## DISCRETIONARY PROGRAMS

### PUBLIC AND INDIAN HOUSING

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(Dollars in Millions)

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BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2015-2017
(Dollars in Millions)

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### OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION

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### MANAGEMENT AND ADMINISTRATION

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### Offsetting Receipts

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<td>...</td>
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<tr>
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<td>(958)</td>
<td>(1,243)</td>
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<td>(101)</td>
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<td>(532)</td>
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<td>Total receipts</td>
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### MANDATORY PROGRAMS

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<td>Native American Housing Block Grants</td>
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<td>1,243</td>
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<td><strong>Subtotal, Gross Mandatory Budget Authority</strong></td>
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**NOTE:** Transfers in support of Rental Assistance Demonstration implementation are not reflected.
## COMPARATIVE SUMMARY, FISCAL YEARS 2015-2017
### (Dollars in Millions)

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<th>2017</th>
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<td>(42)</td>
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<td>2016 Enacted</td>
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<td>(476)</td>
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<td>(76)</td>
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<td>1,243</td>
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## Department of Housing and Urban Development

### Budget Outlays by Program

**Comparative Summary, Fiscal Years 2015-2017**

(Dollars in Millions)

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<th>2016 Enacted</th>
<th>2017 Request</th>
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<tr>
<td>Housing Trust Fund</td>
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<tr>
<td>Homeless Assistance for Families</td>
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<td>79</td>
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<td>(171)</td>
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<td>(2)</td>
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<td>(459)</td>
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<td>Salaries and Expenses, HUD</td>
<td>7,537</td>
<td>7,557</td>
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<td>GNMA</td>
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<td>Office of Inspector General</td>
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<td>Subtotal, Other Funds</td>
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<td>778</td>
<td>795</td>
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<td>8,375</td>
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HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
2017 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL ASSISTANCE DEMONSTRATION
PROGRAM Enacted/ Request Carryover Supplemental/ Rescission Total Resources Obligations Outlays

<table>
<thead>
<tr>
<th>Year</th>
<th>Request</th>
<th>Carryover</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<td>$50,000</td>
<td>$50,000</td>
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a/ Includes an estimated transfer to the Research and Technology (R&T) account of $250 thousand.

1. What is this request?

The Department requests $50 million in fiscal year 2017 for the Rental Assistance Demonstration (RAD) program to support the conversion of public housing properties that cannot feasibly convert to long-term Section 8 rental assistance contracts at existing funding levels; and a targeted expansion of the RAD authority to include Section 202 Project Rental Assistance Contracts (PRAC) properties. 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.

In general, the transformation of some properties with significant need for recapitalization is not viable at current funding levels, and these properties are in need of limited incremental subsidy to feasibly convert under RAD. With respect to public housing, funds would specifically be applied to those properties located in high-poverty neighborhoods, including designated Promise Zones, and areas where the Administration is supporting comprehensive revitalization efforts as well as transfer of assistance to high opportunity locations where there is a limited supply of affordable housing. For Section 202 PRACs, this request both establishes the authority for HUD to convert these contracts at existing funding levels and permits a portion of the $50 million requested to increase the funding for properties with significant recapitalization needs, including those properties with service coordinators for frail and elderly residents.

This funding request will cover the incremental subsidy cost of converting approximately 25,000 public housing and Section 202 PRAC units, thereby increasing private investment in targeted projects and surrounding neighborhoods and creating thousands of new jobs.
Rental Assistance Demonstration Program

HUD also seeks to expand the authority to convert properties under RAD without additional incremental subsidy. In addition to re-proposing the elimination of the unit cap on RAD public housing conversions, the Budget also includes proposals, described in Section 5, which would expand the number of cost neutral conversions that could occur under RAD, while ensuring that tenants’ rights are protected and the public interest is preserved. As noted above, one such proposal is to make Section 202 PRACs eligible to convert to long-term, Section 8 contracts via RAD. The opportunity to sign fifteen or twenty-year contacts under the Section 8 program will allow owners to leverage private debt and equity to address preservation needs to an extent not possible under current PRAC contracts, which run for one-year and must be renewed annually by HUD. Though many PRAC properties would require incremental subsidy in order to fully recapitalize, a significant number are expected to benefit from restructuring of the existing subsidy stream through a cost neutral conversion. Similar to cost neutral conversions of public housing, the conversion of Section 202 PRACs would entail the transfer of renewal subsidy from the Section 202 account to either Project-Based Rental Assistance or Tenant-Based Rental Assistance.

HUD would meanwhile continue to facilitate cost neutral conversions of currently authorized affordable housing programs to preserve and enhance critical affordable housing using the following existing funding sources:

- Transfer of amounts made available under the existing Public Housing Operating Fund and Capital Fund programs;
- 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);
- Amounts made available under Rental Housing Assistance heading; and
- Budget authority recaptured from expired or terminated RS or RAP contracts and contract authority recaptured from contracts converting to RAD, which may be re-appropriated as budget authority.

2. What is this program?

The main goal of RAD is preservation of affordable housing, specifically by converting public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance (PBRA) and project-based vouchers (PBVs). This conversion allows PHAs and owners to leverage private debt and equity to address their properties’ immediate and long-term capital needs. As of December 2015, under the RAD First Component, more than 26,000 public housing units have been converted with over $1.7 billion in construction investments leveraged to improve and preserve their assets. Meanwhile, 135 RS, RAP, and MR projects with over 17,000 units have been preserved through conversion.

1 In addition to units receiving RS or RAP rental assistance at the time of conversion, this number includes unassisted units at a project that are eligible for Tenant Protection Vouchers at the time of prepayment and are included on the project-based HAP.
Rental Assistance Demonstration Program

The Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112-55), amended, authorized RAD to test new preservation tools for HUD-assisted housing stock. RAD currently allows:

1. Public Housing 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, MR, and MR SRO properties, upon contract expiration or termination, to convert to project-based vouchers (PBVs) or to Project-Based Rental Assistance (PBRA).

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 had been losing an average of 10,000 units annually through demolitions or dispositions. Meanwhile, the units currently assisted under the MR (20,515 units), MR SRO (13,568 units), RS (1,747 units), RAP (8,757 units), and 202 PRAC (121,614 units) 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, MR SRO, RS and RAP programs, and as proposed the owners of 202 PRAC properties, 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:

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 while ensuring the public’s interest is maintained;
3. Increases housing choice for residents and safeguards strong resident rights; and
4. Places properties on a regulatory structure that allows flexible, local decision-making.

Funding Conversions

Public housing units that converted through 2015 are reflected in the fiscal year 2017 Project-Based Rental Assistance (PBRA) and Tenant-Based Rental Assistance (TBRA) budget requests for renewals.
Rental Assistance Demonstration Program

Public housing units that may convert in 2016 are still reflected in the fiscal year 2017 funding requests for the public housing Operating Fund and Capital Fund. In fiscal year 2017, once it is known how many units converted to PBRA and PBV, respectively, HUD will transfer corresponding 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 $278 million will be transferred in fiscal year 2017, though the precise number will be based on the actual number of conversions and the specific funding levels of the converting properties.

Under the second component, conversions to PBV are funded by the Tenant Protection Voucher funding HUD provides at contract expiration or termination. For PBRA conversions, MR conversions are funded by appropriations that are already made for MR and MR SRO properties into the PBRA account. RS and RAP conversions are funded by transfers to the PBRA account from budget authority recaptured from expired or terminated RS or RAP contracts; contract authority recaptured from contracts converting to RAD, which may be re-appropriated as budget authority; unobligated balances and new appropriations for amendments or extensions in the “Other Assisted Housing” account; and TPV funding that would have otherwise been issued for the project at expiration or termination.

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

Preservation Challenges

The 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 PHAs to keep up with needed life-cycle improvements. As a result, a very large capital needs backlog has accumulated. Despite the addition of replacement public housing units, there has been a net loss of over 139,000 public housing units since fiscal year 2000, representing an average loss of approximately 8,700 units annually.

In addition to the public housing stock, RAD targets certain “at-risk” HUD legacy programs. Without RAD, the properties assisted under MR and MR SRO contracts are limited to short-term renewals and constrained rent levels that inhibit recapitalization. Similarly, the properties supported under 202 PRACs, which are newly proposed in this budget request to be eligible for conversion under RAD, are also limited to short-term contract renewals that prevent owners from accessing capital as well as an expiring use agreement that put at risk the ongoing affordability of this critical housing source for low-income seniors. Finally, without RAD the properties assisted under RS and RAP contracts would have no ability to retain long-term project-based assistance beyond the current contract term without RAD, threatening their ongoing affordability as their contracts expire.
Rental Assistance Demonstration Program

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 and 202 PRAC projects that cannot be converted at current funding levels. These efforts will support the Administration’s broader efforts in high-poverty areas, including designated Promise Zones, as well as transfer of assistance to high opportunity locations where there is a limited supply of affordable housing. The Department estimates that the $50 million in incremental subsidies will support the conversion and redevelopment of approximately 25,000 public housing and 202 PRAC units that otherwise could not convert, thereby increasing private investment in targeted projects and surrounding neighborhoods.

The Budget also includes various proposals that would expand the number of HUD-assisted affordable housing units that could be preserved under RAD without additional cost, while ensuring that tenants’ rights are protected and the public interest is preserved. These proposals include eliminating any constraints on the number of public housing units that could convert; making 202 PRACs eligible for conversion; ensuring ongoing public interest in converted public housing properties; and strengthening the right to return requirements for MR, RS, RAP, and 202 PRACs. If enacted, HUD could preserve substantially more units, which would preserve and improve affordable housing for low-income households, and create thousands of new jobs.

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 and 100,000 Project-Based Vouchers administered through PHAs. Property owners in these programs 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 bi-partisan 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 programs for decades.

Indeed, as of December 2015, with more than 26,000 units converted, PHAs and their partners have raised over $1.7 billion to improve and preserve public housing assets and properties with formerly public housing RAD units, 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
Rental Assistance Demonstration Program

funded. HUD has made awards to public housing properties up to the statutorily authorized 185,000 unit cap and has a waiting list that includes nearly 11,000 additional units that PHAs have proposed for conversion. 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 135 RS, RAP, and MR projects, covering over 17,000 units, that would have otherwise expired or been terminated, and has 39 projects that are actively being processed for preservation.

