY 2009	2,849	4,942	7,791
FY 2008	2,715	3,859	6,574
FY 2007	2,683	3,974	6,657

*data was current as of October 28, 2014

Training and Technical Assistance for Program Recipients: Technical assistance and training are particularly necessary in most Indian communities due to many factors, including the complexity of financing when trust land is involved, and issues related to sparse, low-income populations, remote locations, and intergovernmental considerations. HUD highlights and promotes best practices that support development in Indian Country, and encourages innovative methods of construction, management, and finance. Training and technical assistance are provided to tribes and tribally designated housing entities to build their capacity to deliver affordable housing programs. Training and technical assistance are provided to residents of low-income housing to increase their self-sufficiency and life skills. Efforts include supporting green building, energy efficiency efforts, resource conservation, mold prevention and remediation, and responsible homeownership. In fiscal year 2016, it is anticipated that HUD will offer training related to these

Native American Housing Block Grants

programs, including overall development and financial planning, housing services, and the advantages of leveraging NAHASDA funds with other homeownership programs. In fiscal year 2014, HUD provided training to more than 640 persons at 23 events, covering topics essential to program administration: Procurement, Environmental Review, NAHASDA Essentials, Title VI Loan Guarantee, Board of Commissioners training, Indian Housing Planning, and Annual Performance Reporting.

In addition to the training classes, 65 tribes received customized, on-site technical assistance in fiscal year 2014—about twice as many as received technical assistance the year before. Topics included transitional housing, self-monitoring, tribally determined wage rates, environmental review, contracts, housing directors, strategic planning, procurement, financial management, administration, mold/moisture, NAHASDA, Indian Housing Plan, audits, rehabilitation, long-term planning, policies/procedures, admissions, occupancy, construction, low-income tax credits, and grant writing.

Native American Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Formula Grants	\$643,000	\$29,709	\$672,709	\$651,396	\$642,500	\$21,651	\$664,151	\$658,000
Loan Guarantee - Title								
VI (Credit Subsidy) ..	2,000	5,212	7,212	1,440	2,000	5,772	7,772	2,000
Technical Assistance ..	2,000	7,124	9,124	7,667	2,000	224	2,224	...
National or Regional								
Organization	3,000	1,895	4,895	4,895	3,500	4,895	8,395	...
Transformation								
Initiative (transfer)	...	...	...	...	...	...	...	[5,016]
Total	650,000	43,940	693,940	665,398	650,000	32,542	682,542	660,000

Native American Housing Block Grants

PUBLIC AND INDIAN HOUSING NATIVE AMERICAN HOUSING BLOCK GRANT Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the Native American Housing Block Grants program, as authorized under title I of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4111 et seq.), [~~\$650,000,000~~] *\$660,000,000*, to remain available until September 30, [~~2019~~] *2020*: *Provided*, That, notwithstanding the Native American Housing Assistance and Self-Determination Act of 1996, to determine

the amount of the allocation under title I of such Act for each Indian tribe, the Secretary shall apply the formula under section 302 of such Act with the need component based on single-race census data and with the need component based on multi-race census data, and the amount of the allocation for each Indian tribe shall be the greater of the two resulting allocation amounts: [*Provided further*, That of the amounts made available under this heading, \$3,500,000 shall be contracted for assistance for national or regional organizations representing Native

American housing interests for providing training and technical assistance to Indian housing authorities and tribally designated housing entities as authorized under NAHASDA: *Provided further*, That of the funds made available under the previous proviso, not less than \$2,000,000 shall be made available for a national organization as authorized under section 703 of NAHASDA (25 U.S.C. 4212): *Provided further*, That of the amounts made available under this heading, \$2,000,000 shall be to support the inspection of Indian housing units, contract expertise, training, and technical assistance in the training, oversight, and management of such Indian housing and tenant-based assistance, including up to \$300,000 for related travel:] *Provided further*, That of the amount provided under this heading, \$2,000,000 shall be made available for the cost of guaranteed notes and other obligations, as authorized by title VI of NAHASDA: *Provided further*, That such costs, including the costs of modifying such notes and other obligations, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: *Provided further*, That these funds are available to subsidize the total principal amount of any notes and other obligations, any part of which is to be guaranteed, not to exceed [~~\$16,530,000~~] *\$17,452,007* [: *Provided further*, That the Department will notify grantees of their formula allocation within 60 days of the date of enactment of this Act]. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

INDIAN HOUSING LOAN GUARANTEE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$6,000	\$111,594	...	\$117,594 ^a	\$111,710	\$114,086
2015 Appropriation	7,000	5,884	...	12,884	12,884	8,184
2016 Request	<u>8,000</u>	<u>...</u>	<u>...</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
Program Improvements/Offsets	+1,000	-5,884	...	-4,884	-4,884	-184

a/ Total resources, obligations and outlays include permanent indefinite authority of \$107 million for guaranteed loan upward re-estimates, and approximately \$75 thousand in recaptures realized in fiscal year 2014.

1. What is this request?

The Department requests \$8 million for fiscal year 2016 for the Indian Housing Loan Guarantee program (also known as the Section 184 program), which is a \$1 million increase from the 2015 enacted level. Of the requested amount:

- The Department plans to use \$7.25 million in credit subsidy to support \$1.15 billion in loan guarantee volume based on a subsidy rate of 0.63 percent. However, the Budget requests \$1.27 billion in commitment authority in case program demand necessitates the use of additional credit subsidy (up to the \$8 million request); and
- Up to \$750,000 is requested for administrative contract expenses in support of management processes.

The program makes it possible for Indian tribes, Indian housing authorities, and tribally designated housing entities to promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The program allows Native Americans from across the income spectrum the opportunity to purchase quality housing in their native community. Tribes can also use the program to diversify the type of housing on native lands by developing housing for homeownership or as long-term rentals, without affordability restrictions.

Indian Housing Loan Guarantee Fund (Section 184)

Key outcomes of the Indian Housing Loan Guarantee Fund are:

- Convenient access to market-rate lending for home mortgages in Indian Country;
- Mortgage lenders serving borrowers and community developers in Indian Country; and
- An adequate supply of housing in Indian Country for middle- and higher income residents, sufficient to relieve overcrowding.

Proposals in the Budget

- Authority to get indemnification from lenders participating in the direct guarantee program
- Authority to allow lenders to be terminated from the program for poor performance
- Redefine the term "Indian" and "Indian Tribe" to be consistent with the Native American Housing Assistance and Self-Determination Act (NAHASDA)

2. What is this program?

The Indian Housing Loan Guarantee program is authorized by Section 184 of the Housing and Community Development Act of 1992, P.L. 102-550, enacted October 28, 1992, as amended. Regulations are at 24 CFR part 1005. The program addresses the special needs of American Indians and Alaska Natives by making it possible to achieve homeownership with market-rate financing. Historically, American Indians and Alaska Natives have had limited retail banking opportunities and limited access to private mortgage capital, primarily because much of the land in Indian Country is held in trust by the federal government. Land held in trust for a tribe cannot be encumbered or alienated, and land held in trust for an individual Indian must receive federal approval through the Bureau of Indian Affairs (an agency within the Department of the Interior) before a lien can be placed on the property.

This loan guarantee program maximizes a relatively minimal federal investment by insuring almost 4,000 loans each year, and by expanding markets for lenders. The program provides an incentive for private lenders to market loans to this traditionally underserved population by guaranteeing 100 percent repayment of the unpaid principal and interest due in the event of default. Lenders get the guarantee by making mortgage loans to American Indian and Alaska Native families, Indian tribes, and tribally designated housing entities to purchase, construct, refinance, and/or rehabilitate single family homes on trust or restricted land, and in tribal areas of operation. There is no income limit or minimum required to participate, but borrowers must qualify for the loans.

In 2013, more than 80 percent of the approved loans were underwritten by program-approved lenders, an increase of 20 percent over fiscal year 2012. In fiscal year 2014, "direct guarantee lenders" underwrote 85 percent of the loans that were approved. In fiscal year 2013, 3,852 loans were guaranteed for almost \$672.3 million. The average loan in fiscal year 2013 was approximately \$174,529. In fiscal year 2014, 3,449 loans were guaranteed for more than \$595 million. The average loan in fiscal year 2014 was \$172,517.

Indian Housing Loan Guarantee Fund (Section 184)

Ongoing collaboration with Ginnie Mae resulted in an increased percentage of Section 184 loans included in Ginnie Mae pools. HUD has expanded outreach and is working with financial institutions and credit unions that serve Native American communities to increase access to borrowers at the grassroots level. Expanding the secondary market will increase liquidity for these lenders. This growth is essential to the expansion of the program.

HUD intends to propose statutory changes to ensure the program's long-term viability. This includes clarification of key definitions; increased underwriting authority for mortgage lenders, with the inclusion of indemnifications; and loan modification options for those who fall behind on their mortgage. The program requires lenders to play an active role in servicing the loans. Early intervention and loss mitigation are vital tools for borrowers who are struggling to retain their homes in difficult economic times.

Presidential Initiatives and Interagency Partnerships: As part of the President's commitment to Indian Country, HUD and the Office of Native American Programs frequently collaborate with other federal agencies that serve Indian Country, especially the Bureau of Indian Affairs (BIA), the Indian Health Service (IHS), the Departments of Agriculture (USDA) and Energy (DOE), the Federal Emergency Management Agency (FEMA), and the Environmental Protection Agency (EPA).

HUD has collaborated extensively with the BIA to streamline the processes for obtaining Title Status Reports on trust land, which is necessary when tribes need to obtain leasehold interests on trust land properties. This effort will allow tribes to better manage their housing inventory, create better neighborhoods, and encourage economic growth. HUD also worked with BIA on the drafting of leasing regulations related to the Helping Expedite and Advance Responsible Tribal Homeownership HEARTH Act (2012), and will continue to work with BIA in the implementation of these regulations to make the leasing process more efficient for tribes and lenders.

3. Why is this program necessary and what will we get for the funds?

HUD continues to be the largest single source of financing for housing in tribal communities. This program is the primary vehicle to access mortgage capital in Indian communities. It makes it possible for tribes to promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The program gives Native Americans from across the income spectrum the choice of living in their native community.

Housing and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Data published by the U.S. Census (2006-2010 American Community Survey) shows American Indians and Alaska Natives disproportionately suffer from severe housing needs. Of the American Indian and Alaska Native persons living on Indian lands, 11.6 percent live in overcrowded housing, compared to a rate of 3.2 percent for all persons in the United States. In selected American Indian counties in Arizona-New Mexico, there is a 16 percent overcrowding rate. In selected Alaska Native counties in

Indian Housing Loan Guarantee Fund (Section 184)

Alaska, there is a 22 percent overcrowding rate. About 15.7 percent of the "AI/AN alone" (single-race) population in South Dakota was overcrowded, compared to only 2.1 percent of the total population in that state.

The U.S. Census defines overcrowding as 1.01 or more persons per livable room. Overcrowding is especially prevalent, and it is not uncommon in some Indian communities for two or three extended families to share the same home. Overcrowding has negative effects on a family's health, especially children's health, and tends to exacerbate domestic violence, substance abuse, truancy, and poor performance in school. Homes suffer more wear and tear when they are overcrowded, and the over-use of appliances coupled with poor ventilation can lead to conditions that promote mold growth.

According to the 2010 U.S. Census, 5.2 million Americans identified themselves as American Indian or Alaska Native (Race Alone or in Combination with One or More Other Races). This was 1.7 percent of the total national population of 308.7 million. (2.9 million reported they were "American Indian/Alaska Native Alone," or "single-race.")

Demand for this program has outpaced the current statutory framework. In 20 years of operation, the program has guaranteed 26,250 loans; 3,449 in fiscal year 2014. As the program has grown over the last 15 years, HUD identified, and included in its budget request for fiscal year 2013, refinements needed to the authorizing statute. These included: 1) the authority to increase the up-front guarantee fee from one percent to a maximum of 3 percent; and 2) the authority to establish and collect annual premium payments in an amount not exceeding one percent of the remaining guaranteed balance.

In fiscal year 2015 HUD implemented a 0.15 percent annual premium payment in order to meet program demand without further increasing appropriations. The annual fee is payable each month as a component of the monthly mortgage payment, and impacts all loan applications issued on or after November 15, 2014. This is consistent with the Administration's desire for government-sponsored mortgage programs to be self-sufficient. Collecting the annual premium will reduce reliance on federal appropriations to offset the risks associated with loan guarantees and insurance programs.

4. How do we know this program works?

The primary indicator of performance is the number of loans guaranteed under this program. This verifiable output measure is a good indicator of the overall performance and strength of the program. This program:

- helps stem the foreclosure crisis by educating and counseling consumers when they buy or refinance a home, and by servicing delinquent loans;
- creates financially sustainable homeownership opportunities by making private financing accessible to a historically underserved population; and
- is establishing an accountable and sustainable housing finance system.

Indian Housing Loan Guarantee Fund (Section 184)

As of September 30, 2014, a total of 26,250 (cumulative over the 20-year life of the program) loans had been guaranteed, with loan guarantee authority of more than \$4.25 billion.

HUD expects the program to grow more than 15 percent in fiscal year 2015, as key secondary market participants return to asset-based lending, with an emphasis on government-insured and guaranteed products. In fiscal year 2016, with positive economic indicators and program growth trends, the program should be able to assist approximately 5,750 families with a guaranteed loan.

Indian Housing Loan Guarantee Fund (Section 184)

Indian Housing Loan Guarantee - Summary of Loan Activity

	<u>Actual</u> <u>2014^{a/}</u>	<u>Estimate</u> <u>2015</u>	<u>Estimate</u> <u>2016</u>
	(Dollars in Thousands)		
Number of Loan Commitments.....	4,110	4,863	5776
Number of Loans Endorsed.....	3,449	4,000	5750
Average Loan Size of Endorsed Loans	\$172	\$175	\$175
Number of Loans in Delinquent Status at End of Fiscal Year.....	1,400	1,750	1,750
Number of Loans that Defaulted in Fiscal Year	149	250	450
Total Number of Loans in Default	559	809	1,259
Loan Guarantee Commitment Limitation	\$708,799 ^{b/}	\$851,000	\$1,150,793
Subsidy Rate .....	.57	1.30	0.63

a/ Actual data as of 9/30/14.

b/ This is the amount of guaranteed loan commitments made; the fiscal year 2014 loan guarantee commitment limitation was \$1.818 million.

As it has each year since the program's inception, HUD will provide training and technical assistance to tribes, lenders, and individuals who participate or seek to participate in the program.

Program Evaluation: A comprehensive, independent evaluation of the program was conducted in 2007. It was procured with HUD funds, at the request of the Office of Management and Budget. The evaluators (ACKCO and Abt Associates) concluded that the Indian Housing Loan Guarantee program is viewed as an important vehicle for expanding home ownership in tribal communities. The final evaluation report says, "Based on our discussions with tribes and lenders, most potential borrowers did not have access to

Indian Housing Loan Guarantee Fund (Section 184)

mortgage lending before Section 184 became available. The borrowers we spoke to were satisfied with the support they received and with their homes and financing terms.”

5. Proposals in the Budget

The Department proposes the following general provisions to maximize Indian housing resources in order to improve housing conditions in Indian Country.

- Authority to allow lenders to indemnify HUD for losses on certain loans that were closed without HUD’s prior review. This proposal authorizes HUD to require lenders to indemnify HUD against losses when Section 184 loans are non-compliant with Section 184 program requirements. Similar authority is used in the Federal Housing Administration’s single family loan program, which is the federal mortgage product most similar to the Section 184 program. (Sec. 234)
- Authority to terminate lenders from the program. This proposal would allow HUD to terminate lenders from the program if they pose an unacceptable risk to the program. This proposal reduces the risk to HUD by removing high risk lenders. Similar authority exists for the Federal Housing Administration. (Sec. 234)
- Quality Control evaluation of lender portfolios has identified lenders whose portfolios had a number of technical errors. Although none of these reviews has produced enough errors to warrant enforcement action, HUD is concerned that future evaluations could identify a lender who is engaging in questionable practices. By strengthening HUD’s ability to terminate lenders from the program, HUD also will provide a deterrent against fraud and error by lenders.
- Redefine the terms “Indian” and “Indian Tribe” to be consistent with the Native American Housing Assistance and Self-Determination Act (NAHASDA). In the definition section of the current statute, the definition for the terms “Indian” and “Indian Tribe” are outdated. This proposal makes these definitions consistent with the Native American Housing Assistance and Self-Determination Act (NAHASDA). These are conforming changes with no significant impact on program operations or finances. (Sec. 235 and Sec. 236)

Indian Housing Loan Guarantee Fund (Section 184)

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Loan Guarantee Credit								
Subsidy	\$5,250	\$109,892	\$115,142	\$110,763	\$6,250	\$4,396	\$10,646	\$7,250
Transformation								
Initiative .....	...	...	...	110,763	...	...	...	...
Land Title Report								
Commision .....	...	99	99	...	...	99	99	...
Loan Guarantee								
Contracts	<u>750</u>	<u>1,603</u>	<u>2,353</u>	<u>947</u>	<u>750</u>	<u>1,389</u>	<u>2,139</u>	<u>750</u>
Total	6,000	111,594	117,594	222,473	7,000	5,884	12,884	8,000

Indian Housing Loan Guarantee Fund (Section 184)

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Appropriations Language**

The fiscal year 2016 Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the cost of guaranteed loans, as authorized by section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a), [~~\$7,000,000~~] *\$8,000,000*, to remain available until expended: *Provided*, That such costs, including the costs of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, up to [~~\$744,047,000~~] *\$1,269,841,270*, to remain available until expended: *Provided further*, That up to \$750,000 of this amount may be for administrative contract expenses including management processes and systems to carry out the loan guarantee program. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$10,000	\$855	...	\$10,855	\$10,855	\$29,600
2015 Appropriation/Request	9,000	89	...	9,089	9,089	13,000
2016 Request .....	...	...	...	...	...	<u>12,000</u>
Program Improvements/Offsets	-9,000	-89	...	-9,089	-9,089	-1,000

1. What is this request?

The Department does not request an appropriation in fiscal year 2016 for the Native Hawaiian Housing Block Grant (NHHBG), which is \$9 million less than the fiscal year 2015 enacted level. The Department of Hawaiian Home Lands (DHHL) is projected to have sufficient carryover balances to administer this program and support the construction, acquisition, or rehabilitation of 65 affordable housing units and their related infrastructure during fiscal year 2016. DHHL has \$36 million in unspent funds from prior-year grants as of January 21, 2015, and will be awarded an additional \$9 million provided by the 2015 Appropriations Act.

Key outcomes of the NHHBG program are:

- An increase in the quantity and quality of affordable homes on the Hawaiian home lands;
- The development and improvement of housing infrastructure on the Hawaiian home lands; and
- Ensuring residents of affordable housing on the Hawaiian home lands are financially literate and responsible homeowners.

2. What is this program?

The Hawaiian Homelands Homeownership Act of 2000, originally part of the Omnibus Indian Advancement Act, became part of the American Homeownership and Economic Opportunity Act of 2000, and was signed into law on December 27, 2000. Title V, Subtitle B, section 513, amended the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) by

Native Hawaiian Housing Block Grants

creating a new title VIII (25 U.S.C. 4221 et seq.), Housing Assistance for Native Hawaiians, which authorized the Native Hawaiian Housing Block Grant (NHHBG) program. Regulations are at 24 CFR part 1006.

Section 802 of NAHASDA states that the NHHBG program's sole grant recipient, the (State) Department of Hawaiian Home Lands (DHHL), shall carry out affordable housing activities for low-income Native Hawaiian families who are eligible to reside on the Hawaiian home lands.

As a condition for receiving an annual grant, DHHL is required to provide HUD with a housing plan describing its goals and objectives and the activities for which NHHBG funds will be used. DHHL must also provide to HUD an annual performance report describing its progress and accomplishments in achieving the goals and objectives in the housing plan.

The Hawaiian home lands are located in various geographic areas of the islands, typically in rural areas, and some with terrain that is difficult and costly to develop. The term "Hawaiian home lands" means lands that have the status as Hawaiian home lands under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110); or are acquired pursuant to that Act. The term "Native Hawaiian" means any individual who is a citizen of the United States, and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by kupuna (elders) or kama'aina (long-term community residents); or birth records of the State of Hawaii.

Program funds help relieve overcrowding and homelessness by making awards to the grantee, DHHL, which in turn develops and acquires new units and rehabilitates older units to make them safe and sanitary. Eligible activities also include infrastructure development and various housing support services such as housing counseling. Program funds have also been used to help communities reduce utility costs for low-income families by promoting energy efficiency.

The grantee develops raw, vacant Hawaiian home lands, which are set aside for homesteading purposes, into master-planned communities. As a rule, these communities are not located in prime resort locations, and in fact, are often in less desirable areas, with steep terrain that is difficult to access and develop. The difficulties involved in developing this raw land add to the already high cost of providing housing. A significant amount of program funds are used to support site improvements and infrastructure for new construction of affordable housing. Project development is a lengthy process, and usually includes environmental reviews, procurement of construction contracts, compliance with local building permitting requirements, mass grading of raw land, installation of streets, drainage, water, sewer and utilities, and home construction. As of September 30, 2014, DHHL had seven NHHBG-funded housing projects in various stages of development.

DHHL coordinates with the families who are "next on the waitlist" to receive a homesteading opportunity. Each family's financial situation is carefully considered to provide the most appropriate housing solution. According to DHHL, there are 8,832 Native Hawaiian families living on Hawaiian home lands; 26,546 applicant families on the waiting list to reside on the home lands; and an estimated 32,460 potential Native Hawaiian applicant families. More than 34,100 households are considered low-income and eligible for NHHBG assistance.

Native Hawaiian Housing Block Grants

DHHL provides NHHBG sub-recipient grants to local entities (approximately 11) that are considered indirect partners with HUD in providing assistance to Native Hawaiian families. These sub-recipients have included the Habitat for Humanity; the Council for Native Hawaiian Advancement; Hawaiian Community Assets; Alu Like; the Hawaii Community Development Board; County of Hawaii; City and County of Honolulu; Molokai Community Service Council; Nanakuli Housing Corporation; Hawaii First Federal Credit Union; and the Papakolea Community Development Corporation.

To prevent foreclosures and promote responsible homeownership, direct assistance is provided to qualified homeowners through counseling programs, down payment assistance, subsidies, low-interest rate loans, and matching funds for individual development accounts.

DHHL routinely leverages NHHBG funding to maximize its impact on the Native Hawaiian community.

The recipient has developed and supported affordable housing, and has provided housing services through the following eligible activities (section 810 of NAHASDA):

- Development. The acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing, which may include real property acquisition, site improvement, development of utilities and utility services, conversion, demolition, financing, administration and planning, and other related activities.
 - Between fiscal years 2010 through 2014, the bulk of the NHHBG funds, 89.4 percent, was spent on activities included in this category.
 - During this 5-year period, 266 affordable homes were built, acquired, or substantially rehabilitated. While these units provide welcome relief to 266 families, there are more than 26,000 families on the DHHL waiting list for housing assistance, and there are potentially more than 34,100 Native Hawaiian families who need housing assistance.
- Housing Services and Model Activities. Funds used to provide housing counseling for rental or homeownership assistance, establishment and support of resident management organizations, energy auditing, supportive and self-sufficiency services, and other related services assisting owners, residents, contractors, and other entities participating or seeking to participate in eligible housing activities.
 - Between fiscal years 2010 through 2014, 6.5 percent of expenditures were for housing services and model activities. The housing services were delivered to more than 900 families, and included pre- and post-homebuyer education, financial literacy training, case management, and self-help home repair training. The model activity was the renovation of an existing community center in Anahola, Kauai.
- Planning and administration. In fiscal years 2010 through 2014, DHHL used about 4.1 percent of its NHHBGs for planning and administration activities, or an average of about \$298,000 annually. (24 CFR 1006.230 defines eligible administrative

Native Hawaiian Housing Block Grants

and planning expenses under NAHASDA.) Eligible administrative and planning expenses include, but are not limited to, administrative management, evaluation and monitoring, preparation of the Native Hawaiian Housing Plan and Annual Performance Report, staff and overhead costs directly related to carrying out affordable housing activities. HUD authorizes DHHL to use up to 20 percent of its grant for planning and administrative purposes.

Presidential Initiatives and Interagency Partnerships: In June 2013, HUD staff participated in a meeting coordinated by the Federal Reserve Bank of San Francisco on strengthening Hawaii's housing market. Besides HUD staff, participants included HUD-approved housing counseling agencies, the Hawaiian State Department of Commerce and Consumer Affairs, representatives of local financial institutions, the State Housing Finance Agency, USDA, Honolulu Board of Realtors, rental housing management agencies, and Wells Fargo Home Mortgage's regional office in California. The purpose of the meeting was to discuss foreclosure activity in Hawaii; the status of the National Foreclosure Settlement and how it is being implemented in Hawaii; trends observed by housing counselors; and effects on the rental housing market. The meeting also provided an opportunity for Wells Fargo, as one of the big five mortgage companies included in the National Foreclosure Settlement, to share information on its mortgage loan servicing process, and loss mitigation options available to Wells Fargo customers.

On October 14, 2009, President Obama signed the Executive Order re-establishing the White House Initiative on Asian Americans and Pacific Islanders. The Initiative is co-chaired by U.S. Departments of Education and Commerce. The Initiative is designed to improve the quality of life and opportunities for Asian Americans and Pacific Islanders by facilitating increased access to and participation in federal programs where they remain underserved. This historic Executive Order provides increased access to the federal government for Asian American and Pacific Islander communities, and affirms President Obama's commitment to these communities. The Initiative requires the White House Office of Public Engagement and the designated agencies to work collaboratively to increase Asian American and Pacific Islander participation in programs in education, commerce, business, health, human services, housing, environment, arts, agriculture, labor and employment, transportation, justice, veterans affairs, and economic and community development.

3. Why is this program necessary and what will we get for the funds?

Housing Needs of Native Hawaiians: In 1996, HUD issued a report indicating that Native Hawaiians had the highest percentage of housing problems (49 percent) of any group in the United States. Also, Native Hawaiians experienced the worst housing conditions of any group in the State of Hawaii and constituted approximately 30 percent of Hawaii's homeless population. Although that report was 18 years old in 2014, it is still relevant because it is the only existing study of its type, and it detailed the significant housing needs of Native Hawaiians in Hawaii. In fiscal year 2015, HUD will conclude a subsequent, comprehensive study of housing needs in Indian Country, including native communities in Alaska and Hawaii, which was mandated by Congress in 2010. HUD's Office of Policy Development and Research is managing the study and working with the Urban Institute, as was done for the similar study in 1996. The study is expected to issue a final report in August 2015.

Native Hawaiian Housing Block Grants

The Housing Policy Study, conducted by the Department of Hawaiian Home Lands in 2006, and a Beneficiary Needs Survey conducted in 2008, estimated that there were more than 34,100 low-income Native Hawaiian households that were eligible for assistance under the NHHBG program.

According to the U.S. Census, 2008-2012 American Community Survey (ACS), approximately 346,900 Native Hawaiians live in Hawaii, accounting for about 25 percent of Hawaii's total population. The 2006-2010 ACS reported that approximately 25 percent of Native Hawaiian (and other Pacific Islander) households in the State of Hawaii were overcrowded, compared to 9 percent of all households in Hawaii. Also, 15 percent of Native Hawaiians in Hawaii lived in poverty, compared to 6.7 percent of all people in Hawaii. The 2011-2013 American Community Survey reported the median value of a home in Hawaii was \$495,400 compared to \$173,200 nationwide.

Historical Outlays. As of September 29, 2014, all NHHBGs awarded through 2008 had been 100 percent expended by DHHL. The fiscal year 2009 grant was 39 percent expended; the 2010 grant was 0.35 percent expended. Grants from fiscal years 2011 and 2012 were disbursed, and grants from 2013 and 2014 remained undisbursed. Appropriations language specifies that these funds will remain available until expended.

For the past several years, DHHL has experienced a slow-down in its expenditure rate due to a combination of factors: the sudden bankruptcy of a contracted housing developer stalled the start and halted unfinished construction on several islands; a lack of homeownership "readiness" for many of its waiting-list families; a state-imposed furlough and hiring freeze that affected DHHL personnel; and multiple turnovers of top executives and Hawaiian Homes Commissioners.

However, these problems are being addressed. DHHL has several, newly hired personnel dedicated to the program. HUD has advised DHHL of the urgency of expending funds appropriately and expeditiously, and continues to make training and technical assistance available to DHHL. Additionally, DHHL is refocusing its efforts to use NHHBG to deliver a wider array of affordable housing options to eligible Native Hawaiian families, including exploring rental and multifamily development, and an NHHBG-funded mortgage loan product.

All of the NHHBG carryover is expected to be used for providing affordable housing opportunities to Native Hawaiian families. All of the technical assistance set-aside carryover is expected to be used for training and technical assistance activities.

4. How do we know this program works?

Since the program's inception (through fiscal year 2014), 570 low-income Native Hawaiian families have received a new home, or have had their existing home substantially rehabilitated. New construction usually has included the development and installation of basic housing infrastructure. More than 1,500 low-income Native Hawaiian families have benefitted from training funded by NHHBG, such as homebuyer education, financial literacy training, and self-help home repair. In addition, three community centers have been rehabilitated to provide housing services to residents of affordable housing.

Native Hawaiian Housing Block Grants

The number of affordable housing units built, acquired, and rehabilitated each year are verifiable outputs that reflect the major use of funds, and are good indicators of the overall performance and strength of the program. However, these development activities tend to be long-term, requiring several years to complete.

Fiscal year 2002 was the first funding year for the program. Funding levels have averaged a little more than \$10 million each year for 12 years. An additional \$10.2 million was awarded under the Recovery Act, bringing the total amount appropriated to approximately \$142.2 million.

The program's goal for several years has been, and will be in fiscal year 2016, to assist at least 65 families annually by building, acquiring, or substantially rehabilitating their homes. This target is based on average accomplishments over the last several years.

Native Hawaiian Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Grants	\$9,700	...	\$9,700	\$9,700	\$8,700	...	\$8,700	...
Technical Assistance ..	300	\$855	1,155	1,066	300	\$89	389	...
Transformation								
Initiative (transfer)	...	...	...	...	...	...	...	...
Total	10,000	855	10,855	10,766	9,000	89	9,089	...

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE HAWAIIAN LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$100	\$5,672	...	\$5,772 ^a	\$60	\$293
2015 Appropriation/Request	100	5,713	...	5,813	80	300
2016 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>80</u>	<u>300</u>
Program Improvements/Offsets	-100	-5,713	...	-5,813	...	...

a/ This amount excludes permanent indefinite authority of \$182 thousand for guaranteed loan upward re-estimate.

1. What is this request?

The Department does not request an appropriation in fiscal year 2016 for the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program), which is \$100,000 less than the 2015 enacted level. Current carryover balances are sufficient to administer this program and guarantee 80 loans in fiscal year 2015 and 80 loans in fiscal year 2016.

Loan guarantees are provided to Native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and private and non-profit organizations experienced in planning and developing affordable housing for Native Hawaiians.

Key outcomes of the Native Hawaiian Loan Guarantee Fund are:

- An increase in access to private mortgage financing to Native Hawaiian families for homes on the Hawaiian home lands;
- Availability of an affordable mortgage financing option for homes on the Hawaiian home lands; and
- Homeowners on the Hawaiian home lands who contribute to the economic sustainability of the community.

2. What is this program?

The Section 184A program (12 U.S.C. 1715z-13b) was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development

Native Hawaiian Loan Guarantee Fund (Section 184A)

Act of 1992. Regulations are at 24 CFR part 1007. The program is administered by HUD's Office of Native American Programs; one program specialist is assigned to the HUD office in Honolulu, Hawaii.

Historically, Native Hawaiians eligible to reside on the Hawaiian home lands had limited access to private mortgage capital, primarily because lenders were reluctant to do business on land that cannot be encumbered or alienated, such as the Hawaiian home lands, which are held in trust. In Hawaii, there is a great demand for affordable housing, and construction costs are extremely high. According to the U.S. Census 2011-2013 American Community Survey, the median value of an owner-occupied home in Hawaii was \$495,400, compared to a national median value of \$173,200. The high price of homes and the low number of resale transactions each year has resulted in more than 26,000 families on the waiting list for housing on the Hawaiian home lands.

This program offers Native Hawaiians the opportunity to become homeowners by offering lenders a 100 percent guarantee in the event of a default. This guarantee makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian home lands. Through this program, eligible Native Hawaiians can obtain a mortgage with a market rate of interest to purchase and rehabilitate, or build a single family home on Hawaiian home lands.

The 100 percent guarantee provides the incentive for private lenders to market loans to this traditionally underserved population. Private financing is used to cover construction or acquisition costs, while federal dollars are used only to guarantee payment in the event of a default.

Eligible borrowers include Native Hawaiian families who are eligible to reside on the Hawaiian home lands, the (State) Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, or private non-profit organizations experienced in the planning and development of affordable housing for native Hawaiians.

The Hawaiian home lands are located in various geographic areas of the islands, typically in rural areas, and some with terrain that is difficult and costly to develop. The term "Hawaiian home lands" means lands that have the status as Hawaiian home lands under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110); or are acquired pursuant to that Act. The term "Native Hawaiian" means any individual who is a citizen of the United States, and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by kupuna (elders) or kama'aina (long-term community residents); or birth records of the State of Hawaii.

As a rule, communities on the Hawaiian home lands are not located in prime resort locations, and in fact, are often in less desirable areas, with steep terrain that is difficult to access and develop. The difficulties involved in developing this raw land add to the already high cost of providing housing. This loan guarantee program complements HUD's Native Hawaiian Housing Block Grant (NHHBG), which is provided to the (State) Department of Hawaiian Home Lands. The Block Grant funds are used in many cases to develop the raw land and install infrastructure, so that homes can be constructed using a Section 184A guaranteed loan.

Native Hawaiian Loan Guarantee Fund (Section 184A)

Presidential Initiatives and Interagency Partnerships: In June 2013, HUD staff participated in a meeting coordinated by the Federal Reserve Bank of San Francisco on strengthening Hawaii's housing market. Besides HUD staff, participants included HUD-approved housing counseling agencies, the Hawaiian State Department of Commerce and Consumer Affairs, and representatives of local financial institutions, the State Housing Finance Agency, USDA, Honolulu Board of Realtors, rental housing management agencies, and Wells Fargo Home Mortgage's regional office in California. The purpose of the meeting was to discuss foreclosure activity in Hawaii; the status of the National Foreclosure Settlement and how it is being implemented in Hawaii; trends observed by housing counselors; and effects on the rental housing market. The meeting also provided an opportunity for Wells Fargo, as one of the big five mortgage companies included in the National Foreclosure Settlement, to share information on its mortgage loan servicing process, and loss mitigation options available to Wells Fargo customers.

In October 2009, President Obama signed the Executive Order re-establishing the White House Initiative on Asian Americans and Pacific Islanders. The Initiative is co-chaired by the U.S. Departments of Education and Commerce. The Initiative works to improve the quality of life and opportunities for Asian Americans and Pacific Islanders by facilitating increased access to and participation in federal programs where they remain underserved. This historic Executive Order provides increased access to the federal government for Asian American and Pacific Islander communities, and affirms President Obama's commitment to these communities. The Initiative requires the White House Office of Public Engagement and federal agencies to work collaboratively to increase Asian American and Pacific Islander participation in programs in education, commerce, business, health, human services, housing, environment, arts, agriculture, labor and employment, transportation, justice, veterans affairs, and economic and community development.

3. Why is this program necessary and what will we get for the funds?

This program creates financially sustainable homeownership opportunities by making private financing accessible to a historically underserved population. It also helps stem the foreclosure crisis by educating consumers when they buy a home, and by servicing delinquent loans.

The average loan in fiscal year 2012 was \$242,859; in fiscal year 2013, it was \$247,763; in fiscal year 2014, it was \$232,842.

According to the Department of Hawaiian Home Lands, there are approximately 8,335 Native Hawaiian families living on Hawaiian home lands; 26,926 applicants on the waiting list to reside on the home lands; and an estimated 32,460 potential Native Hawaiian applicants. Native Hawaiian families who are eligible to reside on the Hawaiian home lands, and who qualify for a loan, will benefit from this program. Lenders also benefit, as the guarantee expands their traditional customer base.

According to the U.S. Census, 2008-2012 American Community Survey (ACS), approximately 346,900 Native Hawaiians live in Hawaii, which is about 25 percent of Hawaii's total population. The 2006-2010 ACS reported that approximately 25 percent of Native

Native Hawaiian Loan Guarantee Fund (Section 184A)

Hawaiian (and other Pacific Islander) households in the State of Hawaii were overcrowded, compared to 9 percent of all households in Hawaii.

4. How do we know this program works?

The primary indicator of performance is the number of loans guaranteed under this program.

In fiscal year 2012, 21 loans were guaranteed for \$5.1 million. In fiscal year 2013, the program guaranteed 61 loans for more than \$15.1 million. In fiscal year 2014, 87 loans were guaranteed for almost \$20.3 million.

In the program's 10 years of operation, fiscal years 2005 through 2014, a total of 424 loans were guaranteed. The cumulative loan guarantee certificates issued through September 30, 2014 total \$104.9 million.

As a result of efficient underwriting, counseling, and prompt loan servicing, the foreclosure rate for the program has remained low. HUD paid five claims in fiscal year 2014, representing 1.2 percent of all program loans.

DHHL continues to make progress in its development of master-planned communities throughout the State. This strategy of housing development will provide homeownership opportunities to Hawaiian home lands beneficiaries. Individual lots will be leased as improved lots, either for the lessee to construct a home, complete with a turnkey home, or arrange for the construction of a self-help home. In each instance, the lessee will seek financing to construct or purchase the home. The Section 184A Loan Guarantee program provides a perfect complement to the limited amount of financing options available for properties on Hawaiian home lands.

Native Hawaiian Loan Guarantee Fund (Section 184A)

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Loan Guarantee Credit								
Subsidy	<u>\$100</u>	<u>\$5,672</u>	<u>\$5,772</u>	<u>\$60</u>	<u>\$100</u>	<u>\$5,713</u>	<u>\$5,813</u>	<u>...</u>
Total	100	5,672	5,772	60	100	5,713	5,813	...

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$3,100,000	\$13,875,433	...	\$16,975,433	\$4,816,138	\$6,370,183
2015 Appropriation	3,066,000	12,159,192	...	15,225,192	6,295,000	7,370,916
2016 Request	<u>2,880,000^a</u>	<u>8,930,192</u>	<u>...</u>	<u>11,810,192</u>	<u>7,447,000</u>	<u>6,924,259</u>
Program Improvements/Offsets	-186,000	-3,229,000	...	-3,415,000	+1,152,000	-446,657

a/ This number includes an estimated transfer to the Transformation Initiative (TI) account of \$20.0 million of Budget Authority

1. What is this request?

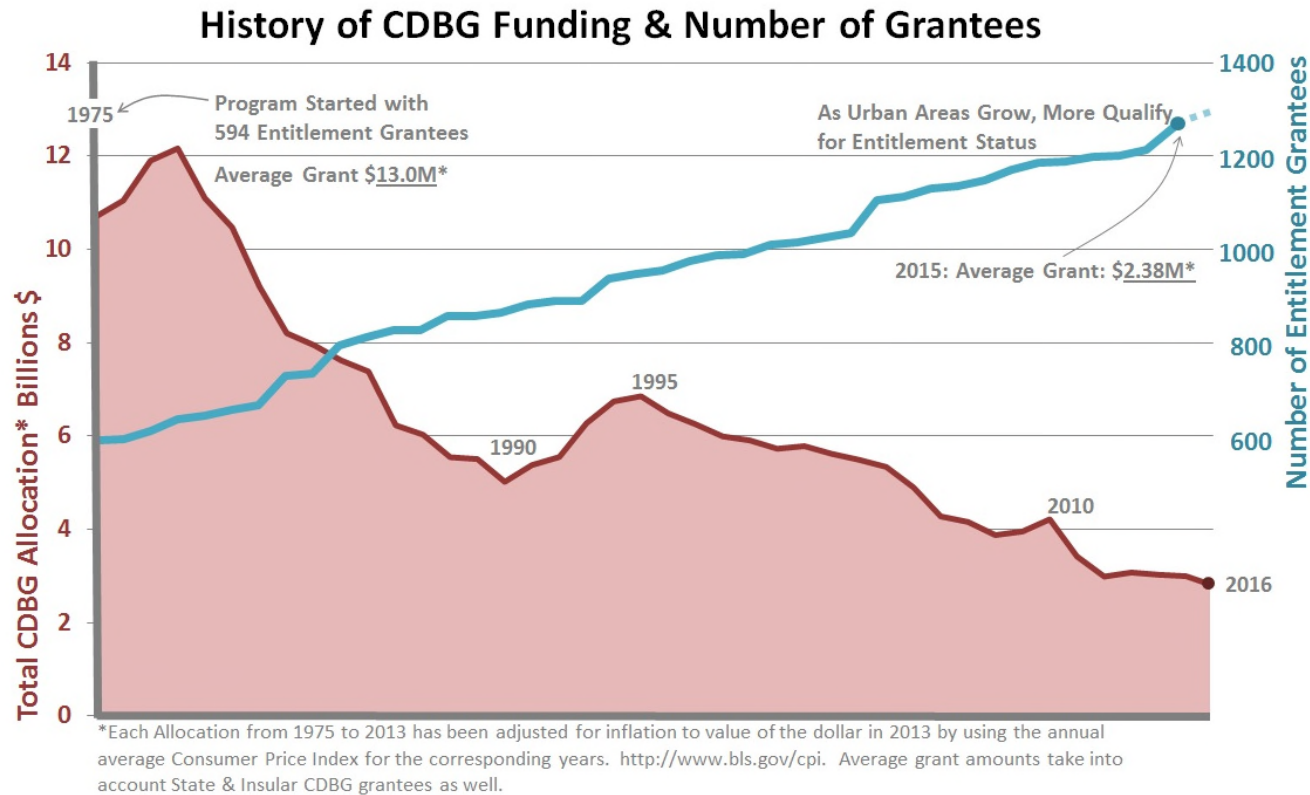
Requested Funding Level

The Community Development Fund (CDF) request for fiscal year 2016 is \$2.880 billion, which includes:

- \$2.8 billion for the Community Development Block Grant (CDBG) program, and
- \$80 million for Community Development Block Grants for Indian tribes. Within this program, up to \$10 million will be used to help tribes attract and retain high-quality teachers in Indian Country by improving the availability and physical condition of teacher housing. This set-aside is one of several investments supporting Generation Indigenous, an Administration initiative focused on removing the barriers to success for Native youth. This initiative will take a comprehensive, culturally appropriate approach to help improve the lives and opportunities for Native youth, and is described further in Section 2.

Proposed Legislative Reforms and Changes

During its 40-year history, the impact of the CDBG program has been strained by fluctuating appropriation levels and increasing numbers of qualifying entitlement grantees (See the following graphic). For example, the fiscal year 2016 formula program request of \$2.800 billion is only \$327 million above the \$2.473 billion appropriation level in the inaugural year of the CDBG program in 1975. When adjusted for inflation, the fiscal year 2016 request represents approximately one fifth of the fiscal year 1975 funding level, when the number of grantees receiving funds under the program was approximately half of the number of grantees that will be receiving funds in fiscal year 2016.



To address these challenges and to put CDBG program on a sustainable path for the future, HUD has developed a series of proposals improving various aspects of the CDBG program, strengthening the program's structure and management while retaining its fundamental focus on benefitting low- and moderate-income persons. The program has not been reauthorized by Congress since 1992 and changes are needed to make the program more responsive to the needs of modern communities. The Administration anticipates continuing the effort to advance these changes with a legislative package of reforms to be submitted to Congress following the fiscal year 2016 budget. These changes can be grouped in several categories including grantee eligibility, aligning program cycles, improving grantee accountability, and addressing issues in the State CDBG program, including increasing the set aside for colonias in states along the US-Mexico border from 10 percent to 15 percent of the State allocation.

Community Development Fund

CDBG is also part of the proposed Upward Mobility Project, a new initiative to allow states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME Investment Partnerships Program and CDBG, that share a common goal of promoting opportunity and reducing poverty.

More information on these changes are included in Sections 3 and 5 of this justification.

2. What is this program?

Community Development Block Grant

Authorized by Title I of the Housing and Community Development (HCD) Act of 1974 (42 USC 5301 et. seq.), the CDBG program's primary objective is to develop viable urban and rural communities, by expanding economic opportunities and improving quality of life, principally for persons of low- and moderate-income.

CDBG provides grants to units of general local government and states for the purpose of supporting efforts to create locally driven solutions to community and economic development challenges. Instead of a top-down approach, where the federal government tells grantees how to use these funds, CDBG presents a broad framework which local governments can easily adapt to the particular needs they face.

Since 1974 the CDBG has invested \$149.2 billion in communities nationwide (\$263.3 billion adjusted for inflation), assisting states and localities to achieve the kinds of infrastructure investment, job creation, and poverty elimination our communities so desperately need. In addition to job creation, CDBG is an important catalyst for economic growth – helping communities leverage funds for essential water and sewer improvement projects, address housing needs, forge innovative partnerships to meet increasing public service needs, and revitalize their economies.

CDBG recipients are able to fund 28 different eligible activities, with the major categories being public improvements, public services, economic development, acquisition/clearance, housing activities primarily focused on owner-occupied rehabilitation and homeownership assistance, as well as general administration and planning. With the exception of administration and planning activities, which are capped at 20 percent per authorities in annual appropriation acts, all CDBG-funded activities must meet one of three national objectives:

- 1) Providing benefit to low- and moderate-income persons;
- 2) Eliminating slums or blighting conditions; or
- 3) Addressing urgent needs to community health and safety.

Community Development Fund

The primary national objective for CDBG is to benefit low- and moderate-income persons: at least 70 percent of all CDBG funds expended during a period of up to 3 years must go toward activities that primarily benefit this population. Based on historical data, CDBG grantees annually expend 95 percent of their funds for activities that benefit low- and moderate income persons, making CDBG a highly successful program in achieving its primary statutory goal.

Indian Community Development Block Grants

In 1977, the Housing and Community Development Act of 1974 was amended to provide a special competitive funding set-aside within the Community Development Block Grants program for American Indian tribes. Indian CDBG funds are awarded competitively and used by federally recognized Indian tribes, Alaska Native villages, and tribal organizations for a wide variety of needs. These grants have been crucial to many Indian tribes, giving them a source of flexible funds used to serve their development priorities, improve neighborhoods, and meet urgent community development needs. Eligible uses of these funds include acquisition of property, rehabilitation of housing, installation of safe drinking water and waste water disposal systems, construction of Headstart and other childcare facilities and of health clinics, removal of lead-based paint and mold, and improvement of public services and facilities. Funds can also be used to address imminent threats to health and safety. All projects funded through these grants must primarily benefit low- and moderate-income persons, defined as 80 percent of the median income in the area. These funds are distributed through an annual competition to eligible federally recognized Indian tribes and Alaska Native villages. The Office of Native American Programs (ONAP) within the Office of Public and Indian Housing administers this program.

















In addition, HUD is proposing up to \$10 million to be set-aside to assist tribes in providing much-needed housing for teachers in Indian country. The needs of Native American youth are a top priority of the Administration. Currently there is lack of adequate housing for teachers in many tribal areas, which in turn limits the educational resources for tribal youth. With this additional resource, tribes will be able to rehab, acquire and construct new homes to attract and retain teachers in tribal areas. In order to make sure that tribes are able to use this money effectively, the appropriations language allows tribes receiving the set-aside to construct new housing regardless of their status as a Community-Based Development Organization.

3. Why is this program necessary and what will we get for the funds?

Community Development Block Grant

CDBG is the Federal Government's primary program to deliver community and economic development funding to counties, cities, towns, and villages across the country faced with these challenges. Additionally, CDBG is the Department's principal source of funds supporting HUD's Strategic Goal 4, 'Build Strong, Resilient, and Inclusive Communities' and the proposed fiscal year 2016 funding level will impact the ability of the Department to implement this strategic goal. The following graphic displays how CDBG grantees used their funds in fiscal year 2014.

Community Development Fund

FY2014 Expenditures by Activity Category					
Entitlement Communities			Non-Entitlement Communities		
5%		130,052,302	Acquisition	\$16,164,706	 2%
16%		400,023,238	Administrative And Planning	\$93,753,484	 11%
5%		120,731,753	Economic Development	\$109,240,159	 12%
29%		696,402,643	Housing	\$143,826,179	 16%
25%		599,203,539	Public Improvements	\$504,658,193	 57%
15%		357,357,002	Public Services	\$16,698,815	 2%
0%		11,138,146	Other	\$4,020,304	 0%
5%		121,415,892	Repayments Of Section 108 Loans	\$2,073,509	 0%
		\$2,436,324,516	Total FY2014 Expenditures	\$890,435,349	
			\$3,326,759,865		

expenditures include program income

The 2016 request is intended to support community development needs and enhance economic competitiveness in approximately 1,194 entitlement grantees, 49 states, Puerto Rico, 3 non-entitled communities in Hawaii, and 4 Insular Areas in fiscal year 2016.

Projected Outcomes with 2014 and 2016 CDBG Funding

	Projected FY 2014	Projected FY 2016
Regular CDBG Program Allocation	\$ 3,030,000,000	\$ 2,800,000,000
ED Jobs Created/Retained	22,691	20,968
Public Improvements - Persons benefitting	3,209,673	2,966,034
<i>examples</i>		
Senior Centers	432,448	399,622
Homeless Facilities	76,882	71,046
Assisted Housholds	82,621	76,349
<i>examples</i>		
Single Family Rehab	49,780	46,001
Public Services - Persons benefitting	9,292,217	8,586,867
<i>examples</i>		
Services for Disabled	141,181	130,464
Homeless and AIDS patient services	431,233	398,499
Battered spouses services	122,481	113,184

Community Development Fund

CDBG funds continue to be critical for communities across the country that continue to be impacted by budget shortfalls, along with inadequate public services, insufficient economic opportunities, and physically distressed infrastructure. Moreover, lack of safe, affordable housing and a growing population of senior citizens are increasing the housing and service needs among the nation's low- and moderate-income population.

Grantees report annually on the impact that CDBG investments have in their communities. As shown in the table below, for the period from 2005 to 2014, CDBG funding resulted in significantly improved community and economic development outcomes. Additionally, this data demonstrates that every additional \$100 million in CDBG formula funding, when invested at the local or state level, translates into notable increases in these outcomes.

Outcomes Associated with CDBG Formula Funding, Fiscal Year 2005 through 2014		
Economic Development		
Permanent Jobs directly Created or Retained	353,237	Jobs
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	11,168	Jobs
Public Improvements		
Persons Benefitted by these Facilities	36,942,061	Persons
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	274,778	Persons
Public Services		
Persons Benefitting from these services	114,319,424	Persons
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	2,529,885	Persons
Housing		
Households Assisted (excluding housing counseling)	1,228,455	Households
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	11,889	Households

Community Development Fund

Moreover, CDBG serves as a critical tool in creating job opportunities and catalyzing economic development activities in the country's most distressed communities. The communities targeted by CDBG often lack adequate private investment and have a disproportionate share of poverty, and without CDBG, these neighborhoods would be unable to support the jobs and safe and equitable living environments their residents so desperately need. On average, grantees devote more than 94 percent of CDBG funds to activities that provide benefit to low- and moderate-income families.

CDBG funding is also an important vehicle for addressing a variety of Administration initiatives. For example, the Department is working to implement the President's Climate Action Plan and is incorporating resilience principles into program requirements and guidance. Within the collection of HUD programs, CDBG represents the best option for communities to fund local resilience activities. CDBG is often a local funding source for activities supporting existing Administration initiatives such as Strong Cities, Strong Communities (SC2); Promise Zones; Choice Neighborhoods; and funding of pre-development costs for infrastructure.

CDBG remains a critical part of the Federal funding landscape for state and local government in carrying out a wide range of activities. The ability to use CDBG as local match funding for other Federal programs or for partial funding of an activity enables CDBG to work well with programs administered by a host of other Federal agencies such as Transportation, Agriculture, HHS, Commerce/EDA, Labor, DHS/FEMA, EPA, and the Appalachian Regional Commission. Although grantees are not required to report on leveraging of CDBG funds, HUD requests that grantees self-report on leveraged funds in the Integrated Disbursement and Information System (IDIS). An analysis of activities reporting leverage for the period of fiscal years 2010 through 2012 indicated:

- More than 20,300 activities reported that CDBG funds were leveraged with other public and private sources of capital;
- Of those projects, \$2.556 billion of CDBG funding leveraged \$10.397 billion in other resources; and
- A leverage ratio of \$4.07 to every \$1 of CDBG investment.

Additionally, under the requested funding level in the fiscal year 2016, the Community Development Loan Guarantees (Section 108) program would continue to fulfill its role as a highly valuable financing tool for the large-scale community and economic development activities. The Section 108 program offers guaranteed loans for the crucial, growth-driving activities being carried out by local governments that are vital to the improving the condition of their residents. Each grantee's Section 108 borrowing capacity is equal to five times its most current CDBG allocation. Please see the Section 108 justification for more information on this program.

Also, CDBG serves as one the federal government's vehicles for catastrophic long-term disaster recovery assistance to states and local governments following large-scale or catastrophic disasters since 1993. The most recent example of the use of CDBG as a vehicle for delivering long-term disaster relief is the provision of \$15.18 billion in CDBG disaster recovery funding as part of Disaster Relief Appropriations Act, 2013 (Public Law 113-2, enacted January 29, 2013). This appropriation is intended to respond to the effects of Hurricane Sandy which impacted the Atlantic coastline in late October 2012 as well as other qualifying events that occurred in calendar years 2011, 2012 and 2013. As of January 2015, the Department had allocated \$14.2 billion of this amount.

Community Development Fund

The remaining \$1 billion in CDBG disaster recovery funding appropriated by PL 113-2 has been dedicated to the National Disaster Resilience Competition (NDRC) announced by President Obama in June 2014, with the competition subsequently launched in September 2014. Eligible applicants for NDRC funding include the 17 local governments that received direct allocations of PL 113-2 funding from HUD, as well as 48 states and Puerto Rico and the District of Columbia. The goals of the NDRC are:

- To fairly allocate remaining CDBG disaster recovery funds;
- To apply science-based and forward-looking risk analysis to needs;
- To institutionalize thoughtful, innovative, and resilient approaches to recovery;
- To provide resources that improve local resiliency;
- To engage stakeholders on climate change; and
- To leverage philanthropic investments for planning and solutions.

Other significant CDBG supplemental appropriations for disaster recovery purposes that HUD continues to manage include:

- \$6.4 billion in 2008 in response to Hurricanes Ike and Gustav as well as major flooding that impacted upper Midwest states in the spring and summer of 2008;
- \$19.7 billion in supplemental disaster assistance to aid the comprehensive recovery of Alabama, Florida, Louisiana, Mississippi, and Texas following the devastation of Hurricanes Katrina, Rita, and Wilma in 2005; and
- \$3.5 billion for the long-term recovery of Lower Manhattan subsequent to the terrorist attacks of September 11, 2001.

The CDBG-DR Program, in particular, is an essential component of the Department's achievement of its Strategic Objective 4C: 'Support the recovery of communities from disasters by promoting community resilience, developing state and local capacity, and ensuring a coordinated federal response that reduces risk and produces a more resilient built environment.'

Indian Community Development Block Grant

Housing and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Access to financing and credit to develop affordable housing in Indian Country has traditionally been difficult to obtain. Data published by the U.S. Census shows American Indians and Alaska Natives disproportionately suffer from poverty and severe housing needs.

According to the 2010 U.S. Census:

- 5,220,579 Americans identified themselves as American Indian or Alaska Native (Race Alone or in Combination with One or More Other Races). This was 1.7 percent of the total, national population of 308.7 million. (2.9 million reported AI/AN Alone, or "single-race.")

Community Development Fund

- An 18 percent growth in the American Indian and Alaska Native alone population occurred between 2000 and 2010, from 2.5 to 2.9 million).

According to the U.S. Census, American Community Survey for 2005-2009:

- 25.9 percent of American Indians and Alaska Natives live below the poverty level, compared to 10.8 percent of Whites and 13.4 percent of the national population.
- 8 percent of American Indian/Alaska Native households are overcrowded; 1.1 percent of White households are overcrowded; 3 percent of national households are overcrowded.
- The average per capita income for American Indians/Alaska Natives was \$16,716; \$31,599 for Whites; \$27,041 for the national population.
- The median household income for American Indians/Alaska Natives was \$36,520; \$54,535 for Whites; and \$51,425 for the national population.

These Community Development Block Grants in Indian Country provide a vital source of revenue for tribes, allowing them to undertake necessary development, housing, and infrastructure projects. There is a great demand for Indian CDBG program dollars in Indian Country. In recent years, HUD has received two or three times as many ICDBG applications as can be funded. Housing, community development, and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Access to financing and credit to develop communities in Indian Country has traditionally been difficult to obtain. ICDBG funds allow grantees to make essential repairs to low-income housing. Other grantees use ICDBG for innovative projects that benefit the entire community.

In fiscal years 2014 and 2015, HUD received a total of \$16 million in appropriations for the remediation of mold in Indian country. Initial rounds of funding have been distributed to tribes and remediation efforts are currently underway in nine tribes, with another Notice of Funding Availability set to come out in the spring of 2015. HUD will continue to report to Congress on the results of these funds in tribes throughout the country.

4. How do we know this program works?

Community Development Block Grant

In addition to the performance measures reported by grantees on an annual basis, research-based evidence also exists to document the effectiveness of the CDBG program, and also the need for program improvements.

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Housing Policy Debate

The journal *Housing Policy Debate* devoted its January 2014 volume to an examination of the CDBG program 40 years after enactment. (See *Housing Policy Debate* 24:1, published on-line January 28, 2014)¹ This volume represents the most significant collection of analyses of CDBG in at least 20 years and is a critical read for parties having an interest in the CDBG program. The majority of articles focused on the basic CDBG program while others examined important but tangential issues. In general, the articles present a positive view of the CDBG program over time but strongly recommend a series of improvements to sustain it into the future. In an article by Raphael Bostic, former HUD Assistant Secretary for Policy Development and Research, he indicates that over the past 40 years, the "CDBG model for grant making has become pre-eminent. Even most competitive grant models today allow for local design of programs within a broad-based federal framework that identifies program goals." An article by Xavier de Souza Briggs, former OMB Associate Director for General Government Programs, does note flaws in the CDBG program's existing structure and suggests that the program should be expanded in conjunction with efforts to more progressively target funding to people and places of greatest need. Briggs further recognizes the need for a debate on CDBG's purpose and the need to determine a politically sustainable deal that refocuses CDBG as a "reasonably coherent and effective program."

Other articles focus on particular aspects of CDBG. One article recognizes the role of CDBG in rural America, noting that the majority of areas served with State CDBG funding are rural in nature and that most State CDBG funds go to small and rural communities. These facts support research that CDBG is the largest community and economic development program in rural America. Another article provided an analysis of the use of CDBG funds to revitalize neighborhoods in Philadelphia and revealed that census tracts receiving above-median amounts of CDBG and or Section 108 loan guarantee funds saw property values increase above census tracts receiving little or no CDBG investment. One other article focused on processes and methods of allocating funds in Los Angeles and Chicago and demonstrated that local decision-making processes can have substantial effects upon the degree to which CDBG funds are directed to neighborhoods having the greatest need for the funds.

Overall, the articles present the case that CDBG is valuable to the nation's cities and communities but that targeting needs to be improved either by adjusting the statutory allocation formulas or by requiring that grantees better focus funds to areas within their communities having the greatest need. Noting that CDBG allocations measure less than one-fourth of its adjusted-inflated peak level of 1978, one article recommends restoring annual CDBG funding to that 1978 peak, and targeting activities in areas with high concentrations of poverty. The report suggests HUD could better accomplish this goal by adjusting its allocation formula with a greater weight toward high-poverty census tracts, which would require Congressional action. Further efforts to provide funding to the neediest persons could be made through targeting for poorer districts within delineated jurisdictions. Finally, the articles generally urge HUD to continue updating and improving its performance assessment systems in order to be able to properly measure and evaluate CDBG spending outcomes.

¹ Available at: http://www.tandfonline.com/toc/rhpd20/24/1#.VK_r7dJzRSI. Some articles require subscription access.

Community Development Fund

GAO Study

In response to a Congressional directive issued in Section 231 of the Consolidated and Further Continuing Appropriations Act of 2012, GAO conducted a study to analyze "... (1) what is known about the effectiveness (or impact) of the CDBG and HOME programs, (2) the performance measures HUD has in place for the CDBG and HOME programs and any challenges HUD faced in developing these measures, and (3) promising practices HUD and other have identified for the CDBG and HOME programs."

Subsequently, GAO released a report on May 15, 2012, acknowledging the difficulties associated with assessing the effectiveness of federal block grant programs at a national level, while concluding that a positive correlation exists between the CDBG program and assisted communities.

The study found:

- Few comprehensive studies on the effectiveness of the CDBG program exist, but GAO determined that a number of studies focusing on specific activities have generally found CDBG has made positive contributions
- HUD has established performance measures for the CDBG program. CPD developed a performance measurement system in 2006 that allows grantees to report on objectives, intended outcomes, and outputs for all activities undertaken. The system has provided the Department with data capable of being aggregated at the national level, but the GAO report acknowledges the inherent challenges related to developing performance measures for block grant programs.

HUD and others have identified several promising practices for the CDBG program related to program management and use of funds. The promising practices included the development of local performance measurement systems, internal operating procedures, and the identification of a number of innovative projects that effectively used CDBG funds.

Indian Community Development Block Grant

The primary indicators of performance that HUD has traditionally recognized for ICDBG grantees are the number of affordable housing units rehabilitated each year and the number of community buildings built. These development activities tend to be long-term and require confidence in a steady stream of funding—otherwise, recipients tend to use scarce funds to maintain existing inventory.

In a recent 3-year period (2011-2013), grantees reported the rehabilitation of 1,630 low-income housing units, the construction of 119 community buildings, and the creation of 749 jobs made possible by ICDBG. From 2005-2013, ICDBG funded 161 public facilities infrastructure projects, such as wastewater collection systems, powerline extensions, substation upgrades, roads construction, water system expansion and distribution systems, and construction of a natural gas pipeline, all of which have improved the physical environment where low- and moderate-income Indian families live. In fiscal year 2014, 1,151 affordable units were rehabilitated, 86 jobs were created, and 23 community buildings were built using ICDBG funds.

Community Development Fund

In 2006, independent evaluators (Econometrica, Inc.) found that, “with few exceptions, ICDBG-funded structures supported the delivery of services that were either previously unavailable or inadequate. ICDBG investment in social viability established a platform from which economic development could take off, perhaps with other sources of direct investment. Grantees contended that the ICDBG program mitigates the lack of access to private capital because it serves as seed money that can attract private investment, thereby reducing the risk perceived by potential funding partners.” Significant amounts of grant funds were used for basic infrastructure projects to enhance the livability of housing and the operation of public facilities. The evaluators also found that the use of ICDBG funds had a direct and positive impact on employment, especially in jobs related to the provision of health and social services.

5. Proposals in the Budget

Legislative Proposals to Reform CDBG

In the Housing and Community Development Act of 1974, the Congress found that “the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintenance of viable urban communities as social, economic, and political entities,” a statement that the Department believes is still true today. The CDBG program faces increasing pressures as it tries to fulfill these purposes for which it was authorized 40 years ago. The needs of low- and moderate-income individuals in communities all over the country are serious and the Department feels that in order to meet those needs, the CDBG program must be re-focused in light of decreasing appropriations. The fiscal year 2016 formula program request of \$2.800 billion is only \$327 million above the \$2.473 billion appropriation level in the inaugural year of the CDBG program in 1975. When adjusted for inflation, the fiscal year 2016 request represents approximately one fifth of the fiscal year 1975 funding level, when the number of grantees receiving funds under the program was approximately half of the number of grantees that will be receiving funds in fiscal year 2016. In addition, more and more communities’ allocations are low enough that the Department is concerned about their ability run an effective CDBG program: under the projected 2016 allocations, 13 entitlement communities will have allocations of under \$100,000.

It is clear to the Department that CDBG must be re-focused to effectively accomplish the goals of the program and strengthen the partnership between the federal government and local governments that is the cornerstone of the program.

As a prelude to the CDBG program’s 40th anniversary in August 2014, the Department undertook an outreach effort titled “Moving CDBG Forward,” which consisted of series of approximately 20 listening sessions as well as on-line forums with its grantees and other stakeholders to better understand their views on potential reforms for the CDBG program. These sessions led to CPD developing a comprehensive CDBG reform proposal as the program has not been reauthorized by Congress since 1992. The proposals will:

Community Development Fund

- Allow grantees, including states, to form regional combinations to achieve savings in administering their CDBG grants and pool resources for strategic investment decisions.
- Reduce the growing number of small grantees to support local CDBG programs that are adequately staffed and support meaningful community investments. These changes includes removing the “grandfathering” of CDBG grantees and setting a minimum grant threshold.
- Reduce undue administrative burden on grantees by aligning the cycles for the submission of plans and reports as well as the cycles to qualify for the CDBG program.
- Allowing for a more equitable treatment of states and entitlement communities and counties by
 - allowing states to also receive reallocated funds for disasters from the sanctions fund,
 - giving the Department the authority to sanction a state in a similar fashion to other CDBG grantees, and
 - increasing states’ administrative cap and removing the matching requirement.
- Authorize an increase in the colonias set aside from 10 percent to 15 percent of State CDBG allocations in the states of Texas, New Mexico, Arizona and California (also discussed below).

HUD stands ready to work with Congress on this legislative proposal to amend the authorization for this program crucial to so many communities. The Department will also evaluate a series of potential regulatory updates to the CDBG program, as significant portions of the CDBG regulations have not been updated in more than 20 years.

Proposal to Use CDBG to Improve Upward Mobility

The CDBG program is also part of the Administration’s Upward Mobility Project proposal, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services’ (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD’s HOME Investment Partnerships Program and CDBG, that share a common goal of promoting opportunity and reducing poverty. In exchange for more accountability for results, state and localities would be able to use the funds beyond the current allowable purposes of these programs to implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children’s outcomes, and the ability of communities to expand opportunity.

The Upward Mobility Project would be jointly administered by HUD and HHS. In addition, participating communities would be eligible to receive up to \$300 million per year (\$1.5 billion over five years) through the HHS Social Services Block Grant to support implementation of the pilot projects. Like Promise Zones and Performance Partnerships, this proposal reflects the Administration’s efforts to break down silos, provide flexibility for localities to tailor federal funds to meet their unique needs, and direct resources where evidence suggests they will be most effective. Additional information on the Upward Mobility Project can be found in the HHS budget justifications.

Community Development Fund

Colonias Proposal included in the Budget

The 2016 Budget also includes a proposed General Provision to increase the colonias set aside from 10 percent to 15 percent. This change would allow for more funding to be directed to these rural border communities, many of which lack adequate water, sewer, decent housing, or a combination of the three. This change would affect the state CDBG programs of Texas, New Mexico, Arizona, and California. (Section 256)

Additional Investment in CPD's eCon Planning Suite

HUD proposes additional investment in CPD's eCon Planning Suite, an online tool that supports state and local grantees and the public in assessing affordable housing and community development needs and market conditions, and making data-driven, place-based decisions for HUD Program funds invested in local communities through their Consolidated Plans. Investing in enhancements to this system enables grantees receiving CDBG funds through the annual program and through supplemental appropriations to ensure they are able to assess their community needs in a holistic, comprehensive manner and engage in strategic decision-making when developing a consolidated plan to allocate the various CPD or other Federal resources to meet local needs. The \$2 million is included in the Department's justification for the Information Technology Fund.

6. State-by-State Projected Allocations

State-by-State Projected Allocations (Dollars in Thousands)			
State	2014 Actual	2015 Estimate	2016 Estimate
Alaska	\$4,110	\$4,122	\$3,819
Alabama	40,960	39,991	37,052
Arkansas	23,777	23,116	21,417
America Samoa	1,032	1,028	1,028
Arizona	47,503	48,910	45,315
California	360,079	358,244	331,911
Colorado	34,058	33,752	31,271
Connecticut	35,951	35,597	32,980
District Of Columbia	13,970	13,734	12,725
Delaware	6,524	6,394	5,924
Florida	129,016	129,871	120,325

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State-by-State Projected Allocations (Dollars in Thousands)			
State	2014 Actual	2015 Estimate	2016 Estimate
Georgia	76,042	75,859	70,283
Guam	3,026	3,036	3,036
Hawaii	12,563	\$12,166	\$11,272
Iowa	33,433	32,969	30,546
Idaho	11,371	11,343	10,509
Illinois	150,383	149,291	138,317
Indiana	61,197	60,360	55,923
Kansas	23,990	23,704	21,961
Kentucky	39,563	38,985	36,119
Louisiana	45,227	43,930	40,701
Massachusetts	92,486	91,227	84,522
Maryland	44,602	44,304	41,047
Maine	16,730	16,483	15,272
Michigan	113,281	111,834	103,613
Minnesota	48,821	47,966	44,441
Missouri	57,838	57,157	52,956
Northern Mariana Islands	965	971	971
Mississippi	26,968	26,503	24,555
Montana	7,682	7,483	6,933
North Carolina	69,888	70,206	65,045
North Dakota	5,002	4,910	4,549
Nebraska	16,713	16,364	15,161
New Hampshire	11,326	11,268	10,440
New Jersey	80,428	79,506	73,662
New Mexico	15,020	16,135	14,949
Nevada	19,182	19,897	18,434
New York	289,709	286,634	265,565

Community Development Fund

State-by-State Projected Allocations (Dollars in Thousands)			
State	2014 Actual	2015 Estimate	2016 Estimate
Ohio	138,836	137,172	127,089
Oklahoma	25,132	24,385	22,592
Oregon	31,378	31,320	29,018
Pennsylvania	171,684	169,529	157,068
Puerto Rico	61,612	57,533	53,304
Rhode Island	15,560	15,316	14,191
South Carolina	34,922	34,287	31,766
South Dakota	6,531	6,380	5,911
Tennessee	45,838	45,092	41,778
Texas	218,520	215,578	199,732
Utah	19,143	19,291	17,873
Virginia	50,770	50,480	46,769
Virgin Islands	1,976	1,964	1,964
Vermont	7,186	7,069	6,550
Washington	50,883	50,747	47,017
Wisconsin	57,159	56,483	52,332
West Virginia	19,070	18,663	17,291
Wyoming	3,384	3,461	3,206
Total Grants	\$3,030,000	\$3,000,000	\$2,780,000
Transfer to TI	-	-	20,000
Total	\$3,030,000	\$3,000,000	\$2,800,000

Community Development Fund

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
SUMMARY OF RESOURCES BY PROGRAM
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Entitlement/Non-Entitle ment	\$3,023,000	\$644,832	\$3,667,832	\$3,145,701	\$2,993,000	\$519,176	\$3,512,176	\$2,793,000
Insular Area CDBG Program	7,000	7,000	14,000	8,032	7,000	5,968	12,968	7,000
Indian Tribes	70,000	2,604	72,604	62,512	66,000	10,092	76,092	80,000
University Community Fund .....	...	96	96	...	...	96	96	...
Special Purpose (Section 107) Grants .	...	383	383	...	...	336	336	...
Administration, Operations, and Management for Disasters .....	...	2,296	2,296	11	...	2,285	2,285	...
Economic Development Initiative Grants ....	...	324	324	...	...	324	324	...
Secretary's Work Study	...	103	103	...	...	103	103	...
Economic Resilience ...	...	...	...	...	...	15	15	...
Disaster Assistance ...	...	13,217,520	13,217,520	1,599,860	...	11,620,409	11,620,409	...
Section 805 Economic Development training .	...	275	275	22	...	388	388	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[20,000]
Total	3,100,000	13,875,433	16,975,433	4,816,138	3,066,000	12,159,192	15,225,192	2,880,000

Community Development Fund

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, [~~\$3,066,000,000~~] *\$2,880,000,000*, to remain available until September 30, [~~2017~~] *2018*, unless otherwise specified: *Provided*, That of the total amount provided, [~~\$3,000,000,000~~] *\$2,800,000,000* is for carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended ("the Act" herein) (42 U.S.C. 5301 et seq.): *Provided further*, That unless explicitly provided for under this heading, not to exceed 20 percent of any grant made with funds appropriated under this heading shall be expended for planning and management development and administration: *Provided further*, That a metropolitan city, urban county, unit of general local government, or Indian tribe, or insular area that directly or indirectly receives funds under this heading may not sell, trade, or otherwise transfer all or any portion of such funds to another such entity in exchange for any other funds, credits or non-Federal considerations, but must use such funds for activities eligible under title I of the Act: *Provided further*, That notwithstanding section 105(e)(1) of the Act, no funds provided under this heading may be provided to a for-profit entity for an economic development project under section 105(a)(17) unless such project has been evaluated and selected in accordance with guidelines required under subparagraph (e)(2): [~~Provided further~~, That none of the funds made available under this heading may be used for grants for the Economic Development Initiative ("EDI") or Neighborhood Initiatives activities, Rural Innovation Fund, or for grants pursuant to section 107 of the Housing and Community Development Act of 1974 (42 U.S.C. 5307): *Provided further*, That the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act:] *Provided further*, That [~~\$66,000,000~~] *of the total amount provided under this heading, \$80,000,000* shall be for grants to Indian tribes notwithstanding section 106(a)(1) of such Act, of which, notwithstanding any other provision of law (including section 204 of this Act), up to \$3,960,000 may be used for emergencies that constitute imminent threats to health and safety: *Provided further*, That of the [amounts] *total amount* made available under the previous proviso, [~~\$6,000,000~~] *up to \$10,000,000* shall be for grants [for mold remediation and prevention that shall be awarded through one national competition to Native American tribes with the greatest need] *to Indian tribes, tribal organizations, and tribally-designated housing entities for the rehabilitation, acquisition, or new construction of housing for primary and secondary school teachers living on or near a reservation or other Indian areas, regardless of income or tribal membership: Provided further, That in making awards under the previous proviso, the Secretary may establish appropriate funding criteria and may give funding priority to applicants proposing to provide assistance to teachers that are employed at schools that are operated or assisted by the Bureau of Indian Education: Provided further, That notwithstanding any provision in the Housing and Community Development Act of 1974, any amounts made available to Indian tribes, tribal organizations, and tribally-designated housing entities for teacher housing may be used for new housing construction by any eligible applicant.* (Department of Housing and Urban Development Appropriations Act, 2015.)

**COMMUNITY PLANNING AND DEVELOPMENT
LOCAL HOUSING POLICY GRANTS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

LOCAL HOUSING POLICY GRANTS	<u>Budget Authority</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Request (Mandatory).....	\$300,000	\$300,000	\$6,000

1. What is this request?

For fiscal year 2016, the Department requests \$300 million in mandatory appropriations for a new Local Housing Policy Grants program. This program would provide grants to states, localities and regional coalitions of localities to support local efforts to increase economic growth and access to jobs by expanding housing supply.

2. What is this program?

The initiative will fund competitive grants awarded to localities and regional coalitions of localities that demonstrate an ability to execute and carry out policy, program and regulatory streamlining initiatives, such as design options, process changes, and land use regulations, that serve to create a more elastic and diverse housing supply. The funding would allow localities to address any activities needed to support the new policy, program or regulatory initiatives, e.g., infrastructure expansion and/or improvements, as well as support market evaluations, code writing assistance, design options, stakeholder outreach and education, and implementation. Funds would also establish a learning network that would provide ongoing capacity building to the organizations and entities, facilitate shared learning opportunities among similar cohorts, and share or disseminate the results of learning and resulting effective best practices.

Eligible Grantees and Activities

The Local Housing Policy Grants initiative will support a range of transformative activities in states, regions and localities across the nation. It will invite states, localities, and regional coalitions to apply for flexible funding to implement policies and practices that improve housing supply elasticity generally, and expand the supply of well-located, affordable housing. States and localities would apply for this funding based on the strength of their in-process, proposed, or planned reforms and policies to reduce barriers to housing development and increase housing supply elasticity and affordability, while demonstrating and strengthening connections between housing, transportation, and workforce planning.

Local Housing Policy Grants

Given the role of some states in enabling local reforms, the competition will encourage local, regional, and/or state-level cooperation. Applicants would likely also be local jurisdictions or regional coalitions of local jurisdictions, which control the housing delivery system, often applying in tandem with a regional authority to ensure that housing and transportation policy changes are not made in isolation of the larger regional economy.

The competition would also provide resources to communities that are beginning to experience economic growth, and encourage them to build strong regulatory and policy reforms into their growth strategy to support a more elastic supply of housing at all income levels as the economy grows, helping them avoid the traps that the costliest markets now experience, with a forward-looking approach to ensuring a jobs-housing balance. Finally, the competition would be supported by a learning network among recipients and highly competitive applicants to facilitate problem solving and accelerated learning and implementation. Strong metrics would be developed and built into the program to measure the impact of the interventions.

The overall pool of eligible applicants will include states, local jurisdictions and regional coalitions of local jurisdictions where applicants can show rising housing costs or the reasonable expectation that costs will rise, using Census and other data. They will need to show a pattern of jobs/housing imbalance, and their proposals must include comprehensive strategies to increase the elasticity of supply within their housing market across all incomes. The applicants will work with key participants, including the development community, local agencies or non-profits administering grant components, services or other key programs, key employers, academics and researchers. Applicants will be required to identify local strengths and challenges, propose comprehensive solutions and establish strong collaborative partnerships to address the nexus of housing, affordability, transportation, employment and economic mobility.

Grant funds will primarily fund the transformation of state and local housing delivery systems to create a more elastic and diverse housing supply. The funds can be used to plan, develop and carry out policy, program and regulatory streamlining initiatives that lower the housing cost curve and make the housing supply delivery system work more effectively and efficiently. The funding would allow localities to address any needs that arise from the new policy, program or regulatory initiatives, e.g., infrastructure expansion and/or improvements, as well as support market evaluations, code writing assistance, design options, stakeholder outreach and education, and implementation.

Leveraging and Coordination

The program will require matching funds from state, local or private sources. It will also leverage funds from other HUD programs, including the Community Development Block Grant (CDBG) program, HOME Investment Partnerships (HOME) program and potentially other federal housing programs.

Local Housing Policy Grants

In order to encourage local innovation, learn from local experience, and better align multiple HUD and other federal programs and reduce federal barriers, HUD will work in partnership across federal agencies and provide resources and tools to help communities realize their own visions for building more prosperous, affordable and economically vital regions. For instance, in order to better connect housing to jobs, the Department will work to coordinate federal housing and transportation investments with local land use decisions in order to reduce transportation costs for families, improve housing affordability, save energy, and increase access to housing and employment opportunities. By ensuring that housing is located near job centers and affordable, accessible transportation, we will nurture more competitive and vital communities – which provide opportunities for people to live, work, and access the benefits of a growing economy.

The Department will place a strong emphasis on coordination with other federal agencies, notably the Departments of Transportation, Agriculture, Labor, Commerce, and the Environmental Protection Agency and others, to leverage additional resources. Where appropriate, HUD will work in partnership with grantees and its federal partners to address regulatory and statutory barriers to coordinating these programs and other aspects of the housing delivery system. This proposal will include legislative waiver authority needed to provide participating localities with the flexibility needed to unify grants and streamline the provision of housing, transportation, and other grant dollars.

3. Why is this program necessary and what will we get for the funds?

A more diverse and responsive housing stock is needed in order to ensure that the national economy continues its recent pattern of growth. While some local housing markets are adequately supplied, in general, the national housing market suffers from an imbalance of housing stock that corresponds to prevailing income levels and demographic changes. This imbalance inhibits employers' ability to identify and secure needed resources to expand. In particular, the need for multifamily housing is on the rise.¹ According to the Bipartisan Policy Center's *Demographic Challenges and Opportunities for U.S. Housing Markets* (March 2012), the demand for rental housing is growing and that trend will continue as those under 35 years of age form new households of their own. Despite the increasing need, the supply of rental housing is generally not keeping up. According to the National Multifamily Housing Council, roughly 300,000 new apartments are needed to meet demand annually, but just 130,000 units were built in 2011. The gap is even more dramatic when it comes to affordable rental housing, with a shortfall of 5.3 million fewer units than demanded by the 12.1 million extremely low-income renters (as of 2011), according to ***The State of the Nation's Housing 2013***².

Some points in the *forthcoming Worst Case Housing Needs 2013: Report to Congress* include:

- Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. Among very low-income renter households that lacked assistance, 7.7 million had worst case housing

¹ *Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rentals*, Urban Land Institute Terwilliger Center for Housing; Enterprise, November 2013.

² *The State of the Nation's Housing 2013*, Joint Center for Housing Studies, Harvard University: 2013.

Local Housing Policy Grants

needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 48 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

- As worst case housing needs have increased and the level of housing assistance remains relatively flat, there is a wide gap between the number of assisted units and the number of households with severe housing needs. Approximately two very low-income households have worst case needs for every one that receives rental assistance. Across diverse geographic areas, there is a strong inverse correlation between greater prevalence of worst case needs and greater prevalence of housing assistance among very low-income renters.
- The gap in supply of affordable rental units relative to need has been growing for decades, but in 2013 continues to show the effects of the economic recession and the associated collapse of the housing market for the nation's 18.5 million very low-income renters. Only 65 affordable units are available per 100 very low-income renters and 39 units per 100 extremely low-income renters. Availability is restricted because higher income renters occupy 40 percent of the stock affordable for renters with incomes of 0 to 30 percent of median, and 38 percent of stock affordable of 30 to 50 percent of median income. Available rental stock, even at higher rent levels, is being absorbed rapidly, reducing the overall rental vacancy rate from 10.9 percent in 2009 to 9.8 percent in 2011 and 8.4 percent in 2013.

The delivery of housing is impacted by a number of procedures, regulations and policies that can inhibit development, instituted at every level of the housing delivery system and at all points in the development process. Over the past three decades, the cost curve for housing has risen, impacted at several points in the housing delivery system, particularly in the high-growth metropolitan areas increasingly fueling the national economy.^{3,4} These impacts to the housing delivery system, including regulation, policies and practices, collectively reduce the ability of housing markets to respond elastically to housing demand – decreasing housing affordability for working families, increasing inequality by reducing less-skilled workers access to high-wage labor markets, increasing federal budget costs by raising the cost of HUD housing assistance, decreasing overall employment by restricting migration, and reducing GDP growth by driving labor migration away from productive regions. A new study by Enrico Moretti, a professor at University of California, Berkely, suggests that constraints to housing supply may be responsible for up to a 13 percent decline in aggregate economic output from 1964 to 2009, and researchers at the University of Pennsylvania and the Federal Reserve have recently provided new evidence that local regulations are drastically reducing economic efficiency.^{5,6}

³ Ganong and Shoag (2012) use the number of state appellate court cases containing the phrase "land use" (as a fraction of case volumes) as a measure of changes in regulatory barriers. This measure at the state level increased by an average of 47% between 1980 and 2010.

⁴ Six of the 9 most productive metro areas over 1 million in population have moderate- or highly-regulated residential development climates, as shown by HUD analysis of BEA and Wharton Residential Land Use Regulation Index. Productivity is measured by real GDP per capita, and moderately or highly-regulated is defined as a mean metro WRLURI of 0.5 or above.

⁵ Moretti and Hsieh (2014). Available at http://users.nber.org/~confer/2014/SI2014/EFJK/Hsieh_Moretti.pdf

Local Housing Policy Grants

Many cities and other localities recognize this issue, and are independently attempting to address it. According to the American Planning Association, an estimated 20 percent of major cities have undertaken comprehensive revisions of their zoning regulations in the past decade, in part to address the need to expand the housing supply and remove unnecessary barriers and costs to housing. The many jurisdictions interested in revising their often 1950's era zoning codes increasingly recognize that updating their policies can lead to more new housing construction, including multifamily rental construction, better leveraging of limited financial resources, and increased connectivity between housing to transportation, jobs and amenities. However, these jurisdictions often struggle to effectuate these needed changes and are frequently working in isolation, typically pulling one lever (e.g., zoning reform) of the many that could collectively impact housing supply and affordability. Moreover, action in one jurisdiction can be undermined by broader regional decisions, or those of adjacent localities. Federal assistance to improve information sharing, learning, planning and broad community engagement can mitigate negative impacts that outdated regulation, policies and practices can have on equity and the economy.

The goal of the Local Housing Policy Grants initiative is to demonstrate that concentrated and coordinated efforts across a number of metropolitan housing markets can significantly expand the supply and affordability of housing, increase access to high-wage labor markets, increase employment and support continued GDP growth by retaining labor in the nation's most productive regions. Federal interagency coordination, combined with local and state-level partnerships, have demonstrated the value -- at every level of government -- of better aligned policies; reduced regulatory barriers; cohort convening, capacity-building and learning; and dissemination of best practices.

4. How would we know whether this new program works?

Administration and Evaluation

The Assistant Secretary for Community Planning and Development will administer the Local Housing Policy Grants initiative with a team drawn from other HUD offices including the Office of Economic Resilience within Community Planning and Development, Policy Development and Research, Fair Housing and Equal Opportunity, and Housing. This will help build a more unified approach to using the housing delivery system as means of reforming and expanding the elasticity and supply of housing.

HUD would fund baseline research and evaluation as part of the Local Housing Policy Grants initiative. It is expected that this will inform a broad range of housing programs as well as other federal interventions. Each grantee for the program would be required to budget a reasonable amount of funds as part of their program to ensure they could provide the appropriate data needed to inform this larger research effort. HUD proposes to conduct a process evaluation describing how the Local Housing Policy Grants initiative grantees use their federal grant resources to implement targeted place-based strategies aimed at expanding housing supply,

⁶ Gyourko and Molloy (2014). Available at <http://www.nber.org/papers/w20536.pdf>

Local Housing Policy Grants

reducing jobs/housing imbalance, and increasing access to quality, affordable housing. Because each grantee will create and execute policy, program and regulatory streamlining initiatives specific to that locality, a key component of the evaluation will be to assess and classify the specific types of activities implemented within each grantee community. This evaluation will seek to understand the logic model for transformation established by each grantee, the process by which that model is implemented, and the initial outcomes of that implementation.

Performance Indicators

- Grants awarded on a timely basis with effective implementation requirements including coordination with a broad array of stakeholders.
- Discrete and targeted policy, program and practice changes that lower costs at specific points in the housing delivery system, relative to a pre-implementation baseline.
- Increases in housing production across a range of tenancies over an established baseline.
- Improving jobs/housing balance over an established local baseline.

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT LOAN GUARANTEE
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$3,000	\$3,755	...	\$6,755	\$2,826 ^a	\$945 ^a
2015 Appropriation	3,000	...	3,000	3,000 ^a	4,550 ^a
2016 Request ^b ^a	4,750 ^a
Program Improvements/Offsets	-3,000	...	-3,000	-3,000	+200

a/ Obligations and outlays of discretionary funds only—does not include mandatory re-estimates.

b/ No subsidy is requested for fiscal year 2016 as the program moves to a fee-based subsidy.

1. What is this request?

In fiscal year 2016, HUD is requesting \$300 million in loan guarantee authority for the Community Development Loan Guarantee program, also known as the Section 108 program. With the implementation of the congressionally-approved fee structure for the Section 108 program, HUD is again requesting \$0 in credit subsidy in 2016 to support this program. Instead of requesting a credit subsidy, HUD will support loans in 2016 through the imposition of a fee assessed on borrowers, continuing the policy from the fiscal years 2014 and 2015 Appropriations Acts. While the requested level is \$200 million less than the loan guarantee level provided in 2015, HUD feels that the \$300 million request more accurately reflects the projected needs of communities in 2016 given recent loan guarantee commitment levels for the program.

The Section 108 program historically has provided federal guarantees to private lenders to assist communities in undertaking large community or economic development projects. Section 108-assisted projects approved in 2013 and 2014 are projected to create more than 6,000 jobs based on \$300 million in loan guarantees. The Section 108 Program's impact is magnified because many of these economically distressed localities lack alternative sources of financing for community and economic development projects. The proposed funding level would maintain access to financing through this program for Community Development Block Grant (CDBG) Entitlement communities, non-Entitlement local governments participating through the state CDBG program, and Insular Areas.

Community Development Loan Guarantee

The Budget also proposes permanent legislative changes to the Housing and Community Development Act of 1974 to align to the new fee structure.

2. What is this program?

In today's economic climate, finding private investment sources for economically distressed areas is a difficult charge. CDBG funds are useful, but for many cities, they are not enough to support the large-scale development desperately needed by their communities. To fund these long-term projects, private investment is critical, and Section 108 of the Housing and Community Development Act enables communities to leverage their CDBG funds into federally guaranteed loans large enough to pursue substantial physical and economic revitalization projects. These projects create jobs, renew entire neighborhoods, and provide critical affordable housing to low- and moderate-income families.

The Section 108 program guarantees loans that offer variable- and fixed-rate financing for up to 20 years to finance certain CDBG eligible activities, including economic development activities, public facilities and improvements, housing rehabilitation, land acquisition, and related activities. Although some CDBG eligible activities cannot be financed under Section 108 (such as program administration and public services), the CDBG activities that can be financed through Section 108 account for approximately 70-75 percent of the total CDBG expenditures. Enhanced economic development data for consolidated planning, made possible through the recent Consolidated Plan improvements, will help grantees understand how this financing can be used most efficiently.

Entitlement communities are eligible to apply for Section 108 loan guarantees equal to 5 times their most recent CDBG award, and communities in non-entitlement areas may receive loan guarantees, in the aggregate, equal to 5 times the state's grant under the CDBG program. As permitted in recent appropriations, several states have applied directly for Section 108 funding to be distributed to communities in non-entitlement areas to create a loan portfolio of job creation projects.

Since 1977, HUD has issued 1,912 commitments totaling approximately \$9.2 billion. When HUD guarantees a Section 108 loan, it provides a full faith and credit guarantee to the lender, thereby ensuring timely payment of principal and interest and favorable interest rates. HUD has never paid a claim from a holder of a guaranteed obligation as a result of a default, due in part to the availability of CDBG funds for repayment if planned repayment sources are insufficient.

The loans guaranteed under Section 108 are privately financed. HUD has developed a productive partnership with financial institutions who implement a flexible financing structure while providing states and local governments with low-cost financing.

3. Why is this program necessary and what will we get for the funds?

States and local governments face daunting challenges in addressing their community and economic development needs. Their ability to respond to these needs has been hampered by budgetary constraints at all levels of government. Often, the annual CDBG allocation alone is not sufficient to complete crucial large-scale community and economic development projects that communities desperately need.

Communities across the country turn to the Section 108 loan guarantee as a source of funds for these crucial projects. Currently, Section 108 is supporting 750 outstanding loans in communities across the country, with a total loan balance of \$1.82 billion. Not only can a grantee 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., economic development) with a guaranteed loan and applying the future revenue to repayment of the debt. Grant funds can then be redeployed to non-revenue generating activities.

Under the requested funding level in the fiscal year 2016, the Section 108 program would continue to fulfill its role as a highly valuable financing tool for the large-scale community and economic development activities being carried out by local governments that are vital to the improving the opportunities of their residents. The requested funding level would ensure the expanded availability of low-cost, flexible financing for community and economic development projects throughout the country as local governments continue to struggle with financing development needs.

To assist governments with the conversion to a fee-based financing mechanism, HUD would allow Section 108 borrowers to include the fee in the guaranteed loan amount, as is permitted under other federal guarantee programs (e.g., the SBA 504 program). HUD will issue the necessary rules to implement the fee based structure and intends to implement the fee during fiscal year 2015 when carryover credit subsidy amounts are exhausted.

Outcomes Associated with fiscal year 2016 Section 108 Requested Funding:

- The Section 108 program would finance job-creating projects that could be expected to create or retain at least 5,000 jobs resulting from economic development investments financed by loans guarantees.
- Section 108 financing for economic development purposes would leverage approximately \$4.62 of additional funds for every \$1 of Section 108 loan funds, based on prior experience.
- The program would be expected to finance the rehabilitation and construction of more than at least 10 public facilities and provide assistance to between 20 and 25 economic development activities.

Community Development Loan Guarantee

Project Examples:

Los Angeles, CA

The City of Los Angeles used \$6,583,000 of a Section 108 loan pool to fund the 6.6-acre Juanita Tate Marketplace / Slauson - Central Project. The project is built on a brownfield site of a former scrap yard and recycling facility in south Los Angeles. As the result of careful planning, the former brownfield site was converted into a new shopping center with approximately 77,095 square feet of leasable retail space. The project opened in April 2014 and includes major retail tenants such as Northgate Gonzales Market, CVS, Chase Bank, and Starbucks, in addition to providing several other smaller retail spaces for other tenants. The shopping center has over 400 parking spaces and has created more than 200 permanent jobs.

Covington, KY

The City of Covington received approval of a \$4 million Section 108 loan guarantee commitment to establish an economic development loan pool. Of the approved amount, \$3 million will be used to make economic development loans to both micro and small business while the remaining \$1 million will be available for rehabilitation of publicly owned real property. The projects will be located primarily in Covington's Neighborhood Revitalization Strategy Area in the downtown area.

Plans to Improve this Program via IT Investment

In July 2013, HUD staff and CDBG grantees began to use the Integrated Disbursement & Information system (IDIS) to track 757 loan guarantees totaling more than \$1.2 billion under the Section 108 Loan Guarantee Program. The IDIS system is used to track and monitor the use of loan funds and repayment and collect data on program performance. The use of this system has increased transparency and accountability in grantee financial management, enabled CPD staff to more effectively and efficiently manage and monitor loans, and streamlined the reporting process in order to ensure the availability of high-quality performance data.

4. How do we know this program works?

HUD's Office of Policy Development and Research (PD&R) conducted a study, completed in September of 2012, that examined how the Section 108 Loan Guarantee program has been used as a source of financing for local economic development, housing rehabilitation, public facilities, and large-scale physical development projects, and what resulted from these investments, which are designed to benefit low- and moderate-income persons. This study also examined whether Section 108 funds were uniquely suited to the funded activities or whether other programs could do the job.

Community Development Loan Guarantee

The study indicated, among other things, that:

- Section 108 is an important source of funds. Up to three-quarters of the recipients that participated in the study said that projects would not have happened had the Section 108 financing been unavailable.
- Those borrowers who leveraged other funding sources (private, federal, state, and local) with Section 108 funds, on average, secured \$4.62 of additional funds for every \$1 of Section 108 loan funds.
- Nearly all recipients that had time to reach results had positive outcomes to report.
- No other community and economic development funding sources are able to duplicate the financing Section 108 provides.
- The jobs created by Section 108 were found to be created with, on average, much less funding than the CDBG program requires for a program to be considered an effective economic development activity. With \$26,000 of Section 108 loans yielding a full-time equivalent job, these loans create jobs at nearly twice the rate required for CDBG economic development activities.

Borrowers participating in the PD&R study noted that Section 108:

- Works well in their communities;
- Leads to job creation and retention, increases income for residents, forms a broader tax base, and enhances social and cultural amenities;
- Provides low cost financing with great flexibility in structuring loan terms; and
- Without Section 108, other funds could not be leveraged for very large projects.

Grantees participating in the study provided additional details on the economic power of job creation projects. For example, one grantee stated that, based on a 3-year ramp-up of 3,000 employees, it anticipates an annual direct economic impact of \$246.5 million and an indirect economic impact of \$135.9 million in year 3. The grantee anticipates a cumulative economic impact of over \$764.7 million.

5. Proposals included in the Budget

General Provision, Section 211: The proposed general provision permanently amends Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) to align the statute to current program operations:

- Makes permanent a longstanding provision that allows HUD to issue loan guarantees to States on behalf of non-entitlement communities;

Community Development Loan Guarantee

- Removes the aggregate limitation on outstanding guarantee obligations that has long been superseded by appropriations language; and
- Removes the prohibition on fees (superseded by appropriations language in 2014 and 2015).

Since the Section 108 program is part of the CDBG program, it should be noted that many CDBG grantees that have opted to make use of HUD's Section 108 loan guarantee program use CDBG funds to repay the loan. This is particularly true in instances where the assisted activity is a public facility/infrastructure project that does not generate revenue or program income that can be used to repay the loan. From the period fiscal year 2008 through fiscal year 2013, a recent HUD analysis estimates that 42 percent of annual Section 108 debt service was paid with CDBG funds. This includes planned and unplanned uses of CDBG for Section 108 debt service purposes. Enactment of restrictions on using CDBG funds to repay Section 108 loans, as included in the House appropriations bill for fiscal year 2015, would result in the Federal Government incurring significant losses on Section 108 loans. Borrowers that used Section 108 loans to finance public facility/infrastructure projects furnished additional collateral (e.g., local funds), but that collateral was given to cover the contingency that future appropriations would not be made (not that CDBG funding would be approved but not be available for debt service).

Community Development Loan Guarantee

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT LOAN GUARANTEE
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Loan Guarantee Subsidy	\$3,000	\$3,755	\$6,755	\$2,826	...	\$3,000	\$3,000	...
Loan Commitment Level	<u>[-150,000]</u>	...	<u>[-150,000]</u>	...	<u>[-\$500,000]</u>	...	<u>[-500,000]</u>	<u>[-\$300,000]</u>
Total	3,000	3,755	6,755	2,826	[-500,000]	3,000	3,000	[-300,000]

NOTE: Budget authority represents the total credit subsidy for loans supported. The 2015 appropriations Act moved the Section 108 Program to a fee-based program. The 2016 Budget continues the fee-based program, and requests \$300 million in loan guarantee commitment authority with \$0 in credit subsidy.

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT LOAN GUARANTEE
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

Subject to section 502 of the Congressional Budget Act of 1974, during fiscal year [2015] 2016, commitments to guarantee loans under section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308), any part of which is guaranteed, shall not exceed a total principal amount of [\$500,000,000, notwithstanding any aggregate limitation on outstanding obligations guaranteed in subsection (k) of such section 108] \$300,000,000: *Provided*, That the Secretary shall collect fees from borrowers [, notwithstanding subsection (m) of such section 108,] to result in a credit subsidy cost of zero for guaranteeing such loans, and any such fees shall be collected in accordance with section 502(7) of the Congressional Budget Act of 1974. (*Department of Housing and Urban Development Appropriations Act, 2015*)

HOME INVESTMENT PARTNERSHIPS PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$1,000,000	\$203,835 ^a	...	\$1,203,835	\$1,023,768	\$1,249,765
2015 Appropriation	900,000	179,923 ^b	...	1,079,923	936,179	1,155,565
2016 Request	<u>1,060,000^c</u>	<u>143,744</u>	<u>...</u>	<u>1,203,744</u>	<u>1,045,939^d</u>	<u>1,044,276^d</u>
Program Improvements/Offsets	+160,000	-36,179	...	+123,821	+109,760	-111,289

a/ This number includes \$13.566 million of funds recaptured in fiscal year 2014. Of those funds recaptured, \$12.827 million were grants and \$738.8 thousand were technical assistance funds.

b/ This number excludes funds that expired at the end of fiscal year 2014.

c/ This number includes a \$10 million set aside for the Self-Help and Assisted Homeownership Opportunities program, as well as a transfer to the Transformation Initiative (TI) account of \$8,056,000 of Budget Authority.

d/ This number excludes Transformation Initiative obligations and outlays.

1. What is this request?

For fiscal year 2016, the Department requests \$1.06 billion for the HOME Investment Partnerships Program, of which \$10 million would be set-aside for the Self-help Homeownership Opportunity Program (SHOP). For HOME, this request is \$150 million more than the 2015 enacted; for SHOP, this request is the same as the 2015 enacted level. The HOME program is one of the few Federal programs that adds to the physical inventory of affordable housing and preserves the physical inventory through rehabilitation.

An appropriation of HOME and SHOP funds at the requested level will result in the following production over time:

- 16,045 units of affordable housing for new homebuyers;
- 15,099 units of newly constructed and rehabilitated affordable rental units;
- 7,521 units of owner-occupied rehabilitation for low-income homeowners;
- 8,813 low-income households assisted with HOME tenant-based rental assistance; and
- 533 affordable homeownership units with SHOP funds.

Funding at the requested level would require HOME Participating Jurisdictions (PJs) to provide \$262.5 million in matching contributions and, based on historical leverage data, would result in approximately \$4.37 billion in public and private leverage.

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Moreover, for every \$1 million in HOME funds, 17.87 jobs are created. The fiscal year 2016 request would preserve/create approximately 18,763 jobs.

Proposals in the Budget

The Department requests statutory changes to the HOME program that would:

- (1) Revise “grandfathering” provisions and eliminate the dual allocation threshold for HOME PJs;
- (2) Permit statewide non-profits to be designated as CHDOs;
- (3) Provide for a formula reallocation of recaptured CHDO set-aside funds; and
- (4) Allow an exception to 30-day requirement notice for eviction or failure to renew lease.

The Department requests also statutory changes to SHOP that would:

- (1) Amend the SHOP statute to allow HUD to issue SHOP regulations over five pages in length;
- (2) Add a section to specifically allow the use of up to 20 percent of SHOP grant funds for eligible planning, administration, and management costs;
- (3) Establish a single 36-month grant term for the grantee’s SHOP program; and
- (4) Authorize HUD to establish deadlines for completion and conveyance of all SHOP units.

HOME is also part of the proposed Upward Mobility Project, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME and Community Development Block Grant (CDBG), that share a common goal of promoting opportunity and reducing poverty.

More information on these changes is included in Section 5 of this justification.

2. What is this program?

Program Description and Key Functions

The HOME Investment Partnerships Program is the largest federal block grant to state and local governments designed exclusively to produce affordable housing for low-income families.

HOME was authorized in 1990 as Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C 12701 et seq; program regulations are at 24 CFR Part 92) to provide participating jurisdictions (PJs), on a coordinated basis, with various forms of federal housing assistance, including capital investment, mortgage insurance, rental assistance, and other federal assistance, needed to

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expand the supply of decent, safe, sanitary, and affordable housing; to make new construction, rehabilitation, substantial rehabilitation, and acquisition of such housing feasible; and to promote the development of partnerships among the federal government, States and units of general local government, private industry, and non-profit organizations to effectively coordinate all available resources to provide more of such housing.

HOME funds may be used only for four primary purposes:

- production of new single or multifamily housing units;
- rehabilitation of housing;
- direct homeownership assistance; or
- time-limited tenant-based rental assistance (for up to 2 years with possibility of renewal).

In fiscal year 2014, HOME provided funding to 640 PJs, including 584 local government PJs (including 142 consortia), 52 states including the District of Columbia and Puerto Rico, and 4 Insular Areas. For many jurisdictions, these funds are the principal tool for the production of rental and for-sale housing for low- to extremely low-income families, including mixed-income housing and housing for persons with special needs. In addition, HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits or other federal, state, or local housing projects feasible.

How Funds are Allocated

Annual HOME allocations to States and eligible local government PJs are determined by a formula that reflects the severity of local affordable housing needs. The formula ensures that PJs with the greatest housing needs receive the most funding. The greater of 0.2 percent of the annual appropriation or \$750,000 is set aside for Insular Areas, with 60 percent of the remaining funds awarded to participating local governments and 40 percent awarded to States. All States receive a minimum annual allocation of at least \$3 million. The following six formula factors, using the most recent data from the American Community Survey, are used:

- vacancy-adjusted rental units in which the head of household is at or below the poverty level;
- occupied rental units with at least one of four problems (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs);
- rental units built before 1950 occupied by poor households;
- a ratio of the jurisdiction's costs of producing housing divided by the national cost;
- the number of families at or below the poverty level; and
- the population of a jurisdiction multiplied by the net per capita income.

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Program Requirements

HOME Program

- Eligible Activities. PJs may use HOME funds to help renters, new homebuyers, or existing homeowners through rehabilitation of substandard housing, acquisition of standard housing (including down payment assistance), new construction, or tenant-based rental assistance (TBRA). By statute, funds may not be used to provide TBRA for certain special purposes of the existing Section 8 program, to provide non-federal matching requirements for other programs, or to finance public housing operating subsidies or modernization.
- Low-Income Benefit. HOME makes homeownership affordable to lower-income households. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income (AMI). The investment of HOME funds in rental projects increases the affordability for families at the very lowest income levels by requiring long-term income targeting and affordable rents.
 - In addition, the HOME statute requires that at least 90 percent of the households occupying HOME-assisted rental units or receiving HOME-funded rental assistance have incomes that do not exceed 60 percent of the AMI. The HOME program consistently exceeds this income-targeting requirement. A total of 99.3 percent of households receiving TBRA and 97 percent of households occupying assisted rental units have incomes below 60 percent of the area median.
- Matching Requirements. Effective with the 1993 appropriation, PJs must provide matching contributions of at least 25 percent of HOME funds spent for TBRA, rehabilitation, acquisition, and new construction. To be considered eligible as match, a contribution must be made from non-federal sources and must be a permanent contribution to a HOME project or to HOME match-eligible housing. Consequently, not all leveraged funds can be considered match. The Housing and Community Development Act of 1992, provides that the matching requirement shall be reduced by 50 percent for jurisdictions that are in fiscal distress and by 100 percent for jurisdictions that are in severe fiscal distress. As of September 30, 2014, HUD determined that there were 266 PJs currently in fiscal distress or severe fiscal distress and their matching requirements were reduced accordingly, thereby allowing those PJs to use their general funds for more immediate or pressing needs.
- Reallocation of Funds. The HOME statute provides that HOME funds will be available to PJs to commit to affordable housing projects for 24 months. Thus, the Department must de-obligate HOME funds that have been available to PJs, but have not been committed to affordable housing by the end of the last day of the month of the 24-month period. These funds are reallocated by formula. From the inception of the program through September 30, 2014, the Department has de-obligated approximately \$81.8 million.
- CHDO Set-aside. The HOME statute also requires that at least 15 percent of each PJ's HOME funds are reserved to housing owned, developed, or sponsored by CHDOs within 24 months, and if this deadline is not met, the funds are recaptured and redistributed by national competition. To date, \$17.8 million of CHDO funds have been recaptured.

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- Repayments and Deadline Compliance. The Department has reduced HOME grants by approximately \$46.3 million in lieu of repayment for incomplete or ineligible activities. De-obligated non-CHDO funds and funds from grant reductions in lieu of repayment are reallocated by formula to all PJs during the next formula allocation cycle. These deadline requirements are important statutory performance measures and the de-obligation process ensures that HOME funds are used in a timely manner or are redistributed.

SHOP Program

- Authorization. SHOP is authorized by Section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805). The purpose of SHOP is to facilitate and encourage innovative homeownership opportunities on a geographically diverse basis through the provision of self-help homeownership programs for low-income families and individuals who otherwise would be unable to afford to purchase a homeownership unit.
- Eligible Grantees. SHOP achieves this goal through its annual Notice of Funding Availability (NOFA) competitive award. Each year HUD's SHOP NOFA sets forth program application requirements and rating criteria. To ensure that awards go only to high-quality applicants, eligible SHOP grantees are limited to national and regional nonprofit organizations and consortia that have experience in providing self-help homeownership housing in at least two states. In past years, HUD has awarded funds to between three and five SHOP grantees. These grantees have the option of using non-profit affiliate organizations to undertake their SHOP activities, and are responsible for the performance of their affiliates. The number of affiliates varies by grantee.
- Eligible Activities. SHOP funds can only be used to purchase land, install or improve infrastructure, and pay reasonable administrative costs of up to 20 percent of the grant. The SHOP investment cannot exceed \$15,000 per unit for land acquisition and infrastructure improvements, averaged across the entire grant. Grantees must leverage other funds for the construction and rehabilitation of the SHOP units, for securing permanent homebuyer financing, and for providing housing counseling.
- Sweat Equity. Homebuyers must contribute sweat equity, including but not limited to assisting in the painting, carpentry, trim work, drywall, roofing and siding for the housing. If one individual will hold the title, the homebuyer must contribute a minimum of 50 hours of sweat equity; otherwise, the homebuyers must contribute a minimum of 100 hours of sweat equity. In exchange, SHOP homebuyers receive the full value of their sweat equity contribution as equity towards the purchase of their SHOP units. This sweat equity contribution may not be mortgaged or otherwise restricted upon a future sale.