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 2017 request:

  • Eliminating the 185,000 unit cap on public housing projects that could convert assistance to long-term Section 8 rental assistance contracts,
  • Eliminating the deadline of September 30, 2018, for submission of RAD Applications under the first component,
  • Standardizing ownership and control requirements for converted public housing properties by permitting non-profit ownership in conversion where low-income housing tax credits are used or where foreclosure, bankruptcy, or default occurs,
  • Authorizing a tenant’s right to continued occupancy for conversions under the second component; and
  • Expanding the second component of RAD to include the conversion of Section 202 PRAC properties. (Sec. 269)
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The fiscal year 2017 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]2020: 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), or under section 202(c)(2) of the Housing Act of 1959 (12 U.S.C. 1701q(c)(2)).
**PUBLIC AND INDIAN HOUSING**
**CHOICE NEIGHBORHOODS**
**2017 Summary Statement and Initiatives**
(Dollars in Thousands)

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a/ This number includes an estimated Research and Technology (R&T) of $1 million.

1. **What is this request?**

The Department requests $200 million for the Choice Neighborhoods program for fiscal year 2017, an increase of $75 million from the fiscal year 2016 enacted level. Choice Neighborhoods grants primarily 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-incomes and severely distressed public and/or HUD-assisted housing.

This request will allow the Department to fund approximately 6 Implementation Grants and 5-10 Planning and Action Grants.

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.

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3-1
2. **What is this program?**

Choice Neighborhoods programs fund 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) and tribally designated housing entities (TDHEs). 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. Building on the success of the HOPE VI Program, Choice Neighborhoods leverages significant funds and fosters partnerships, and 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. Choice Neighborhoods provides two kinds of grants: 1) Implementation Grants, which allow communities to put their plans for neighborhood revitalization into effect; and 2) Planning and Action Grants that support the development of comprehensive transformation strategies along with critical community improvement projects.

For fiscal year 2017, 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 also 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 opportunities. The fiscal year 2017 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.

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.
Choice Neighborhoods

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. Other 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 2010-2014 American Community Survey (ACS) data, 14.5 million people live in “extreme poverty” census tracts, where the poverty rate exceeded 40 percent (excluding Puerto Rico). 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.

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 2014 Choice Neighborhoods application process, where 84 applications were submitted for the $154 million funding available, there is a great demand for this type of federal assistance. On average, each Choice Neighborhoods implementation grant of $30 million will replace over 300 public and assisted
Choice Neighborhoods

housing units and will build an additional 649 mixed-income units. In addition, each grant attracts $200 million or more in leveraged funding, creates 630 jobs on average and catalyzes critical community improvements in the neighborhood.

Promise Zones Initiative

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 Choice Neighborhoods program contributes to the President’s Promise Zones initiative, which will help revitalize up to 20 of America’s highest-poverty communities by creating jobs, attracting private investment, increasing economic activity, expanding educational opportunity, and reducing violent crime.

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, HUD provided the first class of Choice Neighborhoods Implementation Grantees with additional funding to focus on enhancing their public safety plan to reduce violent crime, illegal drugs and gang activity in the neighborhood. HUD and the Department of Education have 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 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, eight Choice Neighborhoods are included in areas designated as a Promise Zone. Also, nine of the communities funded by a Choice Neighborhoods grant have received a Promise Neighborhoods grant from the Department of Education, and nine 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 the subject of 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 published findings in a 2003 report, "Interim Assessment of the HOPE VI Program Cross-Site Report,” which included the finding 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
Choice Neighborhoods

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, “Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report (June 2007),” 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 families. 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).

Catalytic Effects of Choice Neighborhoods Grants: One Grantee’s Story

The Columbus Metropolitan Housing Authority (CMHA) first received a fiscal year 2011 Choice Neighborhoods Planning Grant for the Near East Side neighborhood of Columbus, Ohio. Along with the City of Columbus and The Ohio State University, CMHA formed a community partnership among Partners Achieving Community Transformation (PACT) and developed the “Blueprint for Community Investment” vision, which includes the redevelopment of the vacant Poindexter Village public housing site.

The Blueprint served as the basis for CMHA’s successful application for a fiscal year 2013 Choice Neighborhoods Implementation Grant. It capitalizes on strong partnerships and strategies for education, workforce and economic development, quality housing, and health initiatives. In addition to the Choice Neighborhoods funds, these partners have leveraged over $180 million in public and private funding to implement the plan. The Poindexter Village development will be replaced with 449 units of mixed-income housing with a combination of unit types that will meet the needs of returning Poindexter Village residents and market demand, preserve long-term affordability, and attract an economically diverse population. The first phase, a new 104-unit senior development, will be ready for occupancy soon.

The Blueprint also addresses the critical needs of healthcare, wellness, behavioral care, education, job training, employment, K-12 education, and kindergarten readiness. Partners will deliver a combination of intensive case management, effective services, and partnerships that will be targeted to Poindexter Village and neighborhood residents. Through collaboration among PACT, Ohio State, and Columbus City Schools, the curriculum of the East High School and its feeder schools in the Near East Side has been completely redesigned and launched as the Health Science Academies starting with the 2015-2016 school year. A tracking system has been developed to document supportive services targeted to Near East Side neighborhood residents. In addition, plans include the
Choice Neighborhoods

development of new infill homeownership, increased food access and commercial retail development, adult education and entrepreneurship centers, and a new intergenerational center for seniors and young children. The Columbus Foundation and the Osteopathic Heritage Foundation has awarded the team a $100,000 grant to cover capital costs for an Intergenerational Center. The award will be paired with funding from KaBoom!, Bob Evans Farms, Huntington Bank, CareSource, and the Ohio Capital Impact Corporation.

Leveraging

The dollars, expertise, and other resources leveraged by 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’ 2010-2015 Choice Neighborhoods grants leveraged $3.69 billion of investments in those neighborhoods. For every $1 in Choice Neighborhoods Implementation funding, an additional $7.38 is leveraged. As we have seen with our existing grantees, they continue to attract leverage even after the Choice Neighborhoods grant has been awarded.

Partners and Stakeholders

In order to be successful, Choice Neighborhoods grantees must engage a wide variety of stakeholders and work together to improve outcomes in distressed neighborhoods. 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

In partnership with the Urban Institute and MDRC, HUD has completed the first phase of a comprehensive evaluation of Choice Neighborhoods Implementation Grants. This first phase was focused on evaluating the implementation of the program in the first five sites, as well as establishing a baseline to support a more in-depth follow-up evaluation from 2017-2020. Two reports have been published, Developing Choice Neighborhoods: An Early Look at Implementation in Five Sites (2013), and Choice

\[1\] http://www.huduser.gov/portal/publications/choice_neighborhoods_interim_rpt.pdf
Choice Neighborhoods

*Neighborhoods: Baseline Conditions and Early Progress (2015).*\(^2\) These two reports provide an in-depth look at how grantees are implementing the Choice Neighborhoods program, and highlight early successes and challenges.

Overall, the reports find that these grantees are using Choice to build and reinforce partnerships across a range of key stakeholders; tailoring their transformation plans to their unique local context; and making progress with implementing their transformation plans. Grantees and HUD have also worked to adjust their strategies and program design to reflect new information and address challenges. Baseline data collected for these two reports – including a survey of approximately 2,600 residents – confirm the severe level of distress in these neighborhoods, and the significant challenges faced by the residents. Grantees are expected to complete their Choice Neighborhoods expenditures within the next two years, and HUD’s Office of Policy Development and Research is requesting $2.4 million for the next phase of the evaluation, which will examine how the program has affected the housing, people, and neighborhoods in these five sites.

In addition, HUD 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 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.

\(^2\) [https://www.huduser.gov/portal/sites/default/files/pdf/Baseline-Conditions-Early-Progress.pdf](https://www.huduser.gov/portal/sites/default/files/pdf/Baseline-Conditions-Early-Progress.pdf)
Choice Neighborhoods

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. 237)
- **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 Main Street 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. (account language)
- **Re-propose removal of appropriations language related to abandoned Neighborhood Revitalization Initiative proposal.** In fiscal year 2012, HUD sought to allocate up to $5 million of the Choice Neighborhoods funding to be used along with $5 million of Neighborhood Revitalization Initiative funds transferred to HUD from the Departments of Health and Human Services, Education, and Justice for a Neighborhood Revitalization Initiative grants. The grants would have allowed local governments or organizations partnering with local governments to fill key gaps that would otherwise hamper revitalization activities, to build organizational capacity for collaborative data utilization and evidence-based planning, and to undertake other neighborhood revitalization activities as determined by the Secretary. HUD was the only agency that received this authority and the proposal was withdrawn in subsequent fiscal years. HUD continues to request that this proviso be removed from the Choice Neighborhoods appropriations language. (account language)
- **Allow Flexibility to reduce the term of the 20 year affordability requirement for non-replacement homeownership units.** HUD will consider homeownership affordability requirements across other HUD programs in determining minimum affordability periods for Choice grantees. (account language)
## PUBLIC AND INDIAN HOUSING
### CHOICE NEIGHBORHOODS
#### Summary of Resources by Program
(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice Neighborhoods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>$80,000</td>
<td>$81,041</td>
<td>$161,041</td>
<td>$148,053</td>
<td>$125,000</td>
<td>$13,477</td>
<td>$138,477</td>
<td>$200,000</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Transformation Initiative 2016/Research and Technology 2017 (transfer)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>[1,900]</td>
<td>...</td>
<td>[1,900]</td>
<td>[1,000]</td>
</tr>
<tr>
<td>Total</td>
<td>80,000</td>
<td>81,041</td>
<td>161,041</td>
<td>148,053</td>
<td>125,000</td>
<td>13,477</td>
<td>138,477</td>
<td>200,000</td>
</tr>
</tbody>
</table>
The fiscal year 2017 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 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, [$125,000,000] $200,000,000, to remain available until September 30, [2018] 2019. 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, except that a grantee may request a shorter affordability period for homeownership units that are constructed, rehabilitated, or acquired using grant funds, under such terms and conditions prescribed by the Secretary: Provided further, That the Secretary may approve such shorter affordability periods for Choice Neighborhoods Initiative grants funded with amounts made available in prior fiscal 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 $75,000,000 shall be awarded to public housing agencies:] 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: Provided further, That 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". (Department of Housing and Urban Development Appropriations Act, 2016.)
INFORMATION TECHNOLOGY FUND
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>INFORMATION TECHNOLOGY FUND</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Appropriation ...........</td>
<td>$250,000</td>
<td>$150,901a</td>
<td>...</td>
<td>$400,901</td>
<td>$301,594</td>
<td>$276,059</td>
</tr>
<tr>
<td>2016 Appropriation ...........</td>
<td>250,000</td>
<td>103,307b</td>
<td>...</td>
<td>353,307</td>
<td>343,000</td>
<td>282,000</td>
</tr>
<tr>
<td>2017 Request .................</td>
<td>286,000</td>
<td>14,307c</td>
<td>...</td>
<td>300,307</td>
<td>295,307</td>
<td>292,000</td>
</tr>
<tr>
<td>Program Improvements/offsets ..</td>
<td>+36,000</td>
<td>-89,000</td>
<td>...</td>
<td>-53,000</td>
<td>-47,693</td>
<td>+10,000</td>
</tr>
</tbody>
</table>

a/ Includes $2.84 million of actual recaptures and $2.5 million of transfers from salaries and expenses during fiscal year 2015. It also includes $49.4 million of funding for the HUD Information Technology Service (HITS) contract. The obligation of these funds was delayed from August 2014 due to ongoing contract negotiations that resulted in a savings of $7 million.
b/ Includes $4 million in anticipated O&M recaptures during fiscal year 2016. It will provide $49.2 million of funding for a contract supporting the HEAT initiative, an obligation which was delayed from fiscal year 2015.
c/ Includes $4 million in anticipated O&M recaptures in fiscal year 2017, and $10.3 million of O&M not obligated in fiscal year 2016.

1. What is this request?

In fiscal year 2017, HUD requests $286 million for the Information Technology (IT) Fund, an increase of $36 million over the fiscal year 2016 appropriation. The request supports Operations and Maintenance (O&M) activities (sustaining and modernizing current systems), and new Development, Modernization, and Enhancement (DME) initiatives. These DME projects will further efforts to transform HUD’s IT infrastructure by consolidating systems, providing enterprise capabilities, and improving the effectiveness and efficiency of programs and operations. The request includes $239 million of 2-year funding and $47 million of 3-year funding.

Fiscal Year 2017 Request in Detail
(Obligations Dollars in Millions)

<table>
<thead>
<tr>
<th>IT Fund</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations &amp; Maintenance</td>
<td>$279</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td>Development, Modernization, and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhancement</td>
<td>23</td>
<td>...</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>302</td>
<td>250</td>
<td>286</td>
</tr>
</tbody>
</table>
2. **What is this program?**

The IT Fund provides for the IT infrastructure and systems that support the entire Department, including all of HUD’s mortgage insurance liabilities, rental subsidies, and formula and competitive grants. HUD will use the O&M funding, which is the same amount as the two prior years, to sustain current systems and to modernize and consolidate systems to create efficiencies and reduce security vulnerabilities. Consistent with FITARA, OCIO is continuing to change the way HUD manages its spending and development—working with offices to define program needs and using that to drive development of requirements, re-platforming of legacy systems, and scrubbing contracts and systems to find efficiencies. As HUD is able to identify savings through these efficiencies, the Department will re-invest the savings to support modernization and security upgrades, including supporting DATA Act requirements and enterprise purposes outlined below.

The DME funding will allow critical development initiatives that leverage enterprise technology to support HUD’s mission areas, and reduce the number of stand-alone, stove-piped capabilities. HUD will modernize business systems into enterprise solutions, while addressing audit findings and emerging (regulatory) requirements. The integration and consolidation of IT systems will enable the delivery of new capabilities faster at lower cost by migrating financial and programmatic management functions to common platforms using modern Cloud based technologies. HUD will capitalize on opportunities to digitize manual processes and end user experiences with improved functionality. Developing these enterprise solutions must address complexities across the agency, and requires data consolidation, simplified interfaces, and standardized business functionality.

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

**Operations & Maintenance (O&M)**

These funds provide for the operations and maintenance of the current IT systems and applications, supporting HUD’s business and administrative functions and its IT infrastructure (servers, communications, equipment and support, desktops, mobile devices, enterprise licenses/intellectual property and ancillary engineering, management and security). HUD will expand its focus on platform modernization improvements and developing a cybersecurity framework.
### Information Technology Fund

#### O&M Funding by Business Segment

**($ in Thousands)**

Note: See Appendix for descriptions of each business segment.

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Management</td>
<td>$1,618</td>
<td>$809</td>
<td>...</td>
</tr>
<tr>
<td>Administrative Management</td>
<td>949</td>
<td>1,045</td>
<td>$1,045</td>
</tr>
<tr>
<td>Business Analytical Services</td>
<td>3,443</td>
<td>3,066</td>
<td>3,066</td>
</tr>
<tr>
<td>Controls &amp; Oversight</td>
<td>7,948</td>
<td>8,197</td>
<td>8,197</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>2,782</td>
<td>2,117</td>
<td>2,117</td>
</tr>
<tr>
<td>Data Management Services</td>
<td>1,025</td>
<td>1,032</td>
<td>1,032</td>
</tr>
<tr>
<td>Digital Asset Services</td>
<td>3,404</td>
<td>3,410</td>
<td>3,410</td>
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<tr>
<td>Financial Management</td>
<td>6,385</td>
<td>10,251</td>
<td>10,251</td>
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<tr>
<td>Grants Management</td>
<td>6,929</td>
<td>6,918</td>
<td>6,918</td>
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<td>Human Resource Management</td>
<td>1,013</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Information Technology *</td>
<td>202,655</td>
<td>168,712</td>
<td>169,438</td>
</tr>
<tr>
<td>Mortgage Insurance</td>
<td>25,626</td>
<td>27,055</td>
<td>27,055</td>
</tr>
<tr>
<td>Planning and Budgeting</td>
<td>550</td>
<td>541</td>
<td>541</td>
</tr>
<tr>
<td>Public Affairs</td>
<td>1,682</td>
<td>3,688</td>
<td>3,688</td>
</tr>
<tr>
<td>Regulatory, Legislative, and Enforcement</td>
<td>4,310</td>
<td>6,284</td>
<td>6,284</td>
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<tr>
<td>Subsidies Management</td>
<td>7,540</td>
<td>5,181</td>
<td>5,181</td>
</tr>
<tr>
<td>eGov Initiatives</td>
<td>879</td>
<td>693</td>
<td>$776</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>278,738</strong></td>
<td><strong>250,000</strong></td>
<td><strong>$250,000</strong></td>
</tr>
</tbody>
</table>
Information Technology Fund

* Fiscal year 2015 includes $49.4 million from carryover funding for the HUD Information Technology Service (HITS) contract due to contract negotiations that resulted in a savings of $7 million. Fiscal years 2016 and 2017 include $10-15 million for cybersecurity and platform modernization investments to be ultimately spread among multiple business segments. For example, these are anticipated to include migration of various public housing assessment (financial, management, physical, and quality) systems to platforms that would allow their migration to the cloud. This will reduce the infrastructure cost, with more storage and computing capacity. Funds may also be used for additional tools to improve the overall security of HUD infrastructure and applications, such as Security Information and Event Management (SIEM), a threat intelligence analysis tool to predict and prevent cyber attacks, and encryption tools for HUD data.

In fiscal year 2015, the OCIO led a review of O&M contract requirements that resulted in savings achieved mostly by reducing contract scope and service levels. The savings have been reinvested in fiscal year 2016, along with previous year carryover to support the transition of HUD’s IT infrastructure environment, known as the HUD Enterprise and Architecture Transformation (HEAT) initiative, to a more agile, modern, mobile-friendly environment.¹

In fiscal year 2016, the Department will assess O&M needs by consolidating or eliminating contracts and invest the savings from this streamlining to update HUD’s IT infrastructure by modernizing, and where possible, consolidating the existing operating platforms of HUD’s outdated, legacy systems. This will reduce the security vulnerabilities of HUD’s IT systems and will reduce long term IT costs by increasing the systems’ sustainability and operability. The savings from the O&M streamlining will allow HUD to begin the migration from the most outdated and unsupported systems and applications and provide these applications with more technical and security support, eliminating cybersecurity vulnerabilities, and making them operate more efficiently and more effectively. Additional cybersecurity improvements will include developing an overall cybersecurity framework, a NIST compliant incident response program, and Continuous Diagnostics Monitoring. HUD is using cloud technology to make its applications more mobile and agile, and to increase performance. HUD’s e-mail system and Customer Relationship Management systems are in HUD’s cloud. Additional applications such as HUD.gov and HUD@work have also been migrated to HUD’s cloud, and new applications are slated for cloud design from start to finish.

¹ HUD is not requesting any funds in fiscal year 2017 for HEAT, which will transition HUD’s IT infrastructure, including the data center and the end user equipment (desktops, laptops and other devices) from the current contracts to a federal shared service provider. This will improve HUD’s security, augment internal monitoring and management capabilities, and reduce the cost of maintaining core IT infrastructure. In fiscal year 2015, HUD made significant progress planning the transition from costly, managed service contracts to smaller performance based contracts. Several functions, including mobile services have already been moved to GSA contracts. HUD anticipates completing a migration to a new end user contract in fiscal year 2016, and further leveraging other functions to federal shared services in fiscal year 2017. We anticipate requiring some final transitional funds in the fiscal year 2018 budget.
Development, Modernization, and Enhancement (DME)

HUD is requesting $36 million in DME funding towards consolidating systems, providing enterprise capabilities, and reducing customer burden through improved program operating efficiencies. Our approach is to develop functionality that will support the entire enterprise, while still addressing specific programmatic and policy needs. We will build and deliver smaller discrete capabilities, based on the design and requirements development work. To maximize these funds, we will carefully identify the business requirements and processes to be addressed or possibly re-defined. We will then match these to the best technologies, and plan a very detailed course of action before doing additional development work on potentially major initiatives.