Key Partnerships and Stakeholders

HOME funds are administered by states and local government Participating Jurisdictions (PJs). These PJs can undertake HOME projects on their own or in partnership with for-profit and non-profit housing developers, housing finance agencies, and Community Housing Development Organizations (CHDOs).

HOME Investment Partnerships Program

SHOP grantees are national and regional nonprofit organizations and consortia that have experience in providing self-help homeownership housing in at least two states. Often these grantees will use local affiliates to carry out SHOP projects. SHOP funds are limited to land acquisition, infrastructure improvements, and related administrative costs, as a result, SHOP requires significant leveraging and other investment is raised for each dollar of SHOP funds expended. The SHOP model also requires donations of volunteer labor that further reduce production costs. In addition, by funding the preliminary site acquisition and infrastructure development costs, SHOP also enhances the ability of local governments to use other HUD funds (e.g., HOME, CDBG) more timely and efficiently.

3. Why is this program necessary and what will we get for the funds?

The Need for Affordable Housing—

- Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. HUD's forthcoming report to Congress, *Worst Case Housing Needs 2013*, reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 49 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.
- As worst case housing needs have increased and the level of housing assistance remains relatively flat, there is a wide gap between the number of assisted units and the number of households with severe housing needs. For every household that receives rental assistance, approximately two households have worst case housing needs. Across diverse geographic areas, there is a strong inverse correlation between greater prevalence of worst case needs and greater prevalence of housing assistance among very low-income renters (*Worst Case Housing Needs 2013*, forthcoming).
- The gap in supply of affordable rental units relative to need has been growing for decades, but in 2013 continues to show the effects of the economic recession and the associated collapse of the housing market for the nation's 18.5 million very low-income renters. Only 65 affordable units are available per 100 very low-income renters and 39 units per 100 extremely low-income renters. Availability is restricted because higher income renters occupy 40 percent of the stock affordable for renters with incomes of 0 to 30 percent of median, and 38 percent of stock affordable of 30 to 50 percent of median income. Available rental stock, even at higher rent levels, is being absorbed rapidly, reducing the overall rental vacancy rate from 10.9 percent in 2009 to 9.8 percent in 2011 and 8.4 percent in 2013 (*Worst Case Housing Needs 2013*, forthcoming).
- According to the "State of the Nation's Housing 2014," published by the Joint Center for Housing Studies at Harvard University, the U.S. homeownership rate fell for the ninth straight year from 66.1 percent in 2012 to 65.1 percent in 2013. Homeownership rates for all 10-year age groups between 25 and 54 are at their lowest point since recordkeeping began in 1976.

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- The number of households with housing cost burdens continues to climb, 35.3 percent of U.S households pay more than 30 percent of their income for housing in 2012. The share of cost burdened renters increased in all but one year from 2001 to 2011, to just about 50 percent, of which 28 percent paid more than half their incomes for housing. (*State of the Nation's Housing 2014*)
- The rising number of households unable to secure affordable housing reflects both the substantial growth in extremely low-income households and the fact that the private sector struggles to provide housing at a cost that is within reach of these households. An Urban Institute analysis found in 2000, 8.2 million extremely low-income households competed for 2.9 million rental units that were affordable and available. By 2012, the number of extremely low-income households had swelled to 11.5 million while the number of affordable and available housing units had increased to only 3.3 million. (*State of the Nation's Housing 2014*)

HOME's Contributions

HOME, as the primary federal tool of state and local governments for the production of affordable rental and for-sale housing for low-income to extremely low-income families, including mixed-income housing and housing for homeless and persons with HIV-AIDS, is an anchor of this nation's affordable housing finance system. The program provides state and local governments with the discretion to determine the type of housing product they will invest in, the location of the housing, and the segment of their low-income population to be served through these housing investments. For many states and local governments, HOME is the only reliable stream of affordable housing development funds available to them.

All HOME funds must be used to benefit families and individuals who qualify as low-income (i.e., at or below 80 percent of AMI). The investment of HOME funds in rental projects increases the affordability for families at the very lowest income levels by requiring long-term income targeting and affordable rents.

In addition, the HOME program produces additional long-term affordable rental housing. HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits (LIHTC) or other federal, state, or local housing projects feasible, although LIHTC can provide 40-50 percent of the capital necessary to complete a rental project. For example, per grantee reporting, 65 percent of approximately 177,000 completed HOME assisted rental units were part of awarded LIHTC projects from fiscal year 2009-2013. During the recent economic crisis, when tax credits were selling at much reduced prices or not at all, HOME funds provided essential gap financing for LIHTC projects to an even greater extent than what was historically provided to these projects.

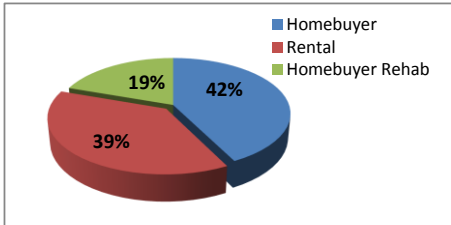
Of all LIHTC projects placed in service nationally between 2003 and 2012, HOME funds were expended in 23.3 percent of them. (PD&R calculations based on database of properties placed in service through 2012" available online at: <http://lihtc.huduser.org/>). Of these, 63.7 percent were new construction and 36.3 percent were rehabilitation of existing housing (either to preserve existing affordable housing or to convert existing housing to include affordable units), showing that the HOME program's flexible options are being used to support different types of key affordable housing activities. This flexibility is also critical as different regions;

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particularly the Northeast and Upper Midwest tend to rely more on rehab of the existing housing stock, while regions that are growing in population use more new construction.

HOME is also used in supportive housing projects for the homeless. Of the 6 percent of LIHTC projects targeted to address homelessness that were placed in service between 2003 and 2012, HOME funds were used in 27.4 percent of them. Without this funding, many of these projects (over 200 projects with an average size of 54 units per project) likely would have had enormous difficulty being completed or finding alternative financing.

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HOME Investment Partnerships Program Accomplishments and Beneficiary Characteristics as of September 30, 2014								
Completed Production Units			Occupied Units		Ethnicity Characteristics			
Homebuyer	492,234		99%		Hispanic	17%		
Rental	462,891		Households Receiving Tenant- Based Rental Assistance (TBRA)		Non-Hispanics	83%		
Homebuyer Rehab	230,165							
Total Production Units		1,185,290	294,650					
Units by HOME Activity			Family Size		Race Characteristics			
			1 Person	37%	White	46%		
			2 Persons	22%	Black/African American	32%		
			3 Persons	18%	Asian	1%		
			4 Persons	13%	American Indian/Alaskan Native	2%		
			5 Persons	6%	Native Hawaiian/Pacific Islander*	0%		
			6 Persons	2%	American Indian/Alaskan Native & White*	0%		
			7 Persons	1%	Asian & White*	0%		
			8+ Persons	1%	Black/African American & White*	0%		
			Family Type		American Indian/Alaskan Native & Black*	0%		
			Single/Non-Elderly	26%	Other/Multi-Racial*	1%		
			Elderly	21%	Asian/Pacific Islander**	1%		
			Related/Single Parent	27%	Spanish Culture or Origin**	17%		
Related/Two Parent	20%	*represents less than 0.5%						
Other	6%	**data collected through old race definitions						
Status of HOME Funds			Units: Number of Bedrooms		Income Status			
Amount Allocated	\$34.5 billion	99.5%	0 Bedroom	3%	Extremely Low-Income (0-30% AMI)	25%		
Amount Committed	\$32.4 billion	94.3%	1 Bedroom	17%	Very Low-Income (30-50% AMI)	32%		
Amount Disbursed	\$30.9 billion	89.9%	2 Bedroom	28%	Low-Income (50-80% AMI)	43%		
			3 Bedroom	44%	Above Low-Income (>80% AMI)	0%		
			4 Bedroom	7%				
			5+ Bedroom	1%				
			Ratio of Other Dollars to HOME Dollars (Leveraging)		Average HOME Cost Per Unit		Funds Reserved to Community Housing Development Organizations (CHDOs)	
			4.16:1		Homebuyer	\$15,754	21%	
Rental	\$32,309							
Homeowner Rehab	\$21,827							
TBRA	\$3,175							

Source: Cumulative HOME Production (1992 - 2014) from the Integrated Disbursement and Information System (IDIS).

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SHOP's Contribution

SHOP expands the supply of homeownership housing for low-income households by providing grant funds used to reduce the cost of developing affordable housing. The availability of SHOP funds for land acquisition and infrastructure improvements enable SHOP grantees to leverage other funds for construction and rehabilitation, including funds from other HUD programs. Current SHOP grantees report that among the biggest obstacles to developing affordable housing are lack of affordable land and the high cost of infrastructure improvements. SHOP addresses both of these barriers to expanding the supply of affordable homeownership housing by providing an average of \$15,000 per unit for land acquisition and infrastructure improvements.

SHOP targets underserved areas and income groups. SHOP grantees must demonstrate a clear unmet need for self-help homeownership housing on a national or regional basis consisting of at least two states. SHOP grantees target inner cities, rural areas, and colonias, where the lack of adequate housing is most acute. Most grantees work through local affiliate organizations that serve specific local target areas, and have a deep understanding of local conditions and needs. By using the homeownership model, SHOP provides stability to families and neighborhoods.

The SHOP program design enables deep income targeting. The majority of SHOP homebuyers have incomes below 50 percent of the area median income in the area. In addition, many are first-time homebuyers for whom owning a home has been a life-long dream.

SHOP ensures that homeownership housing is affordable and sustainable. SHOP is designed with the recognition that low-income households have limited equity. To address this hurdle to low-income homeownership, SHOP enables low-income homebuyers to contribute their labor towards the purchase of their units. This sweat equity contribution reduces the purchase price of their SHOP unit.

SHOP also requires applicants to describe the standards they will use to limit the monthly housing cost burden of their homebuyers. Because homebuyers are required to contribute their sweat equity, they are trained in many building maintenance skills and have an understanding of the long-term maintenance requirements that are part of successful homeownership. All grantees provide pre-purchase counseling, and most provide post-purchase interventions.

SHOP ensures that only experienced grantees are awarded SHOP funds. Applicants must demonstrate that they have experience and have successfully developed a least 30 units of self-help homeownership housing in the prior 24 months. By allowing up to 20 percent of each SHOP grant for program administration and management, SHOP ensures that grantees have adequate funds to manage and monitor their SHOP programs, and provide training and technical assistance to their affiliate organizations and program participants.

SHOP ensures a timely and efficient use of federal funds. SHOP funds must be expended within 36 months of obligation for affiliate organizations developing five or more SHOP units, or 24 months for other grantees. Moreover, HUD's expectation is that grantees will convey most SHOP units within 12 months of the end of the SHOP grant term. Quarterly and annual reporting systems help HUD monitor grantee performance. By limiting the use of SHOP funds to land acquisition, infrastructure improvements, and related

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administrative costs, SHOP requires significant leveraging and other investment. The SHOP model also requires donations of volunteer labor that further reduce production costs. In addition, by funding the preliminary site acquisition and infrastructure development costs, SHOP enhances the ability of local governments to use other HUD funds (e.g., HOME, CDBG) more timely and efficiently.

4. How do we know this program works?

Research and Evaluation

In response to a congressional directive issued in Section 231 of the Consolidated and Further Continuing Appropriations Act of 2012, GAO conducted a study to analyze "... (1) what is known about the effectiveness (or impact) of the CDBG and HOME programs, (2) the performance measures HUD has in place for the CDBG and HOME programs and any challenges HUD faced in developing these measures, and (3) promising practices HUD and other have identified for the CDBG and HOME programs." (Shear, William B. "GAO-12-575R Effectiveness of Block Grants." Government Accountability Office. 15 May 2012.) Subsequently, GAO released a report on May 15, 2012, acknowledging the difficulties associated with assessing the effectiveness of federal block grant programs at a national level, while concluding that a positive correlation exists between the HOME program and assisted communities. The study found:

1. Few comprehensive studies on the effectiveness of the HOME program exist, but GAO determined that a number of studies focusing on specific activities have generally found HOME has made positive contributions. A 2001 study found that slightly more than 95 percent of HOME-funded units had rents that were at or below program affordability limits. A 2004 study found that the HOME program supported both geographic and economic mobility of homebuyers. A 2008 study found that HOME-assisted buyers had foreclosure rates slightly lower than a similar demographic group of FHA insured buyers.
2. HUD has established performance measures for the HOME program. CPD developed a performance measurement system in 2006 that allows grantees to report on objectives, intended outcomes, and outputs for all activities undertaken. The system has provided the Department with data capable of being aggregated at the national level, but the GAO report acknowledges the inherent challenges related to developing performance measures for block grant programs. The GAO found that HOME has historically collected extensive data regarding the completion of HOME units and the beneficiaries assisted by the HOME program. For every unit receiving HOME assistance, HUD collects data on location, race/ethnicity, income range, and the size, and type of the beneficiary household, as well as HOME costs per unit and project, leveraging of other resources, and the number of years each unit will remain affordable to low- and very low-income families.
3. HUD and others have identified several promising practices for the HOME program related to program management and use of funds. The promising practices included the development of local performance measurement systems, internal operating procedures, and the identification of a number of innovative projects that effectively used HOME funds. HUD gave awards in 2005 and 2011 for HOME projects that demonstrated neighborhood revitalization, innovative design, reaching underserved

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populations, and producing sustainable housing. The report also referenced the Consolidated Plan enhancements that provide better data allowing grantees to prioritize and target limited resources.

HOME Program Outcomes

Key contributions of the HOME program:

- Completed 1,185,290 affordable units in the past 22 years, of which 492,234 were for new homebuyers, 230,165 were for owner-occupied rehabilitation and 462,891 were new and rehabilitated rental units.
- Provided 294,650 low-income families in the past 22 years with tenant-based rental assistance, of which 97 percent qualified as very low-income (i.e., income at or below 50 percent of the AMI.)
- Forty-four percent of those assisted with affordable rental housing during the past 5 years were extremely low-income families (i.e., income at or below 30 percent of the AMI.)
- Leveraged \$115.5 billion of other funds for affordable housing, with a leveraging ratio of 4.16:1 (i.e., \$4.16 of private or other public dollars for each HOME dollar invested in rental and homebuyer projects).
- The average HOME cost per unit assisted over the life of the HOME program is \$23,398, a small investment yielding significant results.

SHOP Program Outcomes

SHOP assists the efforts of proven national and regional non-profit organizations and consortia to develop high quality affordable housing. SHOP funds serve as the “seed money” to obtain materials and mobilize volunteer labor that provides momentum for greatly expanded levels of construction investment in low-income housing from public and private sources. While the matching of SHOP funds with other dollars is not required, SHOP grantees have shown that for every SHOP dollar the program leverages more than \$5 in resources from other sources. This does not include the sweat equity and volunteer labor required by the program. The presence of SHOP funds increases the ability of non-profit organizations to leverage funds, providing a substantial return on the maximum federal investment of \$15,000 per unit. SHOP funds reinforce the very grassroots nature that has made self-help housing organizations so successful at expanding housing opportunities for low- and very low-income families in urban and rural areas across the country:

- All SHOP funds assist low-income families and individuals to purchase a home. “Low-income” means households with incomes no greater than 80 percent of the median income for the area. Currently, 61 percent of SHOP homebuyers are very low-income (i.e., income at or below 50 percent of the AMI.), and 10 percent are extremely low-income (i.e., income at or below 30 percent of the AMI.) All SHOP units are affordable. Homebuyers earn equity toward the purchase of their homeownership units by contributing sweat equity. Volunteer labor contributions also help reduce the cost of these units. Homebuyer equity at sale has

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ranged from \$15,000 to \$30,000 per unit. SHOP units must be energy-efficient and water-efficient, thereby reducing the long-term maintenance cost of the SHOP units.

- Since the inception of the program in 1996, 27,351 affordable homeownership units have been completed and conveyed to low-income buyers.
- Over \$2.1 billion in other funds have been leveraged for a ratio of \$5.44 in other funds raised for each \$1 of SHOP funds expended.

Summary of IT investment:

Prior IT DME funding has enabled HUD to develop a range of tools and system improvements over the years to strengthen HOME oversight and to assist grantees to better manage their programs. One example of these enhancements is the HOME Review Activity screen and related activity flags, which identify HOME activities that meet certain criteria in order to keep HOME projects moving toward completion. Another example is the automatic cancellation process and HUD Initiated Activity Cancellation Report, which identifies projects that are cancelled automatically in the system due to not having any disbursements within 12-months of activity commitment.

During 2014, IDIS was significantly changed to eliminate the first-in, first-out (FIFO) method of committing and disbursing funds to HOME projects. This change was a result of a finding in the Department's Financial Statements Audit (2013-FO-0004).

5. Proposals in the Budget

HOME Proposals (Section 228 of the General Provisions)

Revise "Grandfathering" Provisions and Eliminate the Dual Allocation Threshold for HOME Participating Jurisdictions. The number of participating jurisdictions has increased from 387 in 1992 to 640 in 2014. The appropriation has not increased along with the number of new participating jurisdictions, however, resulting in much lower formula allocations than is necessary to administer a local affordable housing program. For example, at the fiscal year 2014 appropriation of \$1 billion, 108 of the 640 HOME participating jurisdictions received allocations that are below the \$335,000 minimum participation threshold that Congress established for the program in 1990. In addition, 253 received less than \$500,000, which is the minimum allocation proposed by HUD in its fiscal year 2016 budget request. Spartanburg, South Carolina, which has the smallest HOME grant in the country, received a fiscal year 2014 allocation of \$151,914. Given recent funding levels, it is necessary to reduce the number of participating jurisdictions to ensure that individual allocations are sufficient to support affordable housing development and have an impact on affordable housing need within communities. The Department is proposing to eliminate the \$335,000 allocation threshold for years in which the HOME appropriation is less than \$1.5 billion, resulting in a stable threshold of \$500,000 regardless of appropriation amount. The Department is also proposing to eliminate continuous grandfathering of participating jurisdictions and insert a provision that would

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grandfather participating jurisdictions for 5-year periods running concurrently with their consolidated plan period. This would ensure a degree of funding stability for participating jurisdictions, while ensuring that they do not indefinitely receive very small allocations in the event of future funding cuts. This proposed amendment would result in the elimination of more than 250 local participating jurisdictions after three years in a five-year period with an allocation of less than \$500,000. Local participating jurisdictions remaining in the program after the first five-year period could expect a significant increase in their HOME allocations as a result.

If the proposal is enacted and the HOME appropriation levels remain relatively consistent, 253 of the 640 HOME participating jurisdictions will be removed from the program after five years. Although these participating jurisdictions would be ineligible for direct formula funds, they would still be able to access HOME funds by forming consortia to meet the qualifying threshold or apply directly to their States for funding for specific projects. In addition, new participating jurisdictions would need to meet the allocation threshold of \$500,000 regardless of the HOME appropriation level. If these proposals are not enacted, smaller local participating jurisdictions will not receive allocations sufficient to administer local housing programs.

Permit State-Wide Nonprofits to Be Designated as CHDOs. This amendment would permit nonprofit organizations that operate statewide to be designated as Community Housing Development Organizations (CHDO) by the State participating jurisdiction. The effect of the amendment would be to assist largely rural states to identify organizations with capacity to undertake HOME CHDO-set-aside projects. Currently, state-designated CHDOs are not permitted to serve the entire state. This proposed amendment would result in the successful use of CHDO funds in areas of the country where there are few, if any, CHDOs. Participating jurisdictions in those areas would be able to use their CHDO set aside funds on CHDO projects owned, developed, or sponsored by these statewide CHDOs instead of losing the funds for failing to meet the 24-month CHDO reservation requirement. This proposal would save approximately \$320,000 from recapture each year. If this proposal is enacted, rural states with few or no CHDOs will be able to more effectively use their CHDO funds. If this proposal is not enacted, CHDO funds will be recaptured from rural states with few or no CHDOs for not meeting the CHDO timeliness requirements.

Formula Reallocation of Recaptured CHDO Set-Aside Funds. This proposed amendment would permit HUD to reallocate funds recaptured from HOME participating jurisdictions for failure to meet the 24-month CHDO reservation requirement to all participating jurisdictions by formula as regular HOME funds. Currently, the statute requires HUD to reallocate CHDO funds but HUD does not recapture enough funds to conduct a national competition during the period of fund availability timeframe. This statutory change would ensure recaptured funds could be used again by HOME participating jurisdictions for the creation of affordable housing or tenant-based rental assistance. This proposed amendment would result in the reallocation and use of approximately \$800,000 in recaptured CHDO set aside funds each year. Currently, these funds expire after the period of availability, are returned to the U.S. Treasury, and are not used to develop affordable housing due to the inability of HUD to accumulate enough funds to conduct a national competition. If enacted, this proposed amendment would result in the reallocation and use of approximately \$800,000 in recaptured CHDO set aside funds each year. If not enacted, these funds will expire after the three-year period of availability and will be returned to the U.S. Treasury. Consequently, the funds will not be used to develop affordable housing.

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Exception to 30-Day Requirements Notice for Eviction or Failure to Renew Lease. This proposed amendment would provide for an exception to the requirement that tenants of HOME-assisted rental units be provided with 30-day written notice of the owner's intention to evict or deny lease renewal. The 30-day requirement would remain in place, except in instances in which the tenant's presence in the unit constitutes a direct threat to the safety of tenants or employees of the housing or presents an imminent threat to the property. This proposed amendment would result in reduced security, repair, and legal costs for HOME project owners due to dangerous tenants that cannot be evicted without 30 days' notice under current statutory requirements. If enacted, dangerous or harmful tenants could be evicted from HOME units without 30 days written notice of eviction. If this proposal is not enacted, dangerous or harmful tenants will be allowed to reside in HOME units until 30 days after they receive written notice of eviction.

SHOP Proposals (Section 225 of the General Provisions)

Eliminate the provision that prohibits the Secretary from issuing regulations that exceed 5 full pages in the Federal Register. The Department would draft SHOP program regulations, which would significantly reduce the administrative burden caused by preparation of the annual notice of funding availability for the SHOP applicants. This will enable HUD to engage in rulemaking that will allow an opportunity for public comment, unlike the NOFA process. The issuance of regulations will also provide more certainty and consistency in the SHOP program and streamline the NOFA process.

20 Percent Administrative, Planning, and Management Allowance. The proposal would allow SHOP grantees to more effectively and efficiently administer their SHOP grants by adding an eligibility category to allow for up to twenty percent of each SHOP grant to be used for eligible planning, administration and management costs, provided such costs do not exceed 20 percent of the SHOP grant.

Eliminate the dual 24 month and 36 month grant expenditure time frames (the grant term). This proposal would eliminate the dual grant expenditure deadlines and establish a single 36 month grant term for all participating organizations, consortia and affiliate organizations, after which the Secretary will recapture any unexpended SHOP grant funds. This proposal will greatly ease the administration of the program for the Department and SHOP grantees.

Establish a deadline for completion of units. This proposal would authorize the Secretary to establish a deadline for the completion and conveyance of all SHOP units that have been assisted with SHOP grant funds. The SHOP statute establishes a deadline for the use (expenditure) of all SHOP grant funds, it does not establish a deadline for the completion and conveyance of all SHOP units that have been financed with these grant funds. Final grant close out does not occur until all SHOP grant-assisted units have been completed and conveyed to eligible homebuyers. Providing HUD with the statutory authority to establish a deadline for the timely completion and conveyance of all SHOP grant-assisted units will better enable HUD to facilitate program performance and enforce against instances of non-compliance.

Proposal to Use HOME to Improve Upward Mobility

HOME Investment Partnerships Program

The HOME program is also part of the Administration's Upward Mobility Project proposal, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME and Community Development Block Grant, that share a common goal of promoting opportunity and reducing poverty. In exchange for more accountability for results, state and localities would be able to use the funds beyond the current allowable purposes of these programs to implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children's outcomes, and the ability of communities to expand opportunity.

The Upward Mobility Project would be jointly administered by HUD and HHS. In addition, participating communities would be eligible to receive up to \$300 million per year (\$1.5 billion over five years) through the HHS Social Services Block Grant to support implementation of the pilot projects. Like Promise Zones and Performance Partnerships, this proposal reflects the Administration's efforts to break down silos, provide flexibility for localities to tailor federal funds to meet their unique needs, and direct resources where evidence suggests they will be most effective. Additional information on the Upward Mobility Project can be found in the HHS budget justifications.

HOME Investment Partnerships Program

HOME Investment Partnerships Program allocations by State for 2014 and 2015 enacted Budget Authority, and the 2016 Budget request

	ACTUAL	ESTIMATE	ESTIMATE
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(Dollars in Thousands)		
STATE OR TERRITORY			
Alabama.....	\$13,665	\$12,078	\$14,135
Alaska.....	3,585	3,515	3,596
Arizona.....	15,837	14,382	16,742
Arkansas.....	8,890	7,710	9,053
California.....	130,929	118,330	137,556
Colorado.....	13,472	12,180	14,182
Connecticut.....	11,534	10,301	12,046
Delaware.....	4,197	4,052	4,216
District of Columbia.....	4,267	3,728	4,299
Florida.....	47,618	43,225	50,287
Georgia.....	26,114	23,664	27,674
Hawaii.....	5,383	5,138	5,477
Idaho.....	4,117	3,784	4,444
Illinois.....	42,895	38,276	44,539
Indiana.....	19,429	17,494	20,435
Iowa.....	8,540	7,682	8,996
Kansas.....	7,880	7,076	8,270
Kentucky.....	13,888	12,527	14,675
Louisiana.....	13,873	12,222	14,276
Maine.....	4,560	4,119	4,813
Maryland.....	13,300	12,108	14,095
Massachusetts.....	25,519	22,645	26,347

HOME Investment Partnerships Program

HOME Investment Partnerships Program allocations by State, continued

	ACTUAL	ESTIMATE	ESTIMATE
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(Dollars in Thousands)		
STATE OR TERRITORY			
Michigan.....	\$30,888	\$27,729	\$32,328
Minnesota.....	14,067	12,606	14,705
Mississippi.....	8,735	7,775	9,128
Missouri.....	18,162	16,143	18,848
Montana.....	3,855	3,735	3,851
Nebraska.....	5,431	5,152	5,505
Nevada.....	8,745	8,369	9,218
New Hampshire.....	3,801	3,714	3,825
New Jersey.....	25,228	22,684	26,334
New Mexico.....	5,631	5,036	5,895
New York.....	98,134	86,760	100,818
North Carolina.....	26,470	23,937	27,941
North Dakota.....	3,394	3,337	3,390
Ohio.....	40,585	36,267	42,303
Oklahoma.....	10,626	9,384	10,969
Oregon.....	13,489	12,169	14,207
Pennsylvania.....	42,543	37,973	44,231
Rhode Island.....	5,126	4,858	5,152
South Carolina.....	12,421	11,066	12,875
South Dakota.....	3,380	3,324	3,375
Tennessee.....	18,100	16,163	18,889
Texas.....	66,532	59,374	69,165
Utah.....	6,499	6,244	6,757
Vermont.....	3,379	3,342	3,395
Virginia.....	18,996	17,085	19,906
Washington.....	19,725	17,460	20,295
West Virginia.....	5,811	5,162	6,041
Wisconsin.....	18,711	16,965	19,791
Wyoming.....	3,500	3,500	3,500
Puerto Rico.....	<u>16,544</u>	<u>14,651</u>	<u>17,129</u>
Subtotal Formula Grants	\$998,000	\$898,200	\$1,039,919
Other activities..(Insular and Transformation Initiative).....	2,000	1,800	10,157
SHOP.....	<u>0</u>	<u>0</u>	<u>9,924</u>
TOTAL HOME.....	\$1,000,000	\$900,000	\$1,060,000

The 2015 and 2016 amounts represent preliminary estimates.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT HOME INVESTMENT PARTNERSHIPS PROGRAM Summary of Resources by Program (Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Formula Grants	\$998,000	\$202,758	\$1,200,758	\$1,021,432	\$898,200	\$178,846	\$1,077,046	\$1,047,900
Insular Areas	2,000	...	2,000	2,000	1,800	...	1,800	2,100
HOME/CHDO Technical Assistance .....	...	739	739	336	...	739	739	...
Management Information Systems .....	...	338	338	...	...	338	338	...
Self-Help Homeownership Opportunity Program ..	...	...	...	...	...	...	...	10,000
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[8,056]
Total	1,000,000	203,835	1,203,835	1,023,768	900,000	179,923	1,079,923	1,060,000

NOTES: The 2013 Carryover Into 2014 column includes approximately \$13.566 million of funds recaptured in fiscal year 2014. Of those funds recaptured, \$12.827 million were grants and \$738.8 thousand were Technical Assistance.

In fiscal years 2014 and 2015, SHOP was funded in the SHOP account.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT HOME INVESTMENT PARTNERSHIPS PROGRAM Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the HOME investment partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, [~~\$900,000,000~~ *\$1,060,000,000*, to remain available until September 30, [2018] *2019*: Provided, [That notwithstanding the amount made available under this heading, the threshold reduction requirements in sections 216(10) and 217(b)(4) of such Act shall not apply to allocations of such amount: Provided further,] That the requirements under provisos 2 through 6 under this heading for fiscal year 2012 and such requirements applicable pursuant to the "Full-Year Continuing Appropriations Act, 2013", shall not apply to any project to which funds were committed on or after August 23, 2013, but such projects shall instead be governed by the Final Rule titled "Home Investment Partnerships Program; Improving Performance and Accountability; Updating Property Standards" which became effective on such date: Provided further, That [the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act] *funds provided in prior appropriations Acts for technical assistance, that were made available for Community Housing Development Organizations technical assistance, and that still remain available, may be used for HOME technical assistance notwithstanding the purposes for which such amounts were appropriated: Provided further, That of the total amount provided under this heading, \$10,000,000 shall be made available to the Self-help Homeownership Opportunity Program as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996, as amended.* (Department of Housing and Urban Development Appropriations Act, 2015.)

**COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$50,000	\$37,907	...	\$87,907	\$37,907	\$74,873
2015 Appropriation	50,000	50,000	...	100,000	50,000	62,000
2016 Request .....	...	...	...	...	<u>50,000</u>	<u>59,000</u>
Program Improvements/Offsets	-50,000	-50,000	...	-100,000	...	-3,000

1. What is this request?

The Department is not requesting funding under the Self-Help and Assisted Homeownership Opportunity Program (SHOP) account in fiscal year 2016. The Department is requesting up to \$10 million for SHOP as a set-aside within the HOME Investment Partnerships Program (see the HOME justification for further details on SHOP). Funding for all capacity building activities, including the Capacity Building for the Community Development and Affordable Housing program authorized under section 4(a) of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note) and rural capacity building, is requested as a part of the Transformation Initiative (TI) account. Within TI, HUD will continue its integrated approach to technical assistance and capacity building, including activities to develop, enhance, and strengthen the technical and administrative capabilities of community development corporations to carry out community development and affordable housing activities for low- and moderate-income persons that support and address local needs and priorities.

Self-Help Homeownership Opportunity Program

**COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Self-Help and Assisted Homeownership Opportunity Program ..	\$10,000	...	\$10,000	...	\$10,000	\$10,000	\$20,000	...
Capacity Building	35,000	\$33,169	68,169	\$33,169	35,000	35,000	70,000	...
Capacity Building for Rural Housing	<u>5,000</u>	<u>4,738</u>	<u>9,738</u>	<u>4,738</u>	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>	<u>...</u>
Total	50,000	37,907	87,907	37,907	50,000	50,000	100,000	...

NOTE: In the fiscal year 2016 requests, SHOP is included as a set-aside in the HOME account and Capacity Building funding is included in the Transformation Initiative account. Obligations and outlays for funds appropriated prior to fiscal year 2016 will continue to be reflected in the SHOP account.

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING TRUST FUND	<u>Budget Authority</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Budget (Mandatory).....	\$120,000	\$120,000	\$1,000

1. What is included in the 2016 Budget?

The fiscal year 2016 Budget estimates that \$120 million will be provided to the Housing Trust Fund (HTF) from assessments from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The fiscal year 2016 funds will finance the development, rehabilitation, and preservation of affordable housing for extremely low-income (ELI) and very-low income residents, and will result in approximately 1,000 units produced over time. As a mandatory program, States or State-designated entities will have a more stable source of funding to allow them to increase affordable housing for the long-term.

HUD's forthcoming report to Congress, *Worst Case Housing Needs 2013*, reports on the continued gap between the need for affordable housing and the supply of affordable housing for very low-income families, elderly and the disabled. This program would also assist with achieving the Administration's goals to prevent and end homelessness consistent with "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness".

The Housing Trust Fund will be administered by HUD's Office of Community Planning and Development (CPD). For more information about the proposed investment in Salaries and Expenses (S&E) needed for effective administration of the HTF, please see the CPD S&E justification.

2. What is this program?

The Housing Trust Fund is a mandatory program authorized by Housing and Economic Recovery Act of 2008 (HERA). HERA directed the account to be funded from assessments on Fannie Mae and Freddie Mac, but the Federal Housing Finance Agency (FHFA), as regulator of Fannie Mae and Freddie Mac, suspended these assessments in November 2008. On December 11, 2014, FHFA announced that the assessments would be reinstated effective January 2015, subject to the terms and conditions prescribed by FHFA. The Budget reflects the current estimates of those mandatory assessments and projected program activity.

Key aspects of the HTF:

Housing Trust Fund

- Formula Allocations. The proposed allocation formula includes the following factors: 1) the shortage of rental units both affordable and available to ELI renter households; 2) the shortage of rental units both affordable and available to very low-income (VLI) renter households; 3) the ratio of ELI renter households with worst case housing needs; 4) the ratio of VLI renter households paying more than 50 percent of income on rent; and 5) the relative cost of construction. By statute, each state will receive a minimum allocation of \$3 million.
- Distribution of Assistance. States or state-designated entities responsible for distributing HTF funds shall develop allocation plans based on priority housing needs, as identified in the State's approved consolidated plan, and in accordance with any priorities that may be established by HUD. The allocation plans must include a description of the eligible activities and a description of funding eligibility requirements, including demonstrated experience and financial capacity to undertake the activity and demonstrated familiarity with the requirements of any other federal, state, or local housing program that will be used in conjunction with such grant amounts to ensure compliance with all applicable requirements and regulations of such programs. Funds for housing will go to "recipients," which may be non-profit or for-profit developers or owners.
- Accountability. Each grantee's allocation plan must include performance goals and benchmarks, and HUD will evaluate the performance of each grantee at least annually. To further hold grantees and recipients accountable for ensuring HTF funds are used properly and efficiently, sanctions may be imposed on grantees and recipients that fail to provide proper oversight or misuse funds. All grant amounts must be committed for use within 2 years of the date that grant amounts are made available to the grantee; any amounts not committed within 2 years will be recaptured and reallocated.
- Eligible and Prohibited Activities. Activities include: production, preservation, and rehabilitation of affordable rental housing and affordable housing for homeownership through the acquisition (including assistance to homebuyers), operating cost assistance and operating cost assistance reserves, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, financing costs, relocation expenses, operating costs of HTF-assisted rental housing, and reasonable administrative and planning costs.
- Income Targeting. At least 75 percent of funds must always be used for ELI families, or families with incomes at or below the poverty line (whichever is greater).
- Period of Affordability. Income targeting continues to apply throughout the HTF affordability period, which shall be 30 years. In rental projects, if a tenant becomes over-income, the HTF designation may float to another comparable unassisted unit in the project.

Housing Trust Fund

- Eligible Project Costs. Eligible project costs include: development hard costs, refinancing costs, acquisition costs, related soft costs, operating cost assistance (or operating cost reserve), relocation costs, and costs related to payment of loans.
- Cost Caps. For rental housing, the grantee must establish annual maximum per unit amounts of HTF funds that may be invested in an HTF-assisted unit, with adjustments for the number of bedrooms and the geographic location of the project. This requirement will require that grantees focus on the cost per unit and ensure that these costs are reasonable. For homeownership, modest homeownership caps will be applied. New construction units must have an appraised value that does not exceed 95 percent of the median purchase price for the type of single family housing for the area. For acquisition with rehabilitation, the estimated value of the housing after rehabilitation may not exceed 95 percent of the median purchase price for the area.
- On-going Habitability Property Standards for Rental Housing. The grantee must establish on-going property standards that apply throughout the affordability period. At a minimum, these standards must meet local code and address all items in HUD's most recent UPCS Comprehensive Listing of "Insectable" Areas. Project owners must address any identified deficiencies within a reasonable timeframe. On-site inspections will be performed by grantees during the period of affordability.

3. Why is this program necessary and what will we get for the funds?

Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. HUD's forthcoming report to Congress, *Worst Case Housing Needs 2013*, reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 48.9 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

As worst case housing needs have increased and the level of housing assistance remains relatively flat, there is a wide gap between the number of assisted units and the number of households with severe housing needs. Approximately two very low-income households have worst case needs for every one that receives rental assistance. Across diverse geographic areas, there is a strong inverse correlation between greater prevalence of worst case needs and greater prevalence of housing assistance among very low-income renters (*Worst Case Housing Needs 2013*, forthcoming).

The gap in supply of affordable rental units relative to need has been growing for decades, but in 2013 continues to show the effects of the economic recession and the associated collapse of the housing market for the nation's 18.5 million very low-income renters. Only 65 affordable units are available per 100 very low-income renters and 39 units per 100 extremely low-income renters.

Housing Trust Fund

Availability is restricted because higher income renters occupy 40 percent of the stock affordable for renters with incomes of 0 to 30 percent of median, and 38 percent of stock affordable of 30 to 50 percent of median income. Available rental stock, even at higher rent levels, is being absorbed rapidly, reducing the overall rental vacancy rate from 10.9 percent in 2009 to 9.8 percent in 2011 and 8.4 percent in 2013 (*Worst Case Housing Needs 2013*, forthcoming).

At the estimated funding level of \$120 million in fiscal year 2016, the HTF funding will leverage approximately 60 percent of other private and public funds needed to pay for the production of approximately 1,000 units of housing affordable to ELI households. By statute, at least 75 percent of funds must always be used for ELI families. The targeting ensures the priority, efficacy and efficiency of the program by helping those with the greatest needs.

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

HOMELESS ASSISTANCE GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$2,105,000	\$1,908,756 ^a	...	\$4,013,756	\$1,957,034	\$1,876,294
2015 Appropriation	2,135,000	2,079,259 ^b	...	4,214,259	2,146,198	2,017,614
2016 Request	<u>2,480,000</u>	<u>2,088,061^c</u>	...	<u>4,568,061</u>	<u>2,203,760</u>	<u>2,077,589</u>
Program Improvements/Offsets	+345,000	+8,802	...	+353,802	+57,562	+59,975

a/ This number includes \$29 million of funds recaptured from prior year obligations in fiscal year 2013.

b/ This number includes \$20 million in anticipated fiscal year 2015 recaptures, and \$5 million transferred to this account from the Department of Justice's Bureau of Justice Affairs for a Pay for Success demonstration program.

c/ This number includes \$20 million in anticipated fiscal year 2016 recaptures.

1. What is this request?

In fiscal year 2016 the Department of Housing and Urban Development requests \$2.480 billion for the Homeless Assistance Grants (HAG) account. This program has been a key factor to the Administration's progress in reducing chronic homelessness among individuals, which has declined by 21 percent between 2010 and 2014¹. This request includes \$2.223 billion for the Continuum of Care (CoC) Program, \$250 million for Emergency Solutions Grants (ESG) and \$7 million for Homeless Management Information System (HMIS) Technical Assistance. This is an increase of \$345 million from fiscal year 2015, and it will enable HUD to do the following:

- continue supporting emergency programs through ESG and fund the CoC competitive renewal demand,
- create 25,500 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness, and
- fund 15,000 rapid re-housing interventions for households with children to support the administration's goal to end family homelessness.

¹ Department of Housing and Urban Development. The 2014 Annual Homeless Assessment Report to Congress, Part 1.

Homeless Assistance Grants

The funds requested for HAG will help HUD achieve the goals of *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness* (Opening Doors), including ending chronic homelessness by 2017, preventing and ending homelessness for veterans by 2015, preventing and ending child, family, and youth homelessness by 2020, and setting a path to ending all types of homelessness. These funds are used to serve vulnerable individuals and families who are homeless or at-risk of homelessness through a wide variety of service and housing interventions including homelessness prevention, emergency shelter, rapid re-housing, transitional housing, and permanent supportive housing. HUD's homeless assistance grants support comprehensive and data-driven decision-making at the local level and leverage significant investments from other public and private resources – in fiscal year 2012, outside sources provided nearly \$3 to new projects for every dollar HUD awarded.

In addition, the 2016 Budget includes legislative language to (1) permanently authorize non-profits to administer rental assistance programs under the CoC; (2) amend Title V of the McKinney-Vento Act to establish a more timely and effective process to support the use of surplus Federal properties to assist homeless persons; and (3) within the Department of Homeland Security's budget, transfer funding and administration of the Federal Emergency Management Agency's Emergency Food and Shelter (EFS) program to HUD to reduce fragmentation and align efforts to end homelessness.

2. What is this program?

Emergency Solutions Grants

Emergency Solutions Grants (ESG) provides the first defense in serving people with a housing crisis and to engage people living on the streets. ESG awards funds to over 360 urban counties, metropolitan cities, states, and territories, supporting a variety of life-saving activities including:

- emergency shelter to house people in crisis;
- street outreach and other essential services to engage people who may be living on the streets or who are service-resistant;
- rapid re-housing to provide time-limited permanent housing and stabilization services; and
- homelessness prevention for individuals and families.

Continuum of Care Program

The Continuum of Care (CoC) Program is HUD's largest program targeted to homeless men, women, and children. Funds are awarded to approximately 8,000 projects through a national competition. In the fiscal year 2013 competition, approximately 94 percent of those projects were renewals (see description of renewal demand on page 5).

Homeless Assistance Grants

CoC Program funds can be used to fund:

- transitional housing to help individuals and families move to stability within 2 years;
- rapid re-housing to provide time-limited permanent housing and stabilization services;
- permanent supportive housing for homeless people with disabilities;
- support services to help identify and maintain permanent housing; and
- planning to improve program monitoring, collaboration, and data collection to drive higher performance at the local level.

Policy priorities for the CoC Program are driven by *Opening Doors*, which contains specific goals and timeframes for ending homelessness for veterans, families, youth, and people experiencing chronic homelessness. The CoC Program's competitive funding process encourages applicants to carefully review the performance of each project in its portfolio and reallocate funds from under-performing or under-utilized projects to ones based on proven, data-driven strategies. In the fiscal year 2013 CoC competition, over half of communities reallocated projects to create new permanent supportive housing units, resulting in over 5,456 new beds dedicated to serving people experiencing chronic homelessness.

The chart below details the number and type of new and renewal grants in the most recently awarded CoC Program competition.

Fiscal Year 2013 Funding Requests

(Dollars in Millions)

	Requested	Awarded
Total Projects	8,389	7,994
Total Amount (\$)	\$1,725.7	\$1,702.7
CoC Planning Applications	315	187
CoC Planning Amount (\$)	\$16.1	\$10.7
New Applications	489	437
New Amount (\$)	\$103.0	\$96.7
Renewal Applications	7,582	7,369
Renewal Amount (\$)	\$1,606.5	\$1,595.2

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Renewal Demand: The estimated renewal demand for each fiscal year is based primarily on three factors: the number of previously renewed grants which are expected to seek renewal again; the number of new awards made in the prior 1-5 years, which are now eligible for renewal for the first time; and, the average rate of increase in renewal demand, including Fair Market Rent (FMR) updates, for the previous 5-year period.

Historically, not all rental assistance grants eligible to seek renewal will actually do so in any given year. Therefore, HUD estimates renewal requirements within a range, in order to accommodate the unknown percentage of projects that will actually seek renewal. The following chart details HUD's 5-year estimates on renewal demand for currently awarded projects that will seek renewal.

Fiscal Year	Estimated Renewal Need
2015	\$1,858,716,866 - \$1,896,266,702
2016	\$1,898,245,834 - \$1,956,060,428
2017	\$1,925,374,664 - \$2,003,961,385
2018	\$1,936,472,351 - \$2,035,778,625
2019	\$1,948,341,309 - \$2,068,857,266
2020	\$1,969,177,754 - \$2,090,982,564

Technical Assistance: This account supports Technical Assistance (TA), which helps communities improve their homeless assistance. HUD uses TA resources to:

- develop and provide guidance to communities on critical compliance issues;
- work directly with communities to develop strategic plans and action steps to improve project and community level performance;
- develop tools and provide direct assistance to improve data collection and reporting to HUD; and
- increase the overall capacity of grantees to understand their own markets and manage their portfolios successfully.

National Homeless Data Analysis Project

The National Homeless Data Analysis Project provides critical resources to communities to improve data collection and reporting, integrate data collection efforts in HMIS with other federal funding streams, produce standards and specifications for data entry and

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reporting for all HMIS-generated reports, analyze point-in-time and longitudinal data to produce the Annual Homeless Assessment Report (AHAR), and provide direct technical assistance to CoCs on HMIS implementation.

Congress charged HUD with “taking the lead on data collection” on homelessness (House Report accompanying the fiscal year 2001 appropriations (106-988)). HMIS has grown to include other federal partners—in 2011, both VA and HHS committed requiring HMIS to be used by their grantees—thereby streamlining data collection and improving collaboration among programs that serve individuals experiencing homelessness. HUD incentivizes participation in HMIS and high-quality data through its annual CoC Program application. HUD also provides extensive technical assistance for HMIS at the local level – including needs assessments, on-site assistance to improve data quality, community participation, and data analysis. HMIS has changed the way that HUD and communities do business, moving from using anecdotal and inconsistent evidence to using data to inform policy decisions.

HMIS TA ensures consistency in data standards, policies, collection and reporting standards. HUD coordinates the participation of federal partners in HMIS, facilitating specifications for reporting that are cross-cutting, and supporting a HMIS Data and Research lab to provide data resources designed to lower costs for communities while increasing reporting accuracy for HUD and the federal partners.

Emergency Food and Shelter Program

In fiscal year 2016, the Federal Emergency Management Agency (FEMA) at the Department of Homeland Security is proposing legislative language granting FEMA the authority to transfer funding for the Emergency Food and Shelter (EFS) program to HUD to be administered by the Office of Special Needs Assistance Programs. The FEMA budget request for EFS is \$100 million. By allowing HUD to administer this program, the Administration is aligning its dedicated homeless assistance resources, avoiding duplication between programs, and ensuring that the funding appropriated for EFS assists in meeting the goals of *Opening Doors*. HUD looks forward to working with Congress to enable this realignment of the EFS program funding and authority.

The EFS program provides grants to nonprofit and governmental organizations at the local level to supplement their programs for emergency food and shelter. Funding for this program is distributed by the National Board, currently chaired by FEMA, which consists of designees from six charitable organizations: American Red Cross, Catholic Charities USA, Jewish Federations of North America, and National Council of Churches of Christ in the USA, Salvation Army, and United Way Worldwide.

Local jurisdictions (cities or counties) qualify for EFS program support when they demonstrate the highest need for emergency food and shelter services as determined by unemployment and poverty rates. Funding also may be provided to jurisdictions that do not qualify for funding under the formula through the National Board’s State Set-Aside Committee process. The National Board allocates a portion of appropriated funds to each state based upon the unemployment rates in jurisdictions that did not qualify for direct

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funding from the National Board. The State Set-Aside Committee process allows states to address pockets of homelessness and poverty or address the immediate needs of a locality that might be going through a high economic impact event.

Key Partners and Stakeholders

In 2010, the U.S. Interagency Council on Homelessness (USICH) published *Opening Doors*. *Opening Doors* employs a partnership between government and the private sector to reduce and end homelessness and maximizes the effectiveness of the federal government in contributing to the end of homelessness. The programs funded through the Continuum of Care competitive process provide the community structure for comprehensive and data-driven decision-making at the local level, and are critical for meeting the goals of *Opening Doors*:

1. Building on past progress, end chronic homelessness by 2017;
2. Prevent and end homelessness for veterans by 2015;
3. Prevent and end child, family, and youth homelessness by 2020; and
4. Set a path to ending all types of homelessness.

HUD Collaboration with Department of Veterans Affairs

HUD and the Department of Veterans Affairs (VA) have the joint goal of ending homelessness among veterans and have implemented joint planning efforts related to data collection and reporting and partnered to develop milestones and strategies to meet the goal of ending homelessness among veterans. HUD and VA have successfully collaborated to administer HUD-VASH, resulting in over 80,000 veterans being housed since 2008. As part of these joint efforts, HUD and the VA are collaborating on two studies: (a) the evaluation of the Veterans Homeless Prevention Demonstration, that will identify better outreach strategies and improved service delivery for this population; and (b) the HUD-VASH Evaluation and Exit Study, that will provide information about the reasons for exiting the program, the barriers to accessing housing, and the long-term stability of participants. We expect these reports for these studies to be released by the third quarter of fiscal year 2015 and the second quarter of fiscal year 2015, respectively.

HUD Collaboration with Health and Human Services

HUD and the Department of Health and Human Services (HHS) share the joint goal of ending homelessness among children, families, and youth. Currently, HUD and HHS are collaborating with USICH to further develop and promote a national framework to meet the goals of *Opening Doors*. In addition to these efforts, HUD, in coordination with HHS, is providing assistance to communities

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to reduce duplication of healthcare services by ensuring that homeless assistance is coordinated with state Medicaid programs and other mainstream healthcare initiatives.

3. Why is this program necessary and what will we get for the funds?

The requested increase in funding reflects the effectiveness of HUD's homelessness programs, which have developed over 108,000 permanent supportive housing beds since 2001, and achieved a 21 percent reduction in chronic homelessness since 2010. It has also contributed to declines of 33 percent in veteran homelessness and 15 percent in family homelessness since 2010. The request supports the renewal of over 235,000 beds and the addition of 25,500 new beds nationwide through the CoC Program. These resources are dedicated to serving individuals and families experiencing homelessness and have helped achieve those homelessness reductions. The funding also supports a range of critical services that assist those served to identify and maintain housing.

This request is needed to continue making progress on implementing *Opening Doors*, especially the goals of ending chronic and family homelessness.

- *Chronic Homelessness.* People experiencing chronic homelessness have a disability, and are homeless either continuously (for 365 consecutive days) or repeatedly (at least 4 times within a 3-year period). HUD is encouraging communities to use their homeless assistance funding to develop permanent supportive housing, which has proven to be the most successful intervention to end chronic homelessness, and is requiring communities to better target permanent supportive housing to people experiencing chronic homelessness. However, even with these policies in place, additional funding is needed to achieve the goal of ending chronic homelessness.

The fiscal year 2016 request includes funding for 25,500 new permanent supportive housing beds for people experiencing chronic homelessness, including chronically homeless veterans who are not eligible for services through the Department of Veterans Affairs. These new beds would be distributed competitively and would be geographically targeted to communities with the highest numbers of chronic homelessness.

- *Child, Family, and Youth Homelessness.* Although family homelessness has declined since 2010, the reduction has been modest compared to those for chronic and veteran homelessness. HUD has taken critical strides to improve its data collection on homeless youth and intends to continue this effort in order to better understand how to best serve homeless youth.

In this budget, HUD proposes to accelerate progress toward the goal of ending homelessness among children, families, and youth by increasing funding for rapid re-housing, which provides time-limited housing assistance and stabilization services. The request includes funding to rapidly re-house 15,000 additional families with children. Rapid re-housing is the most cost

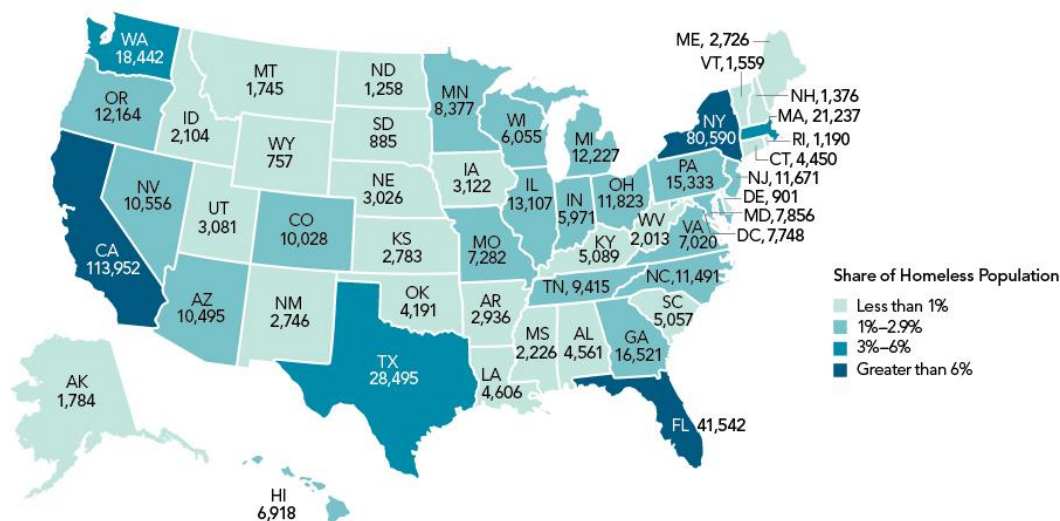
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effective solution for many homeless families, and it has helped many communities significantly reduce homelessness. HUD is working with communities to help them reallocate underperforming homeless assistance projects to more cost effective rapid re-housing interventions. However, to reach the 2020 goal for ending family homelessness, additional resources will still be needed.

In addition to the targeted increases in Homeless Assistance Grants, the Budget provides 67,000 new Housing Choice Vouchers to support low-income households, including families experiencing homelessness, survivors of domestic and dating violence, families with children in foster care, youth aging out of foster care, and homeless veterans, regardless of their discharge status. These vouchers would be distributed competitively to PHAs with demonstrated need who partner with relevant Continuums of Care to secure the appropriate wraparound services for those served.

What is the problem we are trying to solve?

While HUD and our federal, national and local partners have learned a lot about what works to solve homelessness, it still affects over 578,000 men, women and children on any given day. In order to track progress and continue learning about individuals and families experiencing homelessness, each year, HUD publishes its *Annual Homeless Assessment Report to Congress (AHAR)*², which provides valuable information on the scope of homelessness and the needs of the persons served. It provides critical data to HUD and other policymakers so they can make informed decisions, and also provides the data that is the basis for the targets and goals set for *Opening Doors*. The data is collected both as a “snapshot” of the number and characteristics of persons who are homeless on a given night, and longitudinally, showing persons being served in emergency shelter, transitional housing, safe havens, and permanent housing.



² Part 1 of the 2014 AHAR can be accessed online at <https://www.hudexchange.info/resources/documents/2014-AHAR-Part1.pdf>.

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The most recent AHAR shows that homelessness continues to decline. The number of people experiencing homelessness on a single night decreased by over 2 percent between 2013 and 2014: from 591,768 in January 2013 to 578,424 in January 2014. Roughly 1.42 million people spent at least 1 night in an emergency shelter or transitional housing program during the 2013 AHAR reporting period, a 12.6 percent decrease from 2010.

To track progress on implementation of the goals of *Opening Doors*, HUD uses the 2014 PIT data in the AHAR to track the number of families, chronically homeless individuals, and veterans experiencing homelessness. The following charts from the *2014 Annual Homeless Assessment Report to Congress: Point-in-Time Estimates of Homelessness* show the progress in reducing homelessness among these three groups.

EXHIBIT 5.1: Estimates of Homeless Veterans
By Sheltered Status, 2009–2014

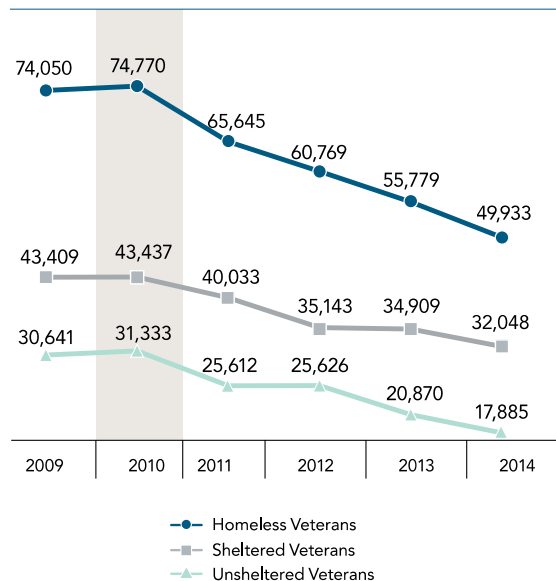


EXHIBIT 6.1: Estimates of Chronically Homeless Individuals
By Sheltered Status, 2007–2014

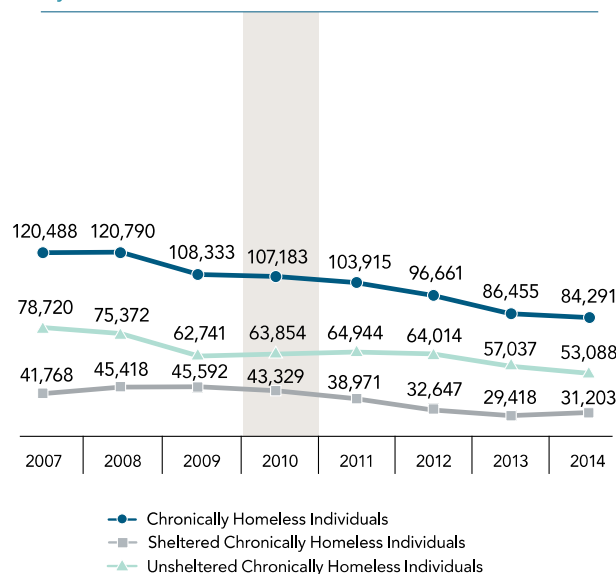
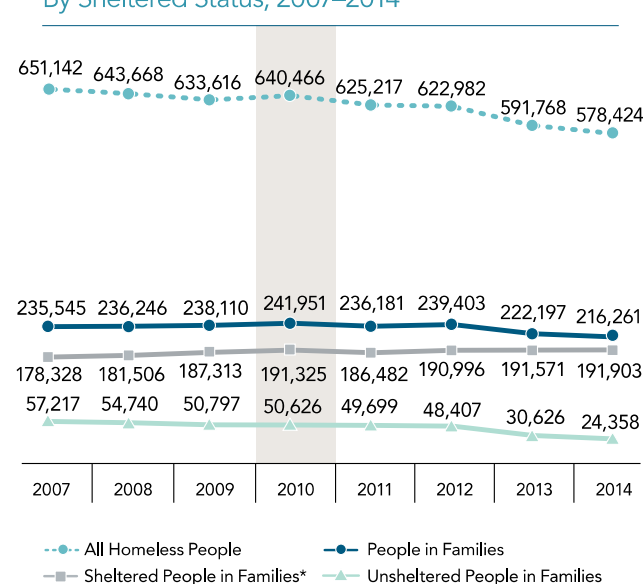


EXHIBIT 3.1: Estimates of Homeless People in Families
By Sheltered Status, 2007–2014



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Existing Resources

To better understand potential gaps in resources, HUD closely tracks the nationwide inventory of homeless programs and beds, including those that are not HUD-funded. HUD also tracks the utilization rates of beds by type to understand the flow of homeless persons in and out of the homeless services system and to help communities to improve program models. The following charts show the number of beds funded by HUD's homeless assistance programs.

2014 McKinney-Vento Funded Bed Inventory			
Program Type	Beds - Families	Beds - Individuals	Total Beds
Emergency Shelter	29,016	34,276	63,292
Transitional Housing	58,591	27,811	86,402
Rapid Re-housing	13,328	2,593	15,921
Permanent Supportive Housing	73,283	102,848	176,131
Safe Havens		1,945	1,945
TOTAL BEDS	174,218	169,473	343,691

How does this program help solve the problem?

For people who have lost their homes or are at risk of losing their homes, homeless assistance brings stability and helps address their needs for treatment, health care, and employment. To deliver these services, homeless assistance providers establish partnerships with a variety of public and private health, human service, and job training and placement organizations. HUD is working with communities to implement coordinated assessment systems to ensure that people experiencing homelessness are quickly assessed and referred to the most cost effective solution to their homelessness.

HUD's Homeless Assistance Grants fund a variety of program types that address the needs of individuals and families experiencing homelessness. Communities are required to conduct a gaps analysis each year, and fund or reallocate projects based on the gaps identified. In a typical community, homeless assistance includes the following types of assistance:

- emergency shelter to house people in crisis;

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- street outreach and other essential services to engage people who may be living on the streets or who are service-resistant;
- transitional housing to help individuals and families move to stability within 2 years;
- rapid re-housing to provide time-limited permanent housing and stabilization services;
- permanent supportive housing for homeless people with disabilities;
- homelessness prevention for individuals and families; and
- a variety of support services to help identify and maintain permanent housing.

For over 15 years, HUD has prioritized permanent supportive housing, which serves people with the highest levels of housing and service needs, especially people experiencing chronic homelessness. In fiscal year 2013, HUD allocated over \$1.1 billion--nearly 70 percent of its competitive funds--to permanent supportive housing projects. More recently, as more evidence has emerged about the cost effectiveness of rapid re-housing, HUD has created incentives for communities to use their ESG and COC resources to expand rapid re-housing, especially for families with children.

Key Initiatives: Goals and Outcomes to Date

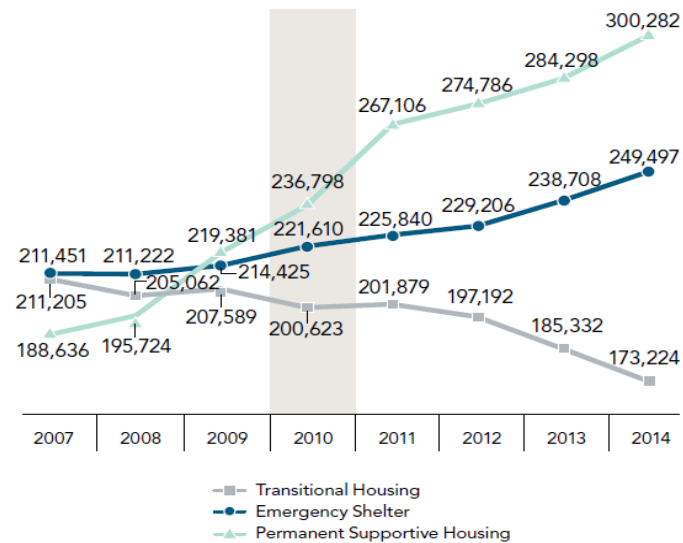
HUD has undertaken several policy and administrative initiatives that have resulted in positive outcomes for the program and for those being served by HUD's homeless programs.

Federal Strategic Plan to Prevent and End Homelessness: Homeless Assistance Grants-funded programs play a major role in the implementation of *Opening Doors*. The fiscal year 2016 budget proposes sufficient funding to meet the goals of ending veteran and chronic homelessness and to put HUD on track to meet the goals of ending child, family, and youth homelessness by 2020 and setting a path to ending homelessness overall.

Permanent Supportive Housing and Chronic Homelessness: Since Congress and the Administration first established goals of ending chronic homelessness, HUD has focused its resources on the hardest to serve population by offering bonuses and other incentives to communities in its annual NOFA. As shown in the chart below from the *2014 Annual Homeless Assessment Report to Congress: Point-in-Time Estimates of Homelessness*, since 2009, the number of permanent supportive housing beds has exceeded either the number of emergency shelter or transitional housing beds. Permanent supportive housing projects leverage an estimated \$3 to each \$1 of HUD funds. The increased availability of permanent supportive housing led to the 21 percent decrease in the number of chronically homeless persons between 2010 and 2014.

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EXHIBIT 7.1: Inventory of Beds for Homeless and Formerly Homeless People
2007–2014



Homeless Veterans: The Administration’s goal, as described in *Opening Doors* is to end homelessness among veterans by 2015. The targeted programs funded through the Homeless Assistance Grants account play an important role in achieving this goal. In 2013, nearly 13,000 homeless veterans received permanent supportive housing through HUD’s CoC Program.

Data collected by communities and reported to HUD provides the baseline for enumerating homelessness among veterans and understanding their characteristics. In 2011, VA agreed to allow its housing and service providers to participate in local HMIS so that communities can more accurately count and determine service needs for veterans in their geographic area. Beginning in 2010, HUD and VA worked together to issue data on homeless veterans as part of the AHAR reports. This data informs how HUD-VASH resources are allocated.

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Child, family, and youth homelessness: Over 175,000 HUD-funded beds across the country were serving persons in homeless families at the beginning of 2014. In the fiscal year 2013 CoC Program competition, HUD funded 9,242 new rapid re-housing beds that were targeted to homeless families with children. Beginning in 2014, HUD requested that communities report their data on beds dedicated to serve homeless youth up through age 24. HUD learned that it funds 6,852 beds that are dedicated to serve homeless youth. Many more youth are served in adult and family programs that do not necessarily set beds aside for youth.

4. How do we know this program works?

Evaluation and Research

There is a large body of literature that provides evidence of positive outcomes and cost-savings gained from housing and supportive services for homeless people. For example, one study³ showed that before housing placement, homeless people with serious mental illness used \$40,451 per person per year in publicly-funded emergency services. After placement in permanent supportive housing, the annual public cost of emergency services was reduced by approximately \$12,146 per placement in housing, enough to offset virtually all of the cost of the permanent supportive housing. A randomized trial of homeless adults with chronic mental illness in Chicago found that case management and housing assistance reduced hospitalization and hospital days by 29 percent and emergency department visits by 24 percent and it generated an average annual cost savings of \$6,307 per person.⁴ Another study of homeless people with chronic mental illness in Seattle found that total cost offsets for Housing First participants relative to the control group averaged \$2,449 per person per month after accounting for housing program costs.⁵ Studies have also found that supportive housing improves housing stability and reduces emergency department and inpatient services.⁶

³ Culhane, Dennis P., Stephen Metraux, and Trevor Hadley. 2002. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." *Housing Policy Debates* 13(1): 107-63. See also, Cunningham, Mary. 2009. "Preventing and Ending Homelessness-Next Steps." *Metropolitan Housing and Communities Center*. Washington, DC: Urban Institute; Martinez, Tia, and Martha R. Burt. 2006. "Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults." *Psychiatric Services* 57(7): 992-99.

⁴ Basu, Anirban, Romina Kee, David Buchanan, and Laura S. Sadowski. 2012. "Comparative Cost Analysis of Housing and Case Management Program For Chronically Ill Homeless Adults Compared to Usual Care." *HSR* 47(1): 523-543; Sadowski, Laura, Romina Kee, Tyler VanderWeele, David Buchanan. 2009. "Effect of a Housing and Case Management Program on Emergency Department Visits and Hospitalizations Among Chronically Ill Homeless Adults: A Randomized Trial." *JAMA* 301(17): 1771-8.

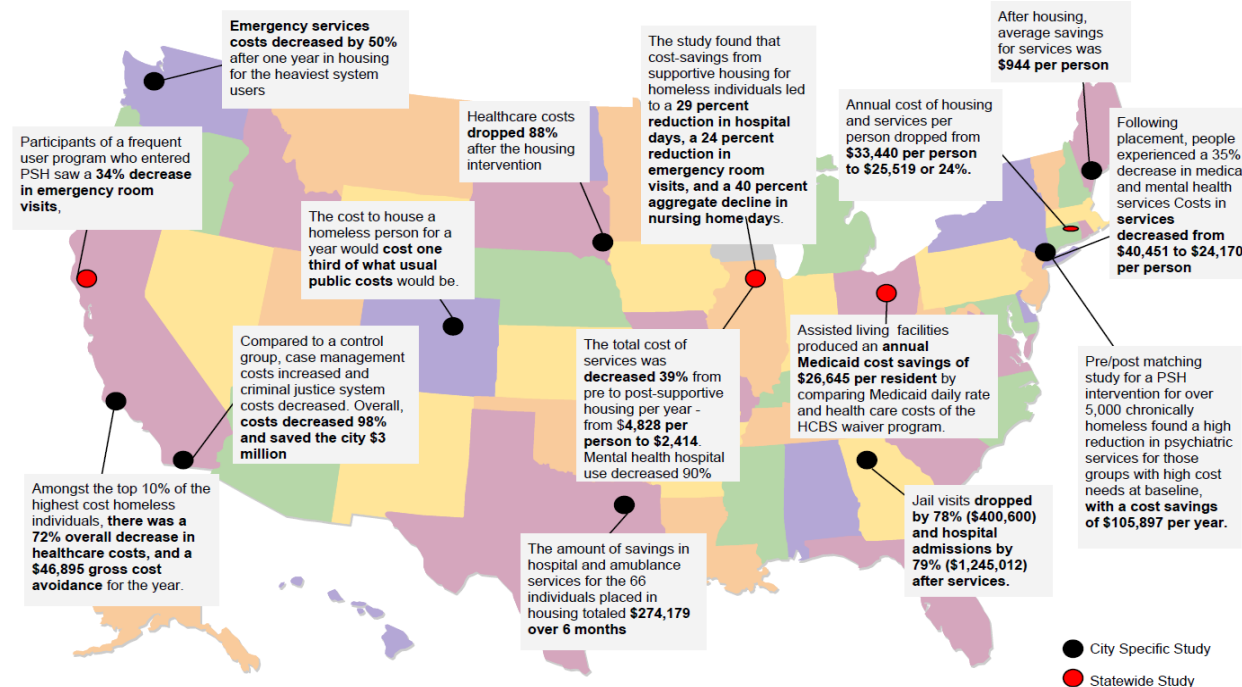
⁵ Larimer, Mary, Daniel Malone, Michelle Garner, et al. 2009. "Health Care and Public Service Use and Costs Before and After Provision of Housing for Chronically Homeless Persons With Severe Alcohol Problems." *JAMA* 301(13): 1349-57.

⁶ Cunningham, Mary. 2009. "Preventing and Ending Homelessness-Next Steps." *Metropolitan Housing and Communities Center*. Washington, DC: Urban Institute; Martinez, Tia, and Martha R. Burt. 2006. "Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults." *Psychiatric Services* 57(7): 992-99; Tsemberis, Sam, Leyla Gulcur, and Maria Nakae. 2004. "Housing First, Consumer Choice, and Harm Reduction for Homeless Individuals with Dual Diagnosis." *American Journal of Public Health* 94:651; Culhane, Dennis P., Stephen Metraux, and Trevor Hadley. 2002. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." *Housing Policy Debate* 13(1): 107-63.

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The map below details the findings of several of studies related to cost effectiveness of permanent supportive housing projects, which demonstrate cost savings and increased positive outcomes for program participants. It is clear from the outcomes on chronic homelessness as stated above that focused federal attention can make a difference in the homeless population.

Health Cost Savings Studies - Permanent Supportive Housing



Conversely, GAO reports indicate opportunities to improve outreach to women veterans and to improve coordination across federal agencies in the U.S. Interagency Council on Homelessness.⁷ HUD is engaged in several efforts to improve interagency coordination, as well as a number of evaluations on the effectiveness of homelessness prevention and rapid re-housing to identify best practices to serve special populations, such as families with children, youth aging out of foster care, and veterans. These studies include:

⁷ GAO-12-491 Homelessness: Fragmentation and Overlap in Programs Highlight The Need to Identify, Assess, and Reduce Inefficiencies. Washington, DC: GAO; GAO-12-182 Homeless Women Veterans: Actions Needed to Ensure Safe and Appropriate Housing, Washington, DC: GAO

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- The *Homelessness Prevention Study* will survey communities implementing prevention programs using HPRP funding and will propose alternative research designs for an empirical study of homeless prevention. The report for this study should be available by the end of the second quarter of fiscal year 2015.
- The *Evaluation of the Veterans Homeless Prevention Demonstration* will study best outreach and service provision models to meet the specific needs of homeless veterans. The final report should be available in the third quarter of fiscal year 2015.
- The *Evaluation of the Rapid Re-housing for Homeless Families Demonstration* included both a process and outcomes evaluation of the 23 grantees that participated in the demonstration, and documents the program models implemented by the grantees, as well as a set of outcomes observed from a subset of program participants. We expect this study to be published in fiscal year 2015.
- The *Homeless Families Options Study* is a rigorous study, using an experimental design, of the impact of various housing and services interventions on homeless families with children. Through this study, over 2,200 families with children were randomly assigned to one of four interventions (subsidy only, community-based rapid re-housing, project-based transitional housing, or usual care) and are being tracked for a minimum of three years after random assignment. Families are being interviewed both 18 months and 36 months after random assignment, and outcomes will be assessed across five domains: housing stability, family preservation, adult well-being, child well-being, and self-sufficiency. The cost of the various interventions is also being extensively documented. The project summary; research design, data collection, and analysis plan; and the interim report are currently available at www.huduser.org/family_options_study.html. The interim report found that of the interventions offered, housing subsidies were the most accessible to families experiencing homelessness, while project-based transitional housing had the most barriers to access. A report documenting the 18-month impact estimates will be available in the third quarter of fiscal year 2015. A report documenting the 36-month impact estimates will be available in the second half of fiscal year 2016.
- The study on *Housing Models for Youth Aging Out of Foster Care* was conducted to help understand the housing needs of the nearly 30,000 youth who “aged out” of the foster care system every year, catalog the range of housing programs available to them, and identify opportunities to mitigate the risk of homelessness to this young population. The cornerstone activity of this research effort was an in-depth exploration of the Family Unification Program (FUP), and the extent to which communities target this special purpose voucher program to eligible youth who have aged out of foster care. The final reports from this study are currently available here: http://www.huduser.org/portal/youth_foster_care.html. The report showed most youth with a FUP voucher are able to lease up. “Nearly three-fourths of the PHAs serving youth reported that youth secure housing before the initial period expires more than half the time, and two-thirds of the PHAs said that more than 75 percent of youth who receive a voucher lease up eventually.”

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HUD is also improving collaboration across programs in support of *Opening Doors* to end homelessness. A census of all PHAs will document current PHA engagement in serving homeless households and will identify mechanisms to address barriers to increasing the number of homeless households served.

At the project level, HUD continues to track successful outcomes such as housing stability and movement from transitional to permanent housing. In 2013 (the most recent year of data), HUD programs performed well against aggressive national goals:

- 69.6 percent of persons exiting transitional housing left to permanent housing; and
- 85.7 percent of persons in permanent housing remained stable for 6 months or more.

Plans for Future Improvement

The Department prioritizes performance analysis and project-level improvements. HUD monitors its grantees to ensure program compliance, and performance is scored at the community and project level during the annual competition. Where problems are identified, HUD issues findings, conditions grants, and, when necessary, terminates grants that are not performing. However, keeping assistance within a community is a priority, and HUD attempts to intervene and provide grantees with an opportunity to make improvements before recapturing funds. HUD also encourages reallocation of under-performing grants to new grants. Incentives are offered to communities that implement a reallocation process to identify and replace under-performing or unnecessary projects. With limited resources, it is important to ensure that all projects funded through the CoC Program, including renewals, are effective.

The implementation of the HEARTH Act provided HUD and its grantees with new goals and tools to increase performance both at the project level and the system level. For example, the HEARTH Act includes a variety of new performance measures to help increase overall effectiveness of the program. The CoC Program interim rule, issued in 2012, requires CoCs to establish formal performance measurement procedures and encourages critical evaluation of resources and needs. This includes evaluation of the effectiveness of projects by emphasizing performance at both the project and the system level. HUD is confident that this systematic review by each community will lead to better use of limited resources and more efficient service models, resulting in the prevention and ending of homelessness. Performance measures include rates of returns to homelessness, the average length of time persons experience homelessness, housing stability, and employment. Once data collection on these measures is fully implemented, HUD and communities will more easily identify projects that are less effective, and gaps in housing and services. HUD will incentivize high performance on these and other indicators through the CoC competition, providing additional points to communities with higher rates of success. HUD is continuing to work towards releasing a final rule, and anticipates releasing a Notice for Further Comment by the third quarter of fiscal year 2015.

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Under the HEARTH Act, Congress authorized HUD to fund Unified Funding Agencies (UFAs) to provide greater flexibility and local autonomy to communities that demonstrate that they have the financial and performance capacity to take a stronger role in administering HUD funds. Communities that are designated as UFAs by HUD are required to monitor their grants and perform greater financial oversight. In return, HUD is able to award funds more flexibly to the UFAs who then administer the funds according to their application to HUD. This reduces the administrative burden on HUD and increases the local control of CoC Program funds for communities.

Finally, HUD is committed to providing a variety of technical assistance resources to communities and grantees to help identify and address any performance and compliance issues. HUD intends to use technical assistance as another tool to encourage communities to implement best practices and improve efficiencies in projects and in the community as a whole.

5. Proposals in the Budget

HUD is proposing a provision to permanently amend the McKinney-Vento Homeless Assistance Act to authorize non-profits to administer rental assistance programs under the CoC. This authority was previously provided in fiscal year 2014 and 2015 through appropriations language. (Sec. 233)

HUD also proposes to amend Title V of the McKinney-Vento Act, which enables eligible organizations to use unutilized, underutilized, excess, or surplus Federal properties as facilities that assist homeless persons. As part of the Administration's efforts to improve Federal real property management, the amendments would improve the utility of the data provided to the public and support a more timely and effective process. (Sec. 257)

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COMMUNITY PLANNING AND DEVELOPMENT HOMELESS ASSISTANCE GRANTS Summary of Resources by Program (Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Continuum of Care	\$1,849,000	\$1,849,252	\$3,698,252	\$1,684,646	\$1,878,000	\$2,036,240	\$3,914,240	\$2,223,000
Emergency Solutions Grants	250,000	59,504	309,504	266,388	250,000	43,019	293,019	250,000
National Homeless Data Analysis Project	<u>6,000</u>	<u>...</u>	<u>6,000</u>	<u>6,000</u>	<u>7,000</u>	<u>...</u>	<u>7,000</u>	<u>7,000</u>
Total	2,105,000	1,908,756	4,013,756	1,957,034	2,135,000	2,079,259	4,214,259	2,480,000

NOTES

- The Continuum of Care 2013 Carryover Into 2014 column includes \$29 million in fiscal year 2013 recaptures.
- The Continuum of Care 2014 Carryover Into 2015 column includes \$20 million in estimated fiscal year 2014 recaptures, and \$5 million transferred to this account from the Department of Justice's Bureau of Justice Affairs to support a Pay for Success demonstration program.
- In fiscal year 2015 and 2016, FEMA is requesting the authority to transfer \$100 million for the Emergency Food and Shelter program to HUD. Those amounts are not reflected in the table above.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT HOMELESS ASSISTANCE GRANTS Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the emergency solutions grants program as authorized under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act, as amended; the continuum of care program as authorized under subtitle C of title IV of such Act; and the rural housing stability assistance program as authorized under subtitle D of title IV of such Act, [\$2,135,000,000]\$2,480,000,000, to remain available until September 30, [2017]2018: Provided, That any rental assistance amounts that are recaptured under such continuum of care program shall remain available until expended: Provided further, That not less than \$250,000,000 of the funds appropriated under this heading shall be available for such emergency solutions grants program: Provided further, That not less than [\$1,862,000,000]\$2,223,000,000 of the funds appropriated under this heading shall be available for such continuum of care and rural housing stability assistance programs: Provided further, That up to \$7,000,000 of the funds appropriated under this heading shall be available for the national homeless data analysis project: [Provided further, That all funds awarded for supportive services under the continuum of care program and the rural housing stability assistance program shall be matched by not less than 25 percent in cash or in kind by each grantee:]Provided further, That for all match requirements applicable to funds made available under this heading for this fiscal year and prior years, a grantee may use (or could have used) as a source of match funds other funds administered by the Secretary and other Federal agencies unless there is (or was) a specific statutory prohibition on any such use of any such funds: Provided further, That the Secretary may renew on an annual basis expiring contracts or amendments to contracts funded under the continuum of care program if the program is determined to be needed under the applicable continuum of care and meets appropriate program requirements, performance measures, and financial standards, as determined by the Secretary: Provided further, [That all awards of assistance under this heading shall be required to coordinate and integrate homeless programs with other mainstream health, social services, and employment programs for which homeless populations may be eligible: Provided further, That with respect to funds provided under this heading for the continuum of care program for fiscal years 2012, 2013, 2014, and 2015 provision of permanent housing rental assistance may be administered by private nonprofit organizations: Provided further, That the Department shall notify grantees of their formula allocation from amounts allocated (which may represent initial or final amounts allocated) for the emergency solutions grant program within 60 days of enactment of this Act] That any unobligated amounts remaining from funds appropriated under this heading in Fiscal Year 2012 and prior years for project-based rental assistance for rehabilitation projects with 10-year grant terms may be used for purposes under this heading, notwithstanding the purposes for which such funds were appropriated: Provided further, That all balances for Shelter Plus Care renewals previously funded from the Shelter Plus Care Renewal account and transferred to this account shall be available, if recaptured, for continuum of care renewals in fiscal year 2016. (Department of Housing and Urban Development Appropriations Act, 2015.)

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$330,000	\$83,419 ^a	...	\$413,419	\$348,642	\$302,768
2015 Appropriation	330,000	64,777	...	394,777	317,557	320,314
2016 Request	<u>332,000^b</u>	<u>77,220</u>	<u>...</u>	<u>409,220</u>	<u>329,599^c</u>	<u>323,401^c</u>
Program Improvements/offsets	+2,000	+12,443	...	+14,443	+12,042	+3,087

a/ Fiscal year 2014 carryover includes recaptures of \$196,340, of which \$4,288 is technical assistance and \$192,052 is from competitive grants.

b/ This number includes an estimated transfer to the Transformation Initiative (TI) account of \$2,523,200 of Budget Authority.

c/ This number excludes obligations and outlays for the TI account.

1. What is this request?

The Department requests \$332 million for the Housing Opportunities for Persons With AIDS (HOPWA) program—a \$2 million increase from the fiscal year 2015 enacted appropriations of \$330 million—to enable communities to continue their efforts to prevent homelessness and sustain housing stability for approximately 52,600 economically vulnerable households living with Human Immunodeficiency Virus (HIV) infection.

Seventy-eight percent of households assisted are extremely low-income (at or below 30 percent of the Area Median Income (AMI)) and an additional 16 percent are very low-income between 31-50 percent of the AMI, per grantee reporting.

Figure 1: Evidence-Based Findings on HIV and Housing

1. **Need:** Persons with HIV are significantly more vulnerable to becoming homeless during their lifetime.
2. **HIV Prevention:** Housing stabilization can lead to reduced risk behaviors and transmission.
3. **Improved treatment adherence and health:** Homeless persons with AIDS provided HOPWA housing support demonstrated improved medication adherence and health outcomes.
4. **Reduction in HIV transmission:** Stably housed persons demonstrated reduced viral loads resulting in significant reduction in HIV.
5. **Cost savings:** Homeless or unstably housed people living with HIV (PLWH) are more frequent users of high-cost hospital-based emergency or inpatient service, shelters and criminal justice system.
6. **Discrimination and stigma:** AIDS-related stigma and discrimination add to barriers and disparities in access to appropriate housing and care along with adherence to HIV treatment.

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Overall, communities remain challenged to sustain existing program beneficiaries with the provision of supportive housing and are limited in assisting new incoming households. An analysis of grantee performance reporting over the past three years evidences increasing costs associated with serving greater numbers of extremely-low income households along with aging program beneficiaries. When factoring in per unit cost increases for permanent supportive housing (tenant-based rental assistance and facility-based housing) and a housing inflation rate in high cost housing markets (which represents an inherent rising annual cost factor), particularly for long-term rental subsidies, these variables translate into higher housing subsidies and program costs.

HOPWA also serves as a homeless prevention intervention and directly assists persons who are homeless. Research shows that housing status is a social determinant of health and the provision of HOPWA supportive housing demonstrates that housing stability results in better health outcomes and reduced HIV viral transmission. In addition, implementation of the Affordable Care Act, along with state Medicaid expansion, may provide some cost savings in which HOPWA resources could be redirected from supportive service medical costs, in which HOPWA is the payer of last resort, to direct housing assistance.

Key HOPWA Program Outcomes:

- 26,152 Permanent Supportive Housing households: Continual support and sustaining of these households with tenant-based rental assistance and facility-based housing, the latter of whom face significant health and life challenges that impede their ability to live independently.
- 26,514 Transitional/Short-Term Housing households: Continual support and sustaining of these households with homeless prevention efforts through the provision of short-term rent, mortgage, and utility (STRMU) assistance and transitional/short-term housing facilities in coordination with local homeless Continuum of Care efforts to prevent and end homelessness.
- Supportive Services and Case Management: Continual provision of critical supportive services (e.g., housing case management, mental health, substance abuse, employment training) that sustain housing stability, promote better health outcomes, and increase quality of life, which promotes self-sufficiency efforts for those able to transition to the private housing market.
- 96 percent of households receiving long-term assistance in fiscal year 2014 achieved housing stability, and 72 percent of client households receiving short-term or transitional housing support maintained their housing stability or had reduced risks of homelessness.

Proposals in the Budget

The Department continues to seek Congressional action on the HOPWA legislative proposal, which includes statutory changes that reflect an epidemic transformed by advances in both HIV health care and HIV surveillance (i.e., better treatment options and better data on who is getting HIV infection, when, and how it is being transmitted). Proposed changes include:

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- An updated methodology for allocating HOPWA formula funds, factoring in cases of persons living with HIV (rather than cumulative AIDS cases), poverty rates, and Fair Market Rent for each eligible metropolitan statistical area (MSA) and balance of state area.
- Greater flexibility for communities to expand the provision of short-term housing assistance, which will benefit the homeless and those at severe risk of homelessness.
- Increased administrative allowances for HOPWA grantees and project sponsors to align with peer housing programs.

The Department's efforts to modernize the HOPWA formula will contribute to fulfilling a goal within the President's National HIV/AIDS Strategy and in meeting the recommendations set forth in the HIV Care Continuum Initiative. This initiative seeks to accelerate efforts in HIV prevention and care to ensure that Federal resources remain focused on improving client outcomes along the care continuum.

2. What is this program?

Program Description and Key Functions

The AIDS Housing Opportunity Act, 42 U.S.C.12901-12912, authorizes HOPWA (http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/aidshousing) to provide housing assistance and supportive services to low-income persons living with HIV/AIDS. HOPWA is an evidence-based supportive housing program that provides critical housing support to a vulnerable population that faces significant health and economic challenges along with continued stigma and discrimination. The program demonstrates effective efforts to help program beneficiaries achieve housing stability that reduces the risk of homelessness, enter into and remain in treatment and care, while achieving better health outcomes that translate to cost savings to public health and service systems. Individuals living with HIV who are homeless or without stable housing arrangements (e.g., persons in emergency shelters or living in a place not meant for human habitation, such as a vehicle, abandoned building, living on the streets, those at severe risk of homelessness) have been shown to be more likely to demonstrate frequent and prolonged use of high-cost hospital-based emergency or inpatient services, as compared to those individuals who are stably housed.¹

HOPWA funding is awarded annually through formula allocations and competitive awards to plan, develop, and fund supportive housing options that address community needs and priorities. Communities leverage HOPWA funds with other funding sources to customize a supportive housing portfolio most appropriate to their needs. Recipients of HOPWA funds include units of local government, states, and local non-profit organizations. The delivery of supportive housing requires a partnership between HOPWA grantees and project sponsors who consist of local networks of non-profit, faith-based, and housing and homeless organizations that link beneficiaries to medical services and other related services. These services include federally funded health care and AIDS drugs assistance provided by the Ryan White Program. HOPWA formula grantees are evenly distributed between local and State health and community development agencies.

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Formula funds. Ninety percent of funding is allocated to qualifying States and metropolitan areas under a statutory formula based on cumulative AIDS cases and incidence. Funds are awarded to metropolitan areas with a population of at least 500,000 and with at least 1,500 cumulative AIDS cases, and to States for those areas outside of qualifying metropolitan areas that have at least 1,500 cumulative AIDS cases. The cumulative AIDS cases figure is used to award 75 percent of the funding while the remaining 25 percent is awarded based on AIDS incidence (new cases and population reported in the last three years). The AIDS incidence factor benefits the larger metropolitan areas with higher than average incidence of AIDS. Approximately one-third of metropolitan areas receive this higher funding amount while states are ineligible.

Competitive funds. Ten percent of funds is awarded as competitive grants to areas that are not eligible for formula funding and to support innovative model projects that address special issues or populations through the award of Special Projects of National Significance. The current portfolio consists of 92 competitive renewal grants, which operate on a three-year grant cycle. HOPWA's appropriations account language requires HUD to prioritize funding of expiring permanent supportive housing grants. An estimated 30 permanent supportive housing grants expiring in fiscal year 2016 will be eligible for renewed funding.

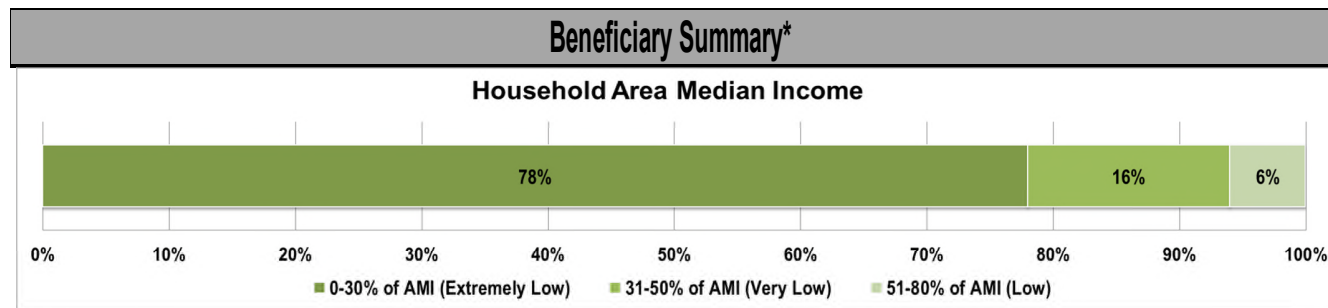
Program Components. HOPWA grantees have considerable discretion and flexibility in their planning efforts to identify and align funding resources to prioritize local needs. HOPWA resources provide communities with rental assistance; operating costs for housing facilities; short-term rent, mortgage, and utility payments; permanent housing placement and housing information services; along with supportive services and case management.

Per fiscal year 2013-14 grantee performance reporting, 69 percent of program expenditures were for housing assistance (with other expenditures of 1 percent for housing development, 2 percent for housing information services, 20 percent for supportive services and case management, and 8 percent for administrative program costs). Of the 69 percent of direct housing expenditures, 79 percent were on permanent supportive housing (with 52 percent on tenant-based rental assistance) and 21 percent for transitional and short-term housing.

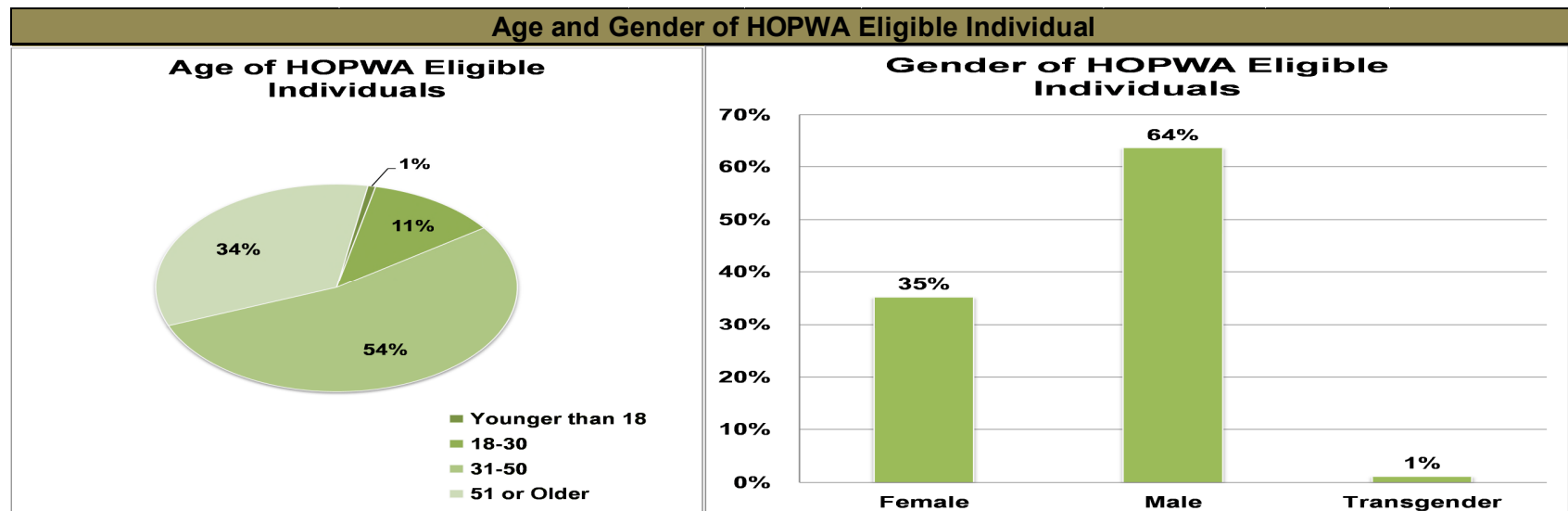
Who We Serve

The HOPWA program is targeted to serve a subpopulation of individuals and families living with a chronic health condition who live in poverty and confront challenging life circumstances that inhibit and restrict their ability to obtain affordable housing. HOPWA program beneficiaries are primarily extremely-low to very-low income.

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Percent of Households with a Median Income of 0-30% of the Area Median Income: 78%; Percent of Households with a Median Income between 31-50% of the Area Median Income: 16%; Percent of households with a Median Income between 51-80% of the Area Median Income: 6%.



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Race and Ethnicity		
	Percentage HOPWA Eligible Individuals	Percentage Other Members of the Household
American Indian/Alaskan Native	0.68%	0.62%
Asian	0.78%	0.83%
Black/African American	52.59%	56.10%
Native Hawaiian/Other Pacific Islander	0.28%	0.60%
White	36.10%	32.17%
American Indian/Alaskan Native & White	0.20%	0.31%
Asian & White	0.16%	0.44%
Black/African American & White	0.94%	1.97%
American Indian/Alaskan Native & Black/African-American	0.10%	0.06%
Other Multi -Racial	8.17%	6.90%
Ethnicity	Percentage of HOPWA Eligible Individuals Identified as Hispanic/Latino	17%

Key Partnerships and Stakeholders

National HIV/AIDS Strategy and the HIV Care Continuum Initiative:

The White House issued the nation's first comprehensive *National HIV/AIDS Strategy* in July 2010, with goals to reduce new HIV infections, increase access to care and improve outcomes for people living with HIV, and reduce HIV-related health disparities. The strategy recognizes the tangible connecting benefits of stable housing and increased access to and retention in HIV care. Per strategy directive, HUD—after a collective and collaborative public consultation with stakeholders (grantees, consumers, public interest groups, federal partners)—transmitted to Congress a legislative proposal that would change the HOPWA program funding formula from cumulative AIDS to those living with HIV as the basis for formula grant awards.

Amended in December 2013, the *National HIV/AIDS Strategy* now incorporates the *HIV Care Continuum Initiative*. This initiative directs Federal agencies to step up their efforts to improve outcomes by accelerating HIV diagnosis, linkage to and engagement in medical care, initiation of antiretroviral treatment, and sustainability of viral suppression. In the fall of 2014, HUD published an action oriented white paper entitled, *HIV Care Continuum -The Connection Between Housing and Improved Outcomes Along the HIV Care Continuum*, which emphasizes the intersection of housing and health care for those living with HIV in an effort to educate communities by demonstrating stable housing as a key HIV prevention and care strategy within the framework of coordinated HIV

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services and care. In addition, HOPWA's emphasis on integrating housing and care services will improve outcomes along the HIV Care Continuum.

HUD Collaboration with HHS, Health Resources and Services Administration (HRSA):

In implementing *HIV Care Continuum Initiative* recommendations to provide joint technical assistance and training to both HOPWA and Ryan White grantees, HUD and HRSA are engaged in efforts that will raise awareness of housing's direct impact on client HIV care and health outcomes, as well as build grantee capacity to integrate health care planning and outcome measures into an HIV housing program. Efforts may include online training tools, group learning opportunities, and issuance of guidance materials to promote planning and coordination strategies, as well as performance data systems integration.

Opening Doors: The Federal Strategic Plan to Prevent and End Homelessness:

HUD is one of 19 Federal lead agencies that collaborate to develop and invigorate local actions that will address the challenges of homelessness in the U.S. HOPWA grantees contribute to the Opening Doors goals of reducing homelessness, as these persons benefit from HOPWA project coordination with HIV care and treatment. For fiscal year 2014, HOPWA grantees reported that 19 percent of new households, or 4,823 households, assisted were homeless. Of these households, 14 percent were veterans and 55 percent were chronically homeless.

HUD Collaboration with Department of Labor (DOL):

In October 2014, HUD and DOL launched *Getting To Work*, an interactive online training curriculum for HIV/AIDS service and housing providers to educate and enable AIDS service providers to incorporate employment strategies and initiatives that promote greater self-sufficiency for their clients. This online curriculum builds on earlier interagency activities that allowed a small cohort of HOPWA grantees to increase their capacity to link clients to employment services, which resulted in more than 125 clients obtaining jobs within one year.

3. Why this program is necessary and what will we get for the funds?

What is the Problem We're Trying to Solve?

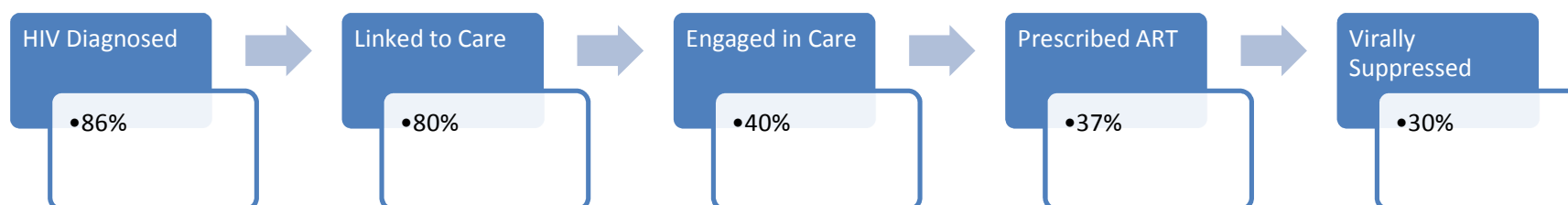
HIV is a chronic and communicable disease that can be manageable, but for those living in poverty and without access to suitable housing, this presents significant individual and public health risks. While the rate of new HIV infections has remained relatively constant over the past two decades, the number of persons living with HIV/AIDS has steadily increased. The Centers for Disease Control and Prevention (CDC) estimates that 1,201,100 persons are living with HIV infection.² Individuals with suppressed viral loads are substantially less likely to transmit the virus, but of persons living with HIV in the United States in 2011, only 30 percent achieved viral suppression. Most recent HOPWA grantee performance reporting period indicated that 26,152 households received permanent supportive housing and 26,514 households benefitted from transitional and short-term housing. Grantees report an

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estimated unmet housing need of more than 127,000 households/individuals, as reported by grantees through Consolidated Plan estimates, project data, housing waiting lists, and related planning sources.

Persons living with HIV/AIDS are highly vulnerable to homelessness, and those who are homeless or unstably housed have been shown to be more likely to demonstrate frequent and prolonged use of high-cost hospital-based emergency or inpatient services, as compared to persons living with HIV/AIDS who are stably housed.³ CDC data also makes the connection between HIV and homelessness in its 2011 Medical Monitoring Project that indicated among interviewed participants engaged in HIV care, 8 percent had been homeless during the prior 12 months. The CDC study also noted 15 percent of participants reported a need for assistance finding shelter or housing in the past 12 months, and 26 percent of those individuals still had a housing need during the interview.⁴ Other studies have shown that approximately half of all persons diagnosed with HIV will face homelessness or experience an unstable housing situation at some point over the course of their illness.⁵

How HOPWA Helps Solve the Problem



Of the 1.2 million people estimated to be living with HIV in the United States in 2011, and estimated 86 percent were diagnosed with HIV, 40 percent engaged in HIV medical care, 37 percent were prescribed ARTs, and 30 percent achieved viral suppression. Improvements are needed across the HIV care continuum to protect the health of persons living with HIV, reduce HIV transmission, and reach national prevention and care goals. The greatest opportunities for increasing the percentage of persons with a suppressed viral load are reducing undiagnosed HIV infections and increasing the percentage of persons living with HIV who are engaged in care. Helping others achieve these optimal results requires many actions for which stable housing serves as a base, including access to and retention in HIV treatment and quality care and other support.

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In particular—

- *HOPWA is essential to the connection between housing and improved outcomes along the HIV Care Continuum.* Housing instability has been linked to delayed HIV diagnosis and inadequate healthcare, including failure to connect with a primary provider. The HOPWA program provides stable housing and presents opportunities for housing providers to partner with service providers for HIV education and testing and access to care. Housing status is among the strongest predictors of maintaining continuous HIV primary care, receiving care that meets clinical practice standards and returning to HIV care after dropout. HOPWA program evaluation results show high levels of participant stability and connection to care, with 86 percent of households served during fiscal year 2013-2014 program year engaged in ongoing primary health care. Multiple studies have found lack of stable housing to be one of the most significant factors limiting the use of antiretrovirals (RVs), regardless of insurance. Housing interventions improve stability and connection to care providing the essential foundation for participating in ARV treatment.
- *HOPWA-funded housing is an effective platform for linking people living with HIV/AIDS (PLWHA) to care and improving health outcomes.* The HOPWA statute provides unique authority to allow projects to target housing interventions to a special needs population and to serve as a bridge in coordinating access to other mainstream support, such as HIV services provided under Ryan White CARE Act and other human services programs. HOPWA data shows that 96 percent of persons in its supportive housing programs have a stable outcome. Research conducted by the AIDS Foundation of Chicago has shown that homeless persons living with AIDS had significantly improved medication adherence, health outcomes, and viral loads when provided with HOPWA housing assistance, as compared to persons who remained homeless or unstably housed.⁶
- *Stable housing is one of the most cost-effective strategies for driving down soaring national HIV/AIDS costs.* The number of persons living with HIV in the United States continues to grow annually. Recent estimates put the annual direct costs of HIV medications at between \$17,000 and \$41,000 per person per year,⁷ depending on the severity of an individual's infection.⁸ Lifetime treatment costs per person are estimated to be \$367,134.⁹
- *Stable housing reduces an individual's risk of contracting HIV and of transmitting the virus to others.* Homelessness is known to increase the probability that a person will engage in sexual and drug-related risk behaviors that put themselves and others at heightened risk for HIV. One recent study showed, for example, that among persons living with HIV, an improved housing situation led to reduced drug-related and sexual risk behaviors by as much as 50 percent, while those whose housing status worsened increased their risk behaviors.¹⁰ In addition, people with HIV who have access to stable housing are more likely to receive and adhere to antiretroviral medications, which lower viral load and reduce the risk of HIV transmission.¹¹ A study published in May 2011 by the National Institutes of Health found that persons who begin antiretroviral treatment at an earlier stage of disease are 96 percent less likely to transmit the infection than those who begin treatment later.¹²

4. How do we know this program works?

Evaluations and Research

HOPWA Results based on Key Research and Evaluation

Stable Housing in Connection to Health

HUD-CDC Housing and Health (H&H) Study. The HUD-CDC joint Housing and Health study was a multi-site randomized trial undertaken to examine the health, housing, and economic impacts of providing HOPWA assistance to homeless and unstably housed persons living with HIV/AIDS. As published in peer-reviewed journals in recent years, findings from the study demonstrated that HOPWA housing assistance serves as an efficient and effective platform for improving the health outcomes of persons living with HIV/AIDS and their families.¹³ The Housing and Health study of HOPWA and other supportive housing programs for PLWHA found that housing was associated with 41 percent fewer visits to emergency departments, a 23 percent reduction in detectable viral loads, and a 19 percent reduction in unprotected sex with partners whose HIV status was negative or unknown.¹⁴

Stable Housing Equals Cost-Benefit Savings

Stable housing is one of the most cost-effective strategies for driving down soaring national HIV/AIDS costs. Recent estimates put the annual direct costs of HIV medications at between \$17,000 and \$41,000 per person per year¹⁵ depending on the severity of an individual's infection.¹⁶ Lifetime treatment costs per person are estimated to be \$367,134.¹⁷ By investing in the provision of affordable supportive housing, HOPWA grantees demonstrate that 96 percent of those receiving housing support are stably housed. HOPWA assistance is a simple way to safeguard the national investment in HIV care.

People living with HIV who are homeless or unstably housed are shown to be more likely to demonstrate frequent and prolonged use of high-cost hospital-based emergency or inpatient services, as compared to those persons living with HIV who are stably housed.¹⁸ Research conducted by the AIDS Foundation of Chicago has shown that homeless persons living with AIDS had significantly improved medication adherence, health outcomes, and viral loads when provided with HOPWA housing assistance, as compared to persons who remained homeless or unstably housed. Moreover, substantial cost savings were achieved by reducing emergency care and nursing services for this population.¹⁹ In addition, housing stabilization can lead to reduced risk behavior and reduced HIV transmission, a significant consideration for Federal HIV prevention efforts. It is estimated that preventing approximately 40,000 new HIV infections in the United States each year would avoid expending \$12.1 billion annually in future HIV-related medical costs, assuming the current standard of care.²⁰

HOPWA also serves as a supportive housing intervention, and adds to the stock of available permanent supportive housing to address the needs of homeless and at risk households. The program demonstrates results that are similar to activities undertaken by HUD's homeless assistance programs. Research shows this population uses \$40,051 in public services before placement; after placement, the savings is estimated at \$12,146 per placement in housing.²¹ HOPWA-funded supportive housing continues to

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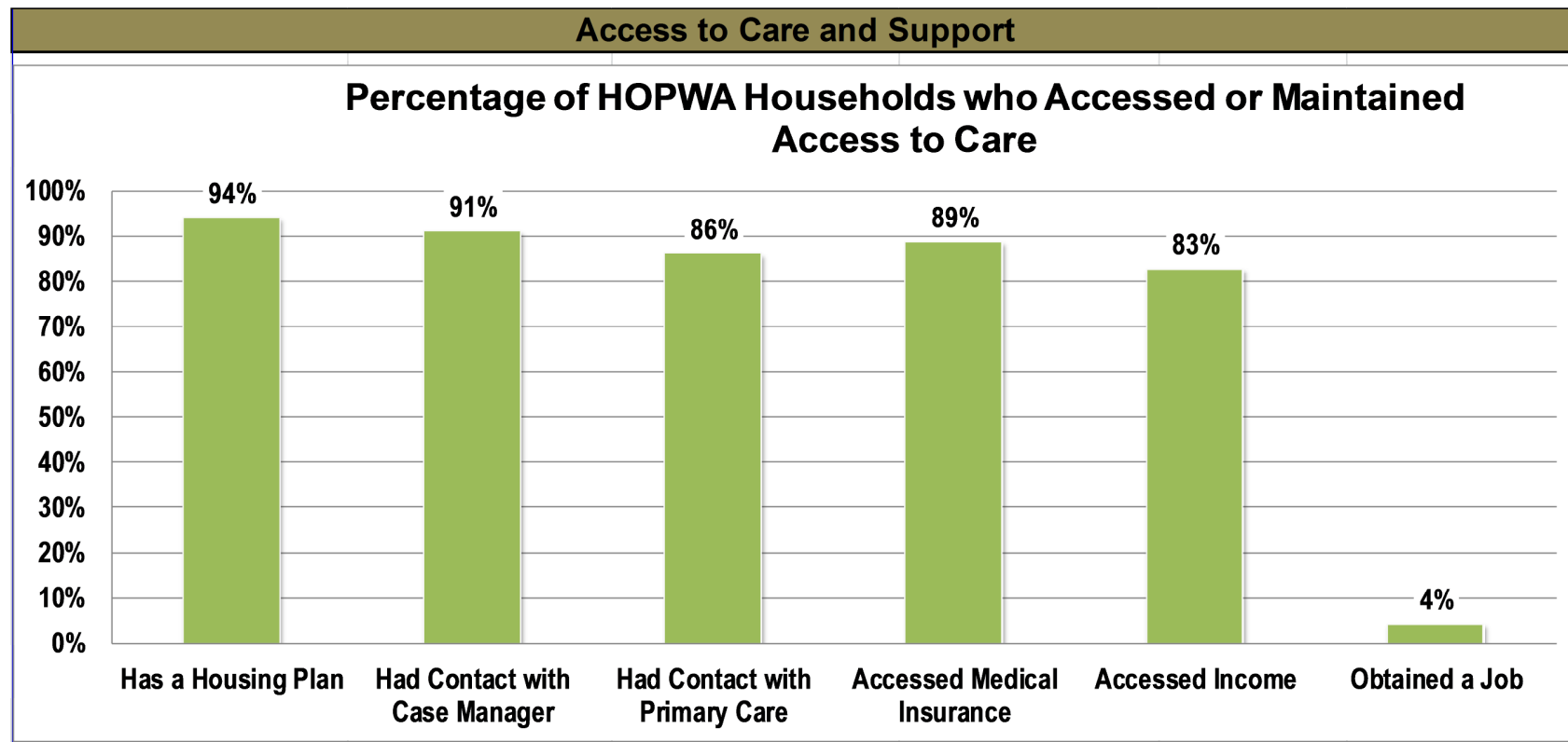
demonstrate that housing stability equates to better health outcomes for those living with HIV. Positive client health outcomes include entry into and retention in care and continuing adherence to complex HIV treatment regimens results in reduced HIV transmission and healthier people.