### DME Funding by Project ($ in Thousands)

<table>
<thead>
<tr>
<th>Project</th>
<th>Segment</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA Automation &amp; Modernization</td>
<td>Mortgage Insurance</td>
<td>$13,000</td>
</tr>
<tr>
<td>Voucher Management System (VMS) and HUD Centralized Accounting and Program System (HUDCAPS) Decommissioning</td>
<td>Subsidies Management</td>
<td>8,000</td>
</tr>
<tr>
<td>Enterprise Data Warehouse (EDW)</td>
<td>Data Management Services</td>
<td>4,000</td>
</tr>
<tr>
<td>Customer Relationship Management Capability (CRM)</td>
<td>Customer Relationship Management Services</td>
<td>4,000</td>
</tr>
<tr>
<td>Grants Management System Consolidation</td>
<td>Grants Management</td>
<td>2,500</td>
</tr>
<tr>
<td>Affirmatively Furthering Fair Housing (AFFH) Initiative</td>
<td>Business Analytical Services</td>
<td>1,500</td>
</tr>
<tr>
<td>Next Generation Management System (NGMS)</td>
<td>Subsidies Management</td>
<td>1,500</td>
</tr>
<tr>
<td>HUD Enterprise-Wide Records Management System (HERMS)</td>
<td>Digital Asset Services</td>
<td>1,000</td>
</tr>
<tr>
<td>FHEO Section 3 Performance and Evaluation and Registration</td>
<td>Controls and Oversight</td>
<td>500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$36,000</strong></td>
</tr>
</tbody>
</table>
Information Technology Fund

Whether it is case management, workflow, business intelligence or data management, the goal is to “build systems once and use them many times.” This will provide the best support to HUD’s grants management, mortgage insurance, housing vouchers and enforcement programs. HUD will employ agile IT development techniques so that new capabilities and digital services can be delivered quickly, at a lower cost and risk to the programs.

The requested funding will continue progress on major investments such as NGMS and HUDCAPS Decommissioning, and will build on our foundational investment in HUD’s Enterprise Data Warehouse and Customer Relationship Management tool. It will also allow HUD to make significant progress in designing and implementing the consolidation of numerous grants management-related systems. The requested funding will go toward technology solutions that will be paired with business process improvements and enterprise design and architecture that will help maximize the efficiency and effectiveness of the development projects.

Descriptions of the requested investments follow:

**FHA Automation of Business (Lender, Loan, Risk and Asset Management) Processes and Systems Modernization:**
$13 million

**Description:** The IT systems currently supporting critical FHA business processes consist of complex, aging IT systems with COBOL-based mainframe applications as the foundation. These legacy systems were assembled as business needs surfaced over the last 30 years, without the benefit of an architectural plan that could provide the adaptability needed to meet regulatory and industry standards over time.

Today, FHA operations require data to move between numerous touch points through hundreds of interfaces, resulting in an environment that has become increasingly complex, costly, and difficult to maintain. The complex nature of the current IT environment constrains FHA’s ability to adapt its operations to changes in the housing industry, economic trends, and new legislation.

The Federal Housing Administration (FHA) intends to deliver a modernized, secure, and scalable digital solution that addresses critical operational and functional needs. Therefore, this funding request supports the continued planning, design, and execution for requirements focused on Counterparty Management, Portfolio Analysis, Borrower/Collateral Risk Management/Fraud Monitoring and Infrastructure/Application Modernization. This investment will modernize obsolete applications and reduce infrastructure costs, reduce fragmentation of legacy systems, and leverage shared components and data in support of multiple housing programs. This may also include planning for the consolidation of asset management systems related to the disposition of Single Family properties, insurance claims processing, and monitoring of loan defaults. This effort will increase efficiency and address the following operational and performance requirements:
Information Technology Fund

- Reduce the footprint of business critical applications operating on HUD's mainframe platforms
- Enable compliance with federal procurement policy by ending a history of sole source contracting to the same vendor over the past 20-to-30 years
- Reduce the high cost of sole source monopoly operations by eliminating HUD’s dependency on proprietary non-commercial software
- Enable industry standard analysis and reporting for property costs and recovery rates
- Improve property management outcomes in neighborhoods by increasing the availability of FHA systems to property managers in line with commercial practice
- Reduce risk to the Mutual Mortgage Insurance (MMI) Fund by adjusting its claims process to: (1) conduct automated validations of expenses prior to claims being paid and (2) conduct pre-claim/pre-conveyance property inspections to identify assets not meeting the Department’s property condition requirements.

**Business Need/Value:** In fiscal year 2010, FHA began planning for the execution of strategic initiative recommendations originating from the IT Strategy and Improvement Plan completed in August 2009. These initiatives sought to streamline current FHA business processes and modernize the technical infrastructure and applications for Loan Origination and Underwriting, Business Partner Approval, and Business Partner Monitoring processes.

To date, FHA has deployed multiple transformed business capabilities consistent with the objective of automating and consolidating processes to drive improvements in the acquisition of lender, borrower, and asset data for improved reporting, transparency, and informed decision-making throughout the end-to-end life cycle of the loan. For example, many new automated capabilities associated with the Lender Electronic Assessment Portal (LEAP) have been completed, such as Lender approval and recertification, and electronic appraisal.

FHA must keep pace with industry standards as lenders, servicers, investors, and others are improving their access to data. By continuing to invest in automated and modernized business processes, FHA will be better informed of risk and improve its policies for endorsement, servicing, quality control, counterparty management, and enforcement. Critical data needs include appraisal, loan application, borrower, loan documents and data, and counterparty data such as appraiser, lender, servicer, and non-profit entity information.
Information Technology Fund

eVMS/HUDCAPS De-commissioning: $8.0 million

Description: HUD’s business transformation and IT modernization is driving the approach for the de-commissioning of HUDCAPS and other legacy systems. By carefully putting the right infrastructure in place, this will be accomplished most efficiently, and with limited impact on programs. The eVMS/HUDCAPS Decommissioning project has been established to achieve these goals.

This initiative began in fiscal year 2016 with planning to determine an Integrated Master Project Schedule with applicable resources. The main design/development is expected to take 18 months, with capabilities to be delivered every six months. Upon completion of this effort in fiscal year 2017, HUDCAPS and Program Accounting System (PAS) de-commissioning activities will begin.

The fiscal year 2017 request will deliver the following capabilities into production:

- An Enterprise Business Hub – designed and developed in fiscal year 2016, the Hub will provide an enterprise framework of components to perform common services, manage data access/updates, and guarantee data quality within a secured environment. The Hub will be the single conduit of data between HUD mission systems, legacy systems, and external components, and will eliminate redundant technologies and streamline IT costs by housing critical services in one location allowing their use by multiple systems. The Business Hub will use the new Enterprise Data Warehouse to access and store data.
- eVMS – the automated, monthly process for PIH Section 8 Cash Management is being designed and developed in fiscal year 2016, and will be parallel tested and implemented in fiscal year 2017. The automated module will provide improved support for PHA cash disbursements amounts based on payee-level data, and greater transparency to external stakeholders, including the Office of the Inspector General.
- In addition, HUDCAPS, PAS and Financial Data Mart (FDM) will be replaced with systems that interface directly with each other and link into financial systems and shared services. HUD mission data will directly feed our federal shared service provider for all accounting transactions. This will allow the alignment of program, financial, and other grants management data.

This request will also include planning for grants and loan payment processing, to include de-commissioning and replacing Line of Credit Control System (LOCCS). This effort will utilize the new enterprise architecture of the Enterprise Business Hub eliminating existing redundant technologies and streamlining current IT costs. The planning for this effort will be modeled on the HUDCAPS Decommissioning project with a 90 day planning sprint to define an Execution Roadmap, project schedule and required resources.

Business Need/Value: HUD’s legacy core financial system, HUDCAPs, has not been supported by the original vendor since 2004, HUDCAPs, making it expensive and risky to maintain. A new enterprise architecture, the Enterprise Business Hub will enable efficient interfaces among systems, and provide a cost effective mechanism for future systems replacements. This will enable HUD business
Information Technology Fund

systems to be replaced by enterprise solutions in an orderly manner, while maintaining financial integrity and “doing no harm” to the HUD mission. It will improve and reduce cost of IT O&M by using common platforms and modern technologies.

**Enterprise Data Warehouse (EDW): $4.0 million**

**Description:** HUD’s data is currently stored in numerous systems and application platforms across the agency. These “silos of data” make it very time consuming to obtain and compile information needed to conduct analysis and produce timely reports, and limit the ability to perform enterprise level analysis. There is often data duplication. Data warehousing cuts through these obstacles by integrating and organizing key operational data in a form that is consistent, reliable, timely, and readily available. An Enterprise Data Warehouse (EDW) is a large-scale data warehouse that is used across the enterprise for decision support and helps leaders to make informed decisions.

This request will support the next steps in improving the Department’s data quality and ability to analyze and report information across multiple programs. It builds upon prior investments to develop the foundation of the data warehouse, which will be a cloud-based solution. This foundation consists of enterprise data management strategy, including master data management, information architecture, analysis of alternative platform technologies, and installing the supporting infrastructure.

HUD is taking an incremental approach to implementing this multi-year program. Annual funding will support discrete, manageable projects to make it easier to manage risks associated with a larger program. Fiscal year 2017 funding will support initial planning and development for the integration of data sources across the agency. This includes funding for new capabilities required to support the implementation of the DATA Act. We are currently in the process of identifying the specific IT systems that will require modifications to conform to the DATA Act.

**Business Need/Value:** The Enterprise Data Warehouse will provide the following direct benefits:
- End users can perform extensive analysis in numerous ways.
- A consolidated view of corporate data (i.e., a single version).
- A data warehouse permits low cost data processing and end user ease of access by moving from costly operational systems onto a low-cost server; therefore, many more end-user information requests can be processed more quickly.
- Enhanced system performance.
- Data access is simplified and increases the ability to obtain real time information.

**Unified Customer Relationship Management (CRM) Capability: $4.0 million**

**Description:** HUD CRM systems handle 150,000 mission-critical service requests annually for HUD stakeholders and grantees. These requests originate from all of the Department’s major business partner groups, across all HUD programs.
Information Technology Fund

This funding will allow HUD to continue to upgrade and replace multiple legacy CRM solutions with stable and reliable capabilities. The solution will improve customer service and satisfaction, ensuring that customers quickly connect to the appropriate resource that can help them. In fiscal year 2015, the Office of Single Family Program’s CRM solution was redesigned. In fiscal year 2017, HUD will begin to incrementally incorporate other program offices into this solution, starting with the Real Estate Assessment Center’s (REAC) Customer Assistant Sub System (CASS) CRM Tool. The enterprise CRM Solution will also begin developing a module for the Office of Fair Housing and Equal Opportunity. Additional offices and functions will be migrated onto this technology solution in the future.

HUD offices rely on their call centers, service desks and help desks to manage interactions with stakeholders, customers, business partners, and the public regarding any aspect of the Department’s services. These customers and other parties include Local and State housing agencies that serve as Section 8 Contractor Administrators for HUD’s assisted housing projects and the Rent Supplement and Rental Assistance programs, mortgage bankers, public interest groups, academic researchers, and resident interest groups.