Stable Housing in Connection to Homelessness

HOPWA prevents and reduces risk of homelessness. Research and HUD experience in providing homelessness prevention funds has shown client results in avoiding loss of housing and cost savings to public systems achieved by avoiding costly emergency care and by diverting families from a path to homelessness. These achievements are demonstrated by the Homelessness Prevention and Rapid Re-housing (HPRP) program, which has helped save more than 1.2 million Americans from homelessness as a targeted Recovery Act program achievement. Research shows that chronic health conditions put homeless persons at higher risk of dying on the street. Studies show that persons that are chronically homeless for more than 6 months and having a chronic health condition (including HIV/AIDS) is in indicator a high chance of premature death without housing and supportive services.²² These programs have provided rapid re-housing of families in homeless situations, as well as using short-term rental assistance and case management support to prevent homelessness. HOPWA's short-term rent, mortgage, and utility assistance programs effectively provide urgently needed assistance that averts evictions that precipitate a loss in housing stability and places households at a higher risk of homelessness.

Program Outcomes

On a national level, the program demonstrates successful program beneficiary outcomes with respect to access to care and support which results in successful program accomplishments that provide a foundation for increased housing stability and better health outcomes. Ninety-six percent of clients receiving tenant-based rental assistance and 97 percent placed in a permanent housing facility achieved housing stability in fiscal year 2014. Seventy-two percent of clients receiving transitional or short-term housing facilities assistance and 45 percent receiving STRUM assistance achieved housing stability in fiscal year 2014.



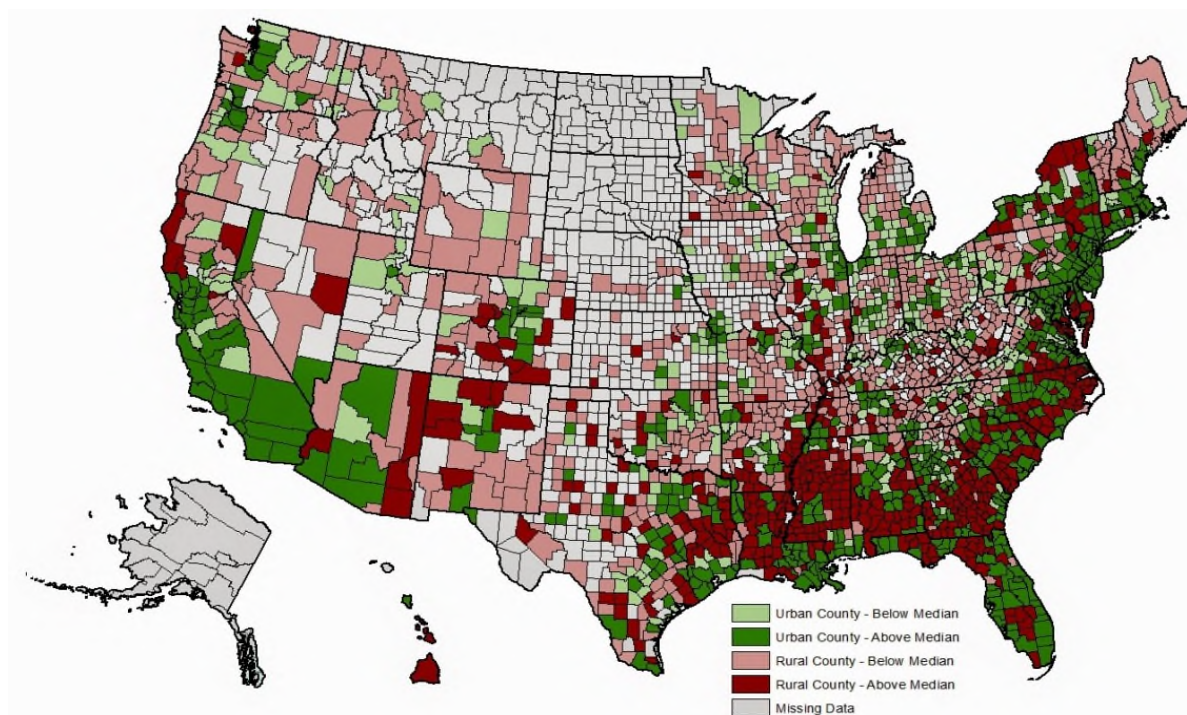
5. Proposals in the Budget

HOPWA Legislative Proposal

The HOPWA program formula, which has remained static since its enactment in 1992, should be updated to better reflect the nature of the HIV epidemic that has evolved over the years through advances in HIV care and surveillance. Currently, 53 percent of the statutorily required cumulative AIDS cases used to run the formula program represent deceased individuals. The proposal would enable the use of current HIV surveillance data from the Centers for Disease Control and Prevention based on those living with HIV inclusive of those with AIDS. This would enable HOPWA to align with other federal HIV reporting for the distribution of grant resources such as the Ryan White Care Act program. The proposal seeks to distribute funding more equitably to reflect the HIV epidemic's impact among communities with highest burden of HIV cases, notably Southern states and rural areas, while addressing

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the increasingly disproportionate impact of HIV on communities of poverty and color. As shown in the map above, darker shaded U.S. counties (both rural and urban) have an above-median count of HIV cases. The greatest concentrations of high HIV-prevalence rural counties lie within the Southern United States.



The majority of HOPWA formula grantees will receive an increase in their grant allocation based on the use of living HIV/AIDS cases versus the current cumulative AIDS cases. Communities that were historically the epicenter of the AIDS epidemic are likely to receive reduced funding since they currently benefit from the use of cumulative AIDS cases and they will no longer benefit from AIDS incidence used to distribute 25 percent of the formula funding. Only the largest metropolitan areas receive a formula calculation based on AIDS incidence; States are excluded.

The President's *National HIV/AIDS Strategy* tasks HUD to work

with Congress to modernize the HOPWA formula and in meeting the recommendations set forth in the *HIV Care Continuum Initiative*, which seeks to accelerate efforts in HIV prevention and care and ensure that Federal resources are focused on improving client outcomes along the care continuum.

The legislative proposal contains three main components:

1. Formula modernization – improve targeting to distribute funding equitably among communities with the highest HIV burden and need, incorporate local housing costs and poverty rates;
2. Expand the provision of short-term housing – up to three months with an on-going assessment for a 24 month maximum to provide communities with greater latitude in addressing the housing needs of those living with HIV who are homeless or at

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severe risk of homelessness beyond the current statutory limit of 21 weeks for those currently housed (excludes those who are homeless); and

3. Provide communities with a modest increase in allowable grant administration costs to align with other comparable peer housing programs.

Key provisions of the formula modernization include:

1. All formula grantees remain eligible. New grantees to meet the eligibility baseline of 2,000 HIV cases;
2. A stop-loss provision in which formula adjustments would be phased in over a period of three years and a grantee would not lose more than 10 percent or gain more than 20 percent of the average share of the total formula allocation of the previous fiscal year;
3. Replace the current formula requirement that 25 percent of funds be distributed based on AIDS incidence with an equal weighted factor of fair market rent and poverty rate for each eligible formula grantee.

Proposals in the Budget

General Provision: The budget continues a general provision that consolidates and extends Sections 203 and 209 of the fiscal year 2012 Appropriations Act, which are longstanding provisions of the HOPWA program. The provision continues to give HUD authority to honor agreements between cities and their states to manage HOPWA grants, allow former grantees to continue to receive direct allocations, and allow the program to use AIDS incidence data collected over a three year period instead of one year. The provision also updated the reference to the MSAs in the 2012 Appropriations Act to reflect updated names as delineated by the Office of Management and Budget. (Section 203)

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The charts below reflect distribution of Funds to Grantees; the fiscal year 2016 figures are estimated using the proposed formula.

Estimated HOPWA Formula Funding by Grantee

(Dollars in Thousands)

HOPWA Formula Grantee	2014 ACTUAL	2015 ESTIMATE	2016 PROPOSED
Birmingham.....	\$589	\$582	\$685
Alabama State Program.....	\$1,466	\$1,484	\$1,705
Phoenix.....	\$1,800	\$1,809	\$2,093
Tucson.....	\$453	\$452	\$527
Arizona State Program.....	\$231	\$236	\$268
Little Rock.....	\$317	\$329	\$369
Arkansas State Program.....	\$533	\$544	\$620
Anaheim.....	\$1,537	\$1,524	\$1,787
Bakersfield.....	\$387	\$383	\$450
Fresno.....	\$379	\$383	\$441
Los Angeles.....	\$15,920	\$14,325	\$14,992
Oakland.....	\$2,176	\$2,198	\$2,381
Riverside.....	\$1,981	\$1,978	\$2,303
Sacramento.....	\$901	\$905	\$1,048
San Diego.....	\$2,838	\$2,826	\$3,300
San Francisco.....	\$8,241	\$7,461	\$7,405
San Jose.....	\$877	\$866	\$1,015
California State Program.....	\$2,991	\$2,967	\$3,354
Denver.....	\$1,554	\$1,546	\$1,807
Colorado State Program.....	\$433	\$434	\$503
Bridgeport.....	\$803	\$795	\$878
Hartford.....	\$1,095	\$1,084	\$1,087
New Haven.....	\$968	\$960	\$991
Connecticut State Program.....	\$220	\$217	\$227
Wilmington.....	\$630	\$629	\$733
Delaware State Program.....	\$247	\$247	\$266
District Of Columbia.....	\$10,732	\$11,165	\$9,644
Cape Coral.....	\$406	\$409	\$471

Housing Opportunities for Persons With AIDS

HOPWA Formula Grantee	2014 ACTUAL	2015 ESTIMATE	2016 PROPOSED
Deltona.....	\$373	\$374	\$433
Ft Lauderdale.....	\$7,377	\$6,980	\$6,629
Lakeland.....	\$517	\$485	\$571
Miami.....	\$11,348	\$11,312	\$10,197
Orlando.....	\$3,007	\$3,242	\$3,219
Palm Bay.....	\$335	\$335	\$386
Port St Lucie.....	\$0	\$0	\$624
Sarasota.....	\$448	\$446	\$522
Tampa.....	\$2,829	\$3,105	\$3,289
West Palm Beach.....	\$3,038	\$3,037	\$2,731
Jacksonville-Duval County.....	\$2,303	\$2,466	\$2,069
Florida State Program.....	\$3,354	\$3,357	\$3,662
Atlanta.....	\$14,243	\$18,078	\$12,798
Augusta-Richmond County.....	\$938	\$1,072	\$843
Georgia State Program.....	\$2,205	\$2,265	\$2,563
Honolulu.....	\$437	\$435	\$508
Hawaii State Program.....	\$205	\$206	\$226
Chicago.....	\$7,695	\$7,865	\$8,427
Illinois State Program.....	\$1,174	\$1,172	\$1,365
Indianapolis.....	\$947	\$950	\$1,101
Indiana State Program.....	\$946	\$953	\$1,101
Iowa State Program.....	\$422	\$426	\$491
Kansas State Program.....	\$393	\$393	\$457
Louisville-CDBG.....	\$572	\$577	\$665
Kentucky State Program.....	\$524	\$531	\$610
Baton Rouge.....	\$2,625	\$2,539	\$2,359
New Orleans.....	\$4,014	\$3,912	\$3,607
Louisiana State Program.....	\$1,295	\$1,314	\$1,506
Baltimore.....	\$7,842	\$8,037	\$7,046
Frederick.....	\$690	\$907	\$802
Maryland State Program.....	\$398	\$397	\$463
Boston.....	\$2,245	\$2,715	\$2,395
Lowell.....	\$1,088	\$1,088	\$1,265

Housing Opportunities for Persons With AIDS

HOPWA Formula Grantee	2014 ACTUAL	2015 ESTIMATE	2016 PROPOSED
Lynn.....	\$0	\$0	\$0
Springfield.....	\$455	\$450	\$529
Worcester.....	\$457	\$453	\$527
Massachusetts State Program.....	\$211	\$212	\$245
Detroit.....	\$2,351	\$2,461	\$2,338
Warren.....	\$514	\$519	\$598
Michigan State Program.....	\$1,068	\$1,071	\$1,243
Minneapolis.....	\$1,041	\$1,039	\$1,210
Minnesota State Program.....	\$148	\$148	\$172
Jackson.....	\$1,085	\$1,392	\$1,053
Mississippi State Program.....	\$963	\$989	\$1,120
Kansas City.....	\$1,088	\$1,086	\$1,265
St Louis.....	\$1,389	\$1,387	\$1,615
Missouri State Program.....	\$542	\$540	\$630
Nebraska State Program.....	\$357	\$362	\$415
Las Vegas.....	\$1,133	\$1,146	\$1,318
Nevada State Program.....	\$250	\$249	\$290
Camden.....	\$708	\$707	\$824
Edison.....	\$0	\$0	\$0
Jersey City.....	\$2,566	\$2,558	\$2,196
Newark.....	\$6,473	\$6,061	\$5,817
Paterson.....	\$1,356	\$1,351	\$1,712
New Jersey State Program.....	\$1,126	\$1,117	\$1,309
Albuquerque.....	\$335	\$330	\$390
New Mexico State Program.....	\$289	\$286	\$336
Albany.....	\$494	\$490	\$574
Buffalo.....	\$550	\$547	\$639
Islip Town.....	\$1,751	\$1,731	\$1,840
New York City.....	\$48,454	\$47,037	\$43,156
Poughkeepsie.....	\$0	\$0	\$0
Rochester.....	\$688	\$681	\$800
Syracuse.....	\$290	\$287	\$337
New York State Program.....	\$2,156	\$2,146	\$2,506

Housing Opportunities for Persons With AIDS

HOPWA Formula Grantee	2014 ACTUAL	2015 ESTIMATE	2016 PROPOSED
Charlotte.....	\$1,061	\$1,795	\$1,234
Durham.....	\$0	\$282	\$607
Greensboro.....	\$317	\$321	\$369
Wake County.....	\$536	\$543	\$623
North Carolina State Program.....	\$2,387	\$2,143	\$2,777
Cincinnati.....	\$673	\$675	\$782
Cleveland.....	\$951	\$952	\$1,105
Columbus.....	\$821	\$827	\$954
Dayton.....	\$286	\$287	\$332
Ohio State Program.....	\$979	\$979	\$1,139
Oklahoma City.....	\$530	\$531	\$616
Tulsa.....	\$353	\$353	\$411
Oklahoma State Program.....	\$248	\$247	\$290
Portland.....	\$1,081	\$1,076	\$1,257
Oregon State Program.....	\$379	\$379	\$441
Allentown.....	\$316	\$319	\$367
Bensalem Township.....	\$512	\$515	\$595
Harrisburg.....	\$291	\$292	\$338
Philadelphia.....	\$9,470	\$7,436	\$8,509
Pittsburgh.....	\$724	\$721	\$842
Pennsylvania State Program.....	\$1,295	\$1,292	\$1,505
Providence.....	\$867	\$870	\$964
Charleston.....	\$585	\$550	\$680
Columbia.....	\$1,413	\$1,196	\$1,270
Greenville.....	\$360	\$363	\$419
South Carolina State Program.....	\$1,387	\$1,391	\$1,613
Memphis.....	\$2,849	\$3,072	\$2,560
Nashville-Davidson.....	\$914	\$924	\$1,063
Tennessee State Program.....	\$939	\$943	\$1,092
Austin.....	\$1,112	\$1,118	\$1,293
Dallas.....	\$5,375	\$5,637	\$5,483
El Paso.....	\$361	\$373	\$419
Fort Worth.....	\$996	\$1,002	\$1,158
Houston.....	\$10,894	\$10,343	\$9,789

Housing Opportunities for Persons With AIDS

HOPWA Formula Grantee	2014 ACTUAL	2015 ESTIMATE	2016 PROPOSED
San Antonio.....	\$1,212	\$1,217	\$1,409
Texas State Program.....	\$2,923	\$2,947	\$3,398
Salt Lake City.....	\$366	\$366	\$426
Utah State Program.....	\$153	\$153	\$178
Richmond.....	\$1,087	\$875	\$1,264
Virginia Beach.....	\$1,079	\$1,081	\$1,254
Virginia State Program.....	\$729	\$732	\$848
Seattle.....	\$1,780	\$1,771	\$2,069
Washington State Program.....	\$729	\$734	\$847
West Virginia State Program.....	\$343	\$344	\$398
Milwaukee.....	\$587	\$587	\$683
Wisconsin State Program.....	\$467	\$469	\$543
San Juan Municipio.....	\$5,655	\$5,636	\$5,081
Puerto Rico State Program.....	<u>\$1,808</u>	<u>\$1,799</u>	<u>\$1,951</u>
Total Formula Grantees.....	\$297,000	\$297,000	\$296,529
Total Competitive Grants.....	\$33,000	\$33,000	\$32,948
Transformation Initiative.....	<u>\$0</u>	<u>\$0</u>	<u>\$2,523</u>
Total HOPWA	\$330,000	\$330,000	\$332,000

Housing Opportunities for Persons With AIDS

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Formula Grants	\$297,000	\$83,223	\$380,223	\$319,575	\$297,000	\$60,648	\$357,648	\$298,800
Competitive Grants	33,000	192	33,192	29,067	33,000	4,125	37,125	33,200
Technical Assistance ..	...	4	4	...	...	4	4	...
Transformation								
Initiative (transfer)	...	...	...	...	...	...	...	[2,523]
Total	330,000	83,419	413,419	348,642	330,000	64,777	394,777	332,000

Housing Opportunities for Persons With AIDS

COMMUNITY PLANNING AND DEVELOPMENT HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For carrying out the Housing Opportunities for Persons with AIDS program, as authorized by the AIDS Housing Opportunity Act (42 U.S.C. 12901 et seq.), [~~\$330,000,000~~] *\$332,000,000*, to remain available until September 30, [~~2016~~]*2017*, except that amounts allocated pursuant to section 854(c)(3) of such Act shall remain available until September 30, [~~2017~~]*2018*: *Provided*, That the Secretary shall renew all expiring contracts for permanent supportive housing that initially were funded under section 854(c)(3) of such Act from funds made available under this heading in fiscal year 2010 and prior fiscal years that meet all program requirements before awarding funds for new contracts under such section[: *Provided further*, That the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act]. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

Housing Opportunities for Persons With AIDS

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HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2016 Summary Statement and Initiatives
(Dollars in Thousands)

PROJECT-BASED RENTAL ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$9,918,014	\$303,021 ^a	...	\$10,221,035 ^b	\$9,869,642	\$9,824,000
2015 Appropriation	9,730,000	351,393	...	10,081,393 ^c	9,999,393	10,278,000
2016 Request	<u>10,760,000</u>	<u>146,000</u>	<u>...</u>	<u>10,906,000^d</u>	<u>10,964,000</u>	<u>10,775,000</u>
Program Improvements/Offsets	+1,030,000	-205,393	...	+824,607	+964,607	+497,000

a/ Carryover includes \$259 million in unobligated funds, and \$44 million from recaptures realized in fiscal year 2014, and a \$295 thousand prior-year adjustment.

b/ Resources and obligations include \$1.4 million transfer from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD).

c/ Resources and obligations exclude \$25 million in spending authority from anticipated offsetting collections and an estimated \$39 million transfer from the Public Housing Fund and Capital Fund for Rental Assistance Demonstration (RAD), and \$115 thousand in RAD carryover. When the additional resources are added, Total Resources will be \$10.146 billion.

d/ Resources and obligations exclude \$15 million in spending authority from anticipated offsetting collections and an estimated \$63 million transfer from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD). When the additional resources are added, estimated Total Resources and fiscal year 2016 obligations will be \$10.964 billion. This number includes an estimated transfer to the Transformation Initiative (TI) account that may be up to 0.5 percent or \$20 million, whichever is less, of Budget Authority.

1. What is this request?

The Department requests a total of \$10.760 billion to meet Section 8 Project-Based Rental Assistance (PBRA) program needs for fiscal year 2016. This includes \$9.965 billion for renewals and \$580 million for amendments, as well as \$215 million for Performance-Based Contract Administration. The total requested funding level for fiscal year 2016 is a \$1.030 billion increase over the fiscal year 2015 enacted level of \$9.730 billion. The enacted funding level for fiscal year 2015 reflects one-time savings on contracts that require less than 12 months of funding as they transition to a calendar year funding cycle. The requested increase for fiscal year 2016 returns the PBRA account to the baseline level required for annual ongoing 12-month (calendar year) funding of contracts under the account, consistent with current practice in the Housing Choice Voucher and Public Housing programs. The funding requested allows the renewal or amendment of several types of rental assistance contracts, including: Housing (Project-Based Section 8 contracts), Public and Indian Housing (Moderate Rehabilitation contracts), and Community Planning and Development (Single Room Occupancy contracts), and Senior Preservation Rental Assistance Contracts.

Project-Based Rental Assistance

The Department's fiscal year 2016 request for Performance-Based Contract Administration (PBCA) funding, coupled with anticipated carryover and recaptures, will allow HUD to extend current PBCA contracts as necessary during fiscal year 2016, and also potentially execute new awards during fiscal year 2016. HUD's fiscal year 2016 request of \$215 million is based on estimated annual funding for the program under new cost-saving PBCA agreements.

Contract Renewals and Amendments - \$10.545 billion

The Department's fiscal year 2016 request provides for the first complete year of funding under the new calendar year methodology, and represents the baseline level for 12-month funding of contracts. HUD requested and received a fiscal year 2015 funding level that reflects one-time savings resulting from realigning contracts to a calendar year basis, while recognizing that a \$1 billion increase would be needed in fiscal year 2016 if HUD requested 12 months of funding for all contracts under the new calendar year model. Thus, the increase in requested funding does not reflect a \$1 billion increase in the underlying cost of the program; rather it is a return to the baseline need (plus annual inflation) for PBRA after achieving significant one-time savings in fiscal year 2015. Specifically, in fiscal year 2015 HUD is providing funding for calendar year 2015 (January through December) for all multiyear contracts in the middle of their contract terms, representing the vast majority of the portfolio. For contracts whose terms expire during fiscal year 2015 and a new multiyear contract is executed, HUD is placing 12 months of funding on such contracts at the time of renewal. While this means some of those contracts would receive funding beyond calendar year 2015, in the subsequent funding cycle (fiscal year 2016) they would be funded only through the calendar year in order to conform to the calendar year funding model. The Department's request supports the continuation of this funding approach in fiscal year 2016.

HUD does not expect the calendar year funding methodology to have a significant impact on stakeholders, investors, or lenders because there will be no change in contract terms or duration in fiscal year 2016; rather, the Department will only shift the timing for funding of the contract, similar to past practice during periods covered by Continuing Resolution and during fiscal year 2013, post-sequestration. HUD believes that 12-month calendar year funding will increase the predictability of funding under the program, allowing owners to continue leveraging private debt and equity on advantageous terms, and reduce the risk of funding lapses at the beginning of a fiscal year.

The need for Section 8 Amendment funds results from insufficient funding provided to long-term project-based contracts executed primarily in the 1970's and 1980's. During those years, the Department provided contracts for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and as a result, many of these Section 8 contracts were inadequately funded. Older long-term contracts that have not reached their termination dates and have not entered the one-year renewal cycle must be provided amendment funds for the projects to remain financially and physically viable. The Department estimates that total Section 8 Amendment needs in fiscal year 2016 will be approximately \$580 million.

Project-Based Rental Assistance

The following table shows the change in the number of units under contract, average monthly subsidy payment per unit and the average utilization rate by fiscal year.

	Contract Units	Average Monthly Subsidy per Unit	Average Utilization ¹
FY 2008	1,260,865	\$587	93.7%
FY 2009	1,255,545	\$610	94.2%
FY 2010	1,251,460	\$635	94.7%
FY 2011	1,249,790	\$665	94.9%
FY 2012	1,243,562	\$676	95.1%
FY 2013	1,230,119	\$680	95.2%
FY 2014	1,220,664	\$696	95.2%

This request includes renewal funds for Senior Preservation Rental Assistance Contracts (SPRACs). SPRACs are included this account because these contracts share many more similarities with Section 8 Housing Assistance Payments (HAP) contracts, including rent-setting and rent adjustment using the Operating Cost Adjustment Factor (OCAF), than they do with the Project Rental Assistance Contracts funded under the Housing for the Elderly account.

Contract Administration Support - \$215 million

The Department proposes up to \$215 million for Performance-Based Contract Administrators (PBCAs) in fiscal year 2015. These administrators are responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; and reviewing, processing, and paying monthly vouchers submitted by owners. PBCAs are integral to the Department's efforts to be more effective and efficient in the oversight and monitoring of this program. During 2013, the Department re-competed awards under the PBCA program; however, awards under this competition are currently stayed due to ongoing litigation. Obligation estimates for the program reflects the cost of extending current PBCA contracts for a portion of fiscal year 2016, as well as the possible execution of new contracts pending the outcome of ongoing PBCA litigation.

Cost Saving Measures

The funding request for fiscal year 2016 assumes cost savings from a legislative request related to tenant medical expense deductions. This request would increase the amount of income that must be spent on medical expenses from 3 percent of income to

¹ The average percentage of contract units that are occupied by families assisted with program support.

Project-Based Rental Assistance

10 percent before medical expenses can be deducted. If this change is not approved, the fiscal year 2016 appropriations requirement may increase.

Proposals in the Budget

This request includes several reforms and initiatives in the PBRA program, which are summarized at the end of this document. The Department also requests several reforms across HUD's core rental assistance programs, which are described in the Housing Choice Voucher request. For example, the Department proposes to increase the amount of income that must be spent on medical expenses from 3 percent of income to 10 percent before medical expenses can be deducted. In addition, the Department proposes to make owners of PBRA properties eligible to compete for funding through the Family Self-Sufficiency (FSS) program; more information on this program is available in the FSS request.

Tenant Outreach Activities

The Department would like to build upon and complement the work being completed under the Interagency Agreement (IAA) with the Corporation for National and Community Services' Americorps VISTA (Volunteers in Service to America) program by setting aside up to \$3 million for preservation-related tenant advocacy and capacity building technical assistance from PBRA appropriations authority for "administrative and other expenses associated with project-based activities and assistance." These funds would likely be competed through the Community Compass (formerly OneCPD) Notice of Funding Availability and would fund tenant groups, nonprofit groups, and public entities to support their efforts to preserve affordability and improve tenant services.

Rental Assistance Demonstration

The Department continues its Rental Assistance Demonstration (RAD) to test new preservation tools for the HUD-assisted housing stock. The PBRA request includes renewal funding for public housing properties that converted in 2013 and 2014. Public housing units converting in 2015 that will require renewal funds in 2016 are not reflected in this PBRA request; instead, HUD will budget for and use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the fiscal year 2016 Operating Fund and Capital Fund appropriations to the PBRA account. The budget estimates for those units include considerations like expected tenant contribution toward rent and vacancies. HUD anticipates the possibility that marginal, unforeseen changes to factors such as tenant income may have some impact, which HUD estimates to be small, on the ultimate cost of those units. In that event those marginal increases will be covered by funding in this account—and those actual marginal costs reported in subsequent fiscal years' Justifications. Further, to the extent that Rent Supplement (RS) and Rental Assistance Payment (RAP) properties convert to PBRA under the 2nd component of RAD (under authority provided in the 2015 Appropriations Act) funding in this account may be used for the renewal of such contracts.

Project-Based Rental Assistance

2. What is this program?

The Project-Based Rental Assistance program provides rental assistance on behalf of eligible tenants residing in specific multifamily rental developments. Project-based rental assistance is provided through contracts between the Department and owners of multifamily rental housing. If a tenant moves, the assistance stays with the housing development (which is a major difference between this program and the Tenant-Based Rental Assistance program in which the subsidy moves with the tenant). The amount of rental assistance paid to the owner is the difference between what a household can afford (based on paying 30 percent of household income for rent) and the approved contract rent for the unit. This program serves approximately 1.2 million low-income and very low-income households that are primarily seniors, families with children, and persons with disabilities. Section 8 tenant data on household types is summarized here:

http://portal.hud.gov/hudportal/documents/huddoc?id=Tenant_Characteristics_Rpt.pdf

Eligible owners include for-profit or non-profit organizations, cooperatives, Limited Liability Corporations, Limited Partnerships or other types of joint ownership structures organized to develop and operate affordable rental housing. These properties are financed in a similar manner to market rate rental developments, using private financing, FHA financing, private equity, or equity raised from the sale of Low-Income Housing Tax Credits. Currently, the portfolio is leveraging close to \$16 billion in FHA insurance and more than \$17 billion in private financing and equity. The owner must provide affordable decent, safe and sanitary housing units to continue to receive project-based rental assistance.

The program's portfolio of 17,300 contracts generally receives high standardized physical inspection scores, consistently receiving REAC scores of at least 85 (out of 100) on average over the last five to seven years. Many PBRA properties are located in strong rental markets that have been preserved through the Department's successful Mark-Up-to-Market program and other preservation programs. The Mark-Up-to-Market Program adjusts rents to prevailing market conditions while maintaining affordability for low-income households. Such properties frequently provide the only affordable housing opportunities within these communities. Other PBRA properties located in less strong markets provide an important stabilizing influence to their communities, often acting as important footholds for additional housing and other commercial neighborhood investment.

The program set-aside of \$215 million for PBCAs is an important tool to administer the program in an efficient manner. PBCAs provide direct oversight and monitoring of the program that carry out critical functions, including: (1) reducing payment errors; (2) ensuring that the physical condition of units is maintained; and (3) ensuring timely payment of rents to property owners.

3. Why is this program necessary and what will we get for the funds?

Addresses the need for quality affordable rental homes

The PBRA program is one of three major federal rental assistance programs for providing low-income families with decent, safe and affordable housing. The program currently provides affordable housing for over 1.2 million families, many of whom are vulnerable populations: 47 percent of assisted households are headed by elderly persons, 33 percent by persons with disabilities, and 26 percent by females with children. The program supports a stock of affordable housing and maintains and protects the long-term historic federal investment in these assets, which would be costly to recreate.

Reduces the number of families with severe housing needs and reduces or prevents homelessness

Worst Case Housing Needs 2013 (forthcoming) shows that 7.7 million renter households had worst case housing needs in 2013, up over 30 percent since 2007. Worst case needs are defined as renters with very low-incomes (below half the median in their areas) who do not receive government housing assistance and who either paid more than 50 percent of their monthly incomes in rent, lived in substandard conditions, or both. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities, suburbs, or rural areas.

Large numbers of worst case needs are found among various household types served by PBRA, including families with children, senior citizens, and persons with disabilities. PBRA funding directly reduces worst case housing needs. Without assistance, housing costs would effectively diminish the already limited incomes of these families, even for necessities such as utilities, food, health care, child care, education and transportation costs. Many would be placed at risk of homelessness.

Preserves the affordability and condition of privately owned rental housing

PBRA supports a stock of long-term affordable rental housing for the lowest-income American families. This is increasingly important, as the private stock of rental housing that is affordable to the lowest income families has actually been shrinking. HUD's estimates in *Worst Case Housing Needs 2013* (forthcoming) reveal that only 65 affordable units are available nationwide per 100 very low-income renters, and 39 units per 100 extremely low-income renters. Without project-based rental assistance, the gap in affordable and available rental housing would worsen further to as few as 59 units per 100 very low-income renters and 31 units per 100 extremely low-income renters.

Without this assistance, many projects would either convert to market with potentially large rent increases that the current families would not be able to afford, or alternatively would not be able to generate sufficient rental income to continue to be maintained in

Project-Based Rental Assistance

good condition. In addition, without ongoing rental income, some projects may be unable to continue payments on existing debt, including mortgages insured by FHA, or mortgages backed by bonds issued by state housing finance agencies.

Expands choices of affordable rental homes located in a broad range of communities

The preservation of affordable units assures that units will continue to become available in a wide range of housing markets throughout the nation as vacancies occur. Many projects are located in good neighborhoods, where low-income families would otherwise be unable to find affordable housing, while other projects serve as anchors providing well-maintained properties in areas that might experience downward investment. Many projects also provide badly needed affordable housing in rural areas, as some projects were developed with financing through the USDA Rural Housing Service's Section 515 Multifamily program.

PBRA's spillover benefits to local communities and economies

Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to local economic bases. PBRA housing provides employment, increases buying power of assisted tenants to support local businesses, and increases local tax bases. The PBRA program, through its 17,300 contracts with owner landlords, directly contributes to job creation and retention in the fields of property management, maintenance, administration, general construction, contract vendors such as landscapers, exterminators, security guards, snow removers, equipment servicers, legal representation and property insurance providers.

In addition to local revenue generation and job retention associated with ongoing project operation, the PBRA program is also a redevelopment and preservation tool for private owners of low-income multifamily rental housing. PBRA contracts act as a critical credit enhancement for project financing, allowing owners to leverage private debt and equity to permit project refinancing and recapitalization. Such transactions require owners to hire architects, surveyors, construction contractors as well the professional services of consultants and attorneys to complete the work. The periodic refinancing of the debt underlying projects assisted by PBRA generates significant capital available for investment in construction repairs and improvements. If funding for the PBRA program is not provided, the value of this underlying debt to both FHA and private lenders as well as existing equity in the physical structures could be severely eroded, contributing to significant loss of privately held wealth and community investment.

4. How do we know this program works?

PBRA has maintained a stock of long-term affordable rental housing for the lowest-income American families while a long-term affordable housing shortage was growing increasingly severe. The number of very low-income renters increased by 18 percent between 2003 and 2013 (from 15.7 to 18.5 million households) while the number of affordable units for these renters *decreased* by 10 percent (from 20.0 to 18.0 million units). In the face of this affordable rental crisis, PBRA continues to account for over 6 percent of the nation's affordable housing stock for very low-income renters.

Project Based Section 8 Tenant Characteristics

<p><u>Who Does PB Section 8 Serve?</u></p> <p>The Project Based Section 8 program serves 2.11 million Americans and 1.2 million households.</p>	<p><u>Who are PB Section 8 Tenants?</u></p> <p>The PB program serves a diverse demographic mix. 56% of residents are in a minority group</p> <table><tr><th>White, non-Hispanic</th><th>Black</th><th>Hispanic</th><th>Asian/P.I.</th><th>Nat. American</th></tr><tr><td>47%</td><td>35%</td><td>15%</td><td>5%</td><td>1%</td></tr></table>	White, non-Hispanic	Black	Hispanic	Asian/P.I.	Nat. American	47%	35%	15%	5%	1%	<p><u>Head of Household Characteristics</u></p> <ul style="list-style-type: none">Female Headed Families with children - 26%Elderly - 47%Non-elderly disabled - 33%												
White, non-Hispanic	Black	Hispanic	Asian/P.I.	Nat. American																				
47%	35%	15%	5%	1%																				
<p><u>Percentage of PB Section 8 by Family Size</u></p> <table><tr><th>Family Size</th><th>Percentage</th></tr><tr><td>1 Person</td><td>62%</td></tr><tr><td>2 People</td><td>19%</td></tr><tr><td>3 People</td><td>11%</td></tr><tr><td>4+ People</td><td>9%</td></tr></table>	Family Size	Percentage	1 Person	62%	2 People	19%	3 People	11%	4+ People	9%	<p><u>Percentage Age of Head of Household</u></p> <table><tr><th>Age Group</th><th>Percentage</th></tr><tr><td>% 85 or older</td><td>7%</td></tr><tr><td>% 62 or older</td><td>47%</td></tr><tr><td>% 51 to 61</td><td>15%</td></tr><tr><td>% 25 to 50</td><td>31%</td></tr><tr><td>% 24 or younger</td><td>8%</td></tr></table>	Age Group	Percentage	% 85 or older	7%	% 62 or older	47%	% 51 to 61	15%	% 25 to 50	31%	% 24 or younger	8%	<p><u>Share of Rent from HUD and Assisted Households</u></p> <p>The average household contribution to rent (includes utilities) per month is \$264 HUD contributes an average of \$676 per month (operating subsidy)</p>
Family Size	Percentage																							
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<p><u>Income Levels of Assisted Households</u></p> <p>Tenants make an average gross income of \$11,639.</p> <table><tr><th colspan="2">Distribution of PB Section 8 Household's Income %</th></tr><tr><td>\$0 - \$20,000 per year</td><td>89%</td></tr><tr><td>More than \$20,000 per year</td><td>11%</td></tr></table> <p>The average household income was 22% of the local area median income.</p>		Distribution of PB Section 8 Household's Income %		\$0 - \$20,000 per year	89%	More than \$20,000 per year	11%	<p><u>Household Incomes Compared to their Local Area Median Income*</u></p> <table><tr><td>Extremely Low Income (Less than 30% AMI)</td><td>76%</td></tr><tr><td>Very Low Income (30% to 50% AMI)</td><td>19%</td></tr><tr><td>Low Income (50% to 80% AMI)</td><td>5%</td></tr></table>	Extremely Low Income (Less than 30% AMI)	76%	Very Low Income (30% to 50% AMI)	19%	Low Income (50% to 80% AMI)	5%										
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Notes: HUD's income limits are adjusted based on actual median incomes for the state and locality (metropolitan area).

*30 percent of AMI is approximately \$19,170 per year for a 4-person household, (national estimate - adjusted based on actual state and local incomes) and \$13,420 for a single person. Note, that the US national poverty guideline for 2014 was set at \$23,850 for a 4-person household (the guidelines are not adjusted locally, but provide a single limit for the 48 contiguous states and DC).

Project-Based Rental Assistance

Multifamily for Tomorrow Initiative

During fiscal year 2016, the Office of Multifamily Housing will complete the business improvements facilitated by the business re-engineering initiative called Multifamily for Tomorrow. This initiative improved performance efficiencies in our oversight and monitoring of projects assisted by Section 8 Project-Based Rental Assistance. Multifamily for Tomorrow has refocused monitoring of the assisted portfolio to ensure the performance of critical functions essential to the effective management of the portfolio. The initiative introduced streamlined oversight tasks for projects that are identified as low risk, high performers and identified opportunities for elimination of tasks that are redundant, unnecessary or do not contribute to ensuring quality performance of the Section 8 Project-Based portfolio.

As part of Multifamily for Tomorrow, staff has rated all Multifamily assets, including assets assisted with PBRA, in order to prioritize by risk and allocate the most staff resources to the riskiest assets. Assets are rated troubled, potentially troubled, or not troubled. Staff in the Office of Asset Management and Portfolio Oversight are asked to prioritize time and energy spent on the riskiest troubled assets and allocate less time to low-risk assets. We expect that the process improvements introduced and institutionalized as part of the Multifamily for Tomorrow will position the Office of Multifamily Housing to effectively administer the Section 8 program at current staffing levels, and that the enhancements to business processes introduced by the initiative would allow for continued effective program administration at FTE levels below our current level.

The Multifamily for Tomorrow initiative builds on the success of portfolio rating by moving to an Account Executive Model. The Account Executive Model has shifted the previous Project Manager focus to managing potentially troubled (managed by Senior Account Executives) and not troubled (managed by Account Executives) assets, including those with PBRA assistance. The Account Executive Model will include an Asset Resolution Specialist position that will focus a specialized skill set and knowledge base on troubled assets (including PBRA-assisted assets). This increased focus will allow Multifamily experts to better manage risk in the PBRA programs and mitigate risk to the Department's insurance fund and mission, while Account Executives manage low-risk assets.

Monitoring and Oversight

The Office of Asset Management and Portfolio Oversight utilizes all available tools to ensure owners receiving federal project-based rental assistance are maintaining and providing quality affordable housing and accomplishing the mission of the Department. The tools include: risk-based multifamily portfolio management, oversight of physical inspections and financial reporting for all properties, litigation for landlord and/or property management violations and tenant relocation, and the continued innovation of technology, policies, and procedures to ensure the Department's multifamily portfolio is providing safe and quality affordable housing and prevent owner abuse of federal subsidy.

Project-Based Rental Assistance

As described above, Multifamily for Tomorrow initiated a shift to risk-based portfolio management and provided the necessary training to help Department staff manage the Multifamily portfolio by risk. Account Executives rate all assets in their portfolios and respond accordingly based on risk level. Account Executives must identify and implement an Action Plan corresponding to the issues at a given asset for all assets rated Troubled and Potentially Troubled. Multifamily Headquarters conducts monthly calls with Account Executives and field office management to discuss resolution strategies and to reinforce the rating process. The Department holds quarterly calls with top Loan Servicers to discuss problem properties/owners and triangulate with internal information to ensure troubled properties are monitored holistically and discuss potential resolution strategies. This multi-faceted risk-based approach is indicative of the Department's exhaustive efforts to ensure HUD's project-based rental assistance supports Owners/Management Agents providing quality affordable housing.

Multifamily Housing also protects its PBRA investments with the assistance of the Real Estate Assessment Center (REAC) and the Departmental Enforcement Center (DEC). REAC monitors both the physical and financial condition of the assets to identify and address physical and financial issues immediately. If a property receives a physical inspection score below 30, it is automatically referred to the Departmental Enforcement Center (DEC) and the Owner is flagged in the Active Partners Performance System (APPS).

The Department has mandated the use of the Enterprise Income Verification (EIV) system by all Multifamily Housing Owners and Management Agents to verify annual income and benefit information in making rental housing subsidy determinations. The EIV system increases the efficiency and accuracy of income and rent determinations, reduces incidents of underreported and unreported household income, removes the barriers to verifying tenant-reported income, and addresses material weaknesses in an owners' reexamination process and program operations. The EIV system also assures that more eligible families are able to participate in the program, reduces improper payments, and ensures that the right people receive the right amount of assistance at the right time. Contract Administrators are required to use the EIV system in the performance of Management and Occupancy Reviews, the purpose of which is to identify and reduce errors in the administration of HUD rental assistance programs, thereby reducing the number and amount of improper payments of HUD subsidies. The Department continually improves and makes modifications to the EIV system and occupancy requirements to ensure tenants receive the proper benefits and maintain accurate reporting.

Integrated Budget Forecasting Model (iBFM)

In fiscal year 2015, systems changes have been fully effectuated within the Integrated Budget Forecasting Model (iBFM) which will enable the transition of Section 8 Project Based Rental Assistance (PBRA) program needs to a calendar year (CY) funding cycle. New modifications to the Transaction Funding and PBRA Forecasting modules within iBFM provide HUD staff the ability to specify different funding durations for contracts with different "renewal cycle anniversary" or shortfalls months, and will aggregate funding amounts to coincide with the calendar Year funding model.

Project-Based Rental Assistance

The new iBFM functionality will allow HUD to accurately and efficiently manage the budgetary aspects of the PBRA program, via three significant enhancements:

- 1) Refined, more precise iBFM calculations relative to calendar year funding (or potential “short funding” scenarios). This includes expanding and enhancing user input parameters to enable iBFM to calculate, forecast, and report budget authority needs for partial months and for various subsets of Project Based Rental Assistance (PBRA) contracts.
- 2) Added predictability for the number, and type, of out-year contract expirations that are likely to renew for only one year.
- 3) Forecasting and funding functionality for each contract, by month, for the unique renewal cycle month or anniversary date.

5. Proposals in the Budget

- Pay for Success. The Department proposes a general provision that would establish a Pay for Success demonstration that allows the Department to enter multi-year agreements to repay private investors who provide upfront funding for energy efficiency retrofits of HUD-assisted housing. (Sec. 230)
- Other Preservation Strategies. The Department proposes a general provision that would facilitate the refinance and recapitalization of projects that have use agreements imposed by the Low-Income Housing Preservation and Resident Homeownership Act (LIHPRHA). This proposal will align owner distribution and prepayment policies in LIHPRHA-governed properties with other PBRA-assisted properties in order to facilitate preservation transactions. (Sec. 231)

Project-Based Rental Assistance

HOUSING PROJECT-BASED RENTAL ASSISTANCE Summary of Resources by Program (Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Contract Renewals and Amendments	\$9,651,628	\$223,596	\$9,875,224	\$9,613,292	\$9,520,000	\$261,933	\$9,781,933	\$10,545,000
Contract Administrators	265,000	73,705	338,705	253,080	210,000	85,625	295,625	215,000
Tenant Resources								
Network .....	...	5,070	5,070	2,000	...	3,070	3,070	...
Vouchers for Disaster Relief - (P.L. 111-32) .....	...	650	650	...	...	650	650	...
Rental Assistance								
Demonstration	1,386	...	1,386	1,270	...	115	115	...
Transformation								
Initiative Transfer ..	...	...	...	...	...	...	...	[20,000]
Total	9,918,014	303,021	10,221,035	9,869,642	9,730,000	351,393	10,081,393	10,760,000

Note: Total resources for fiscal year 2014 Contract and Renewals include \$44 million from recaptures realized in 2014, and a \$295 thousand prior-year adjustment. It includes \$1.386 million transferred from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD). Of the Renewal and Amendment carryover, \$44.8 million is for Moderate Rehabilitation units, and \$12.9 million is for Single Room Occupancy units.

Fiscal year 2015 Resources and obligations exclude \$15 million in spending authority from anticipated offsetting collections and an estimated \$63 million transfer from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD). When the additional resources are added, estimated Total Resources and FY 2016 obligations will be \$10.964 billion. This number does not reflect an estimated transfer to the Transformation Initiative (TI) account that may be up to 0.5 percent or \$20 million, whichever is less, of Budget Authority.

Project-Based Rental Assistance

HOUSING PROJECT-BASED RENTAL ASSISTANCE Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For activities and assistance for the provision of project-based subsidy contracts under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) ("the Act"), not otherwise provided for, [~~\$9,330,000,000~~] *\$10,360,000,000*, to remain available until [~~expended~~] *September 30, 2018*, shall be available on October 1, [2014] *2015* (in addition to the \$400,000,000 previously appropriated under this heading that became available October 1, [2014] *2015*), and \$400,000,000, to remain available until [~~expended~~] *September 30, 2019*, shall be available on October 1, [2015] *2016*: *Provided*, That the amounts made available under this heading shall be available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney- Vento Homeless Assistance Act (42 U.S.C. 11401), *for renewal of senior preservation rental assistance contracts, as authorized by section 811 (e) of the American Housing and Economic Opportunity Act of 2000, as amended (12 U.S.C. 1701q note)*, for renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for administrative and other expenses associated with project-based activities and assistance funded under this paragraph: *Provided further*, That of the total amounts provided under this heading, not to exceed [~~\$210,000,000~~] *\$215,000,000* shall be available for *grants or cooperative agreements under such terms and procedures as determined by the Secretary and in accordance with section 204 of this title for* performance-based contract administrators for section 8 project-based assistance, for carrying out 42 U.S.C. 1437(f): *Provided further*, That the Secretary of Housing and Urban Development may also use such amounts in the previous proviso for performance-based contract administrators for the administration of: interest reduction payments pursuant to section 236(a) of the National Housing Act (12 U.S.C. 1715z-1(a)); rent supplement payments pursuant to section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s); section 236(f)(2) rental assistance payments (12 U.S.C. 1715z-1(f)(2)); project rental assistance contracts for the elderly under section 202(c)(2) of the Housing Act of 1959 (12 U.S.C. 1701q); project rental assistance contracts for supportive housing for persons with disabilities under section 811(d)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(d)(2)); project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667); and loans under section 202 of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667): *Provided further*, That amounts recaptured under this heading, the heading "Annual Contributions for Assisted Housing", or the heading "Housing Certificate Fund", may be used for renewals of or amendments to section 8 project-based contracts or for performance-based contract administrators,

Project-Based Rental Assistance

notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That, notwithstanding any other provision of law, upon the request of the Secretary of Housing and Urban Development, project funds that are held in residual receipts accounts for any project subject to a section 8 project-based Housing Assistance Payments contract that authorizes HUD or a Housing Finance Agency to require that surplus project funds be deposited in an interest-bearing residual receipts account and that are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to be available until expended: *Provided further*, That amounts deposited pursuant to the previous proviso shall be available in addition to the amount otherwise provided by this heading for uses authorized under this heading. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$127,000	\$39,039 ^a	...	\$166,039	\$123,190	\$103,420
2015 Appropriation	130,000	42,849	...	172,849	172,849	143,334
2016 Request	<u>174,000^b</u>	...	...	<u>174,000</u>	<u>172,678</u>	<u>143,069</u>
Program Improvements/Offsets	+44,000	-42,849	...	+1,151	-171	-265

a/ Carryover includes \$34.19 million carried forward into FY 2014 and \$4.85 million of recaptures during FY 2014.

b/ This number includes an estimated transfer to the Transformation Initiative (TI) account of \$1.32 million of budget authority. In addition, the 2016 Budget proposes an administrative support fee estimated to produce \$30 million in offsetting collections. This fee will fund enhancements to FHA Single Family's risk management approach. Such initiatives could include increased quality assurance sampling or implementation of additional tools to ensure optimal asset disposition or the creation of in-house capabilities to model the portfolio's future performance.

1. What is this request?

For fiscal year 2016 the Budget requests \$174 million in support of the Mutual Mortgage Insurance (MMI) Fund, the largest fund covering activities of the Federal Housing Administration (FHA). Since 1934, mortgage insurance provided by FHA has made financing available to individuals and families not adequately served by the conventional private mortgage market. Through MMI, the Department offers several types of single family forward mortgage insurance products and Home Equity Conversion Mortgages (HECMs) for seniors. Activity for the Cooperative Management Housing Insurance (CMHI) Fund – which insures mortgages for multifamily cooperatives – is reported together with MMI.

The fiscal year 2016 Budget request will enable FHA to continue its mission of providing access to mortgage credit for families with low and moderate wealth, and to play an important counter-cyclical role in the continued stabilization and recovery of the nation's housing market. By facilitating the availability of vital liquidity through a variety of HUD-approved lenders, including community banks and national credit unions, FHA has made a number of achievements including:

- Helping over 3.9 million families buy a home since President Obama took office.
- Providing credit access to more than 480,000 first-time buyers in fiscal year 2014, representing over 81 percent of FHA purchase loan endorsements. It is likely that many of these families would otherwise not have been served by the conventional mortgage market.

Mortgage and Loan Insurance Programs – MMI/CMHI Account

- FHA accounted for 47 percent of purchase mortgage financing for Black or African-American and Hispanic borrowers (per 2013 HMDA data).
- The number of first time homebuyers that FHA has supported over the past three years now totals 1.6 million.
- Through its streamline refinance option, FHA helped 115,000 families reduce their monthly housing costs by an average of \$200 per month, for an annual savings of \$2,400 per family.
- FHA also helped more than 477,000 families avoid foreclosure this past year through its loss mitigation home retention servicing tools.

Managing in a challenging mortgage market - FHA's share of the mortgage market dropped to a low of 3.1 percent of loan originations (by count) in 2005 and then rose to a peak of 21.1 percent in 2009. Since then, FHA's share of new mortgage originations has come down to under 22 percent. FHA's core home-purchase loan activity in fiscal year 2014 declined to a level comparable to 2004 (594,997 vs. 586,110 homebuyers, respectively), and was less than the level of FHA activity from 1998 through 2002. FHA's current market share remains above 1990s levels only because the continuing tight credit market increases the number of underserved borrowers.

In addition to facilitating affordable access to homeownership opportunities, FHA continues to make it a priority to minimize losses to the MMI Fund by assisting homeowners through early delinquency intervention, loss mitigation programs, and specific joint efforts with the Department of Treasury, including: the Home Affordable Modification Program and the FHA Short Refinance program for underwater borrowers with conventional loans. Over fiscal years 2014 and 2015, FHA has 1-year goals of assisting 275,000 homeowners through early delinquency interventions and 110,500 homeowners through loss mitigation programs, with an additional goal of having at least 92 percent of loans receiving this assistance to be current on their mortgages for at least 6 months. For fiscal year 2014, FHA fell slightly short of its early intervention, but far exceeded the permanent loss mitigation program tools utilized, and 499,945 homeowners were assisted in total. Through the end of fiscal year 2014, 92.43 percent of loans that received assistance remained current for at least 6 months.

Performance Indicator	FY14/15 Goal	FY14/15 Outcome
Homeowners assisted through early delinquency intervention (<90 days in default, individual cases)	FY 14: 275,000 FY 15: 275,000	FY 14: 268,266 FYTD 15: 55,503
Homeowners assisted through FHA loss mitigation programs (individual cases)	FY 14: 110,500 FY 15: 110,500	FY 14: 231,679 FYTD 15: 27,579

Mortgage and Loan Insurance Programs – MMI/CMHI Account

The fiscal year 2016 request for MMI includes four components:

- Commitment authority for up to \$400 billion in new loan guarantees. The fiscal year 2016 Budget requests \$400 billion in loan guarantee limitation, which is to remain available until September 30, 2017. This limitation includes sufficient authority for insurance of single family mortgages, mortgages under the HECM program, and the FHA Short Refinance program. Total loan volume projected for all MMI programs for fiscal year 2016 is \$189.0 billion. Of that total, \$173.6 billion is estimated for standard forward mortgages, \$15.1 billion for Home Equity Conversion Mortgages (HECM), and \$300 million for FHA Short Refinances. The size of the request and 2-year availability for this commitment authority reduces the likelihood of program disruption under a continuing resolution or greater than expected volume.
- Negative Subsidy Receipts. The \$189.0 billion in loan volume projected for the entire MMI portfolio in fiscal year 2016 is expected to generate \$6.5 billion in negative subsidy receipts, which are transferred to the MMI Capital Reserve account, where they are available to cover any projected cost increases for the MMI portfolio.
- Appropriations for Administrative Contracts. The Department requests an appropriation of \$174 million, offset by estimated collections of \$30 million from a new administrative fee charged to lenders. The appropriation requested reflects an increase of \$44 million from the fiscal year 2015 appropriation. The additional resources will fund enhancements to administrative contract support, FHA staffing and information technology. The request asks for a transfer of up to \$30 million from this account to the Office of Housing Salaries and Expenses account and the Information Technology Fund. Any funds transferred will be used for FHA salaries and expenses and information technology purposes.
- Commitment authority for up to \$5 million in direct loans to facilitate single family property disposition. The loan authority requested would provide short-term purchase money mortgages for non-profit and governmental agencies. It would enable these entities to make HUD-acquired single family properties available for resale to purchasers with household incomes at or below 115 percent of an area's median income. This program has been infrequently utilized in recent years due to the shortage of state/local government subsidies needed to offset participant's development costs associated with administering the program. Nonetheless, the program remains a valuable tool for HUD supporting affordable homeownership opportunities in distressed communities while responsibly managing its real estate owned (REO) inventory of properties.

	2014 Enacted	2015 Enacted	2016 Request	Increase/ Decrease
Loan Guarantee Commitment Limitation	\$400,000,000,000	\$400,000,000,000	\$400,000,000,000	...
Direct Loan Limitation	\$20,000,000	\$20,000,000	\$5,000,000	-15,000,000

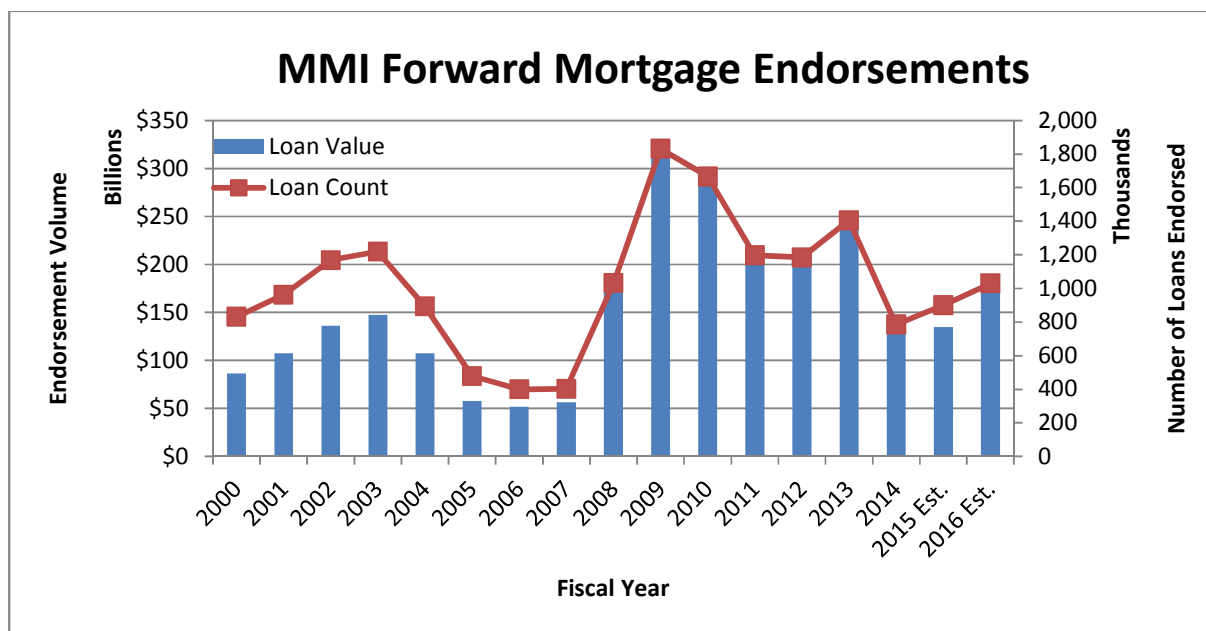
2. What is this program?

FHA has insured over 41 million home mortgages since 1934. In exchange for adherence to strict underwriting and application requirements established by HUD and the payment of insurance premiums, HUD-approved lenders are able to file claims with FHA when a borrower defaults. Mortgage insurance premiums and specific terms for claim payments vary by program. FHA insurance has played a key role in mitigating the effect of economic downturns on the real estate sector, as FHA plays a counter-cyclical role, providing access to mortgage credit during periods of constriction in credit markets. The FHA includes a strong loss mitigation program. Through the recession, FHA has provided key support for the national mortgage market and is mitigating the foreclosure crisis and the overall economic downturn.

As of September 30, 2014, the MMI insurance portfolio included 7.9 million loans with an unpaid principal balance exceeding \$1.1 trillion. FHA mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. FHA has long been a valuable resource for enabling the purchase of a first home, especially among minority and low-income families. FHA loans are highly attractive to borrowers who are credit-worthy but have difficulty assembling a large down payment or securing conventional financing. In its continuing effort to aid homebuyers, the FHA has announced in January 2015 that it will reduce the annual premiums new borrowers will pay by half a percent. This action is projected to save more than two million FHA homeowners an average of \$900 annually and spur 250,000 new homebuyers to purchase their first home over the next three years.

For budgetary purposes, the programs of the MMI Fund are broken into three risk categories (Forward Mortgages, FHA Short Refinances (Refi), and HECM), each are discussed below:

Mortgage and Loan Insurance Programs – MMI/CMHI Account

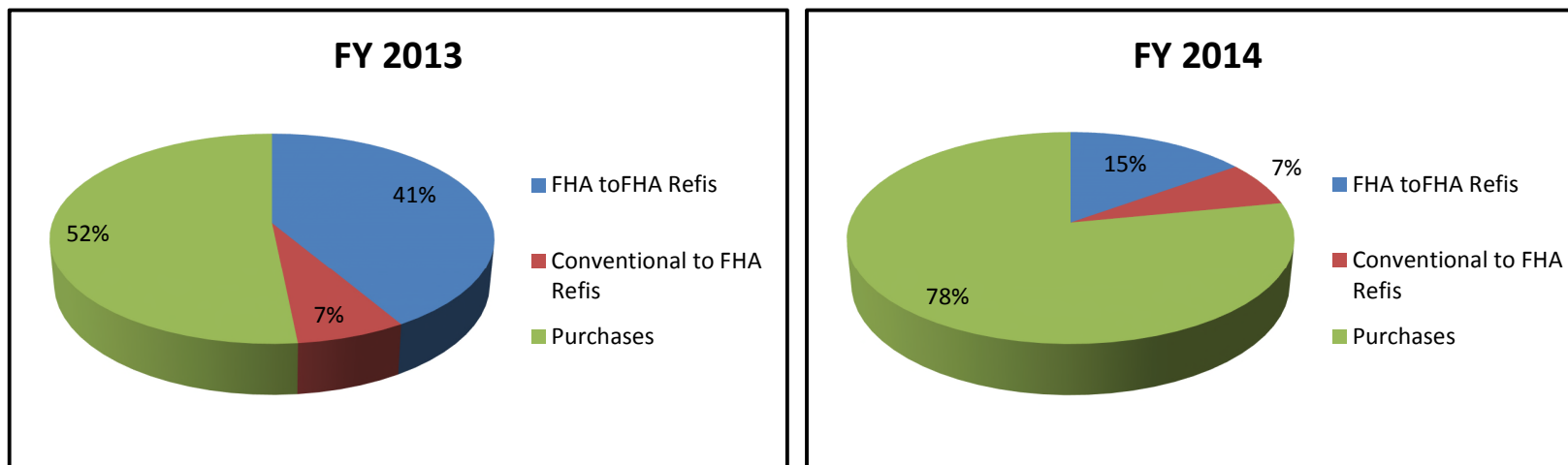


Forward Mortgage Insurance and Guaranteed Loans. Single family programs provide mortgage insurance for the purchase and refinance of homes with one to four units. Loan products under this category include Section 203(b)s, condominiums, homes purchased on Indian and Hawaiian lands, and rehabilitation loans (Section 203(k)). Maximum mortgage amounts insured by FHA are calculated annually by HUD and are generally tied to 115 percent of the median house price in each county.

With 86.3 percent of the total \$148.8 billion in insurance endorsements for the MMI Fund under Section 203(b) during fiscal year 2014, the single family 203(b) program is the largest FHA insurance program authorized under Section 203(b) of the National Housing Act.

FHA endorsement activity peaked in fiscal year 2009, when monthly volume surpassed \$25.8 billion. From this peak, FHA's annual forward mortgage endorsement volume dropped markedly in 2011 and 2012, but then increased in 2013 because of a large volume of refinance activity. Current estimates show that forward mortgage volume will hold constant at roughly \$135 billion for fiscal years 2014 and 2015, and rising to \$174 billion in fiscal year 2016. The current activity counts for FHA's core home-purchase business are comparable to levels experienced in the mid-1990s and lower than the experience of the 1998-2002 periods that preceded the recent boom-bust cycle.

203(b) Endorsement Volume by Loan Type



FHA Short Refinance. In fiscal year 2010, HUD and the Department of Treasury announced enhancements to FHA's refinance program that give a greater number of responsible borrowers the opportunity to remain in their homes. The enhancements were designed to maintain homeownership by borrowers who owe more on their mortgages than the value of their homes with opportunities to refinance into an affordable FHA loan. This program allows a borrower, whose mortgage is current, to qualify for an FHA refinance loan, provided that the lender or investor writes off the unpaid principal balance of the original first lien mortgage by at least 10 percent. FHA will accept applications for this program through the end of calendar year 2016.

HECM. FHA's HECM program provides senior homeowners age 62 and older access to FHA-insured reverse mortgages which enable seniors to access equity in their homes to support their financial and housing needs as they age. The HECM program fills a special niche in the national mortgage market and offers critical opportunities for the nation's seniors to utilize their own assets and resources to preserve their quality of life. The HECM program provides options to seniors to access their equity through monthly payments, draws from a line of credit, or one-time draw at close. Unlike a forward mortgage, the HECM borrower does not make payments on the loan and the loan does not become due and payable until the last remaining mortgagor no longer occupies the property or fails to comply with other requirements of the loan such as payment of property taxes and insurance.

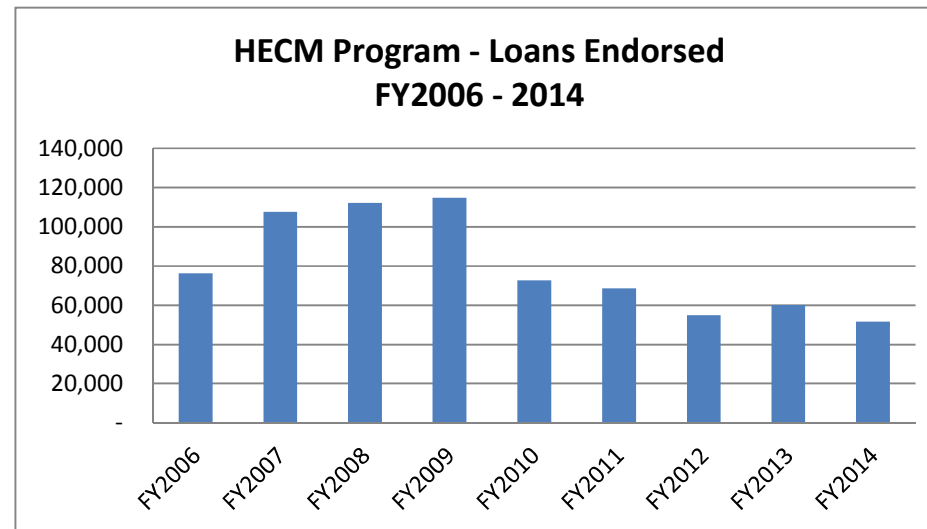
During the housing crises, seniors were significantly impacted by the recession and falling home prices and, as with Forward Mortgages, risk to the MMI Fund increased. Since the passage of the Reverse Mortgage Stabilization Act in 2013, FHA has implemented several changes to strengthen and enhance the HECM program. These changes include limiting upfront draws, changes to the mortgage insurance premium structure to encourage lower initial draws and a shift to Adjustable Rate HECMs which encourage borrowers to access funds as they need them, preserving equity to support them over time. Effective March 2, 2014 a

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Financial Assessment will be required for all HECM Mortgagors. This is a similar process to the underwriting which is required for Forward mortgages, but emphasis is on analyzing the HECM borrower's ability and willingness to pay the required property taxes and insurance and to determine if the HECM is a sustainable solution for the senior. Additional changes were implemented in August, 2014 to address litigation risk related to non-borrowing spouse issues for new HECM originations; additional changes are scheduled for publication in 2015 to expand alternative solutions for HECMs with case numbers assigned prior to August 4, 2014.

There are many studies that highlight the impact that increased longevity, rising health care and other costs, fewer defined benefit pension programs and diminished investment values have had on senior's income and savings. HECMs provide a viable option to access equity in their homes. Due to the housing crises and lack of available private sector products, FHA has provided a critical counter-cyclical role in this market, as it has with Forward loans, providing access to credit for seniors.

Since the program inception in 1989 through fiscal year 2014, FHA has endorsed 890,693 loans. Volume increased significantly from 2005 to 2009. Since then, endorsements have declined from a high of 114,640 to an estimated 51,617 in fiscal year 2014. This decline in production reflects market pressures and FHA policy changes that better manage risk and ensure the program is sustainable for seniors.



The HECM program was introduced as a "demonstration" program in 1987 and became a permanent HUD program in 1998. Eventually in 2006 a statutory aggregate cap of 275,000 HECM loan guarantees was put in place. It has been necessary to lift this cap on an annual basis through the appropriations process. In addition to requesting commitment authority for HECM, the Budget will again propose permanently lifting the cap of 275,000 loan guarantees to provide further stability for the HECM program. This

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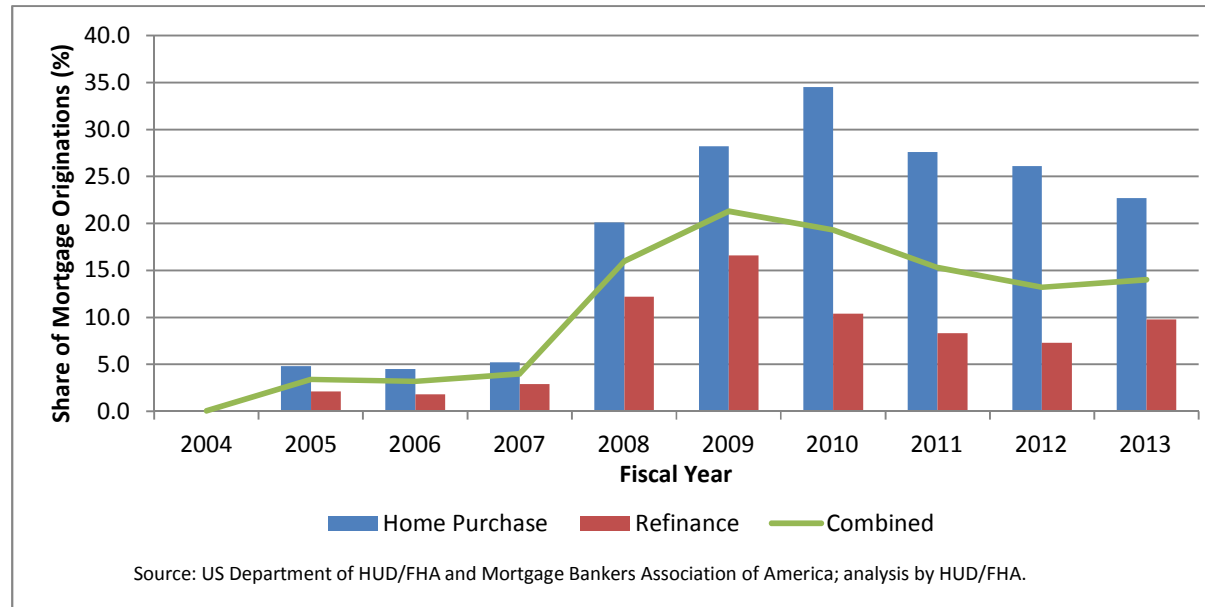
change supports the significant improvements that have been made to the program to reduce risk to the MMIF and to ensure responsible lending to seniors.

The January 2015 reduction of annual MIP levels by 0.5 percent for single family FHA loans with terms greater than 15 years contributes to home affordability and therefore is expected to drive more volume to FHA in the short-term. The reduction in annual MIP was possible due to the aggressive risk management actions taken over the last several years. With over \$21 billion in economic net worth created over the last two year, and improvements in key metrics such as seriously delinquent rates, recovery rates and foreclosure starts, the fund is on a positive trajectory.

3. Why this program is necessary and what will we get for the funds?

FHA provides mortgage insurance on single family mortgage loans made by FHA-approved lenders throughout the United States and its territories. FHA's single family mortgage insurance program supports our nation's housing recovery by meeting the needs of borrowers facing difficult economic conditions, such as declining property values and shrinking credit markets. FHA remains active and viable in all markets during times of economic disruption, playing an important counter-cyclical role until private capital returns to its normal levels. FHA will continue to meet the needs of many first time and minority homebuyers who—without the FHA guarantee—may otherwise find mortgage credit to be prohibitively costly or simply unavailable.

**FHA Supports Mortgage Lending During Crisis
FHA As Share of Quarterly Mortgage Originations by Type (Percent)**



Commitment Authority and Subsidy Projections

The fiscal year 2016 Budget request will provide the commitment authority and administrative funding for FHA to continue its important work.

Below is a table indicating loan commitment volumes, credit subsidy rates, and subsidy obligations for each MMI risk category in fiscal years 2015 and 2016. Credit subsidy rates represent the projected net cost (positive credit subsidy) or savings (negative credit subsidy) to the government of operating a loan guarantee program, and take into account projected claims, pre-payments, premium revenue, and recoveries on defaults for a cohort of loans over their lifetime. For more information on credit subsidy calculation please see the Notes section.

Estimates of single family commitment volume are calculated using both empirical inputs such as recent loan application volume and endorsement trends, as well as a variety of assumptions regarding expected condition in the housing and credit markets, interest rates, historic seasonal adjustment, and anticipated effect of program changes. These estimates are also very sensitive to other

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factors that cannot be readily anticipated or predicted, such as economic or fiscal policy changes. Even model variations in market trends or economic assumptions can result in significant changes in actual program demand and commitment volume.

MMI COMMITMENT VOLUME BY RISK CATEGORY (in millions)	FY 2014 Endorsements	FY 2015 Estimate	FY 2015 CSR	FY 2015 Subsidy Receipts	FY 2016 Estimate	FY 2016 CSR	FY 2016 Subsidy Receipts
MMI Purchase and Refinance	\$135,087	\$134,707	-6.58%	(\$8,864)	\$173,600	-3.70%	(\$6,423)
MMI HECM	13,534	15,860	-0.40%	(63)	15,138	-0.69%	(\$104)
FHA Short Refinance	192	300	0.00%	...	300	0.00%	...
Totals	\$148,813	\$150,867	-5.92%	(\$8,927)	\$189,038	-3.45%	(\$6,527)

Administrative Contract Appropriations

The \$174 million request for fiscal year 2016 will provide funding for contracts necessary in the administration of FHA programs, operating under MMI and GI/SRI. This request will fund activities including, but not limited to: insurance endorsement of Single Family mortgages, construction inspections on multifamily projects, the required annual FHA independent actuarial review and financial audit, management and oversight of asset disposition, risk analysis, accounting support, and assistance with claims and premium refund processing. The \$44 million increase over the fiscal year 2015 appropriation is needed to fund improvements in risk management and mitigation. These new and expanded initiatives will allow FHA to incorporate lessons learned from the recent financial crisis to better protect the insurance fund and further promote operational efficiencies through the leveraging of tools to ensure optimal level asset disposition pricing; leveraging of vendors to ensure appropriate depth and breadth of Quality Control reviews; and development of risk analytics and modeling capabilities independent of actuarial review.

The benefits to be derived from these initiatives include the ability to: 1) appropriately set reserve prices to ensure optimal outcome whether a short sale, claims without conveyance of title, or REO disposition path is chosen; 2) leverage an external quality control vendor to add re-verification processes and absorb variations in quality control sample sizes without taxing our already limited staff; 3) analyze portfolio risk, leverage external research and data on market trends, and enable more comprehensive and rapid policy change analysis in response to changing market dynamics; and 4) improve recovery rates for defective loans.

These initiatives are explained in detail below.

Quality Assurance/Compliance

FHA relies on private-sector lenders and servicers to underwrite and service endorsed loans. Occasionally, these lenders and servicers have operational failures that increase the likelihood of default and, thus, the likelihood of FHA having to pay a claim. When FHA detects a major operational failure, FHA generally requests that the associated lender or servicer to indemnify the MMI Fund for

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any claims paid or seeks other enforcement actions against that lender or servicer. FHA detects these failures through its quality-control and quality-assurance programs; wherein FHA reviews a subset of loan files, looking for errors made by its lenders and servicers. Over the past few years, FHA has significantly improved its enforcement policies and practices.

FHA's lenders and servicers work hard to avoid major operational failures, because indemnifying FHA for losses is very costly; however, some instances of failure will always remain. As such, because FHA's quality assurance efforts are focused on primarily defaulted loans, lenders curtail the amount they lend to high-risk populations to mitigate potentially higher indemnification costs. Unfortunately, it is precisely those high-risk populations that FHA seeks to help in fulfilling its mission to provide affordable housing to those most in need.

Earlier feedback on a statistically relevant sample of non-adverse loans will ensure that FHA understands the loan quality risk embedded in its portfolio before loans start to default and allow lenders to take actions to resolve operational issues contributing to loan quality issues before they build up several years' worth of exposure.

Currently, FHA has the capacity to review approximately 35,000 loans annually. This capacity is distributed largely to a risk-based sample of early defaulted loans. FHA believes it must increase its capacity to approximately 100,000-150,000 loans annually to ensure sufficient early reviews of a statistically relevant sample of endorsed loans, as well as still sampling early defaulted loans which are more likely to have defects. Without increased funding, FHA sampling will not be able to increase at the level needed for robust risk management.

Portfolio Analytics

As FHA works to improve and strengthen its capability for detecting and mitigating front and back end portfolio risks, access to timely and decision useful data is key. Essential to FHA's risk management strategy is its ability in fiscal year 2016 to procure comprehensive services and tools that allow the Office of the Chief Risk Officer to model risk at the portfolio levels and to perform data analysis to identify key credit risk drivers, segmentation profiles and emerging trends in credit and operational risk. In addition, the future state of FHA's risk and fraud detection business environment calls for continuing work on the integration of FHA's risk and fraud tools with its credit score card. The benefits to be derived from these services include improved cash flow projections, better accuracy in budget inputs and subsidy modeling, reduced claims against the capital reserve and informed executive decisions and policies that are supported by healthier data.

Automated Valuation Model (AVM) and Broker's Price Opinion (BPO) to support Real Estate Owned (REO) Property Values

Traditionally, the Federal Housing Administration's (FHA) initial list price for its real estate-owned (REO) property is based solely on an appraisal. Based on discussions with other stakeholders, FHA has learned that other market holders of REO properties establish the list price of their REO properties based on at least two valuation tools (Appraisal and/or Automated Valuation Model (AVM) , Broker's Price Opinion (BPO), etc.). FHA has conducted pilots in the Santa Ana Homeownership Center (HOC) and the Atlanta HOC

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to test the price variance by establishing the list price of their REO properties based on at least two valuation tools, and initial results indicate that in certain markets, appraisals are lagging the market, which has resulted in FHA not maximizing its recovery rates. The pilots have resulted in offers of approximately 104 percent of appraised value, compared to 93 percent nationally. This suggests that expanding these tools and approach could lower losses to MMIF significantly, perhaps by as much as 10 percent for REO dispositions.

4. How do we know this program works?

FHA single family insurance is known to work, not only because it provides a counter-cyclical backstop, but also because it: 1) increases liquidity for mortgage lending, including mortgage lending for low wealth families; 2) serves as a primary source of mortgage credit for minority and first time homebuyers; and 3) has key features that provide consumer protections that were lacking in much of the private lending leading up to the mortgage market collapse.

FHA continuously monitors and evaluates the results of its programs and updates its policies as necessary, taking into consideration product performance as well as market forces. To address current and difficult conditions in the housing market, aid homeowners, and mitigate risk to FHA's insurance fund, FHA develops new programs, modifies existing programs and improves controls. For example, in 2014 FHA made significant changes to its HECM program as described above, updated its manual underwriting requirements for forward mortgages and updated requirements for pre-foreclosure sales and deeds-in-lieu, steps that raised negative subsidy receipts and helped restore FHA's capital reserve.

FHA continued to support distressed homeowners in 2014 by implementing scorecards to assess and monitor servicers' effectiveness in working with these homeowners consistent with FHA loss mitigation policies. In 2014, FHA assisted over 250,000 homeowners through early delinquency intervention; re-defaults on modified loans were less than 10 percent. However, when it is not possible for homeowners to retain their homes under FHA guidelines, FHA has expanded use of its Distressed Asset Sale pilot Program to sell notes to other investors who may be able to provide alternative loss mitigation options or other strategies for homeowners. In 2014, FHA also expanded its use of Claims without Conveyance of title, an approach that ensures a competitive sale at time of foreclosure and allows the servicer to file a claim without conveying the property. This results in reduced expenses, more favorable recoveries for the MMI Fund and supports neighborhoods by limiting the number of vacant properties in the area.

Strengthening FHA's Capital Reserves

HUD continues to strengthen the MMI Fund and improve the quality of endorsements through the implementation of a number of policy changes in 2014. These include:

- REO and Pre-REO recovery - Through the Distressed Asset Stabilization Program (an expanded and targeted version of the Mortgage Acquisition and Disposition Initiative (601 Notes Sales)), FHA has implemented a successful strategy to increase

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REO recovery rates and limit losses to the MMI Fund. In fiscal year 2014, HUD offered approximately 66,800 non-performing loans in competitive sales with a combined unpaid principal balance of \$11 billion. Of the loans offered, approximately 8,500 loans, with a combined unpaid principal balance of \$1.60 billion, were offered with neighborhood stabilization requirements in Atlanta, California, Chicago, Cumberland County, NJ, Detroit, Indianapolis, Las Vegas, Maryland, Miami, Philadelphia, and San Antonio.

- FHA is also utilizing other innovative strategies, including expanding a pilot program Claims without Conveyance of Title (CWCOT) into a broad-based effort whereby foreclosed properties are sold and a claim paid by FHA without the conveyance of these properties to FHA. These strategies build upon FHA's success in improving its REO disposition process, and, together with FHA's work to comprehensively address asset management and disposition, will have a measurable impact on improving loss severities arising from non-performing FHA-insured loans.

On July 30, 2013 Congress enacted P.L. 113-29, the Reverse Mortgage Stabilization Act of 2013, to authorize the Secretary of Housing and Urban Development to establish additional requirements to improve the fiscal safety and soundness of the HECM program. As a result, several changes utilizing this authority and existing administrative authority have been made to the program. These measures include:

- Capping draws in the first year to the greater of 60 percent of the principal limit or mandatory obligations plus 10 percent of the principal limit;
- Replacing the Standard and Saver principal limit factors (PLFs) with a single set of PLFs set at 85 percent of the baseline Standard PLFs;
- Replacing the Standard and Saver upfront mortgage insurance premiums (MIPs) with a two-tiered MIP structure set at 50 basis points (bp) for draws of 60 percent or less of the initial principal limit and 250 bp for draws greater than 60 percent;
- Updating the definition of mandatory obligations;
- Requiring financial assessments and funding requirements for the payment of property charges based on the financial assessment;
- Reminding industry about prohibitions against misleading or deceptive advertising;
- Implementing updated Principal Limit Factors and establishing Eligible Non-Borrowing Spouse Due and Payable deferral period; and
- Limiting insurability of fixed interest rate products and limiting fixed rate to closed end credit with no future draws.

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In total, FHA expects that the steps outlined above will protect and strengthen FHA's MMI Fund and assist in returning the Fund's capital ratio to a level of 2 percent. The 2014 actuarial review predicted that based on economic assumptions and policies in place at the end of fiscal year 2014, the MMI portfolio will reach a capital ratio of 2 percent during fiscal year 2016. This estimate, however, is highly sensitive to changes in market conditions, modeling assumptions and changes in FHA policy. As the housing market recovers and FHA improves its risk management, the actuarial review has found that FHA's capital reserve increased by \$21 billion over the last two years and projects that the ratio will again exceed 2 percent within the next 2 years. However, it is important to note that a low capital ratio does not threaten FHA's operations, either for its existing portfolio or for new books of business. FHA accounts contain sufficient funds to pay anticipated claims and, unlike private lenders, the guarantee on FHA and other Federal loans is backed by the full faith and credit of the Federal Government and is not dependent on capital reserves to honor its commitments.

Housing Counseling as a Means of Increasing Sustainable Access to Credit and Protecting the MMIF

The HUD-approved housing counseling network provides a valuable service to existing and prospective homebuyers. These benefits include improved loan performance as counseled borrowers perform better than similar borrowers that do not receive the benefit of housing counseling. There is strong and mounting evidence that properly structured and delivered housing counseling provides a significant benefit to borrowers, lenders, servicers and guarantors. The HUD approved housing counseling network is also leveraged by many state and local governments. In response, many states, local governments and large private lenders mandate or encourage housing counseling including making receipt of housing counseling a condition for participation in programs that increase access to home mortgages, including FHA insured mortgage loans, for eligible first-time buyers underserved by the current mortgage market.

While counseling is already integrated into FHA's HECM program and a component of its Back to Work mortgage product, in 2016, FHA will look for opportunities to increase the awareness of housing counseling for all prospective and existing homebuyers. In addition, it will look for opportunities to expand the number of people benefiting from housing counseling, including the number of FHA borrowers who are counseled.

Strengthening FHA Business Practices – FHA Transformation IT Investments

FHA Transformation delivers a modern financial services IT environment to better manage and reduce risk across all of FHA's Mortgage Insurance Programs. FHA Transformation TI/IT initiative created high-level business requirements and developed both short and long term FHA master data management roadmaps and strategies; completed permanent development and user acceptance test environments for the Lender Electronic Application Portal (LEAP) deployment, and future work within approval, recertification, monitoring, and enforcement; completed permanent integration test and production environments for LEAP for application deployment and future work ,as well as, successfully graduating the LEAP application into production.

FHA activities also include the automation of the lender application and approval process, lender submission of applications, Office of Lender Activities workflow, status tracking, automatic notifications, automated application assignment to FHA staff for review, and interface with third party Dun & Bradstreet for lender profile information and verification. FHA Transformation also made sound

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progress on the transformation of Single Family Housing's IT systems and its new risk management tool. Notably, HUD has made critical enterprise software and infrastructure investments for FHA that reduce maintenance costs once the FHA Transformation initiative is completed.

FHA Transformation allows HUD to start the careful process of migrating relevant portions of Housing's legacy applications into a modern automated financial service environment, and helps administer many aspects of the multifamily and health care insurance programs. Particularly, the FHA Transformation monitoring and enforcement projects allow the Office of Lender Activities to automate many current manual processes.

FHA Transformation also brings a new level of intelligent rules-based activities such as automated risk analysis and lender targeting according to a risk scoring framework. This helps HUD manage its credit risk prudently at the portfolio and loan level, and enables HUD to respond rapidly to changing market conditions. The new IT environment will be leveraged across several Housing programs by migrating away from the 30-year old Computerized Home Underwriting Management System (CHUMS). These FHA Transformation initiatives enable FHA to better recognize risk and fraud trends in borrower attributes, collateral attributes, and appraisal valuation accuracy during the transaction process, and to help identify cases that may be detrimental to the MMI Fund.

The next steps for FHA Transformation include enabling risk detection and fraud prevention by capturing critical data points at the front-end of the loan life cycle; and leveraging the right set of rules-based technology, and transactional controls to minimize exposure to FHA's Insurance Funds. These IT investments actively facilitate enhanced business analytics and informed decision-making by providing decision-makers with data that is higher quality and more up-to-date. This strategy enables FHA's leadership to analyze portfolio trends and patterns across the lending community, and helps with the identification of fraudulent lenders and reduce risk in the FHA portfolio.

Risk Management

The major objective of the Office of Risk Management and Regulatory Affairs (ORMRA) is to: conduct analysis and recommend actions to reduce exposure to FHA insurance funds while meeting its housing mission; ensure that FHA operates in compliance with statutory capital requirements; and promote a well-controlled operational infrastructure. The risk management staff's scope of credit and operational risk management work encompasses Program Area (Single Family, Multifamily and Healthcare) activities conducted at headquarters and the Field Offices.

ORMRA performs the following functions to manage risk:

- performs analyses and recommends actions to support FHA's ability to reduce risk exposure to its insurance funds;
- identifies the policies and processes that are key drivers of risk via a structured risk identification framework;

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- recommends risk mitigation strategies for FHA and specific program areas and provide independent oversight and assessment of risk remediation activities;
- designs and maintains a comprehensive risk governance infrastructure, including implementing policies, processes, and committees to reduce risk exposure to the insurance funds;
- maintains risk management processes to perform independent internal risk and assessments aligned with federal standards, including front end risk assessments of new and high impact programs and activities; and
- ensures that risks are measured, monitored and managed according to an integrated framework across programs.

5. Proposals in the Budget

- Administrative Support Fee – Up to \$30 million in fees to be charged to lenders pursuant to section 202 of the National Housing Act, as amended by section 240 of the General Provisions. Collection of the receipts from such fees will be credited as offsetting collections to the MMI Program account. Up to \$15 million of the total fees may be transferred to the Information Technology Fund and/or the Housing Salaries & Expenses account to be used for FHA related purposes. (section 240 of the General Provisions and account language)
- Permanent Removal of HECM cap – (section 209 of the General Provisions) This provision removes the aggregate mortgage cap in Section 255(g) of the National Housing Act (Act), which limits the total number of Home Equity Conversion Mortgages (HECM) loans that can be insured by the FHA. The Department proposes to repeal the first sentence in the Act to remove the cap permanently.
- Clarification on Non-Borrower Spouse Upon Death of HECM Borrower – (section 255 of the General Provisions) This section revises the National Housing Act to clarify that the term mortgagor does not include the successors and assigns of the original borrower. In addition, it allows that the obligation to satisfy the loan is deferred until the death of the homeowner, the sale of the home, or other occurrence of other events specified in regulations of the Secretary. Finally, it provides for the Secretary, in his sole discretion, to provide for further deferrals.
- Amend the National Housing Act to allow third party loan originators to close loans in their own name instead of the name of their FHA approved funding partner – (section 248 of the General Provisions) The inability of non-approved entities to close loans in their names poses a number of problems for these lenders. First, many states' licensing criteria for particular lender types is based upon whether or not a lender closes loans in its own name. As a result, absent a change to this statutory requirement, many lenders that have originated FHA loans for years will be forced to alter their state licensing. Such changes can be difficult and costly. In addition to the licensing problems posed by the statutory prohibition in 203(b)(1), many lenders will also be forced to change their funding arrangements if this statute is not amended

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- Amend the National Housing Act to enable FHA to take enforcement action against lenders on a nationwide instead of branch by branch termination authority – (section 249 of the General Provisions) Amends section 533 of the National Housing Act (12 U.S.C. 1735f-11) to give the Secretary enhanced ability to review mortgagee performance and, if a mortgagee is found to have an excessive rate of early defaults or claims, to terminate the approval of the mortgagee to originate or underwrite single family mortgages in a specified area or areas, or on a nationwide basis.
- Amend Credit Watch language to allow for a comparison of rates and revises the rate provision to allow for some evaluation of multiple rates or other marker – (section 249 of the General Provisions) The current statutory definition of credit watch is too prescriptive, creating difficulties in developing and implementing policies. This requested language is also included in the enforcement reform item.
- Allow FHA to seek indemnification from DE lenders in addition to LI Lenders – (section 250 of the General Provisions) This has been included in FHA Reform Efforts. This language will make all FHA lenders subject to the same enforcement regime. Section 3 amends section 202 of the National Housing Act (12 U.S.C. 1708) by adding a new section that gives FHA/the Secretary authority to ensure that DE (similar to LI) mortgage lenders are liable to indemnify the Secretary for loss on loans they originate or underwrite if fraud or misrepresentation was involved in connection with the origination or underwriting regardless of when an insurance claim is paid.
- Revises the National Housing Act to allow for short sales in the case of imminent and not just actual default – (section 252 of the General Provisions) Currently FHA is only able to allow for pre-foreclosure/short sales if a borrower has entered into default, creating a negative disincentive for homeowners having trouble making their mortgage payments and seeking a loss mitigation solution.
- Limit the applicability of government financed down payment assistance towards satisfying FHA requirements – (section 253 of the General Provisions) This amendment seeks to clarify that Down payment Assistance from state and local governments and their respective agencies and instrumentalities are not impermissible sources of down payment assistance. Rather the amendment clarifies Congress's intent to avoid the additional risks and costs to the FHA fund created by seller-funded down payment assistance programs and, consequently, eliminates government assistance, whether state or local, as a prohibited source of down payments assistance.
- Allow for FHA to direct servicers to move servicing to identified sub-servicers – (section 254 of the General Provisions) Failure to effectively service loans creates liability for the FHA insurance fund; as such, FHA needs the ability of direct servicers to utilize identified sub-servicers to ensure that loans are appropriately serviced in ways that mitigate loss levels for the Fund.
- Mitigate compliance risk through the extrapolation of sampling, Administrative fees, indemnifications and other risk mitigation remedies – (section 251 of the General Provisions) Allows FHA to resolve underwriting/manufacturing

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compliance risk through the extrapolation of statistical sampling and the imposition of administrative fees, indemnifications or other remedies as deemed appropriate by the Commissioner.

6. Notes to Justification

Credit Subsidy Calculations and the Annual Re-estimate

Credit subsidy rates represent the projected net cost or savings to the government of operating a loan guarantee program, and take into account projected claims, pre-payments, premium revenue, and recoveries on defaults for a cohort of loans over their lifetime. In accordance with the Credit Reform Act of 1990, administrative costs (excluding property disposition) are not included in credit subsidy calculations. FHA credit subsidy rates reflect historic performance data for similar loans made over the past 40 years, with adjustments made for significant policy shifts as well as changing economic and market conditions. The Department devotes significant efforts to updating and continuously refining the credit subsidy estimates. Each year the extensive statistical base, from which projections of future loan performance are calculated, is updated with an additional year of actual data. The Department and OMB continue to examine the data, assumptions, and calculations that are used to estimate loan program cash flows and subsidy rates in order to eliminate errors and improve the accuracy and reliability of projections.

Each year, FHA completes a required re-estimate of liabilities and subsidy costs associated with the existing insurance portfolio. Re-estimates are calculated for each cohort of loans (from 1992 onward). For more information on the re-estimates through 2014, please view the Federal Credit Supplement: <http://www.gpo.gov/fdsys/pkg/BUDGET-2014-FCS/pdf/BUDGET-2014-FCS.pdf>

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HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Administrative Contract Expense	\$127,000	\$39,039	\$166,039	\$123,190	\$130,000	\$42,849	\$172,849	\$174,000
Transformation Initiative (transfer)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>[1,322]</u>
Total	127,000	39,039	166,039	123,190	130,000	42,849	172,849	174,000

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

New commitments to guarantee single family loans insured under the Mutual Mortgage Insurance Fund shall not exceed \$400,000,000,000, to remain available until September 30, ~~[2016]~~ 2017. *Provided*, That during fiscal year ~~[2015]~~ 2016, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed ~~[\$20,000,000]~~ \$5,000,000. *Provided further*, That the foregoing amount in the previous proviso shall be for loans to nonprofit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the Mutual Mortgage Insurance Fund.

[Provided further, That f] For administrative contract expenses of the Federal Housing Administration, ~~[\$130,000,000]~~ \$174,000,000, to remain available until September 30, ~~[2016]~~ 2017, of which up to \$30,000,000 may be used for necessary salaries and expenses and information technology systems of the Federal Housing Administration, which is in addition to amounts otherwise provided under this title for such salaries and expenses and information technology purposes: Provided further, That any amounts to be used for such salaries and expenses pursuant to the previous proviso shall be transferred to the "Housing" account under the heading "Program Office Salaries and Expenses" under this title for such purposes and shall remain available until September 30, 2017, and any amounts to be used for such information technology purposes pursuant to the previous proviso shall be transferred to the Information Technology Fund under this title for such purposes and shall remain available until September 30, 2017, and any such transferred amounts may be transferred back to this account and shall remain available until September 30, 2017: Provided further, That to the extent guaranteed loan commitments exceed \$200,000,000,000 on or before April 1, ~~[2015]~~ 2016, an additional \$1,400 for administrative contract expenses shall be available for each \$1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below \$1,000,000), but in no case shall funds made available by this proviso exceed \$30,000,000: Provided further, That receipts from administrative support fees collected pursuant to section 202 of the National Housing Act, as amended by section 240 of this title, shall be credited as offsetting collections to this account. (Department of Housing and Urban Development Appropriations Act, 2015.)

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--GENERAL AND SPECIAL RISK INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$16,403	...	\$16,403	...	...
2015 Appropriation	16,408	-\$10,000 ^a	6,408	...	...
2016 Request	<u>6,408</u>	...	<u>6,408</u>	...	...
Program Improvements/Offsets	-10,000	+10,000	...	...	...

a/ The rescission of funds from the unobligated balance of credit subsidy appropriated in previous fiscal years, pursuant to the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235).

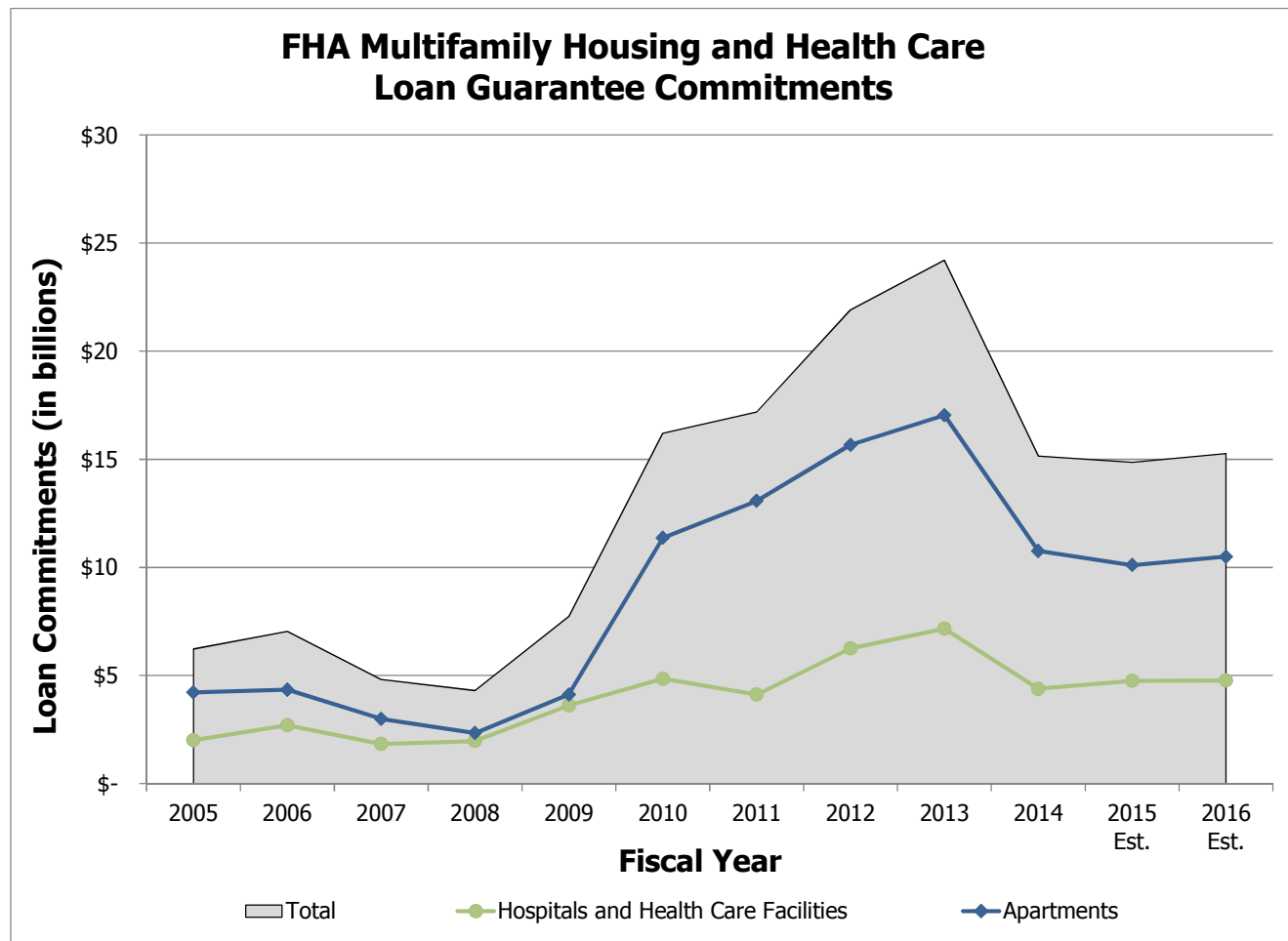
1. What is this request?

Credit programs operating under the Federal Housing Administration's (FHA) General Insurance and Special Risk Insurance (GI/SRI) Fund fill underserved market segments and play a countercyclical role in the market by insuring critical mortgage financing for multifamily rental housing, nursing home facilities, and hospitals. GI/SRI programs also include loan guarantees for Title I manufactured housing and property improvement loans. GI/SRI houses a wide range of mortgage insurance products to address specialized financing needs, including insurance for loans to develop, rehabilitate, and refinance these properties.

The fiscal year 2016 request for GI/SRI includes four components:

Commitment authority for up to \$30 billion in new loan guarantees. New loan guarantee commitments were \$15.3 billion in fiscal year 2014 and are expected to decrease to \$15.0 billion in fiscal year 2015. In fiscal year 2015, the Department also projects \$803 million in direct loan obligations under the Federal Financing Bank (FFB) risk share program. The \$30 billion requested for fiscal year 2016, together with an estimated \$30 billion in 2015 unused commitment authority carried over to 2016, will allow up to an estimated \$60 billion in new insurance commitments. This will permit the Fund to respond to unforeseen countercyclical events while minimizing the risk of suspension of program activity as a result of having exhausted the fund's loan guarantee limitation.

It is estimated that 2016 new loan guarantee commitments will increase modestly to \$15.4 billion. Of the total commitments projected for 2016, it is estimated that \$10.5 billion will be issued for FHA's multifamily housing programs. Another \$4.8 billion is estimated for hospitals, nursing homes, and assisted living facility mortgages. Title I Property Improvements and Manufactured Housing commitments are expected to make up less than 1 percent of new activity in the fund. In addition, the Department projects \$600 million in direct loan obligations for fiscal year 2016 under the FFB risk share program.



Mortgage and Loan Insurance Programs-GI/SRI Account

Offsetting receipt estimates from negative credit subsidy. Fiscal year 2016 negative subsidy receipts for GISRI are estimated at \$657 million, with the subsidy rate for new business averaging -4.00 percent¹. The 2015 appropriations included a \$10 million rescission to the fund's unobligated balance. No new appropriations for positive credit subsidy are requested for fiscal year 2016.

Administrative contract funding associated with GI/SRI programs was realigned to the Mutual Mortgage Insurance (MMI) Fund beginning in fiscal year 2010 to enable more efficient management of FHA resources across mortgage insurance programs.

Commitment authority for up to \$5 million in direct loans to facilitate single family property disposition. The loan authority requested is for short-term purchase money mortgages for non-profit and governmental agencies to make HUD-acquired single family properties available for resale to purchasers with household incomes at or below 115 percent of an area's median income. This program has been infrequently utilized in recent years due to the shortage of state/local government subsidies needed to offset participants' development costs associated with administering the program. Nonetheless, this program remains a valuable tool for HUD in supporting affordable homeownership opportunities in distressed communities while responsibly managing its real estate owned (REO) inventory of properties.

	2014 Enacted	2015 Enacted	2016 Request *	Increase / (Decrease)
Loan Guarantee Limitation	\$30,000,000,000	\$30,000,000,000	\$30,000,000,000	...
(+) Unused Loan Guarantee Limitation from Prior Year	n/a	\$14,728,000,000	\$29,748,000,000	\$15,020,000,000
Subtotal, Loan Guarantee Limitation	\$30,000,000,000	\$44,728,000,000	\$59,748,000,000	\$15,020,000,000
(-) Loan Guarantee Commitments Used	(\$15,272,000,000)	(\$14,980,000,000)	(15,387,000,000)	(\$407,000,000)
Unused Loan Guarantee Limitation	\$14,728,000,000	\$29,748,000,000	\$44,361,000,000	\$14,613,000,000
Direct Loan Limitation	\$20,000,000	\$20,000,000	\$5,000,000	(\$15,000,000)

* The 2016 Unused Loan Guarantee Limitation from Prior Year and Loan Guarantee Commitments Used are estimated. Commitment authority is assumed to be used and expired on a first-in-first-out basis.

¹ The 2016 estimated negative subsidy receipts of \$657 million includes \$585 million for loan guarantee commitments and \$72 million for direct loan obligations from the FFB Risk Sharing program. The -4 percent negative subsidy rate for GI/SRI in 2016 reflects the -3.71 percent for loan guarantee commitments and -10.96 percent for direct loan obligations from the FFB Risk Sharing program.

2. What is this program?

Multifamily and healthcare loans constitute 99 percent of new insurance commitments in GI/SRI. At the end of fiscal year 2014, GI/SRI's multifamily/healthcare portfolio had an unpaid principal balance (UPB) of \$101.1 billion on 13,906 loans, an increase of \$8.0 billion over that at the end of September 2013. Historically low interest rates provided the opportunity for FHA to strengthen and preserve its existing Multifamily and Healthcare portfolio through refinancing. However, new commitment volume for fiscal year 2014 dropped to \$15 billion from \$24 billion in 2013, principally due to higher interest rates, which resulted in lower refinancing volumes.

FHA has insured mortgages on approximately 42 million single family and multifamily properties since its inception in 1934 under both MMI and GI/SRI Funds. As of the end of fiscal year 2014, the GI/SRI insurance portfolio had an unpaid principal balance of \$152.7 billion, including \$50.9 billion in single family and Home Equity Conversion Mortgage (HECM) loans issued before 2009. These active loans cover more than two million apartments, healthcare facility beds, and single family homes across the nation. FHA mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. In exchange for adherence to strict underwriting and application requirements established by HUD and the payment of annual insurance premiums, HUD-certified lenders are able to file claims with FHA when a borrower defaults. Mortgage insurance premiums and specific terms for claim payments vary by program.

FHA mortgage insurance works in part by helping private lenders access liquidity otherwise not available to borrowers developing or maintaining rental housing for low- and moderate-income families. The credit enhancement provided by an FHA loan guarantee enables borrowers to obtain long-term, fully amortizing financing (up to 40 years in the case of new construction/substantial rehabilitation) which can result in substantial cost savings.

FHA mortgage insurance provides long-term amortization not found with conventional lending sources. The fact that FHA loans are fully amortizing mitigates interest rate risk for owners because they do not necessarily have to refinance to maintain affordability of their payments. The long-term amortization period and guarantee of payment in the event of claim stabilizes interest rates and can also allow monthly mortgage payments to be less than payments required under non-insured financing. These savings in turn can reduce the overall costs of developing and maintaining housing, stabilizing housing markets and benefiting low- and moderate-income residents. Similarly, FHA financing of healthcare facilities contributes to lower healthcare costs for taxpayers and consumers.