Currently there are more than 40 help desks, multiple call centers and 90 toll-free telephone numbers, and no clear and unified CRM strategy. CRM involves planning, scheduling and controlling the activities between the customers, stakeholders and partners. This includes management of call centers, products, customer/accounts, contacts, profiles, and partner relationships. It also incorporates customer analytics, feedback and surveys. HUD will transform its CRM by establishing a Center of Excellence using Microsoft Dynamic CRM software, which will reduce costs and unify, improve, and streamline systems and processes. The Center for Excellence is a team of HUD employees with specialized training, allowing HUD employees to make basic adjustments to the system.

**Business Need/Value:** This unified system will improve business cohesion among program offices, which will allow for a more consistent response to customers and overall a better customer experience. These systems provide important information to HUD for use in budget formulation and justification as well as a better understanding of programmatic impacts on the ground, allowing a line of sight for HUD staff to analyze data from a national, regional, or field office. The integrated communications channel allows for defining and categorizing user calls, addressing and resolving user problems across the Department, developing an enterprise-wide customer profile, and maintaining a knowledge database. It will give HUD’s customers more seamless and consistent customer service, allowing them to more easily find relevant resources and information.

**Grants Management System Consolidation: $2.5 million**

**Description:** HUD has established a vision and the elements of a plan for modernizing the grants management business function and is making notable progress in moving from a ‘stove-piped’ IT system architecture to one that consolidates project planning, set-up and funding, reporting and oversight for all HUD grant programs.
Currently, there are numerous grants management systems throughout the Department, with many isolated and lacking integration of functionality, data, and technology. Redundancy in system functions unnecessarily drive up maintenance costs, while inflexibility of system architecture drives up development costs to add new programs or address regulatory changes. HUD will seek an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative systems to decrease costs and infrastructure complexity.

The fiscal year 2017 request provides partial funding to begin the process of consolidating the separate grant systems. Building on the work already completed, HUD will conduct discovery, alternatives analysis and develop requirements and design processes that meet business requirements and capabilities, are stable and flexible against future program requirements, and are less costly to maintain. HUD is considering a consolidated system architecture that would be built to support the Department’s plans for a holistic grants management approach that aligns systems, business processes, and requirements across the enterprise. If this architecture is selected, additional funding would be required to finalize requirements, fully implement the consolidated system architecture, and complete the retirement of replaced legacy systems.

**Business Need/Value:** As a result of system fragmentation, HUD does not present a single business front or ‘portal’ to customers. The successful execution of grants management function will enable HUD to more effectively administer the entire grant lifecycle of formula and competitive programs that altogether provide billions of grant dollars annually to communities nationwide. Grants management IT systems help achieve significant cost savings for both grantees and HUD by automating administrative functions, easing the user experience and enhancing business capabilities. This project will ultimately consolidate the functionality needed to manage and process all of HUD’s grants. It will also allow planning for decommission of legacy or functionally duplicative systems and capabilities. Along with separate general ledger and funds management enhancements, this will allow the HUDCAPS legacy system to be de-commissioned. It will be replaced with systems that can interface directly with each other and link into financial systems and shared services—allowing the alignment of program, financial, and other grants management data.

**Affirmatively Furthering Fair Housing (AFFH) Initiative: $1.5 million**

**Description:** Section 808(e) (5) of the Fair Housing Act requires Housing and Urban Development programs to be administered in a way that will Affirmatively Further Fair Housing (AFFH). For HUD program participants to meet the AFFH regulatory requirements, in fiscal year 2016, HUD has designed and developed an AFFH user interface tool that is integrated with the existing AFFH geospatial mapping data tool. This tool includes a template that grantees will use to submit their plans, enabling them to electronically file their Assessments of Fair Housing (AFHs).

The requested funds will develop the processes to effectively use this new user interface tool, provide for the review and approval workflow for HUD analysts, and integrate the AFFH tool set with existing HUD systems. New capabilities will include an Internal User
Information Technology Fund

Analysis Module, AFFH comprehensive workflow, response template, dashboard and reporting module, custom map capability and a public housing authority (PHA) template and State template.

Information submitted by the grantees and the Public Housing Authorities for the Implementation of AFFH will be analyzed to ensure the evaluation and reviews needed to assess their eligibility for funding flows to the right part of the organization. It will also ensure that the assessment and business intelligence capabilities are available to understand the AFFH’s effectiveness and challenges.

**Business Need/Value:** Electronic filing of AFHs through a web-based tool to allow program participants to efficiently submit files required by the new AFFH rule, with data and maps integrated into the analysis. A uniform format and digital submission will also make HUD’s review of submissions more efficient and timely, allowing for immediate access by the appropriate staff. The anticipated external user base is approximately 5,500 users that will include public housing authorities, local governments, and states that receive Community Development Block Grants, HOME Investments Partnership Grants, Emergency Solutions Grants, and Housing Opportunities for Persons with AIDS grants. The HUD internal user base is approximately 1,000 users. The AFFH tool will facilitate cross program collaboration between the Office of Fair Housing and Equal Opportunity, Office of General Counsel, Office of Public and Indian Housing, Office of Community of Planning and Development and others to review AFH submissions. As a result, the AFFH tool will have a total user base of up to 6,500 end users.

The development of this new user interface will capture the information that is being submitted by the grantees and the Public Housing Authorities for the Implementation of AFFH, and ensure that the evaluation and reviews needed to assess their eligibility for funding flows to the right part of the organization.

**Next Generation Management System (NGMS): $1.5 million**

**Description:** This request is to develop the Operating Subsidy module of the Next Generation Management System (NGMS). This system enables HUD to better carry out mission critical programs by providing Enterprise Program & Financial Management capability. This initiative will automate business processes to improve the way HUD collects, analyzes and uses information to reduce Public Housing Authority (PHA) reporting burden and allow HUD staff to more effectively use data in making day to day decisions.

The Public & Indian Housing (PIH) program awards approximately $4.6 billion annually to PHAs to cover day-to-day operational expenses associated with their inventory of 1.1 million public housing units. The funding is also used for required administrative and program implementation expenses. PIH outsources the tool used for processing of the Public Housing Operating Fund applications by means of a business support contract. Although HUD owns the data in this operating fund process, it does not own the tool. The enhancements to NGMS will provide a HUD-owned IT system to calculate and process operating subsidy applications. This will make HUD more agile and not dependent on additional funding and contract actions to make needed modifications to the system in the future.
Information Technology Fund

**Business Need/Value:** The Public Housing and Housing Choice Voucher Programs serve more than 3 million households and spends about $24 billion annually. NGMS is part of a systematic approach to improve existing business processes in the areas of program and financial management, and budget execution for PIH’s Housing Choice Voucher and Public Housing programs. The system enhancements that result from the initiative will be more robust, comprehensive, secure, and reliable than the current ones, which are built using Microsoft Tools like Excel, Access, Infopath and SharePoint. Although the tools can be effective, they are limited in their ability to be enterprise IT solutions. The new Operating Subsidy module will break PIH’s reliance on an annual $1.3 million contract with a third party vendor to process more than 7,000 applications, with continual cost increases.

**HUD Enterprise-Wide Records Management System (HERMS):** $1.0 million

**Description:** Many HUD program offices still manage paper records and files. We estimate that there are more than 8,500 5-drawer filing cabinets used, which include files for low-income unit rentals, tenant information, public housing management, affordable housing vouchers, Fair Housing Complaints, and grant applications. These file cabinets also house internal office files, maps, blueprints, personnel and administrative files. Federal agencies are required to improve the management of government records, to include maximizing the use of electronic records. The current request will be used to design a system to consolidate and organize records across the entire agency. The final result will be an enterprise wide automated system where HUD’s official records are digitized and stored, and employees are able to quickly and efficiently locate and retrieve these records.

**Business Need/Value:** HERMS funding will allow HUD to design an enterprise system that will improve the quality and use of federal information to strengthen decision making, accountability, and responsiveness to the public. The system will reduce costs associated with storing volumes of paper records at NARA facilities, internal hosting and storage, and the costs to duplicate paper-based archives in response to public inquiries and FOIA requests.

Benefits and cost savings realized may be between $250,000 and $300,000 annually and would be measured by substantial reduction or elimination of traditional paper-based storage and archiving expenses, currently exceeding millions of dollars annually. It will also reduce the workload of the government staff required to procure and monitor contracts. This is particularly important during major organizational changes, such as the Multifamily Transformation where HUD experienced the movement of several hundred offices files transferred from one closing office to a consolidation location. In addition to reductions in staff resources to procure and manage multiple contracts which provide duplicative services and functions, this system will better enable HUD to meet legislative (Freedom of Information Act and Paperwork Reduction Act) and regulatory mandates.

**FHEO Section 3 Performance Evaluation and Registration:** $0.50 million
Information Technology Fund

**Description:** Funds are requested for revisions that will be needed to the Section 3 Performance Evaluation and Assessment Reporting System (SPEARS), which is used by recipients of HUD funds to submit required Section 3 annual summary reports (Form 60002).

The objectives of Section 3 of the Housing and Urban Development Act of 1968 are (1) to use HUD program funds to provide a springboard for residents to become economically empowered through direct participation in construction and other activities designed to physically improve and revitalize their neighborhoods; and (2) to leverage HUD funds to strengthen local economies, promote self-sufficiency, and reduce dependency on Federal housing subsidies.

HUD expects to issue a revised Section 3 rule in fiscal year 2016 that will clarify fair housing obligations and reduce barriers to compliance. It will help communities analyze their own challenges to fair housing choice and establish their own goals and priorities to address their fair housing barriers. To adhere to this Rule, development funds are needed to address necessary system changes.

Another component of SPEARS is the Section 3 Business Registry. This is a tool that HUD launched in fiscal year 2014 to meet regulatory obligations to notify Section 3 businesses of the availability of local HUD-funded contracts and to increase the amount of contracts awarded to Section 3 businesses. The funds are requested to modify the existing SPEARS to comply with changes to Form 60002 and the Business Registry based on the new rule. Revisions might include changes to questions, template formats or screens, data fields, reporting content, formats, and workflow. These changes may affect the Business Registry as well as the Form 60002.

**Business Need/Value:** There are about 5,000 covered grantees who receive funds that are subject to Section 3 and are required to submit Form 60002 to HUD. There are also about 1,000 businesses who have self-certified that they meet one of the definitions of a Section 3 business. The systems enhancements to SPEARS will save grantees and businesses time and effort, and will promote consistency in compliance with the revised regulatory requirements.