Multifamily and healthcare loans are large and complex, as seen in the program administration. Prior to receiving a mortgage guarantee for any multifamily or healthcare loan, lenders and borrowers must complete a rigorous application process in which HUD staff review borrower credit worthiness, project cash flow projections, property appraisals, architectural design, environmental impact, requested loan size, quality of the property management, and other information that establishes a loan as an acceptable credit risk to HUD. Large multifamily housing projects and all healthcare facility loans receive secondary review and approval by a

Mortgage and Loan Insurance Programs-GI/SRI Account

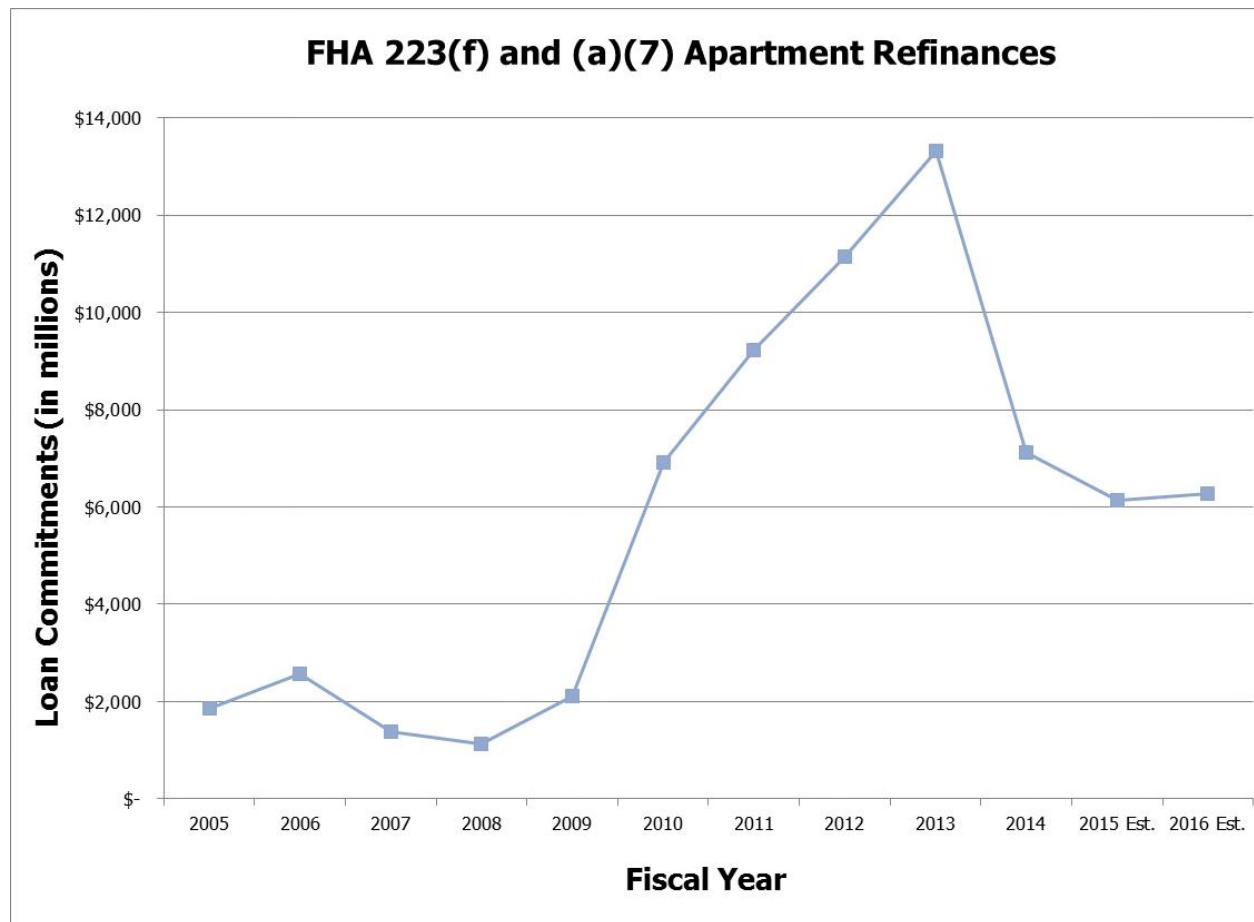
national loan committee of senior HUD officials. Once insurance has been approved, progress on any new construction or renovation is closely monitored by HUD inspectors. HUD asset managers monitor project financial statements on an ongoing basis and periodic physical inspections are conducted by HUD's Real Estate Assessment Center. Loss mitigation measures, including a partial payment of claim policy approved in 2010, are undertaken before a default and full claim on the loan occurs. When a borrower does default and a claim is filed, HUD will take possession of the mortgage note or property and seek to recover losses.

Multifamily Housing Risk Categories

Section 221(d)(4) Mortgage Insurance for Rental and Cooperative Housing. The Section 221(d)(4) program is FHA's largest new construction/substantial rehabilitation for multifamily housing. In 2014, new Section 221(d)(4) loans averaged \$12.8 million and included an average of 148 units. The program insures loans for up to 90 percent of the project replacement cost (as limited by debt service coverage and per-unit cost requirements). The program covers long-term mortgages of up to 40 years and, like all FHA new construction loan programs, provides for both construction and permanent financing.

Section 223(f) Mortgage Insurance for Refinancing or Purchase of Existing Multifamily Rental Housing. Section 223(f) is currently the highest volume program operating under GI/SRI. It allows for long-term mortgages of up to 35 years for refinance or purchase of existing multifamily rental housing. Refinances of current FHA-insured multifamily loans are also offered under Section 223(a)(7), but are grouped together with Section 223(f) for budgetary purposes.

Commitments under these programs totaled \$7.1 billion in fiscal year 2014, a decrease of 47 percent from fiscal year 2013. In the period from fiscal years 2009 – 2014, FHA issued commitments in excess of \$47 billion as indicated in the chart below. The lower volume in 2014 is due to higher interest rates and a much more robust capital environment. Since interest rates are expected to stay more or less the same or increase gradually, fiscal year 2015 volume is expected to decrease by 14 percent. Fiscal year 2016 volume is forecasted to remain flat.



Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Housing Projects. Section 241(a) provides mortgage insurance for supplemental loans for multifamily housing projects already insured or held by HUD. Beginning in fiscal year 2013, each 241(a) loan is assigned to the risk category of the FHA-insured first mortgage. In fiscal year 2014 one Section 241(a) loan was insured. This program is intended to keep projects competitive, extend their economic life, and finance the replacement of obsolete equipment. Section 241(a) mortgages finance repairs, additions, and other improvements. These loans take second position to the primary mortgage.

Section 542(b) Risk Sharing with Qualified Participating Entities (QPEs). This is one of two multifamily programs under which FHA insures only a portion of the losses by sharing the risk with Fannie Mae, Freddie Mac, and other qualified Federal, State, and local public financial and housing institutions. If a loan insured under Section 542(b) defaults, the QPE will pay all costs associated with loan disposition and will seek reimbursement from HUD for 50 percent of the losses. A variation of Section 542(b), called "Green Refinance Plus," introduced in 2011, permits QPEs to offer loans to both preserve older affordable properties and install energy-saving features by allowing expansion of the QPE's Debt Service coverage and Loan-To-Value lending limits for qualified properties. With terms of 10, 15, or 30 years (all with 30-year amortization), these loans require a Mortgage Insurance Premium (MIP) higher than under the standard Section 542(b) program. This variation of Section 542(b) is also known as "Green Risk Sharing" or "Risk Sharing Plus".

The Budget continues to propose an amendment to the Section 542(b) authorizing statute that would remove affordability restrictions for small (5-49 units) properties financed under the Small Buildings Risk Sharing (SBRS) Initiative. The change is intended to reduce the burden on owners who utilize the Risk Sharing Program to refinance or rehabilitate their properties, the small multifamily properties that are an important provider of affordable, but unsubsidized, housing for low- and moderate-income families. According to the 2010 American Community Survey, nearly one-third of all renters live in 5- to 49-unit buildings. The 2001 Residential Finance Survey also demonstrates that these small multifamily properties have lower median rents than larger properties: \$400 per month for 5- to 49-unit properties, as compared to the \$549 monthly rent for properties with 50 or more units. While 62 percent of unsubsidized 5- to 49-unit properties charge rent below \$500 per month, just 38.5 percent of larger unsubsidized properties charge rent below \$500 per month. At a time when federal budgets are shrinking and the need for affordable housing is growing, the amendments will allow us to preserve this vital asset without significant cost to the federal government, by drawing in state, local and community resources to these rental properties.

Section 542(c) Risk Sharing with Housing Finance Agencies (HFAs). Section 542(c) provides mortgage insurance of multifamily housing projects whose loans are underwritten, processed, serviced, and disposed of by state and local HFAs. FHA insurance enhances HFA bonds to investment grade and provides capital for affordable housing construction. HFAs may elect to share from 10 to 90 percent of the loss on a loan with HUD. Section 542(c) insured projects often include low-income housing tax-credits, in which case they are reported under GI/SRI's risk category for Tax Credit Projects.

Section 542 (b) and (c) FFB Financed Direct Loan and HFA Risk Share. The Federal Financing Bank (FFB) is a unit within the Treasury Department that focuses on reducing the cost of federally-assisted borrowing. Announced in June 2014, this initiative is an inter-agency partnership between HUD, FFB and Housing Finance Agencies to develop a Ginnie Mae-like financing mechanism for risk share partners. Specifically, the Federal Financing Bank (FFB) provides funding for multifamily mortgage loans insured by FHA through its Risk Sharing programs. FFB does not securitize the mortgages; rather, FFB purchases certificates backed by the FHA-insured mortgages. The proposed program substitutes FFB as the funding source until use of Ginnie Mae Securitization is allowed

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for the Section 542 (b) and (c) programs. FFB funding rates are designed to be comparable to Ginnie Mae rates, since the FFB charges interest for a transaction based on the comparable Treasury rate plus a small liquidity premium.

Other Rental Programs. This risk category includes several relatively low-volume programs that have been grouped together for budgetary purposes, including: Section 220 loans in urban areas, Section 231 loans for elderly housing, and Section 207 loans for mobile home park development. Section 220 is a new construction program, distinct from 221(d)(4) in that it insures loans for multifamily housing projects in urban renewal areas, code enforcement areas, and other areas where local governments have undertaken designated revitalization activities. The program offers special underwriting allowances for greater mixed-use development. Section 231 is also a new construction/substantial rehabilitation program, but for projects specifically designed for senior citizens. For Section 231 projects with 90 percent or greater rental assistance, the maximum loan amount is 90 percent of the estimated replacement cost.

Tax Credit Projects. Projects assisted with Low-Income Housing Tax Credits (LIHTC) may be insured under a number of FHA multifamily programs, but are grouped together in a single budget risk category. These loans have a lower risk of default than similar projects without tax credits and require borrowers to pay lower FHA mortgage insurance premiums. Use of Section 221(d)(4) with LIHTC will likely be consistent with original estimates for 2014 given recent increased interest in FHA lending by state HFA's and other mission driven lenders for new construction and substantial rehabilitation transactions. Use of Section 223(f) with LIHTC has increased dramatically in 2014 and 2015 as a result of the Tax Credit Pilot introduced in spring 2012.

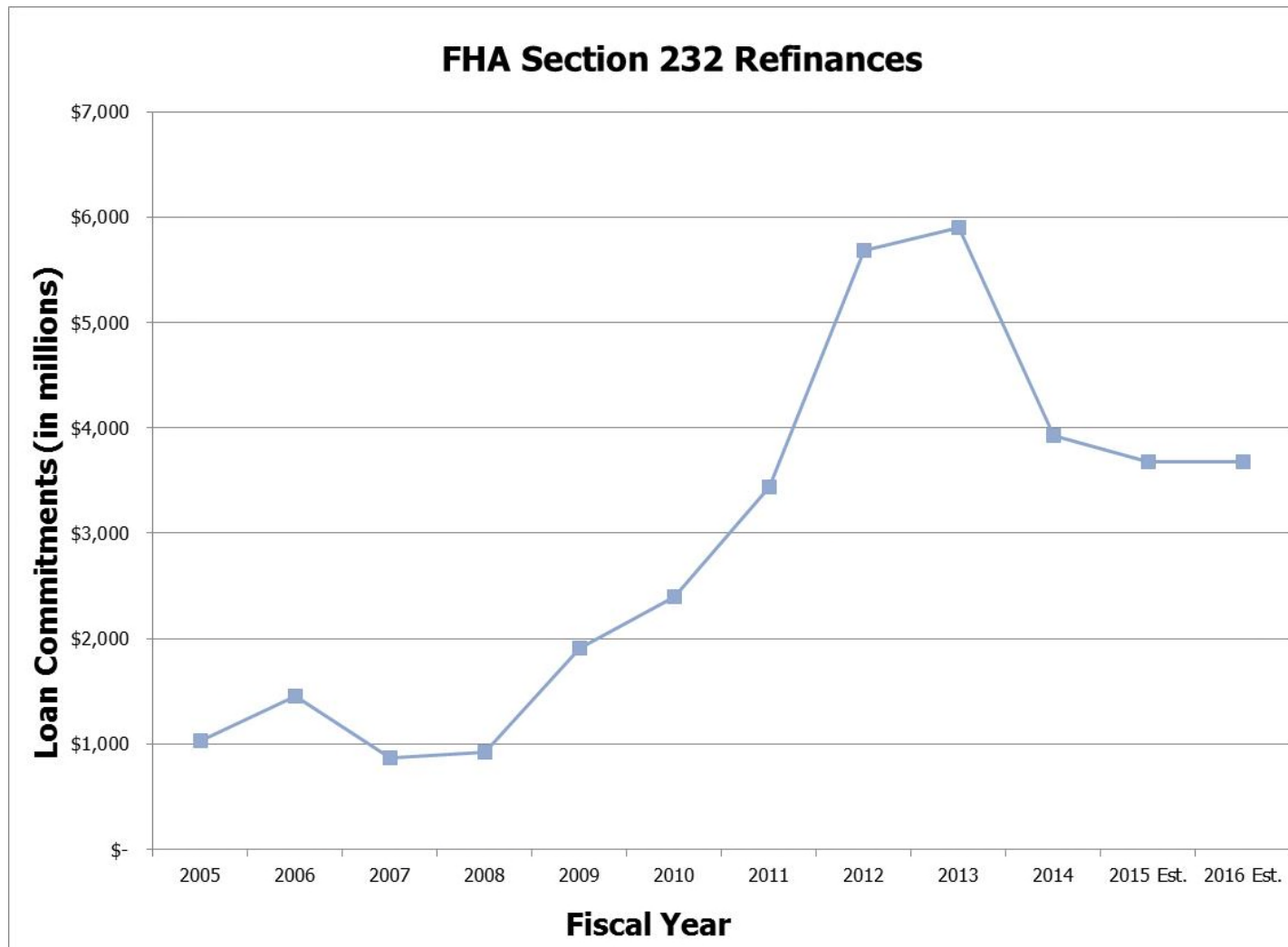
Healthcare Risk Categories

Section 232 New Construction/Substantial Rehabilitation of Skilled Nursing, Assisted Living, and Board and Care Facilities. Section 232 programs are split into two budget risk categories, the first of which includes new construction and substantial renovation projects. The program enables access to capital that may not otherwise be available for many quality providers in underserved areas, thereby providing access to needed healthcare and residences for seniors. These loans are offered for terms of up to 40 years, and provide both construction and permanent financing. This risk category also includes Section 241(a) supplemental loans made to projects with a primary FHA Section 232 mortgage. For fiscal year 2014, new loan commitments for this program were \$414 million, and are estimated to be approximately \$385 million for both fiscal years 2015 and 2016.

Section 232/223(f) Refinancing and Purchase of Existing Skilled Nursing, Assisted Living, and Board and Care Facilities. The Section 232/223(f) refinancing program, the second of the two budget risk categories of the section 232 program, has grown to be one of the highest volume insurance programs in GI/SRI, due in great part to mortgagors of existing facilities taking advantage of refinancing at low interest rates. This program offers loan terms of up to 35 years. For a refinance, maximum mortgage amounts are up to 85 percent of appraised value (90 percent if the borrower is a non-profit organization). For acquisitions, mortgages are insured up to 85 percent of the acquisition price plus transaction costs (90 percent of acquisition price if the borrower is a non-profit organization). Equity cash-out transactions are prohibited under this program. Section 223(a)(7) refinances of existing Section 232

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loans are also reported under this risk category. New loan commitments were \$3.9 billion for fiscal year 2014 and are projected to be nearly \$3.7 billion for both fiscal years 2015 and 2016.



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Section 242 Hospitals. The Section 242 program provides mortgage insurance for loans made to acute care hospitals. An FHA guarantee allows hospitals to lock in low interest rates and reduce borrowing costs for major renovation, expansion, replacement, and refinancing projects that help improve healthcare access and quality. Loans are up to 25 years in length, plus a construction period. The risk category also includes the following types of loans when made to hospitals: Section 241(a) supplemental loans; Section 223(a)(7) loans for refinancing current FHA-insured projects; and Section 223(e) loans for hospitals in older, economically declining urban areas. On February 5, 2013, HUD published a final rule that enables HUD to offer Section 242/223(f) refinance loans. Under the standard Section 242 program, refinances are offered only for existing FHA loans, with all other loans required to be at least 20 percent new construction. New loan commitments for all Hospital programs were \$43 million in fiscal year 2014 and are projected to reach nearly \$700 million in fiscal years 2015 and 2016.

Section 223(d) Mortgage Insurance for 2-year Operating Loss Loans. Section 223(d) insures short term loans that cover operating losses during the first 2 years after a project's completion (or any other 2-year period within the first 10 years after completion) for projects with a HUD-insured first mortgage. Since 2012, HUD has offered this type of mortgage insurance only to healthcare facilities with a primary mortgage under Section 232. Mortgage insurance on this type of loan has previously been offered (though infrequently utilized) for multifamily housing, but it is no longer viewed as a cost-effective means for preventing future losses on the associated primary FHA mortgages. The program remains a valuable option for Section 232 projects, which are more likely to benefit from the early infusion of working capital and thus avoid default on the primary mortgage. Beginning in fiscal year 2013, each 223(d) loan is assigned to the risk category of the associated primary FHA mortgage.

Single Family Risk Categories

Title 1 Property Improvement. The Title I Property Improvement program insures loans for repairs and other improvements to residential and non-residential structures, as well as new construction of non-residential buildings. Property Improvement disbursements were \$102 million in fiscal year 2014 and are projected to be \$101 million in fiscal years 2015 and 2016. In 2011, FHA launched a "PowerSaver" pilot program that has generated new loan volume for this risk category. Operating under Title 1 authority and regulatory framework, PowerSaver provides single-family homeowners loans of up to \$25,000 for proven energy-saving improvements. Program lenders received incentive grants from the HUD Energy Innovation Fund to help lower the cost of loans to consumers. PowerSaver was designed as a two-year pilot, and later extended through May 4, 2015.

Title 1, Manufactured Housing. Under Title I, HUD provides mortgage insurance for individuals to purchase manufactured homes. In fiscal year 2014, \$24 million in manufactured housing loans were endorsed, with \$21 million projected for fiscal years 2015 and 2016.

3. Why is this program necessary and what will we get for the funds?

FHA's multifamily and healthcare programs are a critical component of the Department's efforts to meet the Nation's need for decent, safe and affordable housing. These programs provide the necessary liquidity so that communities can continue to provide

Mortgage and Loan Insurance Programs-GI/SRI Account

quality affordable housing and assisted living/nursing home opportunities. In fiscal year 2016, FHA is projected to issue loan insurance commitments providing financing for over 1,200 apartment projects and for 450 healthcare facilities. The fiscal 2016 request supports mortgage insurance programs that are essential in achieving the Department's mission of strong, sustainable, inclusive communities and quality affordable homes for all. More specifically:

- FHA mortgage insurance encourages private lenders to make loans for important projects that might otherwise not be possible. New workforce housing in high demand markets, innovative "green" technology renovations, nursing homes serving aging senior citizens, and critical access hospitals are among the types of projects that FHA makes possible. In fiscal year 2014, HUD endorsed a total of 1,566 multifamily and healthcare loans in GI/SRI in 50 states, the District of Columbia, Virgin Islands and Puerto Rico, covering more than 225,000 units of housing and healthcare facility beds.
- In addition to providing better access to credit for new developments, FHA supports refinance lending that preserves financially healthy housing and healthcare projects by helping them to reduce high current debt obligations. FHA's major refinancing programs for housing and nursing home facilities offer long-term amortization periods and are a critical option for many conventionally financed projects facing large balloon payments. FHA refinancing may also enable properties to undertake needed renovation and rehabilitation. New loan insurance commitments in 2014 included 1,218 refinances of existing properties with more than 135,000 apartment homes and more than 50,600 nursing home/assisted living beds.
- FHA mortgage insurance has a strong secondary effect of creating and preserving jobs. FHA projects can be significant contributors to the economic health of a community. The Office of Healthcare Programs (OHP) has developed a tool to measure the economic impact of its insurance programs. Using the widely respected IMPLAN economic model, OHP calculated the economic benefits for the residential care facilities (with construction projects) that received mortgage insurance commitments in fiscal year 2014. In fiscal year 2014, OHP's Section 232 Program issued 32 firm commitments involving construction: 14 new construction projects, 13 section 241(a) projects, 2 blended rate projects, and 3 substantial rehabilitation projects. These projects will create up to 6,500 full-time equivalent construction jobs during their construction periods with a total construction economic impact of \$900 million. Once the projects are fully constructed, the residential healthcare facilities will create over 3,500 full time equivalent jobs and provide their communities with an annual economic impact of over \$450 million.

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The following tables indicate projected FFB risk share direct loan levels and loan guarantee commitment volumes in fiscal years 2014, 2015 and 2016 and their respective credit subsidy rates and negative subsidy in fiscal year 2016. Credit subsidy rates represent the projected net present value cost or savings to the government of operating a loan guarantee program, and take into account projected claims, pre-payments, premium revenue, and recoveries on defaults for a cohort of loans over their lifetime.

For more information on credit subsidy calculation please see the Notes section of this justification.

GI/SRI PROGRAMS (IN \$MILLIONS)	Direct Loan Level Actuals <u>FY2014</u>	Direct Loan Level Estimates <u>FY2015</u>	Direct Loan Level Estimates <u>FY2016</u>	Subsidy Rate <u>FY2016</u>	Negative Subsidy Budget Authority <u>FY2016</u>
Multifamily					
FFB-Financed Direct Loan and HFA Risk Share	\$0	\$803	\$600	-10.96%	(\$66)
Offsetting Receipts Paid to Treasury	\$0	\$65	\$72		

Mortgage and Loan Insurance Programs-GI/SRI Account

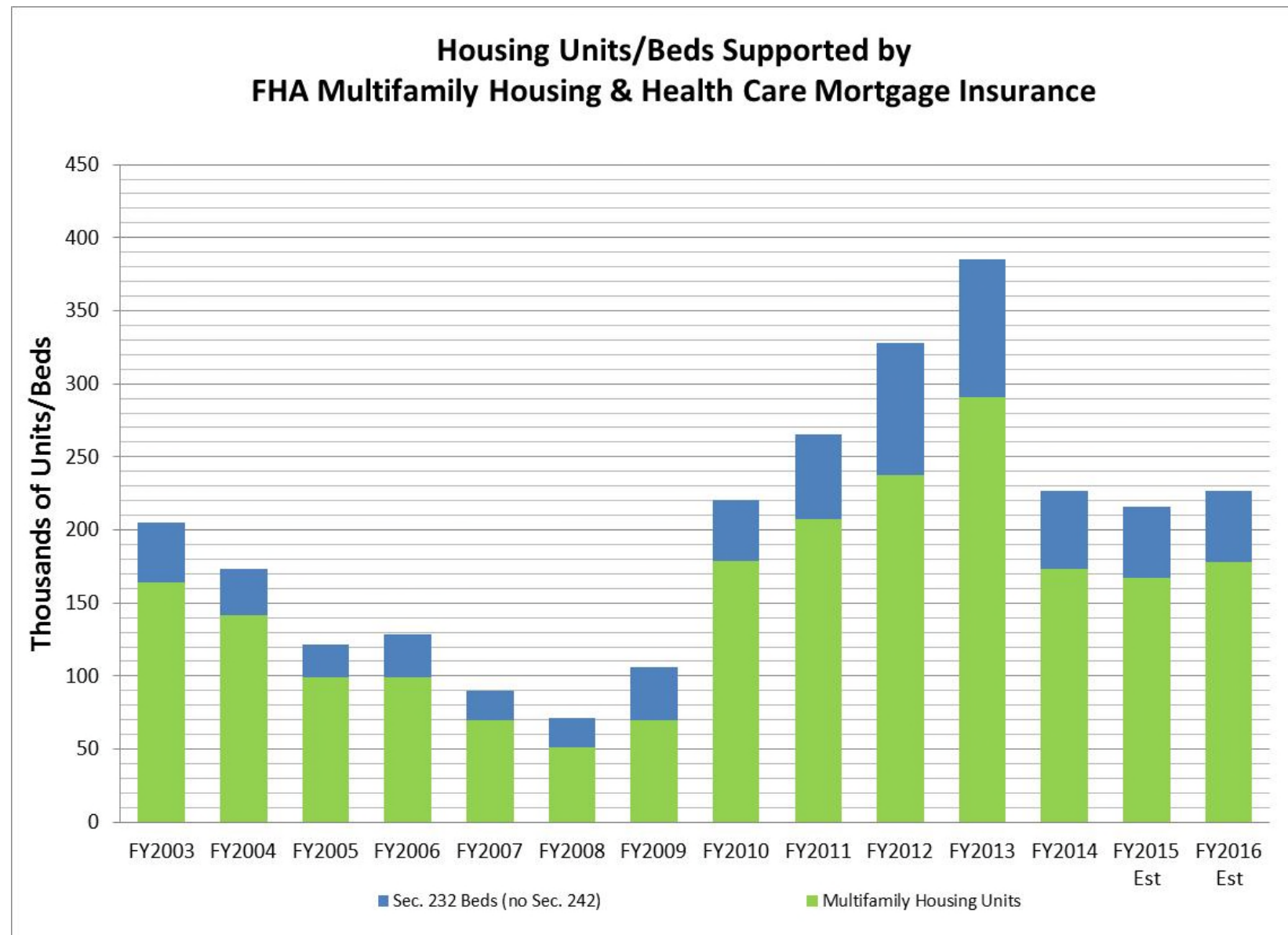
GI/SRI PROGRAMS (IN \$MILLIONS)	Commitment Actuals	Commitment Estimates	Commitment Estimates	Subsidy Rate	Negative Subsidy Budget Authority
	<u>FY2014</u> ¹	<u>FY2015</u>	<u>FY2016</u>	<u>FY2016</u>	<u>FY2016</u>
Multifamily					
221(d)(4) Apartments New Constr/Sub Rehab	\$1,705	\$1,393	\$1,408	-2.74%	(\$39)
Tax Credit Projects	\$1,761	\$2,300	\$2,500	-1.69%	(\$42)
223(f)/223(a)(7) Apartments Refinance/Purchase	\$7,114	\$6,142	\$6,277	-4.67%	(\$293)
HFA Risksharing	\$140	\$115	\$138	-1.28%	(\$2)
GSE Risksharing	\$25	\$88	\$103	-1.65%	(\$2)
Other Rental (Sections 220,231,207)	\$15	\$67	\$74	-1.17%	(\$1)
Multifamily Housing Subtotal	\$10,760	\$10,105	\$10,500		(\$379)
Section 242 - Hospitals (includes Refinances & Supplemental Loans)	\$43	\$688	\$700	-3.22%	(\$23)
Section 232 - Nursing Homes/Assisted Living					
Full Insurance for Health Care Facilities	\$414	\$385	\$385	-3.43%	(\$13)
Health Care Facility Refinance	\$3,929	\$3,680	\$3,680	-4.23%	(\$156)
Section 232 Subtotal	\$4,343	\$4,065	\$4,065		(\$169)
Healthcare Housing Subtotal	\$4,386	\$4,753	\$4,765		(\$192)
Title I					
Title I Property Improvements	\$102	\$101	\$101	-0.84%	(\$1)
Title I Manufactured Housing	\$24	\$21	\$21	-4.20%	(\$1)
Title I Subtotal	\$126	\$122	\$122		(\$2)
GI/SRI TOTAL	\$15,272	\$14,980	\$15,387	-3.71%	(\$573)
Offsetting Receipts Paid to Treasury ²	\$608	\$643	\$585		

1. Total is net of commitment authority restored due to owner withdrawal prior to closing or for non-compliance with terms.

2. Negative subsidy is obligated when the commitment for insurance is issued and disbursed subsequently at the time of initial endorsement.

4. How do we know this program works?

The greatest testament to FHA's effectiveness is the tangible result of its programs. Quality housing and healthcare facilities are made possible and/or more affordable throughout the country due to an FHA mortgage guarantee. For example, over the last 10 years, FHA GI/SRI insurance has supported over 1.3 million multifamily housing units, 116,000 assisted living and board and care housing units, 367,000 skilled nursing care beds, and 19,000 hospital beds. FHA-insured projects can have a significant impact on the economic health of the community, as described in the previous section.



With each mortgage it insures, FHA carefully considers the benefits to the community along with financial risks to the government. Cognizant of the increased risks associated with FHA's expanding role in the housing market, the Department has launched several new initiatives aimed at appropriately managing the risk involved with multifamily loans. In fiscal year 2010, FHA made a number of updates to underwriting requirements for multifamily housing loans. These updated requirements are part of a broader strategy that features a national loan committee process for all large projects, new initiatives (under development) to improve lender oversight, and a revised partial payment of claim policy that will generate savings by reducing the number of full claims. FHA also adopted a more balanced approach to loan-to-value and debt service coverage requirements and increased scrutiny of borrowers' other real estate obligations that could jeopardize their financial positions and make it more difficult for them to assist projects with financial or operational challenges. FHA is taking steps such as these to ensure its policies and practices do not contribute to any unanticipated losses.

In addition to the multifamily risk management processes, FHA has also taken steps to improve program administration of the healthcare insurance programs through business process improvements. For the Section 232 program, a LEAN Process has been adopted for both new construction and refinance applications. LEAN Processing employs standardized work product and processes to obtain a consistent, timely result. The following are some of the specific changes implemented with LEAN Processing: standardized checklists, statements of work for third party work, certifications, and templates for the lenders to use in their assembly of the application package; development of standardized punch lists for HUD staff to use in their underwriting of submitted applications; initiation of HUD legal review immediately when the Firm Application is submitted in order to cut down the time required between Firm Commitment issuance and closing; and removal of portions of the application process/requirements that were duplicative or not necessary.

For multifamily housing insurance programs, FHA launched the "Multifamily for Tomorrow" initiative that focuses on optimizing processes, strengthening risk management, developing specialized skills of the staff and strengthening the way the organization manages this workload. The Office of Multifamily Housing is standardizing processes to achieve consistent and timely results by creating a standardized loan underwriting review template, adopting an early warning

GI/SRI by the Numbers – FY 2014	
Insurance in Force	\$152.7 Billion
New Commitments	\$15.3 Billion
Average Multifamily Housing Loan	\$10.1 Million
Average Section 232 Loan	\$8.8 Million
Average Hospital Loan	\$31.3 Million
Negative Subsidy Offsetting Receipts	\$608 Million
Premiums Collected	\$843 Million
Claims Paid – Single-Family/HECM	\$2.4 Billion
Claims Paid - Multifamily/Healthcare	\$248 Million
Recoveries on Claims	\$656 Million

Mortgage and Loan Insurance Programs-GI/SRI Account

system, creating application staging areas, and standardizing work products. One of the signature elements of Multifamily for Tomorrow is the new Single Underwriter model, which assigns a single champion to a transaction. The champion coordinates with specialists as needed during the underwriting process. In addition a new workload management system, ASAP, is being rolled out to better track deal flow. Specifically, within a span of only 7 months, FHA's efficiency improvement efforts have resulted in the decrease in the number of applications in processing for over 90 days, from 191 to 50.

5. Proposals in the Budget

- Eligibility for FHA-insured Properties: Clarifies that low-and-moderate income persons under 62 years of age are eligible for occupancy of dwelling units in a project financed with a mortgage insured under 221(d)(4), similar to those with a mortgage insured under 221(d)(3). (Section 237)
- Loan Assignment Authority: Eliminates Section 221(g)(4) of the National Housing Act regarding loan assignment authority. The provision is no longer necessary because there are no longer any outstanding loans remaining in the portfolio that would qualify under this provision. (Section 238)
- Remove "Technical Suitability of Products Program" Requirement: Remove from mandatory use the "Technical Suitability of Products Program" for programs covered under FHA's mortgage insurance platform. This program has fallen into disuse as the industry and HUD are increasingly relying on industry standards. (Section 246)
- FHA/Ginnie Mae Risk Sharing Securitization: HUD is expanding its pool of risk sharing lenders to include lenders that have demonstrated experience in affordable housing lending, specifically in order to increase the availability of capital to small multifamily properties of 5-49 units. The language would authorize Ginnie Mae to securitize these small loans made under Section 542(b). (Section 224)
- Multifamily Risk Share Program: Amendment of Affordability Restrictions for Small Buildings: The language would remove some of the affordability restrictions currently required under Section 542(b), for loans originated under the small buildings initiative, in order to reduce the ongoing burden on owners. Specifically, the language will remove the requirement for owners to perform annual income recertifications for residents. These small properties are underserved by the conventional market, and are traditionally underserved by FHA as well. The provision focuses on the particular needs of very small (20 units and under), unsubsidized properties. These small properties comprise a significant share of rental housing in certain urban areas. Small multifamily properties are an important means for the Department to meet its affordable housing and community development goals. These properties are more likely to be owned by small entities

Mortgage and Loan Insurance Programs-GI/SRI Account

or individuals, tend to be concentrated in lower income neighborhoods, and often offer rents affordable to households below median income. (Section 221)

- Critical Access Hospitals: Eliminates the sunset date and makes permanent the exemption for Critical Access Hospitals from the requirement that fifty percent of patient days must be for acute care services. That requirement is not appropriate for small rural hospitals, which provide many sub-acute services to their communities. Since 2003, the exemption has allowed 10 such hospitals to qualify for mortgage insurance to modernize or replace their facilities. (Section 245)

6. Notes to Justification

GI/SRI Single Family Portfolio

In addition to new insurance commitments for the multifamily, healthcare and Title 1 programs, the GI/SRI fund also houses activity on mortgage insurance and HUD-held notes for a number of large single family programs. Prior to fiscal year 2009, the GI/SRI Fund housed new insurance for a number of significant single family insurance programs, such as the Home Equity Conversion Mortgage (HECM) reverse mortgage guarantees and condominium unit financing. With the enactment of the Housing and Economic Recovery Act of 2008 (HERA), financial responsibility for almost all single family programs was transferred to the Mutual Mortgage Insurance (MMI) Fund. However, obligations made prior to 2009 (and the associated cash flows) remain in GI/SRI.

Credit Subsidy Calculations and the Annual Re-estimate

Credit subsidy rates represent the projected net cost or savings to the government of operating a loan guarantee program, and take into account the present value of projected claims, pre-payments, premium revenue, and recoveries on defaults for a cohort of loans over their lifetime. In accordance with the Credit Reform Act of 1990, administrative costs (excluding property disposition) are not included in credit subsidy calculations. FHA credit subsidy rates reflect historic performance data for similar loans made over the past 40 years, with adjustments made for significant policy shifts as well as changing economic and market conditions. The Department devotes significant efforts to ensure accurate credit subsidy estimates. Each year the extensive statistical base from which projections of future loan performance are calculated is updated with an additional year of actual data. The Department and OMB continue to examine the data, assumptions, and calculations that are used to estimate loan program cash flows and subsidy rates in order to improve the accuracy and reliability of cost projections.

Each year, FHA completes a required re-estimate of liabilities and subsidy costs associated with the existing insurance portfolio. For more information on subsidy rates and re-estimates, please see the Federal Credit Supplement to the President's Budget, available at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/cr_supp.pdf

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
SUMMARY OF RESOURCES BY PROGRAM
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Positive Subsidy								
Appropriation	<u>\$16,403</u>	<u>\$16,403</u>	...	<u>-\$10,000</u>	<u>\$16,408</u>	<u>\$6,408</u>	...
Total	16,403	16,403	...	-10,000	16,408	6,408	...

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2016 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR THE ELDERLY (SECTION 202)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$383,500	\$159,384 ^a	...	\$542,884	\$361,518	\$888,477
2015 Appropriation	420,000	196,198 ^b	...	616,198	490,000	734,000
2016 Request	<u>455,000^c</u>	<u>141,000^d</u>	<u>...</u>	<u>596,000</u>	<u>486,000</u>	<u>672,000</u>
Program Improvements/Offsets	+35,000	-55,198	...	-20,198	-4,000	-62,000

a/ Includes \$155.9 million in carryover, \$3.2 million in recaptures and \$118 thousand in collections.

b / Includes \$180.1 million in carryover and \$16 million in spending authority from offsetting collections. It excludes \$1.1 million that expired at the end of fiscal year 2014.

c/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$3 million of Budget Authority.

d/ Includes \$26 million in spending authority from offsetting collections.

1. What is this request?

The Department requests \$455 million for the Housing for the Elderly (Section 202) program in fiscal year 2016, an increase of \$35 million above the fiscal year 2015 Enacted level. The Budget request also seeks to renew the authority to allow HUD to make more funds available for expansion activities through residual receipts collections, recaptures, and other unobligated balances, and to fund demonstration programs that test housing with services models that examine how supportive housing units aligned with health care priorities help elderly households age in place in the community.

In fiscal year 2016, the Department requests \$455 million funding for three primary activities for the Housing for the Elderly program:

1) \$365 million for PRAC Renewals/Amendments in support of more than 77,000 existing units; (2) \$77 million to renew approximately 1,500 existing Service Coordinator/Congregate Housing Services grants, and (3) \$10 million to extend and expand the Section 202 Demonstration authorized by the fiscal year 2014 appropriations act. An additional \$3 million is requested for property inspections and related costs.

Housing for the Elderly (Section 202)

PRAC Renewals/Amendments provide continued assistance to tenants of Section 202 projects in which the initial PRAC has expired or all reserved funding has been disbursed. In the early stages of the Section 202 program, the initial PRAC terms were 20 years; those terms were reduced to 5 years in fiscal year 1995 and further reduced to 3 years in fiscal year 2006. As the initial contracts begin to expire, the rental assistance is renewed on a 1-year basis with funding from the PRAC Renewal/Amendment component. PRAC Renewals/Amendments are requested at a level to fully-fund the fiscal year 2016 requirements. Key cost drivers for the \$365 million required for PRAC renewals are a combination of the new units entering the renewal portfolio for the first time and increasing operating costs within the program. In fiscal year 2016, an estimated 4,000 units will be renewing for the first time. HUD is assuming a 3.0 percent inflation factor for fiscal year 2016.

The Department requests \$77 million for Service Coordinators/Congregate Housing Services Program (CHSP) in fiscal year 2016 to extend funds to approximately 1,500 previously approved Service Coordinators and Congregate Housing Service grants. The purpose of the Service Coordinators program is to enable residents who are elderly or have disabilities to live as independently as possible in their own homes. Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. A Service Coordinator is a social service staff person who is responsible for assuring that residents, especially those who are frail or at risk, are linked to the specific supportive services they need to continue living independently and age in place. The primary responsibility of a Service Coordinator is to help link residents of eligible housing with supportive services provided by community agencies. The Service Coordinator may also perform such activities as providing case management, acting as an advocate or mediator, coordinating group programs, or training housing management staff. CHSP is an older, smaller program that is now only funded through renewals. CHSP subsidizes the cost of supportive services that are provided on-site and in the participant's home, which may include congregate meals, housekeeping, personal assistance, transportation, case management, etc.

The fiscal year 2014 Consolidated Appropriations Act (the "Act") provided HUD an opportunity to develop a housing-with-services demonstration program for low-income elderly to test models that demonstrate the potential to delay or avoid the need for nursing home care. The Section 202 Elderly Project Rental Assistance Demonstration program, which is being developed by HUD's Office of Multifamily Housing Programs and Office of Policy Development and Research in consultation with Congress and the Department of Health and Human Services, is expected to demonstrate that housing and supportive services with a health/wellness component will successfully and cost effectively help elderly residents maintain their housing and their health and avoid costly institutional care. The requested \$10 million, along with renewed authority to make funds available for the Demonstration through residual receipts collections, recaptures, and other unobligated balances, will allow the Department to expand and extend this Demonstration program.

Housing for the Elderly (Section 202)

2. What is this program?

The Supportive Housing for the Elderly program is authorized under Section 202 of the Housing Act of 1959; Section 210 of the Housing and Community Development Act of 1974, P. L. 86-372 (12 U.S.C. 1701q, 73 Stat. 654, 667); the National Affordable Housing Act, P. L. 101-625 (42 U.S.C. 12701); the Housing and Community Development Act of 1992 (P.L. 102-550); the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569), and the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372).

The Service Coordinator Program is authorized under Section 808 of the Cranston-Gonzalez National Affordable Housing Act, which authorized the use of Service Coordinators within existing projects for the elderly. Sections 674 and 676 of the Housing and Community Development Act of 1992 expanded the universe of projects eligible to receive service coordinator assistance by authorizing funding for service coordinators in Section 202, Section 8 and Sections 221(d)(3) and 236 projects. The Service Coordinator Program provides funding for the employment of Service Coordinators in HUD-assisted multifamily housing that is designed for the elderly and persons with disabilities. The Congregate Housing Services Program (CHSP) was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year grants to fund service coordinators for eligible residents of Public Housing and Section 202 Housing for the Elderly or Persons with Disabilities.

The Section 202 Housing for the Elderly program provides funding to create and support multifamily housing for very low-income elderly persons. Nearly 400,000 homes for low-income elderly households have been produced to date. Section 202 is currently the only federal program that expressly addresses this need for affordable elderly housing. Its impact is amplified through the leverage of other housing resources such as Section 8, Community Development Block Grants (CDBG), HOME Investment Partnerships Program (HOME), and Low-Income Housing Tax Credits (LIHTC).

To be eligible for residency in a Section 202 unit, a household must be composed of one or more persons at least 62 years of age at the time of initial occupancy, with a household income at or below 50 percent of the area median income. Most residents fall far below that threshold. The average annual household income for Section 202 households is between \$12,300 and \$12,600¹.

Tenants living in Section 202 supportive housing can access a variety of community-based services and support to keep living independently in the community and age in place. Thirty-eight percent of existing Section 202 tenants are frail or near-frail, requiring assistance with basic activities of daily living, and thus can be considered at-risk for institutionalization.² Further, through an Inter-Agency Agreement with Health and Human Services/Assistant Secretary for Planning and Evaluation (ASPE), HUD is now for the first time ever creating a data set for 12 cities which allows analysis of Medicare and Medicaid expenditures and diagnoses for individuals receiving HUD assistance. Preliminary data analyses show that a very large percentage of elderly HUD-assisted individuals are dually

¹ Analysis by HUD Office of Policy Development and Research of 2012 PIC and TRACS data.

² HUD, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement", June 2008.

Housing for the Elderly (Section 202)

eligible to Medicare and Medicaid and they are more likely than unassisted elderly individuals to have multiple chronic diseases. These data could eventually help measure the potential of HUD programs to reduce health care use and expenditures among low-income elderly tenants.

How Does Section 202 Work?

Traditionally, the Department has provided interest-free capital advances to nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance is used to support the construction, rehabilitation or acquisition (with or without rehabilitation) of supportive housing for very low-income elderly persons, including the frail elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years.

In addition, operating subsidies, known as a project rental assistance contract (PRAC), are provided on an ongoing basis to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent, which is limited to 30 percent of a tenant's income. The operating subsidy makes the housing more affordable to low-income elderly individuals by subsidizing tenants with the lowest incomes. The initial term of the PRACs is 3 years, after which the contracts are renewed annually, contingent upon the availability of funds and project's compliance with Section 202 requirements. While capital advance funds are no longer being awarded, HUD continues to support existing Section 202 properties with rental assistance contracts.

Prior to the inception of the Section 202 Capital Advance program, the Department offered the Section 202 Direct Loan Program. The Direct Loan program was authorized by the Housing Act of 1959 (P.L. 86-372), the first direct loans were issued in the 1960s and the program was discontinued after fiscal year 1991 with the enactment of the Cranston-Gonzales National Affordable Housing Act. Although properties supported by the direct loan program continue to operate, no new loans have been issued since fiscal year 1991. The program provided loans directly for the construction, rehabilitation or acquisition of rental properties to serve the elderly, physically handicapped, developmentally disabled or chronically mentally ill adults. The loan terms were for a maximum of 40 years and HUD is currently receiving repayments of these loans.

Recipients of Section 202 Funds

Key partners in the Section 202 program have traditionally been non-profit organizations, including faith-based organizations, with a Section 501(c) (3) tax exemption from the IRS. Over the years, many nonprofit organizations have developed an impressive capacity to serve low-income elderly persons, not only in terms of building housing, but in maintaining that housing and providing or coordinating necessary supportive services. Smaller community-based non-profit organizations often partner with higher capacity regional or national organizations to make the projects happen. Since the need for this housing has been so widespread, Section 202 projects are located everywhere throughout the country, in large and small cities, small towns, and rural locales.

Housing for the Elderly (Section 202)

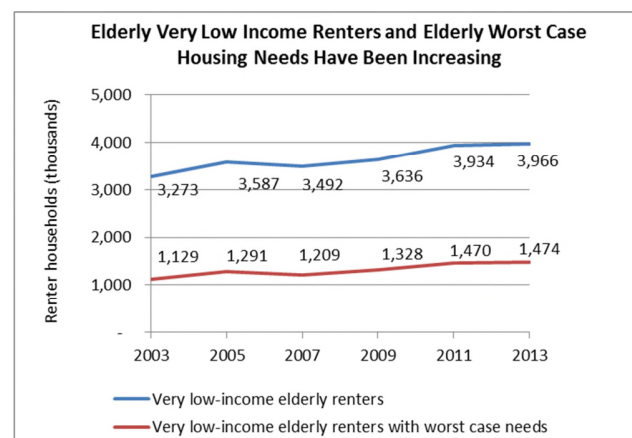
Changes to the Program

The passage of the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372) improved the program in several ways. The bill makes it easier to refinance older Section 202 projects in need of rehabilitation; provides flexibility in transforming less marketable studio apartments into one bedrooms; establishes new rental assistance contracts for seniors at risk of being unable to afford rent increases due to refinances; makes it easier for owners to make health and supportive services available to residents through service-enriched housing.

This new legislation complemented the Administration's broader Section 202 reform agenda, which implemented policy and regulation changes to better target the program to support the most vulnerable elderly, bring new units on line faster, and better leverage each program dollar. Changes to the program have been done with input from, and in coordination with, the Department of Health and Human Services (HHS). The new Section 202 program is more aligned with healthcare reforms at the state and federal level and HUD will fund a randomized control evaluation of Section 202 to assess the extent to which supportive housing allows elderly persons to live independently and age in place, improve general well-being and health, and create cost savings in the healthcare system.

3. Why is this program necessary and what will we get for the funds?

The need for affordable housing among the elderly population is large. Almost 1.5 million elderly-headed renter households had worst case housing needs in 2013, meaning they have very low incomes of less than 50 percent of area median income, have no housing assistance, and either pay more than 50 percent of their income for rent or live in severely inadequate units, or both (*Worst Case Housing Needs 2013*, forthcoming). The number of elderly very low-income renters increased by 21 percent between 2003 and 2013, and the number with worst case needs increased even more rapidly, by 31 percent.



An estimated 38 percent of all residents currently living in Section 202 properties could be considered "frail" or "near-frail." However, often with the assistance of service coordinators, most of these residents are able to access community-based services that are designed to help them stay longer in their housing, and avoid more expensive institutional settings. Going forward, the Section 202 program intends to increasingly target housing assistance towards exactly this subset of the elderly population, given the tremendous cost-savings associated with independent living versus nursing homes or assisted living facilities.

Housing for the Elderly (Section 202)

Section 202 residents have the highest average age at the end of participation compared to other housing programs and housing occupied primarily by the elderly has greater success retaining residents until more advanced ages.³ A study of service coordination found very high levels of satisfaction and it found that the presence of service coordinator staff who link residents to supportive services in the community increased residents' length of stay by 10 percent in comparison with those without access to this service.⁴

The new federal strategic focus on the integration of housing, supportive and health care services is reflected in HUD's collaboration with the Department of Health and Human Services (HHS) on relevant research. One such study has produced a design for a demonstration on aging in place for HUD-assisted seniors. This contract, as noted above, has already produced an extensive literature review and several case studies, and these are the basis for developing a model of service and health care coordination that can be tested for its impacts on health outcomes, health care expenditures, health care service utilization, and consequences for participating properties. In addition, with MacArthur Foundation funding and HUD cooperation, the contractor is conducting a survey of HUD properties to assess the types and scope of services available in senior subsidized housing. Finally, the contractor has matched HUD-assisted seniors in 12 cities to their Medicare claims records to assess health care utilization, expenditures, and diagnoses. This is the first time that anyone has used HUD administrative data matched with health claims data to create measures of Medicare utilization and expenditures for HUD-assisted elders.

Under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for elderly persons with disabilities.⁵ State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by HHS' Centers for Medicare and Medicaid Services. However, states often find themselves limited in achieving this mandate even when they have effective Medicaid waiver programs in place because the target population cannot afford the cost of renting a home in the community. In the most recent progress report of the HHS' program, twenty out of 34 states reported insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community.⁶ Investments in Section 202 supportive housing align with and complement these state efforts to provide home and community-based services for elderly people with disabilities. The Department is working with HHS on several collaborative projects to increase access to affordable housing in community settings for elderly people with disabilities seeking to leave institutional settings related to the Section 202 program, such as HHS' Money Follows the Person (MFP) program.

³ Locke, Gretchen, Ken Lam, Meghan Henry, and Scott Brown (Abt Associates Inc). 2011. *End of Participation in Assisted Housing: What Can We Learn About Aging in Place?* Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

⁴ HUD, "Multifamily Property Managers' Satisfaction with Service Coordination", 2008.

⁵ In *Olmstead v. L.C.*, 527 U.S.581 (1999), the Supreme Court held that Title II of the Americans with Disabilities Act prohibits the unjustified segregation of people with disabilities in nursing homes or other institutional settings. Federal regulations require that states or other public entities must reasonably modify their policies, procedures or practices to avoid such discrimination. 28 C.F.R. § 35.130(b)(7).

⁶ Mathematica Policy Research. *Money Follows the Person Demonstration: Overview of State Grantee Progress, July to December 2011*. June 2012. Retrieved from: http://www.mathematica-mpr.com/publications/PDFs/health/mfp_jul-dec2011_progress.pdf.

4. How do we know this program works?

Until now, one of the main limitations of research on Section 202 has been the lack of data on residents' need and utilization of health and long-term care services and supports. Without this data, it has been difficult to understand health outcomes for Section 202 residents and elderly residents of other assisted housing programs, their service utilization and risks of institutionalization, and cost effectiveness with respect to other forms of living arrangements.

HUD is directly involved in three research initiatives designed to address this critical knowledge gap. First, HUD will fund a rigorous experimental evaluation of the Section 202 program using cluster randomized methods to assign properties to treatment and control groups. The evaluation will assess the extent to which supportive housing allows elderly persons to live independently and age in place, improve general well-being and health, and create cost savings in the healthcare system. The first phase of the evaluation will involve sponsors selected in the fiscal year 2014 Section 202 Demonstration competition.

The design of the Section 202 program model to be tested is based on a previous project funded by HUD and two HHS offices (Office of the Assistant Secretary for Planning and Evaluation and the Administration on Aging) that produced a literature review and case studies. The demonstration design describes three possible program models, explains the evidence base for the proposed model elements and discusses factors that will have to be taken into account to make implementation of the demonstration feasible and useful for producing valid research results. In addition, the contract included a match of HUD administrative data with Medicare and Medicaid claims data from CMS in 12 pilot locations. These data allowed HUD for the first time ever to have a picture of health of HUD-assisted elderly households compared to unassisted households. The match found that about 68 percent of HUD-assisted residents age 65 and older are dually enrolled in Medicare and Medicaid. Compared to other dually enrolled individuals, HUD-assisted elderly residents have more chronic conditions and higher health care utilization and costs. This project has demonstrated the feasibility of matching these data. In the future, similar data could be used to construct measures of impacts of HUD programs on health care use and expenditures.⁷

Third, HUD and HHS are collaborating in the evaluation of the Support and Services at Home (SASH) program in Vermont, a Medicare/Medicaid demonstration of coordinated health and supportive service in affordable housing that is part of the larger CMS advanced primary care practice demonstration. SASH is especially relevant for HUD because it is designed to use existing affordable housing developments as the infrastructure for service delivery. HUD-funded affordable housing developments are, quite literally, the "hosts" of the SASH program. The SASH evaluation uses a rigorous quasi-experimental design, with comparison groups and sophisticated multivariate statistical methods, to examine the impact of participation in SASH on residents' health outcomes, service utilization, and expenditures and on costs to participating properties. The study will include cost-effectiveness, cost-benefit, and quality-adjusted life-years analyses, as well as qualitative description of the implementation of SASH, including barriers and

⁷ Report available at <http://aspe.hhs.gov/daltcp/reports/2014/HUDpic.pdf>

Housing for the Elderly (Section 202)

challenges. The SASH first annual report is now available.⁸ It shows that SASH participants had slower rates of increase in total per beneficiary per month Medicare payments than did similar Medicare beneficiaries in assisted housing developments in Vermont and in New York; however, the effect was statistically significant only for beneficiaries with at least 4 quarters of SASH exposure.

⁸ Report available at <http://aspe.hhs.gov/daltcp/reports/2014/sash1.pdf>.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Elderly (Capital Advance, Other Expenses and PRAC) ...	...	\$55,845	\$55,845	\$8,392	...	\$46,289	\$46,289	\$3,000
Elderly PRAC Renewal/Amendment	\$291,500	33,123	324,623	286,982	\$350,000	37,641	387,641	365,000
Service Coordinators/ Congregate Housing Service Program	72,000	34,359	106,359	62,065	70,000	44,289	114,289	77,000
Conversion to Assisted Living/Emergency Repairs .....	...	20,057	20,057	1,241	...	18,817	18,817	...
Planning Grant .....	...	...	...	...	...	...	...	...
Senior Preservation Rental Assistance Contracts .....	...	16,000	16,000	2,838	...	29,162	29,162	...
Section 202 Demonstration	20,000	...	20,000	...	...	20,000	20,000	10,000
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[3,458]
Total	383,500	159,384	542,884	361,518	420,000	196,198	616,198	455,000

NOTE: 2015 Carryover and Total Resources include \$16 million in spending authority from offsetting collections for the Senior Preservation Rental Assistance Contracts.

Housing for the Elderly (Section 202)

HOUSING HOUSING FOR THE ELDERLY (SECTION 202) Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For amendments to capital advance contracts for housing for the elderly, as authorized by section 202 of the Housing Act of 1959, as amended, and for project rental assistance for the elderly under section 202(c)(2) of such Act, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, and for senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing, [\$420,000,000] *\$455,000,000* to remain available until September 30, [2018] *2019*: Provided, That of the amount provided under this heading, up to [\$70,000,000] *\$77,000,000* shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That amounts under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 projects: Provided further, That the Secretary may waive the provisions of section 202 governing the terms and conditions of project rental assistance, except that the initial contract term for such assistance shall not exceed 5 years in duration: Provided further, That upon request of the Secretary of Housing and Urban Development, project funds that are held in residual receipts accounts for any project subject to a section 202 project rental assistance contract, and that upon termination of such contract are in excess of an amount to be determined by the Secretary, [up to \$16,000,000 in any such excess amounts] shall be remitted to the Department and deposited in this account, to be available until September 30, [2018, for purposes under this heading, and shall be in addition to the amounts otherwise provided under this heading for such purposes] *2019: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available, in addition to the amounts otherwise provided by this heading, for the purposes authorized under this heading, and such funds, together with such other funds, may be used by the Secretary to support demonstration programs to test housing with services models for the elderly: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading in prior appropriations Acts may be used for the current purposes authorized under this heading, notwithstanding the purposes for which such funds were originally appropriated.* (Department of Housing and Urban Development Appropriations Act, 2015.)

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2016 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$126,000	\$244,176 ^a	...	\$370,176	\$208,942	\$222,713
2015 Appropriation	135,000	174,894 ^b	...	309,894	236,592	237,000
2016 Request	<u>177,000^c</u>	<u>82,402^d</u>	<u>...</u>	<u>259,402</u>	<u>197,866</u>	<u>262,000</u>
Program Improvements/Offsets	+42,000	-92,492	...	-50,492	-38,726	+25,000

a/ Includes \$241.8 in carryover and \$2.3 million in recaptures.

b/ Includes \$160.8 million in carryover and \$14 million in spending authority from offsetting collections. It excludes \$340 thousand that expired at the end of fiscal year 2014.

c/ Includes an estimated transfer to the Transformation Initiative (TI) account of \$1 million of Budget Authority.

d/ Includes \$16.5 million in spending authority from offsetting collections.

1. What is this request?

The Department requests \$177 million for the Housing for Persons with Disabilities (Section 811) program in fiscal year 2016, an increase of \$42 million above the fiscal year 2015 Enacted level. The funding request for the Housing for Persons with Disabilities program includes funding for two primary activities: \$150 million for Project Rental Assistance Contract (PRAC) renewals and amendments to fully fund 1,800 housing properties with more than 21,000 units; and \$25 million for new Section 811 Project Rental Assistance (PRA) awards that will support about 700 new units. There is also an additional \$2 million for other program expenses, including property inspections.

Section 811 PRA funding in fiscal year 2016 will build on the success of previous rounds of funding. These funds will support state housing agencies that have partnered with state health care agencies to develop an integrated health care and housing approach to serving persons with disabilities. The Department also requests continued authority to collect residual receipts as additional funding to support the Section 811 PRA program.

- The Section 811 Supportive Housing for Persons with Disabilities program allows low-income persons with disabilities to live independently by providing deeply affordable rental housing that is integrated into the local communities. The program

Housing for Persons with Disabilities (Section 811)

targets vulnerable persons with disabilities who need affordable housing to effectively access community-based supports and services.

- By helping individuals with disabilities live independently in their communities, this program avoids the costs of more expensive institutional settings and helps states comply with the Supreme Court's *Olmstead* decision, which requires that people with disabilities receive services in the most integrated setting appropriate to their needs.
- Section 811 provides critically important affordable housing linked with community-based supportive services for the most vulnerable persons with disabilities. Such supportive housing is a more efficient and effective alternative to expensive and restrictive Medicaid-funded institutional care. Without Section 811 housing, many of those served by the program would live in an institution, in a homeless shelter, or on the streets.

HUD is currently designing an evaluation of the Section 811 Project Rental Assistance (PRA) demonstration program, including a comprehensive process evaluation of the fiscal year 2012 grantees, and a methodology to assess the cost effectiveness of the Section 811 PRA relative to assistance through capital advances and other forms of supportive housing for people with disabilities. The evaluation is discussed in greater detail in Section 4 ("How do we know this program works?").

Description of Each Set-Aside

Supportive Housing for Persons with Disabilities Project Rental Assistance

The Department requests \$25 million in fiscal year 2016 to support state programs that demonstrate an integrated health care and housing approach to serving persons with disabilities. The Department also seeks to renew its fiscal year 2015 authority to collect residual receipts to fund expansion activities. The Department will review collections, recaptures, and other unobligated balances to determine whether additional funds are available for new funding investments, and will request reprogramming as needed. These funds support the PRA program authorized by the Frank Melville Supportive Housing Investment Act of 2010, first implemented through a demonstration program in fiscal year 2012. The demonstration program revealed the presence of significant demand at the state level for exactly this kind of resource. Thirty-five states submitted competitive applications, with seven of the applicant states requesting the then maximum allowable award amount. The Department could only fund 13 states out of many competitive applications. An additional Notice of Funding Availability was published for fiscal years 2013 and 2014 in fiscal year 2014, with awards expected to be announced in early calendar year 2015. Thirty-four states and the District of Columbia applied for the fiscal year 2013/2014 funds.

Project Rental Assistance Contracts/Project Assistance Contracts Renewals/Amendments

The Department requests \$150 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) Renewals and Amendments in fiscal year 2016. Project Assistance Contracts (PACs) support projects developed for persons with disabilities

Housing for Persons with Disabilities (Section 811)

under the Section 202 Program before authorization of Section 811 as a separate program in 1990. This set-aside provides continued assistance to tenants of Section 811 projects in which the initial PRAC/PAC has expired or all reserved funding has been disbursed. HUD estimates that \$10 million of the increased need in fiscal year 2016 is due to contracts being renewed or amended for the first time.

2. What is this program?

The Section 811 Supportive Housing for Persons with Disabilities program¹ allows very low- or extremely low-income persons with disabilities to live independently by providing deeply affordable rental housing that is integrated into the local communities. The program targets vulnerable persons with disabilities who need affordable housing to effectively access community-based supports and services. Those living in Section 811 supportive housing need access to a variety of community-based services and support (such as case management, housekeeping assistance, assistance with activities of daily living and more) to live independently in the community. Without Section 811 supportive housing, many of those served by the program would live in an institution, with aging parents, in a homeless shelter, or on the streets. By helping individuals with disabilities live independently in their communities, this program avoids the costs of more expensive institutional settings and helps states comply with the Supreme Court's *Olmstead* decision.

Section 811 serves very low-income individuals with serious and long-term disabilities, including physical or developmental disabilities as well as mental illness. More than two-thirds of residents of Section 811 have developmental disabilities and chronic mental illness and the majority of those residents came from nursing homes, hospitals and other specialized residences. Many residents of Section 811 are at-risk of homelessness or have experienced chronic homelessness. To be eligible for traditional Section 811 housing, individuals with disabilities must have incomes at or below 50 percent of area median income. Most residents fall far below that threshold. In fiscal year 2011, the average annual income of the approximately 30,000 households served by Section 811 was \$10,500. Starting in fiscal year 2012 under the Project Rental Assistance program, Section 811 has been further targeted and is only made available to extremely low-income individuals with disabilities whose income is at or below 30 percent of the area median income.

Recipients of Section 811 Funds

Project Rental Assistance Awarded to State Housing Agencies

¹ The Supportive Housing for Persons with Disabilities program is authorized by Section 811 of the Cranston-Gonzales National Affordable Housing Act of 1990 (PL 101-625) as amended by the Housing and Community Development Act of 1992 (PL 102-550), the American Homeownership and Opportunity Act of 2000 (PL 106-569), and most recently by the Frank Melville Supportive Housing Investment Act of 2010 (PL 111-374), which passed with unanimous bipartisan support and was signed into law on January 4, 2011. The Melville Act significantly reformed the Section 811 program by authorizing Section 811 Project Rental Assistance to be administered by State housing agencies in order to align the housing assisted by Section 811 with State health care priorities.

Housing for Persons with Disabilities (Section 811)

The Melville Act authorized a new funding model for Section 811 in which project rental assistance (PRA) is administered by state housing agencies, to better align activities with State healthcare priorities. To be eligible for Section 811 PRA funds, a state housing agency must have a formal partnership with its state health and human services agency that will provide appropriate services directly to residents. The PRA comes in the form of operating assistance grants from the grantee state housing agencies to new or existing multifamily housing complexes which have received capital funding from Low-Income Housing Tax Credits (LIHTC), federal HOME funds, or other governmental and private sources of funding. Awards made in fiscal year 2012 include an initial 5-year increment of operating assistance funding. To be eligible for PRA, units must be integrated into multifamily complexes of five or more units. This assistance will allow these properties to provide housing to people with disabilities, including individuals transitioning out of institutions or experiencing chronic homelessness, who are much lower income than those who would normally be able to access or afford housing subsidized only through the LIHTC and/or HOME programs.

Additionally, the program is structured to adequately address the service needs of the target population. The program is designed to encourage collaboration between state agencies that administer health and human services and housing programs. This has resulted in the creation of long-term strategies for the development of affordable housing with structured access to appropriate services and a substantial increase in the production of rental housing units for persons with disabilities by integrating these units within existing and new multifamily properties where the capital costs for construction are being provided at the state and local level (such as through tax credits).

Successful Section 811 PRA applications ensure that necessary services will be provided or coordinated once the project is funded. Services vary depending on the needs of individual tenants, who can be people with physical disabilities, developmental disabilities, serious mental illness or other disabilities or chronic conditions. Most Section 811 residents are Medicaid-eligible and are accessing community-based services that might otherwise require services in an institutional setting. Services may include case management, homemaker, home health aide, personal care, adult day health services, habilitation, and respite care. States have flexibility to target PRA-funded units to people with a broad range of disabilities, including people who are currently residing in institutions or experiencing homelessness or people at significant risk of institutionalization.

Capital Advances and Operating Assistance Contracts

Prior to fiscal year 2012, HUD provided operating subsidies and interest-free capital advances to nonprofit sponsors to help them finance the development of affordable rental housing for persons with disabilities. This financial assistance has been used to support the construction, rehabilitation, or acquisition (with or without rehabilitation) of housing for persons with disabilities. Capital advances were most recently awarded for new Section 811 projects in November 2011. The capital advance did not have to be repaid as long as the housing remained available for very low-income persons with disabilities for at least 40 years.

Under this program, HUD provided a project rental assistance contract (PRAC) with each capital advance to cover the difference between the HUD-approved operating cost for the project and the tenant's contribution towards rent, which is limited to 30 percent

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of a tenant's income. The initial term of the PRAC was 3 years, and these contracts are renewed annually based on project's compliance with Section 811 requirements. While capital advance funds are no longer being awarded, HUD continues to support existing Section 811 properties with rental assistance contracts.

3. Why is this program necessary and what will we get for the funds?

This program addresses the high unmet housing need of very-low income renters with disabilities who cannot find affordable housing and have severe housing problems. HUD's latest *Worst Case Housing Needs Report* estimates that one in six renters with the worst case housing needs have disabilities. The number of households with worst case needs having at least one nonelderly person with disabilities increased from 990,000 in 2009 to 1.31 million households in 2011, an increase of 320,000 households. Persons with disabilities often require special accommodation and support services to live independently. Finding housing that accommodates these special needs is a challenge. Approximately half of households with disabilities that have worst case housing needs have ambulatory and cognitive disabilities and one-third have independent living limitations.² Two-thirds of people with disabilities assisted by the traditional Section 811 have developmental disabilities or chronic mental illness and thus require extensive supportive services.³

State Level Efforts to Promote Community Living and *Olmstead* Compliance

The Section 811 Project Rental Assistance program is designed to directly complement state-level strategies for targeting high-cost populations of persons with disabilities who are unnecessarily living in institutional settings. Efforts by States to rebalance their service delivery from institutions to home and community-based services to comply with the Supreme Court's *Olmstead* decision have created an additional pressing need for housing for persons with disabilities.

Under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities.⁴ State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by Health and

² Mathematica Policy Research. 2011. *Money Follows the Persons 2010 Annual Evaluation Report: Final Report*. Retrieved from http://www.mathematica-mpr.com/publications/pdfs/health/MFP_2010_annual.pdf.

³ Locke, G., C. Nagler, K. Lam. [Implications of Project Size in Section 811 and Section 202 Assisted Projects for Persons with Disabilities](#). Washington, DC: U.S. Department of Housing and Urban Development. 2005. Also Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

⁴ In *Olmstead v. L.C.*, 527 U.S. 581 (1999), the Supreme Court held that Title II of the Americans with Disabilities Act prohibits the unjustified segregation of people with disabilities in nursing homes or other institutional settings. Federal regulations require that states or other public entities must reasonably modify their policies, procedures or practices to avoid such discrimination. 28 C.F.R. § 35.130(b)(7). For more information see "Statement of the Department of Justice on Enforcement of the Integration Mandate of Title II of the Americans with Disabilities Act and *Olmstead*". *Olmstead v. L.C.*" at http://www.ada.gov/olmstead/q&a_olmstead.htm.

Housing for Persons with Disabilities (Section 811)

Human Services (HHS) Centers for Medicare and Medicaid Services. States often find themselves limited in achieving this mandate even when they have effective Medicaid waiver programs in place because the target population cannot afford or find suitable housing to live in the community. Twenty out of 34 states reported insufficient supply of affordable and accessible housing options to meet the need of the program.⁵ A recent report by the US Senate's Health, Education, Labor, and Pensions Committee also found that states are lagging behind the implementation of the *Olmstead* mandate and lack of affordable and integrated housing was identified as one of the reasons for it.⁶

Across the country, States are going through the process of identifying high-priority populations for moving into the community, because of *Olmstead* mandates. In particular, seven states, working with the Department of Justice, have identified 28,500 individuals who must be moved from institutions to the community to comply with *Olmstead*. Extrapolating from these seven states and examining data from the Money Follows the Person program, HUD estimates a national demand of approximately 170,000 units that would benefit from Section 811 Project Rental Assistance.

Potential Cost Savings

There is a great need to reduce health care cost for people with disabilities and find more cost-effective ways to ensure that people with disabilities receive the support and services they need in the community. Affordable housing has been a key barrier to this goal: evaluations of HHS' Money Follows the Person program have found lack of affordable housing in the community to be a primary barrier to transitioning people out of costly institutions.⁷

While there is currently no direct research on the cost-effectiveness of the Section 811 program, one of the evaluations of the Money Follows the Person (MFP) program indicates that there are significant savings that can be gained from moving people with disabilities from institutional settings to the community. The MFP 2010 annual evaluation found that the average annual spending on home and community-based services (HCBS) per participant was more than one-third lower than the average annual Medicaid spending on institutional care for beneficiaries in nursing homes.⁸

Nationally, there are an estimated 137,000 non-elderly persons who live in nursing homes and are eligible for MFP and could potentially be transitioned to a Section 811 unit. The Genworth 2014 Cost of Care Survey estimate the national average cost of nursing home at \$77,380 a year for a semi private room. The cost of this type of facility has been growing at 4 percent a year in

⁵ Mathematica Policy Research. *Money Follows the Person Demonstration: Overview of State Grantee Progress, July to December 2011*. June 2012. Retrieved from: http://www.mathematica-mpr.com/publications/PDFs/health/mfp_jul-dec2011_progress.pdf.

⁶ U.S Senate Health, Education, Labor, and Pensions Committee. 2014. *Separate and Unequal: States Fail to Fulfill the Community Living Promise of the Americans with Disabilities Act*. Retrieved from: <http://www.help.senate.gov/imo/media/doc/Olmstead%20Report%20July%2020131.pdf>

⁷ Lipson, D.J., C.S Valenzano, and S.R. Williams. 2011. "What Determines Progress in State MFP Transition Programs?" National Evaluation of the Money Follows the Person (MFP) Demonstration Grant Program, Report from the Field, No. 8. Cambridge MA: Mathematica Policy Research. October 2011. Retrieved from <http://www.mathematica-mpr.com/publications/pdfs/health/MFPfieldrpt8.pdf>

⁸ Mathematica Report, June 2012.

Housing for Persons with Disabilities (Section 811)

recent years.⁹ The 2010 National Survey of Residential Care Facilities found that 6 out of 10 residents under age 65 in Assisted Living Facilities are Medicaid beneficiaries. This represents approximately 45,000 people under age 65 living in these facilities who are Medicaid beneficiaries. In 2013, the mean national total monthly charge per resident for residential care was \$3,500 (\$42,000 a year).¹⁰

4. How do we know this program works?

HUD is currently designing an evaluation of the Section 811 PRA demonstration program, as required under the Frank Melville Supportive Housing Investment Act of 2010. This evaluation will be implemented in phases and will include an in-depth process evaluation, case studies of promising supportive housing approaches for persons with disabilities, and preliminary outcome studies. A second phase of the evaluation will include a comprehensive outcome and cost-effectiveness study that will capture participant-level quality of life and health care outcomes and costs. In collaboration with HHS' Centers for Medicare and Medicaid Services (CMS), HUD expects to utilize administrative and survey data to document participants' characteristics and housing and health outcomes and costs.

Until HUD gets results from this evaluation, the MFP program provides useful information about the outcomes of people with disabilities transitioning from institutions to the community. The MFP 2011 annual evaluation found that among those MFP participants who reported being unhappy with their lives while living in an institution, about 73 percent reported being satisfied with life in the community. Participants also reported greater sense of choice and control and community integration.¹¹ Studies of the traditional Section 811 program confirm this level of satisfaction with integrated living arrangements. Approximately 65 percent of Section 811 residents were very satisfied with their living arrangements and 29 percent were somewhat satisfied. The majority of residents (80 percent) stated that they were able to obtain the services they needed. Frequently cited reasons for moving into HUD-assisted housing include: "a desire to live more independently" (47 percent), "availability of onsite support services" (9 percent), and "handicapped accessible" (9 percent).¹²

Past studies of the traditional Section 811 have shown that projects are in high demand, with rare vacancies and very low turnover.¹³ In an MFP report, States cited lack of affordable, accessible housing as the single greatest barrier to helping more people move out of institutions.¹⁴

⁹ Genworth. 2014 Genworth Cost of Care Survey. Medicaid billing for a nursing home facility could be lower, but national data on the cost of nursing homes for Medicaid beneficiaries was not available.

¹⁰ Caffrey, C. et al. 2012. Residents Living in Residential Care Facilities: United States, 2010. NCHS Data Brief 91. Genworth. 2014 Genworth Cost of Care Survey.

¹¹ Mathematica Report, June 2012

¹² Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

¹³ Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

Housing for Persons with Disabilities (Section 811)

Recent reforms in Section 811 have addressed most of the issues identified in past studies and program reviews, namely: (a) delays in project development due to administrative processes, the low capacity of sponsors, and insufficient capital advances; and (b) a need for integrating the occupancy of the buildings themselves (less concentration of persons with particular types of disabilities or diagnoses) in addition to locating buildings in integrated settings. With key changes enacted into law in fiscal year 2011 by the Melville Act, Section 811 units funded through the Project Rental Assistance program will be integrated into larger multifamily developments. The program is expected to build on the capacity created by the MFP Demonstration. Between 2007 and 2011, States coordinated housing and supportive services to transition more than 11,560 non-elderly people with disabilities to community living through MFP.¹⁵

This Section 811 Project Rental Assistance is also expected to better leverage program funds by working better with other traditional sources of affordable housing finance, such as LIHTC. Additionally, by allocating Section 811 funds through state housing agencies that are already providing financing to multifamily projects and are coordinating supportive services to integrated community living, HUD hopes to ensure that projects are ready more quickly and align more closely with other the federal initiatives.

5. Proposals in the Budget

- Housing for Persons with Disabilities (Section 811) Transfer Authority: In certain States, existing Section 811 group homes are facing difficulties getting referrals for certain disability populations due to Olmstead settlements or enforcement actions.¹⁶ Lack of referrals puts these Section 811 properties at risk of failure or foreclosure, which would result in the loss of much needed affordable housing options for persons with disabilities. The requested Section 811 transfer authority would give the Department needed flexibility to transfer Section 811 subsidies to properties that comply with local Olmstead requirements.¹⁷ (Section 247 of General Provisions)

¹⁴ Locke, G., C. Nagler, K. Lam. [Implications of Project Size in Section 811 and Section 202 Assisted Projects for Persons with Disabilities](#). Washington, DC: U.S. Department of Housing and Urban Development. 2005. Also Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

¹⁵ Mathematica Policy Research. 2012. *Money Follows the Person 2011 Annual Evaluation Report: Final Report*. Retrieved from http://www.mathematica-mpr.com/publications/pdfs/health/MFP_annual_report_2011.pdf

¹⁶ For example, a state *Olmstead* settlement with the Department of Justice may require that a state service agency not refer persons with mental illness or developmental disabilities into group homes with more than four residents.

¹⁷ For example, under this authority a Section 811 project rental assistance contract supporting a 6-person group home could be transferred to two 3-person group homes.

Housing for Persons with Disabilities (Section 811)

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Disabled (Capital Advance, Other Expenses and PRAC) ...	...	\$38,813	\$38,813	\$3,993	...	\$15,485	\$15,485	\$2,000
Disabled PRAC PAC Renewal/Amendment	\$106,000	3,545	109,545	104,307	\$135,000	5,233	140,233	150,000
Project Rental Assistance Demonstration (PRAD) .	20,000	201,521	221,521	100,642	...	153,879	153,879	25,000
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based) .....	...	297	297	...	...	297	297	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[1,345]
Total	126,000	244,176	370,176	208,942	135,000	174,894	309,894	177,000

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For amendments to capital advance contracts for supportive housing for persons with disabilities, as authorized by section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Act and for project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, [~~\$135,000,000~~ *\$177,000,000*, to remain available until September 30, [2018] *2019*: Provided, That amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 811 projects: Provided further, That, in this fiscal year, upon the request of the Secretary of Housing and Urban Development, project funds that are held in residual receipts accounts for any project subject to a section 811 project rental assistance contract and that upon termination of such contract are in excess of an amount to be determined by the Secretary shall be remitted to the Department and deposited in this account, to be available until September 30, [2018] *2019*: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available in addition to the amounts otherwise provided by this heading for the purposes authorized under this heading: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated. (Department of Housing and Urban Development Appropriations Act, 2015.)

**HOUSING
HOUSING COUNSELING ASSISTANCE
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING COUNSELING ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$45,000	...	...	\$45,000	\$44,133	\$36,883
2015 Appropriation/Request	47,000	...	...	47,000	47,000	30,000
2016 Request	<u>60,000^a</u>	<u>...</u>	<u>...</u>	<u>60,000</u>	<u>60,000</u>	<u>47,000</u>
Program Improvements/Offsets	+13,000	...	...	+13,000	+13,000	+17,000

a/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to \$456 thousand.

1. What is this request?

For fiscal year 2016, the Department requests \$60 million for the Housing Counseling Assistance program, an increase of \$13 million from the fiscal year 2015 enacted level. Funding at this level will permit the Office of Housing Counseling to meet nearly 2 million consumers' needs to improve or restore their borrowing ability, access credit, and improve their housing quality and affordability.

This funding request will expand the capacity and quality of the HUD-approved housing counseling network by:

- Sustaining and improving the roster of HUD-approved housing counselors as required by statute in order to help consumers avoid scams and ensure the highest quality of housing counseling services;
- Increasing the capacity of housing counseling agencies through: (i) additional training opportunities for counselors, (ii) increased consumer awareness of the benefits of housing counseling, (iii) creating or strengthening regional and statewide housing counseling networks, and (iv) technical assistance to agencies to address the needs of underserved areas or vulnerable populations;
- Increasing awareness of housing counseling and promoting policies that encourage the use of housing counseling prior to a sales contracts, loan closing, early payment delinquency or loan default/modification;

Housing Counseling Assistance

- Implementing initiatives to expand the accessibility and efficiency of housing counseling through streamlining and through further reductions of administrative burdens to consumers and to counseling agencies; and
- Enhancing HUD's oversight capacity by expanding its analysis of outcome measurements and improvements to its oversight program.

The majority of the funding requested in this account, an estimated \$52.5 million, will be distributed competitively to support the direct provision of a holistic range of housing counseling services that are appropriate to local market conditions and individual consumer needs. An additional \$3 million will be used to strengthen the quality of housing counseling through training for organizations and counselors that increases subject matter expertise and assists counselors and organizations to meet new requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203). The remaining \$4.5 million of the requested funds will be used for administrative contract services to further streamline internal processes, enhance counseling agency oversight, measure the impact of counseling services, and increase consumer awareness of the program including anti-fraud initiatives.

- In 2016, we estimate that 2,400 HUD-approved housing counseling agencies employing an estimated 8,000 newly or soon-to-be certified housing counselors will assist a total of 2 million renters and owners to obtain, maintain or preserve their homes by making informed choices about their financial and housing options. Policy initiatives will improve credit access and raise the awareness of housing counseling.
- We estimate that HUD Housing Counseling grants will leverage approximately \$296 million in other public and private funding, demonstrating the value of counseling to local partners and increasing the availability of resources for counseling agencies.
- In 2016, we will expand the capacity of housing counselors by funding training and technical assistance through multiple modalities and in multiple languages to help consumers recover from the recession by increasing savings, improving financial capability, assisting families to understand the responsibilities of tenancy and ownership, addressing barriers to owning or renting a quality affordable home, recognizing discrimination and fraud, and accessing public and private programs to assist families to achieve their financial and housing goals.
- We will continue to implement statutory mandates in 2016. Based on current timeframes, the Office of Housing Counseling will have begun implementing the requirement to certify and test all housing counselors in 2016; and we will continue to work with the National Industry Standards Committee to increase the standardization of housing counseling content beyond pre-purchase and foreclosure. We will convene the Housing Counseling Federal Advisory Committee, and we will continue to improve business processes to reduce administrative cost burdens for housing counseling agencies.

2. What is this program?

Through HUD's housing counseling program, disadvantaged families improve their financial situation, address their current housing needs, and pursue their housing and financial goals over time. Housing counseling ranges from addressing the crises of homelessness or foreclosure, to planning for the first-time home purchase or setting up a matched savings account. Housing counseling serves an important role in the success of other HUD initiatives as well as state, local and federal priorities. Housing counselors are a gateway to legitimate state, local, federal and private housing assistance programs, and housing counselors provide an important safeguard against discrimination, scams and fraud. By teaching consumers basic principles of housing and money management, housing counselors help them to increase their residual income and savings, improve their housing conditions, provide access to credit, and give them greater stability and confidence. This is especially true for those affected by unemployment, poor credit, inappropriate mortgage choices, and high debt during the years following the recession.

Housing counselors increase awareness of both rights and responsibilities of homeownership and rental tenancy, addressing fundamental concepts such as anti-discrimination laws, budgeting, affordability calculations, maintenance and upkeep responsibilities, eviction and homelessness prevention, and where to get help when future housing challenges arise. Housing counselors provide support to households facing unemployment, finding and maintaining housing after returning from military deployment, or moving their families because their current housing situation is unsustainable. They connect families to state, local, federal and charitable resources that can mean the difference between stable housing and involuntary relocation or even homelessness.

HUD-approved housing counseling agencies also play a critical role when a natural disaster strikes a community. For example, HUD-approved housing counseling agencies have played a major role in assisting survivors of Hurricane Sandy, even as they themselves were directly affected by the storm. They have helped homeowners find replacement housing, submit Federal Emergency Management Agency (FEMA) claims; access emergency loans for boilers and hot water heaters; navigate insurance issues; obtain mortgage relief; avoid scams and find reputable contractors; and provided and even distributed cleaning supplies and tool boxes immediately following the storm. Housing counseling agencies were quick to identify people and places that were having trouble getting assistance and to fill gaps in the disaster recovery services. HUD issued a program guide documenting the value of housing counseling in disaster recovery; see:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc/OHC_DISA

Who benefits from HUD Housing Counseling Assistance?

From 2009 through the third quarter of 2014, HUD-approved counseling agencies have helped over 12.6 million Americans, especially those who are underserved. Through the third quarter of 2014, 52 percent of counseled clients were racial minorities; 18 percent were Hispanic; and 62 percent had low- or moderate-incomes. HUD records show that housing counseling is provided in 22 different languages, in all 50 states and every American territory, through in-person, telephone and internet modalities.

Housing Counseling Assistance

HUD's housing counseling program successfully targets families in need of help. Consumers benefiting from HUD-approved pre-purchase and foreclosure prevention services who participated in two outcome research studies on pre-purchase and foreclosure prevention counseling – conducted by HUD's Office of Policy Development and Research (PD&R) and published in March 2012 – had the following characteristics:

- Pre-purchase Study participants were racially and ethnically diverse (52 percent African American, 32 percent White, 16 percent of another race or multi-racial, and 19 percent Hispanic), were more likely to be young (51 percent were under age 35), female (72 percent), and have dependents under the age of 18 living with them (57 percent).
- The majority of Foreclosure Prevention study participants (59 percent) were women, compared with 43 percent of U.S. homeowners overall. Study participants were more likely to be non-White or Hispanic than U.S. homeowners overall, which is consistent with the disproportionate rate of foreclosures among racial and ethnic minorities in recent years. In particular, 30 percent of study counselees were African-American, while only 8 percent of U.S. homeowners are African-American.
- Study participants had lower incomes than most homeowners. The median income of foreclosure counselees at the time of seeking counseling was approximately \$36,000, which is only 56 percent of the median household income for all U.S. homeowners at the time. About 70 percent of counselees had at least some household income from current employment.

How does HUD support Housing Counseling Activities Nationwide?

HUD works closely with its network of approximately 2,400 HUD-approved housing counseling agencies, intermediaries and stakeholders to monitor the changing nature of housing finance, housing affordability, foreclosures, scams, increased homelessness and unemployment in order to assess how housing counselors can best equip Americans to adjust to changes in housing stock, housing tenure, housing finance, and household income. For example, after Hurricane Sandy devastated the northeast in October 2013, OHC engaged housing counselors in discussions to learn about the challenges facing their clients and communities. As a result of those discussions, HUD released several model programs designed to help communities get Community Development Block Grant Disaster Recovery (CDBG-DR) funds more expeditiously to residents struggling to rebuild, repair or restore their homes. Not all CDBG-DR grantees have the capacity or institutional knowledge to develop programs quickly after a disaster. For this reason, HUD developed these tool kits or "Programs in a Box" that grantees can readily utilize to speed program implementation. Sandy-affected grantees have used these toolkits to establish housing counseling for residents that are experiencing financial hardship while repairing their homes. Other program initiatives include sharing innovative practices among agencies and promoting the value of housing counseling to other government partners as well as private industry and directly to consumers.

Housing Counseling Assistance

Key Partners and Stakeholders

HUD's housing counseling program works closely with other HUD programs including those of the Federal Housing Administration, and also with numerous federal, state and city programs as well as private initiatives to leverage dollars and resources to improve families' housing situations. Specifically, OHC has strengthened its existing relationship with the Office of Single Family Housing, seeking to ensure a more pronounced use of counseling in the loan origination and servicing spaces. For instance, OHC and SF will work together to negotiate the future integration of counseling type into the FHA loan performance data warehouse to better examine the housing outcomes of counseled FHA borrowers.

With the launch of the Office of Housing Counseling, HUD has reached out to several hundred counseling agencies through listening tours or meetings in nearly every state and territory which will endure into the foreseeable future to continually improve our program. Industry partnerships are a critical part of the success of housing counseling, and HUD meets regularly with industry representatives from lending institutions, HOPE NOW, the Financial Services Roundtable, various real estate trade associations and professionals, academics, and other experts in financial and housing education.

HUD housing counseling is a widely recognized element in the success of other policy initiatives.

The following federal, state and local programs encourage or require education or counseling by HUD-approved housing counseling agencies as an element of program eligibility to ensure funds are well utilized by the consumer over the long term:

- Loss Mitigation alternatives under Home Affordable Modification Program (HAMP, US Treasury);
- Federal Home Loan Bank First-Home Club matched savings programs;
- Various disclosures and requirements under mortgages regulated by the Consumer Financial Protection Bureau;
- Neighborhood Stabilization Program (HUD);
- GSE REO-to-Rental program (Fannie Mae and Freddie Mac);
- HOEPA (high cost) loans (Consumer Financial Protection Bureau);
- HECM-insured loans (reverse mortgages) (HUD);
- Rural mortgage loans (Department of Agriculture; and
- State and local initiatives:

In addition, the National Mortgage Servicing Settlement depends upon housing counselors to help consumers access relief programs and monitor servicer compliance (whether or not states have chosen to use settlement funds to fund housing counseling directly).

While these and other programs require or incentivize housing counseling, typically, the programs do not pay for the required housing counseling services. As noted above, the vast majority of HUD housing counseling clients are low- and moderate-income Americans, and disproportionately racial and ethnic minorities. HUD requires foreclosure prevention counseling to be offered free of

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charge in order to help consumers distinguish legitimate HUD-approved counseling from scams seeking a quick cash payment. Free housing counseling services also ensures the broadest possible availability of counseling to the targeted audience. Without HUD funding, there will not be a sufficient supply of housing counseling to support these programs, making them less effective. Fewer households will save their homes or purchase homes through these programs.

Economic recovery initiatives directed at revitalizing neighborhoods affected by foreclosures and restoring consumer confidence in credit markets also benefit from housing counseling. Counselors coordinate with state and local programs to target educated first-time homebuyers to buy previously foreclosed properties newly renovated through public and private efforts. They work with clients to repair credit histories damaged by mortgage default, high debt or blemishes caused by unemployment, making them eligible to participate responsibly in mainstream financial programs.

HUD's housing counseling program contributes to every Department Strategic Plan goal. Housing counseling activity is tracked as part of Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers. HUD housing counselors working to increase savings and improve credit history for renters are providing well-prepared occupants for HUD programs contributing to Goal 2: Meet the Need for Quality Affordable Rental Homes. Housing counselors are expected to link consumers to other forms of assistance, furthering Goal 3: Utilize Housing as a Platform for Improving Quality of Life. Housing Counseling agencies are required to incorporate knowledge about anti-discrimination laws and the benefits of mobility, furthering the impact of Goal 4: Build Inclusive and Sustainable Communities Free from Discrimination. The streamlining and automating of housing counseling systems is an important part of several strategic management objectives aimed at improving the way that HUD does business. As a result of our initiatives, we expect housing counseling agencies to spend less time satisfying HUD administrative requirements, and more time providing quality housing counseling to American families.

3. Why this program is necessary and what will we get for the funds?

Congressional investment in the housing counseling industry will remain a key way to help consumers resume their contribution to their local and national economy. Data suggest that as the nation emerges from the foreclosure crisis, the Department will continue to address the challenges posed by unemployment rates, a soft real estate market, homelessness, and a tight rental market through 2016. Reports of scams and fraud continue at a high rate. Consumers will continue to need a trusted advisor to help them recover from recession-related housing loss and unemployment, and to regain their ability to budget, save and borrow.

Counseling provides fundamental and unbiased information to the consumer's household so that they can make the best housing choices for their situation. As the recovery from the crisis continues, housing counselors remain on the front lines. Servicers and elected officials use HUD-approved counselors as a reliable referral source for families facing foreclosure or having difficulty obtaining loan modifications. Counselors must understand the latest foreclosure prevention initiatives and have special escalation channels for cases that require additional review. For homeowners who have lost their homes, counseling provides assistance with

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credit repair, access to charitable funding for moving expenses, education about the rights and responsibilities of tenancy, and connection to rental opportunities. Counselors work with homelessness-prevention programs and help homeless families in shelters to find more permanent housing at less cost to the government. In all cases, counselors inform clients of their responsibilities as tenants and owners, to help them make changes to their short- and long-term spending habits to meet their housing needs, and to connect them to other types of assistance and support. Most importantly, housing counselors have a duty to their clients to provide unbiased and objective information and are an important safeguard against fraud and scams.

HUD has collected recent studies on the state of the housing counseling industry. Reports indicate that the housing counseling industry was severely weakened by funding cuts, delayed responsiveness by servicers to mortgage solutions, and sophisticated scams that left consumers wary of seeking help. Counseling agencies reported in 2014 that demand for pre-purchase, rental, and homeless counseling are at an all-time high, while foreclosure prevention counseling is surging in some states as servicers resume foreclosure actions and sustainable mortgage resolutions are provided as a result of settlements.

At the same time, the cost of counseling has increased. Foreclosure moratoria, settlement conferences, and prolonged unemployment have delayed consumers from qualifying for mortgage resolution, credit overlays and other underwriting requirements, and the average time each counselor must spend to qualify a consumer for a particular solution has increased despite important technological advances. Disputes over proper documentation, violations of servicing standards, changing guidelines for loss mitigation and changing borrower circumstances all lead to increased time and cost of counseling for these difficult cases.

The collapse of the housing market created an opportunity for loan modification and other real estate scams to thrive. Today, the loan modification scam "industry" is booming. In February 2010, the Lawyers' Committee for Civil Rights Under Law launched the national Loan Modification Scam Database as a repository for complaints from foreclosure rescue scam victims. As of early 2014, foreclosure rescue scam victims have reported over \$90 million in losses from fees paid to fraudulent and deceptive "rescuers". Homeowners reported paying monthly fees to scam organizations and individuals that totaled an average \$10K-\$12K annually. A substantial portion of this staggering total was losses sustained by seniors. Counseling helps prevent loan modification scams and provide households in need with safe and legitimate mortgage modification assistance.

But other results, while undocumented, may be even more important. Counseled consumers are knowledgeable, able to develop and follow a budget, improve their residual income and reduce their debts, know their rights as tenants, borrowers and owners, and connect to their neighbors, neighborhoods, and contribute to the local and regional economy. Evidence and anecdote indicate that counseled borrowers reduce debt, avoid scams, return to stable housing, avoid depression, avoid foreclosure, and avoid homelessness at a greater rate than non-counseled consumers.

4. How do we know that this program works?

Evidence continues to mount regarding the effectiveness of housing counseling. Recent research (summarized below) has confirmed the value of HUD-approved housing counseling to help families obtain, retain, finance, and maintain their homes. Although most of the recent studies have attempted to control for selection bias, HUD has begun the design of a long term, randomized experimental study to measure the impact of pre-purchase counseling on household outcomes. The study will track low- and moderate-income potential applicants at major national mortgage originators. Participants are currently randomly enrolled in housing counseling and tracked against similar new potential applicants who do not receive from housing counseling. We expect preliminary results in fiscal year 2016.

Recent research includes the following:

- The most recent (September 2014) Urban Institute assessment of the National Foreclosure Mitigation Counseling (NFMC) program for Neighbor Works, which reviewed a sample of 240,000 loans, indicates that counseling has a profound, positive and lasting effect on people facing foreclosure:
 - Of the 151,000 loan modifications received by clients in the study, research supports that 96,000 would not have received a modification but for the counseling intervention, nearly two-thirds of the population.
 - NFMC counseled clients receiving modifications, saved approximately \$4980 per year on their loan payments.
 - NFMC counseled clients that received a modification, were 70 percent less likely to revert to a troubled status.
 - NFMC counseled clients were 72 percent less likely to re-default than non-counseled counter-parts on non-modification cures.
- An April 2014 special report by the Federal Reserve Bank of Philadelphia based on a five year randomized experiment of pre-purchase counseling and financial literacy training for first-time home buyers, found that:
 - Subjects in the experimental group receiving one-on-one counseling improved their credit scores nearly 16.2 points (FICO 606 → 622), around twice the level of the increase for the control group not receiving counseling.
 - One-on-one counseling was statistically significant in helping borrowers to reduce their incidence of 30/60/90 day late payments.
 - One-on-one counseling was significant in helping borrowers reduce household debt over the study period by nearly twice the amount of non-counseled borrowers - \$3,109 versus \$1,447.

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- A 2013 study by Freddie Mac found strong evidence that participating in pre-purchase homeownership counseling reduces delinquency rates. Freddie Mac analyzed nearly 38,000 purchase money and fixed-rate loans made under Freddie Mac's affordable lending programs between 2000 and 2008. Nearly 60 percent of the sample is composed of first-time home buyers and 10 percent of those were non-counseled. Key findings include:
 - Pre-purchase counseling provides a significant reduction in delinquency rates. Delinquency rates of borrowers receiving counseling are 15 percent lower than those not receiving counseling;
 - The effect is mostly due to the significant impact of pre-purchase counseling on first-time home buyers. First-time buyers' delinquency rates are reduced 29 percent from receiving counseling;
 - A 29 percent reduction in delinquency rates reduces default costs to lenders by about \$1,000; and
 - Classroom, home study and telephone counseling are all effective.
- In a study published in 2013, Neil Mayer and Associates, together with Experian, using information on about 75,000 loans originated between October 2007 and September 2009, analyzed the impact of pre-purchase counseling and education, provided by housing counseling agencies in NeighborWorks America's network, on the performance of counseled borrowers' mortgages. It compared mortgage performance for counseled buyers over 2 years after the mortgages are originated to mortgage performance of borrowers who receive no such services. The key finding of the study is that:
 - Clients receiving pre-purchase education and counseling from NeighborWorks organizations are one-third less likely to become 90+ days delinquent over the 2 years after receiving their loan than borrowers who did not receive counseling from NeighborWorks organizations.
 - The findings are consistent across years of loan origin, even as the mortgage market changed in a period of financial crisis.
 - The findings apply equally both to first-time homebuyers and to repeat buyers.
- The findings from HUD studies of longitudinal outcomes of pre-purchase and foreclosure prevention counseling published in May 2012 are also significant: http://www.huduser.org/portal/publications/hsgfin/pre_purchase_counseling.html

The "Pre-Purchase Counseling Outcome Study" provides detailed characteristics of a sample of people seeking pre-purchase counseling, including their income and credit status, their reasons for seeking counseling, the stage in the purchase process at which counseling occurs, and detailed information about the nature of counseling services delivered including total hours of counseling received, type of counseling, and which topics were covered.

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The key findings of the study include:

- Most study participants were planning to purchase a home within one year (74 percent) and were motivated to seek counseling to identify homebuyer assistance programs (58 percent) or to obtain down payment or closing cost assistance or to qualify for a specific loan program (58 percent).
 - Most study participants started pre-purchase counseling early in the home buying process (only 15 percent had a signed purchase agreement), had not received any kind of housing counseling or financial education within the past 3 years (66 percent) and received education on topics related to homeownership readiness, help with budgeting and improving their credit, financing a home, and shopping for a home.
 - About one third (35 percent) of the study participants had become homeowners within 18 months after seeking pre-purchase counseling. Those participants who had become homeowners had higher average incomes, more money in savings, higher credit scores, and were more likely to be employed full-time and have a college degree than non-purchasers.
 - The study tracked participants at 12 to 18 months after receiving pre-purchase counseling services. Only one of the purchasers had fallen at least 30 days behind on his or her mortgage payments and none had a major derogatory event on a mortgage account.
- HUD's "Foreclosure Counseling Outcome Study" involved conducting baseline interviews with 824 foreclosure counseling clients, tracking the housing counseling services they received, and analyzing homebuyer outcomes through an analysis of credit report data. A follow-up telephone survey was conducted approximately 18 months after the foreclosure counseling services were delivered.

About three-quarters of the homeowners who had fallen behind on their payments did so because of a loss of income, and very few had any savings to draw upon to pay missed mortgage payments. The study finds that large shares of counseled homeowners were able to obtain a remedy, retain their home, and become current on their mortgages. These outcomes were much more common among homeowners in the study who sought counseling before becoming delinquent or in the early stages of delinquency (1-3 months).

This study provides information on who accesses counseling services when facing challenges in paying their mortgage loan, what services those clients obtain, and identifies the outcomes the clients experienced in the following 18 months (though it cannot assert that the counseling caused the outcomes). The report's findings include:

- Most study participants attempted to contact their servicer when they first fell behind but were unsuccessful in negotiating with their lenders on their own.

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- With a counselor's help, 69 percent of counselees obtained a mortgage remedy, and 56 percent were able to become current on their mortgages.
- Nearly 70 percent of clients who sought counseling before becoming delinquent were in their home and current on their mortgage payments at the 18-month follow-up period, whereas only 30 percent of clients who were 6 or more months behind at the time they entered counseling were in their home and current at follow-up.

The results suggest that counseling can help many homeowners at risk of foreclosure to negotiate and obtain mortgage remedies, and to become current on their mortgage payments. In addition, homeowners in the study who were able to obtain mortgage remedies were more likely to stay in their homes. The HUD study is also one of the few studies that documents housing outcomes in relation to specific counseling services received.

The full impact of housing counseling, however, likely extends beyond homeownership. First, the HUD-funded housing counseling program covers a broad array of household financial situations and housing needs beyond pre-purchase and foreclosure prevention (for example, preventing an eviction from rental housing will have different consequences than assisting with a responsible home purchase decision). Second, the primary goal of housing counseling and education is to provide objective and reliable advice to clients in order for them to learn to make responsible financial and housing decisions. Some studies measure counseling success by the number of new first-time homebuyers, for example; however, we believe that the decision *not* to purchase a home or *not* to take out a reverse mortgage can be equally valuable to a family, a neighborhood, and the economy.

Plans to Improve this Program

In fiscal year 2016, OHC plans to continue to design and implement necessary program improvements.

- Streamlining and improving the housing counseling grant process. OHC's fiscal year 2014-2015 NOFA is an improved version of the new, streamlined NOFA model that OHC issued last year. In fiscal year 2013, OHC implemented several procedural changes that encouraged efficient and effective counseling programs, and reduced administrative burdens on applicants and HUD through a streamlined NOFA application and program requirements. OHC plans to improve upon the revised NOFA model in fiscal year 2016 by adjusting the funding methodology; further streamlining the application format; allowing for awards of both fiscal year 2016 and 2017 grant funds, subject to the availability of appropriations and any other authority that may govern the award of fiscal year 2016 funds, on the basis of a single NOFA competition; and placing greater emphasis on oversight and quality control activities.
- Expand use of performance metrics. The creation of the new office was an opportune time to evaluate alternatives to current reporting methods. The Office of Housing Counseling's vision for program performance metrics is to capture accurate, meaningful data to help evaluate the impact of the program but at the same time make reporting tools more user-

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friendly, realistic, and sensitive to stakeholder resources. The response was to create a substantially revised HUD-9902, the form HUD uses to gather information from housing counseling agencies; a simplified reporting format that includes specific outcomes known to the counseling agency and demonstrate tangible benefits for the consumer. Agencies will be allowed to input multiple positive outcomes for the same household. The new form received Paperwork Reduction Act approval from OMB and was implemented in October 2014. Its implementation was smooth for the industry due to extensive consultation with stakeholders and service providers before the roll out. Analysis of results from 2015 will add to already substantial results from existing data to guide program improvements and target resources to areas of greatest need.

- Supporting HUD Strategic Objectives to Improve Credit Access and Fiscal Health of the Mutual Mortgage Insurance Fund (MMIF). In fiscal year 2016, OHC will continue to explore program strategies to expand the use of housing counseling within FHA programs in order to benefit families and to reduce risk to the FHA MMI Fund. Housing counseling enables borrowers to better understand their loan options and obligations and assists borrowers in the creation and assessment of their household budget, accessing reliable information and resources, avoiding scams, and being better prepared for future financial shocks, among other benefits. Recent research shows that counseled borrowers have significantly fewer delinquencies and defaults compared with non-counseled borrowers with similar credit profiles.
- Visibility. In 2016, HUD will further align counseling and FHA loan performance administrative data in its systems to better answer the question of "What resources are helping borrowers succeed and how do counselors provide access to them?". Furthermore, using the administrative data gleaned from this intersection of counseled FHA borrowers, OHC will work with the Office of Housing to introduce opportunities to make current and prospective FHA borrowers aware of the benefits of housing counseling, and promote the value of housing counseling to many parties including the consumer, lender, real estate professional, state and local governments, etc.
- Housing Counselor training and certification. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires that individual housing counselors participate in HUD's Housing Counseling Program shall demonstrate by written examination competence in providing counseling in six areas: financial management; property maintenance; homeownership and tenancy; fair housing laws and requirements; housing affordability; and avoidance of rental and mortgage delinquency and eviction and mortgage default.

This statutory mandate requires that the Department make a significant investment in the development or training and testing in an industry of approximately 8,000 counselors. In fiscal year 2013, HUD awarded a contract to assist with the development of training materials as well as the design and administration of an exam. In fiscal year 2014, substantive public comments were received by OHC and reviewed for final implementation in the proposed rule. In fiscal year 2015, the counselor exam and registration will be initiated and integrated into the agency re-approval process as well as the reporting systems of OHC and FHA such as the Housing Counseling System and FHA Connection. Fiscal year 2016 will see a

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continuation of the counselor certification implementation. OHC will focus on quarterly reports from the test vendor and will modify the testing program as needed.

- Housing Counseling Federal Advisory Committee (HCFAC). In fiscal year 2016, OHC plans to have in place a Federal Advisory Committee as mandated by the Dodd-Frank Act. The purpose of the HCFAC is to provide advice regarding the carrying out of the functions of the OHC. OHC will benefit from the experience and perspective of housing industry experts, housing counseling agencies and consumers. The HCFAC will provide a forum for those involved in housing counseling to offer advice directly to the Deputy Assistant Secretary for the OHC on a regular basis. In fiscal year 2015, OHC will publish a Federal Register Notice inviting individuals to apply for a position on the Committee. As specified by statute, the Committee will consist of no more than twelve individuals. The membership will equally represent the mortgage and real estate industry including consumers, and housing counseling agencies approved by the Secretary.
- Examine standards for Program Approval, Materials, Training, Testing, and Software Systems. The OHC also intends to help standardize housing counseling program practices by developing standards across housing counseling activities. It does so through its place on the National Industry Standards advisory committee and through its own rules and regulations. While voluntary national industry standards for pre-purchase and foreclosure prevention counseling exist, there are no national standards for other counseling types such as rental and homeless counseling. Work on these efforts is underway. The statute also requires HUD to certify software systems for consumers to compare mortgage products to individual financial situations. In support of this requirement, HUD is conducting a scan of existing tools to see if they can be adopted for this purpose.

In fiscal year 2016, OHC's Office of Policy and Grant Administration, will lead a review of the Handbook 7610.1 that guides program implementation and the regulation at 24 CFR Part 214 to reflect changes in the housing counseling program, to eliminate unnecessary regulatory burden and to incorporate practices that ensure high quality housing counseling.

5. Proposals in the Budget

1. Multiyear Agreement: This proposal allows the Department to enter into multiyear agreements with grantees, subject to the availability of funding, making this permanent authority. Multiyear counseling funding reduces the burden on HUD to process applications and award grants on an annual basis and allows HUD-approved housing counseling agencies to apply for multiyear grant funds instead of submitting applications annually (Sec. 227).
2. Flexibility in Counselor Certification Requirements: This proposal would allow HUD to substitute training for a written examination under certain conditions for the purpose of counselor certification. This recognizes that some existing training and testing may cover subject areas required by statute, and responds to numerous comments HUD received after publishing the draft rule. It would reduce training and testing costs for counseling agencies and HUD, the alleviate some

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of the pressure associated with getting the entire counseling industry trained and tested at once, and ensure that HUD has the capacity to test and certify applicable counselors during the initial certification period (Sec. 227).

3. Multiple Testing/Certification Providers: This proposal would allow HUD to contract with more than one entity to provide counselor testing for certification required by the Dodd-Frank Act. More than one entity would allow for meeting the peak demand for the exam and would expand access to the certification process in different languages and modalities. It would also help ensure that there is no disruption in testing and certification should a testing/certification provider be unable to continue providing services for any reason (Sec. 227).
4. Collection and Distribution of Private Funds for Housing Counseling: This proposal would allow HUD to receive and distribute funds from private entities for housing counseling. Private funding from sources, such as forward and reverse mortgage lenders, servicers, and foundations could be efficiently and impartially distributed by HUD to qualified counseling agencies. Presently, however, these private sources of funding are barred under the Anti-Deficiency Act. The private entities represent significant stakeholders in the housing counseling industry and have requested HUD's assistance to distribute private funds to support housing counseling agencies. This proposal would also eliminate any appearances of a conflict of interest between agencies and funders and responds to inquiries by industry and enforcement officials seeking an impartial, national vehicle to distribute funds to housing counseling agencies. Moreover, with the demand for housing counseling services increasing at a faster rate than other federal and other grant monies to housing counseling agencies, private funding could help fill the financial gap (Sec. 227).

Use of Technology in Support of Housing Counseling

- HUD is identifying Departmental technology solutions and services in an efforts to streamline HUD's internal processes, modernize its reporting and analysis capacities, improve communication between HUD and housing counseling agencies, enhance counseling agency oversight, document the impact and outcomes of counseling services, and fulfill statutory mandates. In fiscal year 2014, the Office of Housing Counseling worked with Office of the Chief Information Officer (OCIO) to ensure OHC technology solutions are aligned with HUD's enterprise architecture. OHC will continue further implementation of these technology initiatives in fiscal year 2015 and 2016.

Housing Counseling Assistance

**HOUSING
HOUSING COUNSELING ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Housing Counseling Assistance	\$40,500	...	\$40,500	\$40,474	\$42,500	...	\$42,500	\$55,500
Administrative Contract Services	4,500	...	4,500	3,659	4,500	...	4,500	4,500
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[456]
Total	45,000	...	45,000	44,133	47,000	...	47,000	60,000

Housing Counseling Assistance

HOUSING HOUSING COUNSELING ASSISTANCE Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and other assistance excluding loans, as authorized under section 106 of the Housing and Urban Development Act of 1968, as amended, ~~[\$47,000,000]~~ *\$60,000,000*, to remain available until September 30, ~~[2016]~~ *2017*, including up to \$4,500,000 for administrative contract services: *Provided*, That grants made available from amounts provided under this heading shall be awarded within 180 days of enactment of this Act: *Provided further*, That funds shall be used for providing counseling and advice to tenants and homeowners, both current and prospective, with respect to property maintenance, financial management/literacy, and such other matters as may be appropriate to assist them in improving their housing conditions, meeting their financial needs, and fulfilling the responsibilities of tenancy or homeownership; for program administration; and for housing counselor training: *Provided further*, That for purposes of providing such grants from amounts provided under this heading, the Secretary may enter into multiyear agreements as is appropriate, subject to the availability of annual appropriations. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

MANUFACTURED HOUSING STANDARDS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$5,876 ^a	\$8,338 ^b	...	\$14,214	\$9,524	\$7,964
2015 Appropriation	10,000 ^c	4,690	...	14,690	10,000	8,000
2016 Request	<u>11,000^d</u>	<u>4,690</u>	<u>...</u>	<u>15,690</u>	<u>11,000</u>	<u>9,000</u>
Program Improvements/offsets	+1,000	...	...	+1,000	+1,000	+1,000

a/ Made up of \$1.0 million of direct appropriations, \$4.88 million of actual fee collections in 2014.

b/ Includes \$6.5 million in carryover and \$1.93 million in recaptures.

c/ Made up of projected \$10 million of fee collections in 2015.

d/ Made up of projected \$11 million of fee collections in 2016.

1. What is this request?

The Budget requests \$11 million for the Manufactured Housing Standards Program in fiscal year 2016, comprised exclusively of appropriated offsetting fee collections. These resources will enable the program to sustain and enhance manufactured housing as a critical element of housing choice for American communities. The modern manufactured housing industry has, with the assistance of HUD's Construction and Safety Standards overcome a legacy shaped by problems with the quality, safety and durability of pre-HUD code homes. The quality, affordable housing provided by manufactured housing can be part of a coordinated strategy to help communities build "geographies of opportunity" that connect families to jobs, transportation, quality public schools, and other key community assets.

The requested appropriation is intended to: (1) cover the contractual costs for the program to carry out the multiple federally mandated and pre-emptive oversight and enforcement aspects of the program; and (2) make the required payments to the States as outlined in federal regulations to offset the states' costs of administering the federal portion of the manufactured housing program.

Prior to fiscal year 2009, the program office was funded solely by certification label fees collected from manufacturers for each transportable unit of manufactured housing produced. However, due to the economic downturn, collections from fees dropped to a historically low level in 2011, with a slight recovery in 2012 and 2013. While the number of transportable units

Manufactured Housing Standards Program

for which label fees are paid is expected to gradually increase through fiscal year 2016, program expenses have risen as the Department enhances its capacity to fulfill all statutory mandates. In order to generate sufficient collections to fund the program, HUD proposed to increase the label fee in its 2014 Budget. A final rule became effective on September 12, 2014, raising the label fee to \$100 per label for each transportable home section, as authorized by the 2014 enacted appropriations bill. In fiscal year 2016, this increase to \$100 per label is available to support the manufactured housing program with fee collections of an estimated \$11 million.

In addition, the Department seeks changes which shift the implementation of future fee modifications, approved in appropriations acts, to notice with comment, rather than full rulemaking. The ability to change fees through notice with comment will allow HUD to operate more nimbly and responsively to a dynamic industry.

Fee collections in fiscal year 2016 may be combined with small amounts of unobligated balances from prior years to fully fund operating requirements in fiscal year 2016.

Category	FY 2014 Obligations (in Millions)	FY 2015 Obligations (in Millions)	FY 2016 Obligations (in Millions)
Payments to States	\$3.30	\$3.30	\$3.30
Contract for Monitoring Primary Inspection Agencies and States	4.70	4.80	5.00
Contract for Installation Inspection and Enforcement	0.80	1.00	1.20
Contract for Dispute Resolution Enforcement	0.30	0.30	0.50
Contract for Consensus Committee Administering Organization	0.15	0.15	0.30
Contract for Meeting Planner Services	0.25	0.45	0.70
Total	9.50	10.00	11.00

HUD establishes a nationwide building code and serves as the building code oversight and enforcement body for all manufactured housing for the lifetime of the home. Currently, HUD estimates that there are 6.7 million manufactured homes built since 1976 currently in use. According to HUD estimates, in fiscal year 2014 approximately 63,100 homes were produced on over 123 production lines throughout the United States.

Manufactured Housing Standards Program

The requested fiscal year 2016 Budget will allow oversight of the 14 primary inspection agencies and 37 state administrative agencies. The funds will also allow the program office to continue to transform its enforcement efforts, emphasizing quality control as the best way to eliminate defects and imminent safety hazards prior to sale of the home.

2. What is this program?

Before 1974, the regulation of manufactured housing was left to the states. As manufactured housing became more popular throughout the country, the state-by-state patchwork of regulations made it difficult for consumers to trust these homes and complicated for builders to ship houses across state lines. In response, Congress passed the National Manufactured Housing Construction and Safety Standards Act of 1974, (42 U.S.C. 5401, *et seq.*), which has been amended by the Manufactured Housing Improvement (MHI) Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944). The Manufactured Housing Standards Program has federally pre-emptive responsibilities for manufactured home design, construction and consumer protection. These laws replaced the patchwork of regulations with one set of rules that all manufacturers must meet.

The MHI Act of 2000 also provided authority to provide installation regulation and dispute resolution services where states do not provide those services. States can run their own program that enforces the HUD installation standards and handles consumer complaints or HUD can administer the program for them. The federal Manufactured Housing program is also responsible for maintaining the sole library for all designs of all manufactured homes built since 1976. The duties of the Office of Manufactured Housing include the following:

1. Establishment and Updating of Construction and Safety Standards. Under the Act, the Secretary is directed to establish appropriate federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety, as well as model standards for the installation of manufactured homes. These standards are regularly updated by the Office, as a result of careful analysis of the manufactured housing industry, consumers, and recommendations of the Consensus Committee.
2. Monitoring the Manufactured Housing Industry's Compliance with the Construction and Safety Standards. Compliance with the construction and safety standards is accomplished mainly by third-party primary inspection agencies. There are both private and state primary inspection agencies, all of which are approved by the Department and monitored by a HUD contractor. The regulations require that every company that builds manufactured homes provide HUD with the plans for each model produced and have those plans approved by a Design Approval Primary Inspection Agency. In-plant inspection agencies ensure that standards have been met. The manufacturer is required to issue a certification that each section built meets the federal construction and safety standards. All manufactured homes must have an affixed HUD certification label, also known as a HUD label, located on the outside of the home.

Manufactured Housing Standards Program

3. Addressing Non-compliance with Construction and Safety Standards. If the Department determines that a manufactured home fails to comply with the standards, it may require the manufacturer to notify the purchaser of the defect. In the event of a serious defect and/or imminent safety hazard, the Department may require the manufacturer to possibly either repair or replace the defective home or refund the purchase price.
4. Establishment and Enforcement of Installation Standards. The MHI Act requires the Department to establish program standards and regulations for the installation of manufactured homes. These standards and regulations have been published and the Department is currently working to implement the federal installation program in those states that have no approved program of their own. This includes enforcement of HUD's installation standards as well as licensing and training of installers. The Office continually reviews these and updates them as necessary.
5. Establish and Administer the Dispute Resolution Program. The MHI Act also requires the Department to establish a program to resolve disputes between manufacturers, retailers and installers of manufactured homes. As with the installation program, the Department is implementing the federal program in those states that have no approved program of their own.
6. Coordinate the Manufactured Housing Consensus Committee (MHCC). The MHI Act established a consensus process for the development of standards and regulations. This includes the MHCC, which is composed of 21 persons appointed by the Secretary. The MHCC is responsible for providing recommendations to the Secretary on construction, safety, installation standards, and enforcement regulations.

3. Why is this program necessary and what will we get for the funds?

Manufactured housing plays a vital role in meeting the nation's housing needs, providing 6.8 percent of the total housing stock¹. The federal regulation of manufactured housing fulfills a critical federal role both in protecting consumers and in ensuring a fair and efficient market for this important segment of interstate commerce. To accomplish HUD's federally-required responsibilities in the industry, the fiscal year 2016 Budget will provide for the following:

Payments to the States: Thirty-seven states have entered into a Cooperative Agreement with the Department to carry out the program's consumer complaint activities on HUD's behalf. In return, the program regulations outline that HUD will pay the participating states \$9.00 for every transportable unit shipped into the State, and \$2.50 for every transportable unit built in the states. In addition, the 2000 Act stated that HUD shall continue to fund the states in the amounts which are not less than the allocated amounts, based on the fee distribution system in effect on the day before enactment. HUD will be conducting a

¹ American Housing Survey, 2013. Available at:
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=AHS_2013_C01AH&prodType=table

Manufactured Housing Standards Program

review of both the adequacy and equitable distribution of the monitoring fees to both the conditionally and fully approved SAAs. OMHP will be asking that the SAAs respond to questions relating to the adequacy of the HUD payments based on their workloads to handle Federal program responsibilities. Payments to states in fiscal year 2016 will be approximately \$3.3 million.

Monitoring Primary Inspection Agencies and States: There are three categories of contract activities—regulation and enforcement of design, regulation and enforcement of construction, and handling consumer complaints—estimated to require \$5.0 million in fiscal year 2016.

- *Regulation and Enforcement of the Design:* There are approximately 8 million manufactured homes, which have been built since the federal program began in 1976. HUD's Manufactured Housing program is responsible for collecting and maintaining the designs of each of those homes for future review and investigation when required. The design database contains approximately 800,000 design pages of manufactured homes still in active use, and about 7.3 million design pages maintained for any home design requiring review or investigation in the future. Federal statute mandates that HUD remain responsible for retaining these documents in case of investigations during the lifetime of the home. Collected fees in fiscal year 2016 will allow the program to continue to use a contractor to review a sample of the incoming design pages to determine design compliance and take action when designs do not comply with the standards; to review the overall annual performance of the 5 private and 1 state design approval primary inspection agencies responsible for approving all designs, and to report and recommend actions to the Department based on the visits and reviews.
- *Regulation and Enforcement of the Construction:* In fiscal year 2014, approximately 63,100 homes were produced on over 123 production lines throughout the United States. HUD monitors the work of 14 in-plant primary inspection agencies (IPIAs) in their work to assure quality assurance in each manufacturing plant. HUD's primary goal is to update and improve the quality assurance plans of manufacturers and the quality assurance review performance of the IPIAs to reduce non-conformances before the unit leaves the plant. Collected fees in fiscal year 2016 will allow HUD to continue to fund a contractor to: review the quality assurance plans of the manufacturers to ensure they are up-to-date and accurate for the production currently being carried out; to visit plants to review the performance of the in-plant primary inspection agency; and to report and recommend actions to the Department based on the visits and reviews.
- *Handling Consumer Complaints and Taking Remedial Actions:* Thirty-seven states have agreed to take on consumer complaint responsibilities on HUD's behalf. HUD retains this responsibility in 13 states, as well as in instances of complaints involving serious defects and for issues that involve multiple manufacturing plants requiring coordination with manufacturing plants in two or more states. Complaints considered serious often involve product recalls with major electrical problems or other products identified by the Consumer Product Safety Commission (CPSC). For

Manufactured Housing Standards Program

example, HUD has followed up the CPSC recall of potentially defective dishwashers installed in manufactured houses because of a risk of fire by notifying and following up with manufacturers on the need to replace or repair these dishwashers. HUD also reviews the performance of the 37 cooperating states to ensure they are carrying out their Federal responsibilities as outlined in the regulations. The fiscal year 2016 request will support contractors to visit state agencies to review the performance of the agency's work on HUD's behalf, and to report and recommend actions to the Department based on the visits and reviews.

Regulation and Enforcement of the Installation Program in 15 HUD-administered States and State Administered Programs: Thirty-five states have agreed to administer manufactured home installation program that meets federal requirements. HUD is responsible for the administration of the installation program in the 15, primarily rural, states without such programs. In fiscal year 2014, approximately 3,441 homes were placed in those states. HUD is responsible for ensuring installers have received the required level of training and then provides HUD certification allowing them to install homes in the HUD-administered states. In fiscal year 2016, an estimated 1,700 to 2,000 installers will be operating in the 15 HUD-administered states. The fiscal year 2016 request will allow HUD to use a contractor to identify installers in the 15 HUD-administered states and notify them of the requirement for training and certification with a set deadline; identify potential trainers for installation standards and procedures; review proposed training curricula and develop a database of potential trainers for installers; require inspection of 100 percent of all homes installed; accept complaints from homeowners in those states regarding their home installation, investigate and require correction when necessary, and take enforcement action when required. The start-up contract activities are estimated to require approximately \$1.0 million in fiscal year 2015 and \$1.2 million in fiscal year 2016. In September 2014, HUD awarded a contract which will allow HUD to fully implement and oversee installation in the 15 HUD-administered states in fiscal year 2016.

Regulation and Enforcement of the Dispute Resolution Program: Twenty-seven states have agreed to administer a manufactured housing dispute resolution program that meets federal requirements. For a dispute that qualifies for federal intervention and that is submitted within 12 months of the homeowner's purchase of the home, HUD is required to provide mediation and arbitration assistance in the 23 states without approved programs. In fiscal year 2014, there were 17,246 homes sited in the HUD-administered states. The fiscal year 2016 request will allow HUD to use a contractor to assist in providing a neutral review for all incoming requests, and, when requests qualify, provide mediation and/or arbitration services for the requestor. In September 2014, HUD awarded this contract, which is estimated to require \$500,000 for fiscal year 2016.

Consensus Committee – Administering Organization: HUD is statutorily required to use an Administering Organization to assist in the administration of the program's federal advisory committee – the Manufactured Housing Consensus Committee (MHCC). This contract activity is estimated to cost \$300,000 in fiscal year 2016.

Manufactured Housing Standards Program

Stakeholder Meetings: In order to ensure all stakeholders – in-plant and design approval agencies and partnering State programs – work with the federal program in a consistent manner, HUD uses a small amount of funds to bring together cooperating parties at different times for information sharing and direction from the federal program. HUD anticipates conducting meetings in fiscal year 2016 with the MHCC, the 14 primary inspection agencies, the 37 state administrative agencies and with other stakeholders, including State Administrative Agencies, other federal agencies, manufacturers, installers, and homeowners at an estimated cost of \$700,000 in 2016.

4. How do we know this program works?

Manufactured housing is a key source of affordable housing, and a key component of factory-built housing in the United States. Since the program's inception in 1976, the overall safety of manufactured housing has improved and the affordability of the housing has been maintained.

The number of per capita fires in manufactured homes has been significantly reduced compared to homes produced before HUD standards and the per capita fire deaths in manufactured homes have decreased—by 54 percent relative to homes manufactured before the HUD standards.² The increased lifetime of the homes has encouraged financial organizations to offer home mortgages instead of chattel lending, giving more manufactured home owners the opportunity to own both their house and the land it sits on. In addition, enhancements in modern manufactured home construction due to more recent code changes have led to improved manufactured home performance in high wind events. HUD's maintenance and updating of the building code (24 CFR Part 3280), oversight of the industry's design and construction of the homes (24 CFR Part 3282), initiation of installation oversight, and consumer protection (24 CFR Part 3282) have contributed to these accomplishments. HUD also anticipates making further improvements to the code by improving indoor air quality through implementation of EPA's formaldehyde standards for composite wood products, through adoption of energy efficiency standards for manufactured homes being developed by DOE pursuant to the Energy Independence and Security Act of 2007, and through additional code modifications recommended by the Manufactured Housing Consensus Committee (MHCC).

In October 2013, HUD issued a final rule that modified its Procedural and Enforcement Regulations for procedures to be used by manufacturers and others to ensure that reporting, notification, and correction of manufactured home noncompliances, defects, serious defects, or imminent safety hazards is provided when required. In December 2013 and June 2014, HUD published and modified final rules which made a number of additional changes to the Manufactured Home Construction and Safety Standards that were previously recommended by the MHCC. Those modifications included requirements for anti-scald valves for bathtubs and showers, improvement in insulation levels for external air supply ducts, and numerous updates to

² A change in the way fire locations are coded by the National Fire Incident Reporting System in 1999 has made it more difficult to obtain an exact count of fires in manufactured homes. This decrease is based on fire data from 1988-1998 death rates because of these data limitations. From Hall, John R. Jr. "Manufactured Home Fires." National Fire Protection Association, Fire Analysis and Research Division. July 2011.

Manufactured Housing Standards Program

standards incorporated by reference. In September 2014, HUD also amended its Model Manufactured Home Installation Standards to include testing requirements for ground anchor installations.

5. Proposals included the Budget

- The Department seeks changes that shift the implementation of future fee modifications, approved in appropriations acts, to notice with comment, rather than full rulemaking. This will aid the Department in making timely adjustments to fees to reflect appropriated fee levels and shifts in certification label volume; and to minimize the risk of the program being unable to perform its statutory duties due to shortfalls in fee collections. The ability to change fees through notice with comment will allow HUD to operate more nimbly and responsively to a dynamic industry. (Section 241 of General Provisions)

Manufactured Housing Standards Program

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Payments to States	\$3,300	\$3,313	\$6,613	\$3,425	\$3,300	\$3,166	\$6,466	\$3,300
Contracts	<u>2,576</u>	<u>5,025</u>	<u>7,601</u>	<u>6,099</u>	<u>6,700</u>	<u>1,524</u>	<u>8,224</u>	<u>7,700</u>
Total	5,876	8,338	14,214	9,524	10,000	4,690	14,690	11,000

NOTE: Total resources are determined by actual fees collected and may be below the appropriated level.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary expenses as authorized by the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5401 et seq.), up to ~~[\$10,000,000]~~ *\$11,000,000*, to remain available until expended, of which ~~[\$10,000,000]~~ *\$11,000,000* is to be derived from the Manufactured Housing Fees Trust Fund: *Provided*, That not to exceed the total amount appropriated under this heading shall be available from the general fund of the Treasury to the extent necessary to incur obligations and make expenditures pending the receipt of collections to the Fund pursuant to section 620 of such Act: *Provided further*, That the amount made available under this heading from the general fund shall be reduced as such collections are received during fiscal year ~~[2015]~~ *2016* so as to result in a final fiscal year ~~[2015]~~ *2016* appropriation from the general fund estimated at zero, and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year ~~[2015]~~ *2016* appropriation: *Provided further*, That for the dispute resolution and installation programs, the Secretary of Housing and Urban Development may assess and collect fees from any program participant: *Provided further*, That such collections shall be deposited into the Fund, and the Secretary, as provided herein, may use such collections, as well as fees collected under section 620, for necessary expenses of such Act: *Provided further*, That, notwithstanding the requirements of section 620 of such Act, the Secretary may carry out responsibilities of the Secretary under such Act through the use of approved service providers that are paid directly by the recipients of their services. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

HOUSING
OTHER ASSISTED HOUSING
(RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE (SECTION 236))
2016 Summary Statement and Initiatives
(Dollars in Thousands)

OTHER ASSISTED HOUSING	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$21,000	\$48,165 ^{a/}	-\$3,500	\$65,665	\$34,213	\$329,186
2015 Appropriation	18,000	34,808	...	52,808	38,465	287,000
2016 Request	<u>30,000</u>	<u>14,043</u>	<u>...</u>	<u>44,043</u>	<u>46,035</u>	<u>240,000</u>
Program Improvements/Offsets	+12,000	-20,765	...	-8,765	+7,570	-47,000

a/ The amount is net recoveries and cancellations. Actual carryover amount is \$31 million.

1. What is this request?

The Department requests \$30.0 million for the Rental Housing Assistance Program (Section 236) (RAP) and Rent Supplement Program (Rent Supp) in fiscal year 2016, an increase of \$12 million from the gross fiscal year 2015 Enacted level. The requested funds represent amounts sufficient to: 1) support amendments to State-aided Section 236 Rental Assistance Payment (RAP) and Rent Supplement contracts in fiscal year 2016, and 2) support short-term extensions of expiring Rent Supplement or RAP contracts that will be in the process of converting to long-term project-based Section 8 contracts under the Rental Assistance Demonstration (RAD). The increased request reflects a greater number of expirations scheduled to occur in fiscal year 2016, with over 7,000 units expiring in fiscal year 2016 relative to 3,500 units expiring in fiscal year 2015.

2. What is this program?

The Other Assisted Housing account contains several programs, two of which still actively receive appropriations. These programs are described below.

Rental Housing Assistance Program (Section 236)

The RAP (Section 236) program includes two components:

Section 236 Interest Reduction Payments (IRP). The Section 236 program, which was established by the Housing and Urban Development Act of 1968, combined federal mortgage insurance with interest reduction payments to the mortgagee for the production of low-cost rental housing. Under this program, HUD provided interest subsidies to lower a project's mortgage interest rate to as low as 1 percent. This program no longer provides insurance or subsidies for new mortgage loans, but existing Section

Other Assisted Housing

236 properties continue to operate under the program. The interest reduction payment results in lower operating costs and subsequently a reduced rent structure.

The Section 236 basic rent is the rent that the owner must collect to cover the property's operating costs given the mortgage interest reduction payments made to the property. The Section 236 market rent represents the rents needed to cover operating costs if the mortgage interest were not subsidized. All unassisted tenants pay at least the Section 236 basic rent for their unit and, depending on their income level, may pay a rent up to the Section 236 market rent. Some Section 236 properties experienced escalating operating costs, causing the basic rents to increase beyond levels readily affordable to many low-income tenants. To help maintain the financial health of the property, HUD may have allocated project-based rental assistance, such as Rental Housing Assistance Payments (RAP), Rent Supplement (Rent Supp), or Section 8 contracts to make the rent affordable to lower-income tenants.

No new commitments have been made since the program was terminated in 1973; however, disbursements of IRP payments are made from the RAP account on a continuing monthly basis until the underlying loans terminate.

Rental Housing Assistance Payments (RAP). The RAP program was established by the Housing and Community Development Act of 1974 to provide additional rental assistance subsidy to property owners on behalf of very low-income tenants. RAP was available only to Section 236 properties and was a predecessor to the Project-Based Section 8 program.

The issuance of new contracts under RAP ceased with the introduction of Section 8. However, the Department continues to be required to fund RAP contracts on non-insured, State-aided Section 236 projects through the end of their contracts, providing amendment funding when the amount initially appropriated proves to be insufficient.

Rent Supplement (Rent Supp)

Section 101 of the Housing and Urban Development Act of 1965 authorized rent supplements on behalf of needy tenants living in privately owned housing and was the first Project-Based Assistance program for mortgages insured by the Office of Housing. These contracts were available to Section 221(d)(3) BMIR, Section 231, Section 236 (insured and non-insured), and Section 202 properties for the life of the mortgage. Eligible tenants pay 30 percent of the gross rent or 30 percent of the household's adjusted monthly income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.

The issuance of new contracts under the program was suspended by the housing subsidy moratorium of January 5, 1973. As rents escalated in the 1980s, contract funds were insufficient to subsidize contract units for the full term of the contract. Most insured and Section 202 projects were able to convert their rent supplement assistance to Section 8 assistance during the 1980s in order to avoid contract amendment problems.

3. Why is this program necessary and what will we get for the funds?

Rent Supplement and RAP contracts currently support critical affordable housing and rental assistance for vulnerable populations, (low-income families and elderly) across the country. To effectively support this housing stock, the Department continues to request appropriations for remaining contracts, while simultaneously working to streamline and consolidate the programs onto the project-based Section 8 platform via RAD, which would allow for a more efficient use of resources and staffing for these properties.

In prior fiscal years, the Department has implemented three strategies to preserve the affordability of these assisted units and/or to prevent displacement or rent increases for low-income residents. The first strategy was to offer short-term contract extensions of up to 12 months, as authorized in recent appropriations bills and as proposed again in this request. These extensions provided time for owners to obtain new financing for the property to maintain it as affordable housing, and for residents to locate new housing opportunities, should they choose to move. The second strategy was to provide tenant protection vouchers to eligible residents at the time of expiration of the Rent Supplement or RAP contract, to safeguard low-income residents from rent increases or displacement. The third strategy, aimed at the long-term preservation of these properties, was authorized as part of RAD, which allowed owners to convert tenant protection vouchers (TPVs) to long-term Project-Based Vouchers to preserve the properties as affordable housing.

The Department is pursuing a strategy that combines the resources and lessons learned from all three prior strategies, while expanding owners' options for preserving and streamlining projects onto a project-based platform. The funding request would allow the Department to continue to support the Rent Supplement and RAP contracts during the conversions and streamlining process, either via short-term contract extensions (less than 12 months), or via contract rent amendments. Contract extensions would only be provided to projects that would otherwise expire in fiscal year 2016, and require additional time to plan for a conversion via RAD.

Authority enacted in the fiscal year 2015 appropriations bill provided Rent Supplement and RAP properties the option to convert to long-term Project Based Rental Assistance (PBRA) contracts via RAD, using: amounts remaining on the contracts of converting projects, funding that might otherwise be used to provide contract extensions and rent amendments for converting projects, and amounts from TPVs. To ensure cost neutrality, any increase in cost in the PBRA account as a result of Rent Supp and RAP properties converting to PBRA contracts must be equal to transfers from the Rent Supp/RAP and/or TPV (Housing Choice Voucher) accounts. The proposal also retains the existing ability to convert to PBV contracts, using only the TPV amounts that would have been triggered at contract termination or expiration.

Therefore, while the amount of the fiscal year 2016 funding request is based on projected extension and amendment needs in fiscal year 2016, a portion of the funding may also be used to support Rent Supp and RAP conversions to project-based contracts via RAD.

4. How do we know this program works?

RAD was tremendously successful as a first iteration in the Department's strategy to preserve Rent Supplement and RAP units for the long term. The Department processed conversions for approximately 75 properties in the first two years of the second component of the RAD program, nearly one third of the remaining stock of properties. These owners combined the project-based voucher assistance with Low-Income Housing Tax Credits, conventional and FHA-insured financing to complete needed project repairs, energy efficiency improvements, and add services in many family projects. Converting the assistance of remaining Rent Supplement and RAP housing units that were financed by the federal government under the Section 236 program and the Section 101 program is a cost effective means of preserving and recapitalizing at least a portion of the affordable housing stock, and leveraging HUD's investment with outside funding sources.

Other Assisted Housing

**HOUSING
OTHER ASSISTED HOUSING
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Amendments to State								
Agency RS/RAP								
Contracts	\$9,746	\$42,771	\$52,517	\$24,356	\$13,000	\$28,017	\$41,017	\$3,000
Extension of Expiring								
Contracts	11,254	5,394	16,648	9,857	5,000	6,791	11,791	27,000
Section 236 Interest								
Reduction Payments								
(IRP)	<u>-3,500</u>	<u>...</u>	<u>-3,500</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	17,500	48,165	65,665	34,213	18,000	34,808	52,808	30,000

Other Assisted Housing

**HOUSING
OTHER ASSISTED HOUSING
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For amendments to contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1) in State-aided, noninsured rental housing projects, ~~[\$18,000,000]~~*\$30,000,000* to remain available until expended: Provided, That such amount, together with unobligated balances from recaptured amounts appropriated prior to fiscal year 2006 from terminated contracts under such sections of law, and any unobligated balances, including recaptures and carryover, remaining from funds appropriated under this heading after fiscal year 2005, shall also be available for extensions of up to one year for expiring contracts under such sections of law. (Department of Housing and Urban Development Appropriations Act, 2015.)

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

GUARANTEES OF MORTGAGE-BACKED SECURITIES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriated loan limitation..	\$500,000,000	\$450,047,915	...	\$950,047,915	\$286,318,301	...
2015 Requested loan limitation.....	500,000,000	500,000,000 ^{a/}	...	1,000,000,000	1,000,000,000	...
2016 Request	<u>500,000,000</u>	<u>...</u>	<u>...</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>...</u>
Program Improvements/Offsets .....	...	-500,000,000	...	-500,000,000	-500,000,000	...

a/ Excludes \$164 billion of commitment authority that expired at the end of fiscal year 2014.

	Carryover	Spending Authority from Offsetting Collections	Precluded From Obligation	Gross Budget Authority	Obligations	Outlays¹
GUARANTEES OF MORTGAGE-BACKED SECURITIES PROGRAM ACCOUNT						
Administrative Expenses and Commitment and Multiclass Fees						
2013 Appropriation	215,983	100,517	-295,110	21,390	19,462	-82,299
2014 Appropriation/Request.....	295,110	89,000	-361,110	23,000	23,000	-66,690
2015 Request.....	361,110	118,117	-450,927	28,300	28,300	-90,666
Program Improvements/Offsets.....	+66,000	29,117	-89,817	5,300	+5,300	-23,976

1. What is this request?

The fiscal year 2016 Budget request for the Government National Mortgage Association (Ginnie Mae) consists of two parts:

- (1) \$500 billion in limitation on new commitments of single class mortgage-backed securities (MBS); and

¹ To calculate the outlays listed above, the salaries and expenses outlays are used rather than obligations when possible. For fiscal years 2014 and 2016, the outlays are \$18.22 million and \$27.45 million respectively.

Guarantees of Mortgage-Backed Securities

- (2) \$28.3 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2016 (the appropriations request also includes contingent budget authority should the actual guarantee volume exceed the prescribed threshold during execution).

Commitment Authority

In recent years, private markets have played a diminished role in fulfilling the nation's residential housing funding needs. Ginnie Mae has helped fill the gap and provided stability in the secondary market. Therefore, Ginnie Mae is requesting \$500 billion in commitment authority, to remain available until September 30, 2017, to issue guarantees of securities in order to meet the housing needs of Americans across the single-family, multifamily and healthcare segment of the market. This request provides ample authority given estimates of mortgage insurance and guarantee activity of the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), HUD's Office of Public and Indian Housing (PIH), and the U.S. Department of Agriculture (USDA).

In fiscal year 2016, Ginnie Mae is estimating \$330 billion in new guarantees in its single class mortgage-backed securities. Since all the Ginnie Mae guaranteed multiclass securities are backed by Ginnie Mae MBS, separate commitment authority is not required for multiclass securities.

Salaries and Expenses (S&E) Summary

Ginnie Mae's Salaries and Expenses (S&E) budget authority and outlays are offset by collections from non-federal sources. Ginnie Mae's request of \$28.3 million for S&E is offset by an estimated \$118 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of \$90 million. Between fiscal years 2012 and 2016 (estimated) Ginnie Mae will have contributed \$451 million from commitment and multiclass fees toward reducing the federal deficit.

Ginnie Mae's request of \$28.3 million for S&E is an increase of \$5.3 million compared to the fiscal year 2015 enacted level of \$23 million. This is due in part to the fact that Ginnie Mae's issuer² base is growing in size and complexity. GNMA's issuer base, private mortgage institutions approved to issue Ginnie Mae securities, has grown 29 percent since 2008, from 355 to 458 (as of November 30, 2014). Ginnie Mae projects an issuer base of 500 for fiscal year 2016. Ginnie Mae monitors an increasing number of non-Federally regulated entities in its issuer base, both in non-depository issuers and a large transfer of mortgage servicing rights (MSRs) from banks to non-depository institutions (Figure 1). The rising prominence of non-depository institutions in residential finance requires substantial changes to Ginnie Mae's counterparty monitoring and governing practices. Additionally, the S&E request of \$28.3 will allow Ginnie Mae to increase productivity and efficiencies, build capacity and invest in staff with expertise to oversee

² In the Ginnie Mae program, participating lenders issue the mortgage-backed securities (MBS) comprised of their loans. Hence, lenders in the Ginnie Mae program are referred to as issuers.

Guarantees of Mortgage-Backed Securities

upgrading the MBS pooling and accounting operations and technology platforms.

Figure 1: Non-Depository Issuance Market Share Fiscal Years 2012 – 2014

	2012	2013	2014
Total Single-Family Issuance	\$ 360,639,014,137	\$ 423,929,730,766	\$ 277,475,469,367
Percent of Total by Mortgage Banks	28%	37%	51%

Proposals in the Budget

- The Budget proposes to increase access to multifamily development financing by allowing Ginnie Mae to securitize risk sharing loans.

2. What is this program?

Ginnie Mae is a unique program in that it utilizes the explicit full faith and credit guarantee of the U.S. Government to back its mortgage-backed securities (MBS). Ginnie Mae is authorized by Title III of the National Housing Act, as amended (P.L. 73-479; codified at 12 U.S.C. 1716 et seq.). Section 306(g) of the National Housing Act authorizes Ginnie Mae to guarantee the timely payment of principal and interest on securities that are issued by approved entities, and which are backed by FHA, VA, USDA Rural Development or PIH mortgages.

Ginnie Mae earns income by approving commitment authority that is sold to qualified mortgage issuers. Issuers use that authority to pool their government-insured or government-guaranteed mortgage loans to issue Ginnie Mae MBS. Ginnie Mae, in turn, guarantees the performance of the Issuer who issues the MBS and who continues to service and manage the underlying loans. This guarantee to investors also earns Ginnie Mae guarantee fee income from issuers. The Ginnie Mae guarantee, coupled with an expected return higher than U.S. Treasury securities, makes Ginnie Mae securities highly liquid and attractive to domestic and foreign investors of all types. This liquidity is passed on to issuers who can then use the proceeds from issuances to make new mortgage loans available. The ongoing cycle (as depicted in Figure 2) helps to lower financing costs and supports increased access to capital for housing finance across the single-family, multifamily and healthcare housing markets. Because the securities are backed by the full faith and credit of the U.S. Government, capital continues to flow even during recessionary periods when liquidity stalls in the private market.

Ginnie Mae plays a distinct and critical role in the U.S. housing finance market. Ginnie Mae is not in the business of making or purchasing mortgage loans, nor does it buy, sell, or issue securities. Instead, private lending institutions approved by Ginnie Mae originate eligible government loans, pool them into securities, and issue MBS. Ginnie Mae's business model enables it to maintain a negative subsidy rate and earn money for the U.S. Treasury, which significantly reduces taxpayer exposure to the risk associated

Guarantees of Mortgage-Backed Securities

with secondary market transactions. It is through this model that Ginnie Mae brings global capital and stability to the Nation's housing finance system.

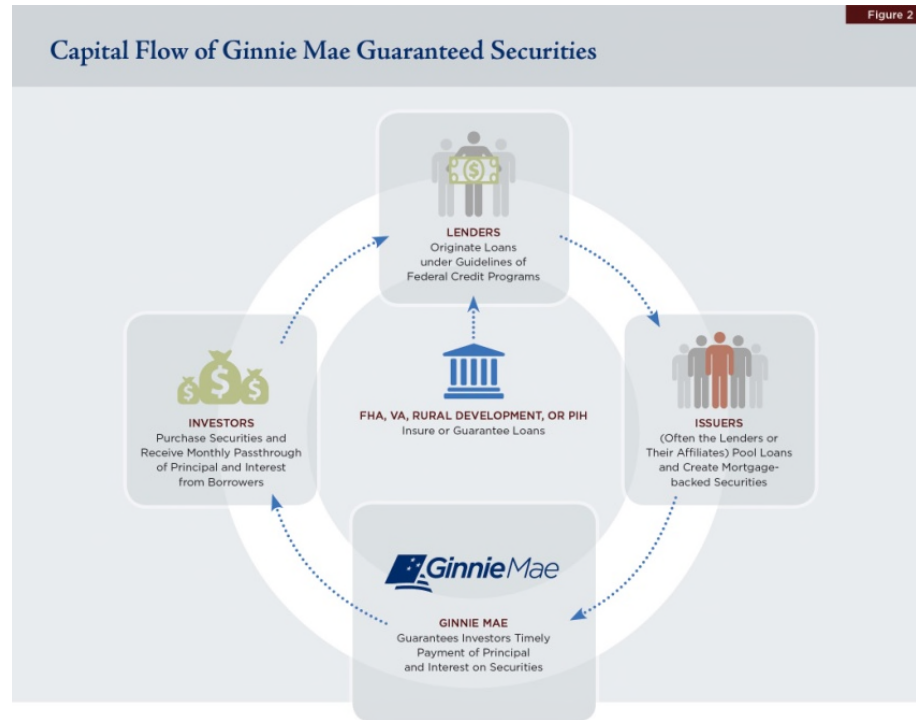
Ginnie Mae is a mono-line business taking only counterparty risk – the risk that the Issuer does not have the financial strength and liquidity to cover borrower defaults on mortgage loans underlying their MBS issuances. There are three levels of protection that must be exhausted before the Ginnie Mae guarantee is at risk:

- 1) Homeowner equity;
- 2) Insurance provided by the government agency that insured the loans; and
- 3) Corporate resources of the lenders who issued the security.

Ginnie Mae is in the fourth and last loss position (Figure 3). Ginnie Mae issuers must exhaust their corporate resources — usually through bankruptcy — before Ginnie Mae will pay on its guarantee to investors. Insuring only the performance of the Issuer and requiring that issuers make principal and interest payments to investors until they can no longer do so significantly reduces taxpayer exposure to risk. By actively managing and monitoring issuers, Ginnie Mae manages its risk of potential Issuer default and can better protect the guarantee from loss.

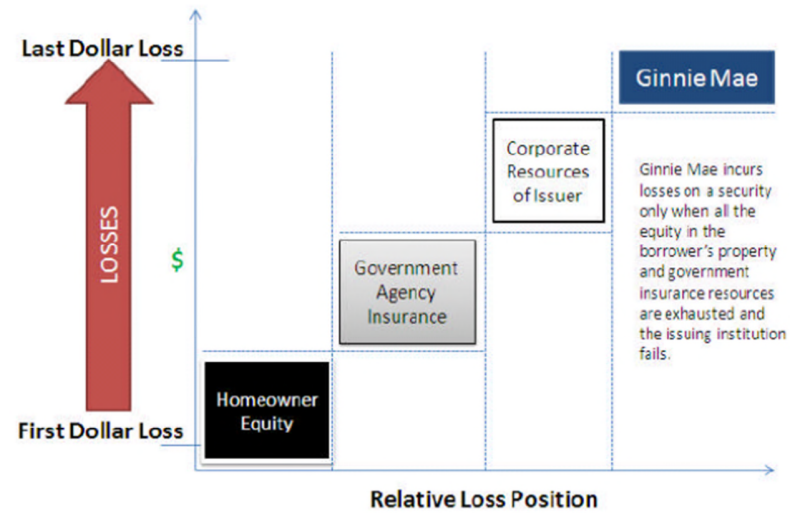
Guarantees of Mortgage-Backed Securities

Figure 2: Capital Flow of Ginnie Mae Guaranteed Securities



Guarantees of Mortgage-Backed Securities

Figure 3: Protecting the Ginnie Mae Guarantee

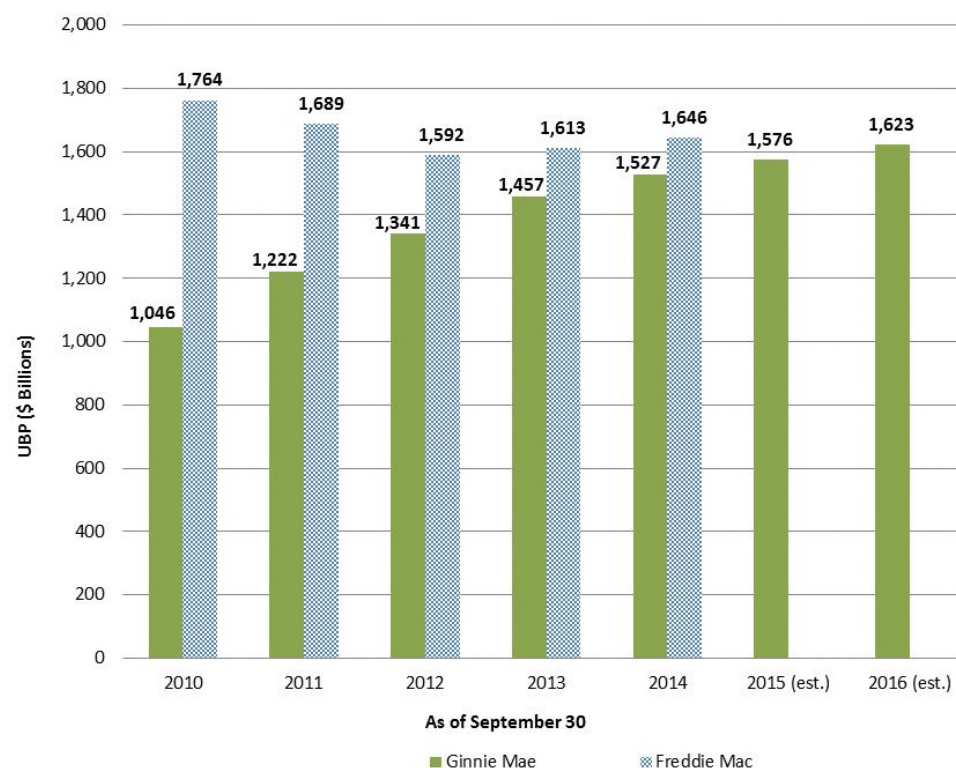


Guarantees of Mortgage-Backed Securities

Securities and Products

Ginnie Mae has become a major outlet providing global capital and liquidity to the housing market. Ginnie Mae's unpaid principal balance (UPB) is rapidly approaching, and is projected to exceed, Freddie Mac's MBS guarantee levels³ (Fannie Mae's UPB is the largest as of November 2014). Ginnie Mae UPB of securities outstanding in the market has risen from \$1.05 trillion to an estimated \$1.62 trillion between fiscal years 2010 – 2016 (estimated) (see Figure 4).

Figure 4: Ginnie Mae vs. Freddie Mac – Unpaid Principal Balance Outstanding in Mortgage-Backed Securities Portfolio



³ Source: Freddie Mac Monthly Volume Summary Report, <http://www.freddiemac.com/investors/volsum/>

Guarantees of Mortgage-Backed Securities

The outstanding principal balance of MBS for fiscal years 2014 – 2016 are shown in the following table:

	ACTUAL <u>2014</u>	ESTIMATE <u>2015</u>	ESTIMATE <u>2016</u>
	(Dollars in Thousands)		
Securities Outstanding, start of Year.....	\$1,457,108,143	\$1,526,470,160	\$1,576,343,160
Issued During Year.....	302,149,276	297,000,000	330,200,000
Principal Payments to Securities Holders.....	<u>-232,787,259</u>	<u>-247,127,000</u>	<u>-266,916,042</u>
Securities Outstanding, end of year.....	1,526,470,160	1,576,343,160	1,639,627,118

The Ginnie Mae MBS Program and Multiclass products provide liquidity for an array of FHA, VA, and USDA Rural Development programs:

Targeted Lending Initiative

Ginnie Mae started the Targeted Lending Initiative (TLI) in fiscal year 1996. The Initiative is consistent with Ginnie Mae's statutory purpose to promote access to mortgage credit in the central cities by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Through the TLI, Ginnie Mae reduces the guarantee fees it charges issuers by up to 50 percent for making mortgage loans in any of the Nation's urban and rural Empowerment Zones or Enterprise Communities, adjacent eligible central city areas, and areas with a majority population of Native Americans.

The following table shows estimated TLI cumulative activities as of September 30, 2014:

	<u>Pools</u>	<u>Loans</u>	Mortgage Amount <u>(Dollars in Billions)</u>
10/01/96 through 9/30/14.....	72,354	2,350,525	\$366

Guarantees of Mortgage-Backed Securities

Home Equity Conversion Mortgages

Home Equity Conversion Mortgages (HECMs) allow homeowners ages 62 and older to tap into their home equity without repaying the money as long as they live in their homes. These "reverse mortgages" help more senior homeowners enjoy a better quality of life by allowing them to retain their homes and use their home's accumulated wealth to help with health care costs and other expenses. America's aging population makes HECMs an increasingly attractive product for issuers, and Ginnie Mae provides a capital markets solution to support this population.

Currently, FHA's HECM program allows Ginnie Mae-qualified issuers to help underserved and elderly borrowers while tapping into a safe, secure, and guaranteed capital markets solution. Ginnie Mae's securitization of HECMs reduces costs to seniors by allowing issuers to offer loans at lower-than-market interest rates. By focusing on senior housing, Ginnie Mae is well positioned to serve the needs of a major demographic subgroup that is predicted to increase rapidly in the coming years.

Multiclass Mortgage-Backed Securities Products

In fiscal year 1994, Ginnie Mae began guaranteeing Real Estate Mortgage Investment Conduits (REMIC). A pool or trust composed of mortgages or MBS back a REMIC security. The REMIC Issuer issues certificates of interest to investors and elects to be taxed under the REMIC provisions of federal tax law (Sections 860A through 860G of the Internal Revenue Code of 1986). REMICs are multiple class securities with different maturities, typically between 2 and 20 years, or with payments based on fractions of the MBS income stream. This multiple class characteristic is what largely distinguishes REMICs from single class Mortgage-Backed Securities.

Ginnie Mae REMIC products allow the private sector to combine restructured cash flows from Ginnie Mae MBS (including Home Equity Conversion MBS) and other permissible REMIC securities to be tailored to meet investor's preferences. The Ginnie Mae Callable Trust products permit one investor to receive the cash flows from the underlying MBS, while another investor has the right to buy the underlying MBS, under certain circumstances, thereby calling or terminating the Callable Trust. The Ginnie Mae Stripped Mortgage-Backed Securities (SMBS) Trust program complements the REMIC program and involves the allocation of principal and interest from pass-through securities in differing proportions than exist in the underlying mortgage loans. The Ginnie Mae Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools that are sold to investors by securities dealers. Ginnie Mae, under its multiclass securities program, will guarantee only securities based on and backed by mortgage-backed securities guaranteed by Ginnie Mae. Since all Ginnie Mae guaranteed multiclass securities are based on and backed by MBS issued securities pursuant to previously issued commitment authority, additional commitment authority is not required for the multiclass securities.

Guarantees of Mortgage-Backed Securities

<u>REMICs</u>	<u>Callable Trusts</u>	<u>Platinum Securities</u>	<u>SMBS</u>
Investment vehicles that reallocate pass-through cash flows from underlying mortgage obligations into a series of different bond classes, known as tranches, which vary based on term and prepayment risk.	Allow investors the flexibility to redeem or call a security prior to its maturity date under certain conditions to hedge against fluctuating interest rate environments.	Allow investors who hold multiple pools of MBS to combine them into a single Ginnie Mae Platinum Certificate.	Custom-designed securities that redirect MBS principal and/or interest cash flows to meet investors' specific objectives. Ginnie Mae guarantees the timely payment of principal and interest on each class of SMBS.

The Multiclass Program activity, which involves a Ginnie Mae guarantee on the multiclass securities that are backed by Ginnie Mae MBS, is shown in the following table:

	<u>ACTUAL</u> <u>2014</u>	<u>ESTIMATE</u> <u>2015</u>	<u>ESTIMATE</u> <u>2016</u>
	(Dollars in Thousands)		
<u>MULTICLASS MBS SECURITIES</u>			
Securities Outstanding, start of year.....	\$421,609,481	\$414,702,746	\$389,637,379
Issued During Year.....	113,741,265	107,646,915	107,646,915
Principal Payments to Securities Holders.....	<u>-120,648,000</u>	<u>-132,712,800</u>	<u>-139,348,440</u>
Securities Outstanding, end of year.....	\$414,702,746	\$389,637,379	\$357,935,853

3. Why is this program necessary and what will we get for the funds?

Ginnie Mae plays a critical role in the U.S. housing finance system as it is a low risk, high revenue-generating conduit for bringing private capital into the U.S. housing markets. Without such a conduit, the prevalence of the 30-year mortgage would be significantly diminished. If issuers were unable to access the global capital market through the sale of Ginnie Mae securities, they would not have the capital necessary for providing adequate access to finance FHA, VA, PIH and USDA insured loans. In response, issuers would originate fewer loans and be forced to raise mortgage rates for the loans they do make to individual borrowers, weakening a recovering but still somewhat fragile housing market. In addition, the existing global MBS market would experience a major

Guarantees of Mortgage-Backed Securities

disruption, with negative effects on both the liquidity and value of existing Ginnie Mae securities (which represent an important component of the balance sheets of many of the world's largest financial institutions). Ginnie Mae benefits borrowers, issuers, and investors while helping to stabilize the U.S. housing and capital markets. Ginnie Mae operates with a negative subsidy, meaning guarantee-related cash flows are a net positive; in other words, Ginnie Mae provides positive cash flow to the U.S. Government.

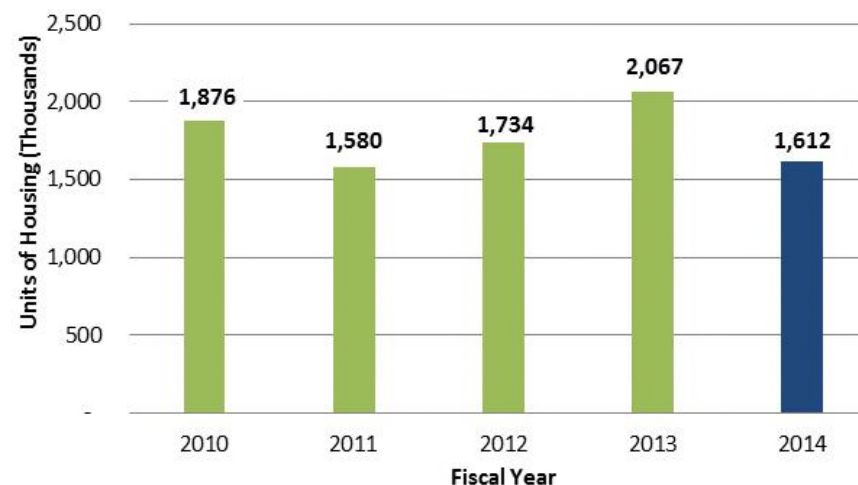
More specifically, Ginnie Mae guarantees the timely payment of principal and interest on MBS issued by approved private mortgage institutions and backed by pools of mortgages insured or guaranteed by FHA, VA, the USDA, and PIH. By guaranteeing timely payment of principal and interest to investors, individual mortgages are transformed from relatively illiquid, individual assets into liquid, tradable, and homogeneous capital market instruments. Prior to MBS, borrowers across the United States had limited access to fixed interest rate home mortgages and some regions experienced localized credit crises. Worse yet, borrowers faced strikingly uneven mortgage rates across different regions. Without Ginnie Mae's support of the mortgage market, such problems could resurface.

The steep decline of the housing market in recent years placed tremendous stress on issuers, including Ginnie Mae's issuers, and has led to the retreat of investors from the market. As it has done before in troubled times, Ginnie Mae stepped into the market space previously dominated by others to ensure that core customers — issuers and investors — are well served. Ginnie Mae has guaranteed over \$2.3 trillion in new mortgage backed securities during fiscal years 2009 – 2014, bringing its outstanding guarantee to over \$1.5 trillion. A significant subcategory of the new Issuer population is composed of sizable non-depository entities that have grown rapidly, and due to their complexity have more intensive monitoring requirements. These new entrants are critical to the loosening of credit and greater accessibility to affordable capital for borrowers, as financial institutions who typically demand tighter credit overlays leave the market.

As shown in Figure 5, Ginnie Mae supported approximately 1.6 million units of housing for individuals and families in fiscal year 2014. Ginnie Mae has made a significant impact on the availability of homeownership and rental opportunities. Ginnie Mae expects this participation rate to continue and with the requested commitment authority will be able to provide financing for single family homes, apartment units, hospitals, and nursing homes.

Guarantees of Mortgage-Backed Securities

Figure 5: Ginnie Mae Supported Units of Housing



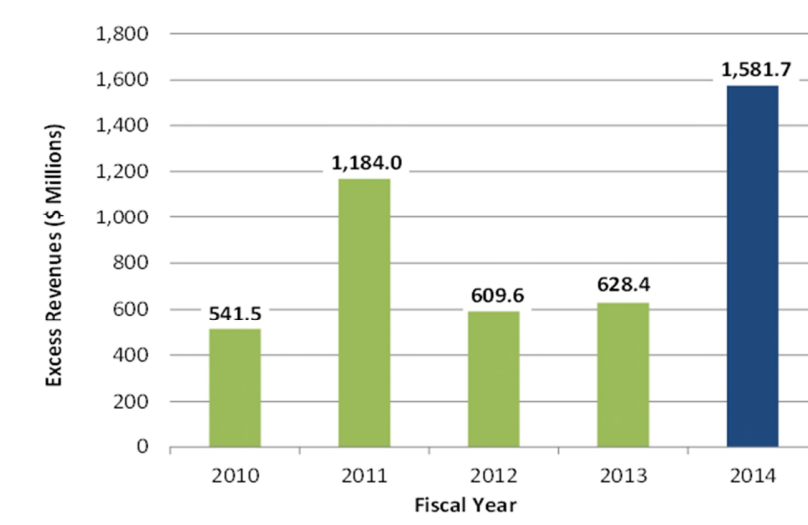
In addition, Ginnie Mae's program serves special populations:

1. Ginnie Mae makes affordable mortgages available in underserved areas. The capital provided by Ginnie MBS helps ensure rural issuers have sufficient capital to make loans. In fiscal year 2014, 20 percent of single family Ginnie Mae pools received TLI credit.
2. The Multifamily Program makes safe and affordable rental housing available for millions of individuals and families. Ginnie Mae's mission of supporting affordable housing and promoting stable communities extends to ensuring that decent rental units remain accessible. By guaranteeing pools of multifamily loans that are sold to investors in the global capital markets, Ginnie Mae enables issuers to reduce mortgage interest rates paid by property owners and developers of apartment buildings and other housing options. Ginnie Mae also provides funding for hospitals, nursing homes, and assisted-living facilities. The Multifamily Program portfolio increased by \$8.1 billion, from \$79.8 billion at the end of fiscal year 2013 to \$87.9 billion at the end of fiscal year 2014, marking the 20th year of consecutive growth.

More so, Ginnie Mae's MBS guarantee activities described above historically have operated at no cost to the U.S. Government. Ginnie Mae's actual excess GAAP revenues over expenses from fiscal years 2010 to 2014 are depicted in Figure 6 below.

Guarantees of Mortgage-Backed Securities

Figure 6: Excess of Revenues over Expenses



4. How do we know this program works?

During the recent market crisis, Ginnie Mae has provided market stability and liquidity to America's housing finance system. Ginnie Mae securities remain in high demand as the UPB of Ginnie Mae securities outstanding in the market has risen from \$1 trillion in 2010 to over \$1.6 trillion estimated by fiscal year 2016. Ginnie Mae has become the major outlet providing global capital and liquidity to the housing market. Over the last 40 years, Ginnie Mae's portfolio has grown to \$1.5 trillion. Notably, in the last four years, Ginnie Mae increased their portfolio by an additional 50 percent reaching a \$1.5 trillion milestone. Ginnie Mae provides a steady source of funding for the vast majority of government-insured or guaranteed loans offered by FHA, VA, and USDA. As of September 30, 2014, 99.2 percent of FHA fixed-rate single family loans, 99.1 percent of multifamily eligible loans, and 96.7 percent of VA fixed-rate single family loans were placed into Ginnie Mae pools, making Ginnie Mae securities the primary source of capital for new home purchases.

Figure 7 shows the variances and periods of decline in the private-label market over the past several years and the consistent issuance of agency MBS—those backed by Ginnie Mae and the Government-Sponsored Enterprises (GSEs). Although Ginnie Mae has maintained a significant share of the MBS market over the past several years, maintaining a high market share is not its goal. Rather, its goal is simply to support the housing market by providing global capital and access to credit in a safe and efficient manner.

Guarantees of Mortgage-Backed Securities

Figure 7: Relative Market Share of Ginnie Mae and GSE Securities⁴, 2010 through 2014



5. Proposals in the Budget

- **FHA/Ginnie Mae Risk Sharing Securitization:** HUD is expanding its pool of risk sharing lenders to include lenders that have demonstrated experience in affordable housing lending, specifically in order to increase the availability of capital to small multifamily properties of 5-49 units. The language would authorize Ginnie Mae to securitize these small loans made under Section 542(b) (Sec. 224).

⁴ Source: *Inside MBS & ABS*, MBS issuance figures based on the 12 months of the calendar year for 2010 through 2013, and for the first 9 months of Calendar Year 2014.

Guarantees of Mortgage-Backed Securities

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Summary of Resources by Program**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Commitment Limitation .	<u>\$500,000,000</u>	<u>\$450,047,915</u>	<u>\$950,047,915</u>	<u>\$286,318,301</u>	<u>\$500,000,000</u>	<u>\$500,000,000</u>	<u>\$1,000,000,000</u>	<u>\$500,000,000</u>
Total	500,000,000	450,047,915	950,047,915	286,318,301	500,000,000	500,000,000	1,000,000,000	500,000,000

Guarantees of Mortgage-Backed Securities

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGE-BACKED SECURITIES PROGRAM Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

New commitments to issue guarantees to carry out the purposes of section 306 of the National Housing Act, as amended (12 U.S.C. 1721(g)), shall not exceed \$500,000,000,000, to remain available until September 30, ~~2016~~2017: Provided, That ~~[\$23,000,000]~~\$28,300,000 shall be available for necessary salaries and expenses of the Office of Government National Mortgage Association: Provided further, that to the extent that guaranteed loan commitments will and do exceed \$155,000,000,000 on or before April 1, ~~2015~~2016, an additional \$100 for necessary salaries and expenses shall be available until expended for each \$1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below \$1,000,000), but in no case shall funds made available by this proviso exceed \$3,000,000: Provided further, That receipts from Commitment and Multiclass fees collected pursuant to title III of the National Housing Act, as amended, shall be credited as offsetting collections to this account. (Department of Housing and Urban Development Appropriations Act, 2015.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES
Government National Mortgage Association

Program Area Overview:

The Government National Mortgage Association's (Ginnie Mae) mission and purpose is to bring domestic and global capital into the nation's housing finance markets while minimizing risk to the taxpayer. Ginnie Mae's portfolio is over \$1.5 trillion. While Ginnie Mae's limited staff has kept pace with growing demands, Ginnie Mae is now adapting to complexities presented by the current evolving environment. The three key drivers behind the need for additional resources are:

- 1) Managing the increasing number and complexity of issuers¹.
- 2) Continuing its multi-year, enterprise-wide foundational, modernization and transformational initiatives.
- 3) Managing expanded and continuous IT system enhancements, upgrades and compliance.

The investment in a more robust workforce will allow Ginnie Mae to continue meeting today's housing finance needs of low- to moderate-income families, veterans, and rural homeowners while building better systems for tomorrow.

As seen in Table 1 below, Ginnie Mae anticipates a growth rate in the number of issuers exceeding 40 percent between calendar years 2008 and 2016.

¹ In the Ginnie Mae program, participating lenders issue the mortgage-backed securities (MBS) comprised of their loans. Hence, lenders in the Ginnie Mae program are referred to as issuers.

Government National Mortgage Association – Salaries and Expenses

Table 1: Calendar Years 2008 – 2016

Number of SF, MF, MH and HECM Approved Issuers by Institution Type

Source: Ginnie Mae B07 Issuer Load file

Excludes Defaulted and Terminated Issuers

Institution Type	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Nov-14	Estimated 2015	Estimated 2016
1. Mortgage Company	222	232	252	256	286	314	312	333	340
2. Savings & Loan	36	32	28	25	24	24	20	20	20
3. Commercial Bank	63	62	57	58	61	67	75	82	86
4. Mutual Savings	7	9	9	8	9	11	11	11	11
5. Credit Union	7	8	12	14	14	16	14	15	16
6. Other	20	24	27	24	22	25	26	27	27
Total	355	367	385	385	416	457	458	488	500

The growth in the number of new issuers is straining the staff's capacity to manage financial institutions as ratios of issuers per Account Executive and Risk Analyst have skyrocketed well above targeted levels, as shown in Table 2.

Table 2: Issuer to Ginnie Mae Staff Ratio

	Issuers	Account Executive Ratio	Monitoring Analyst Ratio
FY 2014 (actual)	458	35:1	76:1
FY 2015 (estimated)	488	27:1	54:1
FY 2016 (estimated)	500	23:1	45:1
Targeted Ratio		15:1	45:1

Another critical factor in the need for additional staff is the increasing financial complexity of many of the new issuers. Historically, the Ginnie Mae operating model worked well largely because its issuers were depository institutions overseen by prudential regulators such as the Office of Comptroller of the Currency or Federal Deposit Insurance Corporation. The mortgage finance industry, however, is rapidly evolving away from depository institutions toward non-banks not subject to federal safety and soundness oversight. These new entrants bring critical new capital to the nation's housing markets yet they also require more Ginnie Mae supervision since safety and soundness reviews are not being performed by prudential regulators. Non-banks now comprise 51 percent of single-family MBS issuance, up from 28 percent just two years ago. (Table 3)

Government National Mortgage Association - Salaries and Expenses

Table 3: League Table Fiscal Years 2012 – 2014

	2012	2013	2014
Total Single-Family Issuance	\$ 360,639,014,137	\$ 423,929,730,766	\$ 277,475,469,367
Percent of Total by Mortgage Banks	28%	37%	51%

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personal Services	\$17,323	\$21,497	\$26,338	\$4,841
Non-Personnel Services				
Travel	369	726	926	200
Printing	-	3	5	2
Other Services/Contracts	1,574	465	585	120
Training	155	267	393	126
Supplies	14	42	53	11
Non-Personnel Subtotal	2,112	1,503	1,962	459
GRAND TOTAL	\$19,435	\$23,000	\$28,300	\$5,300
Associated FTE	109.7	138.8	167.8	29.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

Ginnie Mae request \$28,300K in fiscal year 2016, an increase of \$5,300K compared to fiscal year 2015 enacted.

The increase is greatly offset by rising revenues at Ginnie Mae. Ginnie Mae's Salaries and Expenses (S&E) request is more than counterbalanced by an estimated \$118 million in collections from multiclass and commitment fees in fiscal year 2016. The net result is a \$90 million contribution to the federal government's bottom line. Since 2012, Ginnie Mae's total impact to reducing the deficit is estimated at \$451 million through the end of the next fiscal year. Moreover, Ginnie Mae's total operations have generated revenues to the federal government exceeding \$1 billion annually.

Government National Mortgage Association – Salaries and Expenses

Personnel Services:

Ginnie Mae requests \$26,338K and 167.8 Full-Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted by \$4,841K and 29 FTE. A nominal increase in funding will support the additional hiring, pay raise, promotions and with-in grade increases. The increase in Personnel Services will allow Ginnie Mae to:

- Increase staff in the Offices of issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology and the Office of the Chief Financial Officer.
- Provide sufficient and enhanced oversight of non-depository issuers to allow Ginnie Mae to continue issuing commitment authority and approving servicing transfers, both critical to ensuring liquidity in the Ginnie Mae MBS, loosening credit and providing greater accessibility to capital.
- Continue with modernization and transformational initiatives necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (e.g. FISMA, FISCAM, NIST Rev. 4) and other regulatory mandates; and align with Ginnie Mae-imposed policies and procedures.
- Proceed in building capacity to strengthen the management oversight of contractors across the enterprise.
- Increase focus on risk management of more than \$1.5 trillion in outstanding guaranteed securities, as the level of specialized skills needed to manage these risks continues to grow. Ginnie Mae estimates that its portfolio will grow another \$100 billion in fiscal year 2016.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
President and Executive Vice President	7	\$1,169	7	\$1,146	7	\$1,161
Chief Financial Officer	15	\$2,416	16	\$2,462	20	\$3,084
Issuer and Portfolio Management	33	\$5,274	48	\$7,422	57	\$8,878
Enterprise Risk	7	\$1,105	8	\$1,161	10	\$1,499
Capital Markets	5	\$758	5	\$805	7	\$1,044
Enterprise Data and Technology Solutions	16	\$2,511	26	\$4,057	30	\$4,685
Securities Operations	13	\$2,100	14	\$2,121	19	\$2,993
Management Operations	13	\$1,990	15	\$2,323	19	\$2,994
Total	109.7	\$17,323	138.8	\$21,497	167.8	\$26,338

Government National Mortgage Association - Salaries and Expenses

Non-Personnel Services:

An increase of \$459K in Non-Personnel Services

- An increase of \$200K in Travel to:
 - Perform essential policy functions such as issuer applicant on-site reviews, on-site visits for new or probationary issuers, compliance reviews and reviews of its master subservicers.
 - Implement additional oversight/monitoring protocols.
 - Support Ginnie Mae's Global Investor Initiative, designed to help increase Ginnie Mae's access to global official and private institutions investor community, which is currently estimated at 30-40 percent of its entire investor base. It will also provide better international client services and position Ginnie Mae as a market leader in attracting global financial capital.
- An increase of \$126K in Training, which is consistent with Ginnie Mae's commitment to increase the performance of its workforce. On average, Ginnie Mae estimates that it will spend \$2.3K per employee on training in fiscal year 2016, compared to \$2K per employee in fiscal year 2015.
- An increase of \$120K in Other services, which will help support temporary staffing services for Ginnie Mae until permanent employees can be on-boarded.
- A total increase of \$13K in supplies and printing, which will support the cost for general supplies associated with increased staff.

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

RESEARCH AND TECHNOLOGY	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$46,000	\$2,666 ^a	...	\$48,666	\$45,772	\$49,666
2015 Appropriation	72,000	2,744 ^b	...	74,744	74,744	65,000
2016 Request	<u>50,000</u>	<u>...</u>	<u>...</u>	<u>50,000</u>	<u>50,000</u>	<u>60,000</u>
Program Improvements/Offsets	-22,000	-2,744	...	-24,744	-24,744	-5,000

a/ The carryover into fiscal year 2014 includes \$241 thousand of recaptures.

b/ The carryover into fiscal year 2015 excludes \$150 thousand of unusable, recaptured X funds.

1. What is this request?

The Department requests \$50 million for the Research and Technology (R&T) account for fiscal year 2016. This request will fully fund PD&R's housing surveys, including the American Housing Survey (AHS)¹, and continue research dissemination functions. The AHS is the richest source of information about the nation's housing stock and the characteristics of its occupants, and has an important role in assessing the performance of government housing programs.

The fiscal year 2016 request is \$4 million more than the fiscal year 2014 enacted level and \$22 million less than the fiscal year 2015 enacted level. The reason for the \$22 million decrease in the fiscal year 2016 request is because \$72 million was enacted in fiscal year 2015 for the R&T account, which combined the traditional core R&T activities including housing surveys, dissemination and research partnerships with activities that were previously provided under the Transformation Initiative (TI) account including research, demonstrations and technical assistance. In fiscal year 2016 the budget request proposes separate R&T and TI accounts.

The Office of Policy Development and Research (PD&R) provides fundamental support for the mission of the Department and the policy agenda of the Secretary. PD&R performs policy analysis, research, surveys, studies, and evaluations, both short- and long-term, to assist Congress, the Secretary, and other HUD principal staff to make informed decisions on HUD policies, programs, budget, and legislative proposals. In addition, PD&R provides data and information to support program operations.

¹ When fully funded, an AHS includes a national sample and 25 metropolitan area oversamples.

Research and Technology

A summary of R&T funding for fiscal years 2014, 2015 and 2016 follows:

	2014 <u>Enacted</u>	2015 <u>Enacted</u>	2016 <u>Request</u>	Increase/ Decrease <u>2016 vs 2015</u>
	(Dollars in Thousands)			
Core Research and Technology (R&T):				
I. Market Surveys (Fixed)	\$37,700	\$37,700	\$41,500	+\$3,800
II. Dissemination/Research Support	5,700	5,700	5,700	....
Subtotal Fixed Activities	43,400	43,400	\$47,200	+3,800
III. Non-Survey Data Acquisition	600	600	600	...
IV. Housing Finance Studies	1,000	1,000	1,000	...
V. Research Partnerships	1,000	1,000	1,000	...
VI. Housing Technology	...	200	200	...
VII. Research and Demonstrations*	...	3,800	...	-3,800
Subtotal Variable Activities	2,600	6,600	2,800	-3,800
Total, Core R&T	46,000	50,000	50,000	...
VIII. Technical Assistance (CPD)*	...	22,000	...	-22,000
Total R&T	\$46,000	\$72,000	\$50,000	- \$22,000

*Funded under the TI account in fiscal years 2014 and 2016.

Research and Technology

How Does The R&T Budget Request Differ From The Transformation Initiative Budget Request?

The R&T appropriation for PD&R complements the Transformation Initiative (TI) research, evaluation, and demonstration funds. The TI undertakes larger-scale studies and demonstrations that span several years, whereas R&T provides PD&R's basic data gathering and dissemination functions on an annual basis. This complementary funding approach aligns with the American Evaluation Association's recommendation that for evaluation to fulfill its role as a "staple of good government," it should be funded separately from large cross-cutting surveys and performance monitoring data.²

The National Research Council's 2008 evaluation of PD&R, "Rebuilding the Research Capacity at HUD,"³ pointed to the inadequacy of evaluation resources, limited to R&T, for informing the Department how to invest program resources with the greatest effectiveness, efficiency, accountability, and innovation. This evaluation resource issue is elaborated in the TI budget request. The TI Fund supports such ongoing investment in technical assistance as well as critical research and demonstrations while protecting the mandatory R&T investments in sound survey data collection for the nation's housing data infrastructure. Based on the recommendations in the Research Council report, the Office of Policy Development and Research has developed a 5-year research agenda, "HUD Research Roadmap fiscal years 2014-2018,"⁴ through a systematic and extensive consultation process. Experts and stakeholders identified the most important research questions for improving the cost effectiveness of the nation's housing and urban development policy. The insights that emerged through the road-mapping process have informed the priorities of both the TI and R&T accounts. The Roadmap helps ensure that research investments are targeted strategically, reflect PD&R's comparative advantage, make full use of existing assets, and establish vigorous collaborations to address the nation's most pressing needs in housing and urban development. The fiscal year 2016 R&T budget and the TI reflect projects identified from the Roadmap.

The R&T account establishes the nation's basic infrastructure of housing data through regular surveys and data compilation, as well as basic research and dissemination in the areas of housing and community development. Not only do TI projects and other program analyses within and beyond HUD rely on the data supported by the R&T account, but HUD also relies on the dissemination funded through R&T to publish its findings, including research and demonstrations funded by the TI. Without these complementary efforts to publish and publicize the results of TI projects, the important policy findings would reach few audiences outside of HUD. Much of this activity occurs in PD&R, but also in other offices across the agency. This balanced approach to creating and marshaling policy-relevant information is consistent with the recommendations of the National Research Council report.

Proposals in the Budget:

² American Evaluation Association. "Evaluation Roadmap for More Effective Government." 2009. <http://www.eval.org/EPTF/aea10.roadmap.101910.pdf>

³ The report was requested by Congress. National Research Council. "Rebuilding the Research Capacity at HUD." 2008

⁴ HUD-PD&R, 2013. http://www.huduser.org/portal/about/pdr_roadmap.html.

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Evaluation Funding Flexibility Pilot. The Budget proposes expanded legislative flexibilities allowing funding for research, evaluation, and statistical purposes that is unexpended at the completion of a contract, grant, or cooperative agreement to be deobligated and reobligated for additional research, evaluation, or statistical purposes.

2. What is this program?

Housing Market Surveys (\$41.5 million)

The housing market surveys comprise 83 percent of the R&T program and are \$3.8 million above the enacted level in fiscal year 2015. This \$3.8 million will allow the surveys to be fully funded in fiscal year 2016. Given the continuing changes in housing and housing finance markets, it is essential for policy makers to keep abreast of institutional and economic changes by understanding the impact of financial risk, credit, affordability of renter- and owner-occupied housing, residential construction, and home purchases. By sponsoring major housing market surveys and conducting research and analysis on housing market finance issues, PD&R provides this essential information to a wide range of policy makers and stakeholders. These major housing market surveys include the American Housing Survey (AHS), the Survey of Construction, the Survey of Market Absorption of New Multifamily Units, the Survey of New Manufactured Homes and the Rental Housing Finance Survey. These surveys are described below.

American Housing Survey (AHS) - \$33.35 million

The AHS began in 1973 as part of the response to urban unrest in the 1960s, and Congress has mandated that HUD conduct an AHS similar to the one conducted in 1981. Today, the AHS is focused on housing costs, housing quality, and neighborhood assets. While other surveys, such as the American Community Survey, provide an adequate overall snapshot of the housing stock, the AHS provides the detailed data necessary to build a complete accounting of housing costs and to monitor how housing quality changes as housing units age. The AHS also provide detailed data about the physical and social assets within a neighborhood.

HUD redesigned the AHS for 2015, including establishing new goals for sample size and metropolitan area surveys. Specifically, HUD established a three-level prioritization:

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Priority	Description	Sample Size
1. Integrated National Sample	The integrated national sample includes a representative national sample, approximately 3,000 housing units from each of the top 15 metropolitan areas, and an oversample of HUD-assisted units.	86,000
2. Half of "Next 20" metropolitan areas	HUD developed a priority "Next 20" list of metropolitan areas that includes 20 mid-sized metropolitan areas ranging from 1.5 million to 3.5 million people. HUD's goal is to survey alternating halves of the "Next 20" list during each survey cycle, ensuring that each of the metropolitan areas on this list are surveyed once every 4 years.	30,000
3. 15 additional metropolitan areas	During the planning stages for each survey cycle, HUD will identify 15 additional metropolitan areas that are not in the Top 15 and not part of the "Next 20" list. The selection of these 15 metropolitan areas will be based on AHS user requests.	45,000

The AHS questionnaire is divided into two parts: core questions and rotating topical modules. The core questions are a permanent part of the survey while rotating topical modules appear in the survey on a rotating basis, often based on the needs of HUD or the AHS user community. The table below lists the topical modules used from 2011 through 2017 (planned).

2011 AHS	2013 AHS	2015 AHS	2017 AHS
-Healthy homes -Housing modifications to accommodate elderly persons and persons with disabilities	-Public transportation -Disaster preparedness -Neighborhood conditions -Neighborhood social capital -Doubled-up households	-Healthy Homes -Food insecurity -Housing counseling usage -Arts and cultural neighborhood assets	-Housing modifications to accommodate elderly persons and persons with disabilities -Neighborhood social capital

Funding a nationally representative and thorough dataset is best accomplished by the federal government because it serves a common national purpose. Providing the data source then leverages private universities and researchers to glean knowledge of value to HUD and practitioners across the country. For example, the Joint Center for Housing Studies (JCHS) at Harvard University is a heavy user of AHS data. Their recent report "The U.S. Housing Stock: Ready for Renewal" was largely based on AHS data.

For the 2017 AHS, HUD is planning to convert the AHS to a web-based survey instrument. HUD's hope is to reduce survey costs while making the AHS more "respondent friendly" by allowing respondents to answer the survey on their own timeline. As is the

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case with the 2015 AHS, HUD will leverage other administrative and commercial data sources to reduce respondent burden and improve the accuracy of certain data elements. The AHS is available at: <http://www.huduser.org/portal/datasets/ahs.html>.

The AHS budget request is spread across two fiscal years. The total cost of the 2017 AHS is estimated to be \$67.0 million. A budget of \$33.35 million for the AHS in fiscal year 2016 represents half of the estimated cost. HUD intends to make a similar budget request for fiscal year 2017.

The Survey of Construction - \$3.5 million

This survey provides the data for two principal national economic indicators every month: New Home Sales and Private Single Family Housing Starts & Permits. This survey provides monthly, quarterly and annual data on the number and selected characteristics of new single family houses sold and for sale and new single family and multifamily housing units completed and under construction. The 2013 Characteristics of New Housing report is available at <https://www.census.gov/construction/chars/>.

The Survey of Market Absorption of New Multifamily Units - \$750 thousand

This survey provides quarterly data on how quickly new multifamily units are rented, by rent level and number of bedrooms. The survey also provides information on other characteristics of new multifamily housing units. The 2013 Characteristics of Apartments Completed report is available at <http://www.census.gov/housing/soma/files/annual13/ann13-report.pdf>.

The Survey of New Manufactured (Mobile) Homes - \$400 thousand

This is a Congressionally mandated survey. The statutory mandate for HUD to conduct the manufactured housing survey is found at 12 USC 1703 Notes Section 308(e) of P.L. 96-399. This survey compiles monthly and annual data on the number of new manufactured housing units sold or leased by manufactured housing dealers for residential use. Information on other characteristics of newly shipped manufactured homes is collected through this survey. Tabulated results of the Survey of New Manufactured Homes are available at <http://www.census.gov/construction/mhs/mhsindex.html>.

Rental Housing Finance Survey (RHFS) - \$3.5 million

HUD will conduct the RHFS in 2015 and plans to conduct the next RHFS in 2017. The fiscal year 2016 funding request reflects half of the necessary funding for the 2017 RHFS. The second half of the funding will be included in the fiscal year 2017 budget request. The RHFS is a survey of the financial health of the single- and multi-family rental housing properties. The RHFS is the only nationally representative data on rental project mortgage origination volume and the debt service component of rental housing costs—critical for numerous potential uses in developing housing policy. Data collection for the 2015 RHFS will be completed in late 2015 and results will be made available in early 2016 at <http://www.huduser.org/portal/datasets/rhfs/home.html>.

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Dissemination/Research Support (\$5.7 million)

Providing dissemination and research support ensures that the research and analysis conducted by PD&R provides the greatest possible value by reaching a broad audience of policymakers, researchers, practitioners, policy analysts, and the American public. PD&R has employed a number of strategies to make these connections, and will build further upon them in fiscal year 2016.

The hub of PD&R's dissemination remains HUDuser.org, a rich resource for research spanning more than 30 years as well as critical data for researchers and practitioners engaged in program implementation. It is projected that approximately 17.5 million files will be downloaded in fiscal year 2015 as compared to 16.9 million in fiscal year 2014. In fiscal year 2014, the average number of downloads per month were 1.4 million; current fiscal year 2015 is an average of almost 1.5 million per month. Fiscal year 2014 average monthly page views to the HUD USER website were 1 million.

This increased effort to reach broad audiences includes *Evidence Matters*, a quarterly publication highlighting policy-relevant research on major housing and community development topics for a wide audience of policymakers, researchers, advocates, and industry members, including issues on homelessness, rental housing, mixed-income communities, preservation of affordable rental housing, and sustainability. Recent *Evidence Matters* articles include: "Housing's and Neighborhoods' Role in Shaping Children's Future" (Fall 2014) and "Fair Housing Organizations Use Testing to Expose Discrimination" (Spring/Summer 2014).

In addition, the online magazine, *The Edge*, which was created in fiscal year 2011 and substantially redesigned in fiscal year 2014, consolidates and enhances PD&R's newsletters into a single digital publication adding implications of recent research findings and developments in the field. In fiscal year 2016, PD&R will continue to improve the quality of the content on *The Edge* as well as expand partner and public awareness of its utility as a source of good ideas to improve programs and policy. Recent articles in *The Edge* include:

- "Insights on Reverse Mortgage Default" (Research 09/22/2014)
The default rate on reverse mortgages — a tool to convert home equity into a monthly income stream or a line of credit for homeowners — has risen since the housing crisis as more households have used reverse mortgages to supplement their income. Researchers at Ohio State University analyzing the Home Equity Conversion Mortgage program for a recent PD&R report have identified a number of risk factors for default: credit score, prior delinquency on mortgage debt, the presence of a prior tax lien.
- "Complex in Poughkeepsie Provides Housing and Services to Seniors and Veterans" (In Practice 04/21/2014) A new development in Poughkeepsie, New York is providing affordable housing and supportive services for seniors and homeless or

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disabled veterans. The 72-unit Poughkeepsie Commons includes onsite medical services and offsite referrals and was completed through a combination of federal, state, county, and local funding support.

The expert convening program will continue in fiscal year 2016 to provide a mechanism for assembling policy makers and practitioners that advise HUD on current issues and problems. Recent examples are:

- Gender Convening, Neighborhood Context, and Youth Development--A June 2014 panel discussed the role of gender in shaping the impact of neighborhood context on youth development. The convening was motivated by studies, including a recent Journal of the American Medical Association (JAMA) study that found puzzling differences in impacts on boys and girls in the Moving-to-Opportunity (MTO) Demonstration program. The goal of the convening was to draw on the expertise of the authors of the study and other researchers to better understand the gender differences in the MTO outcomes, how policymakers should think about the role of gender in neighborhood effects, and how HUD programs should relate to them.
- Assessment Tools for Allocating Homelessness Assistance: State of the Evidence--A November 2014 panel convened in partnership with the National Alliance to End Homelessness (NAEH) discussed assessment tools being used by communities to allocate homelessness assistance and considered the evidence base for the questions used in the tools. Participants were also asked to discuss what additional research is needed as communities adopt and implement standardized assessment tools their coordinated assessment systems.

Fiscal year 2016 will also see the third year of the HUD Innovation in Affordable Housing Student Design and Planning Competition. The winner of the fiscal year 2014 competition on veterans housing located in Bergen County, NJ was Ohio State University.

The conference support contract will continue to provide support for PD&R information gathering and information exchange with practitioners, policy makers, researchers and academics in the form of conferences, meetings, exhibiting at conferences and other events. Through its support services contract, copy editing support will be provided to PD&R.

The Regulatory Barriers Clearinghouse (RBC), established as called for in the "American Homeownership and Economic Opportunity Act of 2000," continues to serve as a national repository to collect and disseminate information to eliminate barriers to affordable housing. RBC had 568,658 page views in fiscal year 2014 and contains a database of more than 8,612 affordable housing strategies (compared to 8,515 in fiscal year 2014 and 7,882 in fiscal year 2013).

Non-Survey Data Acquisition (\$600 thousand)

PD&R acquires data from private sector entities and other government agencies for purposes of research and program support. These acquisitions include, from the private sector, mortgage servicing and default data for housing finance research, and

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multifamily construction pipeline data and regional rental housing industry data for field economist market analysis. Data acquired from other agencies include special tabulations of American Community Survey data for Fair Market Rent and income limit estimation, and Postal Service data on vacancy for analytical purposes and voucher program operations in disrupted housing markets.

Housing Finance Studies (\$1 million)

PD&R is responsible for providing research on housing finance topics that inform the sound operations of FHA and HUD's rental programs that supports the Department's goal of promoting sustainable homeownership. The recent housing crisis has made clear how changes in housing finance alter the risk profile for segments of the ownership market, place pressures on rental markets, and highlights the importance of basic research in single family and multifamily housing finance, which these funds would support. This research would supplement work conducted using program funds (such as the Mutual Mortgage Insurance Funds for studies related to single family FHA) or the TI.

Research Partnerships (\$1 million)

Valuable housing and community development research is often initiated by foundations, research organizations, independent researchers, or other government agencies. Through Research Partnerships, PD&R can engage in the design and execution of externally-led housing and community development research – primarily funded by outside entities – to make sure their design allows for the answering of important policy and programmatic questions. The organizations leading the research seek guidance, input, or resources from PD&R, giving HUD the opportunity to shape the research projects in ways that maximize their value to HUD policies and programs. In addition to increasing the amount of research that PD&R participates in, Research Partnerships allow PD&R to obtain both financial leverage and policy leverage in supporting research that meets an important policy or program objective that is not otherwise being addressed through one of PD&R's research priorities.

Housing Technology (\$200 thousand)

PD&R is responsible for providing research on building technology, disaster housing, resilient housing and resilient communities. Many housing providers are engaged in producing post-disaster housing - both temporary and permanent – and housing appropriate for the elderly. Because these housing products are often unique, research is necessary to facilitate the production of quality, affordable, sustainable and reusable housing. Research can be conducted on strategies to streamline the design and production of housing to balance the often competing demands for performance, transportability, durability, accessibility and cost. Research can also be conducted on promising strategies to facilitate more flexible decision-making for property owners; on identifying and implementing home designs, home design concepts, and community processes to increase the resistance of repaired or reconstructed buildings, and to reduce costs and broaden overall design concepts.

3. Why is this program necessary and what will we get for the funds?

a) What is the problem we are trying to solve?

The American Housing Survey (AHS) By providing a base of facts about housing quality, housing costs, and neighborhood assets, the AHS moves policy debates beyond questions of “what is” to “what should be done.” Specific benefits and uses of the AHS follow:

- HUD makes extensive use of the AHS in reports such as the *Worst Case Housing Needs* report on the availability, affordability, and adequacy of the U.S. housing stock, which use many of the variables and special features of the AHS. Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. HUD’s forthcoming report to Congress, *Worst Case Housing Needs 2013*, reveals that among very low-income renter households that lacked assistance, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 48 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.
- Congress is also a major user of the AHS to inform the legislative process through the Congressional Budget Office, Congressional Research Service (CRS), and Government Accountability Office (GAO), as well as through congressionally appointed special commissions. Below are reports from GAO and CRS that utilize the AHS.
 - Maggie McCarty et al. CRS. “Overview of Federal Housing Assistance Programs and Policy.” July 22, 2008.
 - Bruce Foote, CRS. “Reverse Mortgages: Background and Issues.” February 22, 2010.
 - N. Eric Weiss, et al. CRS. “Troubled Assets Relief Program and Foreclosures.” February 17, 2009.
 - “Rental Housing: HUD Can Improve Its Process for Estimating Fair Market Rents”, GAO-05-342, March 2005.
 - “Elderly Housing: Project Funding and Other Factors Delay Assistance to Needy Households”, GAO-03-512, May 2003.
- A masterful recent example of the use of the AHS in research is Weicher, John C., Eggers, Frederick J., and Moumen, Fouad, “*The Long-Term Dynamics of Affordable Rental Housing: A Report to the John D. and Catherine T. MacArthur Foundation*,” March 3, 2010. It uses the 1985-2005 AHS longitudinal panel to trace the evolution of the affordable housing stock over 2 decades. The AHS dataset allows them to trace when, and for how long, each sample housing unit contributed to the affordable housing stock.

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- The Harvard University Joint Center for Housing Studies relies on AHS data for a number of regular studies, particularly regarding remodeling activity. Their most recent publication is "The U.S. Housing Stock: Ready for Renewal" <http://www.jchs.harvard.edu/research/publications/us-housing-stock-ready-renewal>.
- b) How does this program help solve that problem?

The AHS is a rich source of data used by policy makers and the general public, whether as academic researchers, trade organizations, advocates, or simply private citizens. AHS data enable HUD to understand, estimate, and report to Congress on the nature and extent of worst case housing needs and other housing problems. Worst case needs estimates and other AHS data inform HUD's budgetary and policy decisions across all program areas. A PD&R compilation of research papers that use AHS data, last updated in 2009, runs to 99 pages and well over 500 articles. In 2015, HUD will release an updated compilation of research papers.

Other Housing Surveys

HUD's other housing market surveys provide important information on the state of the housing production sector that is widely used by public and private entities, particularly at a time that the nation is closely scrutinizing the housing industry. The Survey of Construction provides the data for two principal national economic indicators every month: Private Single Family Housing Starts & Permits. The Survey of Market Absorption of New Multifamily Units provides critical information on other characteristics of new multifamily housing units and how quickly they are being occupied. The Survey of New Manufactured (Mobile) Homes is a congressionally mandated survey that compiles monthly and annual data on the number of new manufactured housing units sold or leased by manufactured housing dealers for residential use. The Rental Housing Finance Survey is an accounting of the financial health of single- and multi-family housing properties. Failure to fund PD&R's other housing market surveys would result in deep and substantial information gaps that would decimate our understanding of housing markets, housing production, and housing finance.

Research Dissemination Funds

PD&R's research information clearinghouse, HUDUSER, and PD&R's websites www.huduser.org and www.regbarriers.org will continue to serve housing researchers and practitioners, including policy analysts at all levels of government, non-profit housing advocates, social scientists, demographers, builders, developers, realtors, students, and educators.

As noted above, it is projected that approximately 17.5 million files will be downloaded in fiscal year 2015 as compared to 16.9 million in fiscal year 2014. In addition:

- On average, the Help Desk responded to 333 calls per month in fiscal year 2014.
- A total of 414 new subscribers were added to the *Evidence Matters* subscriber base. The current number of subscribers is approximately 23,200. Another 400 subscribers are expected in fiscal year 2015.

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HUDuser.org serves as a platform for complying with GAO recommendations for documenting how PD&R calculates Fair Market Rents (FMRs) for the Housing Choice Voucher Program. Similar web sites document how HUD estimates area median incomes and income limits to determine eligibility for HUD assistance programs. Users can trace how any area's numbers are calculated from source data to final result. Demand for information has exceeded server capacity and HUD moved to a "cloud" system to increase its capacity. The increase in demand for the services provided by PD&R continues to demonstrate the large constituent interest in the information provided by PD&R. A HUD User customer survey currently underway will aid PD&R in improving our web services.

4. How do we know this program works?

Evaluations and Research

National Research Council Evaluation of PD&R

The National Research Council released a comprehensive study of PD&R to Congress in September 2008,⁵ in which it states "PD&R is in a unique position to provide professional leadership in the development of integrated research on the social, economic and technical problems facing housing and cities. With adequate resources, PD&R could lead the nation's ongoing process of learning, debate, and experimentation about critical housing and urban development challenges....Perhaps most critically, the committee concludes that the current level of funding for PD&R is inadequate." The Research Council recognized the excellent work that PD&R performs and recommended that the Department commit the resources and program funds be increased in order for PD&R to become the nation's premier housing research organization. PD&R responded to the Research Council's recommendations by undertaking the research road-mapping process to ensure that research efforts and data collection assets align with the timely and emerging policy needs identified by a diverse group of stakeholders, including Congressional, governmental and private sector stakeholders and spanning policy making, academic and practitioner perspectives. The National Research Council evaluation and PD&R's research planning efforts also build on previous evaluations of PD&R research products that found high levels of satisfaction among stakeholders.⁶

Housing Surveys

The housing survey data collections funded by the Research and Technology account provide the primary source of information for assessing the state of housing in the U.S., problems to be addressed, and progress by HUD towards solving these problems. These surveys are relevant and necessary data sources, as evidenced by the many major housing research efforts to which they contribute:

⁵ National Research Council, "Rebuilding the Research Capacity at HUD", 2008, http://www.nap.edu/catalog.php?record_id=12468.

⁶ PD&R, 2010. "Assessment of the Usefulness of PD&R Research Products." http://www.huduser.org/portal/publications/polleg/PDR_Prod_AssessN.html

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- The American Housing Survey (AHS) data assists in identifying the characteristics of owners with underwater mortgages and other housing finance problems. See, for example, Carter & Gottschalk 2010, "Drowning in Debt: Housing and Households with Underwater Mortgages" (presented to 2010 AREUEA Mid-Year Meetings). Carter 2011, "Housing Units with Negative Equity, 1997 – 2009," presented at 2011 AHS User Conference. Chang & Nothaft 2011, "Home Mortgage Refinance and Wealth Accumulation," presented at 2011 AHS User Conference.
- The AHS and the Survey of Construction data are key sources for measuring house prices, in the existing stock and new construction, respectively. Measuring housing price changes is an important part of assessing foreclosure risk. The Survey of Construction data are included in the Administration's Monthly Housing Score Card.
- Foreclosure has also impacted the rental housing market. The results of the 2012 Rental Housing Finance survey are the main source of data concerning rental housing prices and the financial stability of rental housing.
- The Survey of Market Absorption of New Multifamily Units helps paint a picture of the demand in the rental housing market and can be used to better understand the affordability of new rental construction. The Survey of Market Absorption of Apartments is used by the National Association of Home Builders, the National Multi Housing Council, the Congressional Budget Office, the Council of Economic Advisors, and the Office of Thrift Supervision as well as many other public and private entities for such purposes as analysis of the rental housing market and forecasting future trends.
- The AHS-based "Characteristics of HUD-Assisted Renters" reports can be used to assess assisted residents' satisfaction with their communities. The next report covering 2009 and 2011 is scheduled for release in 2015.

5. Proposals in the Budget

Evaluation Funding Flexibility Pilot. High-quality evaluations and statistical surveys are essential to building evidence about what works. They are also inherently complicated, dynamic activities; they often span many years, and there is uncertainty about the timing and amount of work required to complete specific activities--such as the time and work needed to recruit study participants. In some cases the study design may need to be altered part-way through the project in order to better respond to the facts on the ground. The existing procurement vehicles lack the flexibility needed to match the dynamic nature of these projects.

In order to streamline these procurement processes, improve efficiency, and make better use of existing evaluation resources the Budget proposes to provide PD&R with expanded flexibilities to reobligate funds that have been recaptured from surveys and demonstrations. Without this authority, research funds on contracts, grants, or cooperative agreements that are unspent after the project is completed would be returned to Treasury if recaptured more than 2 years after the date of appropriation. With this authority, PD&R would be able to apply the funds to support other research projects that the Congress has identified as a priority.

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This request is a part of a larger proposed pilot program which includes HHS's Assistant Secretary for Planning and Evaluation and the Office for Planning, Research and Evaluation in the Administration for Children and Families; The Department of Labor's Chief Evaluation Office and Bureau of Labor Statistics; The Department of Justice's National Institute of Justice and Bureau of Justice Statistics; the Census Bureau; and the Department of Housing and Urban Development's Office of Policy Development & Research. These flexibilities will allow agencies to better target evaluation and statistical funds to reflect changing circumstances in the program (Section 259 of General Provisions).

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**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Core R&T	\$46,000	\$2,666	\$48,666	\$45,772	\$50,000	\$2,744	\$52,744	\$50,000
Technical Assistance ..	...	...	...	...	<u>22,000</u>	...	<u>22,000</u>	...
Total	46,000	2,666	48,666	45,772	72,000	2,744	74,744	50,000

NOTE: The carryover into fiscal year 2014 includes \$241 thousand of recaptures in fiscal year 2014. The carryover into fiscal year 2015 excludes \$150 thousand of unusable, recaptured X funds.

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary of Housing and Urban Development under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, [and for technical assistance, \$72,000,000] \$50,000,000, to remain available until September 30, [2016] 2017 [, of which \$22,000,000 shall be for technical assistance]: *Provided*, That with respect to amounts made available under this heading, notwithstanding section 204 of this title, the Secretary may enter into cooperative agreements funded with philanthropic entities, other Federal agencies, or State or local governments and their agencies for research projects: *Provided further*, That with respect to the previous proviso, such partners to the cooperative agreements must contribute at least a 50 percent match toward the cost of the project [: *Provided further*, That for non-competitive agreements entered into in accordance with the previous two provisos, the Secretary of Housing and Urban Development shall comply with section 2(b) of the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282, 31 U.S.C. note) in lieu of compliance with section 102(a)(4)(C) with respect to documentation of award decisions: *Provided further*, That prior to obligation of technical assistance funding, the Secretary shall submit a plan, for approval, to the House and Senate Committees on Appropriations on how it will allocate funding for this activity]. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

FAIR HOUSING PROGRAMS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$66,000	\$18,805 ^a	...	\$84,805	\$73,176	\$63,107
2015 Appropriation	65,300	12,249 ^b	...	77,549	76,000	71,000
2016 Request	<u>71,000^c</u>	<u>1,549^b</u>	<u>...</u>	<u>72,549</u>	<u>70,000</u>	<u>71,000</u>
Program Improvements/offsets	+5,700	-10,700	...	-5,000	-6,000	...

a/ The fiscal year 2014 carryover includes \$335 thousand of recaptures and \$206 thousand of fees collected for the National Fair Housing Training Academy.

b/ The fiscal years 2015 and 2016 carryovers both include \$635 thousand of anticipated fee collections.

b/ The fiscal year 2015 carryover does not include \$10 thousand of expired funds and \$3 thousand of NFHTA fees.

c/ The 2016 request includes an estimated transfer to the Transformation Initiative (TI) account of \$540 thousand of Budget Authority.

1. What is this request?

For fiscal year 2016 the Department requests for Fair Housing Programs \$71 million, a \$5.7 million increase from the fiscal year 2015 enacted amount.

Fair Housing Programs

Fair Housing Activity	FY 20 14 Enacted	FY 2015 Enacted	FY 2016 Request	Increase/Decrease From FY 2015
Fair Housing Assistance Program (FHAP)	\$24,100,000	\$23,300,000	\$23,300,000	0
Fair Housing Initiatives Program (FHIP)	40,100,000	40,100,000	45,600,000	5,500,000
Limited English Proficiency	300,000	300,000	300,000	0
National Fair Housing Training Academy (NFHTA)	1,500,000	1,600,000	1,800,000	200,000
Program Total	\$66,000,000	\$65,300,000	\$71,000,000	5,700,000

There is also an amount of \$540 thousand of Budget Authority to be taken out of the amounts above in fiscal year 2016, which will be transferred to the Transformation Initiative (TI).

The Fair Housing Initiatives Program (FHIP) requests a funding level of \$45.6 million, up \$5.5 million from fiscal year 2015.

Fair Housing Initiative Program (FHIP)	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request	Increase/Decrease From FY 2015
Private Enforcement Initiative	\$29,275,000	\$29,275,000	\$34,775,000	5,500,000
Education and Outreach Initiative	6,750,000	7,450,000	7,450,000	0
Fair Housing Organizations Initiative (FHOI)	3,575,000	2,875,000	2,875,000	0
FIRST	500,000	500,000	500,000	0
Activity Total	\$40,100,000	\$40,100,000	\$45,600,000	5,500,000

Fair Housing Programs

This level will provide:

- Support for fair housing enforcement and education; continuing to support approximately 90 statutorily eligible private fair housing organizations in investigating complaints, conducting testing and supporting local compliance with the Fair Housing Act;
- Support for the formation of one or more new private fair housing organizations;
- Support a variety of education and outreach activities including a national media campaign;
- Support to continue operation of the Fair Housing FIRST project which trains industry professionals on the design and construction requirements of the Fair Housing Act; and
- Funding of \$5 million for national and/or regional testing to support possible enforcement to follow-up the Housing Discrimination Study Testing.

The Fair Housing Assistance Program (FHAP) requested funding level is \$23.3 million, the same as fiscal year 2015.

Fair Housing Assistance Program (FHAP)	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request	Increase/Decrease From FY 2015
Complaint Processing	\$20,100,000	\$19,100,000	\$19,100,000	0
Administrative Costs	2,480,000	2,780,000	2,780,000	0
Training	1,200,000	1,300,000	1,300,000	0
Capacity Building	120,000	120,000	120,000	0
Policy Conference	200,000	0	0	0
Activity Total	\$24,100,000	\$23,300,000	\$23,300,000	0

Fair Housing Programs

This level will provide:

- Funding to nearly 90 state and local government civil rights agencies to investigate and prosecute housing discrimination within their jurisdictions;
- Detection and remedy of discrimination;
- Deterrence of willful violators through increased severity, immediacy, or probability of penalties;
- Education of ignorant violators about their legal responsibilities; and
- Education of potential victims both to assert their civil rights and to seek remedies.

The National Fair Housing Training Academy (NFHTA) requested funding level is \$1.8 million, up \$200 thousand from fiscal year 2015.

National Fair Housing Training Academy (NFHTA)	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request	Increase/Decrease From FY 2015
NFHTA	\$1,500,000	\$1,600,000	\$1,800,000	200,000

This level will provide consistent national training on fair housing and conciliation techniques for Fair Housing Assistance Program (FHAPs) agencies, HUD, and other fair housing organizations through a managed training curriculum. The training helps to ensure that the performance of these investigators meets national standards and that training is provided at a single point of contact nationally.

The Limited English Proficiency Initiative (LEPI) requested funding level is \$300,000, the same as fiscal year 2015.

Limited English Proficiency Initiative (LEPI)	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request	Increase/Decrease From FY 2015
LEPI	\$300,000	\$300,000	\$300,000	0

Fair Housing Programs

This funding level will support existing HUD-wide LEP services and allow FHEO to continue providing the LEP population meaningful access to HUD housing, services, and programs through the procurement of new media services.

Program Outcomes:

- FHAP agencies consistently obtain positive results for complainants by reaching a determination of reasonable cause when discrimination has occurred in close to 7 percent of their cases and conciliating another 20 percent of their investigations. Throughout these efforts, FHAP agencies complete their cases efficiently--- in fiscal year 2014, about 54 percent of cases closed by FHAP agencies were closed within 100 days.
- Studies have shown that funding FHIP agencies increase the quality of fair housing complaints that are filed. The study also found that 63 percent of cases filed by FHIP groups and closed between fiscal years 2003 and 2005, resulted in conciliations and settlements, and 36 percent of the cases from individuals referred by FHIP funded entities resulted in conciliations and settlements with relief for individuals. FHIP-referred cases also had a higher cause finding rate, and FHIP-referred cases ending in a cause finding took less time to complete. These findings are likely a result of FHIPs evaluating inquiries and developing complaints, and providing crucial testing evidence to support complaints.
- The LEPI program will provide increased access for individuals with limited English proficiency, by providing translated materials and access to HUD programs through more new media platforms.

2. What is this program?

Fair Housing Initiatives Program

The Fair Housing Initiatives Program (FHIP) was created under Section 564 of the Housing and Community Development Act of 1987 to establish and support a network of experienced fair housing enforcement organizations throughout the nation to foster compliance with the Fair Housing Act and state and local fair housing laws. This is the only grant program within the federal government whose primary purpose is to support private efforts to prevent and address housing discrimination. This is accomplished through the interplay of three major components: Private Enforcement Initiative (PEI), Education and Outreach Initiatives (EOI); and Fair Housing Organizations Initiatives (FHOI).

Fair Housing Programs

PEI supports high quality, effective investigations, and testing by private fair housing organizations in more than 120 communities. While HUD, states, and local agencies handle official administrative complaints of housing discrimination, FHIP grantees investigate individual allegations in a way that is different and complementary to this work. They provide on-the-spot assistance without the lengthy administrative and legal requirements of a formal legal complaint. When necessary, fair housing enforcement organizations do not hesitate to file court cases on behalf of victims of discrimination, often advancing the fair housing law for the nation. PEI also supports testing to detect and deter housing discrimination as well as to prove allegations of discrimination. FHIP grantees conduct almost all of the fair housing testing in the country and engage in enforcement activities.

A second major initiative, FHOI, supports the establishment of new fair housing organizations in underserved areas. Without this funding, communities such as Indianapolis, Indiana; Dallas, Texas; and Columbia, South Carolina would have no local private fair housing presence. FHOI also enhances the capacity of existing organizations by supporting enforcement organizations to use an expert architect or economist or supporting fair housing education organizations to add enforcement staff.

Through EOI, FHIP grantees conduct education campaigns on the rights, responsibilities, remedies, and resources available under the Fair Housing Act. Each year the Department awards local and regional grants that fund more than 32,000 local education and outreach efforts, working with people in their own communities to provide information, referrals, education and training on fair housing rights. These organizations also train lenders, housing providers, real estate agents, and others on how to comply with the Fair Housing Act. In addition, the Department awards a national fair housing education and outreach grant to disseminate a broad national fair housing message. As a separate education program, Fair Housing Accessibility FIRST is a superb mechanism to ensure compliance with the Fair Housing Act. It educates builders, designers, architects, and planners on the Fair Housing Act's accessibility requirements for multifamily housing.

Fair Housing Assistance Program

The Fair Housing Assistance Program (FHAP) authorized under 42 U.S.C. 3601, *et. seq.*, provides consistent and dependable funding through partnerships with state and local civil rights enforcement agencies to combat housing discrimination. FHAP jurisdictions provide rights, remedies, and procedures that are substantially equivalent to the Fair Housing Act. By providing these services locally, FHAP agencies reduce the cost of investigating complaints of discrimination and serve as a vital community resource for housing discrimination and civil rights issues. The presence of a FHAP agency in a community increases the likelihood that a victim of discrimination will file a complaint.

The FHAP provides support to nearly 90 state and local government civil rights agencies to investigate and prosecute housing discrimination within their jurisdictions. FHAP is critical to assisting individuals and families who believe they have been victims of discrimination. These agencies investigate the majority (80 percent) of the administrative fair housing complaints filed in the country

Fair Housing Programs

to ensure compliance with fair housing laws, and, where necessary, litigate complaints to address violations. FHAP agencies also conduct education on fair housing and fair lending at events throughout their communities.

National Fair Housing Training Academy

Established in 2004, NFHTA provides fair housing and civil rights training to federal, state, and local agencies, educators, attorneys, industry representatives, FHEO staff, and other housing industry professionals. With a faculty composed of some of the foremost experts in fair housing litigation, training, and research, NFHTA brings hands-on experiences to the classroom. NFHTA provides investigators with a 5-week certification program and offers advanced courses in predatory lending, accessibility, executive leadership, and conciliation. This investment into the future of fair housing and the capacity of fair housing professionals will allow the FHIP and FHAP programs to operate more efficiently and produce cases with larger impacts in coming years.

Limited English Proficiency Initiative

Limited English Proficiency Initiative (LEPI) is vital to ensuring that individuals who are not proficient in English are aware of their rights, able to understand the terms of leases and other housing-related documents, and able to receive important announcements that affect the health or safety of their households. In addition, the initiative educates HUD-assisted housing providers on their responsibilities under federal law and HUD regulations to ensure that their housing programs and activities are fully accessible to all, regardless of national origin or English proficiency. Finally, this initiative saves HUD staff time, as it helps HUD more efficiently communicate with, and thereby serve, the needs of people who are not fluent in English.

Key Populations this Program targets/serves

While services are open and available to everyone, the primary beneficiaries of FHIP and FHAP are overwhelmingly low-income, minorities and persons with disabilities that receive the benefit of local investigation of their complaints of housing discrimination. NFHTA provides direct training to fair housing investigators at government agencies and nonprofit organizations, the instruction then carries over to benefit all people in this country who avail themselves of these services. LEPI primarily serves new immigrants who are low income.

3. Why is this program necessary and what will we get for the funds?

The FHIP, the FHAP, and the NFHTA address housing discrimination and its long term consequences and are the only funded programs in the federal government dedicated to assisting individuals to get justice for housing discrimination. Along with the work of HUD's Office of Fair Housing and Equal Opportunity, these programs work in concert to redress injuries to victims, prevent housing discrimination and eliminate segregation.

Fair Housing Programs

HUD's fair housing programs each play a crucial and unique role in the Department's work to support fair housing enforcement and education and to strengthen the efforts of states, communities, and public housing authorities to prevent discrimination. Though Title VIII of the Civil Rights Act of 1968 outlawed housing discrimination more than 45 years ago, housing discrimination of all types continues in communities throughout the nation. The National Fair Housing Alliance, a national consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights agencies, and individuals, estimates that more than 4.0 million people every year are victims of discrimination.¹

Housing is critical to many aspects of a person's life. Therefore, housing discrimination can have a compounding effect on its victims, devastating their social and financial limits. The exclusion of African Americans and other minorities from neighborhoods that offer high quality schools and access to jobs and quality services has perpetuated racial inequalities in the United States. A study on the effect of housing segregation on Latino employment found that in cities with greater segregation, employment rates were lower for Latino men, and as these cities became more segregated over a 20-year period, employment rates of Latino men decreased even further.² Racial segregation has also been identified as having a negative effect on communities' economic growth as well as on individual skill sets.³ America cannot reach its fullest potential compared to the rest of the world if segregation and discrimination prevent people from accessing good schools and good jobs.

Despite the persistence of discrimination, federally funded fair housing enforcement and education have complimented and reinforced social changes, and thereby have moved the needle significantly in several key aspects. There are four complementary mechanisms by which Congressional appropriations for FHAP, FHIP, and the Fair Housing Training Academy reduce housing discrimination:

1. Detection and remedy of discrimination;
2. Deterrence of willful violators through increased severity, immediacy, or probability of penalties;
3. Education of ignorant violators about their legal responsibilities; and
4. Education of potential victims both to assert their civil rights and to seek remedies.

Funding for FHAP agencies and FHIP organizations both contribute substantially to the first two mechanisms, detection and deterrence. The National Fair Housing Training Academy enhances the first two factors by increasing the capacity of local partners to improve the timeliness, consistency, and probability of detection and conciliation. Speedy and successful investigations, especially

¹ National Fair Housing Alliance, 2013 Fair Housing Trends Report; Modernizing the Fair Housing Act for the 21st Century, 2013.,

² Dickerson vonLockette and Jacqueline Johnson, "Latino Employment and Residential Segregation in Metropolitan Labor Markets," *Du Bois Review*, 7(1), 2010.

³ Li Huiping, Campbell, Harrison, Fernandez, Steven, "Residential Segregation, Spatial Mismatch and Economic Growth across US Metropolitan Areas," (2013) available at <http://usj.sagepub.com/content/50/13/2642>

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when publicized,⁴ strengthen the deterrence of willful violations. FHIP education and outreach efforts primarily operate through the latter two mechanisms, educating landlords/agents, as well as those seeking housing.