**Appendix: Description of IT Portfolio Business 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 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...
Information Technology Fund

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 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.

4. Proposals in the Budget
   Not Applicable.
Information Technology Fund

### INFORMATION TECHNOLOGY FUND

**Summary of Resources by Program**

(Dollars in Thousands)

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**NOTES**

1. Operations and maintenance carryover into 2015 includes $2.84 million of recaptures and $2.5 million of transfers from Salaries and Expenses. All funds that are available for either O&M or DME are included as O&M carryover.

2. Operations and maintenance carryover into 2016 includes $4 million in anticipated recaptures. All funds that are available for either O&M or DME are included as O&M carryover.
INFORMATION TECHNOLOGY FUND
Appropriations Language

The fiscal year 2017 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.

INFORMATION TECHNOLOGY FUND

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, \([\$250,000,000]\) \(\$286,000,000\), of which \(\$239,000,000\) shall remain available until September 30, [2017] 2018, and \([\$48,000,000]\) \(\$47,000,000\) shall remain available until September 30, 2019: 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, 2016.)
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
(Dollars in Thousands)

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<th>Financial Management, Procurement, Travel and Relocation</th>
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<th>FY 2016 Enacted</th>
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Program Area Overview:

The Working Capital Fund (WCF) will serve as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services. The WCF will assist HUD program offices achieve their missions by providing cost-effective, customer-focused enterprise support services on a fully cost recoverable, fee-for-service basis, proposed to start in fiscal year 2017. During 2016, the Department is standing up a strong governance structure with a customer service focus and business processes for timely, accurate cost-accounting data for WCF goods and services. When fully implemented, the WCF will enable the Department to achieve the following outcomes:

- Aligned incentives for efficient operations by charging costs to users;
- Transparent and timely cost estimates for goods and services, and the overall costs to administer programs; and
- Efficient and effective delivery of enterprise goods and services.

In fiscal year 2016, the Department will transfer funding from Administrative Support Offices (ASO) to the WCF for shared services. The Office of the Chief Financial Officer (OCFO) will oversee the financial operations of the WCF, while management and oversight responsibilities for providing the core WCF goods and services will remain with the appropriate business function leads.

The Federal shared services financed through the WCF will include shared services agreements with the Department of the Treasury for HUD financial management, procurement, and travel in which the OCFO will be the business function lead. These shared services include a full range of accounting and procurement services such as budget and financial transaction processing, purchase and fleet card services, and financial reporting. Travel and relocation services provided to HUD include E-Gov Travel Service (Concur), travel help desk, travel card administration, travel payments, and relocation processing and payments. The Department also receives human resources services from Treasury, under the leadership of the Office of the Chief Human Capital Officer.
Working Capital Fund

(OCHCO). OCHCO-managed shared services include: job classification, staff acquisition, payroll (including WebTA), processing and personnel records, employee benefits, workers’ compensation, personnel background checks, back-office HR functions through HR Connect, talent acquisition through CareerConnector, and performance management through InCompass.

Starting in fiscal year 2017, the Department will seek to include Federal Register printing for regulations and other notices managed by the Office of General Counsel.

The Department proposes creating a new office within OCFO that will oversee the financial management and governance of the fund over the next year, as the WCF and its governing committees are established. The WCF office’s primary responsibility will be to ensure the solvency of the fund. While each service financed through the WCF will remain operationally accountable to the appropriate ASO office, the WCF office will manage the fund’s day-to-day financial operations, including the establishment of transparent and reliable unit cost accounting for all services and customers that use the fund.

**Requested Level and Justification**

The 2017 request provides for each office to pay for its use of WCF goods and services, through transfers to the WCF for its estimated share. HUD estimates $47,858,000 in total WCF costs for 2017, which is an increase of $4,175,000 over the estimated costs for fiscal year 2016. The requested level is expected to support:

- The human resources transactional services provided by the Bureau of Fiscal Services (BFS) at a cost of $15,028,000.
- The human resources platforms provided by the Department of the Treasury’s Shared Services Programs at a cost of $3,773,000.
- The financial management and procurement services provided by BFS at a cost of $24,889,000.
- The travel and relocation services provided by BFS at a cost of $3,262,000.
- Federal Register printing at $906,000.
Working Capital Fund

**Key Operational Initiatives**

A strong governance and performance management regime: As HUD implements a true WCF fee-for-service model for shared services, core criteria for success are HUD’s ability to measure performance and track outcomes.

Smart expansion of the WCF: At the discretion of the Secretary, HUD anticipates expanding the WCF to incorporate other common administrative goods and services, including additional investments that are consistent with the goals of the WCF. For any proposed investment, HUD will evaluate the benefits and efficiencies of financing through the WCF, and whether there is an accurate, practical, and transparent method for assessing costs for the good or service to the program offices. Investments will only be added to the extent that they are reasonably anticipated to result in improved efficiencies.

Taking a business-like buyer and seller approach to centralized services will align incentives and bring transparency to both the program offices and HUD at the enterprise level. As program offices begin to bear the cost of transactions, offices will be better equipped to manage business operations to maximize limited resources by continually evaluating and refining core business processes, resulting in cost-conscious incentives for the customer. Additionally, adopting this financing mechanism expands the base of stakeholders who will be invested in the continuous improvement of the delivery of these goods or services. Customers will push for effective and efficient service delivery, and support offices will have the data to negotiate for better services and lower costs.
WORKING CAPITAL FUND
Appropriations Language

The fiscal year 2017 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.

WORKING CAPITAL FUND
(INCLUDING TRANSFER OF FUNDS)

[There is hereby established in the United States Treasury, pursuant to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), a] For the working capital fund for the Department of Housing and Urban Development (referred to in this paragraph as the "Fund")[: Provided, That], pursuant, in part, to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), amounts transferred to the Fund under this heading shall be available for Federal shared services used by offices and agencies of the Department, and for such portion of any office or agency's printing, records management, space renovation, furniture, or supply services as the Secretary determines shall be derived from centralized sources made available by the Department to all offices and agencies and funded through the Fund: Provided[further], That of the amounts made available in this title for salaries and expenses under the headings "Executive Offices", "Administrative Support Offices", "Program Office Salaries and Expenses", and "Government National Mortgage Association", the Secretary shall transfer to the Fund such amounts, to remain available until expended, as are necessary to fund services, specified in the first proviso, for which the appropriation would otherwise have been available, and may transfer not to exceed an additional $10,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for use for any office or agency: Provided further, That amounts in the Fund shall be the only amounts available to each office or agency of the Department for the services, or portion of services, specified in the first proviso: Provided further, That with respect to the Fund, the authorities and conditions under this heading shall [supplant] supplement the authorities and conditions provided under such section 7(f) [of the Department of Housing and Urban Development Act]. (Department of Housing and Urban Development Appropriations Act, 2016.)
a/ Includes $19.8 million in recaptured funds, reprogramming of $1.7 million of Disaster Displacement funds, $4 thousand Non-Elderly Disabled funds, in addition to the realignment of $12.6 million between Contract Renewals and Administrative Fees.
b/ Total resources and obligations for fiscal year 2015 include $31 million 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 2016 include an estimated $37 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 Research and Technology (R&T) account of $28 million of Budget Authority.
e/ Total resources and obligations for fiscal year 2017 exclude an estimated $129 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?**

For fiscal year 2017, the Department requests $20.854 billion for the Section 8 Housing Choice Voucher (HCV) program, which is an increase of $1.225 billion from the fiscal year 2016 enacted level. This funding will provide approximately 2.2 million low-income families in 2017 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.

The fiscal year 2017 request includes funding for the following activities:

- $18.447 billion for contract renewals, which is an increase of $765.5 million from the fiscal year 2016 enacted level, and is estimated to support all families projected to be assisted in calendar year 2016;
Tenant-Based Rental Assistance

- $2.077 billion in administrative fees, which is an increase of $427 million from the fiscal year 2016 enacted level, and would fully fund administrative fees under a new administrative fee formula that will be based on the findings and recommendations of the HCV Program Administrative Fee Study.
- $110 million for Tenant Protection Vouchers (TPV), which is a decrease of $20 million from the fiscal year 2016 enacted level;
- $110 million in contracts and administrative fees originally funded under the Section 811 Tenant-Based program, which is an increase of $2.9 million from the fiscal year 2016 enacted level;
- $88 million for targeted rental voucher assistance for use by families with children experiencing homelessness;
- $15 million for a Mobility Demonstration; and
- $7 million for Tribal HUD Veteran Affairs Supportive Housing (VASH) Demonstration.

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 *Opening Doors*: the Federal Strategic Plan to End Homelessness by reducing the number of chronically homeless individuals, families with children, veterans, and youth; and
- Providing better housing opportunities and greater access to areas of opportunities for very low- and extremely low-income families.
- Maximizing the federal investment and the number of families assisted through HUD’s rental housing assistance programs through comprehensive monitoring of utilization;

Proposals in the Budget:

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at $30 million).
- Improve the Process for Establishing Fair Market Rents.
- Implement the Housing Choice Voucher Mobility Demonstration.
- Simplify the Calculation of the 20 Percent Housing Choice Voucher Cap for Project Based Voucher (PBV) Assistance.
- Implement a New Administrative Fee Formula.
- 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 largest 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, 75 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 27 percent have a disabled head of household, and 22 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 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, so 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.
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Contract Renewals

The Department requests $18.447 billion for calendar year 2017 contract renewals. Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) increments on a calendar-year basis. As in previous years, the 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 2016 will be covered by renewal funding in calendar year 2017.

Administrative Fees

The Department requests $2.077 billion for administrative fees for calendar year 2017. The amount requested is intended to fully fund administrative fees under a new fee formula that HUD is seeking to implement for calendar year 2017, based on the findings and recommendations of the HCV Administrative Fee Study Final Report that was published on August 21, 2015.

Administrative fees are a vital component of the HCV program, providing PHAs with the resources necessary to administer the requested rental assistance for approximately 2.2 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. 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 choices in areas of opportunity, generally those areas with lower concentrations of poverty, lower crime, more job opportunities, and better schools.

Recognizing the critical need to have accurate and reliable information on how much it truly costs to administer the HCV program, HUD initiated and completed, with support and funding from Congress, the HCV Administrative Fee Study. The study’s objectives were to measure the actual costs of operating an effective and efficient voucher program, identify the main cost drivers that account for variation in administrative costs among PHAs, and propose a new administrative fee formula based on those findings.