FHIP and FHAP are necessary to overcome housing discrimination in this country. Fair housing enforcement operates through several direct and indirect mechanisms to reduce discrimination. The long-term results are seen both in reduced discrimination in HDS studies and in controlled econometric studies. HDS 2012 found continued evidence of discrimination against Black and Asian homeseekers, although reduced from prior studies. Ross and Galster studied variation of enforcement activity between metropolitan areas, and concluded that "higher amounts of state and local enforcement activity supported by HUD through its FHIP and FHAP programs (especially the amount of dollars awarded by the courts) were consistently associated with greater declines in discrimination against black apartment-seekers and home-seekers."⁵

During fiscal year 2014, FHIP funded organizations filed almost 20 percent of the systemic discrimination cases investigated by HUD, and filed almost 750 complaints. FHAP agencies originated about 51 percent of the fair housing complaints filed nationally and investigated almost 80 percent of the complaints.

The NFHTA further enhances fair housing work in the country. Through its one-of-a-kind fair housing training tailored to fair housing investigators, administrators, and testers, the NFHTA provides supports effective investigation and conciliation of fair housing cases.

Finally, LEPI ensures that individuals are aware of their housing rights and able to assert them, regardless of the language they may speak.

4. How do we know this program works?

The Department's Housing Discrimination against Racial and Ethnic Minorities (HDS)⁶ study in 2012 found that real estate agents and rental housing providers recommend and show fewer available homes and apartments to minority families, thereby increasing their costs and restricting their housing options. However the study also showed that FHIP and FHAP are having an effect, finding that, "long-term trends in patterns of discrimination suggest that the attitudes and actions of rental and sales agents have changed over time, and that fair housing enforcement and public education are working." The 2012 Housing Discrimination Study (HDS) recommended follow-up testing and enforcement so that enforcement strategies do not rely primarily on individual complaints of

⁴ Myers, Samuel L., Jr. "Final Report: The Deterrent Effects of Media Accounts and HUD Enforcement on Racial Disparities in Loan Denial Rates." 2007. http://www.hhh.umn.edu/centers/wilkins/pdf/HUD_finalreport_march2009.pdf.

⁵ Ross, Stephen L., and George C. Galster. "Fair Housing Enforcement and Changes in Discrimination between 1989 and 2000: An Exploratory Study." University of Connecticut Working Paper 2005-16, 2005.

⁶ Housing Discrimination Against Racial and Ethnic Minorities, (2012) at page 13, *available at* http://www.huduser.org/Publications/pdf/HUD-514_HDS2012_execsumm.pdf

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suspected discrimination. It recommended that HUD encourage the local fair housing organizations it funds to conduct more proactive testing.⁷

Studies of the effectiveness of FHIP have shown that FHIP agencies increase the number and quality of fair housing complaints that are investigated. A study of FHIP-referred complaints to HUD and FHAP agencies found that 90 percent of FHIP generated inquiries that are referred to HUD are converted to complaints. The study also found that for cases closed between fiscal year 2003 and fiscal year 2005 where a FHIP funded organization was a complainant, 63 percent were conciliated and settled, and for cases where a FHIP-funded organization represented a complainant, 36 percent of the cases were conciliated and settled. Moreover, FHIP-referred cases also had a higher cause finding rate, and FHIP-referred cases ending in a cause finding took less time to complete. These findings are likely a result of FHIPs evaluating inquiries and developing complaints, and providing crucial testing evidence to support complaints.

The NFHTA contributes substantially to the performance of FHAP investigators. A 2009 assessment of NFHTA by the Center for Organizational Excellence found that progressive completion of the NFHTA curriculum "positively impact[s] the job performance of FHAP investigators in a way that benefits the organization, primarily in timeliness and quality of case completion." The assessment also found that taking additional NFHTA course beyond the core curriculum had a continuing positive effect on the timeliness of investigations.

In order to ensure the efficiency and effectiveness of FHIP, the Department conducts multiple reviews throughout the life of the grant. First, prior to awarding funding, the Department assembles a panel of fair housing experts to review grant applications and select the best organizations for funding. Secondly, during the grant application process, each grantee informs the Department of specific measurable outcomes it will achieve during the course of the grant, and if it receives an award, it reports to the Department quarterly on its progress on these goals. In addition, every year for every grant, the Department conducts a monitoring review of the grantee. This includes reviewing cases, financial records, and testing methodology. If the grantee has failed to comply with proper procedures and grant requirements, the Department initially provides technical assistance to correct the error, but if a problem persists, FHEO will withdraw the grant and the organization's funding. Finally, at the conclusion of the grant the Department conducts a performance assessment of the grantee. This assessment looks at the project management, project outcomes, financial management, and the timeliness of performance. The score given on this final assessment helps determine eligibility for future FHIP grants. Any grantee with poor performance cannot receive funding from the FHIP until the regional office attests that the grantee has resolved its problems. Further, FHIP's new performance monitoring process helps assure consistent numbers of outcomes and improved quality of performance. Organizations with poor performance and a demonstrated inability to improve are ineligible for continued funding; however, a FHIP-funded program also improves the capacity of PEI organizations to

⁷ Id.

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perform enforcement related activities. Education and outreach products created with FHIP funding including those funded through the national media grant will be included in a new national fair housing education Clearinghouse to be released by HUD during fiscal year 2015.

Increased FHIP funding will be tied to performance measures currently in development and will result in substantial increases in the documented level of performance on multiple indicators. Increases in the areas of numbers of persons assisted, number of educational activities conducted, number of test parts, numbers of systemic investigations and numbers of complaints settled with relief for individuals are expected.

The Department oversees FHAP agencies to ensure that complainants receive a high-quality investigation, that skilled investigators are handling the case, and that the agency's administration and interpretation of the law furthers civil rights in the community. HUD ensures high-quality investigations by reviewing every complaint investigated by FHAP agencies for timeliness and quality. Based on that review, the program reimburses FHAP agencies up to \$2,600 per complaint, based on the timeliness and quality of the investigation, as well as providing state and local FHAP agencies with administrative support and training funds. Finally, the program ensures that agencies properly document all cases and enforce laws in a way that is substantially equivalent to the Fair Housing Act. HUD conducts on-site performance assessments of FHAP agencies at least once every 2 years. During the performance assessments, HUD determines whether the FHAP agency engages in effective, timely, comprehensive, and thorough fair housing complaint investigation, conciliation, and enforcement activities and that all program requirements are being met. These multiple checks on FHAP agencies prevent waste fraud and abuse in the FHAP.

A 2009 assessment of NFHTA by the Center for Organizational Excellence found that progressive completion of the NFHTA curriculum "positively impact[s] the job performance of FHAP investigators in a way that benefits the organization, primarily in timeliness and quality of case completion." It also found that taking additional NFHTA courses beyond the core curriculum had a continuing positive effect on the timeliness of investigations. The support provided through the Training Academy allows these organizations to spend the resources they already have to provide better investigations and work smarter and more effectively.

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**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Fair Housing Initiatives Program ..	\$40,100	\$2,285	\$42,385	\$40,370	\$40,100	\$2,003	\$42,103	\$45,600
Fair Housing Assistance Program	24,100	15,937	40,037	30,727	23,300	9,311	32,611	23,300
Fair Housing Limited English Proficiency Program	300	284	584	284	300	300	600	300
National Fair Housing Training Academy	1,500	299	1,799	1,795	1,600	635	2,235	1,800
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[540]
Total	66,000	18,805	84,805	73,176	65,300	12,249	77,549	71,000

NOTES:

1. The fiscal year 2014 carryover for FHIP includes \$335 thousand of actual recaptures and the NFHTA carryover includes \$206 thousand in tuition collections in fiscal year 2014.
2. The fiscal year 2014 carryover into fiscal year 2015 does not include \$3,000 in fee collections.
3. The fiscal years 2015 and 2016 carryovers both include \$635 thousand of anticipated fee collections.
4. The fiscal year 2016 request includes an estimated transfer to the Transformation Initiative (TI) account of \$540 thousand of Budget Authority.

Fair Housing Programs

FAIR HOUSING AND EQUAL OPPORTUNITY FAIR HOUSING PROGRAMS Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and other assistance, not otherwise provided for, as authorized by title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, and section 561 of the Housing and Community Development Act of 1987, as amended, [~~\$65,300,000~~] *\$71,000,000*, to remain available until September 30, [~~2016~~]*2017*, of which [~~\$40,100,000~~] *\$45,600,000* shall be to carry out activities pursuant to such section 561: *Provided*, That notwithstanding 31 U.S.C. 3302, the Secretary may assess and collect fees to cover the costs of the Fair Housing Training Academy, and may use such funds to provide such training: *Provided further*, That no funds made available under this heading shall be used to lobby the executive or legislative branches of the Federal Government in connection with a specific contract, grant or loan: *Provided further*, That of the funds made available under this heading, \$300,000 shall be available to the Secretary of Housing and Urban Development for the creation and promotion of translated materials and other programs that support the assistance of persons with limited English proficiency in utilizing the services provided by the Department of Housing and Urban Development. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

**LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

LEAD-BASED PAINT HAZARD REDUCTION PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$110,000	\$9,432 ^{a/}	...	\$119,432	\$117,457	\$122,030
2015 Appropriation	110,000	1,946	...	111,946	111,946	123,000
2016 Request	<u>120,000^b</u>	<u>...</u>	<u>...</u>	<u>120,000</u>	<u>120,000</u>	<u>122,000</u>
Program Improvements/Offsets	+10,000	-1,946	...	+8,054	+8,054	-1,000

a/ The carryover into fiscal year 2014 includes \$5.627 million of actual recaptures.

b/ This number includes an estimated transfer to the Transformation Initiative (TI) account of \$912 thousand of Budget Authority.

1. What is this request?

The Department requests a total of \$120 million for the Lead Hazard Control and Healthy Homes Grant Programs in fiscal year 2016, a \$10 million increase from the fiscal year 2015 enacted.

This request includes funding for the following:

- Lead Hazard Control Program: \$93 million
- Healthy Homes Program: \$25 million
- Lead Technical Studies and Programmatic Support: \$2 million

HUD grants will be provided to local and state governments, and eligible nonprofit entities, to enable them to eliminate lead paint and other housing-related health hazards in low-income privately owned dwellings. Unlike housing rehabilitation programs, which focus on renovations without health and safety as a primary concern, the lead hazard control and healthy homes programs are intentionally focused on making homes safer for children and families to live in using established assessment methods that are addressed with cost-effective interventions. Poor housing conditions, such as a dilapidated structure; roofing problems; heating, plumbing, and electrical deficiencies; water leaks and intrusion; carbon monoxide; damaged lead paint; and radon gas are associated with a wide range of health conditions, including unintentional injuries, respiratory illness, asthma, lead poisoning, and cancer, respectively.ⁱ Large benefit-cost ratios have been demonstrated for reducing health and safety hazards through housing

Lead Hazard Reduction

interventions similar to those used by HUD. For example, studies suggest that each dollar invested in lead paint hazard control results in a return of \$17–\$221,ⁱⁱ reducing household allergy-inducing substances (allergens), a return of \$5.30–\$16.50,ⁱⁱⁱ and installing battery-operated smoke alarms, a return of \$18.^{iv} Research projects in this area conducted by HUD have been practical in nature, demonstrating the health benefits of targeted interventions to reduce or eliminate health hazards in homes, and determining the prevalence of these hazards in order to help direct program efforts towards those most prevalent in HUD-associated housing.

Inadequate housing is defined by the Census Bureau as an occupied housing unit that has moderate or severe physical problems (e.g. deficiencies in plumbing, heating, electricity, hallways and upkeep). In this context, CDC has defined unhealthy housing as the presence of any additional characteristics that might negatively affect the health of its occupants, including evidence of rodents, water leaks, peeling paint in homes built before 1978, and absence of a working smoke detector.

While unhealthy and inadequate housing continues to affect the health of millions of Americans from all income levels, geographic areas, and walks of life,^v susceptible and vulnerable populations, such as children, the poor, minorities, individuals with behavioral health issues, and people with chronic medical conditions, are disproportionately impacted by inadequate housing.^{vi,vii,viii} In most cases, the Lead Hazard Control and Healthy Homes Grant Programs provide the only federal financial resources available to communities to make such dwellings safe and healthy for residents, especially children. Funding these programs will:

- Eliminate lead-based paint and other housing-related health hazards in nearly 12,000 low-income homes;
- Reduce the number of lead poisoned children in high risk communities;
- Based on studies of similar interventions, reduce medical costs and improve quality of life by reducing lost days at work due to illness and injury caused by unsafe housing conditions, and reducing children's lost school days. ix,x,xi,xii

This request includes a legislative proposal as a General Provision regarding subpoena authority that is summarized at the end of this document.

2. What is this program?

The mission of the Office of Lead Hazard Control and Healthy Homes (OLHCHH) is to provide safe and healthy homes for at-risk families and children by promoting and funding housing repairs to address conditions that threaten the health of residents. As part of this mission, the OLHCHH is involved in coordinating disparate health and housing agendas, supporting key research, targeting enforcement efforts, and providing tools to build sustainable local programs that mitigate housing-related health hazards. The OLHCHH assists states and local governments in remedying unsafe housing conditions and addressing the acute shortage of decent and safe dwellings for low-income families.

Lead Hazard Reduction

Lead Hazard Control

For fiscal year 2016, the Department requests \$93 million for Lead Hazard Control programs; yielding an estimated 7,000 housing units made lead-safe. The OLHCHH's Lead Hazard Control programs currently include both the Lead-Based Paint Hazard Control (LBPHC) and Lead Hazard Reduction Demonstration (LHRD) grant programs. Although they are similar in their overall goal of producing lead-safe homes for low-income residents; the LHRD grant program is focused, in accordance with the annual HUD Appropriations Acts, on jurisdictions with higher numbers of pre-1940 rental housing and higher rates of childhood lead poisoning cases. These programs are authorized under Section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992; Public Law 102-550; 42 U.S.C. 4852). Funding assists states, Native American Tribes, cities, counties/parishes, or other units of local government to identify and eliminate lead-based paint hazards in low- and very low-income private housing where children under 6 years of age reside or are likely to reside.

Healthy Homes

For fiscal year 2016, the Department requests \$25 million for Healthy Homes programs; yielding an estimated 4,000 housing units made safe and healthy, and supporting studies of the impacts that health-related housing remediation (beyond repairs related to lead, which are evaluated separately) have on health, and on developing and evaluating cost-effective methods for these remediations. This funding also supports training and public education programs that help state, local and nongovernmental agencies, housing industry stakeholders, and the general public understand the health- and housing relationship and how housing related health and safety hazards can be identified and addressed (totaling an included \$1.5 million). These funds fill a critical need by assisting cities, states, other units of local government, and not-for-profit organizations to make repairs that reduce or eliminate significant housing-related health and safety hazards. Unlike the lead hazard control programs, the Healthy Homes programs goes beyond just addressing lead-based paint hazards and covers other serious threats to residents' health and safety. No other federal grant program directly targets homes that threaten the health and safety of residents.

In addition, at the requested funding level, HUD will award healthy homes supplemental funds, up to \$250,000 per grantee, to fiscal year 2016 Lead Hazard Control Grant recipients who request and qualify for such funding to housing-related health and safety hazards in homes in which lead hazard control work is being conducted under a lead hazard control grant, as described above. The supplement will ensure that critical housing-related hazards are addressed simultaneously in homes being made lead safe under that program, help build up the communities' infrastructure for addressing a broad range of housing-related health and safety hazards efficiently, and leverage the grantees' organizational infrastructure for their lead hazard control grant activities to efficiently address these additional housing-related hazards. The Healthy Homes Production Program targets those housing conditions that have been scientifically shown to harm occupant health and safety, including mold and moisture intrusion, lead paint, radon, carbon monoxide, and pest infestations. Lifetime returns on investments in asthma prevention programs similar to those operated by HUD have been conservatively estimated by a CDC Task Force as a providing a benefit-cost ratio of 5.3 (range of 5.3 to 14.0).ⁱⁱⁱ Applying that ratio to

Lead Hazard Reduction

the \$40 million devoted to asthma control by HUD's healthy homes program since its inception in fiscal year 1999 indicates a benefit of at least \$212 million. The Healthy Homes programs are authorized under Sections 501 and 502 of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 and 1701z-2).

Over the past several years, the importance of the housing stock to the nation's economy has become increasingly evident. Homes and health are inextricably linked together, reflect two of the most basic needs of a society, and serve as an indicator of the strength of the nation. The fact that improved housing quality results in improved health has been accepted since the mid-19th century (Lowry, 1991). Substandard housing affects communities through wealth depletion, an increase in abandoned properties, and housing instability. While unhealthy and unsafe housing continues to affect the health of millions of people from all income levels, geographic areas, and walks of life, susceptible and vulnerable populations, such as children, the poor, minorities, and people with chronic medical conditions are disproportionately impacted by inadequate housing. Furthermore, low-income persons are more likely to lack resources for preventive measures in the home, and deferred maintenance can lead to the development and persistence of residential health hazards. Improving housing quality can have a dramatic effect on the health of residents.

Technical Studies and Programmatic Support

For fiscal year 2016, the Department requests \$2 million for Lead Technical Studies and Programmatic Support. The requested funding will continue the significant progress we have made to further our understanding of housing conditions and their connection to residents' health, and also for identifying effective interventions and preventive measures, and demonstrating health benefits of targeting interventions to reduce or eliminate health hazards in homes. The OHHLHC's lead technical studies and programmatic support activities include:

- Conducting technical studies and demonstration projects to identify innovative methods that reduce the cost and increase the effectiveness of lead hazard control and other housing-related health hazard remediation activities;
- Providing technical support, public education and outreach on environmental health and safety issues in the home to state and local governments, the general public, the professional community, and trade groups;
- Collaborating with EPA to operate a toll-free hotline and document distribution center for the general public;
- Partnering via Interagency Agreements with other federal partners to implement a comprehensive federal strategy to promote healthy homes;
- Training to expand the use of a standardized risk assessment method that identifies and prioritizes housing conditions that pose serious threats to vulnerable low-income residents; and
- Developing and implementing grants management tools and mechanisms for standardized reporting, tracking, and evaluating progress compared to established performance benchmarks.

The OLHCHH programs have a demonstrated history of success, filling critical needs in communities where no other resources exist to address substandard housing that threatens the health of the most vulnerable residents. These efforts include:

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- HUD, through its Lead Hazard Control and Healthy Homes programs, continues to be a national leader in the effort to eliminate lead poisoning in children nationwide as a major public health problem. Low-income residential units made lead-safe and healthy by HUD's grant programs are supplemented by units remediated by its regulatory enforcement actions, through our innovative public-private partnerships like the Safe and Healthy Homes Investment Partnership (SHHIP) program, and through collaborative efforts with other federal agencies such as the Department of Energy, under its Weatherization Plus Health initiative.
- As part of implementing the federal Hurricane Sandy Rebuilding Strategy, the OLHCHH convened and chaired the interagency Indoor Environmental Pollutants Working Group, which consolidated agencies' guidance on mold, lead paint, radon, and asbestos.¹
- The OLHCHH is playing a leadership role in implementing the Coordinated Federal Action Plan to Reduce Asthma Disparities,² with a focus now on instituting and promoting policies and practices for housing interventions to control asthma triggers in both federally assisted and non-assisted low-income housing.
- The OLHCHH organized and managed the development of the overall federal healthy homes strategic plan, Advancing Healthy Housing – A Strategy for Action.³ The Strategy for Action presents a vision for addressing the nation's health and economic burdens caused by preventable hazards associated with the home, and outlines the pathway for federal agencies to take coordinated preemptive actions that will help reduce the number of American homes with health and safety hazards. The Strategy was developed by the federal Healthy Homes Work Group, chaired by HUD, specifically, by the OLHCHH, and the Work Group is monitoring its implementation.

These programs directly support two of HUD's 5 Strategic Plan 2010-2015 goals: Subgoal 3b—Utilize HUD assistance to improve health outcomes; and Subgoal 4b—Promote energy-efficient buildings and location efficient communities that are healthy, affordable, and diverse. The OLHCHH programs directly underpin Subgoal 3b through targeted housing interventions to reduce the severity and prevalence of asthma in children, and Subgoal 4b by reducing the number of homes in the United States with significant environmental health and safety hazards such as mold and moisture, lead-based paint, poor indoor air quality, radon, and pest infestations.

¹ portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf.

² www.epa.gov/children/taskforce/federal_asthma_disparities_action_plan.pdf.

³ portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/advhh.

3. Why is this program necessary and what will we get for the funds?

OLHCHH programs have contributed substantially to the reduction in childhood lead poisoning cases from the early 1990s to today (CDC, 2005; CDC 2012), because the most important preventable exposure sources for children are lead hazards in their residential environment: deteriorated lead paint, house dust, and lead-contaminated soil. Low-income, black, and Hispanic children are at higher risk (CDC, 2005a). Multivariate analysis indicates that residence in older housing, poverty, age, and being Hispanic or black are still major risk factors for higher lead levels. In May 2012, based on an extensive review of research on the health effects of lead, the CDC redefined the level at which children are considered to have too much lead in their blood in January 2012, from a "level of concern" (a blood lead level of 10 micrograms of lead per deciliter of blood ($\mu\text{g}/\text{dL}$) in a child under age 6) to a new "blood lead reference range value" based on the distribution of blood lead levels among U.S. children under age 6. The blood level cutoff, now for the top 2.5 percent of these children rather than set at a fixed value (CDC ACCLPP, 2012; CDC, 2012), went down by half, from 10 to 5 $\mu\text{g}/\text{dL}$, in response to health research on the health effects of lower levels of lead in children's blood. The change in the threshold increased the number of children considered to have too much lead in their bodies from less than 100,000 to about 535,000. The number of young children with 5 $\mu\text{g}/\text{dL}$ or more of lead in their blood would have been higher, over 800,000 children, had not HUD's lead hazard control grants and healthy homes programs controlled hazards in over 370,000 housing units since the programs' inception.

Because lead-based paint hazards are the primary source of childhood exposure to lead in the U.S, and because lead paint is present in one-third of the nation's dwellings,⁴ continued investment is needed to reduce lead hazards in older homes. This funding will be used to protect children against lead exposure by targeting the highest risk properties for priority action, to ensure that lead-safe practices are followed during renovation, repair and painting of pre-1978 homes, and to eliminate lead-based paint hazards in as many pre-1978 homes as feasible. Of homes with lead-based paint hazards, 1.1 million are low-income households with one or more children under age 6.⁵

HUD has aligned its lead hazard control and research activities with the Department of Health and Human Services' (HHS') Healthy People 2020 Environmental Health objective 8.2, to, "Reduce the mean blood lead levels in children" aged 1 to 5 years from HHS' baseline of 1.5 $\mu\text{g}/\text{dL}$ over the 2005–08 period, to HHS' target for 2020 of 1.4 $\mu\text{g}/\text{dL}$.⁶ To maintain progress made and reduce remaining disparities, efforts must continue to test children at high risk for lead poisoning, and identify and control sources of lead. Coordinated prevention strategies at national, state, and local levels will help achieve the goal of eliminating lead poisoning in children. The OLHCHH's lead hazard control grants and lead regulatory enforcement efforts will reduce the exposure by young

⁴ portal.hud.gov/hudportal/documents/huddoc?id=AHHS_Report.pdf; Cox et al. 2014 (submitted)

⁵ *Ibid.*

⁶ www.healthypeople.gov/2020/topicsobjectives2020/objectiveslist.aspx?topicId=12.

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children – particularly those most at risk – to lead-contaminated paint chips, dust and soil. This will, therefore, reduce the blood lead level in these children, and, over time, contribute to moving the national distribution of children's blood lead values downward.

Unhealthy and unsafe housing continues to affect the health of millions of people from all income levels, geographic areas, and walks of life in the United States; however, these hazards disproportionately impact children, the poor, minorities, people with medical conditions, people with disabilities, and older adults. In addition to lead hazards, discussed above, the following housing-related hazards are of particular importance:

- According to the most recent data available, more than 6.8 million housing units have radon exposures above the current EPA action level; radon causes 21,000 deaths per year from lung cancer attributable to this preventable hazard (Environmental Protection Agency, 2003).
- Approximately 17 million homes have elevated levels of 4 or more allergens, which has been associated with symptoms among residents with allergic asthma (Department of Housing and Urban Development, 2009).

The Cost Burden of Unhealthy Housing

Researchers estimate that the health effects of poor housing conditions could cost billions of dollars annually in healthcare for asthma, lead-based paint poisoning and injury, as well as lost productivity in the labor force (Landrigan, Schechter, Lipton, Fahs and Schwartz, 2002). Reductions in the Lead Hazard Reduction funding would impact the OLHCHH's ability to reduce these costs through housing repairs and to provide safe, decent and sanitary homes for the most at-risk American families. The OLHCHH programs play an important part in reducing the nation's health care costs.

- A 2011 study of the total annual costs of pediatric disease in American children estimated that the total cost of lead poisoning in 2008 was \$50.9 billion (Trasande and Liu, 2011).
- Besides the physical toll an at-risk home can have on its inhabitants (e.g., unnecessary emergency room visits annually due to housing related injuries and illness), some research suggests that the cumulative financial burden of unhealthy homes for the nation is considerable. For example, one study estimates the total (direct and indirect) cost for unintentional injuries in the home at over \$200 billion annually, with \$90 billion of that due to falls alone (Zaloshnja, Lawrence, and Romano, 2005). Nearly 30 percent of residential injuries among children in a randomized controlled trial were found to be preventable through interventions (Phelan, Khoury, Xu, Liddy, Hornung, and Lanphear, 2011). If the same proportion of preventable injuries were found for adults, the annual cost of preventable injuries in the home would be about \$60 billion.
- One study finds that the costs for asthma due to one root cause in the home – dampness and mold – could be \$3.5 billion annually (Mudarri and Fisk, 2007). Other modifiable childhood asthma risk factors within the home (e.g., pet dander,

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cockroach allergen, use of stove or oven for home heating) were estimated to cost nearly \$1 billion (Lanphear, Aligne, Auinger, Weitzman, Byrd, 2001).

- Using EPA survey data, HUD estimates that childhood lead exposures cost over \$55 billion in 2008 (reflecting inflation from the EPA-estimated cost for 2000) for direct medical costs and indirect costs due to future lost productivity and earnings resulting from cognitive impairment, with the majority of childhood lead poisoning attributable to exposure to lead-based paint hazards in the home. That EPA assessment noted that a major source of exposure was due to dust exposures from lead-based paint in the home. A more-recent study reached a similar conclusion, estimating that 70 percent of lead poisonings were from that source of exposure (Gould, 2009).

The potentially high health-related costs of unsafe housing are matched by significant and enduring social costs. Researchers find a clear relationship between elevated blood lead among children and their cognitive and behavioral impairment. “Even low levels of exposure appear to lower children’s IQ, which increases the need for enrollment in special education services, reduces the likelihood of high school and college graduation, lowers lifetime earnings (both through educational and IQ pathways), and greatly increases their propensity to engage in violent criminal activity” (Gould, 2009).

Funds from the OHHLHC grant programs help to sustain and enhance the efforts of local communities to address the critical needs they face in providing decent, safe and sanitary housing for their citizens. While HUD has expanded the scope and network of successful local programs, if it fails to maintain these programs, it runs the risk of losing momentum and slipping behind the Departmental our goals to protect children and families, potentially leaving thousands of low-income families to live in housing that threatens their health, and often their lives, with unsafe and unhealthy housing conditions.

4. How do we know this program works?

OLHCHH programs have contributed substantially to reducing childhood lead poisoning cases from the early 1990’s to today. The prevalence of elevated blood lead levels in children under age 6 that are at least 10 micrograms per deciliter (≥ 10 mg/dl) decreased from 8.6 percent in 1988-1991 to 0.75 percent in 2003-2010, a 91 percent decline, according to the on-going National Health and Nutrition Examination Survey (NHANES) conducted by the CDC.⁷ HUD’s lead hazard control grants have contributed to this decline⁸ in the more than 180,000 housing units treated under the program. Recently, CDC replaced the use of the concept of a “level of concern” with a population-based “reference range value,” which is currently 5 $\mu\text{g}/\text{dL}$. As discussed in section 3, above, this has increased the number of children considered to have elevated blood lead levels, around 535,000 (CDC, 2012;⁹ Advisory Committee

⁷ www.cdc.gov/nchs/nhanes.htm; www.cdc.gov/mmwr/preview/mmwrhtml/00048339.htm; www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm?s_cid=mm6213a3_e.

⁸ www.sciencedirect.com/science/article/pii/S0013935110001842

⁹ www.cdc.gov/nceh/lead/ACCLPP/CDC_Response_Lead_Exposure_Recs.pdf.

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on Children Lead Poisoning Prevention, 2012¹⁰). In addition, the OHHLHC's program funds have contributed to the understanding of housing conditions and their connection to residents' health; identified effective interventions and preventive measures; and demonstrated the health benefits of targeting interventions to reduce or eliminate health hazards in homes. For example:

- A randomized controlled trial in Cleveland, OH (Cuyahoga County and Case Western Reserve University) funded by HUD demonstrated significant improvement in asthma symptoms (including reduced acute care usage) among children following remediation focusing on mold and moisture problems in their homes. During the 12 months of follow-up, the control (non-intervention) group saw an almost 20% higher rate of emergency department visits or hospital in-patient visits than the intervention group. The difference between the two groups was 30 percent from 6 months post-randomization to the end of follow-up.^{xiii}
- In Seattle, WA, a HUD Healthy Homes grant to non-profit "Neighborhood House" and partners was used to upgrade 35 green-built public housing units (built through HUD's HOPE VI Program) to "Breathe Easy Homes" with special features to improve indoor air quality and reduce indoor asthma triggers.^{xiv} Children with asthma, who were moved into these homes, experienced a mean of 12.4 asthma symptom-free days per 2 week period after 1 year, compared with 8.6 asthma symptom-free days in the control group. Urgent asthma-related clinical visits in the previous 3 months decreased from 62 percent to 21 percent and the caretakers' quality of life increased significantly. Significant reductions in exposures to mold, rodents, and moisture were reported in the Breathe Easy Homes.
- A program evaluation of the NY State Healthy Neighborhoods Program that provided healthy homes services to over 36,000 residents in 13,120 dwellings in 12 counties across the state found that, among the 22 percent of homes that were randomly reassessed at a follow-up visit, the analysis indicates significant improvements in tobacco control, fire safety, lead poisoning prevention, indoor air quality, and general environmental health and safety (e.g., pests, mold). For residents with asthma, there were significant improvements in the presence of environmental triggers, self-management, and short-term morbidity outcomes, including up to 3.5 fewer days with worsening asthma in a 3-month period.
- In Cuyahoga County, OH (Cuyahoga County Board of Health) and Bellingham, WA (Opportunity Council) grantees partnered with a weatherization program to provide an integrated approach to improve both energy efficiency and indoor environmental quality. These projects demonstrated the benefits of this integrated approach and the Department of Energy is now providing training and encouraging Weatherization Programs to adopt this "weatherization plus health" model.^{xv,xvi}
- Grant-funded projects to the Boston Public Health Commission and the Harvard School of Public Health included Integrated Pest Management (IPM) interventions and related cleaning and educational efforts in private and public housing, as well as limited case management and community health support from trained advocates. In pre-post analyses, significant reductions in a 2-week recall respiratory symptom score were observed, dropping from 2.6 to 1.5 on an 8-point scale ($p = 0.0002$). Reductions in the frequency of wheeze/cough, slowing down or stopping play, and waking at night were also noted.^{xvii}

¹⁰ www.cdc.gov/nceh/lead/ACCLPP/Final_Document_030712.pdf.

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The cost-effectiveness of lead and healthy homes interventions similar to those used by our grantees is well-documented by research:

- A 2011 study of childhood lead poisoning suggested that it accounted for, annually, \$5.9 billion in medical costs and \$50.9 billion in lost productivity due to cognitive impairment in 2008 (Trasande and Liu, 2011), as noted above. Based on estimates of health benefits, as also noted above, the value of lead hazard control programs similar to those operated by HUD is conservatively estimated at \$30.6 billion based on the cost/benefit ratio of at least 17:1 (Gould, 2009).
- A study of the costs of childhood asthma from man-made environmental sources, both indoors and outdoors, as estimated at \$7 billion in direct and indirect costs in 2008 (Trasande et al, 2011). Outdoor sources are important to consider in the healthy homes context; poorly maintained and inadequately sealed homes will permit higher infiltration rates of outdoor air into the home. Exposure to dampness and mold in homes alone is projected by some researchers to contribute to approximately 21 percent of current asthma cases in the United States, at an annual cost of \$3.5 billion (Mudarri and Fisk, 2007). The side effects include 10 million lost school days and 2 million emergency room visits every year (National Institutes of Health, 2007). Another study suggests that for every \$1 spent on asthma reduction programs (although not necessarily those funded by the OHLHHC), there is a \$5.30-\$16.50 return on investment (Nurmagambetov et al, 2011).
- Minor to moderate remediation of housing hazards attributed to asthma, such as reducing interior moisture and improving indoor air quality, results in a substantial return for money invested. Following the guidelines in the National Asthma Education Prevention Program's (NAEPP) Expert Panel Report 3 (EPR3) concerning the need for environmental control measures for asthma, the Connecticut Department of Public Health conducted a study to explore the cost-effectiveness of housing interventions (similar to those conducted in OLHHHC funded projects whether or not the Connecticut projects were funded by the OLHHHC directed at mitigating conditions that exacerbated asthma. Net savings at 6 months follow-up were estimated at \$267 per participant due to decreases in unscheduled acute care visits for adults and children (Kimberly H. Nguyen, Eileen Boulay, & Justin Peng, 2010).
- Falls are the leading cause of non-fatal injuries for all children ages 0 to 19 and for adults 65 years of age or older (Home Safety Council, 2004). Every day, approximately 8,000 children are treated in U.S. emergency rooms for fall-related injuries. This approaches three million children each year. Research suggests that the total direct and indirect costs for unintentional injuries (e.g., falls, poisonings, fires) in the home have averaged over \$200 billion annually (Zaloshnja et al, 2005; Home Safety Council, 2004) with falls alone responsible for half of those costs (Home Safety Council, 2004). In 2000, the total direct cost of all fall injuries for people 65 and older exceeded \$19 billion. The financial toll for older adult falls is expected to increase as the population ages. Research suggests that fire and burn injuries represent 1 percent of the incidence of injuries and 2 percent of the total costs of injuries, or \$1.3 billion each year; representing 6 percent of the total costs of all fatal injuries. According to the Home Safety Council (Home Safety Council, 2002), installing a smoke detector at an average

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inflation-adjusted cost of \$43 produces \$1,217 in benefits to the U.S. society. Exposure to radon gas in the home is attributed to 21,000 radon-related lung cancer deaths annually, resulting in an inflation-adjusted amount of \$2.9 billion in direct and indirect costs (Mason, 2010; U.S. EPA, 2003).

Program Improvements through Information Technology Investments

With the deployment of a new OLHCHH grants management cloud computing system, staff and grantees alike have access to tools for planning, reporting, and evaluation. The use of cloud services for the OLHCHH grants program has reduced the use of HUD servers and increased the stability of the system, has made it more accessible to grantees, and has reduced maintenance and operational costs. Enhancements to the system are expected to enable improved evaluation to determine the Return on Investment for grantees' activities in terms of costs for outreach, assessment, intervention, and program evaluation relative to the cost-savings associated with reduced medical costs, lost work days, and/or lost school days for an individual or household served by the programs.

5. Proposals in the Budget

HUD is submitting the following legislative proposal as a General Provision to streamline operations and make them more effective in protecting the health and safety of families, especially children:

- HUD is requesting subpoena authority for the Lead Disclosure Statute (42 U.S.C. 4852d(a)), eliminating a statutory gap in order to allow HUD to obtain documents from rental housing owners suspected of violating this statute, which provides information to families renting or buying older (pre-1978) homes that may have lead-based paint. This relates to owners who have been recalcitrant in providing them in response to requests from the Department. While HUD and EPA have joint authority for enforcing the statute, only EPA has the authority to issue subpoenas, which it has under the Toxic Substances Control Act (15 U.S.C. § 2610(c)), an EPA authority unavailable to HUD. This legislative proposal would provide HUD with its own subpoena authority, which will allow HUD to conduct these investigations in a more timely and efficient manner than it can currently. (Section 232)

The subpoena authority authorization is budget-neutral. If enacted, the OLHCHH will begin the regulatory development to implement the legislation. HUD will also submit a legislative proposal to update Healthy Homes program standards and definitions and to increase the cost threshold for the Lead Hazard Control Grant program.

Lead Hazard Reduction

**LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Lead Hazard Control								
Grants	\$47,000	\$5,438	\$52,438	\$57,479	\$48,000	\$682	\$48,682	\$93,000
Technical Studies	3,000	386	3,386	2,867	2,000	498	2,498	2,000
Healthy Homes	15,000	608	15,608	14,837	15,000	766	15,766	25,000
Lead Hazard Reduction Demonstration	45,000	3,000	48,000	42,274	45,000	...	45,000	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[912] ^{a/}
Total	110,000	9,432	119,432	117,457	110,000	1,946	111,946	120,000

a/ This number is an estimated transfer to the Transformation Initiative (TI) account of \$912 thousand of Budget Authority.

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LEAD HAZARD CONTROL AND HEALTHY HOMES LEAD HAZARD REDUCTION Appropriations Language

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the Lead Hazard Reduction Program, as authorized by section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, [~~\$110,000,000~~] *\$120,000,000*, to remain available until September 30, [~~2016~~] *2017: Provided*, That up to [~~\$15,000,000~~] *\$25,000,000* of that amount shall be for the Healthy Homes Initiative, pursuant to sections 501 and 502 of the Housing and Urban Development Act of 1970 that shall include research, studies, testing, and demonstration efforts, including education and outreach concerning lead-based paint poisoning and other housing-related diseases and hazards: *Provided further*, That for purposes of environmental review, pursuant to the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) and other provisions of the law that further the purposes of such Act, a grant under the Healthy Homes Initiative, or the Lead Technical Studies program under this heading or under prior appropriations Acts for such purposes under this heading, shall be considered to be funds for a special project for purposes of section 305(c) of the Multifamily Housing Property Disposition Reform Act of 1994: [~~*Provided further*~~, That of the total amount made available under this heading, \$45,000,000 shall be made available on a competitive basis for areas with the highest lead paint abatement needs: *Provided further*, That each recipient of funds provided under the third proviso shall make a matching contribution in an amount not less than 25 percent: *Provided further*, That each applicant shall certify adequate capacity that is acceptable to the Secretary to carry out the proposed use of funds pursuant to a notice of funding availability:] *Provided further*, That amounts made available under this heading in this or prior appropriations Acts, and that still remain available, may be used for any purpose under this heading notwithstanding the purpose for which such amounts were appropriated if a program competition is undersubscribed and there are other program competitions under this heading that are oversubscribed. (*Department of Housing and Urban Development Appropriations Act, 2015.*)

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- ⁱ Krieger J and Higgins DL. 2002. Housing and health: time again for public health action. *American Journal of Public Health*. 92(5):758-768.
- ⁱⁱ Gould E., Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environmental Health Perspectives*. 117(7):1162-7. <http://ehp.niehs.nih.gov/0800408/>
- ⁱⁱⁱ Nurmagambetov TA et al., 2011. Economic Value of Home-Based, Multi-Trigger, Multicomponent Interventions with an Environmental Focus for Reducing Asthma Morbidity: A Community Guide Systematic Review. *American Journal of Preventive Medicine*. 41(2S1):S33–S47. [www.ajpmonline.org/article/S0749-3797\(11\)00314-X/fulltext](http://www.ajpmonline.org/article/S0749-3797(11)00314-X/fulltext). (Also available at www.thecommunityguide.org/asthma/supportingmaterials/Asthma%20Econ.pdf.)
- ^{iv} Children’s Safety Network/Pacific Institute for Research and Evaluation. Injury Prevention: What Works? A Summary of Cost-Outcome Analysis for Injury Prevention Programs (2012 Update). www.childrenssafetynetwork.org/sites/childrenssafetynetwork.org/files/InjuryPreventionWhatWorks2012.pdf
- ^v Raymond J, Wheeler W, Brown MJ. 2011. Inadequate and Unhealthy Housing, 2007 and 2009. *Morbidity and Mortality Weekly Report*. Vol. 60 Supplement: 21-27. January 14, 2011.
- ^{vi} U.S. Department of Health and Human Services. 2009. The Surgeon General’s Call to Action to Promote Healthy Homes. U.S. Department of Health and Human Services, Office of the Surgeon General.
- ^{vii} Liu Y, Holland AE, Mack K, Diekman S. 2011. Disparities in the prevalence of smoke alarms in U.S. households: Conclusions drawn from published case studies. *Journal of Safety Research*. 42(5): 409-413.
- ^{viii} 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. *American Journal of Public Health*. 101:S238-S245.
- ^{ix} Zaloshnja, E, Miller TR, Lawrence, BA, Romano E, et al. 2005. The costs of unintentional home injuries. *American Journal of Preventive Medicine*. 28(1):88-94.
- ^x Trasande L and Liu Y. 2011. Reducing the Staggering Costs of Environmental Disease in Children. *Health Affairs*. 30(5):863-70 23.
- ^{xi} Mudarri D and Fisk WJ, 2007. Public health and economic impact of dampness and mold. *Indoor Air*. 17(3):226-35.
- ^{xii} Mason J and Brown MJ, 2010. Estimates of costs for housing-related intervention to prevent specific illnesses and deaths. *Journal of Public Health Management Practice*. 16(5 Suppl). S79-89.
- ^{xiii} Kercsmar, CM, Dearborn, DG, Schlacter M, Xue, XL, Kirchner HL, Sobelewski, J, Greenberg, SJ, Vesper SJ, Allen, T. 2006. Reduction in asthma morbidity in children as a result of home remediation aimed at moisture sources. *Environ Health Perspect*. 114: 1574-1580.

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- ^{xiv} Takaro TK, Krieger J, Song L, Sharify D, Beaudet N. 2011. The breathe-easy home: The impact of asthma-friendly home construction on clinical outcomes and trigger exposure. *Am J Public Health*. 101:55-62.
- ^{xv} Finet, D. 2004. Restoring indoor health, one house at a time. Home Energy. Jan/Feb 2004. <http://homeenergy.org/index.php>
- ^{xvi} See: <http://www.nascsp.org/Healthy-Homes/776/Weatherization-Plus-Health.aspx?iHt=48>
- ^{xvii} Levy JI, Brugge D, Peters JL, Clougherty JE, Saddler SS. 2006. A community-based participatory research study of multifaceted in-home environmental interventions for pediatric asthmatics in public housing. *Soc Sci Med*. 63(8):2191-203.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SALARIES AND EXPENSES

	FY 2014 Actual		FY 2015		FY 2016		FY 2015 TO FY 2016	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<i>(Dollars in Thousands)</i>								
PROGRAM OFFICES								
Community Planning and Development	744.5	\$ 99,405	761.6	\$ 102,000	819.3	\$ 112,100	57.7	\$ 10,100
Fair Housing and Equal Opportunity	527.2	68,236	515.8	68,000	607.9	81,100	92.1	13,100
Office of Lead Hazard Control and Healthy Homes	50.9	7,061	46.3	6,700	53.6	7,800	7.3	1,100
Housing	2,839.9	374,041	2,833.8	379,000	2,921.6	397,200	87.8	18,200
Policy Development and Research	137.4	20,983	152.1	22,700	158.5	23,900	6.4	1,200
Public and Indian Housing	1,345.0	196,628	1,421.1	203,000	1,453.3	210,000	32.2	7,000
SUBTOTAL	5,644.9	766,353	5,730.6	781,400	6,014.1	832,100	283.5	50,700
EXECUTIVE SUPPORT OFFICES								
Immediate Office of the Secretary	18.9	4,108	21.2	3,908	19.1	3,571	(2.2)	(337)
Office of the Deputy Secretary	3.3	1,168	8.1	1,162	8.8	1,267	0.7	105
Office of Congressional and Intergovernmental Relations	15.5	2,272	18.1	2,675	18.5	2,766	0.4	91
Office of Public Affairs	18.9	3,037	21.7	3,418	22.8	3,631	1.1	213
Office of Adjudicatory Services	8.0	1,341	8.3	1,363	8.4	1,397	0.1	34
Office of Small and Disadvantaged Business	4.0	597	4.5	697	4.5	713	0.1	16
Office of Faith-Based and Neighborhood Partnerships	8.2	1,088	8.3	1,277	8.3	1,255	0.1	(22)
SUBTOTAL	76.8	13,611	90.1	14,500	90.3	14,600	0.2	100
ADMINISTRATIVE SUPPORT OFFICES								
Office of the Chief Human Capital Officer	190.8	54,400	190.0	57,000	180.0	61,475	(10.0)	4,475
Office of Administration	232.2	202,243	238.0	200,000	241.0	210,504	3.0	10,504
Office of the Chief Financial Officer	188.8	46,460	180.8	47,000	180.8	81,357	0.0	34,357
Office of the Chief Procurement Officer	115.1	16,124	118.7	16,500	121.0	17,036	2.3	536
Office of Field Policy and Management	363.3	51,240	360.3	50,000	384.1	55,401	23.8	5,401
Office of Departmental Equal Employment Opportunity	18.6	3,131	19.7	3,200	19.9	3,270	0.2	70
Office of the General Counsel	596.1	93,217	600.9	94,000	609.9	96,981	9.0	2,981
Office of Strategic Planning and Management	25.5	4,483	30.0	4,400	30.1	5,774	0.1	1,374
Office of the Chief Information Officer	233.3	35,785	252.9	46,000	252.9	46,102	(0.0)	102
SUBTOTAL	1,963.8	507,083	1,991.3	518,100	2,019.7	577,900	28.4	59,800
TOTAL HUD SALARIES & EXPENSES *	7,685.4	1,287,047	7,812.1	1,314,000	8,124.1	1,424,600	312.1	110,600
Government National Mortgage Association*	109.7	19,435	138.8	23,000	167.8	28,300	29.0	5,300
Office of Inspector General*	602.8	124,084	637.0	126,000	643.0	129,000	6.0	3,000

*HUD Salaries & Expenses totals excludes Government National Mortgage Association (GNMA) & Office of the Inspector General (OIG), which receive funding under their respective Program Accounts.

Housing and Urban Development – Salaries and Expenses Overview

The Department of Housing and Urban Development requests \$1,424.6 million for the Salaries and Expenses (S&E) account in fiscal year 2016, and reflects an increase of \$110.6 million and 312.1 FTE from the fiscal year 2015 enacted levels. Overall, this request includes \$1,123.3 million for Personnel Services and \$301.3 million for Non-Personnel Services.

The fiscal year 2016 S&E budget is being requested in 8 accounts:

- Program offices:
 - Community Planning and Development, \$112.1 million and 819.3 FTE;
 - Fair Housing and Equal Opportunity, \$81.1 million 607.9 FTE;
 - Office of Lead Hazard Control and Healthy Homes, \$7.8 million and 53.6 FTE;
 - Housing, \$397.2 million and 2,921.6 FTE;
 - Policy Development and Research, \$23.9 million and 158.5 FTE;
 - Public and Indian Housing, \$210.0 million and 1,453.3 FTE;
- Executive Offices including \$14.6 million and 90.3 FTE; and
- Administrative Support Offices including \$577.9 million and 2,019.7 FTE.

Description of Need

The fiscal year 2016 S&E request of \$1,424.6 million is slightly less than 3 percent of HUD's total request. The requested level will help address under-investments in the crucial areas of monitoring, oversight, operations, and management. Eighty-five percent of HUD's total budget request is needed solely to renew rental assistance to 5.5 million residents of HUD-subsidized housing, including public housing operating subsidies and capital needs, and to renew existing HUD grants to homeless assistance programs. Detailed data on over 4.56¹ million tenants reveals that: 56 percent are elderly or disabled, 73.6 percent are extremely low-income (below 30 percent of area median income) and an additional 20 percent are very low-income (below 50 percent of area median income). The Department's programs are critical to addressing the structural gap between household incomes and housing prices and persistent un-affordability of housing. HUD plays an important role in making housing affordable through its investments in rental vouchers, public and assisted housing, and HUD-funded efforts led by states and localities. This work to ensure a stable supply of affordable housing in safe and quality communities enables low-income families and individuals to live healthy and productive

¹ This figure reflects tenants for whom the Department has recently reported demographic data, and not total tenants supported by these programs.

Housing and Urban Development – Salaries and Expenses Overview

lives. HUD is also a vehicle for advancing sustainable and inclusive growth patterns, communities of choice, energy efficiency, community and economic development, enforcing fair housing, as well as broad homeless assistance. In fiscal year 2016, HUD will continue its collaboration with other agencies, including the Departments of Transportation, Education, Justice, and Energy, as well as the Environmental Protection Agency, to ensure that the location of affordable housing enhances access to employment and educational opportunities, and makes the way we develop and redevelop our communities a key part of the nation's strategy for addressing climate change and energy independence.

HUD remains at the forefront of the federal response to strengthen the mortgage market. As of September 30, 2014, the Mortgage Mutual Insurance portfolio included 7.9 million loans with an unpaid principal balance exceeding \$1.1 trillion. Federal Housing Administration (FHA) mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. FHA has long been a valuable resource for enabling the purchase of a first home, especially among minority and low-income families. In fiscal year 2014, 81 percent of FHA-insured mortgage endorsement were for first time homebuyers. Recently, the FHA has announced that it will reduce the annual premiums new borrowers will pay by half a percent. This action is projected to save more than two million FHA homeowners an average of \$900 annually and spur 250,000 new homebuyers to purchase their first home over the next 3 years.

The Salaries and Expenses Budget

Account Structure. As in the previous fiscal year, the 2016 Budget request streamlines 22 separate accounts into 8 accounts, and reflects no changes to the program office S&E accounts, but the Budget consolidates seven offices into the Executive Office account and nine into the Administrative Support Offices account. HUD will continue to manage the offices separately. A more streamlined budget structure, will provide HUD the flexibility to efficiently make strategic realignments to support Administration priorities and emerging issues.

The budget request includes a General Provision to amend the authorized transfer of a limited amount of funds between accounts that provide for personnel and non-personnel expenses to be up to 10 percent or \$10,000,000, whichever is less. The budget request also proposes an increase in S&E funding that can be transferred to the IT fund from the current \$2.5 million to up to \$15 million.

Functional Analysis. In fiscal year 2014, to address the concerns of Congress and other stakeholders, the S&E budget was developed at a functional level to better link these resources to the program dollars they manage and support. The 2016 request is based on estimated workload, starting at the functional level where possible. HUD continues to refine and update these functions to accurately reflect program activities and better manage across the Department, including identification of necessary resources and potential efficiency gains. While Program Areas were required to utilize detailed information regarding workload and functional activities to develop the S&E estimates, only summary level information is included in this submission.

Delivery of Services. In fiscal year 2016, HUD will continue pursuing a shared-service arrangement with the Bureau of Fiscal Services (BFS), in the Department of the Treasury, for financial system and accounting services support, and improved human resources (HR) service delivery. This effort is a multi-year development initiative that will establish a consistent, common enterprise-wide, financial system, as well as provide seamless HR integration, ensuring delivery of strategic objectives. By early 2015, HUD plans to have BFS provide HR service all of its employees (except members of the Senior Executive Service and political appointees). The shared services model aims to reduce operational costs and improve process efficiency—the benefits associated with economies of scale and the elimination of duplicative efforts help streamline service delivery.

Cross-Cutting Initiatives. In the 2016 Budget, the Department will focus on a number of cross-cutting initiatives to support the President’s goal of targeting multiple Federal resources across agencies to tackle complex problems, and effect change in how federal agencies operate and the public’s perception of the federal government.

AFFH Initiative		
Program Office	S&E Total	FTE
OGC	\$1,575,000	9.7
CPD	662,000	5.0
FHEO	5,071,000	38.0
PDR	219,000	1.5
PIH	<u>1,369,300</u>	<u>10.0</u>
Total	\$8,896,300	64.2

The Affirmatively Furthering Fair Housing (AFFH) Rule Initiative – The Department continues to invest FTE in AFFH, which supports HUD’s Strategic Plan Goal 4A: “Ensure compliance with civil rights and economic opportunity requirements by providing high quality technical assistance and training to stakeholders.” The ultimate goal of AFFH and the new rule is to change the policies and practices that perpetuate segregation and support diverse, inclusive communities where all have access to opportunity. In doing so, all of HUD’s efforts to promote opportunity will be strengthened. The Offices involved in the rule have devoted extensive staff hours to ensure the rule is both effective at achieving a fair housing outcome and feasible for grantees. As we start to move to the

Housing and Urban Development – Salaries and Expenses Overview

implementation phase, all the relevant HUD offices will continue to play an important role, drawing on their individual strengths and expertise.

There are a number of additional areas of work that will require staffing in several of the Offices, such as providing guidance, training, and technical assistance; reviewing submissions and provision of feedback where necessary; and evaluating progress. Additionally, a very small number of staff resources will be used to establish ways to measure HUD's implementation of the AFFH regulation and eventually the outcomes in communities across the country.

HUD's fiscal year 2016 request reflects cross-cutting and collective AFFH efforts requiring a total of \$8.9 million in S&E funding which will support 64.2 FTE across OGC, CPD, FHEO, PDR and PIH. More detailed information regarding the specific AFFH-related activities can be found within the respective Congressional Justifications (CJs) for each Program Area (PA).

RAD Initiative		
Program Office	S&E Total	FTE
OGC	\$299,000	2.0
CPD	265,000	2.0
FHEO	515,000	4.0
Housing	2,654,000	20.0
PIH	<u>3,423,000</u>	<u>25.0</u>
Total	\$7,156,000	53.0

Rental Assistance Demonstration Conversion (RAD) Initiative – The proposed S&E funding levels for the Rental Assistance Demonstration Program (RAD) would allow HUD to take its next big step in shifting the Public Housing, Moderate Rehabilitation, Rent Supplement, and Rental Housing Assistance Payments (RAP) stocks to the more sustainable project-based Section 8 platform. HUD's cross-cutting and collective RAD efforts will target the use of its \$50 million 2016 request in programmatic and \$7.2 million in S&E funding towards properties in high-poverty neighborhoods where the Administration is supporting a comprehensive revitalization strategy, such as through a Promise Zone designation and/or a Choice Neighborhoods grant. These conversions would supplement

Housing and Urban Development – Salaries and Expenses Overview

and complement the ongoing conversions that will occur without additional subsidy. It will place HUD on a strong trajectory to convert 500,000 public housing units over the next 5 years.

HUD's fiscal year 2016 requests reflects cross-cutting and collective RAD efforts requiring a total of \$7.2 million in S&E funding which will support 53.0 FTE across the OGC, CPD, FHEO, Office of Housing, and PIH. More detailed information regarding the specific RAD-related activities can be found within the respective CJs for each PA.

Promise Zones Initiative		
Program Office	S&E Total	FTE
PD&R	\$151,000	1.0
FPM	2,430,000	17.0
CPD	685,000	5.0
Housing	<u>1,338,000</u>	<u>10.0</u>
Total	\$4,604,000	33.0

Promise Zones Initiative – The Promise Zones initiative, is a place-based initiative with the purpose of revitalizing high-poverty communities across the country by creating jobs, increasing economic activity, improving educational opportunities, reducing serious and violent crime, leveraging private capital, and assisting local leaders in navigating federal programs and cutting through red tape. The Promise Zone designation partners the federal government with local leaders who are addressing multiple community revitalization challenges in a collaborative way and have demonstrated a commitment to results. Specifically, federal staff will be stationed in each designated community to help navigate the array of federal assistance and programs available to Promise Zones, subject to availability of appropriations and agency policies, rules and statutes.

HUD's fiscal year 2016 requests reflects cross-cutting and collective Promise Zones efforts requiring a total of \$4.6 million in S&E funding which will support 33.0 FTE across PD&R, FPM, CPD, and the Office of Housing. More detailed information regarding the specific PZ-related activities can be found within the respective CJs for each PA.

Personnel Services: \$1,123.3 million

The Department requests \$1,123.3 million to fund employee salaries as well as nominal increases to fund the pay raise, within grade, and promotions in fiscal year 2016. This funding level represents a \$57.6 million increase over fiscal year 2015, and will also support programmatic changes. The fiscal year 2016 request is estimated to support 8,124.1 FTE, an increase of 312.1 FTE from fiscal year 2015 enacted appropriations.

Non-Personnel Services: \$301.3 million

The Department requests \$301.3 million in Non-Personnel Services in fiscal year 2016. This represents a \$53.0 million increase over fiscal year 2015. This includes significant increases in Other Services to support the BFS efforts in the Office of the Chief Human Capital Officer as well as the implementation of New Core in the Office of the Chief Financial Officer.

Housing and Urban Development – Salaries and Expenses Overview

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SALARIES AND EXPENSES

	TRAVEL	TRANS OF THINGS	RENT, UTIL, COMM	PRINTING	OTHER SERVICES	TRAINING	SUPPLIES	EQUIP.	CLAIMS	TOTAL
	(Dollars in Thousands)									
PROGRAM OFFICES										
Community Planning and Development	\$ 1,683	\$ -	\$ -	\$ 45	\$ 1,197	\$ 455	\$ 30	\$ -	\$ -	\$ 3,410
Fair Housing and Equal Opportunity	831	-	2	10	590	190	20	-	-	1,643
Office of Lead Hazard Control and Healthy Homes	162	-	-	11	8	37	8	-	-	226
Housing	-	3,332	700	4	45	3,281	1,644	558	-	9,565
Policy Development and Research	250	-	-	120	718	160	27	-	-	1,275
Public and Indian Housing	4,092	-	4	90	5,902	858	54	-	-	11,000
Subtotal	7,018	3,332	706	280	8,460	4,981	1,783	558	-	27,119
EXECUTIVE SUPPORT OFFICES										
Immediate Office of the Secretary	65	-	-	1	395	5	30	-	-	496
Office of the Deputy Secretary	27	-	-	-	3	2	6	-	-	38
Office of Congressional and Intergovernmental Relations	28	-	-	1	1	3	5	-	-	38
Office of Public Affairs	60	-	-	1	64	5	4	-	-	134
Office of Adjudicatory Services	20	-	-	-	73	2	6	-	-	101
Office of Small and Disadvantaged Business	13	-	10	-	-	5	4	-	-	32
Office of Faith-Based and Neighborhood Partnerships	50	-	15	24	50	4	5	-	-	148
Subtotal	263	-	25	27	586	26	60	-	-	987
ADMINISTRATIVE SUPPORT OFFICES										
Office of the Chief Human Capital Officer	506	-	-	-	26,449	2,700	50	60	-	29,765
Office of Administration	1,762	15	131,008	240	40,421	241	1,378	4,663	-	179,728
Office of the Chief Financial Officer	85	-	55	46	44,918	195	45	-	-	45,344
Office of the Chief Procurement Officer	66	-	-	5	82	229	56	-	-	438
Office of Field Policy and Management	1,300	7	-	1	300	90	5	-	-	1,703
Office of Departmental Equal Employment Opportunity	7	-	-	0	400	3	2	-	-	412
Office of the General Counsel	970	20	-	1,000	1,199	540	320	-	950	4,999
Office of Strategic Planning and Management	10	-	-	-	1,758	74	5	-	-	1,847
Office of the Chief Information Officer	200	15	-	2	8,424	250	37	-	10	8,937
Subtotal	4,905	57	131,063	1,294	123,951	4,322	1,898	4,723	960	273,173
TOTAL FY 2016 NON-PERSONNEL SERVICES*										
	12,186	3,389	131,794	1,601	132,997	9,330	3,741	5,281	960	301,279
Government National Mortgage Association*	927	-	-	5	585	392	53	-	-	1,962
Office of Inspector General*	4,238	100	8,707	50	14,496	1,106	330	757	150	29,934
*HUD Salaries & Expenses totals excludes Government National Mortgage Association (GNMA) & Office of the Inspector General (OIG), which receive funding under their respective Program Accounts.										

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT EXECUTIVE OFFICES

The Executive Offices (EO) execute and enforce laws and policies and provide the overall direction and leadership for the Department. These offices are responsible for the overall development, implementation and management of the Department's programs. More specifically, they ensure the accomplishment of the Department's mission and strategic goals; address all congressional relations activities; provide guidance and education on housing, community development and equal housing opportunity policies to the public and private interest groups; utilize media outreach to make sure the public is regularly informed about the Department's latest activities; conduct hearings to make determinations concerning formal complaints or opposing actions initiated by the Department; ensure the Department's compliance with small business contracting regulations; and carry out White House directives by providing outreach, convening events, and information exchange to communities largely impacted by the economic and housing crisis.

Executive Offices include:

- Office of the Secretary
- Office of the Deputy Secretary
- Office of the Congressional and Intergovernmental Relations
- Office of Public Affairs
- Office of Adjudicatory Services
- Office of Small and Disadvantaged Business Utilization
- Center for Faith-Based and Neighborhood Partnerships

Executive Offices

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$12,060	\$13,430	\$13,613	\$183
Non-Personnel Services				
Travel	309	303	263	(40)
Transportation of Things	59	-	-	-
Rent/Utilities	31	25	25	(0)
Printing	15	32	27	(5)
Other Services/Contracts	1,024	623	586	(37)
Training	34	26	26	-
Supplies	59	61	60	(1)
Furniture/Equipment	20	-	-	-
Claims & Indemnities	-	-	-	-
Non-Personnel Subtotal	1,551	1,070	987	(83)
GRAND TOTAL	\$13,611	\$14,500	\$14,600	\$100
Associated FTE	76.8	90.2	90.4	0.2

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

EO requests \$14,600K and 90.4 FTE in fiscal year 2016, an increase of \$100K and 0.2 FTE from fiscal year 2015.

- Increase of \$183K in Personnel Services from fiscal year 2015 is attributed to a nominal increase to fund the pay raise, promotions and within grade increases.
- Decrease of \$83K in non-personnel services is due to a reduction in travel as well as a mandatory funding reduction associated with Center for Faith-Based and Neighborhood Partnerships move to the Executive Offices.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
THE IMMEDIATE OFFICE OF THE SECRETARY**

Program Area Overview:

The Immediate Office of the Secretary (OSEC) provides program and policy guidance and operations management and oversight in administering all programs, functions and authorities of the Department. OSEC educates and enforces federal Fair Housing law and advises the President concerning housing, community development, and equal housing opportunity. OSEC also develops recommendations for policy in the areas of housing and community development and homelessness. OSEC serves as the nerve center for all HUD activities and steers the Department's mission to create strong, sustainable, and inclusive communities and quality affordable homes for all.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$3,319	\$3,379	\$3,075	(\$304)
Non-Personnel Services				
Travel	148	100	65	(35)
Transportation of Things	42	-	-	-
Printing	3	4	1	(3)
Other Services/Contracts	536	390	395	5
Training	10	5	5	-
Supplies	36	30	30	-
Furniture/Equipment	14	-	-	-
Non-Personnel Subtotal	789	529	496	(33)
GRAND TOTAL	\$4,108	\$3,908	\$3,571	(\$336)
Associated FTE	18.9	21.2	19.1	(2.2)

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

OSEC requests \$3,571K and 19.1 FTE in fiscal year 2016, a decrease of \$336K and 2.2 FTE from fiscal year 2015.

- Decrease of 2.2 FTE and \$304K in Personnel Services from fiscal year 2015 to strategically reshape the Immediate Office of the Secretary to achieve the Department's mission as effectively and efficiently as possible
- Decrease of \$33K in Non-personnel Services from fiscal year 2015
 - A decrease of \$35K in Travel; adequate funding remains to continue to provide executive level support for the Department
 - A decrease of \$3K in Printing due to increased ability to provide documents electronically
 - An increase of \$5K in Other Services to fund the increased cost of the News Clips contract, which provides the Secretary and key staff members with a comprehensive review of the day's major news stories.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Program & Policy Guidance (OSEC)	9.8	\$1,723	10.8	\$1,716	10.1	\$1,631
Operations Mgmt & Oversight (OSEC)	9.1	\$1,596	10.5	\$1,663	9.0	\$1,444
Total	18.9	\$3,319	21.2	\$3,379	19.1	\$3,075

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF THE DEPUTY SECRETARY**

Program Area Overview:

The Office of the Deputy Secretary (DEPSEC) provides program and policy guidance, and operations management and oversight under the direction of the Office of the Secretary. The DEPSEC helps the Department achieve its strategic goals by providing management and support to program offices working with human capital, financial management, procurement, and information technology.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$908	\$1,119	\$1,229	\$110
Non-Personnel Services				
Travel	17	31	27	(4)
Printing	-	1	-	(1)
Other Services/Contracts	240	3	3	-
Training	1	2	2	-
Supplies	2	6	6	-
Non-Personnel Subtotal	260	43	38	(5)
GRAND TOTAL	\$1,168	\$1,162	\$1,267	\$105
Associated FTE	3.3	8.1	8.8	0.7

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

DEPSEC requests \$1,267K and 8.8 FTE in fiscal year 2016, an increase of \$105K and 0.7 FTE from fiscal year 2015.

- Increase of 0.7 FTE and \$110K in Personnel Services from fiscal year 2015. The FY 2016 increase reflects the full year cost of a Chief of Staff, as well as a nominal increase to fund the pay raise, promotions and within grade increases.
- Decrease of 5K in non-personnel services from fiscal year 2015.

Executive Offices

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Policy & Program Guidance (DSEC)	0.7	\$207	2.3	\$315	2.6	\$364
Operations Mgmt & Oversight (DSEC)	2.5	\$701	5.8	\$804	6.2	\$865
Total	3.3	\$908	8.1	\$1,119	8.8	\$1,229

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS**

Program Area Overview:

The Office of the Assistant Secretary for Congressional and Intergovernmental Relations (CIR) is responsible for coordinating Congressional and intergovernmental relations activities involving program offices to ensure the effective and accurate presentation of the Department's views. The Office collaborates with the Office of General Counsel and program offices in developing the Department's position on relevant legislative matters. The Assistant Secretary for CIR is the principal advisor to the Secretary, Deputy Secretary and senior staff with respect to legislative affairs, Congressional relations, and policy matters affecting federal, state and local governments and public and private interest groups.

The Office is responsible for coordinating the presentation of the Department's legislative matters to Congress. It monitors and responds to the HUD-related activities of the Department's Congressional oversight and authorizing committees. It is also the principal Departmental advocate before Congress regarding HUD's legislative initiatives and other legislative matters. In this regard, the Office is responsible for ensuring that all testimony and responses to Congressional inquiries are consistent with the Secretary's and the Administration's views. The Assistant Secretary, in partnership with the Office of the Chief Financial Officer and program offices, also helps resolve differences with the Office of Management and Budget during the development of the Department's legislative proposals.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$2,201	\$2,637	\$2,728	\$91
Non-Personnel Services				
Travel	17	28	28	-
Transportation of Things	17	-	-	-
Printing	-	1	1	-
Other Services/Contracts	16	1	1	-
Training	7	3	3	-
Supplies	8	5	5	-
Furniture/Equipment	6	-	-	-
Non-Personnel Subtotal	71	38	38	-
GRAND TOTAL	\$2,272	\$2,675	\$2,766	\$91
Associated FTE	15.5	18.1	18.5	0.4

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

CIR requests \$2,766K and 18.5 FTE in fiscal year 2016, an increase of \$91K and 0.4 FTE from fiscal year 2015.

- Increase of \$91K in Personnel Services from fiscal year 2015 attributed to a nominal increase to fund the pay raise, promotions and within grade increases.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Congressional Liaison Activities	4.9	\$694	6.3	\$916	6.2	\$919
State/Local/Regional Activities	5.2	\$738	5.3	\$769	5.5	\$812
Legislative Support	3.2	\$456	3.3	\$473	3.3	\$480
Congressional Correspondence	2.2	\$313	3.3	\$479	3.5	\$517
Total	15.5	\$2,201	18.1	\$2,637	18.5	\$2,728

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF PUBLIC AFFAIRS**

Program Area Overview:

The Office of Public Affairs (OPA) strives to educate and keep the American people informed about the Department's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. By pursuing media outreach, OPA works to ensure homeowners, renters, and those living in subsidized housing hear directly from key officials about the Department's latest initiatives and goals. Using communication tools such as press releases, press conferences, the Internet, media interviews, new media and community outreach, OPA provides Americans with information about housing policies and programs that are important to them.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$2,870	\$3,283	\$3,497	\$214
Non-Personnel Services				
Travel	34	60	60	-
Printing	-	1	1	-
Other Services/Contracts	125	64	64	-
Training	3	5	5	-
Supplies	5	5	4	(1)
Non-Personnel Subtotal	167	135	134	(1)
GRAND TOTAL	\$3,037	\$3,418	\$3,631	\$213
Associated FTE	18.9	21.7	22.8	1.1

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

OPA requests \$3,631K and 22.8 FTE in fiscal year 2016, an increase of \$213K and 1.1 FTE from fiscal year 2015.

- Increase of 1.1 FTE and \$214K in Personnel Services from fiscal year 2015. The FY 2016 increase reflects the full year cost of an Assistant Press Secretary as well a nominal increase to fund the pay raise, promotions and within grade increases.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Advice on Public Info & Opinions	10.2	\$1,558	13.0	\$1,977	14.1	\$2,169
Web Management	8.6	\$1,312	8.6	\$1,306	8.6	\$1,328
Total	18.9	\$2,870	21.7	\$3,283	22.8	\$3,497

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

OPA is responsible for managing the Department's web products and provides direction, policies, and guidance for all web products within the Department. OPA strives to educate and keep the American people informed about the Department's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. By pursuing media outreach, OPA works to ensure homeowners, renters, and those living in subsidized housing hear directly from key officials about the Department's latest initiatives and goals. Using communications tools such as press releases, press conferences, the Internet, media interviews, New Media and community outreach, OPA provides Americans with information about housing policies and programs that are important to them.

One of the ways the Department accomplishes its goals is to provide information regarding HUD's policies, procedures, grants, programs, and new initiatives via its primary internet web site, HUD.gov. HUD.gov acts as a clearinghouse of information and services for citizens, and serves as HUD's major communication tool for industry and business partners. It is the Department's official public-facing website and the primary vehicle for communicating HUD's mission to the public. On average, HUD.gov receives 3.5 million visitors per month. HUD.gov also serves as the launching platform to many of the Department's critical systems.

HUD@work impacts the entire Department, as program offices use HUD@work on a daily basis to either retrieve information or disseminate it, and it is the Department's primary vehicle for communicating with employees. It not only serves as a communication tool, but also as a launching source to HUD's internal systems, HUD@work reduces business risks to the Department. HUD@work is also the #1 way that Secretarial initiatives are communicated to HUD employees.

HUDClips is an online resource for forms, handbooks, policies, and other related information.

Executive Offices

GovDelivery, through the Office of Public Affairs, is the primary way by which the Department's electronic weekly newsletter, the Secretary's and Deputy Secretary's email messages are distributed to HUD employees.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT EXECUTIVES OFFICES OFFICE OF ADJUDICATORY SERVICES

Program Area Overview:

The Office of Adjudicatory Services (OAS) is an independent judicial office within the Office of the Secretary. The Office is headed by a Chief Administrative Law Judge, appointed by the Secretary, who supervises judges and administrative support staff. The OAS Administrative Judges (AJ) and Administrative Law Judges (ALJ) conduct hearings and make determinations regarding formal complaints or adverse actions initiated by HUD, based upon alleged violations of Federal statutes and implementing regulations. OAS hearing procedures are governed by HUD regulations and are guided by the rules applicable to trials in federal court. In each case, the judge seeks to make a fair and impartial decision based upon the law and the facts established by the evidence.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$1,207	\$1,265	\$1,296	\$31
Non-Personnel Services				
Travel	19	20	20	-
Other Services/Contracts	105	70	73	3
Training	6	2	2	-
Supplies	4	6	6	-
Non-Personnel Subtotal	134	98	101	3
GRAND TOTAL	\$1,341	\$1,363	\$1,397	\$34
Associated FTE	8.0	8.3	8.4	0.1

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

OAS requests \$1,397K and 8.4 FTE in fiscal year 2016, an increase of \$34K and 0.1 FTE from fiscal year 2015.

Executive Offices

- Increase of \$31K in Personnel Services from fiscal year 2015 attributed to a nominal increase to fund the pay raise, promotions and within grade increases.
- Increase of \$3K in Other Services from fiscal year 2015 to maintain the Case Management Contract, which obtains contractor support services to maintain a case tracking system that has been developed in SharePoint.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Adjudicate	6.5	\$981	7.1	\$1,085	7.4	\$1,150
Legislative/Regulatory Review	0.5	\$75	0.3	\$44	0.2	\$31
Conciliate	1.0	\$151	0.9	\$136	0.7	\$115
Total	8.0	\$1,207	8.3	\$1,265	8.4	\$1,296

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION**

Program Area Overview:

The Office of Small and Disadvantaged Business Utilization (OSDBU) provides small business program design and outreach to the business community in its efforts to assist small and disadvantaged business in providing services to the federal government and the American people. The OSDBU is responsible for ensuring that small businesses are treated fairly and that they have an opportunity to compete and be selected for a fair amount of the Agency's prime and sub-contracting opportunities. The OSDBU also serves as the Department's central referral point for small business regulatory compliance information as required by the Small Business Regulatory Enforcement Fairness Act of 1996.

The Secretary of Housing and Urban Development is committed to providing universal access to both small and large businesses. The Department recognizes that small businesses are of vital importance to job growth and the economic strength of the country. A successful and strong business community is an integral component of the Department's overall mission of job creation, community empowerment and economic revitalization.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$557	\$664	\$681	\$17
Non-Personnel Services				
Travel	23	14	13	(1)
Rent/Utilities	11	10	10	-
Training	5	5	5	-
Supplies	1	4	4	-
Non-Personnel Subtotal	40	33	32	(1)
GRAND TOTAL	\$597	\$697	\$713	\$16
Associated FTE	4.0	4.5	4.5	(0.0)

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

OSDBU requests \$713K and 4.5 FTE in fiscal year 2016, an increase of \$16K and no change in FTE from fiscal year 2015.

- Increase of \$17K in Personnel Services from fiscal year 2015 attributed to a nominal increase to fund the pay raise, promotions and within grade increases.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Small Business Outreach	2.0	\$272	2.2	\$327	2.0	\$307
Small Business Program Design	2.1	\$285	2.3	\$337	2.5	\$374
Total	4.0	\$557	4.5	\$664	4.5	\$681

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
CENTER FOR FAITH-BASED AND NEIGHBORHOOD PARTNERSHIPS**

Program Area Overview:

With Executive Order 13498, President Obama established the White House Office of Faith-Based and Neighborhood Partnerships and called for an “all hands on deck” approach to addressing the needs of communities hardest hit by the economic and housing crisis. The faith-based “centers” at 13 federal agencies including the Center for Faith-Based and Neighborhood Partnerships (CFBNP) at HUD, are tasked with building partnerships between faith-based and neighborhood organizations and government to help meet these needs. HUD’s CFBNP plays a vital role in actively supporting both the White House faith-based office and HUD’s overall mission and strategic objectives as it relates to providing discrimination-free affordable housing and building sustainable, inclusive communities. It does so by building partnerships with faith-based and secular nonprofit organizations through grant writing training, sustained outreach, convening events, information exchange and capacity building programs.

Further, the CFBNP has gained a national reputation for grant writing training and capacity building expertise. CFBNP facilitates intra-departmental and inter-agency cooperation to reach nonprofits with two-way information sharing, technical assistance, and training opportunities. It encourages new partnerships in order to more effectively reach communities where HUD and the White House office of Faith-Based and Neighborhood Partnerships seek to have an impact.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$998	\$1,083	\$1,107	\$24
Non-Personnel Services				
Travel	51	50	50	-
Rent/Utilities	20	15	15	(0)
Printing	12	25	24	(1)
Other Services/Contracts	2	95	50	(45)
Training	2	4	4	-
Supplies	3	5	5	-
Non-Personnel Subtotal	90	194	148	(46)
GRAND TOTAL	\$1,088	\$1,277	\$1,255	(\$22)
Associated FTE	8.2	8.3	8.3	0.1

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

CFBNP requests \$1,255K and 8.3 FTE in fiscal year 2016, a decrease of \$22K and no change in FTE from fiscal year 2015.

- Increase of \$24K in Personnel Services from fiscal year 2015 attributed to a nominal increase to fund the pay raise, promotions and within grade increases.
- Decrease of \$46K in Non-personnel Services from fiscal year 2015
 - Decrease of \$1K in Printing
 - Decrease of \$45K in Other Services due to a reduction in contracts

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Focus, Integrate and Intensify HUD's Relationship with Faith-Based and Commun	8.2	\$998	8.3	\$1,083	8.3	\$1,107
Total	8.2	\$998	8.3	\$1,083	8.3	\$1,107

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Administrative Support Offices

The Administrative Support Offices are the backbone of HUD's operations. These offices support the Department's core mission by providing: strategic human capital management and workforce planning; management and operation of facilities, administrative services, and correspondence and records management; sound financial management and stewardship of public resources; compliant acquisition and business solutions; strategic leadership, direction, and oversight across the Department to maximize agency performance; enforcement of federal laws relating to the elimination of all forms of discrimination in employment practices; legal opinions, advice, and services with respect to all programs and activities; and modern information technology that is secure, accessible and cost effective.

The Administrative Support Offices budget consolidates nine offices into one account. With this account structure, HUD will continue to manage the offices separately.

Administrative Support Offices include:

- Office of Chief Human Capital Officer
- Office of Administration
- Office of Chief Financial Officer
- Office of Chief Procurement Officer
- Office of Field Policy and Management
- Office of Departmental Equal Employment Opportunity
- Office of General Counsel
- Office of Strategic Planning and Management
- Office of the Chief Information Officer

Administrative Support Offices-Introduction

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$289,200	\$296,169	\$304,727	\$8,558
Non-Personnel Services				
Travel	4,161	3,630	4,905	1,275
Transportation of Things	305	93	57	(36)
Rent, Communications, Utilities	128,074	128,120	131,063	2,943
Printing and Reproduction	1,216	1,297	1,294	(3)
Other Services	71,081	76,467	123,951	47,484
Training	4,048	4,387	4,322	(65)
Supplies	2,246	2,276	1,898	(378)
Furniture	6,213	4,701	4,723	22
Claims and Indemnities	539	960	960	-
Non-Personnel Subtotal	217,883	221,931	273,173	51,242
GRAND TOTAL	507,083	518,100	577,900	59,800
Associated FTE	1,963.8	1,991.3	2,019.7	28.4

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER**

Program Area Overview:

The Office of the Chief Human Capital Officer (OCHCO) provides leadership and direction in the formulation and implementation of strategic human capital policies, programs, and systems to promote efficient and effective human capital management thereby advancing the cultural norms for the Department of Housing and Urban Development (HUD). OCHCO represents HUD on human capital (including human resources) matters with the Office of Personnel Management (OPM), Office of Management and Budget (OMB), other Federal agencies, the Congress and the public.

OCHCO is in the talent business and its mission is to provide strategic Human Capital Management by advancing the agency's business as required by the HUD's strategic plan. Compliance Expertise – knowing the human capital rules and boundaries and facilitating HC transactions – is integral to achieving its mission. Much of the OCHCO transactional work is being outsourced; therefore, there will be a corresponding reduction in FTE in the affected areas over time. In addition, OCHCO's mission is to support HUD's human capital strategic plan in the areas of recruiting and hiring, leadership effectiveness, employee engagement, HUD transformation and performance results.

The staffing and funding requested reflect OCHCO's goal to realign its focus from conducting transactional work to strategic human capital management, which includes the following:

- Talent Management Services
- Strategic and Workforce Planning
- Performance Management
- Knowledge Management
- Training and Development
- Employee and Labor Relations
- Compliance and Oversight
- Improving Employee Engagement
- Enhancing the Employee Work Experience

Administrative Support Offices – Office of the Chief Human Capital Officer

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$25,680	\$25,840	\$24,810	(\$1,030)
Common Distributable	\$7,000	\$6,825	\$6,900	\$75
Non-Personnel Services				
Travel	213	554	506	(48)
Rent/Utilities	6	-	-	-
Printing	20	-	-	-
Other Services/Contracts	18,545	20,803	26,449	5,646
Training	2,744	2,868	2,700	(168)
Supplies	128	50	50	-
Furniture/Equipment	64	60	60	-
Non-Personnel Subtotal	21,720	24,335	29,765	5,429
GRAND TOTAL	\$54,400	\$57,000	\$61,475	\$4,474
Associated FTE	190.8	190.0	180.0	(10.0)

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of the Chief Human Capital Officer (OCHCO) requests \$61,475K and 180 Full Time Equivalents (FTE) in fiscal year 2016, which is an increase from fiscal year 2015 enacted of \$4,474K.

- **Personnel Services:** The Office of the Chief Human Capital Officer (OCHCO) is requesting \$24,810K and 180 FTE. This request represents a decrease from fiscal year 2015 enacted of \$1,030K and 10 FTE. A nominal amount of funding is included to fund the pay raise, promotions and within grade increases which attributed to the reduction of FTE. The requested budget supports OCHCO in the areas of strategic human capital management, recruitment and staffing, department performance management and enterprise-level learning.

Common Distributable (CD): In addition to the above, the personnel services account includes \$6,900K in Common Distributable for fiscal year 2016. This amount represents an increase of \$75K from fiscal year 2015 enacted based on the projected number of employees in each year who will be eligible to apply for the Transit Subsidy and Student Loan Repayment programs.

Administrative Support Offices – Office of the Chief Human Capital Officer

Table: Common Distributables

Common Distributables	FY 2014	FY 2015	FY 2016
Flexible Spending	\$300,000	\$300,000	\$300,000
Transit Subsidy	\$5,705,000	\$6,025,000	\$6,000,000
Student Loan Repayment	\$1,200,000	\$500,000	\$600,000
TOTAL	\$7,205,000	\$6,825,000	\$6,900,000

- Non-Personnel Services: The Office of the Chief Human Capital Officer (OCHCO) is requesting \$29,765K. This request represents an increase from fiscal year 2015 enacted of \$5,429K.
 - Travel decreased by \$48K
 - Other Services increased by \$5,646K for the Bureau of Fiscal Services (BFS) Shared Service Agreement, which provides full implementation of the use of shared services to manage the Department's transactional work; and the implementation of Release 2 of the New Core project (WebTA), through which HUD will contract with the Department of Treasury to track employee time and attendance via a shared service.
 - Preliminary results showed that the BFS shared service accelerated HUD's hiring process, not including job classification and position descriptions, from 136 to 98 days. Growth in this service allows OCHCO to continue accelerating processes.
 - \$168K decrease in training

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Recruitment	55.8	\$7,510	34.0	\$4,624	31.0	\$4,273
Retention	63.8	\$8,587	57.0	\$7,752	52.0	\$7,167
Development	20.0	\$2,692	32.0	\$4,352	32.0	\$4,411
Accountability	11.1	\$1,494	13.0	\$1,768	13.0	\$1,792
Business Operations	40.1	\$5,397	54.0	\$7,344	52.0	\$7,167
Total	190.8	\$25,680	190.0	\$25,840	180.0	\$24,810

Administrative Support Offices – Office of the Chief Human Capital Officer

- Recruitment – The fiscal year 2016 budget request shows a decrease of 3 FTE from fiscal year 2015 enacted. The Recruitment function has been significantly reduced since the implementation of BFS. This FTE level will allow OCHCO to leverage its existing resources to ensure the appropriate staffing levels in areas requiring strategic human capital skills. Further, OCHCO will be able to realign staff in accordance with the human capital goals and priorities.
- Retention – The fiscal year 2016 Budget request shows a decrease of 5 FTE from fiscal year 2015 enacted. The reduction is a direct result of the implementation of BFS. Operating at this FTE level will assist in balancing the costs for outsourcing HR services to BFS and provide for a seamless transition of HR transactional work while maintaining sufficient human capital staff to serve as a strategic partner for customers. Further, these staffing levels will ensure compliance with OPM requirements and provide adequate oversight of BFS services.
- Business Operations – The fiscal year 2016 budget request reflects a decrease of 2 FTE from fiscal year 2015 enacted. The FTE reduction was achieved by assessing resources and adjusting gaps in workload trend levels.

KEY WORKLOAD				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Number of Staffing/recruiting/DEU actions (HUD Only)	627	142	25	(117)
Provided LR/ER consultations	19,144	19,560	19,885	325
HVU number training completions	-	40,254	43,107	2,853
Number of Automated Systems Maintained	18	25	25	-
Number of work units with approved Engagement Local Action Plan	-	-	1,100	1,100

Key Workload Items

- Staffing/recruiting/DEU actions - In fiscal year 2016, HUD will perform transactional services for 25 Executive Services and Schedule C employees.
- Labor and Employee Relations Consultations - OCHCO projects a slight increase, of 325, in consultations during fiscal year 2016.

Administrative Support Offices – Office of the Chief Human Capital Officer

- HUD's Virtual University (HUV) training completions - In fiscal year 2016, there is a projected increase of 2,853 training completions for HUD employees. This increase in training is identified specifically for providing technical assistance and consultation support to assess mission-critical skill gaps and succession planning initiatives and for providing subscription training for 360 degree assessment tools for senior level executives, managers and supervisors and refresher training for supervisors and managers.
- Work Units with Approved Engagement Local Action Plan - measures the types of incentives, surveys, programs, team building exercises, exit interviews, training opportunities, retreats, etc. that are conducted within a year. The indicators are designed to ensure that employees are committed to their organization's goals and values and motivated to contribute to organizational success.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

OCHCO manages the Human Resources Management (HRM) segment.

This segment is composed of multiple systems such as WebTA, HIRTS, HIRTS Data store, and Security Control and Tracking System. The HRM segment manages and administers the Department's Human Capital IT systems, develops and implements Departmental IT policy guidance for Human Capital Management programs supported by IT systems, conducts workforce and succession reporting and analysis, directs the development of integrated systems and manages OCHCO's Human Resource Information Technology (HRIT) portfolio and strategies, and administers the Department's Transit Subsidy System.

HUD's Integrated Human Resources and Training System (HIRTS) continues to support HUD by providing the core HR personnel action request and processing system. WebTA provides data entry capability for employees to enter their work time. The Department is currently engaged in preparing its WebTA system and time and leave services for fiscal year 2015 for migration to a Shared Service provider to support the New Core Program. The WebTA system is being transitioned with the goal of increasing the efficiency, accuracy, and accountability goals of program management of the time and attendance process in relation to financial management systems at HUD. WebTA, a system that helps HUD optimize their most important resource – their own people. Using WebTA hosted by BFS, allows HUD to completely automate and simplify the time keeping linked to HUD's financial management systems. Further, the BFS facilitates time management by providing a "single view" into all employee timesheets, leave requests and balances.

More details on the operations and maintenance funding to support the HRM segment can be found in the Information Technology Fund congressional justification.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF ADMINISTRATION**

Program Area Overview:

The Office of Administration (OA) is responsible for a wide range of administrative services that support HUD personnel and HUD offices throughout the country. This budget request will enable administrative operations, coordination of office relocations as leases expire, and the renovation of existing HUD space to save funds and release unneeded space to the General Services Administration (GSA) for lease to another federal agency. The OA also fully supports HUD's Strategic Plan Goal, "Achieving Operational Excellence: Management Challenges and Objectives."

The functions in OA include:

- *Facilities Management* (provides management, operations and safety of all HUD facilities located in the National Capital Region);
- *Field Support Services* (provides HUD field staff with administrative support services);
- *Digital Services* (provides enterprise digital and multimedia services);
- *Disaster Management and National Security* (coordinates HUD's role in the federal government's response to, and recovery from, national disasters that affect housing); and
- *Executive Secretariat* (serves as the central location for the coordination and oversight of executive correspondence, scheduling, FOIA requests and the protection of employee privacy).

Administrative Support Offices - Office of Administration

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$29,181	\$29,988	\$30,776	\$788
Common Distributable	-	-	-	-
Non-Personnel Services				
Travel	1,655	1,712	1,762	50
Transportation of Things	57	58	15	(43)
Rent/Utilities	128,004	128,065	131,008	2,943
Printing	234	238	240	2
Other Services/Contracts	35,982	33,315	40,421	7,106
Training	137	228	241	13
Supplies	1,526	1,756	1,378	(378)
Furniture/Equipment	5,465	4,641	4,663	22
Claims & Indemnities	2	-	-	-
Non-Personnel Subtotal	173,062	170,012	179,728	9,716
GRAND TOTAL	\$202,243	\$200,000	\$210,504	\$10,504
Associated FTE	232.2	238.0	241.0	3.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

OA is requesting \$210,504K for fiscal year 2016, an increase of \$10,504K from fiscal year 2015 enacted.

Personnel Services

Personnel Services – OA is requesting \$30,776K and 241 Full-Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 of \$788K and 3 FTE. A nominal increase in funding will support the additional hiring and also covers pay raises, promotions and within grade increases.

Administrative Support Offices - Office of Administration

The additional 3 FTE will support the Facilities/Management Services function for operations and maintenance of the Weaver Building and HUD Satellite Facilities located in the Washington, DC metropolitan area. These resources are required to address critical infrastructure issues in the 47 year-old Weaver Building, where major systems have surpassed their useful life cycle and need immediate replacement. Examples include elevator and equipment room air conditioning (A/C) units; basement sump pump systems; building chillers; building power loads to accommodate 21st Century equipment; public announcement system upgrades; and surface parking lot repaving.

- The Office of Administration split from the Office of the Chief Human Capital Officer and subsequently reorganized in fiscal year 2014. The reorganization will continue into 2016 and has resulted in the following realignments to date:
 - A Digital Enterprise function was established as a result of realigning the graphics, documents, and telecommunications workload from the Broadcasting and Facilities/Management functions. Thirty FTE from the Facilities/Management Services and nine FTE from the Broadcasting functions were realigned to support this function.
 - The Executive Scheduling/Advance Team (7 FTE) support for HUD's Secretary and Deputy Secretary were realigned from Business Operations function to the Executive Secretariat function.
 - One hundred four FTE for field operations were realigned from the Facilities/Management Services function to the new Field Support Services function. The Facilities/Management Services function for the Weaver Building and Washington DC satellite locations retains 30 FTE, with a fiscal year 2016 request of three additional FTE.
 - The Accountability function is absorbed into other functions throughout the organization as collateral duties in fiscal year 2016.

Administrative Support Offices - Office of Administration

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Business Operations	8.7	\$1,089	18.0	\$2,268	10.0	\$1,277
Accountability	1.0	\$126	2.0	\$252	-	-
Broadcasting	8.0	\$1,005	9.0	\$1,134	-	-
Facilities/Management Services	162.5	\$20,426	160.0	\$20,160	33.0	\$4,214
Field Support Services	-	-	-	-	104.0	\$13,281
Executive Secretariat	30.0	\$3,770	30.0	\$3,780	37.0	\$4,725
Digital Enterprise	-	-	-	-	39.0	\$4,980
Disaster Management & National Security	22.0	\$2,765	19.0	\$2,394	18.0	\$2,299
Total	232.2	\$29,181	238.0	\$29,988	241.0	\$30,776

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Number of facility square feet reduced nationwide	97,113	78,174	55,043	(23,131)
Number of correspondence documents managed	10,589	10,600	10,620	20
Number of broadcast, webcast, audio/visual, media and photographic events performed	1,284	1,435	1,500	65
Number of telecommunications equipment managed	7,053	7,225	7,310	85
Number of Field facilities and space management sites served	72	64	64	-

Administrative Support Offices - Office of Administration

The Office of Administration's primary workload driver is its efforts to decrease office space to reduce rent costs, align space to fit a reduced number of employees, and align the offices to new space utilization standards that meet the Presidential energy reduction standards. In fiscal year 2014, the Department realized a 97,113 square foot reduction. The anticipated reduction for fiscal year 2015 is 78,174 square feet, and it is expected that an additional 55,043 square feet will be reduced in fiscal year 2016 based on continued field and headquarters relocations and realignments.

Non-Personnel Services

Non-Personnel Services - The primary drivers of the net increase of \$9,716K (primarily \$2,943K in BOC 2300 (Rent/Utilities) and \$7,106K in BOC 2500 (Other Services/Contracts)) are the following:

- Weaver Building Construction and Maintenance projects estimated at \$1,806K: There are a number of construction and maintenance projects that are in critical stages of disrepair. These projects are essential to the safety, health, and well-being of the building employees. Funding will be utilized to make structural water leak corrections; building and sub-basement waterproofing repairs; loading dock concrete repairs; heating, ventilation and air conditioning (HVAC) system repairs; and drinking water system repairs.
- Relocation costs estimated at \$3,400K for four Field Offices due to lease expirations: Minneapolis, Nashville, Kansas City, and Washington, DC.
- Supplies: OA has achieved significant savings of \$378K in Supplies as a result of a reduction in cut-sheet paper costs for the photocopiers. The photocopiers, i.e., multifunctional devices, require employees to make double-sided copies and provide scanning, facsimile, and email capability services, thereby reducing the need for paper.
- Rent/Utilities increase by \$2,943K: Although HUD continues to reduce its overall facility space footprint, increases in Rent/Utility costs in fiscal year 2016 are a result of the following:
 - GSA leases include annual increases for utilities and services provided by the lessor. In some instances, GSA also allows for shell rent increases after incremental periods in longer term leases. When leases expire, HUD often moves into different and smaller space. However, current market rents in most Metropolitan Statistical Areas are far higher than they were 10-20 years ago when the expiring leases were signed. Therefore, HUD often pays more annual rent for less space.
 - Extreme weather patterns and rising energy and water costs create higher utilities costs.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

The Office of Administration manages information technology (IT) systems in the following two segments: Administrative Management, and Digital Asset Services.

Administrative Support Offices - Office of Administration

Administrative Management (AM)

The Office of Facilities Management Services (OFMS) systems supports the HUD mission by managing, monitoring and providing accountability of HUD Facilities, Property, and Assets; moreover, OFMS IT systems provide financial accountability and valuation data and reports for the Chief Financial Officer (CFO) General Ledger reconciliation process, and provides support for the effective management of a wide variety of administrative services activities. Additional OFMS IT systems capabilities include: tracking inventory from acquisition through disposal; consolidating property data into a central repository; managing tasks resulting from HUD personnel requests to acquire needed goods and services; managing other administrative tasks such as telecommunications, office alterations (including electrical, plumbing, ventilation, lighting, etc.), and the physical realignment of offices. Other requests that OFMS IT systems support are creating, updating, and/or altering books, booklets, pamphlets, banners, posters, advertisements, PowerPoint presentations, awards, training materials, etc. in digital format and/or layouts. These printed products are critical to HUD's mission because they keep the public informed of HUD's purpose and mission, and the HUD programs that benefit the public. These systems also create internal communication products that keep HUD's employees informed of events and training programs and provide an automated HUD phonebook via the HUD Locator.

Digital Asset Services (DSA)

The Executive Secretariat (Exec Sec) is the primary stakeholder for the investment called Document Management Services. There are five document management related IT systems that support the Executive Secretariat to carry out its mission: the correspondence tracking system (CTS), the Freedom of Information Act System, Direct Distribution Spectrum Plus, HUD Electronic Metering Board (HEMDB), the OCFO Library and the Office of Housing's TransAccess (The Mortgage and Quality Assurance Document Libraries are being retired and no longer need funding). These IT systems support the variety of tasks associated with document management ranging from creation to storing to distribution of documents as well as postage metering and tracking/reporting of all internal correspondences at the executive level.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF FINANCIAL OFFICER**

Program Area Overview:

The Office of the Chief Financial Officer (OCFO) provides Department-wide leadership to further the practice of sound financial management in programs and operations. The OCFO leads the Department in the financial integrity, fiscal responsibility, accountability, and stewardship of public resources. While advising the Secretary and Departmental leadership on all aspects of financial management, the OCFO works to ensure the Department meets established financial management goals and complies with pertinent legislation and directives. In addition, the OCFO analyzes budgetary implications of policy and legislative proposals and provides technical oversight to all budget activities throughout the Department.

The OCFO consists of seven offices that enable it to fulfill its mission and objectives. The Executive Office, Appropriations Law Staff, and Management Staff provide management oversight, assistance with appropriations law issues, administrative support, and policy guidance. The Office of the Assistant Chief Financial Officer for Budget supervises and manages all activities associated with the Department's Budget, from formulation to execution, including the development of budget plans, policies and procedures, analysis, and recommendations. The Office of the Assistant Chief Financial Officer for Accounting manages development, administration, and evaluation of accounting and financial services within the Department. The Fort Worth Accounting Center, a subset of the Office of the Assistant Chief Financial Officer for Accounting, oversees the administrative accounting functions for the Department. The Office of the Assistant Chief Financial Officer for Financial Management manages Government Accountability Office (GAO), Office of Inspector General (OIG) and other audit liaison and resolution activities for implementing the Department's internal and management control program. The Office of the Assistant Chief Financial Officer for Systems develops, administers, and evaluates the Department's financial system development and integration services.

Administrative Support Offices - Office of the Chief Financial Officer

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$25,487	\$26,932	\$27,946	\$1,014
Common Distributable	\$8,398	\$8,068	\$8,067	(\$1)
Total Personnel Services	\$33,885	\$35,000	\$36,013	\$1,013
Non-Personnel Services				
Travel	134	85	85	-
Rent/Utilities	65	55	55	-
Printing	94	46	46	-
Other Services/Contracts	12,037	11,574	44,918	33,344
Training	204	195	195	-
Supplies	41	45	45	-
Non-Personnel Subtotal	12,575	12,000	45,344	33,344
GRAND TOTAL	\$46,460	\$47,000	\$81,357	\$34,357
Associated FTE	188.8	180.8	180.8	0.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of the Chief Financial Officer (CFO) requests \$81,357K and 180.8 Full Time Equivalents (FTE) in fiscal year 2016, an increase from fiscal year 2015 enacted of \$34,357K.

- Personnel Services: CFO requests \$36,013K and 180.8 FTE, an increase from fiscal year 2015 enacted of \$1,013K. A nominal amount of funding is included to fund the pay raise, promotions, and within grade increases.
 - The staggered pace and plan of New Core, the shared service financial system, will involve anticipated buyout efforts in fiscal years 2015 and 2016. However, CFO staffing also reflects updated FTE totals that are greater than originally planned, due to changes in the New Core schedule. Staffing levels also reflect reprioritization based on implementation of the New Core system as well as additional strategic policy priorities.
 - OCFO workload is shifting from transactional processes to more analytical and strategic processes to include:
 - Initiating in-depth quarterly financial reviews of all HUD program offices
 - Co-joining Financial information with HUDSTAT performance data

Administrative Support Offices - Office of the Chief Financial Officer

- Increasing financial oversight, risk identification and risk reduction
- Participation in developing and implementing all phases of New Core

Common Distributable (CD)

The personnel services totals mentioned above include \$8,067K in Common Distributable (CD) for fiscal year 2016. This request represents a decrease of \$1K from the fiscal year 2015 enacted level. The CD comprises Workers Compensation Payment, Professional Liability Insurance and Unemployment Compensation.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Perform Management Oversight	20	\$2,673	16	\$2,505	16	\$2,648
Formulate & Execute the Departmental Budget	38	\$5,115	52	\$7,560	52	\$7,771
Manage the Departmental Accounting Process	33	\$4,481	38	\$5,594	38	\$5,779
Perform Program & Administrative Accounting Functions	39	\$5,276	21	\$3,207	21	\$3,359
Provide Financial Management Services for the Department	23	\$3,131	28	\$4,155	28	\$4,319
Develop, Maintain, & Oversee the Department's Financial Systems	36	\$4,811	26	\$3,909	26	\$4,070
Total	188.8	\$25,487	180.8	\$26,932	180.8	\$27,946

- Non-Personnel Services: CFO requests \$45,344K. This represents an increase from fiscal year 2015 enacted of \$33,344K.
 - Other Services/Contracts increase of \$33,344K, including an increase of \$32,000K for the Operations and Maintenance (O&M) of New Core Shared Services. While New Core development expenses are funded via the Information Technology Fund, as of October 1, 2014, HUD began using S&E resources to fund Inter-Agency Agreements (IAAs) with the Department of Treasury for operating and maintaining this severable service. These projections are generated based on estimated transaction costs provided by the Department of Treasury and an estimated number of transactions. This funding is reflected in the S&E account due to the transactional and service nature of the expenses; these expenses are for financial services and fundamentally are not Information Technology costs related to systems.

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
No. of Obligating Documents Executed	57,872	57,872	15,000	(42,872)
No. of Program Payments Processed	473,784	473,784	150,000	(323,784)
No. of Invoices Processed	21,986	21,986	9,950	(12,036)
No. of Loans Managed	13,093	13,093	5,000	(8,093)

Key Workload Items

Under the leadership of the Office of the CFO, the Department is conducting a major shift to a shared service financial systems provider that will involve workload and work assignment adjustments over a period of time. New Core's first release was implemented at the start of fiscal year 2015; release 2 is scheduled for February 2015, and release 3 for the start of fiscal year 2016. The workload changes reflect reductions in transactional activities, notably in the Accounting, Financial and Systems areas, as additional New Core releases launch. There are modest increases in the Budget Division as well as strategic adjustments reflected in an increased emphasis on oversight, policy and financial statement and other priority activities during this period of significant changes.

The Workload Indicators listed above show a significant reduction in the OCFO's Accounting function with the transition of transactional workload to the Administrative Resource Center (ARC) of the Department of Treasury's *Bureau of the Fiscal Service* as Releases 1-3 of the New Core Shared Services Project launch. Some of these transactional items will remain within the OCFO as some of the transactions are specific to HUD's program areas.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

The CFO budget submission supports the effort to replace HUD's legacy systems through the New Core Project. The project will implement a core financial management system to improve data accuracy, resolve audit findings, and retire HUD's antiquated, at-risk financial systems. This facilitates the closing of productivity gaps by implementing integrated governance processes and innovative IT service solutions at the program and agency levels. This will also increase communications with stakeholders as Shared Service managing partners, customers, and providers work together to ensure transparency, accountability, and on-going collaborations.

Administrative Support Offices - Office of the Chief Financial Officer

HUD's current financial information application portfolio is comprised of compartmentalized legacy systems with program and traditional accounting functionality. The Department's financial systems include the HUD Centralized Accounting and Program System (HUDCAPS) and Program Accounting System (PAS). These systems are at an increased risk of failure and in need of enterprise consolidation and modernization to stabilize financial management operations. HUD has evaluated the feasibility of using a Federal Shared Service Provider (FSSP) and is currently working with ARC to replace HUD's outdated systems.

The New Core project has transitioned to a Phased Implementation approach to Shared Services which will deploy functionality of the four New Core Releases. During the Phased implementation of New Core, Release 1 (Travel and Relocation) was deployed October 1, 2014 with the execution of the Concur Travel System. Release 2 (Time and Attendance) of New Core is expected to deploy during the second quarter of fiscal year 2015. Release 3 (Financial Management and Procurement) is expected to deploy during the first quarter of fiscal year 2016. The date and/or timeframe for Release 4 (Grant and Loan Accounting) has yet to be determined.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF PROCUREMENT OFFICER**

Program Area Overview:

The Office of the Chief Procurement Officer (OCPO) is responsible for all matters related to the Department's acquisition needs and activities through delegated procurement authority to HUD personnel who meet federal statutory qualification standards. OCPO serves every HUD program area and has been working to build strong relationships with the program offices when procuring services in support of HUD's mission, goals and objectives.

OCPO's objective is to transform the business of providing acquisition support to the Agency's programs, improving opportunities to meet and exceed small business goals, guide the acquisition workforce to become more professional and accountable, and to facilitate and conduct the business of acquisitions in ways that are smarter and cost effective. Initiatives include reducing acquisitions that are considered risky in favor of more fixed price contracts, implementing more performance-based contracting, and initiating strategic sourcing projects to reduce costs.

OCPO places significant effort on effective advance acquisition planning and then collaboration to implement the plans in a timely manner. This involves the continued use of the Acquisition Liaison Unit (ALU), whose job is primarily to collaborate early in the acquisition process with program team members to help them create high quality requirements documents, using performance based contracting methods in a timely manner to facilitate awards to which all team members are held accountable. The ALU is being expanded to implement a new cost-price analysis initiative to help Contracting staff better negotiate and reduce prices and to help program offices develop better government cost estimates to assist in determining fair and reasonable pricing. In order to save money through these initiatives, we have to invest in personnel to perform those tasks. Streamlining initiatives such as utilization of more standardized templates and tools continue to be part of the transformation. Continued implementation of Integrated Acquisition Teams (IAT) early in requirements defining processes also enables OCPO to impact the execution of programs and to ensure quality requirements packages are submitted to OCPO.

An ongoing critical initiative is improving overall management of the OCPO workforce. OCPO plans to reorganize to provide grade parity between field and HQ staff who perform the same jobs as well as to move some of the HQ jobs to the field to help with high turnover rates. OCPO managers continue to focus on annual assessments of employees to determine their skill gaps and focus on relevant training to address those gaps and other identified priorities for training, including development of future leaders and program management skills. Performance accountability continues to be a major area of focus to ensure employees are under SMART Performance Standard elements that require stretch accomplishments to achieve higher ratings. OCPO is also focusing on other parts of the acquisition workforce through the professionalization of the Contracting Officer Representative (COR) workforce, which includes multi-level certifications, skills assessments, training requirements, and standardized position

descriptions and performance elements. Additional emphasis is also on a robust Program/Project Manager (P/PM) program to help ensure HUD's programs and projects are managed well to ensure optimal return on financial investments.

HUD is leveraging strategically sourced acquisition vehicles put in place by the General Services Administration (GSA) and other agencies to reduce duplication across government. Within Operations there are several ongoing strategic sourcing and consolidation efforts in the active procurement phase at headquarters, and more under consideration. These initiatives are an effort to consolidate contracts with like services under one of multiple vehicles that will allow the Department to leverage its buying power, resulting in lower cost and improved performance for requirements.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$15,308	\$16,062	\$16,598	\$536
Non-Personnel Services				
Travel	71	66	66	-
Printing	-	5	5	-
Other Services/Contracts	330	82	82	-
Training	204	229	229	-
Supplies	59	56	56	-
Furniture/Equipment	152	-	-	-
Non-Personnel Subtotal	816	438	438	-
GRAND TOTAL	\$16,124	\$16,500	\$17,036	\$536
Associated FTE	115.1	118.7	121.0	2.3

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

Office of Chief Procurement Officer (OCPO) requests \$17,036K and 121.0 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$536K.

- Personnel Services: OCPO is requesting \$16,598K and 121 FTE. This request represents an increase from fiscal year 2015 enacted of \$536K and 2.3 FTE. A nominal amount of funding is included to fund the pay raise, promotions, and within grade increases.
- Non-Personnel Services: No change from fiscal year 2015.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Contracting Operations	89.9	\$11,962	93.5	\$12,653	95.8	\$13,143
Policy, Systems and Compliance/Risk Management	14.2	\$1,888	14.2	\$1,921	14.2	\$1,947
Budget and Administrative Services and Program Support	11.0	\$1,458	11.0	\$1,488	11.0	\$1,508
Total	115.1	\$15,308	118.7	\$16,062	121.0	\$16,598

KEY WORKLOAD INDICATOR				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# of Requests for Contracting Services Packages	4,517	4,690	4,820	130
# of Contracts Administered	4,947	5,140	5,240	100

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

As a major part of the transformation of acquisitions in HUD, in January 2012, OCPO implemented an enterprise-wide cradle-to-grave acquisition system – the HUD Integrated Acquisition Management System (HIAMS). As part of the New Core financial initiative, OCPO is working to move in fiscal year 2016 from HIAMS to the Acquisitions Shared Services Provider (SSP) at Treasury. OCPO has worked very closely to ensure impacts on the acquisition workforce of this move are minimized and that as much as possible of the current functionality is retained.

OCPO will continue to utilize a robust data reporting tool (HUD Enterprise Acquisition Reporting Tool - HEART) that was developed to fully utilize the data being captured in HIAMS. It will still enable use of the data from the SSP as well.

OCPO is rolling out a tool for preparation of improved performance work statements (PWS) for the entire Department to follow for all new acquisition requirements – the Acquisition Requirements Roadmap Tool (ARRT). The ALU is already using it to help our teammates, and we are training both program offices and contracting staff on how to utilize it to write better PWS and Quality Assurance Surveillance Plans (QASP).

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF FIELD POLICY AND MANAGEMENT**

Program Area Overview:

The Office of Field Policy and Management (FPM) provides place-based strategic leadership, direction, oversight, and support for the Department's 64 Regional and Field Offices nationwide. FPM Regional Administrators (RAs) and Field Office Directors (FODs) serve as the first point of contact for all HUD issues within a community and maintain partnerships with other federal agencies and local and state governments, elected officials, industry groups, the media and the general public. FPM ensures that each HUD field office functions as a common enterprise in providing an integrated place-based approach in the delivery and execution of HUD programs in states and local communities. In addition, FPM's Office of Davis Bacon enforces the statutory and regulatory requirements related to the Davis-Bacon Act. Key responsibilities include compliance and monitoring, program evaluation, and performing statutory labor standards compliance activities on all modernization and development activities related to multifamily, hospital and nursing home programs, community development grant programs, Public and Indian Housing, and disaster programs. FPM implements the Department's responsibilities under disaster and Continuity of Government (COG) related Federal inter-agency frameworks in each state, including the National Response Framework (NRF), the National Disaster Recovery Framework (NDRF), and Federal Continuity Directives (FCD).

Administrative Support Offices – Field Policy and Management

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$49,255	\$49,700	\$53,698	\$3,998
Non-Personnel Services				
Travel	1,042	139	1,300	1,161
Transportation of Things	160	-	7	7
Printing	1	1	1	-
Other Services/Contracts	700	130	300	170
Training	66	25	90	65
Supplies	16	5	5	-
Non-Personnel Subtotal	1,985	300	1,703	1,403
GRAND TOTAL	\$51,240	\$50,000	\$55,401	\$5,401
Associated FTE	363.3	360.3	384.1	23.8

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of Field Policy and Management requests \$55,401K and 384.1 FTE in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$1,403K.

- Personnel Services: FPM requests \$53,698K and 384.1 FTE, an increase of \$3,998K and 23.8 FTE. This request is primarily attributable to the Promise Zones (PZ) initiative as well as an increase in funding for the pay raise, terminal leave, promotions and within grade increases.
 - 17.0 FTE of the requested FTE will primarily support the Department's Cross-Cutting PZ initiative. The PZ initiative will revitalize high-poverty communities across the country by creating jobs, increasing economic activity, improving educational opportunities, reducing serious and violent crime, leveraging private capital, and assisting local leaders in navigating federal programs and cutting through red tape. The majority of the FTE requested will support the Coordinate and Leverage Sustainable Place-Based Initiatives function. These FTE will have three important roles:
 - *Community Liaisons*: One community liaison deployed to each urban Promise Zone (totaling 14 by the end of 2016) to work with local leaders to identify gaps and issues, and address them by providing program information and facilitating introductions to interagency program experts.

Administrative Support Offices – Field Policy and Management

- *Desk Officers:* Serve as the initial points of contact at HUD headquarters for the community liaisons. They are responsible for helping liaisons match needs to available resources, researching issues and potential solutions, maintaining and updating web resources, developing interagency relationships and facilitating introductions for communities as necessary. Desk officers will also help to aggregate information on needs, gaps and trends across communities, then organize technical assistance or information products to address common issues.
- *Community Response Operations Manager:* Responsible for organizing initial and ongoing training for community liaisons, desk officers and Americorps VISTA members, and working with desk officers to identify common issues and trends. Also monitors efficiency and targeting of community responsiveness function and suggests/implements improvements, and reports for performance management purposes.
- 3.8 of the requested FTE will provide critical support to place-based activities including foreclosure mitigation, vacancy rate reduction, affordable rental housing, homeless families, chronic and veterans homelessness, energy efficiency, fair housing, sustainability, faith-based and Secretarial initiatives.
- 3.0 FTE will support FPM's Customer Service function. FPM staff serve as the front-line response system for agency-wide inquiries as well as customer correspondence (e.g., visitors, telephone calls, e-mails, Freedom of Information Act (FOIA) requests, etc.). FPM staff is also responsible for updating the customer service resources for each jurisdiction so that comprehensive place-based information is available to customers, partners, elected officials, and the general public. The fiscal year 2016 request will provide the necessary resources for several field offices that require Customer Service Representatives (CSRs) to greet customers, partners and grantees as well as complete other daily operations responsibilities in the field.

Administrative Support Offices – Field Policy and Management

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Operations, Management and Oversight	71.0	\$9,626	71.0	\$9,793	71.0	\$9,925
Financial Management and Budget/Human Resource Management	19.0	\$2,576	19.0	\$2,621	19.0	\$2,656
Cross Program Collaboration, Coordination and Communication	25.2	\$3,412	25.2	\$3,474	25.2	\$3,519
Customer Service	112.6	\$15,270	112.6	\$15,536	115.6	\$16,160
Coordinate and Leverage Sustainable Place-Based Initiatives	36.0	\$4,881	42.0	\$5,793	62.8	\$8,788
Coordinate and Leverage Federal Policies and Investments	11.6	\$1,573	-	-	-	-
Public Affairs and Intergovernmental Affairs	29.6	\$4,013	32.2	\$4,441	32.2	\$4,501
Davis-Bacon Wage Enforcement	51.0	\$6,914	51.0	\$7,035	51.0	\$7,129
Disaster Management	7.3	\$990	7.3	\$1,007	7.3	\$1,020
Total	363.3	\$49,255	360.3	\$49,700	384.1	\$53,698

NOTE: The Coordinate and Leverage Federal Policies and Investments function is consolidated under Coordinate and Leverage Sustainable Place-Based Initiatives and Public Affairs and Intergovernmental Affairs functions starting in fiscal year 2015.

- Non-Personnel Services: FPM requests \$1,703K, an increase from fiscal year 2015 enacted of \$1,403K.
 - An increase of \$1,161K in Travel will sustain FPM operations at levels consistent with fiscal year 2014, support direct interaction with the community, place-based activities, Secretary initiatives, and the significantly expanded Promise Zone initiative. In fiscal year 2015, FPM will have to rely on transfer and reprogramming authority to obtain additional resources in order to complete mission critical activities. Fiscal year 2016 requested resources will provide the necessary travel support to maintain mission critical operations, Promise Zones, Strong Cities, Strong Communities (SC2) initiatives and other place-based initiatives across the country.
 - A nominal increase of \$7K to support general relocation expenses.
 - An increase of \$170K in Contract Services will primarily fund a web-based service for construction projects to improve HUD's Davis Bacon oversight and compliance with training for stakeholders. The web-based service will address major internal control deficiencies identified by the Office of Inspector General and give the Department the capability to complete electronic web-based monitoring of all Davis-Bacon eligible activities.
 - An increase of \$65K in Training will provide sufficient resources to meet mission critical needs. Priority will be given to employees working on Davis-Bacon, critical initiatives (e.g., efforts to standardize training across FPM), as well as training to address critical skills gaps.

Administrative Support Offices – Field Policy and Management

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Customer Service: Customer calls, emails, and walk-in visitors	816,555	825,000	841,000	16,000
# of Promise Zone (PZ) Initiative Activities Performed	-	60	170	110
Homeless Activities	668	700	800	100
Monitoring Reviews & Training (Davis Bacon)	411	500	550	50
Wage Determinations (Davis Bacon)	3,747	3,750	3,800	50

Key Workload Items

Customer Service: Employees within FPM serve as the principal point of contact for the Department in the field, serving HUD customers seeking resources and information throughout the country. FPM anticipates an increase in customer calls, emails and walk-in visitors in fiscal years 2015 and 2016. It is expected that with the launch of the HUD Resource Locator (an innovative smart phone app and web portal that will help those in need of affordable housing and homeless services better connect to buildings and organizations that can help them), the number of inquiries in the field will increase as the knowledge and potential availability of housing services becomes more readily accessible across the country.

Promise Zone (PZ) Initiative: In fiscal year 2015, 6.0 FTE will support approximately 60 Promise Zone (PZ) activities. With the requested increase of 17.0 FTE in fiscal year 2016 in support of PZ, it is estimated that 170 PZ activities will be performed. This investment will support dedicated management analyst staff located across the country in each PZ designated community to help navigate the array of federal assistance and programs available to PZs. A nominal amount of headquarters staff will provide support to the field by maintaining internal and external contacts, updating web-based information, helping community based staff find matches for the community needs among the array of federal assistance available to PZ communities, identifying and analyzing trends, and facilitating conversations with program experts.

Homeless Activities: In fiscal years 2015 and 2016, FPM will continue to increase efforts to help end homelessness nationwide. FPM staff will continue to work tirelessly to help end Veteran's homelessness across the country in support of the Administration's

Administrative Support Offices – Field Policy and Management

Mayors Challenge to End Veterans Homelessness. FPM will continue to spearhead efforts by collaborating with HUD program offices, city, state and local officials, as well as federal partners to leverage resources and grow awareness to help end homelessness nation-wide.

Monitoring Reviews: The Office of Davis Bacon staff is responsible for day to day monitoring of activities related to the Davis Bacon and Related Activities Acts (DBRA) as they apply to HUD programs. Headquarters staff is responsible for providing policy advice to staff and develops and issues policy guidance, handbooks, directives and operating procedures for HUD staff and client agencies. Headquarters staff also act as the principle contact with the U.S. Department of Labor (DOL) on labor standards and coordinating with DOL field staff. The monitoring reviews are designed to ensure that contractors are paying the prevailing wages in accordance with DBRA. In fiscal years 2015 and 2016, a slight increase in the number of Monitoring Reviews is projected to be completed as a result of any regulatory or policy changes that may occur.

Wage Determinations: Field staff are responsible for ensuring that all local contracting agencies fulfill their contract responsibilities pursuant to the receipt of HUD funds carrying out Davis Bacon prevailing wage requirements; providing technical assistance and training to local contract agency staff; determining maintenance wage rates for all Public Housing Authorities, Indian Housing, and special HUD wage rates for “non-routine” maintenance activity; conducting investigations and recommending sanctions as appropriate; and performing compliance and monitoring reviews. In fiscal years 2015 and 2016, a slight increase is projected in the number of wage determinations as a result of any regulatory or policy changes that may occur.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

FPM is responsible for managing the systems and investments within the Customer Relationship Management (CRM) segment. In addition, FPM is spearheading the development of an innovative smart phone app and web portal, the HUD Resource Locator that will enhance customer service and provide services to communities where small field offices have closed. The Customer Relationship Management (CRM) Segment represents tools, technologies and procedures to manage, improve or facilitate support and related interactions with customers, stakeholders and partners throughout the enterprise. Many of these systems and services represent the first point of contact for our internal and external customers, defining each subsequent experience on the quality of this initial interaction.

The CRM segment includes the following IT systems:

- The Credit Alert Interactive Voice Response System (CAIVRS),
- FHA Single Family Customer Relationship Management (FHA-CRM),
- Multifamily End Users Support Services (MF EUSS),
- Customer Service Assistance Subsystem (CASS),
- OPS (formerly known as ProofPoint), and

Administrative Support Offices – Field Policy and Management

- Location Affordability Portal (LAP).

Currently, HUD's customers experience a fragmented approach to getting the assistance they need via the Department's multiple call centers. The CRM segment has commenced efforts to consolidate and integrate customer call centers into one system. This approach will not only decrease overhead costs and improve efficiency in FTE and contractor workloads over time, but it will also improve customer service with one point of contact and provide a comprehensive project management system for external customers and stakeholders about the effectiveness of HUD programs. In fiscal year 2016, the CRM plans to consolidate at least two call centers.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY**

Program Area Overview:

The Office of Departmental Equal Employment Opportunity (ODEEO) was established in 2003 as an independent office in the Office of the Secretary. ODEEO is responsible for ensuring compliance consistent with Federal regulations and statutes, including Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, and the Age Discrimination in Employment Act, the Equal Pay Act, and the Notification and Federal Employee Anti-discrimination and Retaliation (No FEAR) Act of 2002, Executive Orders and HUD (Department) policies. It is the responsibility of ODEEO to enforce the laws preventing discrimination and harassment of employees and applicants for employment based on race, color, religion, national origin, age (40 and over), sex (including pregnancy and gender identity), sexual orientation, disability (physical or mental), status as a parent, marital status, political affiliation genetic information or other non-merit factors.

ODEEO is also subjected to Executive Order 11478, U.S. Equal Employment Opportunity Commission (EEOC) regulations promulgated at 29 C.F.R. § 1614, EEOC Management Directives (MD) MD-110 and MD-715, and Departmental regulations promulgated at 24 C.F.R. Part 7, which is currently under revision. ODEEO has nationwide responsibility for the Department's Equal Employment Opportunity (EEO) Programs. ODEEO is responsible for planning, executing, and implementing the Department's EEO/Affirmative Employment (EEO/AE) Activities pursuant to the Federal Regulation at 29 C.F.R. § 1614.

The activities of the ODEEO are carried out through the functions of two Divisions: The Equal Employment Opportunity Division (EEOOD), and the Affirmative Employment Division (AED). To that end, the ODEEO is charged with leading the effort to Equal Opportunity, promoting inclusiveness, and to foster a culture that values diversity and empowers the HUD workforce. Our ODEEO Strategic Plan aligns with Goal 5 of HUD's Strategic Plan – "Operations Excellence," which embraces Federal rules and regulations that promote responsiveness, openness, and transparency.

Administrative Support Offices - Office of Departmental Equal Employment Opportunity

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$2,643	\$2,789	\$2,858	\$69
Non-Personnel Services				
Travel	22	3	7	4
Other Services/Contracts	444	399	400	1
Training	18	7	3	(4)
Supplies	4	2	2	-
Non-Personnel Subtotal	488	411	412	1
GRAND TOTAL	\$3,131	\$3,200	\$3,270	\$70
Associated FTE	18.6	19.7	19.9	0.2

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of Departmental Equal Employment Opportunity (DEEO) requests \$3,270K and 19.9 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 of \$70K.

- Personnel Services: ODEEO requests \$2,858K and 19.9 FTE. This request represents an increase from the fiscal year 2015 enacted budget of \$69K and .2 FTE. A nominal increase in funding is included to fund the pay raise, promotions, and within grade increases. ODEEO is redirecting more of its overall FTE resources to the processing of EEO complaints.
- Non-Personnel Services: ODEEO requests \$412K, an increase from fiscal year 2015 enacted of \$1K.
 - Travel will increase \$4K to support increased collaboration through face-to-face meetings between ODEEO staff, Regional Administrators, Field Office Directors, managers and employees.
 - Overall training dollars will decrease \$4K due to increased use of multimedia such as webcasts to reach HUD employees in the regions and at Headquarters.

Administrative Support Offices - Office of Departmental Equal Employment Opportunity

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Affirmative Employment	4.9	\$696	4.0	\$566	3.2	\$459
Federal Processing EEO Complaints	13.7	\$1,947	15.7	\$2,223	16.7	\$2,399
Total	18.6	\$2,643	19.7	\$2,789	19.9	\$2,858

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Number of Special Emphasis Programs/Training Sessions	25	27	30	3
Number of Counseling Sessions	155	150	170	20
Number of Complaints Investigated	72	80	90	10
Number of Mediation Sessions	52	60	70	10
Number of FADS Written	27	30	40	10
Number of Contracts Maintained	7	2	2	-

Key Workload Items

ODEEO anticipates overall workload increasing in fiscal year 2016, specifically within the Federal Processing of EEO Complaints function. As a result, it will allocate more FTE resources to this function. Projected workload increases are illustrated in the chart above.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

ODEEO currently employs MicroPact Corporation EEO Management Information System (iComplaints) to provide case management for the Department's informal and formal complaints processing. This system allows the ODEEO to track EEO complaints from "Cradle-to-Grave." That is from the time of initial contact through a Final Agency Decision, Hearing, or filing of a suit in the U.S. Court System. However, ODEEO needs to greatly increase the capacity of the system to enhance the processing of EEO complaints and efforts are currently underway to contract for several enhancements to increase the efficiency of ODEEO complaints processing.

One of the enhancements called eFile will allow aggrieved persons to file EEO complaints electronically. Not only with this process aid ODEEO in the efforts to becoming a paperless environment, but will greatly reduce the processing time required. All federal agencies are mandated by the EEOC to process EEO complaints within strict timeframes. Due to lack of proper resources, HUD has not always been able to meet those timeframes, and in the past the Department has been sanctioned by the EEOC for this. This is the only system at HUD supporting the EEO activities and serves the entire Department. The system will allow ODEEO to significantly reduce the processing time for EEO complaints to meet statutory timeframes, improve data accuracy, and efficiency. The enhancements also include a document management system, and the ability to scan documents into the system. The improved system will allow HUD to increase our performance ratings on the annual Model EEO Program Scorecard in the areas of management and program accountability and efficiency conducted by the EEOC.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF GENERAL COUNSEL**

Program Area Overview:

The General Counsel is the chief legal officer of the Department and is the legal advisor to the Secretary and other principal staff of the Department. The General Counsel provides legal opinions, advice and services with respect to all programs and Departmental activities, including the development of the Department's programs and policies. The General Counsel is also the head of the Departmental Enforcement Center (DEC), a non-attorney organization of financial and enforcement analysts, which enforces the Department's program requirements.

In addition to conventional work performed by most departmental general counsel offices, HUD's Office of General Counsel (OGC) also conducts high-dollar value insured loan closings for affordable multifamily housing; nursing homes and hospitals; and the elderly and disabled housing programs; generates recovery income for the Federal Housing Administration fund; and pursues programmatic and Fair Housing enforcement actions.

The following table illustrates how OGC's work results in a positive return-on-investment/appropriation of more than 13-to-1:

OGC Financial Impact in Fiscal Year 2014 as of September 30	
FY 2014 Appropriation	\$ 94,000,000
Closing Fees/Collections:	\$ 150,475,745
MF Housing Project/CPD/PIH Recoveries:	\$ 14,206,678
FHA fund recoveries:	\$ 1,101,074,608
Debt collection activities:	\$ 710,299
Fair Housing Act and Civil Rights Resolutions:	\$ 12,176,000
Total return from OGC actions:	\$ 1,278,643,330
Return on appropriated funds:	1360.3%

Significant Accomplishments in Fiscal Year 2014

OGC Multifamily Housing provides legal services in connection with statutory, regulatory and case law interpretation as well as advice concerning proposed policy related to the origination and asset management of FHA-insured loans for multifamily projects, residential healthcare facilities and hospitals. In fiscal year 2014, OGC Multifamily Housing closed 1,509 insured loans for multifamily housing (including Rental Assistance Demonstration projects), hospitals, nursing homes, and elderly and disabled housing with a total dollar value of \$14.8 billion.

The DEC's mission is to strengthen the oversight of HUD programs and operations through monitoring, oversight and enforcement so that programs operate efficiently, effectively and with the highest degree of fiscal integrity. In fiscal year 2014, the DEC recovered \$14 million to redress abuses in HUD's Multifamily, PIH and CPD programs and completed 186 suspensions and limited denials of participation and 278 debarments of individuals responsible for \$191,283,000 in losses to HUD programs.

OGC Program Enforcement develops and litigates enforcement actions against FHA lenders and other HUD program participants, both in-house and with the Department of Justice. This function includes enforcement of the Department's statutory, regulatory and contractual obligations and responsibilities. In fiscal year 2014, OGC Program Enforcement's efforts recovered more than \$1.1 billion for the FHA Fund.

In fiscal year 2014, OGC Defensive Litigation defended the Department against \$1,251,597,000 in claims. This does not include personnel and tort claims.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$87,768	\$89,425	\$91,982	\$2,557
Non-Personnel Services				
Travel	891	845	970	125
Transportation of Things	88	20	20	-
Printing	852	1,000	1,000	-
Other Services/Contracts	1,549	900	1,199	299
Training	562	540	540	-
Supplies	438	320	320	-
Furniture/Equipment	532	-	-	-
Claims & Indemnities	537	950	950	-
Non-Personnel Subtotal	5,449	4,575	4,999	424
GRAND TOTAL	\$93,217	\$94,000	\$96,981	\$2,981
Associated FTE	596.1	600.9	609.9	9.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of General Counsel (OGC) requests \$96,981K and 609.9 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$2,981K.

- Personnel Services: OGC requests \$91,982K and 609.9 FTE. This request represents an increase from fiscal year 2015 enacted budget of \$2,557K and 9.0 FTE. A nominal amount of funding is included to fund the pay raise, promotions and within-grade increases. The net increase of 9.0 new FTE across several functions are due to changing workload:
 - The Departmental Enforcement Center (DEC) function requests an additional 2.1 FTE for financial analysts to perform financial reviews of public housing agencies (PHAs), providing improved oversight of PHAs. The DEC does not currently have the capacity to provide the level of services needed for this increased oversight role.
 - OGC requests a total of 9.7 FTE to assist Fair Housing and Equal Opportunity in conducting reviews and providing training and technical assistance required by implementation of the Affirmatively Furthering Fair Housing (AFFH) rule.
 - OGC requests 2.0 FTE to support the Rental Assistance Demonstration initiative.
 - OGC will reduce 4.8 FTE in the Multifamily Housing legal function through attrition in order to redirect funding to the above activities.

Administrative Support Offices - Office of General Counsel

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Management	7.2	\$1,060	7.0	\$1,042	7.0	\$1,056
Operations	24.0	\$3,533	24.0	\$3,571	24.0	\$3,619
Multifamily Housing	145.5	\$21,427	146.7	\$21,837	143.9	\$21,703
Single Family Housing	25.2	\$3,710	25.4	\$3,780	25.4	\$3,831
Ginnie Mae	11.2	\$1,649	11.3	\$1,682	11.3	\$1,704
Program Enforcement	31.6	\$4,652	31.9	\$4,747	31.9	\$4,811
Departmental Enforcement Center	101.2	\$14,899	102.0	\$15,178	104.1	\$15,700
Fair Housing	49.1	\$7,229	49.5	\$7,366	56.5	\$8,521
Community Planning & Development	16.6	\$2,444	16.7	\$2,485	17.7	\$2,669
Assisted Housing	31.9	\$4,697	32.2	\$4,792	33.9	\$5,113
Ethics & Personnel Law	55.0	\$8,097	55.9	\$8,318	55.9	\$8,430
Legislation & Regulations	15.0	\$2,208	15.1	\$2,247	15.1	\$2,277
Administrative Law	14.5	\$2,135	14.6	\$2,173	14.6	\$2,202
Procurement Law	13.1	\$1,929	13.2	\$1,964	13.2	\$1,991
Litigation	52.0	\$7,656	52.4	\$7,797	52.4	\$7,903
Native American Programs	3.0	\$443	3.0	\$446	3.0	\$452
Total	596.1	\$87,768	600.9	\$89,425	609.9	\$91,982

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Fair Housing Act Charges of Discrimination	24	30	36	6
Suspensions and Limited Denials of Participation	186	190	200	10
Debarments	278	300	310	10
Personnel Litigation--New Cases Opened	105	120	135	15
Defensive Litigation--New Cases Opened	106	108	117	9

Fair Housing Act Charges of Discrimination: The number of Fair Housing Act charges of discrimination will increase in fiscal years 2015 and 2016 as a result of Fair Housing/Equal Opportunity's concentration on reducing investigative backlogs and because of the increased public awareness that will result from high-profile Supreme Court Fair Housing Act litigation, HUD's issuance of a final rule on affirmatively furthering fair housing (AFFH) in fiscal year 2015, and HUD's issuance of a proposed rule on harassment prohibited by the Fair Housing Act. Increased public awareness causes more Fair Housing Act complaints to be filed which will, in turn, result in additional charges of discrimination.

Suspensions, Limited Denials of Participation and Debarments: In addition to other accomplishments, two additional full-time equivalents in the Departmental Enforcement Center in fiscal year 2016 will conduct more financial reviews that reveal losses to HUD programs. This additional oversight will result in increased program integrity and more suspensions, limited denials of participation and debarments for liable persons.

Personnel Litigation--New Cases Opened: In fiscal year 2016, OGC anticipates an increase in legal advice and related litigation resulting from Departmental transformational initiatives such as the transformation of HUD's Office of Multifamily Housing to a more effective operating model that will allow employees to accomplish more mission-related work at a higher quality, with less effort and fewer resources. Similar transformations are planned for the Offices of the Chief Human Capital Officer and Chief Financial Officer. These activities are expected to result in an increase in labor-management disputes as well as personnel litigation in fiscal year 2016.

Defensive Litigation--New Cases Opened: The increases in litigation result from 1) the implementation of Phase 2 of the Rental Assistance Demonstration (RAD) and 2) the issuance of the final AFFH rule, based on the number of comments. OGC anticipates continued increases in RAD litigation and individual challenges to the implementation of the AFFH rule as HUD's regulations are implemented.

Administrative Support Offices - Office of General Counsel

- Non- Personnel Services: OGC is requesting \$4,999K. This request represents an increase from fiscal year 2015 enacted of \$424K.
 - Travel increased by \$125K to conduct DEC audit and compliance reviews, carry out enforcement activities to protect the integrity of HUD programs, and provide training and technical assistance required to implement the AFFH rule.
 - Other Services increased by \$299K:
 - \$200K to fund increased costs of the online research contract, which enables OGC attorneys to perform legal research to provide legal advice for all HUD programs, defend the Department against lawsuits and pursue enforcement actions; and
 - \$99K to pay the professional bar dues of OGC attorneys who are required to maintain law licenses in order to represent the Department. OGC will be required to pay these fees by the proposed collective bargaining agreement that will likely be ratified by fiscal year 2016.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

The Regulatory, Legislative and Enforcement (RLE) segment supports five HUD offices: the Office of General Counsel (OGC); the Office of Fair Housing and Equal Opportunity (FHEO); the Office of Lead Hazard Control and Healthy Homes (OLHCHH); the Office of Departmental Equal Employment Opportunity (ODEEO); and the Davis-Bacon function from the Office of Field Policy and Management (FPM).

Below is a summary of the systems in the RLE segment funded by the IT Fund:

- The creation of the HUD Enforcement Management System (HEMS), in fiscal year 2015, will consolidate and automate the enforcement processes for the DEC, FHEO, OHHLHC and FPM (Davis-Bacon). In fiscal year 2015, HEMS will allow the RLE segment to decommission FHEO's Title Eight Automated Paperless Office Tracking System (TEAPOTS). HEMS will also allow for the eventual decommissioning of three systems supporting OGC's DEC (the Department Enforcement Center Management System, the Enforcement Center Information System, and the Enforcement Center Program Compliance Integration System), as well as OHHLHC's Lead Enforcement Tracking System, and FPM's LR2000, which supports Davis-Bacon compliance activities. In fiscal year 2016, the HEMS initiative will deliver operational efficiencies by enabling collaboration across multiple HUD enforcement offices through a shared database in an integrated environment.
- At the end of fiscal year 2016, the current sole-source, fixed-price E-Discovery contract will expire. OGC will begin the re-competition process during the summer of fiscal year 2015. OGC envisions that the contract will have a base year (fiscal year 2016) plus four option years (fiscal years 2017-2020). The transition process from the current contract to a new contract will likely create additional costs, including the cost of migrating data to a new system. OGC projects that growth in the number of

Administrative Support Offices - Office of General Counsel

additional personnel cases and enforcement actions against FHA lenders will result in a need for additional E-Discovery storage. Currently, over 4,000 HUD employees are subject to litigation holds of their electronic information.

- In fiscal year 2016, OGC will continue to use LawManager, hosted on Amazon's FEDRAMP-secured Cloud, to track and report on its legal workload. By purchasing off-the-shelf software for legal workload tracking in fiscal year 2014, the service and costs include automatic upgrades.
- In fiscal year 2016, the Department will continue to use FDOonline for ethics financial disclosures unless the Office of Government Ethics mandates migration to a different system.
- In fiscal year 2016, the Department will continue to use EEO-MIS for personnel law reporting unless the Equal Employment Opportunity Commission mandates migration to a different system.
- In fiscal year 2016, the RLE segment will need contractor support to continue operations and maintenance for the HUD OGC SharePoint Support Services contract that includes the HUD Departmental Clearance Calendar, OGC Bi-Weekly Report and other customized business tools.

OGC will continue to require access to various online legal research and legal support services as OGC continues to reduce its hard-copy legal libraries. Budget authority for these systems comes from OGC Non-Personnel Services funding. These systems include:

- Public Access to Court Electronic Records (PACER) is an electronic public access service that allows OGC users to obtain case and docket information from federal appellate, district and bankruptcy courts. Without PACER, OGC would not have access to court documents and be able to defend the Department.
- WestLegal Ed provides 600 OGC employees with a comprehensive library of over 8,000 online training courses. The service includes courses offering continuing legal education credits, which allow OGC attorneys to maintain their bar licenses and quickly get up to speed in new areas of law or take refresher courses in complicated areas of law, such as bankruptcy. The service also provides courses of interest to DEC employees and allows administrative support staff to take courses for paralegal certification.
- Lexis Online provides OGC with the ability to conduct legal research. In fiscal year 2012, OGC cut its online legal research contracts by \$1.5 million by reducing from two to one comprehensive online legal research tools. OGC's headquarters and field law libraries have been reduced as online research has increased.
- CyberFeds provides OGC up-to-date information on critical federal employment issues provided by the nation's most recognized federal employment law experts.
- Hein Online contains legislative histories and other historic legal content that is not available on Lexis.
- Congressional Quarterly (CQ.com) allows OGC to track up-to-date information on pending legislation.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT**

Program Area Overview:

The Office of Strategic Planning and Management (SPM) is responsible for driving organizational, programmatic and operational changes across HUD in order to maximize agency performance. The Office facilitates the Department wide strategic planning process with the Secretary, his senior leadership team and external stakeholders and HUD employees including the identification of strategic priorities and transformational change initiatives, the monitoring of key performance measures against established targets, and the implementation and oversight of formula and competitive grants.

SPM consists of four divisions: (1) Front Office Operations, (2) Transformation, (3) Performance Management, and (4) Grants Management and Oversight.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$3,533	\$3,868	\$3,927	\$59
Non-Personnel Services				
Travel	27	26	10	(16)
Printing	14	5	-	(5)
Other Services/Contracts	841	451	1,758	1,307
Training	65	45	74	29
Supplies	5	5	5	-
Non-Personnel Subtotal	950	532	1,847	1,315
GRAND TOTAL	\$4,483	\$4,400	\$5,774	1,374
Associated FTE	25.5	30.0	30.1	0.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

Office of Strategic Planning and Management requests \$5,774K and 30.1 FTE in fiscal year 2016, with an increase from fiscal year 2015 enacted by \$1,374K.

- Personnel Services: An increase of \$59K and .1 FTE. A nominal increase in funding is included to fund the pay raise, promotions, and with-in grade increases.
- Non-Personnel Services: An increase of \$1,315K.
 - Travel decrease of \$16K because strategic planning activities were completed in fiscal years 2014-2015.
 - Printing and Reproduction decrease of \$5K was achieved by insourcing selected printing jobs.
 - Other Services increase of \$1,307K
 - SPM will require additional contracts and support services for the agency Grants Modernization initiative. Under this initiative HUD is moving grants management services for competitive programs to the HHS Center of Excellence (COE) for the Grants Management Line of Business. In 2015 HUD is using the Announcement Module to draft and publish Notices of Funding Availability and the Application Review Module to rate and rank applications. Extending HUD's participation through all or some additional parts of the grants lifecycle will require additional funds.
 - Training increase of \$29K assumes costs associated with training objectives completed in fiscal year 2015.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Front Office Operations	2.3	\$319	4.9	\$632	4.9	\$640
Transformation Project Support & Oversight	9.4	\$1,302	10.1	\$1,302	10.2	\$1,333
Performance Management	6.1	\$845	7.0	\$903	7.0	\$915
Grants Mgt & Oversight	7.7	\$1,067	8.0	\$1,031	8.0	\$1,039
Total	25.5	\$3,533	30.0	\$3,868	30.1	\$3,927

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# of contracts/task orders initiated	19	20	30	10
# of transformation projects	1	4	6	2

Key Workload Items

Office of Strategic Planning and Management has two major workload indicators that have seen increases: 1) number of contracts and task orders initiated and 2) number of transformation projects. These indicators are major because they reflect the majority of FTEs across the four functional areas and are based on direct support for the Deputy Secretary's office.

Trend analysis supports a steady increase in fiscal years 2014, 2015 and 2016. The increase in workload is attributed to departmental initiatives senior leadership has assigned to the Office of Strategic Planning and Management.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF CHIEF INFORMATION OFFICER**

Program Area Overview:

The Office of the Chief Information Officer (OCIO) at the Department of Housing and Urban Development (HUD) was established on December 1, 1998, in accordance with specific regulatory requirements of the Clinger-Cohen Act (formerly known as the Information Technology Management Reform Act); OMB Circular A-130, Management of Federal Information Resources; and the Paperwork Reduction Act of 1995. The OCIO is led by the Chief Information Officer. The CIO reports to the Office of the Secretary/Deputy Secretary, and advises the Secretary, Deputy Secretary and other HUD senior managers on the strategic use of Information Technology (IT) to support core business processes and to achieve mission critical goals. The CIO is responsible for providing modern information technology that is secure, accessible and cost effective while meeting customer needs and exceeding their expectations while ensuring compliance with applicable regulatory requirements.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$34,947	\$36,672	\$37,165	\$493
Non-Personnel Services				
Travel	106	200	200	-
Transportation of Things	-	15	15	-
Printing	1	2	2	-
Other Services/Contracts	654	8,814	8,423	(391)
Training	48	250	250	-
Supplies	29	37	37	-
Claims & Indemnities	-	10	10	-
Non-Personnel Subtotal	838	9,328	8,937	(391)
GRAND TOTAL	\$35,785	\$46,000	\$46,102	\$102
Associated FTE	233.3	252.9	252.9	(0.0)

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of the Chief Information Officer (OCIO) requests \$46,102K and 252.9 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$102K.

- Personnel Services: CIO is requesting \$37,165K and 252.9 FTE. This request represents an increase from fiscal year 2015 enacted of \$493K and maintains the same level of FTE. A nominal increase in funding is included to fund the pay raise, promotions and within grade increases.
- Non-Personnel Services: CIO is requesting \$8,937K, a decrease from the fiscal year 2015 of \$391K. Savings will be achieved in Non-Personnel Services to accommodate the increase in the average FTE cost within the Personnel Services category. The decrease in Non-Personnel Services does not alter the priorities for targeted skills training and programmatic support.

OCIO will commit \$1,000K of its overall S&E funding to support a Digital Services Team pilot. Government digital services are improved when agencies have digital service experts on staff with modern design, software engineering, and product management skills. The Budget includes funding for staffing costs to build a Digital Service team that will focus on transforming the agency's digital services with the greatest impact to citizens and businesses so they are easier to use and more cost-effective to build and maintain.

These Digital Service experts will bring private sector best practices in the disciplines of design, software engineering, and product management to bear on the agency's most important services. The positions will be term-limited, to encourage a continuous influx of up-to-date design and technology skills into the agency. The digital service experts will be recruited from among America's leading technology enterprises and startups, and will join with the agency's top technical and policy leaders to deliver meaningful and lasting improvements to the services the agency provides to citizens and businesses. This digital service team will build on the success of the United States Digital Service team inside of OMB, created in 2014.

Administrative Support Offices - Office of Chief Information Officer

Personnel Services Functional Summary						
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
CIO/DCIO Staff	0.0	\$0	3.0	\$435	3.0	\$441
Enterprise Program Management	60.3	\$9,032	54.9	\$7,962	54.9	\$8,068
Investment Management	6.2	\$929	15.0	\$2,175	15.0	\$2,204
Enterprise Architecture	8.2	\$1,228	9.0	\$1,305	9.0	\$1,323
Technology Management	0.0	\$0	17.0	\$2,465	17.0	\$2,498
Business and Admin Support	25.9	\$3,880	13.0	\$1,885	13.0	\$1,910
Planning/Audit/Policy Management	9.7	\$1,453	10.0	\$1,450	10.0	\$1,470
IT Acquisition Support	0.0	\$0	18.0	\$2,610	18.0	\$2,645
Security Compliance	10.4	\$1,558	10.0	\$1,450	10.0	\$1,470
Data Center Operation/Communications	32.6	\$4,883	18.0	\$2,610	18.0	\$2,645
Desktop and Headquarters Service Delivery	11.0	\$1,648	20.0	\$2,900	20.0	\$2,939
IT Field Service Delivery	69.0	\$10,336	65.0	\$9,425	65.0	\$9,552
Total	233.3	\$34,947	252.9	\$36,672	252.9	\$37,165

OCIO is adopting a new functional structure to better reflect FTE usage. The CIO/DCIO Staff, Technology Management and IT Acquisition Support functions were introduced in fiscal year 2015.

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# of projects managed	89	103	103	-
# of Program Area IT Sys maintained	214	200	200	-
# of systems in portfolio	123	130	130	-
# of contracts managed	78	85	85	-
# of audits completed	35	46	46	-
# of systems tested	409	395	395	-
# of IT Customers Supported	2,715	3,000	3,000	-
# of vid conferences	948	1,000	1,000	-
# of customers trained	1,456	2,000	2,000	-

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

- OCIO does not anticipate any significant change in workload levels from fiscal year 2015 to fiscal year 2016.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

The Information Technology (IT) segment supports all HUD Programs, Program Offices and Segments in HUD. This segment provides IT services that support the entire HUD enterprise. The IT segment also provides enterprise infrastructure managed services required to meet the Departmental priorities and mission, as well as Federal-wide Priorities associated with IT delivery and Cyber Security. HUD's infrastructure provides hosting services and associated storage for most of HUD's business applications, Disaster Recovery capabilities for mission critical applications, and secure, wireless services to mobile devices. Additionally, the national Help Desk services are provided for employees (both Department and contractor) that include the solution and staff to answer and record calls based on established knowledge base and procedures and monitor and track approximately 3,500 help desk calls a month. HUD's infrastructure provides HUD's enterprise wide area network (WAN), local area network (LAN), email, SharePoint, desktop and standard office automation software, high definition video conferencing system, database administration and associated services. The data centers operate in a secure, virtualized environment, which provides capacity on demand and provides support for enterprise-wide infrastructure managed services for HUD (which includes HQ and 66 field offices; approximately 13,000 workstations, conference facilities, training rooms and 215 business applications). It also provides continuous monitoring for

Administrative Support Offices - Office of Chief Information Officer

ever increasing security demands; expanding FISMA and HSPD-12, CyberSecurity, and PortfolioStat priorities and increased complexity and threats faced by all financial institutions with privacy data.

The funding for the IT Segment is critical to all HUD business functions that are enabled through the use of information technology hardware, software and services. The applications developed and supported throughout HUD would be unable to function without this investment in the IT segment. Additionally, funding utilized in this segment enhances the HUD's ability to manage the identity of users accessing HUD's systems, strengthens authentication to HUD systems reducing potential for unauthorized user access and strengthens authentication of privileged user access to HUD systems reducing the potential for unauthorized activity.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF PUBLIC AND INDIAN HOUSING**

PROGRAM AREA OVERVIEW

Created by the U.S. Congress under the provisions of the U.S. Housing Act of 1937, the central mission of the Office of Public and Indian Housing (PIH) is to connect nearly 5 million of the country's most vulnerable households to a safe, decent and affordable place to call home. PIH partners with more than 4,000 Public Housing Authorities (PHAs) and 566 Tribally Designated Housing Entities (TDHEs) to increase capacity, administer, operate, and modernize their housing inventories; effectively manage their physical assets and financial resources; and to facilitate programs that provide supportive services to improve tenant outcomes and create strong, sustainable, inclusive communities and quality affordable homes for all.

PIH delivers assistance to low-income families through three core areas of assistance:

- Public Housing (Operating and Capital subsidies)
- Tenant-Based Rental Assistance (TBRA) – Housing Choice Vouchers (HCV) program
- Native American programs

The majority of PIH's effort, with respect to the Department's Strategic Plan, is devoted to HUD Goal 2 – Meet the Need for Quality Affordable Rental Homes. PIH will continue to support this goal by:

- Continuing the development and implementation of the Next Generation Management System (NGMS)
- Improving the financial health of PHAs
- Conducting HCV and Public Housing unit inspections
- Increasing efforts to assist and mitigate troubled PHAs through earlier detection and increased intervention strategies
- Overseeing PHAs under Receivership

Program Office Salaries and Expenses-Office of Public and Indian Housing

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$184,880	\$192,000	\$199,000	\$7,000
Non-Personnel Services				
Travel	4,208	4,092	4,092	-
Rent/Utilities	5	4	4	-
Printing	90	90	90	-
Other Services/Contracts	5,824	5,980	5,902	(78)
Training	1,566	780	858	78
Supplies	55	54	54	-
Non-Personnel Subtotal	11,748	11,000	11,000	(0)
GRAND TOTAL	\$196,628	\$203,000	\$210,000	\$7,000
Associated FTE	1,345.0	1,421.1	1,453.3	32.2

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of Public and Indian Housing requests \$199,000K and 1,453.3 Full-Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$7,000K and 32.2 FTE. An increase in funding will support the additional hiring, and also covers pay raise, promotions and within grade increases. The increase of 32.2 FTE will bolster PIH's capabilities in oversight and monitoring across program lines. FTE figures reflect adjustments to realign PIH's workload demands with scarce resources to achieve strategic goals of increasing access to affordable rental housing, developing sustainable and inclusive communities and helping to foster self-sufficiency of the citizens we serve.

- Personnel Services: PIH requests \$199,000K and 1,453.3 FTE. This request represents an increase of \$7,000K and 32.2 FTE. These changes include:
 - An increase of 7.6 FTE will support enhanced grant monitoring and oversight activities for the following functions: operations and monitoring for Tenant-Based Rental Assistance, Public Housing, Indian Housing, and Public Housing modernization, development and repositioning.

Program Office Salaries and Expenses-Office of Public and Indian Housing

- An increase of 25.0 FTE to support workload associated with the processing of up to 400 applications from PHAs for Public Housing units that will convert into a Project-Based Rental Assistance Contract through the Department's Cross-Cutting Rental Assistance Demonstration (RAD) Initiative. Specifically, these FTE will support application review, technical assistance, and monitoring associated with the processing of applications.
- An increase of 10.0 FTE to implement the Affirmatively Furthering Fair Housing (AFFH) Rule, which will involve the review, oversight, coordination and providing technical assistance for the Fair Housing Assessments submitted by PHAs.
- There is also an increase of 5.0 FTE for expansion of the Moving-To-Work Demonstration (MTW) and the Jobs Plus Initiative.
- Due to efficiencies gained through streamlining efforts and the revamping of business processes, there will be a reduction of 15.4 FTE in various administrative/support areas.

	Personnel Services Functional Summary (Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Tenant-Based Rental Assistance Operations and Monitoring	191.9	26,365	204.6	27,644	234.6	32,124
Public Housing Operations and Monitoring	291.0	40,075	307.7	41,573	315.0	43,133
Indian Housing Operations and Monitoring	137.1	18,835	142.0	19,185	143.4	19,636
Public Housing Modernization, Development, Redevelopment and Repositioning	128.7	17,682	136.0	18,375	137.7	18,855
Innovative Programs & Demonstrations	52.2	7,172	60.4	8,161	65.4	8,955
Native American & Native Hawaiian Homeownership	13.3	1,827	13.4	1,810	13.8	1,890
Resource Formulation, Allocation, and Financial Management	74.0	10,167	76.9	10,390	74.9	10,256
Financial, Physical, and Program Integrity Assessments	272.0	37,369	286.2	38,668	287.8	39,408
Strategic Planning & Risk Management	92.4	12,694	95.3	12,876	92.3	12,639
Legislative/Policy Development, Research & Review	23.3	3,201	25.5	3,445	25.7	3,519
Business Operations & Analysis	69.1	9,493	73.1	9,873	62.7	8,585
Total	1,345.0	184,880	1,421.1	192,000	1,453.3	199,000

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Number of TBRA Field Office On-Site Monitoring & Oversight Reviews	419	500	600	100
Number of TBRA Field Office Remote Monitoring & Oversight Reviews	9,456	11,000	11,650	650
Number of Public Housing Remote Monitoring & Oversight Reviews	642	642	750	108
Number of Indian Housing Enforcement Actions	560	560	646	86
Number of Capital Fund On-Site Monitoring Visits to PHAs	23	23	89	66
Number of Greened Units	36,000	36,000	57,000	21,000
Number of Choice Neighborhoods/MTW Transformation Plans	203	203	703	500

Key Workload Details:

Increases in On-Site and Remote Monitoring activities, as well as Occupancy Maximization activities, are part of PIH's efforts to provide enhanced oversight of PHAs. Field staff work with PHAs to address concerns regarding financial governance and overall fiscal responsibility. The workload increase for MTW Plans is due to the expected expansion of the Moving-To-Work Demonstration. Continuing the theme of fiscal responsibility through enhanced monitoring and oversight, workload increases for Indian Housing Enforcement Actions and Monitoring are part of PIH's broader commitment to provide enhanced oversight and financial management guidance to Tribally Designated Housing Entities (TDHEs).

- Non-Personnel Services: PIH requests \$11,000K, unchanged from the fiscal year 2015 enacted level.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM:

Next Generation Management System (NGMS):

The Next Generation Management System (NGMS) is a business-driven investment aimed to enhance HUD's Affordable Housing (AH) by achieving the following goals:

- Facilitate program management
- Improve end user satisfaction

Program Office Salaries and Expenses-Office of Public and Indian Housing

- Streamline complex business processes
- Integrate disparate Information Technology (IT) systems into a common, modernized platform

These goals will help improve the agency's ability to accurately quantify budgetary data resources, measure program effectiveness, and scrupulously justify the agency's budget requests. By aligning current and future AH processes, HUD aims to simplify business operations and maximize investment returns with business-driven, service-oriented solutions that employ shared and standardized technology. With accurate Real Estate Assessment Center (REAC) financial data and automated processes, HUD personnel will be able to reduce improper payment errors by identifying operating costs, reserves, and subsidy payment anomalies. Once implemented, NGMS will provide staff with a new set of monitoring, oversight and analysis tools to ensure that allocated federal funds are used efficiently to assist affordable housing participants.

NGMS will build project modules across four dimensions:

1. HUD Operations - Creating a single point of access to data and key information to reduce HUD's administrative burden;
 - a. The Portfolio & Risk Management Tool (PRMT), which is the first module for this dimension, went into production in September 2013. The release allows PIH staff to view data from various PIH IT systems in user friendly "dashboards" that enhance their ability to analyze trends, make better projections, more easily identify issues, and increases PIH's efficiency and effectiveness in utilizing appropriated funds.
2. Financial management - Developing an automated and more accurate process of budget formulation based on real-time data to reduce errors in budget forecasting;
 - a. The Budget Formulation & Forecasting (BFF) module, which is the first module for this dimension, went into production in August 2013 with another release in March 2014. The two releases provide the capability to perform data validation, partial budget versions and budget formulation.
3. Partner Operations - Providing HUD partners with a single point of access to data that will allow them to better serve their customers and operate more efficiently; and
4. Business support - Expanding the access and use of the NGMS IT advancements to the HUD enterprise level.

PIH Information Center is now Inventory Management Systems/PIH Information Center (IMS/PIC):

IMS/PIC facilitates timely and accurate exchanges of data between PHAs and local HUD Offices and allows PHAs and HUD personnel to electronically submit information to HUD via a web browser from anywhere. To support the implementation of the Rental Assistance Demonstration (RAD) program system, enhancements to PIH Information Center are needed to provide the functionality to manage and monitor the program. The RAD program did not include any IT development funds to modify the existing systems to

accommodate new needs that PIC does not currently support. Hiring Plan/Work Realignment priority for up to five FTEs will be required to provide the new and modified functionality of the PIC system.

Enhanced Assessment Activities:

At the direction of Congress, REAC is conducting a sample of physical inspections and assessments of HCV units in order to assess risks to habitability facing participants of the Housing Choice Voucher (HCV) program:

- Complete the transition from use of the current Housing Quality Standards (HQS) to the, more transparent, Uniform Physical Condition Standards (UPCS) protocol.
 - UPCS standards have a proven high level of accuracy and reliability.
 - The transition is a high priority project that REAC expects will result in more uniformity of the physical inspection process.

To further enhance REAC's physical inspection program, REAC has completed testing of photo software. In early August 2014, REAC Physical Inspection Quality Assurance inspectors began conducting a limited number of inspections using new photo software. In September 2014, contract inspectors began conducting inspections with photos.

- Photo capability will improve the program's ability to provide meaningful and useable assessment data for all REAC customers.
- Photos will bring REAC's inspection program on par with other commercial industry standards.

In addition, REAC is exploring methods to collect data on the capital needs at public housing properties while reducing the administrative burden on public housing agencies (PHAs), including testing of the Physical Needs Assessment (PNA)¹ tool developed by PIH. In August, 2014, REAC's Quality Assurance inspectors and contract inspectors started testing the PNA tool at eight PHAs. To support REAC's enhanced assessment activities, Hiring Plan/Work Realignment priority for up to three FTEs is needed to fund the HCV transition to a protocol, similar to that of, UPCS. Further, Hiring Plan/Work Realignment priority for up to two FTEs is needed to support new photography software. Both of these DME efforts will allow REAC to transition to a consistent inspection standard and oversight process for Section 8 units, which is a priority for the Secretary and the White House.

¹ However, during fiscal year 2015 in accordance with Sec. 233 of the fiscal year Appropriations Act, HUD will not require or enforce the PNA.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
COMMUNITY PLANNING AND DEVELOPMENT**

Program Area Overview:

The Office of Community Planning and Development (CPD) manages a wide range of community development, affordable housing, homeless, special needs, disaster recovery, and economic stimulus programs that support communities, low-income households and others requiring such assistance.

CPD staff workload is primarily driven by the fiduciary and oversight responsibilities with which we are charged and include, among others, the following activities:

- Grant administration;
- Audit resolution;
- Risk assessment and monitoring to ensure program compliance; and
- Providing technical assistance and customer support.

CPD field office oversight of grantee regulatory compliance and program performance uses the “cross-program” place-based specialist approach where staff is assigned responsibility for overseeing a range of programs – both formula and competitive – in designated geographical areas. This structure provides grantees with a single point of contact and enables CPD to more efficiently manage the broad mix of projects in a typical grantee portfolio, as well as our own staff resources.

Under the “cross-program,” place-based specialist approach, individual CPD field staff perform multiple functions that include grant administration, risk assessment and monitoring, audit resolution, planning reviews and approval, and technical assistance. The most significant workload driver for CPD is the number of grants (and projects) in CPD’s portfolio. Consequently, the number of active grants in CPD’s portfolio is the most important factor when determining S&E needs – not program funding levels. As long as the number of grants remains the same or increases, the staffing necessary to carry out our fiduciary and oversight responsibilities cannot be reduced without consequences. Since fiscal year 2004, (pre-Katrina, stimulus, and Sandy), CPD’s annual grant portfolio has grown from 9,280 grants to 20,593 grants in fiscal year 2014, an increase of 122 percent. However, FTE resources have decreased by 18 percent over that time. Presently, CPD maintains a ratio of 41.9 grants per field staff person, an increase of 27.3 grants per person compared to 14.6 per person in fiscal year 2004—up 165 percent.

Approximately \$6 to 7 billion enters under management each year on top of a total portfolio of outstanding grants of more than \$32.1 billion, including disaster recovery grants and stimulus funds. The ongoing oversight responsibilities for these open grants –

Program Office Salaries and Expenses - Community Planning and Development

20,593 grants and \$32.1 billion invested in projects, with compliance periods of up to 20 years –will by itself keep CPD field staff fully engaged indefinitely to ensure grant compliance.

In fiscal year 2014, CPD funds directly touched 12,968,523 households and individuals – not including emergency disaster recovery funds – for new housing production, rehabilitation, rental assistance, housing counseling, public services, public improvements, and creation and retention of almost 50,000 jobs nationwide. Together, we reduced the number of unsheltered homeless people by 10 percent.

To ensure maximum impact of CPD's funds, CPD is expanding its placed-based delivery model by streamlining CPD's program funds. In addition, CPD has new workload requirements and initiatives, which include but are not limited to: Affirmatively Furthering Fair Housing (AFFH), Rental Assistance Demonstration (RAD), Promise Zones, Bending the Housing Curve, and the Housing Trust Fund (HTF).

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$95,661	\$100,000	\$108,690	\$8,690
Non-Personnel Services				
Travel	884	950	1,683	733
Printing	41	20	45	25
Other Services/Contracts	2,568	700	1,197	497
Training	225	305	455	150
Supplies	26	25	30	5
Non-Personnel Subtotal	3,744	2,000	3,410	1,410
GRAND TOTAL	\$99,405	\$102,000	\$112,100	\$10,100
Associated FTE	744.5	761.6	819.3	57.7

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

Office of Community Planning and Development (CPD) requests \$112,100K and 819.3 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$10,100K.

- Personnel Services: CPD is requesting \$108,690K and 819.3 FTE. This request represents an increase from fiscal year 2015 enacted of \$8,690K and 57.7 FTE. An increase in funding will support the additional hiring, and also covers the pay raise, promotions, and within grade increases.
- Non-Personnel Services: CPD is requesting \$3,410K. This request represents an increase from fiscal year 2015 enacted of \$1,410K:
 - Travel increased by \$733K for monitoring compliance, capacity building, and travel for training.
 - Other Services increased by \$497K to address ongoing requirements, as well as anticipating needs relating to new initiatives such as the Housing Trust Fund.
 - Training increased by \$150K for new workload requirement and initiatives.
 - Lastly, a small portion of CPD's non-personnel services is spent on necessary and basic program supplies and printing costs.

CPD has significant ongoing core workload responsibilities relating to grant administration. The most significant workload driver for CPD is the number of grants (and projects) in CPD's portfolio. Overall, CPD workload grant portfolio has increased steadily. CPD's current portfolio of open grants is 313,484. CPD is requesting 23.4 FTE to support workload functions such as Monitoring and Risk Assessment, Program Administration: Technical Assistance and Training, Formula Grant Management, Competitive Grant Management, Environmental Review, and Audits.

Beyond CPD's core grant workload, the FTE will be needed to do the following:

- Conducting the National Disaster Resilience Competition;
- Managing supplemental grants and appropriations relating to disasters (Sandy) and economic recovery (NSP);
- Training and providing customer support to grantees on important Departmental initiatives; including the USICH Federal Strategic Plan to Prevent and End Homelessness;
- Implementing new regulations for HOME and HEARTH that requires an extensive training program for grantees to be developed and delivered over the next several years; and
- Managing the cross-cutting program functions of Environmental and Relocation for the entire Department

For fiscal year 2016, CPD has new workload items relating to AFFH, RAD, Promise Zones, Place-based initiatives, and the HTF that require additional FTE.

Program Office Salaries and Expenses - Community Planning and Development

For AFFH, CPD requests 5 additional FTE to ensure successful implementation of the AFFH rule by:

- Providing extensive upfront guidance, training, and technical assistance;
- Monitoring;
- Reviewing of submissions and provision of feedback; and
- Evaluating progress and effectiveness.

For RAD, CPD requests 2 additional FTE to fulfill the Departmental responsibility to ensure that all applicable HUD programs are in compliance. The additional FTE will primarily be for:

- Conducting compliance review of documents and relocation plans;
- Monitoring, training, and/or providing technical assistance to HUD staff and grantees; and
- Responding to public inquiries and complaints from persons displaced in connection with HUD programs and projects.

For Promise Zones, CPD has a critical role relating to the successful implantation of this place-based initiative, which provides long-term support with a programmatic focus on high-poverty communities designated as Promise Zones. CPD will allocate 5 additional FTE for:

- Managing and overseeing all aspects of the Promise Zone program;
- Establishing intensive relationships with local stakeholders and providing interagency program information;
- Connecting local leaders to experts and facilitating peer exchanges among communities; and
- Providing technical assistance and policy analysis.

For the Place-based delivery expansion (i.e. Upward Mobility initiative supporting CDBG and HOME), CPD is requesting 7 new FTE for:

- Implementing a “place-based” service delivery model covering all of HUD’s major programs by establishing single points of contact for grantees and other federal agencies;
- Expanding the consolidated planning process to all HUD programs;
- Combining Technical Assistance resources under one umbrella program; and
- Merging and sharing of IT systems that, taken together, will lead to greater workforce efficiency and improved program effectiveness;
- Developing policy and program design (Upward Mobility);
- Evaluating program performance and metrics; and
- Coordinating interagency response and execution of the initiative.

For HTF, CPD is charged with the implementation of a new major federal program. CPD will dedicate 15 additional FTE for:

- Establishing and administering the HTF, including policy development and operations;
- Monitoring, technical assistance, and program administration; and
- Performing data and reporting functions and providing Integrated Disbursement and Information Systems (IDIS) support.

Program Office Salaries and Expenses - Community Planning and Development

For fiscal year 2016, CPD is proposing a Local Housing Policy Grants initiative that will fund competitive grants awarded to States and localities to increase economic growth and access to jobs by expanding housing supply. CPD is not requesting additional FTE, as this initiative workload will be absorbed by current staff in the Office of Economic Resilience (OER) within CPD.

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Program Administration: TA and Training	62	\$7,965	62	\$8,116	65	\$8,623
Program Administration: Information Management	34	\$4,369	34	\$4,451	36	\$4,776
Consolidated Plan	40	\$5,140	45	\$5,891	40	\$5,307
Audits	21	\$2,698	22	\$2,880	27	\$3,582
Customer Service	69	\$8,866	69	\$9,032	71	\$9,419
Compliance: Monitoring and Risk Assessment	109	\$14,005	112	\$14,663	125	\$16,584
Compliance: Standards and Guidance	19	\$2,441	19	\$2,487	21	\$2,786
Competitive Grants Management	97	\$12,464	99	\$12,959	103	\$13,665
Competitive Awards	60	\$7,709	62	\$8,116	64	\$8,491
Formula Grants Management	105	\$13,429	107	\$13,951	117	\$15,555
Loans	13	\$1,670	13	\$1,702	13	\$1,725
Environmental Review	44	\$5,654	44	\$5,760	46	\$6,103
Cross Program Collaboration	14	\$1,799	15	\$1,964	25	\$3,317
Operations	28	\$3,598	28	\$3,665	28	\$3,715
Perform Relocation Activities	8	\$1,028	8	\$1,047	13	\$1,725
Perform Disaster Response & Recovery	5	\$642	5	\$655	7	\$929
Economic Resilience	17	\$2,184	18	\$2,661	18	\$2,388
Total	744.5	\$95,661	761.6	\$100,000	819.3	\$108,690

Program Office Salaries and Expenses - Community Planning and Development

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# of monitorings	977	900	900	-
# of formula grant management	3,248	3,226	3,226	-
# of competitive grant management	17,345	17,345	17,581	236
# of grants to closeout	80,000	90,000	90,000	-
# of open audit recommendations	539	620	720	100
# of environmental reviews	400	1,067	1,067	-
# of approved RAD units for relocation activities	60,000	60,000	180,000	120,000
# of rental activities under the period of affordability	25,714	25,714	25,714	-
# of HOME open projects	11,686	11,686	11,686	-

CPD's workload consists of 20,000 annual grants which have 3- to 5 year period of availability. CPD's current workload of open grants is 313,484. CPD has consistently been understaffed for the number of open grants in its portfolio.

When comparing 2016 to 2015, much of the workload is constant. There are notable increases in the following:

- CPD's competitive grant management workload will increase due to new workload items relating to the National Disaster Resilience Grants and the Local Policy Housing Grants.
- CPD has a large backlog of overdue Office of the Inspector General (OIG) audit recommendations. In addition, CPD has planned new audits that will contribute to the cumulative amount of open audit recommendations.

Currently, CPD only monitors approximately 7 percent of its grantees. CPD would be stronger if it had the resources to monitor more open grants in its portfolio.

There are hundreds of environmental monitorings that are not being conducted but are statutorily required. For 2015 and 2016, CPD has 2,220 PIH grantees that should be monitored.

In order to satisfy CPD's statutory requirements for its programs, CPD must close out grants. Currently, CPD is understaffed to address the backlog of 80,000 open grants that need to be timely closed out.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

The Grants Management Segment consolidates all the departmental Grants Management business functions under single management. The successful execution of these business functions enable the Department of Housing and Urban Development (HUD) to administer the entire grant lifecycle for more than 50 formula and competitive programs that, taken together, provide more than \$16.3 billion annually to communities nationwide. In regard to the Office of Community Planning and Development (CPD) specifically, six IT systems are required to manage the program portfolio of \$6 to 7 billion annually: Integrated Disbursement Information System (IDIS), Disaster Recovery Grants Reporting (DRGR), Electronic Special Needs Assistance Programs System (e-snaps), Grants Management Process (GMP), Title V, and Empowerment Zones/Renewal Communities Performance Measurement System (EZ/RC PERMS).

These mission-critical systems help achieve significant cost savings for both grantees and HUD by automating grant functions such as: (1) application intake and review; (2) activity setup and the drawdown of funds; (3) risk analysis and monitoring; (4) consolidated planning and performance reporting; and (5) environmental compliance. These systems save time and reduce cost for the government and for grantees by: (1) reducing the number of staff and contracts required to implement and manage programs; (2) providing the accurate and timely data necessary to improve grantee performance and compliance with program requirements; (3) supplying information for audits and monitoring reviews; and (4) eliminating unnecessary paperwork for grantees and sub-grantees.

More than 10,000 users depend on one or more of these grants management systems as the primary business interface with HUD when performing basic grant program functions, including those identified above, totaling more than 65,000 individual actions each year.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF HOUSING**

Program Area Overview

The Office of Housing facilitates the Department's efforts to provide vital public services through its nationally administered programs. It oversees the Federal Housing Administration (FHA), the largest mortgage insurer in the world, and regulates housing industry business. The Office of Housing, through its insurance programs, plays a countercyclical role in the market, as evidenced by the last housing crisis, and operates as a Partner in Opportunity with its stakeholders.

The missions of the Office of Housing are to:

- Contribute to building and preserving healthy neighborhoods and communities;
- Maintain and expand homeownership, rental housing and healthcare opportunities;
- Stabilize credit markets in times of economic disruption;
- Operate with a high degree of public and fiscal accountability; and
- Recognize and value its customers, staff, constituents and partners.

Continuing resolutions and staff reductions due to attrition have made it difficult to address significant risks posed to the insurance fund and taxpayers. This is especially challenging given FHA's countercyclical role and it is one of the clearest lessons HUD has learned from the recent financial crisis.

In addition to Executive Direction and supporting offices that work on finance, budget and operations, there are five program offices within the Office of Housing. These consist of the Office of Multifamily Housing Programs, the Office of Healthcare Programs, the Office of Risk Management and Regulatory Affairs, the Office of Single Family Housing Programs and the Office of Housing Counseling.

Office of Multifamily Housing Programs: HUD's Multifamily programs serve the nation's renters with a focus on underserved communities and market segments. The Office of Multifamily Housing provides mortgage insurance and administers the Section 202, Section 811, Section 8 Project-Based Rental Assistance programs, Rental Assistance Demonstration (RAD), and Promise Zone programs.

Program Office Salaries and Expenses – Office of Housing

Multifamily Transformation Initiative

Through fiscal years 2015 and 2016, the Office of Multifamily Housing (MFH) will continue the implementation of the Multifamily for Tomorrow (MFT) transformation, as amended by Congress.

As a result of the Transformation, MFH is streamlining its operation with the consolidation of several functions into broader, less specialized offices. Therefore, the Grant Administration and Subsidy Administration functions have been incorporated into the Asset Management & Portfolio Oversight and Production & Processing functions of the MFH organization.

Furthermore, as part of the Transformation, Housing has separated in fiscal year 2015 the Recapitalization function from the Multifamily Asset Management and Recapitalization function. This reflects the repurposing of the Office of Affordable Housing Preservation into the Office of Recapitalization. This Office is processing multiple financing-related activities related to mandated or needed refinancing, restructuring, recapitalization and preservation of assisted multifamily properties, including the Rental Assistance Demonstration (RAD).

In fiscal year 2016 MFH anticipates the completion of the modified transformation and the consolidation of all the functions into the four remaining functions: Recapitalization, Asset Management & Portfolio Oversight, Policy Development, and Production & Processing. The request assumes that Housing non-personnel funds will be used, in addition to central funding included under the Office of Administration appropriation, for the construction, space build-out, utility, and other such costs associated with the completion of the Multifamily Transformation Initiative.

RAD Department-wide Cross-cutting Initiative

The Office of Multifamily Housing Programs requests additional FTE, based on an estimated 700 transactions, to support its RAD workload functions as part of the Department-wide RAD initiative in 2016. This is in addition to the existing staff currently assigned to support RAD from within the Office of Recapitalization. The Office of Recapitalization Staff in Washington, DC and Chicago will act as Transaction Managers to support RAD actions, Multifamily Production Staff in the field will manage FHA-insured RAD transactions, and Multifamily Asset Management Staff in the field will support the management of RAD transactions that are either FHA-insured or have Project-Based Rental Assistance, post RAD conversion.

Program Office Salaries and Expenses – Office of Housing

Promise Zones Government-wide Initiative

Multifamily Housing requests 10 FTEs to support the Promise Zones initiative, providing strategic leadership and coordinating among stakeholders. The Promise Zone initiative will revitalize high-poverty communities across the country by creating jobs, increasing economic activity, improving educational opportunities, reducing serious and violent crime, leveraging private capital, and assisting local leaders in navigating federal programs and cutting through red tape.

Office of Healthcare Programs: HUD's Healthcare programs provide mortgage insurance on loans that finance the construction, renovation, acquisition, or refinancing of healthcare facilities such as hospitals and residential care facilities. Healthcare Asset Management and Recapitalization includes all activities associated with monitoring, loan servicing, claim prevention and (if a claim occurs) asset recovery in the insured hospital and residential care facility loan portfolio. Healthcare Production and Processing activities are associated with pre-application and full review of applications for mortgage insurance for hospitals and residential care facilities.

Office of Risk Management and Regulatory Affairs: The major objectives of the Office of Risk Management and Regulatory Affairs are to conduct analysis and recommend actions to reduce exposure to FHA insurance funds while meeting FHA's housing mission; ensure that FHA operates in compliance with statutory capital requirements; and promote a well-controlled operational infrastructure. The scope of the risk management staff encompasses Program Area (Single Family, Multifamily and Healthcare) activities conducted at headquarters and the field offices. The office also administers the Manufactured Housing Program, which the Department proposes to fund exclusively from fees for Program operations.

Office of Single Family Housing Programs: HUD's Single Family programs include mortgage insurance on loans to purchase new or existing homes, condominiums, manufactured housing, houses needing rehabilitation, and reverse mortgages under the Home Equity Conversion Mortgage (HECM) program that allows seniors to convert the equity in their home to cash. Single Family Housing has experienced unprecedented demand. Single Family Housing is managing a high volume of endorsements and increasing operational risk on multiple dimensions: quality assurance, lender/servicer oversight, loss mitigation, and asset disposition. Risks are measured in billions of dollars. To mitigate these risks, Single Family Housing is focused on improving operational efficiency, enhancing loan level quality assurance, and improving Real Estate Owned (REO) recoveries through a variety of actions, including:

- The eSignature policy, which allows the industry and FHA to leverage newer technologies to make it easier to do business with FHA and to create efficiencies for the industry when working with customers.
- Manual underwriting guidelines were updated to clarify use of the process and to provide access to credit for those borrowers who cannot be sufficiently underwritten using automated underwriting systems.
- ML 2013-41, Lender Self-Reporting Requirements, clarified requirements for self-reporting.

Program Office Salaries and Expenses – Office of Housing

- ML 2014-09, Annual Recertification and Post-Approval Updates, implemented the use of the Lender Electronic Assessment Portal (LEAP) as part of the FHA Transformation Initiative to improve FHA's ability to manage risk.
- Adoption of new defect taxonomy and sampling methodologies.

Office of Housing Counseling: HUD's Housing Counseling programs provide counseling through intermediaries to consumers on seeking, financing, maintaining, renting, or owning a home. HUD's Housing Counseling program provides support to a nationwide network of Housing Counseling Agencies (HCAs) and counselors. HCA's are trained and approved to provide tools to current and prospective homeowners and renters so that they can make responsible choices to address their housing needs in light of their financial situations.

Office of Finance and Budget: The Office of Finance and Budget provides critical financial and budgetary oversight for the Office of Housing. The office is responsible for all Housing-FHA accounting records, the preparation of the annual audit and Housing's budget formulation activities, timely and accurate financial management reports prepared in conformity with generally accepted accounting principles, the sale and disposition of FHA mortgage notes, and managing Housing's IT investment portfolio. The office serves in an advisory role on all issues involving financial management, budgetary and accounting policy.

The office serves as the principal advisor to the FHA Commissioner on fiscal and budgetary matters and has primary leadership responsibilities for the financial integrity of the Office of Housing-FHA programs. Finance and Budget staff is responsible for the integrity of transactional data and internal controls within Housing programs. In collaboration with the Office of the Chief Financial Officer, this office works closely with Congressional Appropriation Committees on Housing's budgetary matters and assists the program offices with reviewing and interpreting program legislation language and policies for human capital and other resource needs.

Office of Operations: The Office of Housing Operations provides resources and services that are essential for Housing's program offices relating to: personnel, strategic management and workforce plans, Employee Labor Relations, procurement and contracting, business process re-engineering, correspondence, Continuity of Operations Plan (COOP), training and Web Administration and support. The Office of Housing Operations is comprised of two components, the Office of Business Development and the Office of Management.

Among its administrative support staffs, the Office of Housing Operations is building on the efficiencies gained from its process improvement efforts to streamline operations and identify non-value added work that is being done. By focusing on value-added work, creating more generalized position descriptions and utilizing cross training, Operations will be able to reduce administrative support staff by 3.6 percent or 5 FTEs in fiscal year 2016. Additionally, Operations will utilize information technology, such as Live Meeting, webcasts and video conferencing to reduce costs associated with travel and focus on identifying critical needs across the organization and hiring in-house facilitators to develop targeted training to reduce critical skills gaps.

Program Office Salaries and Expenses – Office of Housing

Executive Direction: The immediate Office of the Assistant Secretary coordinates communication, policy implementation, and legislative tracking across the entire Office of Housing and with respect to all Housing programs. This office also engages in a variety of day-to-day business activities that support the Office of Housing, including contracting, oversight, and process management.

This table presents details on the total full-time equivalents (FTE) by program office:

Summary of FTE				
Offices	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Multifamily Housing Programs	1,371.5	1,298.2	1,342.1	43.9
Risk Management & Regulatory Affairs	50.3	57.1	64.0	6.9
Housing Counseling	61.4	68.2	71.0	2.8
Single Family Housing Programs	825.6	879.1	901.1	22.0
Healthcare Programs	145.5	147.8	145.2	(2.6)
Finance & Budget	231.7	236.4	245.7	9.3
Operations	137.8	131.0	136.5	5.5
Executive Direction	16.1	16.0	16.0	-
GRAND TOTAL	2,839.9	2,833.8	2,921.6	87.8

Program Office Salaries and Expenses – Office of Housing

The following table presents details on the total salaries and expenses (S&E) and full-time equivalents (FTE) for Housing:

TOTAL - SALARIES AND EXPENSES (Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$365,017	\$369,714	\$387,635	\$17,921
Non-Personnel Services				
Travel	3,295	3,235	3,332	97
Transportation of Things	555	600	700	100
Rent/Utilities	2	4	4	-
Printing	35	45	45	-
Other Services/Contracts	3,601	3,210	3,281	72
Training	1,107	1,640	1,644	5
Supplies	427	553	558	6
Non-Personnel Subtotal	9,024	9,286	9,565	279
GRAND TOTAL	\$374,041	\$379,000	\$397,200	\$18,200
Associated FTE	2,839.9	2,833.8	2,921.6	87.8

DESCRIPTION OF CHANGES FROM FY 2015 TO FY 2016

The Office of Housing requests \$397,200K and 2,921.6 Full Time Equivalents (FTE) in fiscal year 2016, an increase from fiscal year 2015 enacted of \$18,200K.

- Personnel Services: The Office of Housing is requesting \$387,635K and 2,921.6 FTE. This request represents an increase from fiscal year 2015 enacted of \$17,921K and 87.8 FTE. Funding is included to fund the pay raise, promotions, and within grade increases. The FTE changes by office are explained below:
 - Multifamily Housing increase of 43.9 FTE – This increase includes FTE for RAD for an estimated 700 new transactions, to support RAD workload functions as part of the Department-wide RAD initiative in 2016, and a decrease in FTE for both Multifamily Asset Management & Portfolio Oversight and Multifamily Production and Processing.

Program Office Salaries and Expenses – Office of Housing

- Single Family Housing increase of 22 FTE – This will allow Housing to implement pilot alternative disposition strategies for the Single Family REO portfolio and changes in Single Family's Quality Assurance framework, and to ensure timely and quality responses to Departmental and FPM requests. The FTE increase is mainly for Single Family Production/Processing and Policy Development functions.
 - Finance & Budget increase of 9.3 FTE – This reflects the fiscal year 2015 enacted level of FTEs and a projected end of year staffing level of 246 employees. These additional FTEs are needed to backfill critical positions that are essential to the Finance & budget normal operations.
 - Risk Management & Regulatory Affairs increase of 6.9 FTE – 4.9 of these will further build risk management capacities. These FTEs in particular will focus on developing the agency's analytical capacity dedicated to commercial credit portfolios and establishing a robust operational risk group. The other 2.0 FTEs are for the Office of Manufactured Housing to administer the new installation and dispute resolution, process the renewals of the State Administrative Agencies (SAA) cooperative agreements and the approved state installation programs, and review third party inspection agency audit findings and follow up with enforcement actions.
 - Operations increase of 5.5 FTE – Operations' target going into fiscal year 2016 is to reduce FTEs by 5 from its fiscal year 2014 staffing level ceiling of 141. In fiscal year 2015 Operations was 10 FTEs below its fiscal year 2014 staffing ceiling, and the Office will be backfilling to reach the 136 FTE target in fiscal year 2016. The additional FTEs requested will be used to build internal capacity to support Housing's continuous improvement and employee engagement efforts.
 - Housing Counseling increase of 2.8 FTE – The Office is being impacted by new requirements that are driving the increase in its resource needs. This increase is requested to assist with the required testing and certification of individual counselors and to work on policy initiatives such as designing and implementing major modifications to the Home Equity Conversion Mortgage (HECM) counseling protocol and program handbook; creating and updating performance impact reports; and working with other HUD programs that have a counseling element to ensure program consistency with OHC and Dodd-Frank requirements.
 - Healthcare decrease of 2.6 FTE
- Non-Personnel Services: The Office of Housing requests \$9,565K. This request represents an increase from the fiscal year 2015 enacted of \$279K.

Program Office Salaries and Expenses – Office of Housing

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**End of Year Staffing
Fiscal Years 2010 through 2016**

	FY 2010 <u>Actual</u>	FY 2011 <u>Actual</u>	FY 2012 <u>Actual</u>	FY 2013 <u>Actual</u>	FY 2014 <u>Actual</u>	FY 2015 <u>Est.</u>	FY 2016 <u>Request</u>	FY 2015 <u>to FY 2016</u>
Multifamily	1,577	1,582	1,526	1,438	1,311	1,314	1,348	34
Other Housing Offices	1,658	1,590	1,570	1,513	1,483	1,579	1,579	0
End of Year, Staffing	3,235	3,172	3,096	2,951	2,794	2,893	2,927	34
FTE Usage	3,221.5	3,220.7	3,137.5	2,961.1	2,839.9	2,833.8	2,921.6	87.8

Multifamily Transformation (Dollars in Thousands)	FY 2014 <u>Actual</u>	FY 2015 <u>Request</u>	FY 2016 <u>Request</u>	FY 2015 Request to FY 2016 Request
MF Buyout	\$2,100	\$1,300	\$2,400	1,100
MF Severance	\$0	\$259	\$1,072	813
Terminal Leave	\$360	\$1,290	\$1,120	(170)
MF Relocation	\$3,056	\$3,840	\$3,960	120
Total Multifamily Transformation	\$5,516	\$6,689	\$8,552	\$1,863

Program Office Salaries and Expenses – Office of Housing

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Healthcare Asset Management and Recapitalization	78.1	\$10,038	78.1	\$10,189	75.5	\$10,017
Healthcare Policy Development	8.3	1,067	8.3	1,083	8.3	1,101
Healthcare Production and Processing	59.1	7,596	61.4	8,011	61.4	8,147
Multifamily Asset Management & Portfolio Oversight	523.5	67,282	904.1	117,960	894.1	118,629
Multifamily Grant Administration	72.5	9,319	-	-	-	-
Multifamily Policy Development	54.8	7,044	33.0	4,300	33.0	4,378
Multifamily Production and Processing	586.2	75,346	303.1	39,544	281.0	37,283
Multifamily Subsidy Administration	134.5	17,288	-	-	-	-
Manufactured Housing	8.8	1,131	9.9	1,292	11.7	1,552
Risk Management	41.5	5,334	47.2	6,158	52.3	6,939
Single Family Asset Management	230.8	29,665	251.7	32,838	255.1	33,847
Single Family Customer Service	43.3	5,565	70.1	9,146	70.1	9,301
Single Family Lender Oversight	174.6	22,442	179.1	23,366	179.1	23,760
Single Family Policy Development	81.5	10,475	94.1	12,277	102.5	13,600
Single Family Production/Processing	295.4	37,969	284.1	37,065	294.3	39,048
Housing Counseling Outreach and Capacity Building	25.6	3,290	26.9	3,510	26.9	3,569
Housing Counseling Policy and Grants Administration	21.8	2,802	25.9	3,379	28.7	3,808
Housing Counseling Program Oversight and Accountability	14.0	1,799	15.4	2,009	15.4	2,043
Finance and Budget	231.7	29,781	236.4	30,842	245.7	32,599
Business Development	59.2	7,609	56.4	7,358	57.3	7,603
Housing Human Capital & Procurement	78.6	10,103	74.6	9,733	79.2	10,508
Executive Direction	16.1	2,069	16.0	2,087	16.0	2,123
Multifamily Recapitalization	-	-	58.0	7,566	134.0	17,779
Total	2,839.9	\$365,017	2,833.8	\$369,714	2,921.6	\$387,635

Program Office Salaries and Expenses – Office of Housing

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# Insured Sec-held Loans - 232 (I)	2,995	3,145	3,302	157
# of Application Received (D)	453	476	499	23
# Active Projects (Mgmt) (I)	25,098	26,353	27,671	1,318
# Open Grants	1,527	1,603	1,684	81
# MAP Application Processed (I)	463	486	510	24
# HUD-Admin Sec 8 Contracts (I)	6,560	6,888	7,232	344
# Technical Reviews	356	374	392	18
# M&M Contracts Monitored	50	53	55	2
# Inquiries Registered	93,877	98,571	103,499	4,928
# On-Site Lender Reviews (D)	298	313	329	16
# FHA Application Received	1,137,644	1,194,526	1,254,253	59,727
# PETRs Conducted (D)	29,432	30,904	32,449	1,545
# Housing Counseling Agencies (I)	2,353	2,471	2,594	123
# Performance Review Letters (D)	234	246	258	12
# Claims Processed (Mortgages)	595,270	625,034	656,285	31,251
# Systems Managed	6	6	6	-
# Contracts Administered	1,065	1,118	1,174	56

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

FHA Transformation: The goal of this initiative is to develop and maintain a modern financial services Information Technology (IT) environment to better manage and mitigate risk across all of FHA's Mortgage Insurance Programs. It enables risk detection and fraud prevention by capturing critical data points at the front-end of the loan life cycle, and leverages a set of risk and fraud tools, rules-based technology, and transactional controls to minimize exposure to FHA's Insurance Funds. It provides decision-makers with higher quality data and lower data latency to facilitate enhanced business analytics and informed decision-making. This will enable FHA's leadership to analyze portfolio trends and patterns across the lending community and will help with the identification of fraudulent lenders, reducing risk to the FHA portfolio.

FHA Transformation Initiative will soon begin the careful process of migrating relevant portions of Housing's legacy applications into a modern financial service automated environment and will bring a new level of intelligent rules-based activities such as automated risk

Program Office Salaries and Expenses – Office of Housing

analysis and lender targeting according to a risk scoring framework. The federal Financial Services Platform will be leveraged across other lines of business in the Housing program by migrating off the 30-year old Computerized Home Underwriting Management System (CHUMS). This will decrease the CHUMS footprint and therefore reduce operations & maintenance costs over the long term. The FHA Transformation Initiative will enable FHA to better recognize risk and fraud trends in borrower attributes, collateral attributes, and appraisal valuation accuracy during the transaction process, to help identify cases that may be detrimental to the Mutual Mortgage Insurance fund.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF POLICY DEVELOPMENT AND RESEARCH**

Program Area Overview:

The Office of Policy Development and Research (PD&R) supports the Department's efforts to help create cohesive, economically healthy communities. PD&R is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on priority housing and community development issues. PD&R's research, surveys and policy analyses inform all aspects of HUD programs providing a comprehensive and historical understanding of past program performance, as well as objective data for policymakers and stakeholders to make informed decisions.

In addition to the Office of the Assistant Secretary and supporting divisions of budget/procurement planning and administration, there are five program offices within PD&R. A description of each office follows:

- The Office of Economic Affairs (OEA) provides economic information and analyses and policy recommendations to the Secretary, Deputy Secretary, Assistant Secretaries, and the principal staff within the Department. The Office analyzes the economic impact of Departmental and other federal regulatory and legislative proposals, directs the \$41.5 million program of surveys of national housing conditions, analyzes private sector data on mortgage markets, supports Federal Housing Administration (FHA) operations, develops program operating parameters for HUD rental assistance programs and government programs and provides data on the socioeconomic conditions of cities.
- The Office of Research Evaluation and Monitoring (OREM) conducts HUD research, evaluation, and monitoring efforts for a wide variety of HUD programs and activities. Current open research contracts are estimated at \$67.1 million, and open research grants are estimated at \$3.1 million. Staff in OREM also conduct in-house research, programming and geospatial analysis.
- The Office of Policy Development (PD&R) drawing on its research and extensive program knowledge, advises the Secretary, the Deputy Secretary, and principal staff on program policy issues arising from the formulation of legislative and budget proposals, from regulatory responsibilities, and from other proposed major actions of the Department.
- The Office of University Partnerships (OUP) administers the Research Partnerships initiative, where cooperative agreements are awarded for research that informs important policy and program objectives of HUD that are not otherwise being addressed and that focus on one of HUD's research priorities. Cost sharing is required and must come from a philanthropic entity, other federal agency, or state or local government agency, or any combination of these partners. The Office also coordinates PD&R's data licensing process that researchers may use to obtain HUD data, where appropriate. OUP continues

Program Office Salaries and Expenses-Office of Policy Development and Research

to close out and administer the remaining University Partnership grants awarded to colleges and universities engaged in community and economic revitalization activities.

- The Office of International and Philanthropic Innovation (OIPi) engages the international and philanthropic sectors to harness best available evidence, innovations, and lessons in sustainable development and revitalization to increase mutual learning opportunities and long-term community-building. OIPi's role as a portal for the international community and philanthropic sector makes the office a broker for new ideas and evidence-based practices. The purpose of this work is to inform domestic policies and programs.
- In fiscal year 2012, the President established the White House Council on Strong Cities, Strong Communities (SC2), housed at HUD. With PD&R's extensive involvement and leadership in the development of SC2, the Secretary selected PD&R as the lead office to provide oversight and support for this new White House Council. Existing policy development and dissemination staff in PD&R will continue to play an integral and essential role in the continued development of high priority SC2 initiatives, such as the SC2 National Resource Network, Fellowship program, and Community Solutions Teams.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$19,734	\$21,434	\$22,625	\$1,191
Non-Personnel Services				
Travel	247	284	250	(34)
Transportation of Things	19	-	-	-
Printing	94	104	120	16
Other Services/Contracts	707	713	718	5
Training	124	150	160	10
Supplies	18	15	27	12
Furniture/Equipment	40	-	-	-
Non-Personnel Subtotal	1,249	1,266	1,275	9
GRAND TOTAL	\$20,983	\$22,700	\$23,900	\$1,200
Associated FTE	137.4	152.1	158.5	6.4

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

PD&R requests \$23,900K and 158.5 FTE in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$1,200K and 6.4 FTE. A nominal increase in funding is included to fund the pay raise, promotions and within grade increases.

- Personnel Services: PD&R requests \$22,625K and 158.5 FTE, an increase from fiscal year 2015 enacted of \$1,191K and 6.4 FTE.
 - Additional FTE are required to support additional responsibilities including Transformation Initiative (TI) research and demonstrations, Strong Cities Strong Communities (SC2), Affirmatively Furthering Fair Housing (AFFH) research, international and philanthropic innovations initiatives and data analysis functions. There will be an increase in staff performing in-house research and analysis. PD&R also seeks to increase its capacity in the housing finance area to support FHA and the Secretary. In addition, PD&R seeks to return HUD to a prominent role in housing technology in three areas: 1) promoting basic research; 2) partnering with DOE, EPA, DHS, and National Institute for Standards and Technology (NIST) to ensure technological innovations is widely disseminated; and 3) ensuring popular PD&R technology publications are updated and current.
- Non-Personnel Services: PD&R is requesting \$1,275K. This request represents an increase from fiscal year 2015 enacted of \$9K.
 - Travel decrease of \$34K.
 - Printing increase of \$16K is due to a projected increase in research reports expected to be published in fiscal year 2016.
 - Other Services/Contracts increase of \$5K to fund additional HUD library services and temporary services contracts, conference registration fees and other related costs.
 - Training increase of \$10K to expand grants management training, contract management (COTR) training and other training for staff to gain proficiency in the performance of their work. Other courses include management training and technical courses for PD&R's economists.
 - Supplies increase of \$12K is due to the need for supplies for new employees.

PD&R's core operation is the provision to the Department of policy development, research and program evaluation. A majority of PD&R's work is considered as fixed operating costs due to the extensive work performed on behalf of the Department, for other HUD program offices and other Federal Agencies.

Program Office Salaries and Expenses-Office of Policy Development and Research

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Provide Local Housing Market Intelligence	39	\$5,601	40	\$5,649	41	\$5,897
Data Collection and Analysis	17	\$2,370	20	\$2,818	20	\$2,913
Research and Program Evaluation	34	\$4,912	34	\$4,790	38	\$5,426
Regulatory Review and Analysis	5	\$715	7	\$986	5	\$714
Outreach and Policy Dissemination	23	\$3,335	24	\$3,387	26	\$3,720
Policy Development/Coordination	12	\$1,752	20	\$2,818	19	\$2,713
Management and Operations	7	\$1,020	6	\$845	8	\$1,099
Disaster Management	0.2	\$29	1	\$141	1	\$143
Total	137.4	\$19,734	152.1	\$21,434	158.5	\$22,625

PD&R has eight functional areas shown on the table above. There are two functions that account for half of the FTE in PD&R:

1. Provide Local Housing Market Intelligence, which is measured by the number of Comprehensive Housing Market Analyses conducted by PD&R's field economists. This work provides critical economic intelligence and advice to program and management officials and outside clients.
2. Research and Program Evaluation, which is measured by the number of research grants and contracts awarded and the in-house research completed. This work results in the research reports, program evaluations, economic analyses and other information that PD&R employees complete through their extensive monitoring and oversight of research projects.

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# of Comprehensive Housing Market Analysis Reports	80	106	116	10
# of Grants & Contracts Awarded	58	70	76	6

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

PD&R requires IT operations and maintenance support for the following:

- The Policy and Research Information Server (PARIS) project which provides PD&R with contractor support for internal and external housing research and quick turnaround response to requests for program information from program offices, HUD administrators, and Congress.
- The Enterprise Geospatial Services (EGIS) investment implements HUD's effort to develop and deploy geospatial technology in a coordinated way across HUD. Included in this investment are three projects: the Geocoding Service Center (GSC) which geocodes over 100 million addresses annually, the "eGIS" enterprise geographic information systems technical platform, which provides geospatial data and tools to the entire agency, and the EGIS Program that provides governance, shapes policy and prioritizes geospatial investment across the enterprise. As such, EGIS provides geospatial data, mapping services and technical support as an enterprise service across the Department.
- PD&R is supporting the Enterprise Master Data Management project by providing project management and subject matter expertise. While PD&R is not requesting any IT funding directly, PD&R resources both staff and contractors are being used to ensure the development of this system progresses on schedule.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY**

Program Area Overview:

The Office of Fair Housing and Equal Opportunity's (FHEO) mission is "To eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the nation in the enforcement, administration, development, and public understanding of federal fair housing policies and laws." FHEO's cardinal mission, therefore, is to create equal housing opportunities for all persons living in America by administering laws that prohibit housing discrimination on the basis of race, color, religion, sex, national origin, age, disability, and familial status.

FHEO is the lead office for ensuring that the Department and recipients of HUD funding comply with their duty to affirmatively further fair housing, with a proposed new rule and the development of training and technical assistance content underway. This responsibility affects almost every program in the Department. Preparing for, and implementing, the new final rule, involves primarily the Offices of Fair Housing and Equal Opportunity, Public and Indian Housing and Community Planning and Development and will create significant additional levels of work. In addition to enforcement of federal housing civil rights laws, FHEO staff manages more than 8,500 complaint investigations through the Fair Housing Assistance Program (FHAP). This program funds approximately 90 state and local government Fair Housing Act enforcement agencies. FHEO administers and oversees the Fair Housing Initiatives Program (FHIP) funding more than 200 private fair housing groups and non-profits nationally through a grant award process. Furthermore, FHEO also enforces Section 3 of the Housing and Urban Development Act of 1968 and provides oversight and technical assistance to local housing authorities and community development agencies to ensure that HUD investments result in economic opportunities for low income individuals, public housing residents, and the businesses that employ them. The Section 3 policy is also identified in the 2014 Strategic Plan as a policy priority.

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

TOTAL - SALARIES AND EXPENSES (Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$66,883	\$66,521	\$79,457	\$12,936
Non-Personnel Services				
Travel	762	787	831	44
Rent/Utilities	0	2	2	0
Printing	17	10	10	0
Other Services/Contracts	425	510	590	80
Training	127	150	190	40
Supplies	22	20	20	0
Non-Personnel Subtotal	1,353	1,479	1,643	164
GRAND TOTAL	\$68,236	\$68,000	\$81,100	\$13,100
Associated FTE	527.2	515.8	607.9	92.1

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

FHEO requests \$81,100K in fiscal year 2016, an increase from fiscal year 2015 enacted of \$13,100K.

Personnel Services: FHEO requests \$79,457K and 607.9 Full-Time Equivalents (FTE) in fiscal year 2016, an increase from fiscal year 2015 enacted of \$12,936K and 92.1 FTE. The increase in funding will support additional hiring, the pay raise, promotions and within grade increases. The increased FTE will:

- Implement the Affirmatively Furthering Fair Housing Rule (AFFH). The increase of 38 FTE will ensure the rule is effective at achieving a fair housing outcome by supporting our partners who must comply with the regulation on the ground. These FTE will do the following:
 - Provide up front guidance and training. In order to provide program participants with the data, resources, information, and support needed to succeed in this exercise, HUD plans to provide extensive guidance and training to all program participants and direct Technical Assistance (TA) where needed. Development of guidance and training materials will begin in fiscal year 2015, but will need to be completed and delivered in fiscal year 2016 and beyond.

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

- Review Assessments of Fair Housing (AFH) submissions and provide technical assistance to approximately 1,245 Community Planning and Development (CPD) jurisdictions, over 3,000 Public Housing Agencies (PHAs) review. In fiscal year 2016, FHEO estimates it will review an estimated 127 AFHs from CPD grantees in fiscal year 2016 and approximately 200 AFHs from PHAs.
 - Provide TA in order to ensure that CPD jurisdictions and PHAs are in the best position to submit a successful AFH; FHEO expects to provide significant TA to these recipients. TA will need to be provided to an estimated 83 CPD grantees and 200 PHAs in fiscal year 2016, who will submit in fiscal year 2017.
 - Review Consolidated Plans and PHA Annual Action Plans to evaluate application of AFH and progress on fair housing goals. Program participants will submit action plans 7.5 months after their AFH submissions. These action plans will address the goals identified in the AFHs. The action plans will be incorporated into Consolidated Plans (for CPD grantees) and 5-year PHA Plans (for PHAs) and will need a substantive fair housing review under the standards established in the AFFH regulation.
 - Evaluate the implementation of the AFFH rule and propose modifications to streamline or standardize the review process.
- Support the Department in carrying out its obligation to conduct the civil rights reviews of Rental Assistance Demonstration (RAD): Four new FTE. FHEO's civil rights reviews of RAD conversions consists of performing a range of activities throughout the conversion process including site and neighborhood, PHA Plan, threshold, accessibility and relocation reviews as well as Affirmative Fair Housing Marketing Plan (AFHMP) review and approvals. This staffing level also provides additional staff to conduct compliance reviews in order to ensure that Housing Authorities seeking to convert units under RAD are in compliance with applicable civil rights laws, as was needed in the RAD conversion of the Laurel Housing Authority.
- Provide timely and complete investigations of complaints filed under the Fair Housing Act, Title VI, Section 504 and the ADA: 16.4 new FTE. These FTE dedicated to investigations would allow FHEO to complete an additional 300 Title VIII investigations and 120 investigations under concurrent authorities. This will allow us to reduce backlog and increase our responsiveness to the public.
- Monitoring of CPD, PIH, and Housing grantees for compliance with civil rights laws: 33.7 new FTE. Staff will also be used to resolve outstanding compliance reviews, which should lead to a substantial increase in the number of completed compliance reviews for fiscal year 2016.

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Compliance and Monitoring	122.7	\$15,566	122.5	\$15,798	195.8	\$25,587
Investigations	261.6	\$33,188	251.7	\$32,461	268.1	\$35,044
Immediate Office of AS and Policy Oversight	43.4	\$5,506	43.4	\$5,597	42.1	\$5,508
Policy Development and Review	24.7	\$3,134	23.3	\$3,005	27.6	\$3,607
Education and Outreach	16.9	\$2,144	16.9	\$2,180	16.9	\$2,209
Fair Housing Initiatives Program (FHIP)	25.5	\$3,235	25.5	\$3,289	25.5	\$3,333
Fair Housing Assistance Program (FHAP)	32.4	\$4,110	32.5	\$4,191	31.9	\$4,169
Total	527.2	\$66,883	515.8	\$66,521	607.9	\$79,457

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Number of FHEO Field Title VIII Complaints Processed	1,490	1,520	1,820	300
Number of FHEO Field Compliance Reviews	21	59	139	80
Number of Public Housing Agencies managed and 202/811 Reviews conducted	4,384	4,404	4,307	(97)
Number of CPD Grantees managed	1,228	1,221	1,245	24
Number of FHEO Field Concurrent Jurisdiction Investigations	1,253	1,328	1,448	120

- FHEO Field Title VIII Complaints Processed is increasing almost 20 percent from fiscal year 2015 due to a growing backlog of Title VIII investigations, which is prompting a request for additional staff and efforts to streamline our investigative process. We anticipate that by fiscal year 2016 we will see the results of these efforts, which should result in increased case closures and a reduction of this backlog.

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

- FHEO Field Compliance Reviews is increasing more than 135 percent from fiscal year 2015 due to FHEO's redesign of compliance efforts as part of the new AFFH rule. FHEO intends to expand our current Compliance Review efforts, streamline the compliance process to reduce the effort per review, and also resolve outstanding compliance reviews, which should lead to a substantial increase in the number of completed compliance reviews for fiscal year 2016.
- Monitoring of PIH and Housing Programs will have a 2 percent reduction in fiscal year 2016 as a result of fewer 202/811-related documents requiring review by FHEO.
- FHEO Field Concurrent Jurisdiction Investigations workload is increasing by 9 percent from fiscal year 2015; therefore, additional staff is needed to support this activity.

Non-Personnel Services: An increase of \$164K is based on the following:

- Increase in Travel by \$44K - to support increase in compliance, monitoring, and AFFH activities. Travel will also support technical assistance, training, and guidance as well as the conducting of the civil rights reviews of the RAD conversions including performing site and neighborhood, PHA plan, threshold, and accessibility and relocation reviews.
- Increase in Other Services by \$80K – for contracts related to developing internal training material for AFFH activities and an Architectural Expert Indefinite Delivery Indefinite Quantity (IDIQ) contract which will eliminate ad hoc funding for expert services.
- Increase in Training by \$40K – as FHEO grows, increased training will ensure that best practice concepts and state-of-the-art technology are used to maintain a highly skilled workforce and accomplish FHEO's mission.

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

Section 3 Summary Reporting System

The Section 3 Summary Reporting System is the vehicle by which 8,600 agencies that receive covered HUD assistance submit annual reports demonstrating their compliance with the regulatory requirements of Section 3 at 24 CFR Part 135. Data entered into this system is used by FHEO to report outcomes for Strategic Plan Goals, produce reports for Congress, and conduct enforcement activities. Further, in 2016 FHEO will be publishing a new Section 3 regulation which will result in the need for substantive revisions to the existing Section 3 Summary Reporting System to ensure that it is consistent with the new regulatory requirements.

AFFH User Interface Tool

The AFFH Tool will provide a means to properly plan how to affirmatively further fair housing by local governments and States that receive Community Development Block Grant (CDBG) funding, HOME Investment Partnership (HOME) funding, Emergency Solutions Grants (ESG), and funding through Housing Opportunities for Persons With AIDS (HOPWA), as well as public housing agencies (PHAs). To better facilitate this obligation, as well as address issues raised by the Government Accountability Office. HUD proposes an improved structure and process whereby HUD would provide the above program participants with guidance, data, and an assessment template from which they would complete an assessment of fair housing (the AFH). This assessment would link to Consolidated Plans, PHA Plans, and Capital Fund Plans to prevent duplication and lessen the workload.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES**

Program Area Overview:

The Office of Lead Hazard Control and Healthy Homes (OLHCHH) has primary responsibility for the lead-based paint and healthy homes activities of the Department and is directly responsible for the administration of the Lead-Based Paint Hazard Reduction program authorized by Title X of the Housing and Community Development Act of 1992. Unlike housing rehabilitation programs, which focus on renovations without health and safety as a primary concern, the lead hazard control and healthy homes programs are intentionally focused on making homes safer for children and families to live in using established assessment methods that result in proven cost-savings. This funding will provide improvements in the health and safety of individuals and families by making smart investments that will yield positive health outcomes and has the potential to drastically and permanently change the way housing, energy, and health concerns are addressed in cities across our nation. By targeting housing improvements early and in communities most likely at risk, this funding will prevent injuries and illnesses, reduce associated health care and social services costs, reduce absence rates for children, reduce stress, and help improve quality of life. As evidence, the OLHCHH's lead hazard control grant programs have enabled communities to identify and control lead-based paint hazards in privately-owned rental and owner-occupied housing through effective collaboration with local health, housing, and community-based organizations and stimulated leveraging of additional private-sector funding.

Program Office Salaries Expenses – Lead Hazard Control and Healthy Homes

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$6,850	\$6,446	\$7,574	\$1,128
Non-Personnel Services				
Travel	162	170	162	(8)
Printing	6	21	11	(10)
Other Services/Contracts	-	8	8	-
Training	34	47	37	(10)
Supplies	9	8	8	-
Non-Personnel Subtotal	211	254	226	(28)
GRAND TOTAL	\$7,061	\$6,700	\$7,800	\$1,100
Associated FTE	50.9	46.3	53.6	7.4

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

The Office of Lead Hazard Control and Healthy Homes (OLHCHH) requests \$7,800K and 53.6 FTE in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$1,100K.

- Personnel Services: OLHCHH is requesting \$7,574K and 53.6 FTE. This request represents an increase from fiscal year 2015 enacted of \$1,128K and 7.4 FTE. The increase of 7.4 FTE in fiscal year 2016 is to backfill the loss of 7.4 FTE from fiscal year 2014 that OLHCHH will be unable to replace through the end of fiscal year 2015. These FTE are directly responsible for the daily monitoring of Lead Hazard Reduction and Lead Hazard Demonstration grants. The request also includes a nominal amount of funding for the pay raise, promotions and within grade increases.
- Non-Personnel Services: OLHCHH is requesting \$226K. This request represents a decrease from fiscal year 2015 enacted of \$28K, attributable to efficiencies in training (\$10K), a decrease in printing (\$10K), and reduced travel (\$8K).

Program Office Salaries Expenses – Lead Hazard Control and Healthy Homes

	Personnel Services Functional Summary					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
Function	FTE	Cost	FTE	Cost	FTE	Cost
Grants Management	26	\$3,499	21	\$2,856	26	\$3,685
Policies and Standards	8	\$1,035	9	\$1,194	9	\$1,220
Enforcement	7	\$875	7	\$906	7	\$918
Education and Public Outreach	5	\$606	5	\$627	5	\$635
Business Operations & Management	5	\$700	5	\$724	6	\$904
Contract Management	1	\$135	1	\$139	2	\$212
Total	50.9	\$6,850	46.3	\$6,446	53.6	\$7,574

KEY WORKLOAD INDICATORS				
Workload Indicator	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
# of Active Grants (Director Monitoring, Evaluation)	150	110	150	40
# of Grants Monitored and Evaluated by Grant Officers	275	212	273	61
# of Grants Monitored for Reg Mgmt/ Tech Support by Government Technical Representatives	275	212	273	61
# of Grants Monitored and Evaluated by Field staff	275	214	273	59

Program Office Salaries Expenses – Lead Hazard Control and Healthy Homes

Key Workload Items

OLHCHH's annual Program funding and number of grant award recipients have remained constant over the last three fiscal years while Salaries and Expenses (S&E) funding has sustained significant reductions. These cuts have required the Department to transfer additional funding to maintain existing staff levels and has not allowed for backfilling in response to the loss of Grants Management staff. Due to the reduction in S&E funding in fiscal years 2014 and 2015, there is also a decrease in Grantee Monitoring Function. There is a direct correlation between a reduction in S&E funding/FTE and the amount of Grantee monitoring that can be performed. Note the following impacts on grantee monitoring functions:

- In fiscal year 2014, insufficient S&E funding was appropriated to support the existing staff level (53 FTE). With the loss of seven staff in fiscal year 2014 and an interdepartmental transfer of \$150,000, the Office was able to function within budget with remaining staff. This has left the office with a 20 percent reduction in FTEs to support its primary function of Grants Management.
- The workload indicators identified in the "Key Workload" table above are all from the Grants Management function and represent direct monitoring and evaluation of existing grantees. With another significant reduction in S&E funding in fiscal year 2015, not all of our existing grantees will be able to receive specialized monitoring and evaluations.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL**

Program Area Overview

The mission of the Office of Inspector General (OIG) is to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD) by conducting independent audits, evaluations, and investigations. The work performed by our auditors, evaluators and investigators provides a means to keep the Secretary and the Congress fully and currently informed about the Department's problems and deficiencies while also identifying best practices. After identifying problems and deficiencies, we make recommendations to improve operations and follow-up with departmental officials on corrective actions. We are committed to reducing fraud at the outset or at least halt it at the earliest opportunity. Protecting taxpayer dollars is one of the Inspector General's highest priorities, and we actively pursue financial fraud schemes that can have a significant economic impact often at the expense of the American taxpayer.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$92,720	\$94,400	\$99,066	\$4,666
Non-Personnel Services				
Travel	3,529	4,844	4,238	(606)
Transportation of Things	32	50	100	50
Rent/Utilities	9,112	8,815	8,707	(108)
Printing	22	47	50	3
Other Services/Contracts	16,206	13,130	14,496	1,366
Training	696	1,579	1,106	(473)
Supplies	439	2,427	330	(2,097)
Furniture/Equipment	1,322	594	757	163
Claims & Indemnities	6	114	150	36
Non-Personnel Services Subtotal	31,364	31,600	29,934	(1,666)
GRAND TOTAL	\$124,084	\$126,000	\$129,000	\$3,000
Associated FTE	602.8	637.0	643.0	6.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

Office of Inspector General (OIG) requests \$129,000K and 643.0 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$3,000K.

- Personnel Services: OIG is requesting \$99,066K and 643.0 FTE. This request represents an increase from fiscal year 2015 enacted of \$4,666K and 6.0 FTE. Funding is included to fund the pay raise, promotions, increased benefit costs, and within grade increases.
 - These FTE will be allocated mostly to work on current initiatives within the Office of Evaluations (5.0 FTE). The additional 1.0 FTE will be used in expanding and creating a more robust whistleblower protection initiative within the IG.
- Non-Personnel Services: OIG is requesting \$29,934K, with an overall decrease from fiscal year 2015 enacted of \$1,666K.

Office of Inspector General

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, as amended, the OIG budget request for 2016 includes:

- \$1,106K for training. As a result of our investment in information technology including web-based and on-line training solutions, we anticipate a decrease in the average training cost per FTE and still satisfy all training requirements for our cadre of auditors, evaluators and investigators.
- \$348K for the Council of the Inspector General on Integrity and Efficiency (CIGIE). This funding will specifically support coordinated government-wide activities that identify and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste and abuse.

Organizational Structure

OIG is comprised of five organizational elements.

Office of Audit: The Office of Audit (OA) is responsible for conducting audits to identify, evaluate, and report on the Department's activities and programs so corrective actions can be taken, and future problems can be prevented. Auditors assigned to Headquarters and to seven Regional offices initiate audits based on information obtained from program officials, program research, complaints, congressional requests and risk assessments. OA Headquarters is comprised of the Financial Audit Division, Information Systems Audit Division, Technical Oversight and Planning Division and the Joint Civil fraud Division. The OIG conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include:

- Financial audits (consisting of the HUD Consolidated financial statement including the audit of FHA (\$1.2 trillion mortgage insurance program) and Ginnie Mae (\$1.5 trillion in mortgage backed securities) which determine whether financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed. Because of the critical impact these agencies have to the financial stability of the economy the OIG began performing FHA's and Ginnie Mae's financial audits in house in 2014.
- Information system audits which determine, among other things, the adequacy of general and application controls, whether security over information resources is adequate and in compliance with system development requirements.
- Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.
- Joint civil fraud reviews identify fraud against HUD and make referrals for civil actions and administrative sanctions. In addition, the Joint Civil Fraud Division provides case support to the Department of Justice, Civil Division, United States Attorney's Offices nationwide, and HUD's Office of General Counsel to investigate and bring civil fraud and administrative cases.

Office of Evaluation: The Office of Evaluation (OE) is responsible for performing evaluations to determine the efficiency, effectiveness, impact, and / or sustainability of Department operations, programs, or policies in a timely, credible, and constructive manner for agency managers, policymakers, and others. OE will comprise of teams of individuals with specialized skills in information technology and security, accounting, research, and social sciences. Timelier than an audit, evaluations are designed not to be overly prescriptive, but are performed in accordance with Federal standards while maintaining flexibility. The use of multidisciplinary teams, a risk-based approach to prioritize work, and multiple methods for gathering and analyzing data provide a flexible and effective process to produce impartial, reliable, and credible products, responsive to the needs of Congress and the Department.

Office of Investigation: The Office of Investigation (OI) is responsible for the development and implementation of the OIG's investigative activities and comprised of criminal investigators, investigative analysts and administrative personnel. OI initiates and conducts investigations of possible violations of laws and / or regulations relating to the administration of HUD programs and HUD funded activities, as well as employee misconduct investigations. Having generated significant criminal investigations relating to HUD program fraud, OI continues to investigate fraud involving the origination of FHA mortgages, as well as multifamily equity skimming schemes at the housing developments receiving HUD subsidized rental assistance for tenants.