HUD is now engaged in the process of developing a new administrative fee formula based on the study’s findings and recommendations, as well as comments received from PHAs, industry groups, and other interested stakeholders in response to a Solicitation of Comments that HUD subsequently issued on the study. HUD’s goal is to complete the proposed and final rulemaking in time to allow the new fee formula to be implemented for calendar year 2017.
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As part of this Budget Request, HUD is also proposing to amend the TBRA administrative fee account language for 2017 to provide that the fees shall be based on the Section 8(q) as enacted by the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276). See section 5 of the justification, Proposals in the Budget, for more information.

Section 8 Rental Assistance (Tenant Protection Vouchers)

The Department requests $110 million for Tenant Protection Vouchers (TPVs) in 2017. 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;
- 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;
- 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 replace distressed properties and renew neighborhoods under the Choice Neighborhoods Program.

HUD estimates that the number of tenant-based vouchers needed in fiscal year 2017 is approximately 33,500 vouchers. Since the cost to fully fund approximately 33,500 vouchers needed exceeds $110 million, HUD plans to optimize the $110 million by funding voucher increments only through the balance of 2017 (rather than for a full 12-month period) and to then request the full amount needed for renewal in 2018. Failure to adequately fund the TPV request will place families at high risk of significant rent increases, eviction, and/or homelessness.

Section 811 Mainstream Renewals

In fiscal year 2017, the Department requests $110 million for renewal 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. The requested funding also includes administrative fees for the renewed vouchers.

Families Experiencing Homelessness

In fiscal year 2017, HUD requests $88 million for rental voucher assistance for approximately 10,000 families with children experiencing homelessness. A higher than average per unit cost (PUC) is assumed for these vouchers due to the average homeless family size (3-person household). These vouchers are to be awarded competitively to PHAs based on geographic areas of demonstrated need. PHAs receiving
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vouchers for families with children experiencing homelessness would be required to partner with the local Continuum of Care to identify program participants through a coordinated assessment process. Supportive services would be provided through community partners and mainstream service agencies. Complementing this targeted investment, is an $11 billion mandatory spending proposal to end family homelessness, as discussed in the “Homeless Assistance for Families” CJ.

As laid out in Opening Doors, HUD is committed to reach and maintain the goal of ending homelessness for families by 2020. 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. In the 2014 Annual Homeless Assessment Report (AHAR) part 2, HUD reported over 500,000 families living in emergency shelters and transitional housing during the year – this is a 4.4 percent increase from the previous year. Additionally, HUD’s Point-in-Time (PIT) count data showed that there were over 64,000 families experiencing homelessness on a given night at the end of January 2015.

HUD’s Family Options Study illustrates that families with children receiving a Housing Choice Voucher, compared to alternative forms of homeless assistance, had had fewer incidents of homelessness, child separations, intimate partner violence and school moves, less food insecurity, and generally less economic stress. Additionally, the Family Options Study indicates that child well-being was significantly improved for families with children utilizing a Housing Choice Voucher. Other rigorous research shows that when families with children use a voucher to move to a low-poverty area that their children experience significant earnings and college attainment benefits.¹

Through our engagement of PHAs and Continuums of Care, HUD has seen an increase in the numbers of homeless families with children served by the Housing Choice Voucher program. In fiscal year 2015, PHAs reported housing 7,359 families experiencing homelessness. The requested vouchers will further strengthen this ongoing effort to support partnerships at the local level between PHAs and the Continuums of Care in order to increase the number of homeless families that receive HCV assistance.

Mobility Demonstration

The Department seeks $15 million and the authority to implement an HCV Mobility Demonstration program. The goals of the program are to facilitate collaboration, encourage HCV program participants to move to lower-poverty areas, and expand such families’ access to opportunity areas. Through implementation of the program, the Department intends, as well, to identify impediments to collaboration (in particular, regulatory and administrative barriers), in addition to cost-effective mobility strategies. The funds will be available to deliver mobility services to families, including pre- and post-move counseling as well as to offset the administrative costs of operating a mobility program. Up to $3 million of the $15 million will fund an impact evaluation of these mobility services, with the goal of identifying services that contribute to

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family moves to and stays in lower-poverty areas. Additionally, as part of the Department’s request, PHAs would be able to use their administrative fees to support demonstration related costs. The Budget includes a General Provision that implements the demonstration.

Tribal Veterans Affairs Supportive Housing (HUD-VASH) Demonstration

In fiscal year 2017, the Department requests $7 million for the renewal of vouchers (and associated administrative costs) originally appropriated under the Tribal HUD-VASH demonstration program in fiscal year 2015-- the rental assistance and supportive housing demonstration program for Native American veterans authorized under the heading “TENANT-BASED RENTAL ASSISTANCE” in title II of division K of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235, 128 Stat. 2733). This demonstration provides rental assistance for Native American veterans who are homeless or at-risk of homelessness living on or near a reservation or other Indian areas. HUD is further proposing that any funds that remain available after the renewal funds (and the administrative fees associated with those renewals) are awarded may be used to provide additional vouchers to eligible recipients under the Tribal HUD-VASH demonstration.

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:

- 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;
- Resident Groups; and
- TDHEs and Tribal governments (Tribal HUD-VASH)

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.
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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, 75 percent of families have extremely low-incomes (defined as household income at or below 30 percent of median income) and 21 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 2015: Report to Congress (which covers 2013) reveal that only 65 affordable units are available nationwide per 100 very low-income renters, and 39 units per 100 extremely low-income renters.

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 Department is in the process of implementing an MTW expansion of 100 public housing agencies over a 7-year period. In doing so, the Secretary will establish a research advisory committee that will advise the Secretary with respect to specific policy proposals and methods of research and evaluation for the demonstration.

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

Serve the poorest and most vulnerable Americans with severe housing needs

The Housing Choice Voucher (HCV) program serves the most economically vulnerable families in the country, including persons with disabilities, elderly families, formerly homeless veterans, families with children, and at-risk youth. The program targets families and individuals whose incomes are below 30 percent of area median income and are either homeless or at high risk for homelessness. In fact,
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the HCV program is a key element in reducing veterans, chronic and family homelessness under the President’s Federal Strategic Plan to Prevent and End Homelessness.

About 2.2 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 in fiscal year 2017. 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 and forgo other life necessities such as food, clothing, and medicine.

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. HUD’s *Worst Case Housing Needs: 2015 Report to Congress* 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. 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 following chart illustrates the modest expansion of HCV resources in comparison to increase in number of households, very low-income renters, and families with worst case housing needs in the United States. 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.
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 27 percent of these families have a disabled head of household and almost 22 percent have an elderly head of household; and a little over 50 percent are families with children. As the demographic table on the following page illustrates, the HCV program assists the most economically vulnerable families — 75 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 $13,568. With the average monthly rent of $1,000, 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 2.2 million households would likely experience worst case needs if they did not receive housing assistance.
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 2015 was set at $24,250 for a 4-person household (the guidelines are not adjusted locally, but provide a single limit for the 48 contiguous states and DC).

*The 5.22 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 (2.20 m.)
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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 2017:

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 2017 and beyond.

In addition to the Risk Assessment Tool, PIH continues to implement an Enterprise Risk Management program which identifies risk for all of PIH’s programs and activities through annual risk assessments of PIH’s offices, monitoring of key risk indicators, and a risk-based tool to further enhance and improve HUD’s oversight of Public Housing Agencies. To implement this program, PIH created a Risk Division dedicated to identifying, analyzing and reporting on risk and a Risk Committee made up of senior leadership in PIH which acts on our most strategic and important risks, and maintains PHA risk monitoring through the Office of Field Operations.

HUD Quality Control on PHA inspections and Inspection Standards for HCV

HUD is taking a number of steps to continue 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) conducted an assessment of 27,000 quality control inspections of HCV units. The results indicated that the current housing quality standards are not being applied consistently across PHAs and those weaknesses in the standards led to inconsistent housing outcomes. HUD continues its transition to an alternative inspection and oversight model based on the Uniform Physical Condition Standards (UPCS). The transition of the HQS to a new UPCS model is a high priority project, which HUD believes will foster alignment among affordable housing programs, improve service delivery, enhance oversight and risk management capabilities, and better identify health and safety hazards in the home.
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**Next Generation Management System**

The Next Generation Management System (NGMS) is a business-driven investment, designed 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 justify the agency’s budget formulations and requests. By aligning current and future AH processes, HUD aims to consolidate 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 first quarter of calendar year 2016, 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 2016. 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 supporting the ability to meet HUD’s mission of creating strong, sustainable, inclusive communities and quality, affordable homes for all.

In fiscal year 2017, the focus of NGMS is on HUD’s completion of New Core and an effort between PIH and OCIO: The NGMS and Enterprise Business Transformation (EBT). NGMS/EBT includes replacement of PIC, and development of the Voucher Financial Management System (VFMS). This project enables the decommissioning of VMS and HUDCAPS.

**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 reduce subsidies in areas where current FMR is higher than prevailing rents. This demonstration will collect and report overall program cost implications,
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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.

HUD is working on a Proposed Rule that replaces the 50th Percentile FMR regulation (found at 24 CFR 888.113c) with a regulation based on Small Area FMRs. The Small Area FMR based rule will designate certain HUD Metropolitan FMR Areas to use Small Area FMRs in the operation of their tenant based housing choice voucher program. There will be a number of criteria to determine which areas may qualify, including areas where a significant proportion of the rental stock is in small areas with gross rents above the current basic range and where voucher tenants are more likely to live in areas of high poverty, or where the majority of families have incomes below an income threshold than renters in general.

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.

The 2017 Request includes the following HCV proposals:

• **Housing Choice Voucher Mobility Demonstration.** The Department seeks the authority to implement an HCV mobility demonstration program. The goals of the program are to facilitate collaboration, encourage HCV program participants to move to lower-poverty areas, and expand such families’ access to opportunity areas. Through implementation of the program, the Department intends, as well, to identify impediments to collaboration (in particular, regulatory and administrative barriers), in addition to cost-effective mobility strategies. To complement this demonstration, the Department requests $15 million in fiscal year 2017. Funds will be available to deliver mobility services to families, including pre- and post-move counseling. Up to $3 million of the $15 million will fund an impact evaluation of these mobility services, with the goal of identifying services that contribute to family moves to lower-poverty areas. Additionally, as part of the Department’s request, PHAs would be able to use their administrative fees to support demonstration related costs. (Sec. 270)
Tenant-Based Rental Assistance

- **Simplify calculation of Housing Choice Voucher Cap on Project-Based Voucher (PBV) Assistance.** HUD is proposing for fiscal year 2017 to simplify the cap calculation for the project-based voucher program, through modification of the 20 percent cap on the amount of HCV budget authority that can be project-based to a unit-based calculation.