OI also works to reduce fraud, waste, and abuse in the Public and Indian Housing arena, with a focus on Public Housing Authorities (PHAs). This work includes rooting out PHA public corruption, identifying management / administration deficiencies, contract fraud, embezzlement, bribery, conflicts of interests, and investigating significant rental assistance fraud. Public corruption in the management of Community, Planning and Development (CPD) grant programs, generally administered through state and local entities, both governmental and non-governmental, continues to be a top priority. In the wake of devastating disasters, such as Hurricanes Katrina and Sandy, a large amount of grant funds and emergency financial assistance continue to be distributed to the affected communities which make them susceptible to fraud. OI dedicates significant resources to prevent, deter, and investigate evolving disaster fraud schemes.

OIG is comprised of seven Regional field offices, the Headquarters Operations Division and the Special Investigations Division.

Office of Management and Technology: The Office of Management and Technology oversees the use of information technology, human resources, training, budget, financial and general administrative support services provided to the OIG staff. The Office has the following divisions:

- Budget and Financial Management;
- Resource Management;
- Human Capital Management;
- Contracts and Procurement;
- Public Relations;
- Infrastructure Services;

Office of Inspector General

- Information Management; and
- Data and Predictive Analytics.

Office of Legal Counsel: The Office of Legal Counsel to the Inspector General responsibilities include but are not limited to the following:

- Providing oral or written legal opinions and guidance to the OIG on all matters affecting OIG operations, its structure, authority, and prerogatives, HUD programs and activities, and legal advice on fiscal law, public contracting, and other civil law issues.
- Drafting proposed legislation, regulations, and policies plus reviewing/commenting on existing and proposed legislation, regulations and program requirements.
- Representing the OIG in judicial, administrative, and other forums, handling and processing all claims made against HUD OIG under the Federal Torts Claims Act, including litigation of personnel cases before the Merit Systems Protection Board, and advising on personnel related matters while coordinating with Human Resources.
- Coordinating with the Department of Justice and U.S. Attorneys Offices in identifying developing and bringing civil actions to recover money fraudulently obtained by participants in various HUD programs.
- Reviewing and approving for issuance IG administrative subpoenas for use by all components of HUD OIG.
- Providing training on Continuing Legal Education, civil law matters and in other areas as needed or requested.
- Reviewing for legal sufficiency all potential cases to be pursued under the False Claims Act or the Program Fraud Civil Recovery Act.
- Assisting in matters of complex or contentious issues, including identifying individuals and entities for potential suspension and debarment.
- Providing all services related to ethics, conflicts of interest, Hatch Act and other related subjects to OIG staff.
- Providing assistance to Special Agents on criminal law constitutional protection requirements and OIG investigative procedures.

Collectively, OIG is driven by a keen sense of mission and is dedicated to providing products and services that ultimately address weaknesses in HUD operations while identifying best practices. OIG faces a growing need for mission-critical resources and focuses these resources on various competing demands in high-risk areas. OIG is transitioning to target cross-cutting or Department-wide issues and will concentrate on the most serious management and performance program challenges and is committed addressing “major challenges” facing the department by being a relevant and problem solving advisor to HUD, stakeholders, and Congress.

In fiscal year 2016, our priorities include the following:

- **Joint Civil Fraud:** Continuing our joint civil fraud collaborative efforts is an imperative. At the request of the HUD Secretary, the Inspector General (IG) is committed to performing civil fraud underwriting investigations with the Department of Justice and several U.S. Attorneys’ Offices at 10 of the largest FHA lenders beginning in early 2012. While the initial investigations are expected to be completed in fiscal year 2015, the civil work being performed with the U.S. Department of Justice continues to increase each year due to the success of reviews/investigations of the largest FHA lenders nationwide. In fiscal year 2014, the

Department of Justice requested the OIG assist in the review of an additional 13 of FHA's lenders, in conjunction with additional U.S. Attorney's Offices nationwide. Our current work has returned approximately one billion dollars to the FHA and we expect this effort and results to continue. Additional FTE are needed to continue these underwriting investigations, handle the current workload, handle the increasing workload from qui tam filings in a timely manner, and allow us to expand further to other HUD programs.

- **Office of Evaluations:** In order to advance our efforts we need to develop program evaluators and analysts with specialized skills within the Office of Evaluation. Previous workforce and succession planning efforts have identified a general need to recruit personnel from more diverse disciplines and backgrounds, as well as the need to refocus our capabilities toward a more technological, risk-based environment that focuses on areas such as procurement, data management, organizational development, statistical analysis, environmental science, economics, human resource management, process engineering, and information technology. With incidents of computer crime and insider threats on the rise, we need to devote and develop staff with skill and experience in criminal network intrusion, also known as computer hacking. Computer crimes can have potentially devastating effects on the HUD's electronic systems, public responsibilities, critical infrastructure and as well as critical financial disbursement functions, especially as they relate to FHA and Ginnie Mae. We will need to recruit, develop, and retain resources with skills in this highly specialized area in addition to other critical core competencies to fully develop the Office of Evaluation to better meet the needs of the Congress and senior HUD officials to quickly evaluate HUD programs.
- **Whistleblower Protection:** Whistleblowers are an invaluable resource for the oversight of government operations and protection of whistleblowers is a key responsibility for any OIG. Evidence suggests that increasing the educational function of the Whistleblower Ombudsmen and making advocacy for whistleblowers a priority increases the number of complaints and may result in more high quality leads. Increased capacity is necessary for the intake and triage of complaints, tracking complaints, and investigating complaints to decrease cycle time and provide more resources to higher profile cases that result from Whistleblowers and more often require quick resolution.

In the current constrained fiscal environment and given the limited opportunities for growth in the number of new positions, we have emphasized the need for a dynamic and responsive organization. There is an ever-changing need for various skills to evaluate HUD's myriad of programs that span areas such as strengthening the housing market to bolster the economy and protect consumers; meeting the need for quality affordable rental homes; utilizing housing as a platform for improving quality of life; building inclusive and sustainable communities free from discrimination, and transforming the way HUD does business to include addressing weaknesses in financial management and information security. This has challenged the talents and skills of our existing workforce. In fiscal year 2014, we applied for and received Voluntary Early Retirement Authority (early-outs) and Voluntary Separation Incentive Payments (buyouts). We used early-outs and buyouts to achieve a more optimal skill mix in the face of changing priorities and a changing workforce. Increasingly, our employees are required to attain or possess specialized skills, abilities, and experiences in addition to the traditional audit and investigative knowledge and backgrounds. Our audit and investigative programs now require subject matter expertise in mortgage backed securities, financial and economic analysis, predictive analytics, change management, systems auditing, information

security, and the ability to respond to cybercrimes within HUD's programs as well as expertise in contract, procurement, and grants management.

Our decision to use early-out and buyout programs was based on specific workforce planning needs, and it was critical to achieving our strategic human capital objectives. Previous workforce planning efforts identified skills and functions to be reduced or eliminated, as well as identified new skills to complement our existing workforce. Ongoing workforce planning efforts continue to identify skill imbalances and opportunities to reshape and realign our workforce to achieve mission results with greater economy, efficiency, and effectiveness. We will establish an active talent management program to attract and retain quality personnel with skills and abilities that fit our strategic goals. We will continue to reduce, shift, or realign functions to meet the demands of the changing workforce. However, we must also take more immediate and necessary steps to be able to recruit and retain skilled and competent workers to obtain and maintain a workforce with the appropriate mix of skills.

In fiscal years 2012-2015, we took steps to actively and strategically reshape our workforce in order to produce timely, impactful, and quality work products. The OIG will continue to take steps to assess and, as appropriate, restructure, retain, and resize our workforce to achieve our mission as effectively and efficiently as possible, redeploying and, if necessary, reducing personnel resources from low-priorities and using our supplemental funding to expand our oversight of relief efforts related to Hurricane Sandy.

Appendix I: Fiscal years 2011, 2012, 2013 and 2014 Major Accomplishments -- Office of Audit

Audit Activities	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
External Audit Reports Issued	154	133	134	109
Internal Audits Issued	38	31	45	39
Civil Fraud Actions	64	68	65	86
Impact of Audit Activities:				
Civil Fraud Settlements & Court Ordered Judgments*	\$1,705,000	\$810,403,031	\$975,904	\$338,121,250
Ineligible and Questioned Costs	\$193,265,502	\$1,334,803,897	\$945,857,211	\$1,282,183,762
Recommendations That Funds Be Put To Better Use	\$845,883,869	\$3,291,053,596	\$1,189,494,561	\$1,969,800,488
Total Monetary Impact	\$1,039,149,371	\$4,625,857,493	\$2,135,351,772	\$3,251,984,250
Internal and External Recommendations Results:				
Internal Audit Recommendations Made	211	178	264	311
Internal Audit Recommendations Resolved	202	206	231	193
External Audit Recommendations Made	851	775	546	698
External Audit Recommendations Resolved	687	772	690	465

Appendix II: Fiscal years 2011, 2012, 2013 and 2014 Major Accomplishments -- Office of Investigation

Investigative Activities	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
Cases Opened	1,240	761	619	549
Cases Closed	1,103	1,790	790	669
Arrests	1,412	614	431	333
Indictments/Information	1,303	708	523	393
Convictions	992	663	514	423
Criminal Judgments/Restitutions	\$44,478,708	\$3,679,529,833	\$114,863,539	\$83,908,550
Civil Actions	129	94	45	16
Civil Recoveries	\$1,352,950	\$1,146,851,978	\$40,198,140	\$815,562,000*
Administrative Actions	864	389	52	291
Suspensions	189	148	97	108
Debarments	194	179	104	129
Personnel Actions	55	62	44	37
Administrative Recoveries/Restitutions	\$3,440,162	\$7,381,600	\$5,290,332	\$4,768,102

Appendix III: Appropriations Language Citation**Appropriation:** Office of Inspector General

For necessary expenses of the Office of Inspector General, 5 U.S.C. Appendix 3.5 U.S.C. Appendix 3 of the Inspector General Act of 1978, as Amended, provides for the establishment of the Office of Inspector General as an independent and objective unit within the Department of Housing and Urban Development to conduct and supervise audits and investigations related to Departmental programs and operations. The IG Act of 1978 created IGs in a small number of executive branch agencies known as establishments.¹

¹ The initial establishments listed in P.L. 95-452 were the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, Labor, and Transportation, as well as the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National

Office of Inspector General

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary salaries and expenses of the Office of Inspector General in carrying out the Inspector General Act of 1978, as amended, [\$126,000,000] *\$129,000,000*: Provided, that the Inspector General shall have independent authority over all personnel *and acquisition* issues within this office.

Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration. The IGs in these agencies followed the establishment of predecessors in 1976, in what is now the Department of Health and Human Services, and in 1977 in the Department of Energy.

Fiscal Year 2016 General Provisions

SEC. 201. *Section 1012(b) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437 note) is amended to read as follows:*

"Fifty percent of the amounts of budget authority, or in lieu thereof 50 percent of the cash amounts associated with such budget authority, that are recaptured from projects described in section 1012(a) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437 note) shall be rescinded or in the case of cash, shall be remitted to the Treasury, and such amounts of budget authority or cash recaptured and not rescinded or remitted to the Treasury shall be used by State housing finance agencies or local governments or local housing agencies with projects approved by the Secretary of Housing and Urban Development for which settlement occurred after January 1, 1992, in accordance with such section. Notwithstanding the previous sentence, the Secretary may award up to 15 percent of the budget authority or cash recaptured and not rescinded or remitted to the Treasury to provide project owners with incentives to refinance their project at a lower interest rate."

Explanation of this Section: This section governs the sharing of savings that result from refunding the existing bonds for certain Section 8 contracts. Section 1012 of the McKinney Act requires HUD to split the savings evenly between Treasury and State Housing Finance Agencies. These savings typically takes the form of a cash rebate from the bond trustee to the U.S. Treasury. Trustee sweeps continue for the term of the contract. HAP contracts were originally for 30 years with some 40-year contracts set to expire in 2024. The savings provided to State Housing Finance Agencies can be used for social services, fees for professional services essential to carry out McKinney-funded activities, project facilities or mechanical systems, and office systems.

Proposed Action: The President's Budget proposes retaining this section.

SEC. 202. None of the amounts made available under this Act may be used during fiscal year [2015] 2016 to investigate or prosecute under the Fair Housing Act any otherwise lawful activity engaged in by one or more persons, including the filing or maintaining of a nonfrivolous legal action, that is engaged in solely for the purpose of achieving or preventing action by a Government official or entity, or a court of competent jurisdiction.

Explanation of this Section: This section makes clear that the Department will not use its authority under the Fair Housing Act to investigate or prosecute legal activity.

Proposed Action: The President's Budget proposes retaining this section with the date change.

General Provisions

SEC. 203. Sections 203 and 209 of division C of Public Law 112–55 (125 Stat. 693–694) shall apply during fiscal year [2015] 2016 as if such sections were included in this title, except that during such fiscal year such sections shall be applied by substituting "fiscal year [2015] 2016" for "fiscal year 2011" and for "fiscal year 2012" each place such terms appear, and shall be amended to reflect revised delineations of statistical areas established by the Office of Management and Budget pursuant to 44 U.S.C. 3504(e)(3), 31 U.S.C. 1104(d), and Executive Order No. 10253.

Explanation of this Section: This provision consolidates and extends Sections 203 and 209 of the FY 2012 Appropriations Act, which are longstanding provisions for the Housing Opportunities for Persons with AIDS (HOPWA) program. The provision continues to give HUD the authority to honor agreements between cities and their states to manage HOPWA grants, allow former grantees to continue to receive direct allocations, and allow the program to use AIDS incidence data collected over a three year period instead of one year. This provision also updates the references to the MSAs in the FY 2012 Appropriations Act to reflect the updated names as delineated by Office of Management and Budget.

Proposed Action: The President's Budget proposes retaining this section with the date change.

SEC. 204. Except as explicitly provided in law, any grant, cooperative agreement or other assistance made pursuant to title II of this Act shall be made on a competitive basis and in accordance with section 102 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545).

Explanation of this Section: This provision requires that HUD funds be subject to competition unless specified otherwise in statute.

Proposed Action: The President's Budget proposes retaining this section.

SEC. 205. *Section 7 of the Department of Housing and Urban Development Act (42 U.S.C. 3535) is amended by adding at the end the following new subsection:*

"(u)(1) Funds of the Department of Housing and Urban Development subject to the Government Corporation Control Act or section 402 of the Housing Act of 1950 shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing

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Bank, Federal Reserve banks or any member thereof, Federal Home Loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811–1).

"(2) Corporations and agencies of the Department of Housing and Urban Development which are subject to the Government Corporation Control Act are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of such Act as may be necessary in carrying out the programs set forth in the budget for 2015 for such corporation or agency except as hereinafter provided: Provided, That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriations Acts), except that this proviso shall not apply to the mortgage insurance or guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government."

Explanation of this Section: This provision makes limitations on administrative expenses inapplicable to certain expenditures of Ginnie Mae, including legal services contracts and the expenses of carrying out its programmatic duties. This provision ensures that administrative expenses provided in annual appropriations bills does not preclude Ginnie Mae's reliance upon its permanent, indefinite appropriation, in Section 1 of the National Housing Act, for essential operating funds.

This provision also makes the authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104), which is necessary to carry out the programs set forth in Ginnie Mae's budget for the coming year, permanent law.

Proposed Action: The President's Budget proposes making this section permanent law and incorporates Sec. 207 from the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235).

[SEC. 206. Unless otherwise provided for in this Act or through a reprogramming of funds, no part of any appropriation for the Department of Housing and Urban Development shall be available for any program, project or activity in excess of amounts set forth in the budget estimates submitted to Congress.]

Explanation of this Section: This provision forbids HUD from spending more money on any program than the agency proposed in the budget estimates, unless a different amount is appropriated or provided in a reprogramming.

Proposed Action: The President's Budget proposes deleting this provision because it is redundant.

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[SEC. 207. Corporations and agencies of the Department of Housing and Urban Development which are subject to the Government Corporation Control Act are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of such Act as may be necessary in carrying out the programs set forth in the budget for 2015 for such corporation or agency except as hereinafter provided: Provided, That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriations Acts), except that this proviso shall not apply to the mortgage insurance or guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government.

Explanation of this Section: This provision is an authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104). After consideration of Ginnie Mae's budget program, as submitted by the President, Congress, through this section, ratifies such budget program and authorizes expenditures of funds, both provided in the appropriations act (for salaries and expenses) and by the permanent indefinite appropriation in Section 1 of the National Housing Act, necessary to carry out the programs set forth in Ginnie Mae's program budget for the coming year.

Proposed Action: The President's Budget proposes deleting this provision and making it permanent law in Sec. 205.

[SEC. 208. The Secretary of Housing and Urban Development shall provide quarterly reports to the House and Senate Committees on Appropriations regarding all uncommitted, unobligated, recaptured and excess funds in each program and activity within the jurisdiction of the Department and shall submit additional, updated budget information to these Committees upon request.]

Explanation of this Section: This provision requires HUD to submit quarterly reports on status of funds.

Proposed Action: The President's Budget proposes to delete this provision.

[SEC. 209. The President's formal budget request for fiscal year 2016, as well as the Department of Housing and Urban Development's congressional budget justifications to be submitted to the Committees on Appropriations of the House of Representatives and the Senate, shall use the identical account and sub-account structure provided under

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this Act.]

Explanation of this Section: This provision requires the Department to structure its budget request in an identical way to the structure of the Appropriations Act.

Proposed Action: The President's Budget proposes to delete this provision. The Department provides justification in this format and will continue to do so.

SEC. [210] 206. A public housing agency or such other entity that administers Federal housing assistance for the Housing Authority of the county of Los Angeles, California, and the States of Alaska, Iowa, and Mississippi shall not be required to include a resident of public housing or a recipient of assistance provided under section 8 of the United States Housing Act of 1937 on the board of directors or a similar governing board of such agency or entity as required under section (2)(b) of such Act. Each public housing agency or other entity that administers Federal housing assistance under section 8 for the Housing Authority of the county of Los Angeles, California and the States of Alaska, Iowa and Mississippi that chooses not to include a resident of public housing or a recipient of section 8 assistance on the board of directors or a similar governing board shall establish an advisory board of not less than six residents of public housing or recipients of section 8 assistance to provide advice and comment to the public housing agency or other administering entity on issues related to public housing and section 8. Such advisory board shall meet not less than quarterly.

Explanation of this Section: Exempts Los Angeles County, Alaska, Iowa and Mississippi from the requirement of having a PHA resident on the board of directors. Instead, the public housing agencies in these States are required to establish advisory boards that include public housing tenants and Section 8 recipients.

Proposed Action: The President's budget proposes retaining this provision.

[SEC. 211. No funds provided under this title may be used for an audit of the Government National Mortgage Association that makes applicable requirements under the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).]

Explanation of this Section: This provision prohibits use of GNMA funds for certain audit activities.

Proposed Action: The President's Budget proposes deleting this provision.

SEC. [212]207. (a) Notwithstanding any other provision of law, subject to the conditions listed under this section, for fiscal

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years 2015 and 2016, the Secretary of Housing and Urban Development may authorize the transfer of some or all project-based assistance, debt held or insured by the Secretary and statutorily required low-income and very low-income use restrictions if any, associated with one or more multifamily housing project or projects to another multifamily housing project or projects.

(b) PHASED TRANSFERS.—Transfers of project-based assistance under this section may be done in phases to accommodate the financing and other requirements related to rehabilitating or constructing the project or projects to which the assistance is transferred, to ensure that such project or projects meet the standards under subsection (c).

(c) The transfer authorized in subsection (a) is subject to the following conditions:

(1) NUMBER AND BEDROOM SIZE OF UNITS.—

(A) For occupied units in the transferring project: the number of low-income and very low-income units and the configuration (i.e. bedroom size) provided by the transferring project shall be no less than when transferred to the receiving project or projects and the net dollar amount of Federal assistance provided to the transferring project shall remain the same in the receiving project or projects.

(B) For unoccupied units in the transferring project: the Secretary may authorize a reduction in the number of dwelling units in the receiving project or projects to allow for a reconfiguration of bedroom sizes to meet current market demands, as determined by the Secretary and provided there is no increase in the project-based assistance budget authority.

(2) The transferring project shall, as determined by the Secretary, be either physically obsolete or economically nonviable.

(3) The receiving project or projects shall meet or exceed applicable physical standards established by the Secretary.

(4) The owner or mortgagor of the transferring project shall notify and consult with the tenants residing in the transferring project and provide a certification of approval by all appropriate local governmental officials.

(5) The tenants of the transferring project who remain eligible for assistance to be provided by the receiving project or projects shall not be required to vacate their units in the transferring project or projects until new units in the receiving project are available for occupancy.

(6) The Secretary determines that this transfer is in the best interest of the tenants.

(7) If either the transferring project or the receiving project or projects meets the condition specified in subsection (d)(2)(A), any lien on the receiving project resulting from additional financing obtained by the owner shall be subordinate to any FHA-insured mortgage lien transferred to, or placed on, such project by the Secretary, except that the Secretary may waive this requirement upon determination that such a waiver is necessary to facilitate the financing of acquisition, construction, and/or rehabilitation of the receiving project or projects.

(8) If the transferring project meets the requirements of subsection (d)(2), the owner or mortgagor of the receiving project or projects shall execute and record either a continuation of the existing use agreement or a new use agreement for the project where, in either case, any use restrictions in such agreement are of no lesser duration than

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the existing use restrictions.

(9) The transfer does not increase the cost (as defined in section 502 of the Congressional Budget Act of 1974, as amended) of any FHA-insured mortgage, except to the extent that appropriations are provided in advance for the amount of any such increased cost.

(d) For purposes of this section—

(1) the terms "low-income" and "very low-income" shall have the meanings provided by the statute and/or regulations governing the program under which the project is insured or assisted;

(2) the term "multifamily housing project" means housing that meets one of the following conditions—

(A) housing that is subject to a mortgage insured under the National Housing Act;

(B) housing that has project-based assistance attached to the structure including projects undergoing mark to market debt restructuring under the Multifamily Assisted Housing Reform and Affordability Housing Act;

(C) housing that is assisted under section 202 of the Housing Act of 1959 as amended by section 801 of the Cranston-Gonzales National Affordable Housing Act;

(D) housing that is assisted under section 202 of the Housing Act of 1959, as such section existed before the enactment of the Cranston-Gonzales National Affordable Housing Act;

(E) housing that is assisted under section 811 of the Cranston-Gonzales National Affordable Housing Act;

or

(F) housing or vacant land that is subject to a use agreement;

(3) the term "project-based assistance" means—

(A) assistance provided under section 8(b) of the United States Housing Act of 1937;

(B) assistance for housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of such Act (as such section existed immediately before October 1, 1983);

(C) rent supplement payments under section 101 of the Housing and Urban Development Act of 1965;

(D) interest reduction payments under section 236 and/or additional assistance payments under section 236(f)(2) of the National Housing Act;

(E) assistance payments made under section 202(c)(2) of the Housing Act of 1959; and

(F) assistance payments made under section 811(d)(2) of the Cranston-Gonzalez National Affordable Housing Act;

(4) the term "receiving project or projects" means the multifamily housing project or projects to which some or all of the project-based assistance, debt, and statutorily required low-income and very low-income use restrictions are to be transferred;

(5) the term "transferring project" means the multifamily housing project which is transferring some or all of the project-based assistance, debt, and the statutorily required low-income and very low-income use restrictions to the receiving project or projects; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

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(e) PUBLIC NOTICE AND RESEARCH REPORT.—

(1) The Secretary shall publish by notice in the Federal Register the terms and conditions, including criteria for HUD approval, of transfers pursuant to this section no later than 30 days before the effective date of such notice.

(2) The Secretary shall conduct an evaluation of the transfer authority under this section, including the effect of such transfers on the operational efficiency, contract rents, physical and financial conditions, and long-term preservation of the affected properties.

Explanation of this Section: This provision allows the transfer of subsidy, debt and use restrictions from an obsolete multifamily project to a viable multifamily project under a variety of specified conditions.

Proposed Action: The Department proposes to retain this provision.

SEC. [213]208. (a) No assistance shall be provided under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) to any individual who—

- (1) is enrolled as a student at an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002));
- (2) is under 24 years of age;
- (3) is not a veteran;
- (4) is unmarried;
- (5) does not have a dependent child;
- (6) is not a person with disabilities, as such term is defined in section 3(b)(3)(E) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(3)(E)) and was not receiving assistance under such section 8 as of November 30, 2005; and
- (7) is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible, to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

(b) For purposes of determining the eligibility of a person to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children.

Explanation of this Section: This provision clarifies the eligibility for assistance under section 8 of the United States Housing Act of 1937.

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Proposed Action: The President's Budget proposes retaining this provision.

[SEC. 214. The funds made available for Native Alaskans under the heading "Native American Housing Block Grants" in title II of this Act shall be allocated to the same Native Alaskan housing block grant recipients that received funds in fiscal year 2005.]

Explanation of this Section: This section would direct block grant funds awarded to each tribe to be allocated to those entities that received funding in fiscal year 2005.

Proposed Action: The President's Budget proposes to delete this provision because it is not supportive of tribal self-determination.

SEC. [215]209. [Notwithstanding the limitation in the first sentence of section 255(g) of the National Housing Act (12 U.S.C. 1715z-20(g)), the Secretary of Housing and Urban Development may, until September 30, 2015, insure and enter into commitments to insure mortgages under such section 255.] *Section 255(g) of the National Housing Act (12 U.S.C.1715z-20(g)) is amended by striking "AUTHORITY—" and all that follows through "275,000." and inserting "AMOUNT.—".*

Explanation of this Section: This section removes the limitations placed on Home Equity Conversion Mortgages (HECM) that can be insured by the FHA.

Proposed Action: The President's Budget proposed to amend the provision to permanently remove the cap.

SEC. [216]210. Notwithstanding any other provision of law, in fiscal year [2015] 2016, in managing and disposing of any multifamily property that is owned or has a mortgage held by the Secretary of Housing and Urban Development, and during the process of foreclosure on any property with a contract for rental assistance payments under section 8 of the United States Housing Act of 1937 or other Federal programs, the Secretary shall maintain any rental assistance payments under section 8 of the United States Housing Act of 1937 and other programs that are attached to any dwelling units in the property. To the extent the Secretary determines, in consultation with the tenants and the local government, that such a multifamily property owned or held by the Secretary is not feasible for continued rental assistance payments under such section 8 or other programs, based on consideration of (1) the costs of rehabilitating and operating the property and all available Federal, State, and local resources,

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including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRAA") and (2) environmental conditions that cannot be remedied in a cost-effective fashion, the Secretary may, in consultation with the tenants of that property, contract for project-based rental assistance payments with an owner or owners of other existing housing properties, or provide other rental assistance. The Secretary shall also take appropriate steps to ensure that project based contracts remain in effect prior to foreclosure, subject to the exercise of contractual abatement remedies to assist relocation of tenants for imminent major threats to health and safety after written notice to and informed consent of the affected tenants and use of other available remedies, such as partial abatements or receivership. After disposition of any multifamily property described under this section, the contract and allowable rent levels on such properties shall be subject to the requirements under section 524 of MAHRAA.

Explanation of this Section: This section governs the use of project-based subsidy in connection with managing and disposing of multifamily properties.

Proposed Action: The President's Budget proposes retaining the provision with the date change.

SEC. [217]211. [The commitment authority funded by fees as provided under the heading "Community Development Loan Guarantees Program Account" may be used to guarantee, or make commitments to guarantee, notes, or other obligations issued by any State on behalf of non-entitlement communities in the State in accordance with the requirements of section 108 of the Housing and Community Development Act of 1974: Provided, That any State receiving such a guarantee or commitment shall distribute all funds subject to such guarantee to the units of general local government in non-entitlement areas that received the commitment.] *COMMUNITY DEVELOPMENT LOAN GUARANTEE AMENDMENTS. — Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) is amended—*

(1) in subsection (a) by inserting "States on behalf of non-entitlement communities," after "issued by such eligible public entities,";

(2) by striking subsection (k) and inserting the following:

"(k) The Secretary shall monitor the use by eligible public entities and states of commitment amounts authorized in appropriation Acts for any fiscal year. If the Secretary finds that 50 percent of the annual commitment amount has been committed, the Secretary may impose a limitation on the amount of guarantees any one entity may receive in any fiscal year of \$35,000,000 for units of general local government receiving grants under section 106(b) or states receiving grants under section 106(d) and \$7,000,000 for units of general local government receiving grants under section 106(d); or request the enactment of legislation increasing the annual commitment authority for guarantees under this section."; and

(3) by striking subsection (m) and inserting the following new subsection:

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"(m) Distribution of funds to local governments in non-entitlement areas.—Any State receiving such a guarantee or commitment on behalf of non-entitlement areas shall distribute all funds that are subject to such guarantee to the units of general local government in non-entitlement areas that received the commitment."

Explanation of this Section: This section, as amended, permanently amends Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) to align the statute to current fee-supported operations:

- Makes permanent a longstanding provision that allows the program to be used to guarantee notes or other obligations issued by any State on behalf of non-entitlement communities in the State.
- Removes the aggregate limitation on outstanding guarantee obligations that has long been superseded by appropriations language; and
- Removes the prohibition on fees (superseded by appropriations language in 2014 and 2015).

Proposed Action: The President's Budget proposes making this section, as amended, permanent law.

[SEC. 218. Public housing agencies that own and operate 400 or fewer public housing units may elect to be exempt from any asset management requirement imposed by the Secretary of Housing and Urban Development in connection with the operating fund rule: Provided, That an agency seeking a discontinuance of a reduction of subsidy under the operating fund formula shall not be exempt from asset management requirements.]

Explanation of this Section: This section permits small PHAs with 400 or fewer units to elect not to operate under asset management.

Proposed Action: The President's Budget proposes deleting this provision because the Department does not support increasing the threshold for exemption.

[SEC. 219. With respect to the use of amounts provided in this Act and in future Acts for the operation, capital improvement and management of public housing as authorized by sections 9(d) and 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d) and (e)), the Secretary shall not impose any requirement or guideline relating to asset management that restricts or limits in any way the use of capital funds for central office costs pursuant to section 9(g)(1) or 9(g)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437g(g)(1), (2)): Provided, That a public housing agency may not use capital funds authorized under section 9(d) for activities that are eligible under section 9(e) for assistance with amounts from the operating fund in

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excess of the amounts permitted under section 9(g)(1) or 9(g)(2).]

Explanation of this Section: This section prohibits the Department from imposing requirements or guidelines related to asset management that restricts or limits the use of capital funds for PHAs' central office/overhead costs.

Proposed Action: The President's Budget recommends deleting this provision. It is not necessary to repeat this provision since it was enacted to apply to "future Acts."

SEC. [220]212. No official or employee of the Department of Housing and Urban Development shall be designated as an allotment holder unless the Office of the Chief Financial Officer has determined that such allotment holder has implemented an adequate system of funds control and has received training in funds control procedures and directives. The Chief Financial Officer shall ensure that there is a trained allotment holder for each HUD sub-office under the accounts "Executive Offices" and "Administrative Support Offices," as well as each account receiving appropriations for "Program Office Salaries and Expenses" [, "Government National Mortgage Association—Guarantees of Mortgage-Backed Securities Loan Guarantee Program Account", and "Office of Inspector General"] within the Department of Housing and Urban Development.

Explanation of this Section: This provision requires the OCFO to make sure that an adequate funds control system is in place and training on funds control procedures and directives has occurred for an official or employee before such official or employee is designated an allotment holder. It also requires the CFO to ensure that each office in the S&E accounts has a trained allotment holder.

Proposed Action: The Department proposes retaining this provision.

[SEC. 221. The Secretary of Housing and Urban Development shall report annually to the House and Senate Committees on Appropriations on the status of all section 8 project-based housing, including the number of all project-based units by region as well as an analysis of all federally subsidized housing being refinanced under the Mark-to-Market program. The Secretary shall identify all existing units maintained by region as section 8 project-based units, all project-based units that have opted out or have otherwise been eliminated, and the reasons these units opted out or otherwise were lost as section 8 project-based units.]

Explanation of this Section: This provision requires the Department to prepare annual reports on section 8 project-based housing.

Proposed Action: The Department proposes to eliminate this reporting requirement; however it recognizes Congress'

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continued interest in the report. The Department is able to provide data on the status of all section 8 project-based units by region, an analysis of refinancing under the Mark-to-Market program, existing section 8 units, and units that have opted out or been eliminated as section 8 project-based units. The Department does not have the resources or capacity to collect data or report on reasons why units opted out or were lost as section 8 project-based units.

SEC. [222]213. The Secretary of the Department of Housing and Urban Development shall, for fiscal year [2015] 2016, notify the public through the Federal Register and other means, as determined appropriate, of the issuance of a notice of the availability of assistance or notice of funding availability (NOFA) for any program or discretionary fund administered by the Secretary that is to be competitively awarded. Notwithstanding any other provision of law, for fiscal year [2015] 2016, the Secretary may make the NOFA available only on the Internet at the appropriate Government Web site or through other electronic media, as determined by the Secretary.

Explanation of this Section: This provision requires the Department to publish notices of availability of assistance or funding availability for any program that is competitively awarded. The notices may be published on the Internet.

Proposed Action: The Department proposes retaining this provision with date changes.

[SEC. 223. Payment of attorney fees in program-related litigation must be paid from the individual program office and Office of General Counsel personnel funding. The annual budget submissions for program offices and Office of General Counsel personnel funding must include program-related litigation costs for attorney fees as a separate line item request.]

Explanation of this Section: This provision requires the Department to pay all program-related litigation attorney fees from individual personnel benefits accounts. These costs must be reflected as a separate line item request in the budget submission.

Proposed Action: The Department proposes deleting this provision.

SEC. [224]214. The Secretary of the Department of Housing and Urban Development is authorized to transfer up to [5] 10 percent or [\$5,000,000]\$10,000,000, whichever is less, of the funds appropriated for any [office funded under the heading "Administrative Support Offices" to any other office funded under such heading] *account under the headings "Management and Administration", "Program Office Salaries and Expenses" or "Government National Mortgage Association" to any other account*

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funded under such headings: Provided, That no appropriation for any [office] account funded under [the heading "Administrative Support Offices"] such headings shall be increased or decreased by more than [5] 10 percent or [\$5,000,000]\$10,000,000, whichever is less, without prior written [approval of] notification to the House and Senate Committees on Appropriations[:Provided further, That the Secretary is authorized to transfer up to 5 percent or \$5,000,000, whichever is less, of the funds appropriated for any account funded under the general heading "Program Office Salaries and Expenses" to any other account funded under such heading: Provided further, That no appropriation for any account funded under the general heading "Program Office Salaries and Expenses" shall be increased or decreased by more than 5 percent or \$5,000,000, whichever is less, without prior written approval of the House and Senate Committees on Appropriations: Provided further, That the Secretary may transfer funds made available for salaries and expenses between any office funded under the heading "Administrative Support Offices" and any account funded under the general heading "Program Office Salaries and Expenses", but only with the prior written approval of the House and Senate Committees on Appropriations].

Explanation of this Section: This provision gives the Secretary the authority to transfer a limited amount of funds, as needed, between accounts that provide for personnel and non-personnel expenses.

Proposed Action: The Department proposes retaining this provision with amendments.

SEC. [225]215. The Disaster Housing Assistance Programs, administered by the Department of Housing and Urban Development, shall be considered a "program of the Department of Housing and Urban Development" under section 904 of the McKinney Act for the purpose of income verifications and matching.

Explanation of this Section: This provision ensures that all recipients of HUD Disaster Assistance funds meet the criteria set forth in the McKinney Act for income verification and matching.

Proposed Action: The Department proposes retaining this provision.

SEC. [226]216. (a) The Secretary of Housing and Urban Development shall take the required actions under subsection (b) when a multifamily housing project with a section 8 contract or contract for similar project-based assistance:

- (1) receives a Real Estate Assessment Center (REAC) score of 30 or less; or
- (2) receives a REAC score between 31 and 59 and:
 - (A) fails to certify in writing to HUD within 60 days that all deficiencies have been corrected; or
 - (B) receives consecutive scores of less than 60 on REAC inspections. Such requirements shall apply to

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insured and noninsured projects with assistance attached to the units under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), but do not apply to such units assisted under section 8(o)(13) (42 U.S.C. 1437f(o)(13)) or to public housing units assisted with capital or operating funds under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g).

(b) The Secretary shall take the following required actions as authorized under subsection (a)—

(1) The Secretary shall notify the owner and provide an opportunity for response within 30 days. If the violations remain, the Secretary shall develop a Compliance, Disposition and Enforcement Plan within 60 days, with a specified timetable for correcting all deficiencies. The Secretary shall provide notice of the Plan to the owner, tenants, the local government, any mortgagees, and any contract administrator.

(2) At the end of the term of the Compliance, Disposition and Enforcement Plan, if the owner fails to fully comply with such plan, the Secretary may require immediate replacement of project management with a management agent approved by the Secretary, and shall take one or more of the following actions, and provide additional notice of those actions to the owner and the parties specified above:

(A) impose civil money penalties;

(B) abate the section 8 contract, including partial abatement, as determined by the Secretary, until all deficiencies have been corrected;

(C) pursue transfer of the project to an owner, approved by the Secretary under established procedures, which will be obligated to promptly make all required repairs and to accept renewal of the assistance contract as long as such renewal is offered; or

(D) seek judicial appointment of a receiver to manage the property and cure all project deficiencies or seek a judicial order of specific performance requiring the owner to cure all project deficiencies.

(c) The Secretary shall also take appropriate steps to ensure that project-based contracts remain in effect, subject to the exercise of contractual abatement remedies to assist relocation of tenants for imminent major threats to health and safety after written notice to and informed consent of the affected tenants and use of other remedies set forth above. To the extent the Secretary determines, in consultation with the tenants and the local government, that the property is not feasible for continued rental assistance payments under such section 8 or other programs, based on consideration of (1) the costs of rehabilitating and operating the property and all available Federal, State, and local resources, including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRAA") and (2) environmental conditions that cannot be remedied in a cost-effective fashion, the Secretary may, in consultation with the tenants of that property, contract for project-based rental assistance payments with an owner or owners of other existing housing properties, or provide other rental assistance. The Secretary shall report semi-annually on all properties covered by this section that are assessed through the Real Estate Assessment Center and have physical inspection scores of less than 30 or have consecutive physical inspection scores of less than 60. The report shall include:

(1) The enforcement actions being taken to address such conditions, including imposition of civil money penalties

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and termination of subsidies, and identify properties that have such conditions multiple times; and
(2) Actions that the Department of Housing and Urban Development is taking to protect tenants of such identified properties.

Explanation of this Section: This provision requires the Department to take certain actions against owners receiving rental subsidies that do not maintain safe properties.

Proposed Action: The President's Budget proposes retaining this provision.

SEC. [227]217. [None of the funds made available by this Act, or any other Act, for purposes authorized under section 8 (only with respect to the tenant-based rental assistance program) and section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), may be used by any public housing agency for any amount of salary, including bonuses, for the chief executive officer of which, or any other official or employee of which, that exceeds the annual rate of basic pay payable for a position at level IV of the Executive Schedule at any time during any public housing agency fiscal year 2015.] *PHA COMPENSATION.—Section 2(b) of the United States Housing Act of 1937 (42 U.S.C. 1437(b)) is amended by adding the following new paragraph at the end:*

"(4) SALARY.—

"(A) GENERAL.—This paragraph establishes the maximum salary that a public housing agency may provide to its employees and the maximum annual contract amounts that may be paid to its contract personnel using funds provided under this Act. A public housing agency shall use the same salary structure as described in this paragraph and follow the requirements of uniform administrative rules for Federal grants and cooperative agreements and principles and standards for determining costs for Federal awards for all payments that it makes to its employees and for personnel hired as contractors when funds provided under this Act are used for such payments.

"(B) SALARY STRUCTURE.—

"(i) The base salary of public housing agency employees and the contract amount paid to contracted personnel from funds provided under this Act shall be based on the Federal General Schedule (GS) basic rate of pay, including locality adjustment, established under sections 5303 and 5304 of title 5, United States Code as follows:

"(I) For public housing agencies with fewer than 250 total units (public housing and section 8 housing vouchers), the base salary of a public housing agency employee or total annual payment to each contracted personnel shall not exceed the basic rate of pay, including a locality adjustment, for GS-11, step 10;

"(II) For public housing agencies with 250 to 1249 total units (public housing and section 8 housing vouchers), the base salary of a public housing employee or total annual payment to each contracted personnel shall not exceed the basic rate of pay, including locality adjustment, for GS-13, step 10;

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"(III) For public housing agencies with 1250 or more total units (public housing and section 8 housing vouchers), the base salary of a public housing agency employee or total annual payment to each contracted personnel shall not exceed the basic rate of pay, including locality adjustment, for GS-15, step 10.

"(ii) Any amount of salary paid to an employee or of total annual payment to each contracted personnel that exceeds the amount provided under the structure of this paragraph must be from non-Federal non-Act sources.

"(iii) The salary structure provided in subparagraph (B)(i) shall be subject to any requirements that may be established for the General Schedule by an appropriations Act or by Presidential executive order for any Federal fiscal year.

"(iv) A public housing agency must certify that it has established detailed performance measures that describe how public housing agency employees or personnel hired as contractors may receive a salary or contract increase within the limits of subparagraph (B)(i). The certification shall be transmitted to the Secretary in a format as determined by the Secretary.

"(C) DEFINITIONS.—For purposes of this section—

"(i) Employee includes any member of a public housing agency organization whose salary is paid in whole or in part from funds provided under this Act, and regardless of whether such employee is full-time or part-time, temporary or permanent.

"(ii) Contracted personnel includes any member of a public housing agency organization whose position is procured under uniform administrative rules for Federal grants and cooperative agreements and who is paid in whole or in part from funds provided under this Act, and regardless of whether such individual is full-time or part-time, hourly, temporary or permanent. No such position shall be for a period beyond 5 years without re-procurement.

"(iii) Salary includes the annual basic rate of pay, including a locality adjustment, as provided in sub-paragraph (B) and any additional adjustments, such as may be provided for overtime or shift differentials, bonuses, or contract payments including bonuses. Salary does not include fringe benefits as defined in principles and standards for determining costs for Federal awards."

Explanation of this Section: This provision establishes permanent, tiered caps on PHA personnel compensation based on the number of housing voucher and public housing units PHAs manage and tied to the Federal General Schedule pay scale.

Proposed Action: The Department proposes addition of this provision in fiscal year 2016.

SEC. [228]218. None of the funds in this Act may be available for the doctoral dissertation research grant program at the Department of Housing and Urban Development.

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Explanation of this Section: This section prohibits the funds from being used for the doctoral dissertation research grant program.

Proposed Action: The President's Budget proposes retaining this provision.

[SEC. 229. Section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v) is amended—

(1) in subsection (m)(1), by striking "fiscal year" and all that follows through the period at the end and inserting "fiscal year 2015."; and

(2) in subsection (o), by striking "September" and all that follows through the period at the end and inserting "September 30, 2015.".]

Explanation of this Section: This provision extends the authorization of appropriations and sunset provision in the HOPE VI statute through fiscal year 2015.

Proposed Action: The President's Budget proposes deleting this provision because the HOPE VI program has been replaced by the Choice Neighborhoods program.

[SEC. 230. None of the funds in this Act provided to the Department of Housing and Urban Development may be used to make a grant award unless the Secretary notifies the House and Senate Committees on Appropriations not less than 3 full business days before any project, State, locality, housing authority, tribe, nonprofit organization, or other entity selected to receive a grant award is announced by the Department or its offices.]

Explanation of this Section: This section requires that the House and Senate Committee on Appropriations be notified 3 full business days prior of grant awards prior to announcement by the Department.

Proposed Action: The President's Budget proposes deleting this provision.

SEC. [231]219. Of the amounts made available for salaries and expenses under all accounts under this title (except for the Office of Inspector General account), a total of up to **[\$2,500,000]** *\$15,000,000* may be transferred to and merged with

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amounts made available in the "Information Technology Fund" account under this title.

Explanation of this Section: This provision allows HUD to transfer up to \$15 million from salaries and expenses to fund technology priorities throughout the Department.

Proposed Action: The Department proposes retaining this provision and increasing the transfer authority.

[SEC. 232. Section 579 of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 (42 U.S.C. 1437f note) is amended by striking "October 1, 2015" each place it appears and inserting in lieu thereof "October 1, 2017".]

Explanation of this Section: This provision extends the MAHRAA program through the 2017 fiscal year.

Proposed Action: The President's Budget proposes deleting this provision because it is permanent law.

[SEC. 233. None of the funds made available by this Act may be used to require or enforce the Physical Needs Assessment (PNA).]

Explanation of this Section: Prohibits funds from being used to require or enforce the physical needs assessment (PNA).

Proposed Action: The President's Budget proposes deleting this provision.

SEC. [234]220. The language under the heading Rental Assistance Demonstration in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112-55), is amended—

 [(1) by striking "(except for funds allocated under such section for single room occupancy dwellings as authorized by title IV of the McKinney-Vento Homeless Assistance Act)" in both places it appears;]

 [(2) in the second proviso, by striking "2015" and inserting "2018";]

 [(3) in the third proviso, after "associated with such conversion", by inserting "in excess of amounts made available under this heading";]

 [(4) in the fourth proviso, by striking "60,000" and inserting "185,000";]

 [(5) in the penultimate proviso, by—

 (A) striking "for fiscal years 2012 through December 31, 2014" ;

 (B) striking "and agreement of the administering public housing agency"; and

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(C) inserting "a long-term project-based subsidy contract under section 8 of the Act, which shall have a term of no less than 20 years, with rent adjustments only by an operating cost factor established by the Secretary, which shall be eligible for renewal under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (42 U.S.C. 1437f note), or, subject to agreement of the administering public housing agency, to assistance under" following "vouchers to assistance under";]

[(6) by inserting the following provisos before the final proviso: " *Provided further*, That amounts made available under the heading "Rental Housing Assistance" during the period of conversion under the previous proviso, which may extend beyond fiscal year 2016 as necessary to allow processing of all timely applications, shall be available for project-based subsidy contracts entered into pursuant to the previous proviso: *Provided further*, That amounts, including contract authority, recaptured from contracts following a conversion under the previous two provisos are hereby rescinded and an amount of additional new budget authority, equivalent to the amount rescinded is hereby appropriated, to remain available until expended for such conversions: *Provided further*, That the Secretary may transfer amounts made available under the heading "Rental Housing Assistance", amounts made available for tenant protection vouchers under the heading "Tenant-Based Rental Assistance" and specifically associated with any such conversions, and amounts made available under the previous proviso as needed to the account under the "Project-Based Rental Assistance" heading to facilitate conversion under the three previous provisos and any increase in cost for "Project-Based Rental Assistance" associated with such conversion shall be equal to amounts so transferred:"; and]

[(7) in the final proviso, by—

(A) striking "with respect to the previous proviso" and inserting "with respect to the previous four provisos"; and

(B) striking "impact of the previous proviso" and inserting "impact of the fiscal year 2012 and 2013 conversion of tenant protection vouchers to assistance under section 8(o)(13) of the Act".]

(1) *by striking the fourth proviso;*

(2) *in the eighteenth proviso, by inserting "for fiscal years 2012 and hereafter," before "owners of properties assisted under"; and*

(3) *in the nineteenth proviso, by striking ", which may extend beyond fiscal year 2016 as necessary to allow processing of all timely applications,".*

Explanation of this Section: This general provision amends the Rental Assistance Demonstration (RAD) to (1) eliminate the unit cap for public housing and Moderate Rehabilitation program units converted under the first component of RAD and (2) make technical amendments to clarify the existing permanent authority (as intended by Congress) of RAD Component II.

Proposed Action: The President's Budget proposes the deletions because these provisos are permanent law. The President's Budget proposes amending three provisos of the RAD account authority.

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[SEC. 235. None of the funds made available by this Act nor any receipts or amounts collected under any Federal Housing Administration program may be used to implement the Homeowners Armed with Knowledge (HAWK) program.]

Explanation of this Section: Prohibits funds from being used for the Homeowners Armed With Knowledge (HAWK) program.

Proposed Action: The President's Budget proposes deleting this provision.

[SEC. 236. None of the funds made available in this Act shall be used by the Federal Housing Administration, the Government National Mortgage Administration, or the Department of Housing and Urban Development to insure, securitize, or establish a Federal guarantee of any mortgage or mortgage backed security that refinances or otherwise replaces a mortgage that has been subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state.]

Explanation of this Section: Prohibits funds for HUD financing of mortgages for properties that have been subject to eminent domain.

Proposed Action: The President's Budget proposes deleting this provision.

[SEC. 237. All unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the heading "Brownfields Redevelopment" are hereby permanently rescinded: *Provided*, That all unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the heading "Drug Elimination Grants for Low Income Housing" are hereby permanently rescinded: *Provided further*, That all unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development for Youthbuild program activities authorized by subtitle D of title IV of the Cranston-Gonzalez National Affordable Housing Act are hereby permanently rescinded.]

Explanation of this Section: Rescinds balances from various HUD programs that are no longer funded.

Proposed Action: The President's Budget proposes deleting this provision.

[SEC. 238. Clause (i) of section 3(a)(2)(B) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)(2)(B)(i)), as amended by section 210 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2014 (division L of Public Law 113-76; 128 Stat. 625), is amended—

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(1) by striking "which shall not be lower" in the matter preceding subclause (I) and all that follows through the end of subclause (I) and inserting the following: "which—

(I) shall not be lower than 80 percent of—

(aa) the applicable fair market rental established under section 8(c) of this Act; or

(bb) at the discretion of the Secretary, such other applicable fair market rental established by the Secretary that the Secretary determines more accurately reflects local market conditions and is based on an applicable market area that is geographically smaller than the applicable market area used for purposes of the applicable fair market rental under section 8(c); except that a public housing agency may apply to the Secretary for exception allowing for a flat rental amount for a property that is lower than the amount otherwise determined pursuant to item (aa) or (bb) and the Secretary may grant such exception if the Secretary determines that the fair market rental for the applicable market area pursuant to item (aa) or (bb) does not reflect the market value of the property and the proposed lower flat rental amount is based on a market analysis of the applicable market and complies with subclause (II) and";

(2) in subclause (II), by inserting "shall" before "be designed"; and

(3) in the matter after and below subclause (II), by striking "Public housing agencies must comply by June 1, 2014, with the requirement of this clause, except that if" and inserting "If".]

Explanation of this Section: Makes adjustments to flat-rents to accommodate local markets.

Proposed Action: The President's Budget proposes deleting this provision because it is permanent law.

[SEC. 239. None of the funds made available by this Act may be used to require the relocation, or to carry out any required relocation, of any asset management positions of the Office of Multifamily Housing of the Department of Housing and Urban Development in existence as of the date of the enactment of this Act.]

Explanation of this Section: Prohibits funds from being used for the relocation of any asset management positions within the Office of Multifamily Housing currently in existence on the date of enactment of this Act.

Proposed Action: The President's Budget proposes deleting this provision.

[SEC. 240. None of the funds made available by this Act may be used to terminate the status of a unit of general local government as a metropolitan city (as defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) with respect to grants under section 106 of such Act (42 U.S.C. 5306).]

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Explanation of this Section: Prohibits funds from being used to terminate the status of a unit of local government as a metropolitan city, as defined under section 102 of the Housing and Community Development Act of 1974, with respect to grants under section 106 of such Act.

Proposed Action: The President's Budget proposes deleting this provision.

[SEC. 241. Section 184(h)(1)(B) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(h)(1)(B)) is amended by inserting after the first sentence the following: "Exhausting all reasonable possibilities of collection by the holder of the guarantee shall include a good faith consideration of loan modification as well as meeting standards for servicing loans in default, as determined by the Secretary.".]

Explanation of this Section: Requires lenders to consider loan modification and meet standards for servicing loans in default prior to payment of the claim by HUD.

Proposed Action: The President's Budget proposes deleting this provision because it is permanent law.

SEC. 221. EXCEPTION TO AFFORDABLE HOUSING QUALIFICATION FOR MULTIFAMILY HOUSING SECURING LOANS MADE BY CERTAIN ENTITIES. Section 542(b)(9) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(b)(9)) is amended at the end by inserting after the period the following: "This requirement does not apply to housing securing loans made to increase the availability of capital to small multifamily rental properties by entities approved by the Secretary as having demonstrated experience in making loans for low and moderate income multifamily housing."

Explanation of this Section: This provision will expand on the Department's demonstration authority to make Section 542(b) Risk Share loans available to small multifamily properties (5 to 49 units). These small properties are underserved by the conventional market, and are traditionally underserved by FHA as well. The provision focuses on the particular needs of very small (20 units and under), unsubsidized properties. These small properties comprise a significant share of rental housing in certain urban areas. Small multifamily properties are an important means for the Department to meet its affordable housing and community development goals. These properties are more likely to be owned by small entities or individuals, tend to be concentrated in lower income neighborhoods, and often offer rents affordable to households below median income.

Proposed Action: The President's Budget proposes the addition of this provision in fiscal year 2015.

SEC. 222. *Section 314 of the Department of Housing and Urban Development Appropriations Act, 2006, is repealed.*

Explanation of this Section: Section 314 of the fiscal year 2006 Appropriations Act required the Department to submit a report in 2006, and annually thereafter, regarding the number of federally assisted units under lease and per unit cost. It is a significant administrative burden to produce this report and the data it contains is available in other sources including the Department's Annual Performance Report and on the website.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2015. The Department can provide this data to the Committees on Appropriations upon request and the repeal of this requirement would reduce the administrative burden of preparing an annual report.

SEC. 223. *Section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) is amended—*

(1) in subsection (d), by adding the following new paragraph at the end:

"(4) REPLACEMENT RESERVE ACCOUNT.—A public housing agency receiving funds under this subsection may set aside, pursuant to requirements established by the Secretary, a portion of those funds for a replacement reserve account held by the Department of Treasury.";

(2) in subsection (g), by—

(A) striking paragraph (1) and inserting the following new paragraph: "(1) FLEXIBILITY OF CAPITAL AND OPERATING FUND AMOUNTS.—Of any amounts allocated for any fiscal year from the funds under subsections (d) and (e) for any public housing agency that is not designated pursuant to section 6(j)(2) as a troubled public housing agency and that, in the determination of the Secretary is operating and maintaining its public housing in a safe, clean, and healthy condition, the public housing agency may use 30 percent of such amounts for any eligible activities under subsections (d)(1) and (e)(1), regardless of the fund from which the amounts were allocated and provided."; and

(B) redesignating paragraph (3) as (4) and inserting the following new paragraph (3):

"(3) USE OF OPERATING RESERVES.—In addition to the amounts in paragraph (1), any public housing agency that is not designated pursuant to section 6(j)(2) as a troubled public housing agency and that, in the determination of the Secretary, is operating and maintaining its public housing in a safe, clean, and healthy condition, may use amounts set aside in operating reserve accounts for purposes under subsection (d)."; and

(3) in subsection (j)(4), by adding at the end the following new subparagraph:

"(C) CAPITAL REPLACEMENT RESERVES.—Funds placed in a capital replacement reserve account pursuant to subsection (d)(4) shall not be subject to the obligation and expenditure time limits in paragraphs (1) and (5)."

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Explanation of this Section: This provision amends the U.S. Housing Act to

- (1) allow PHAs with more than 250 units the flexibility to transfer up to 30% of Capital Funds to Operations, and vice versa;
- (2) allow Operating Reserve Funds to be used not only for operating purposes, but also for capital improvements; and
- (3) establish a Capital Fund Replacement Reserve to be held by Treasury in LOCCS. The proposal eliminates the current 2-year obligation and 4-year expenditure requirements for Capital Funds placed in these replacement reserve accounts. Instead, the Department will specify a new timeframe for expenditure of those funds, and will also establish a limit to the amount a PHA could maintain in its replacement reserve accounts.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

SEC. 224. GINNIE MAE SECURITIZATION.—

(a) Paragraph (8) of section 542(b) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(b)) is amended in its title by deleting "Prohibition on" and in its text by revising it to read as follows:

"The Government National Mortgage Association shall not securitize any multifamily loans insured or reinsured under this subsection, except as provided herein. The Government National Mortgage Association may, at the discretion of the Secretary, securitize any multifamily loan, provided that—

"(A) the Federal Housing Administration provides mortgage insurance based on the unpaid principal balance of the loan, as shall be described in the Risk Share Agreement;

"(B) the Federal Housing Administration shall not require an assignment fee for mortgage insurance claims related to the securitized mortgages; and

"(C) any successors and assigns of the risk share partner (including the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named) shall not assume any obligation under the risk-sharing agreement and may assign any defaulted loan to the Federal Housing Administration in exchange for payment of the mortgage insurance claim. The risk-sharing agreement must provide for reimbursement to the Secretary by the risk share partner(s) for either all or a portion of the losses incurred on the loans insured."

(b) Paragraph (6) of section 542(c) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(c)) is amended in its title by deleting "Prohibition on" and in its text by revising it to read as follows:

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"The Government National Mortgage Association may, at the discretion of the Secretary, securitize any multifamily loan insured under this subsection, provided that—

"(A) the Federal Housing Administration provides mortgage insurance based on the unpaid principal balance of the loan, as shall be described by regulation;

"(B) the Federal Housing Administration shall not require an assignment fee for mortgage insurance claims related to the securitized mortgages; and

"(C) any successors and assigns of the risk share partner (including the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named) shall not assume any obligation under the risk-sharing agreement and may assign any defaulted loan to the Federal Housing Administration in exchange for payment of the mortgage insurance claim. The risk-sharing agreement must provide for reimbursement to the Secretary by the risk share partner(s) for either all or a portion of the losses incurred on the loans insured."

(c) Clause (ii) of the first sentence of section 306(g)(1) of the National Housing Act (12 U.S.C. 1721(g)(1)) is amended by striking the semi-colon and inserting a comma, and by inserting before the period at the end the following: ", or which are insured under subsection (b) or (c) of section 542 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22), subject to the terms of paragraph (8) and (6), respectively, of such subsection".

Explanation of this Section: Sections 542(b)(8) and (c)(6) as enacted (12 U.S.C. 1715z –22(b)(8) and (c)(6)) prevent securitization of risk-sharing loans through Ginnie Mae-guaranteed securities. This is because, if a risk-sharing loan is securitized and the issuer defaults, Ginnie Mae, as assignee of the loan, would become liable for the risk-sharing obligations of the issuer, as would any other issuer to which Ginnie Mae might attempt to transfer the loan.

This proposal amends Sections 542(b) and (c) to remove the prohibition against securitization of these loans through Ginnie Mae, so long as the scope of insurance on the loans falls within the parameters of amended Section 542(b) and (c). Specifically, while the loans may be the subject of a risk sharing agreement between the originating mortgagee and FHA, successors and assignees of the originating mortgagee shall not be liable for the obligations under the risk sharing agreement. Upon assignment of a loan to FHA by an assignee/successor, FHA shall pay an insurance claim based on the unpaid principal balance. In addition, FHA shall not require an assignment fee for any loan insured under these subsections if the loan is securitized through Ginnie Mae.

The related conforming amendment includes language in Ginnie Mae's Charter Act to authorize securitization of loans insured under Subsections 542(b) and (c) as amended.

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These amendments will allow Ginnie Mae to provide secondary market liquidity to support a broader range of housing financed through FHA risk-sharing programs, including small (5-49 units) affordable multifamily developments, and improve existing financing options.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2015 and proposes it again for fiscal year 2016. The proposed amendments will increase access to multifamily development financing by allowing Ginnie Mae to securitize risk-sharing loans.

SEC. 225. SHOP AMENDMENTS. — *Section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note) is amended—*

(1) in subsection (d)(2) by adding at the end the following new subparagraph:

"(C) PLANNING, ADMINISTRATION, AND MANAGEMENT. Planning, administration, and management of grant programs and activities, provided that such expenses do not exceed 20 percent of any grant made under this section.";

(2) in subsection (i)(5) by—

(A) striking "24" and inserting "36"; and

(B) striking "except that" and all that follows through "such grant amounts";

(3) in subsection (j) by—

(A) inserting after the heading "(1) REDISTRIBUTION OF FUNDS."; (B) striking "24" and inserting "36";

(C) striking "(or, in the case" and all that follows through "within 36 months"; and (D) adding at the end the following new paragraph:

"(2) DEADLINE FOR COMPLETION AND CONVEYANCE. — The Secretary shall establish a deadline (which may be extended for good cause as determined by the Secretary) by which time all units that have been assisted with grant funds under this section must be completed and conveyed."; and

(4) by striking subsection (q).

Explanation of this Section: This proposed provision makes four changes to the Self-Help and Homeownership Opportunity (SHOP) program:

(1) Adds an eligibility category under subsection (d)(2) to specifically allow up to twenty percent of each SHOP Grant to be used for eligible planning, administration and management costs provided such costs do not exceed 20 percent of the SHOP

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Grant: SHOP NOFAs have historically allowed the use of SHOP Grant funds for eligible planning, administration and management costs, provided such costs do not exceed 20 percent of the SHOP Grant. This authorization is well established in the SHOP program. Adding this Section to the SHOP statute codifies this authority in the statute, and clarifies that there are three categories of eligible costs that can be financed with SHOP Grant funds: land acquisition, infrastructure improvements; and planning, administration and management (provided such expenses do not exceed 20 percent of the grant).

(2) Amends subsections (i)(5) and (j) to eliminate the dual 24 month and 36 month Grant expenditure time frames (the Grant Term), and establish a single 36 month Grant Term for all participating organizations, consortia and affiliate organizations, after which the Secretary will recapture any “unused” SHOP Grant funds: Amending Sections (i)(5) and (j) “Grant Agreement” to establish a single 36 month SHOP Grant Term for all SHOP Grantees, Consortium members and affiliate organizations will facilitate program management and eliminate an unnecessary distinction between different categories of SHOP entities based on the number of SHOP units to be undertaken. This change will enable Grantees to more easily shift funds away from non-performing affiliates to performing affiliates, without being in danger of violating the 24 month Grant Term. It will also ease HUD and the Grantee’s administrative burden of tracking multiple deadlines for each SHOP Grant.

(3) Adds to subsection (j) a provision that authorizes the Secretary to establish a deadline for the completion and conveyance of all SHOP units that have been assisted with SHOP Grant funds: Although the SHOP statute establishes a deadline for the use (expenditure) of all SHOP Grant funds, it does not establish a deadline for the completion and conveyance of all SHOP units that have been financed with these Grant funds. Final Grant Close Out does not occur until all SHOP Grant-assisted units have been completed and conveyed to eligible homebuyers. Providing HUD with the statutory authority to establish a deadline for the timely completion and conveyance of all SHOP Grant-assisted units will better enable HUD to facilitate program performance and enforce against instances of non-compliance. HUD could modify a deadline for good cause.

(4) Eliminates subsection (q) which prohibits the Secretary from issuing regulations that exceed, in length, five full pages in the Federal Register: The current SHOP statute subsection (q) limits HUD’s issuance of necessary regulations to five pages, which is too limited to allow HUD to issue meaningful program rules. As a result, the annual SHOP Notice of Funding Availability (NOFA) and related Grant Agreement are overburdened with SHOP program and cross-cutting statutory requirements. Removing subsection (q) from the SHOP Statute will eliminate this unrealistic five page limitation on the issuance of SHOP regulations. This will enable HUD to engage in rulemaking that will allow an opportunity for public comment, unlike the NOFA process. The issuance of regulations will also provide more certainty and consistency in the SHOP program, establish clear guidance for program administration, and streamline the NOFA process.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2016.

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SEC. 226. FAIR MARKET RENTS. — Paragraph (1) of section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437) is amended—

- (a) by inserting "(A)" after the paragraph designation;
- (b) by striking the fourth, seventh, eighth, and ninth sentences;

and

- (c) by adding at the end the following:

"(B) Publication of Fair Market Rentals.— Not less than annually:

"(1) The Secretary shall publish a notice in the Federal Register that proposed fair market rentals for an area have been published on the site of the Department on the Internet and in any other manner specified by the Secretary. Such notice shall describe proposed material changes in the methodology for estimating fair market rentals and shall provide reasonable time for public comment.

"(2) The Secretary shall publish a notice in the Federal Register that final fair market rentals have been published on the site of the Department on the internet and in any other manner specified by the Secretary. Such notice shall include the final decisions regarding proposed substantial methodological changes for estimating fair market rentals and responses to public comments."

Explanation of this Section: This provision generally allows the Secretary of HUD to publish proposed and final FMRs on the Internet without also printing all FMRs in the Federal Register. Proposed and final methodological changes in FMR estimates, and solicitation of public comment on FMRs would continue to be published in the Federal Register. The provision also removes obsolete language specifying certain counties as receiving special FMR estimates.

Proposed Action: The President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 227. HOUSING COUNSELING AMENDMENTS—

- (a) Section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C.1701x) is amended—

(1) by adding at the end the following new subsection: "(j) FINANCIAL ASSISTANCE. For purposes of this section, the Secretary may enter into multiyear agreements as is appropriate, subject to the availability of annual appropriations.";

(2) in subsection (e)(2) by adding at the end of paragraph (2) the following sentence: "These standards may provide that an individual may also show competence to provide counseling by having successfully completed training in

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each of the six areas."; and

(3) in subsection (f)—

(A) in paragraph (1), by inserting "or entities" after "(which may be a nonprofit organization)"; and

(B) in paragraphs (3) through (6), by inserting "or entities" after the word "entity" each place such word appears.

(b) Section 4(g)(3)(A) of the Department of Housing and Urban Development Act (42 U.S.C. 3533(g)(3)(A)) is amended by— (1) in clause (i), striking "and";

(2) in clause (ii), striking the period at the end and inserting "; and"; and

(3) adding at the end the following clause: "(iii) to accept and retain, on behalf of the Secretary, and subject to procedures established by the Secretary, funds from private entities, including mortgage lenders and servicers, and any funds made available to the Director pursuant to the settlement of any legal proceedings, to be distributed and used for housing counseling activities under section 106 of the Housing and Urban Development Act of 1968."

Explanation of this Section: This proposed provision makes four changes that will streamline and improve the Housing Counseling program:

(1) Gives permanent authority for the Department to enter into multiyear agreements with grantees subject to the availability of funding. Multiyear counseling funding reduces the burden on HUD to process applications and award grants on an annual basis and allows HUD-approved housing counseling agencies to apply for multiyear grant funds instead of submitting applications annually.

(2) Allows the Department to substitute training for a written examination under certain conditions for the purpose of counselor certification.

(3) Expands the eligibility for qualified organizations to provide counselor training from one to multiple entities. Multiple entities administering the homeownership and rental counselor training and certification program will reduce burden on housing counseling agencies and housing counselors by providing housing counselors with more testing sites and training opportunities.

(4) Allows private entities to provide funding to HUD-approved Housing Counseling agencies. Private funding from sources such as reverse mortgage lenders, servicers and settlement funds, could be efficiently and fairly approved or distributed by HUD to qualified counseling agencies. Leveraging non-federal sources of funding would allow agencies to provide additional services while maintaining the quality and independence of HUD-approved Housing Counselors.

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Proposed Action: The President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 228. (a) Subsection (b) of section 225 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12755) is amended by adding at the end the following new sentence: "Such 30-day waiting period is not required if the grounds for the termination or refusal to renew involve a direct threat to the safety of the tenants or employees of the housing, or an imminent and serious threat to the property (and the termination or refusal to renew is in accordance with the requirements of State or local law).".

(b) Section 231 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12771) is amended—

(1) in subsection (b) by striking "make such funds available by direct reallocation" and all that follows through "were recaptured" and inserting "reallocate the funds by formula in accordance with section 217(d) of this Act (42 U.S.C. 12747(d))"; and

(2) by striking subsection (c).

(c) Section 104(6) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704) is amended by adding at the end of the undesignated matter after subparagraph (D) the following sentence: "In the case of an organization funded by the State under title II of this Act, the organization may serve all counties within the State."

(d) Section 216 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12746) is amended— (1) in paragraph (3) by striking "Except as provided in paragraph (10), a" and inserting "A";

(2) in paragraph (8) by striking "subsequent" and inserting "five"; (3) by amending paragraph (9) to read as follows:

"(9) REVOCATION.—

"(A) The Secretary may revoke the designation of a jurisdiction as a participating jurisdiction if the Secretary finds, after reasonable notice and opportunity for hearing, that the jurisdiction is unwilling or unable to carry out the provisions of this title. Any remaining line of credit in the HOME Investment Trust Fund established for the jurisdiction under section 218 shall be reallocated in accordance with paragraph (6) of this section.

"(B) The Secretary shall revoke the designation of a jurisdiction as a participating jurisdiction if the allocation for the jurisdiction falls below \$500,000 for 3 years during the period in paragraph (8)."; and

(4) by striking paragraph (10).

(e) Section 217(b) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12747(b)) is amended—

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- (1) in paragraph (3) by striking ", except as provided in paragraph (4)"; and
- (2) by striking paragraph (4).

Explanation of this Section: These provision makes four changes to the HOME Investment Partnership Program: (1) Facilitates eviction of HOME rental unit tenants who pose a direct threat to tenants or employees of the housing or are an imminent, serious threat to the property; (2) Allows recaptured Community Housing Development Organization (CHDO) funds to be reallocated by formula as regular HOME funds; (3) Allows nonprofit organizations that operate statewide to be designated as CHDOs by the State Participating Jurisdiction; (4) Revises provisions that establish when Participating Jurisdictions that fall below eligibility criteria could continue to receive HOME funding.

Proposed Action: The President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 229. *Subsection 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) is amended by revising subparagraph (ii) of paragraph (5)(A) to read as follows:*

"(ii) HEALTH AND MEDICAL EXPENSES.—The amount, if any, by which 10 percent of annual family income is exceeded by the sum of—

(I) in the case of any elderly or disabled family, any unreimbursed health and medical care expenses; and

(II) any unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family to the extent necessary to enable any member of such family to be employed."

Explanation of this Section: This section increases the threshold for deducting unreimbursed medical expenses from 3 percent to 10 percent of family income.

Proposed Action: The Department proposed the addition of this provision in fiscal years 2014 and 2015 and proposes it again for fiscal year 2016 to simplify administration of the medical expenses deduction, and reduce Federal costs.

SEC. 230. *MULTIFAMILY PERFORMANCE-BASED ENERGY CONSERVATION DEMONSTRATION.—*

(a) PURPOSE.—The purpose of this demonstration is to authorize the Secretary of the Department of Housing and Urban Development (hereinafter referred to as "the Secretary") to test a performance-based model program that facilitates financing

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of energy and water conservation improvements in assisted multifamily housing with the intent of reducing the utility costs of such housing.

(b) PROGRAM AUTHORITY.—In accordance with the provisions of this section, the Secretary may execute performance-based agreements in fiscal years 2016 through 2018 to provide energy and water conservation improvements for up to 20,000 units in eligible multifamily properties. The Secretary may use funds made available under the heading "Project-Based Rental Assistance" for such agreements in each fiscal year that such agreements are executed or in effect.

(c) BUDGET NEUTRALITY.— The demonstration shall be budget neutral, so that the utility costs subsidized by the Secretary and the performance payments under the performance-based agreements for the participating properties are not more than the utility costs subsidized by the Secretary would have been for such properties in the absence of this demonstration.

(d) ELIGIBLE ENTITIES.—

(1) IN GENERAL.—The Secretary may execute performance-based agreements under this section with entities that provide services or that arrange for the provision of services and, upon receipt of payments under the agreement, disburse such payments in accordance with the agreement.

(2) SELECTION OF ELIGIBLE ENTITIES.—The Secretary may select eligible entities by competition or a formula based on an eligibility threshold.

(e) TERMS OF PERFORMANCE-BASED AGREEMENTS.—A performance-based agreement under this section shall include—

(1) the period that the agreement will be in effect and during which payments may be made, which may be a term of up to 12 years;

(2) the performance measures that will serve as payment thresholds during the term of the agreement; (3) an audit protocol for the properties covered by the agreement;

(4) a requirement that payments shall be contingent on realized cost savings associated with reduced utility consumption in the participating properties; and

(5) such other requirements and terms as determined to be appropriate by the Secretary.

(f) IMPLEMENTATION.—This section shall be implemented in accordance with such procedures, terms, requirements, and conditions as the Secretary shall, by notice, provide.

(g) EVALUATION AND REPORT.—The Secretary shall conduct an evaluation of the use of the authority under this section every 5 years after the execution of the first agreement under this section and within 2 years of the expiration of the last agreement executed under this section, and report such findings to Congress.

Explanation of this Section: Authorizes the Secretary to conduct a demonstration to test a performance-based model program that facilitates financing of energy and water conservation improvements in assisted multifamily housing with the intent to reduce utility costs.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 231. LIHPRHA FLEXIBILITY. *Section 219(a) of the Low Income Housing Preservation and Resident Homeownership Act of 1990 (12 U.S.C. 4109) is amended by—*

(a) striking "AGREEMENTS BY THE SECRETARY.—After" and inserting "AGREEMENTS BY THE SECRETARY.—"(1) After";

(b) redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively; and

(c) adding after the newly designated paragraph (1) the following new paragraph:

"(2) As determined by the Secretary of Housing and Urban Development and notwithstanding section 222(a)(2)(A) (12 U.S.C. 4112(a)(2)(A)), at the request of any owner refinancing, or any qualified purchaser of eligible low-income housing that is subject to a use agreement pursuant to such Acts, the Secretary may amend the use agreement or other governing documents for such housing in order to terminate or modify any limitations on prepayments and periodic distributions of surplus cash generated by such housing in accordance with section 220(d)(2)(E) (12 U.S.C. 4110(d)(2)(E)) to facilitate the preservation of the housing through acquisition or refinancing as affordable housing, provided that the property is covered by a use agreement for 20 years beyond the date of acquisition or refinancing, and that the owner or purchaser of such housing agrees to renew the existing project-based Housing Assistance Payments contract pursuant to section 524 of the Multifamily Assisted Housing and Affordability Act of 1997, as amended (42 U.S.C. 1437f note) for a term to be determined by the Secretary."

Explanation of this Section: This provision allows the Department to update use agreements for Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) properties to allow prepayments and distributions in connection with preservation transactions.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 232. *Subsection (a) of section 1018 of the Housing and Community Development Act of 1992 (42 U.S.C. 4852d), is amended by adding after paragraph 5 the following new paragraph:*

"(6) AUTHORITY OF THE SECRETARY.—

"(A) INVESTIGATIONS.—The Secretary is authorized to conduct such investigations as may be necessary to administer and carry out his duties under this section. The Secretary is authorized to administer oaths and require by subpoena the production of documents, and the attendance and testimony of witnesses as the Secretary deems advisable. Nothing contained in this subparagraph shall prevent the Administrator of the Environmental Protection

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Agency from exercising authority under the Toxic Substances Control Act or this Act.

"(B) ENFORCEMENT.—Any district court of the United States within the jurisdiction of which an inquiry is carried, on application of the Attorney General, may, in the case of contumacy or refusal to obey a subpoena of the Secretary issued under this section, issue an order requiring compliance therewith; and any failure to obey such order of the court may be punished by the court as a contempt thereof."

Explanation of this Section: Provides the Secretary authority to carry out investigations, administer oaths, and subpoena documents related to violations of the Lead Disclosure provision of Title X.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 233. NONPROFITS ADMINISTERING RENTAL ASSISTANCE. *Section 423(g) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11383(g)) is amended by inserting "private nonprofit organization," after "unit of general local government,".*

Explanation of this Section: Permanently amends the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11383(g)) to allow private non-profit organizations to administer rental assistance programs. This authority was previously provided in fiscal year 2014 and 2015 through appropriations language.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 234. *Section 184(b)(4) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(b)(4)) is amended by adding at the end the following new subparagraphs:*

"(E) The Secretary may authorize qualifying lenders to participate in a direct guarantee process for approving loans. If the Secretary determines that a mortgage insured through the direct guarantee process was not originated in accordance with the requirements established by the Secretary, then the Secretary may require the lender approved under this subparagraph to indemnify the Secretary for the loss, irrespective of whether the violation caused the mortgage default. If fraud or misrepresentation was involved in the direct guarantee process, the Secretary shall require the lender approved under this subparagraph to indemnify the Secretary for the loss regardless of when an insurance claim is paid.

"(F) Periodically, the Secretary may review the mortgagees originating or underwriting single family mortgages under this section, as follows:

"(i) In conducting this review the Secretary shall compare that mortgagee with other mortgagees originating or

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underwriting loan guarantees for Indian housing based on the rates of defaults and claims for insured single family mortgage loans originated or underwritten by that mortgagee.

"(ii) The Secretary may also compare that mortgagee with such other mortgagees based on underwriting quality; geographic area served; or any commonly used factors the Secretary deems necessary for comparing mortgage default risk, provided that such comparison is of factors that the Secretary would expect to reduce the default risk of mortgages insured by the Secretary.

"(iii) In carrying out the periodic review of mortgagee performance, the Secretary shall implement such comparisons by regulation, notice, or mortgagee letter.

"(iv) The Secretary may terminate the approval of a mortgagee to originate or underwrite loan guarantees for Indian Housing if the Secretary determines that the mortgage loans originated or underwritten by the mortgagee present an unacceptable risk to the Indian Housing Loan Guarantee fund based on a comparison of any of the factors set forth in this subparagraph or by a determination that the mortgagee engaged in fraud or misrepresentation."

Explanation of this Section: Amends the Housing and Community Development Act to authorize the Secretary to (1) seek indemnification from any loss if he determines that a mortgage was not originated in accordance with HUD requirements; (2) terminate lenders if the lender presents an unacceptable risk or commits fraud.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in 2016.

SEC. 235. *Section 184(l)(3) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(l)(3)) is amended to read as follows:"(3) The term "Indian" has the same definition as in section 4(10) of the Native American Housing Assistance and Self-Determination Act of 1996."*

Explanation of this Section: Updates statutory definitions governing the Section 184 program for "Indian" to make them consistent with the Native American Housing Assistance and Self-Determination Act (NAHSADA) for eligibility purposes.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 236. *Section 184(l)(8) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(l)(8)) is amended to read as follows:*

"(8) Indian tribe.—

"(A) INDIAN TRIBE.—The term "Indian tribe" has the same definition as in section 4(13)(A) of the Native

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American Housing Assistance and Self-Determination Act of 1996.

"(B) FEDERALLY RECOGNIZED TRIBE.—The term "Federally recognized tribe" has the same definition as in section 4(13)(B) of the Native American Housing Assistance and Self-Determination Act of 1996.

"(C) STATE-RECOGNIZED TRIBE.— The term "State-recognized tribe" has the same definition as in section 4(13)(C)(i) of the Native American Housing Assistance and Self-Determination Act of 1996.

"(D) CONDITIONS.—Nothing in paragraph (C) shall be construed to confer upon a State-recognized tribe any rights, privileges, responsibilities, or obligations otherwise accorded Indian tribes recognized by the United States for other purposes."

Explanation of this Section: Updates statutory definitions governing Section 184 program for "Indian Tribe", "Federally-Recognized Tribe" and "State-Recognized tribe" to make them consistent with the Native American Housing Assistance and Self-Determination Act (NAHSADA) for eligibility purposes.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 237. *The fifth sentence in the second undesignated paragraph after section 221(f) of the National Housing Act (12 U.S.C. 1715l(f)) is amended by inserting "or subsection (d)(4)" after "subsection (d)(3)".*

Explanation of this Section: Clarifies that low-and-moderate income persons under 62 years of age are eligible for occupancy of dwelling units in a project financed with a mortgage insured under 221(d)(4) private industry mortgagors like they are for 221(d)(3) public agency mortgagors, which is consistent with current practice.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 238. *Section 221 of the National Housing Act (12 U.S.C. 1715l) is amended by striking subsection (g)(4).*

Explanation of this Section: Eliminates Section 221(g)(4) of the National Housing Act regarding loan assignment authority. The provision is no longer necessary because there aren't any outstanding loans left that would qualify under this provision.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 239. *Notwithstanding section 24(o) of the United States Housing Act of 1937 (42 U.S.C. 1437v(o)), amounts made*

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available in prior appropriations Acts under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" or under the heading "Choice Neighborhoods Initiative" may continue to be provided as assistance pursuant to such section.

Explanation of this Section: Allows prior year Choice and HOPE VI funds to continue to be available notwithstanding the HOPE VI sunset date.

Proposed Action: The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

SEC. 240. ADMINISTRATIVE SUPPORT FEE. *Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding the following new subsection:*

"(i) ADMINISTRATION.—Notwithstanding any provision of law, and in addition to any other fees charged in connection with the provision of insurance under this title, in each fiscal year the Secretary may charge and collect a fee not to exceed 4 basis points of the original principal balance of mortgages originated by the mortgagee that were insured under this title during the previous fiscal year. Such fee collected from each mortgagee shall be used as offsetting collections for part of the administrative contract expenses funding, information technology expenses, and any necessary salaries and expenses funding provided under the Mutual Mortgage Insurance Program Account under this title. The Secretary may establish the amount of such fee through regulations, notice, Mortgagee Letter, or other administrative issuance."

Explanation of this Section: Provides authority to charge lenders an administrative support fee. These funds will provide enhancements to administrative contract support and FHA staffing, with a focus on increasing the number of loans reviewed annually for quality assurance, which will ensure lender compliance with FHA endorsement policies and reduce losses to the FHA insurance fund.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

SEC. 241. *Notwithstanding Section 620(d)(2) of the National Manufactured Housing Construction and Safety Standards Act of 1974, as amended (42 U.S.C. 5419(d)(2)), the Secretary may modify fees authorized under Section 620 of such Act by notice published in the Federal Register.*

Explanation of this Section: This provision is similar to procedures for FHA mortgages and will provide the Department with the ability to respond timely to changes in the dynamic Manufactured Housing Industry and raise fees by notice rather than rulemaking.

Proposed Action: The President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

Sec. 242. MOVING TO WORK EXPANSION.—*The Secretary of Housing and Urban Development may increase, pursuant to this section, the number of Moving to Work agencies authorized under section 204, title II, of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1996 (Public Law 104–134; 110 Stat. 1321) by adding to the program up to 15 public housing agencies, for a total of no more than 150,000 housing vouchers and public housing units, over three years, in order to test innovative policy approaches to providing housing assistance, and to conduct rigorous evaluations to determine the effectiveness of such initiatives.*

(1) IN GENERAL.—*Public housing agencies selected under this section, under criteria and program requirements established by Federal Register notice subject to public comment—*

(A) shall be high capacity public housing agencies, the definition of which shall include—

(I) a designation as a high performer under the public housing assessment system and the section 8 management assessment program, as applicable; and

(II) a voucher utilization rate of at least 90 percent of voucher funds, as defined by the Secretary, for the duration of participation in the program;

(B) may include a consortia of public housing agencies of an appropriate size, as determined by the Secretary;

(C) shall represent, to the extent feasible based on eligible applications, a diverse range of public housing agencies in terms of geography and size to allow innovative policies to be tested in different contexts; and

(D) shall not receive more funding under sections 8 or 9 of the United States Housing Act of 1937 ("the Act") (42 U.S.C. 1437f and 1437g) than they otherwise would have received absent this designation.

(2) APPLICABILITY OF THE UNITED STATES HOUSING ACT OF 1937.—*For purposes of this expansion, in addition to the provisions of the Act retained in section 204, the following provisions of the Act shall continue to apply:*

(A) the 20 percent portfolio cap on the use of voucher funds for project-based vouchers under section 8(o)(13)(B) of the Act (42 U.S.C. 1437f(o)(13)(B)), unless the use of voucher funds for project-based vouchers above the 20 percent cap, but not to exceed 35 percent, meets one of the following criteria:

(I) the project-based vouchers serve homeless or other special needs families, as defined by the Secretary;

(II) the project-based vouchers are used in a low-poverty area, as defined by the Secretary; or

(III) the project-based vouchers are used in connection with a demonstration of a project-based program that is subject to evaluation by the Secretary;

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(B) the ability of families with project-based vouchers to move, using tenant-based vouchers, after 12 months of occupancy under section 8(o)(13)(E) of the Act, unless the Secretary determines that waiver of this section is necessary to implement transitional or time-limited housing policies subject to evaluation by the Secretary;

(C) the portability of vouchers for families under section 8(r)(1) of the Act unless the Secretary determines that waiver of this section is necessary to implement comprehensive rent reform and occupancy policies subject to evaluation by the Secretary, and the waiver contains, at a minimum, exceptions for requests to port due to employment, education, health and safety; and

(D) the following sections of the Act:

(I) section 2(b) (42 U.S.C. 1437(b)) relating to tenant representatives on the public housing agency board of directors;

(II) section 3(b)(2) (42 U.S.C. 1437a(b)(2)) relating to definitions for the terms 'low-income families,' 'very low-income families,' and 'extremely low-income families';

(III) section 5A(e) (42 U.S.C. 1437c-1(e)) relating to the formation of and consultation with a resident advisory board;

(IV) sections 6(f)(1) and 8(o)(8)(B) (42 U.S.C. 1437d(f)(1), 1437f(o)(8)(B)), relating to compliance of units assisted with housing quality standards or other codes;

(V) section 6(k) (42 U.S.C. 1437d(k)) relating to grievance procedures for public housing tenants;

(VI) section 7 (42 U.S.C. 1437e) relating to designation of housing for elderly and disabled households);
and

(VII) sections 8(ee) and 6(u) (42 U.S.C. 1437f(ee), 1437d(n)) relating to records, certification and confidentiality regarding domestic violence; and

(E) the following requirements applicable to resident councils and jurisdiction-wide resident organizations:

(I) establishment of resident councils and resident organizations under section 20 of the Act;

(II) minimum amount of public housing agency support for such councils and organizations under Section 20 of the Act; and

(III) involvement of such councils and organizations in public housing agency operations, as authorized under sections 3(c)(2), 6(c)(5)(C), and 9(e) of the Act (42 U.S.C. 1437a(c)(2), 1437d(c)(5)(C), 1437g(e)).

(3) RESIDENT INVOLVEMENT.—The initial application and annual plan submitted by the public housing agencies under this expansion shall be submitted to the Secretary only after—

(A) being made available for public comment for at least 30 days;

(B) providing for citizen participation, including at least one documented public hearing; and

(C) the Board of Commissioners, or Board of Directors, has approved the application or plan no less than 15 days after the public hearing in order to carefully consider the public comments.

(4) EVALUATION.— Participating public housing agencies shall comply with all reporting and evaluation requirements, as established by the Secretary.

Explanation of this Section: This provision expands the MTW program to high capacity PHAs. Up to fifteen PHAs, totaling no more than 150,000 combined HCV and public housing units, would be selected competitively.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 243. *Section 3(a) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)) is amended by adding at the end the following new paragraph:*

"(6) REVIEWS OF FAMILY INCOME.—

"(A) FREQUENCY.—Reviews of family income for purposes of this section shall be made—

"(i) in the case of all families, upon the initial provision of housing assistance for the family; and

"(ii) no less than annually thereafter, except as provided in subparagraph (B)(i);

"(B) FIXED-INCOME FAMILIES.—

"(i) SELF CERTIFICATION AND 3-YEAR REVIEW.—In the case of any family described in clause (ii), after the initial review of the family's income pursuant to subparagraph (A)(i), the public housing agency or owner shall not be required to conduct a review of the family's income pursuant to subparagraph (A)(ii) for any year for which such family certifies, in accordance with such requirements as the Secretary shall establish, that the income of the family meets the requirements of clause (ii) of this subparagraph and that the sources of such income have not changed since the previous year, except that the public housing agency or owner shall conduct a review of each such family's income not less than once every 3 years.

"(ii) ELIGIBLE FAMILIES.—A family described in this clause is a family who has an income, as of the most recent review pursuant to subparagraph (A) or clause (i) of this subparagraph, of which 90 percent or more consists of fixed income, as such term is defined in clause (iii).

"(iii) FIXED INCOME.—For purposes of this subparagraph, the term 'fixed income' includes income from—

"(I) the supplemental security income program under title XVI of the Social Security Act, including supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66;

"(II) Social Security payments;

"(III) Federal, State, local and private pension plans; and

"(IV) other periodic payments received from annuities, insurance policies, retirement funds, disability or death benefits, and other similar types of periodic receipts that are of substantially the same amounts from year to year.

"(C) INFLATIONARY ADJUSTMENT FOR FIXED INCOME FAMILIES.—

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"(i) IN GENERAL.—In any year in which a public housing agency or owner does not conduct a review of income for any family described in clause (ii) of subparagraph (B) pursuant to the authority under clause (i) of such paragraph to waive such a review, such family's prior year's income determination shall, subject to clauses (ii) and (iii), be adjusted by applying an inflationary factor as the Secretary shall, by regulation or notice, establish.

"(ii) EXEMPTION FROM ADJUSTMENT.—A public housing agency or owner may exempt from an adjustment pursuant to clause (i) any income source for which income does not increase from year to year."

Explanation of this Section: Authorizes triennial re-certifications of fixed-income families. Under current law, public housing authorities (PHAs) and owners must recertify the incomes of all program participants on an annual basis. This proposal would authorize PHAs and owners to recertify fixed-income families every three years.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 244. UTILITIES CONSERVATION PILOT.

(a) ESTABLISHMENT.—The Secretary of Housing and Urban Development may establish, through notice, a demonstration program to incent public housing agencies, as defined in section 3(b)(6) of the United States Housing Act of 1937 (in this section referred to as "the Act"), to implement measures to reduce their energy and water consumption.

(b) ELIGIBILITY.—Public housing agencies that operate public housing programs that meet the demonstration requirements, as determined by the Secretary, shall be eligible for participation in the demonstration.

(c) INCENTIVE.—The Secretary may provide an incentive as follows to an eligible public housing agency that uses capital funds, operating funds, grants, utility rebates, and other resources to reduce its energy and/or water consumption in accordance with a plan approved by the Secretary.

(1) BASE UTILITY CONSUMPTION LEVEL.—The initial base utility consumption level under the approved plan shall be set at the public housing agency's rolling base consumption level immediately prior to the installation of energy conservation measures.

(2) FIRST YEAR UTILITY COST SAVINGS.—For the first year that an approved plan is in effect, the Secretary shall allocate the utility consumption level in the public housing operating fund using the base utility consumption level.

(3) SUBSEQUENT YEAR SAVINGS.—For each subsequent year that the plan is in effect, the Secretary shall decrease the utility consumption level by one percent of the initial base utility consumption level per year until the utility consumption level equals the public housing agency's actual consumption level that followed the installation of energy conservation measures, at which time the plan will terminate.

(4) USE OF UTILITY COST SAVINGS.—The public housing agency may use the funds resulting from the energy conservation measures, in accordance with paragraphs (2) and (3), for either operating expenses, as defined by section 9(e)(1) of the Act, or capital improvements, as defined by section 9(d)(1) of the Act.

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(5) DURATION OF PLAN.—The length in years of the utility conservation plan shall not exceed the number of percentage points in utility consumption reduction a public housing agency achieves through the energy conservation measures implemented under this demonstration, but in no case shall it exceed 20 years.

(6) OTHER REQUIREMENTS.—The Secretary may establish such other requirements as necessary to further the purposes of this demonstration.

(7) EVALUATION.—Each public housing agency participating in the demonstration shall submit to the Secretary such performance and evaluation reports concerning the reduction in energy consumption and compliance with the requirements of this section as the Secretary may require.

(d) TERMINATION.—Public housing agencies may enter into this demonstration for 5 years after the date on which the demonstration program is commenced.

Explanation of this Section: This proposal creates a utilities conservation pilot to provide incentive for PHAs to reduce public housing utility consumption. The pilot is modeled on the Operating Fund's Frozen Rolling Base.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 245. *Section 242(i) of the National Housing Act (12 U.S.C. 1715z-7(i)(1)) is amended by striking "(i) TERMINATION OF EXEMPTION FOR CRITICAL ACCESS HOSPITALS" and all that follows through "(2)" and redesignating paragraphs (2)(A) and (B) as paragraphs (1) and (2), respectively.*

Explanation of this Section: Critical care facilities are currently exempted from the requirement that fifty percent of their patient days must be for acute care services, but this exemption expires on July 31, 2016. This general provision would eliminate the sunset date.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 246. *Title V of the National Housing Act is amended by striking section 521 (12 U.S.C. 1735e).*

Explanation of this Section: Removes from mandatory use the "Technical Suitability of Products Program" for programs covered under FHA's mortgage insurance platform.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 247. *TEMPORARY AUTHORITY TO TRANSFER HOUSING UNDER SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES.—*

(a) AUTHORITY.—Subject to the conditions in subsection (d), the Secretary of Housing and Urban Development (hereafter referred to as "Secretary") may authorize, in response to requests received in fiscal years 2016 through 2020, the transfer of some or all project-based assistance, tenant-based assistance, capital advances, debt, and statutorily required use restrictions from housing assisted under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013) to other new or existing housing, which may include projects, units, and other types of housing, as permitted by the Secretary.

(b) CAPITAL ADVANCES.—Interest shall not be due and repayment of a capital advance shall not be triggered by a transfer pursuant to this section.

(c) PHASED AND PROPORTIONAL TRANSFERS.—

(1) Transfers under this section may be done in phases to accommodate the financing and other requirements related to rehabilitating or constructing the housing to which the assistance is transferred, to ensure that such housing meets the conditions under subsection (d).

(2) The capital advance repayment requirements, use restrictions, rental assistance, and debt shall transfer proportionally from the transferring housing to the receiving housing.

(d) CONDITIONS.—The transfers authorized by this section shall be subject to the following conditions:

(1) the owner of the transferring housing shall demonstrate that the transfer is in compliance with applicable Federal, State, and local requirements regarding housing for persons with disabilities and shall provide the Secretary with evidence of obtaining any approvals related to housing disabled persons that are necessary under Federal, State, and local government requirements;

(2) the owner of the transferring housing shall demonstrate to the Secretary that any transfer is in the best interest of the disabled residents by offering opportunities for increased integration or less concentration of individuals with disabilities;

(3) the owner of the transferring housing shall continue to provide the same number of units as approved for rental assistance by the Secretary in the receiving housing;

(4) the owner of the transferring housing shall consult with the disabled residents in the transferring housing about any proposed transfer under this section and shall notify the residents of the transferring housing who are eligible for assistance to be provided in the receiving housing that they shall not be required to vacate the transferring housing until the receiving housing is available for occupancy;

(5) the receiving housing shall meet or exceed applicable physical standards established or adopted by the Secretary; and

(6) if the receiving housing has a mortgage insured under title II of the National Housing Act, any lien on the receiving housing resulting from additional financing shall be subordinate to any federally insured mortgage lien transferred to, or placed on, such housing, except that the Secretary may waive this requirement upon determination

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that such a waiver is necessary to facilitate the financing of acquisition, construction, or rehabilitation of the receiving housing.

(e) PUBLIC NOTICE.—The Secretary shall publish a notice in the Federal Register of the terms and conditions, including criteria for HUD approval of transfers pursuant to this section no later than 30 days before the effective date of such notice.

Explanation of this Section: The provision gives the Department needed flexibility to transfer Section 811 subsidies to properties that comply with local Olmstead requirements, which prohibit the unlawful segregation of persons with disabilities.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 248. AUTHORIZATION TO PARTICIPATE IN THE ORIGINATION OF FHA-INSURED LOANS. *Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is amended by striking paragraph (1) and inserting the following new paragraph:*

"(1) Have been made to a mortgagee approved by the Secretary or to a person or entity authorized by the Secretary under section 203(d)(1) to participate in the origination of the mortgage, and be held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly."

Explanation of this Section: Amends the National Housing Act to allow third party loan originators to close loans in their own name instead of the name of their FHA approved funding partner.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 249. REVIEW OF MORTGAGEE PERFORMANCE.—*Section 533 of the National Housing Act (12 U.S.C. 1735f-11) is amended—*
(1) by amending subsection (a) to read as follows:

"(a) PERIODIC REVIEW OF MORTGAGEE PERFORMANCE.—To reduce losses in connection with single family mortgage insurance programs under this Act, at least once a year the Secretary shall review the performance of insured single family mortgages originated, underwritten or serviced by each mortgagee.";

(2) by amending subsection (b) to read as follows:

"(b) COMPARISON WITH OTHER MORTGAGEES.—In conducting the review required under subsection (a), for each mortgagee the Secretary may compare the performance of insured single family mortgage loans originated, underwritten, or serviced by the mortgagee or its sub-servicer with the performance of other mortgagees originating, underwriting, or servicing insured single family mortgage loans. The Secretary may make this comparison on any basis the Secretary determines appropriate, such as geographic area, varying underwriting and servicing standards, or populations served. The Secretary may implement such comparison through regulations, notice, Mortgagee Letter, or other administrative issuance.";

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(3) in subsection (c)—

(A) by amending the title to by inserting "AND SERVICER" following "ORIGINATION";

(B) by striking paragraph (1) and inserting the following:

"(1) TERMINATION AUTHORITY.—Notwithstanding section 202(c), the Secretary may terminate the approval in whole or in part of a mortgagee to originate, underwrite, or service single family mortgages if the Secretary determines that the mortgage loans originated, underwritten, or serviced by the mortgagee present an unacceptable risk to the insurance funds. The determination shall be based on the comparison required under subsection (b) of this section and shall be made in accordance with regulations, notice, Mortgagee Letter, or other administrative issuance of the Secretary."; and

(C) in paragraph (2)—

(i) by inserting "PROCEDURE.—" prior to "The Secretary shall give"; and

(ii) in the fourth sentence, by striking "excessive default and claim rate" and inserting "unacceptable performance".

Explanation of this Section: This general provision amends the National Housing Act to:

(1) authorize FHA to review the performance of mortgagee servicing under Credit Watch, in addition to mortgage origination and underwriting review process authorized under current law;

(2) amend the Credit Watch authority to allow the Secretary to compare the performance of single family mortgage loans originated, underwritten, or serviced by the mortgagee on any basis the Secretary determines appropriate, such as geographic area, varying underwriting and servicing standards, or populations served, instead of a national basis; and

(3) enable FHA, based on its revised Credit Watch authority under this budget to review mortgages, to determine that if a mortgagee is found to have unacceptable performance, terminate the approval of the mortgagee, in whole or in part, to originate underwrite, or service single family mortgages in a specified area or areas, or on a nationwide basis.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 250. INDEMNIFICATION BY MORTGAGEES

(a) *Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding at the end the following new clause:*

"(i) INDEMNIFICATION BY MORTGAGEES.—

"(1) IN GENERAL.—If the Secretary determines that a mortgage executed by a mortgagee approved by the Secretary under the direct endorsement program or insured by a mortgagee pursuant to the delegation of authority

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under section 256 was not originated or underwritten in accordance with the requirements established by the Secretary, and the Secretary pays an insurance claim with respect to the mortgage within a reasonable period specified by the Secretary, the Secretary may require the mortgagee approved by the Secretary under the direct endorsement program or the mortgagee delegated authority under section 256 to indemnify the Secretary for the loss.

"(2) FRAUD OR MISREPRESENTATION.—If fraud or misrepresentation was involved in connection with the origination or underwriting, the Secretary may require the mortgagee approved by the Secretary under the direct endorsement program or the mortgagee delegated authority under section 256 to indemnify the Secretary for the loss regardless of when an insurance claim is paid.

"(3) REQUIREMENTS AND PROCEDURES.—The Secretary shall issue regulations establishing appropriate requirements and procedures governing the indemnification of the Secretary by the mortgagee.";

(b) Section 256 of the National Housing Act (12 U.S.C. 1715z-21) is amended—

(1) by striking subsection (c);

(2) in subsection (e), by striking ", including" and all that follows through "by the mortgagee"; and

(3) by redesignating subsections (d) and (e) as subsections (c) and (d), respectively.

Explanation of this Section: This allows FHA to seek indemnification from Direct Enforcement (DE) lenders in addition to Lender Insurance (LI) lenders. This language will make all FHA lenders subject to the same enforcement regime.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 251. STATISTICAL METHODOLOGY. *Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding the following new subsection:*

"(j) STATISTICAL METHODOLOGY.—In order to further reduce risk to the single family mortgage insurance programs under Title I and Title II of this Act due to originating, underwriting, and compliance risk, the Secretary may, through regulation, establish a statistically valid sampling method to extrapolate defect rates in loans insured under this Act."

Explanation of this Section: This provision allows FHA to resolve underwriting/manufacturing compliance risk through the extrapolation of statistical sampling and the imposition of administrative fees, indemnifications or other remedies as deemed appropriate by the Commissioner.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 252. SHORT SALES FOR FHA-INSURED MORTGAGES. *Section 204(a)(1) of the National Housing Act (12 U.S.C. 1710(a)(1)) is amended—*

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- (1) in subparagraph (C) by striking "at foreclosure"; and
- (2) in subparagraph (D) by inserting "or imminent default" after the word "default".

Explanation of this Section: This provision revises the National Housing Act to allow for short sales in the case of imminent default.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 253. USE OF GOVERNMENT-FINANCED DOWNPAYMENT ASSISTANCE. *Section 203(b)(9)(C) of the National Housing Act (12 U.S.C. 1709) is amended to read as follows:*

"(C) PROHIBITED SOURCES.—Except as provided in subparagraph (D), in no case shall the funds required by subparagraph (A) consist, in whole or in part, of funds provided by any of the following parties before, during, or after closing of the property sale:

"(i) The seller or any other person or entity that financially benefits from the transaction.

"(ii) Any third party or entity that is reimbursed, directly or indirectly, by any of the parties described in clause (i).

"(D) GOVERNMENT ASSISTANCE.—For purposes of this paragraph, the Secretary may consider as cash or its equivalent any amounts borrowed from or provided by any entity authorized to provide secondary financing under section 528 of this Act, under such terms and conditions as may be prescribed by the Secretary, through notice, mortgagee letter, or rule.

"This subparagraph shall apply only to mortgages for which the mortgagee has issued credit approval for the borrower on or after October 1, 2008."

Explanation of this Section: This general provision limits the applicability of government-financed down payment assistance towards satisfying FHA requirements. The amendment of the National Housing Act seeks to clarify that down payment assistance from state and local governments and their respective agencies and instrumentalities are not impermissible sources of down payment assistance.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 254. SEC. 254. TRANSFER OF MORTGAGE SERVICING DUTIES

(a) In General.—Title II of the National Housing Act (12 U.S.C. 1707 et seq.) is amended by adding at the end the following new section:

"SEC. 259. DELEGATION OF MORTGAGE SERVICING DUTIES.

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"(a) In general.—For any mortgage or pool of mortgages insured under this title and in accordance with any published terms and conditions of the Secretary, the Secretary may require the servicer of any such mortgage or group of mortgages to enter into a subservicing arrangement with any independent specialty servicer approved by the Secretary.

"(b) DELEGATION REQUIREMENTS.—Prior to mandating any subservicing arrangement under this section, the Secretary (a) shall—

"(1) set forth with clarity the performance conditions of a servicer that would warrant or necessitate the use of the authority granted to the Secretary under this section;

"(2) require that the performance condition warranting or necessitating the use of such authority be based on serious or material failures to comply with requirements of the Secretary;

"(3) require that any servicer whose servicing duties are subject to this section be provided a reasonable amount of time, provided that such time does not present an increase in risk to the Mutual Mortgage Insurance Fund, to rebut, address, or correct any determination of the Secretary regarding a performance condition described under paragraph (1);

"(4) only permit the Secretary to carry out the authority granted under this section upon expiration of the time-period allowed under paragraph (3);

"(5) limit the scope of the authority exercised under this subsection to mortgages that share similar underwriting, borrower, or performance characteristics as established by the Secretary;

"(6) ensure that the scope of any such authority is not applied broadly and without further limitation; and

"(c) Nothing in this subsection may be construed to limit the exercise of authority by the Secretary or the Mortgagee Review Board for violations of any requirement of the Secretary."

(b) APPLICABILITY.—The amendment made by this section shall only apply to mortgages insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.) that were originated on or after the date of enactment of this Act.

Explanation of this Section: This provision allows for the FHA to direct servicers to move servicing to identified sub-servicers to ensure that loans are appropriately serviced in ways that mitigate loss levels for the Fund.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 255. *Section 255 of the National Housing Act (12 U.S.C. 1715z-20) is amended—*

(a) in subsection (b)(1) by inserting before the period ", except that the term mortgagor shall not include the successors and assigns of the original borrower under a mortgage"; and

(b) in subsection (j) by amending that subsection to read as follows:

"(j) SAFEGUARD TO PREVENT DISPLACEMENT OF HOMEOWNER.—In order for a mortgage to be eligible for insurance under this section, the mortgage shall provide that the obligation of the homeowner to satisfy the loan obligation is deferred

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until the death of the homeowner, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. The Secretary may, within his sole discretion, provide for further deferrals. Section 1647(b) of title 15 and any implementing regulations issued by the Board of Governors of the Federal Reserve System shall not apply to a mortgage insured under this section."

Explanation of this Section: This section revises the National Housing Act to give HUD additional flexibility in establishing the time period for which the obligation to satisfy the loan must be deferred in Home Equity Conversion Mortgages.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 256. INCREASE IN SET-ASIDE OF CDBG ASSISTANCE FOR UNITED STATES-MEXICO BORDER REGION.— *Section 916(a)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 5306 note) is amended by striking "10" and inserting "15".*

Explanation of this Section: This provision will allow the Department to direct States along the U.S.-Mexico border to set aside up to fifteen percent within the CDBG program for colonias, rural areas along the border.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 257. USE OF UNUTILIZED OR UNDERUTILIZED PUBLIC BUILDINGS AND REAL PROPERTIES TO ASSIST THE HOMELESS. *Section 501 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11411) is amended—*

(1) in subsection (a), by adding at the end the following new sentence:

"Agencies shall not be required to submit information to the Secretary regarding properties located in an area for which the general public is denied access in the interest of national security or any buildings or structures that are excess or surplus or that are described as underutilized or unutilized, that are on land owned by a landholding agency where the underlying land is not excess, surplus, or that is described as underutilized or unutilized.";

(2) in subsection (c)(1)(A), by adding the following after "in the Federal Register":

", in a searchable database on the Web site of the appropriate Government agency, or through other electronic means, as determined by the Secretary"; and

(3) in subsection (d)(3), by adding at the end the following new sentence: "If no such review of the determination is requested within the 20-day period, such property will not be included in subsequent publications unless the landholding agency makes modifications to the property that would affect its suitability and the Secretary subsequently determines the property is suitable."

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Explanation of this Section: This provision allows the Department to list available properties on the Internet rather than the Federal Register. The provision also provides additional flexibility by excluding the listing of properties located in areas of restricted access due to national security, properties where the underlying land is still of use to the agency, and properties previously determined unsuitable for listing.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 258. Section 24(m)(3) of the United States Housing Act of 1937 (42 U.S.C. 1437v(m)(3)) is amended by striking "shall" and inserting "may".

Explanation of this Section: Current law requires the Department to allocate a portion of Choice Neighborhoods funds to HOPE VI Main Street Grants. This provision would give the Department discretion over these funds.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.

Sec. 259. Evaluation Funding Flexibility Pilot.

Amounts made available under this Act which are either appropriated, allocated, advanced on a reimbursable basis, or transferred to the Office of Policy Development and Research in the Department of Housing and Urban Development and functions thereof, for research, evaluation, or statistical purposes, and which are unexpended at the time of completion of a contract, grant, or cooperative agreement, may be deobligated and shall immediately become available and may be reobligated in that fiscal year or the subsequent fiscal year for the research, evaluation, or statistical purposes for which the amounts are made available to that Office.

Explanation of this Section: This provision allows funding for research, evaluation and statistical purposes that is unexpended at the completion of a contract, grant or cooperative agreement to be deobligated and reobligated for additional research, evaluation or statistical purposes.

Proposed Action: The President's Budget proposes the addition of this provision in 2016.