Under the HCV program, a PHA has the option to project-base a portion of its voucher funding rather than using it for tenant-based assistance. A PHA may project-base vouchers in support of new construction and rehabilitation projects, as well as in existing housing. This proposal would change the methodology by which the cap for PBV assistance is determined in the HCV program. Currently, the law provides that not more than 20 percent of the funding available for tenant-based assistance that is administered by a PHA may be project-based. Since the amount of funding available to a PHA (and the amount that the PHA may be paying for PBV assistance) fluctuates, the current cap determination can be complex. The proposal would change the 20 percent PBV cap to a unit based calculation, which is both administratively simpler and more transparent. Under this proposal, the PHA would be able to use up to 20 percent of its authorized vouchers for project-based assistance. (Sec. 252)

- **Administrative Fee Formula.** As noted above, HUD is working to develop a regulation in order to implement a new fee formula based largely on the Administrative Fee Study's recommendations and comments received in response to the Solicitation of Comment. The Administrative Fee Study used time measurements and cost data collection to measure the actual costs of operating the HCV program across a diverse sample of 60 high performing and efficient PHAs. The cost data collected through the study included all costs incurred by the PHA in operating the HCV program, including all personnel costs (salary and benefits), all non-labor costs (all expenditures for office space, insurance, computers, supplies, etc.), and all overhead costs (overhead functions that directly support the HCV program as well as a portion of general PHA overhead).

The study took the cost per unit month leased for each of the 60 PHAs in the study and ran a series of regression models to identify the PHA, program, and market characteristics that could explain the substantial variation in per UML costs found across the sample. The study tested more than 50 characteristics that were identified by the study team, HUD, and the study's Expert and Industry Technical Review Group to have a theoretical reason to affect HCV administrative costs. After extensive testing, the study identified seven cost drivers that, in combination with one another, were the most accurate in explaining the variation in administrative costs across the 60 study sites. These cost drivers – including program size, the average wage index for the area in which the PHA is located, the rate of new admissions, the percent of households with earned income, and the percent of assisted households that live a significant distance from the PHA’s headquarters - become the cost variables that determine the administrative fee for a PHA under the study’s recommended formula. In contrast, the existing fee formula has only one main component, the PHA's Fair Market Rent in 1993 or 1994, and is not based on any direct measurement of the cost of program administration. Agencies in areas with higher FMRs receive a higher fee per voucher compared with agencies in areas with relatively low FMRs, under the assumption that the FMRs correlated with wages and other costs of operations. The results of the study show that the current formula fails in many jurisdictions...
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to allocate funding that is adequate to run a quality HCV program, especially in the case of smaller PHAs. To further illustrate the shortcomings of the existing formula, the study’s recommended formula explains approximately 63 percent of the variation in costs across the 60 PHAs, while the existing administrative fee formula only explains approximately only 33 percent of the variation for those same PHAs.

No legislative changes to the authorizing Act (Section 8(q) of the United States Housing Act of 1937) are necessary in order to change the current administrative fee formula, provided the new formula is based on changes in wage data or other administratively measurable data that reflect the cost of administering the program. However, the TBRA administrative fee appropriations account in fiscal year 2015 and prior years contains language whereby fee amounts are not determined based on the section 8(q) under current law. The language in question provides that fees shall be based on section 8(q) and related Appropriation Act provisions as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (QHWRA), Public Law 105-276. This proposal would amend the fiscal year 2017 TBRA administrative fee account language to provide that the administrative fees appropriated under the account shall be based on section 8(q) as enacted by QHWRA. This change clarifies that HUD’s authority under section 8(q) to establish the fee based on wage data or other objectively measurable data that reflect the cost of administering the program is not restricted or superseded by the TBRA appropriations account provisions. (account language)

- 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 1 year it is challenging to find owners willing to rent to the youth when the assistance will terminate in 6 months.) (Sec. 268)

- Improve the Process for Establishing Fair Market Rents. Fair Market Rents (FMRs), which are based on rent survey data, are currently used for rent-setting in both the voucher, project-based Section 8 programs, and other HUD programs. This proposal removes the statutory requirement that FMRs be printed in the in the Federal Register to become official. While HUD would continue to announce
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proposed FMRs with a Federal Register notice seeking public comment on the proposed FMRs and any proposed methodology changes, the FMRs themselves would be published on a HUD web site rather than printed in the Federal Register. Final FMRs would be announced and made available similarly. A similar version of this language appeared in the Department’s fiscal year 2015 and 2016 budget requests. This provision will save printing expenses of $90,000 to $100,000 per annum and reduce administrative burden. (Sec. 227)

- **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 2017. 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 2014, 2015 and 2016 budget requests, and is repeated for 2017. The 2017 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)
## Tenant-Based Rental Assistance

### PUBLIC AND INDIAN HOUSING

#### TENANT-BASED RENTAL ASSISTANCE

### Summary of Resources by Program

**(Dollars in Thousand)**

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6-18
Tenant-Based Rental Assistance

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language

The fiscal year 2017 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, [$15,628,525,000] $16,854,000,000, to remain available until [expended] September 30, 2019; shall be available on October 1, [2015] 2016 (in addition to the $4,000,000,000 previously appropriated under this heading that shall be available on October 1, [2015] 2016), and $4,000,000,000, to remain available until [expended] September 30, 2020, shall be available on October 1, [2016] 2017: Provided, That the amounts made available under this heading are provided as follows:

(1) [$17,681,451,000] $18,447,000,000 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 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 [2016] 2017 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 firsttime renewal of vouchers under this paragraph including tenant protection, [HOPE VI,] and Choice Neighborhoods vouchers: Provided further, That in determining calendar year [2016] 2017 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 [targeting and utility allowances] the medical expense threshold, 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 agencies of their annual budget by the latter of 60 days after enactment of this Act or March 1, [2016]
Tenant-Based Rental Assistance

2017. 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 in accordance with the requirements of the MTW program, 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 [2016] 2017 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 [2015] 2016 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 [2016] 2017 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 $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 previous 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; and (4) 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 (5) for adjustments for voucher costs associated with a housing mobility program: Provided further, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary;

(2) [$130,000,000] $110,000,000 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 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: (A) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (B) 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 (C) 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 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) [$1,650,000,000] $2,077,000,000 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 [$1,640,000,000] $2,067,000,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year [2016] 2017 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 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 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 in accordance with the requirements of the MTW program, and shall be subject to the same uniform percentage decrease as under the previous proviso: Provided, 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) [$107,074,000] $110,000,000 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
Tenant-Based Rental Assistance

to the same pro rata reduction as the percent decrease for administrative and other expenses to public housing agencies under paragraph (3) of this heading;

(5) [$60,000,000 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, non-discrimination, 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 assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over]

$7,000,000 shall be for rental assistance and associated administrative fees for Tribal HUD-VA Supportive Housing to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: Provided, That such amount shall be made available for renewal grants to the recipients that received assistance under the rental assistance and supportive housing demonstration program for Native American veterans authorized under the heading "TENANTBASED RENTAL ASSISTANCE" in title II of division K of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113–235, 128 Stat. 2733): Provided further, That the Secretary shall be authorized to specify criteria for renewal grants, including data on the utilization of assistance reported by grant recipients under the demonstration program: Provided further, That any amounts remaining after such renewal assistance is awarded may be available for new 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.) for rental assistance and associated administrative fees for Tribal HUD-VA Supportive Housing to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: 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: Provided further, That renewal grants and new grants under this paragraph 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 assistance under this paragraph shall be modeled after, with necessary and appropriate adjustments for Native American grant recipients and veterans, the rental assistance and supportive housing program known as HUD-VASH program, including administration in conjunction with the Department of Veterans Affairs and overall implementation of section 8(o)(19) of the United States Housing Act of 1937: Provided further, That the Secretary of
Tenant-Based Rental Assistance

_Housing and Urban Development may waive, or specify alternative requirements for 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 assistance: Provided further, That grant recipients shall report to the Secretary on utilization of such rental assistance and other program data, as prescribed by the Secretary; [and]

(6) $88,000,000 shall be used for incremental rental voucher assistance under section 8(o) of the United States Housing Act of 1937 for use by families with children who are experiencing homelessness, as determined by the Secretary: Provided, That the Secretary shall make such funding available, notwithstanding section 204 (competition provision) of this title to public housing agencies that partner with eligible Continuums of Care or other entities as designated by the Secretary, based on geographical need of such assistance, public housing agency administrative performance, and other factors as specified by the Secretary: 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 (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 issue guidance to implement the previous proviso;

(7) $15,000,000 shall be made available for the Housing Choice Voucher Mobility Demonstration authorized under section 270 of this title: Provided, That no more than $3,000,000 may be available for evaluating the demonstration; and

([6]8) the Secretary shall separately track all special purpose vouchers funded under this heading.

(Department of Housing and Urban Development Appropriations Act, 2016.)
### PUBLIC AND INDIAN HOUSING
### FAMILY SELF-SUFFICIENCY PROGRAM
### 2017 Summary Statement and Initiatives
### (Dollars in Thousands)

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a/ Includes an estimated transfer to the Research and Technology (R&T) account of $375 thousand of Budget Authority.

1. **What is this request?**

   The Department requests $75 million for the Family Self-Sufficiency (FSS) program, which is equal to the fiscal year 2016 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 FSS program leverages funds provided for coordinators’ salaries, with an array of services provided by other state, city and local programs for training, counseling and other supportive services that enable program participants to increase their earned income and decrease or eliminate the need for rental assistance. The request would allow the Department to fund approximately 1,300 Family Self-Sufficiency Program Coordinators that will serve approximately 70,000 families.

   Outcomes reported by FSS Programs 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 do not require Temporary Assistance to Needy Families (TANF) assistance and their need for rental assistance is decreased or eliminated.

2. **What is this program?**

   Enacted in 1990, the FSS program helps families in Public Housing and the Housing Choice Voucher program make progress toward economic security by combining:
Family Self-Sufficiency Program

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 to help participants achieve employment goals and accumulate assets. FSS Coordinators in each local program build partnerships with employers and service providers in the community to help participants obtain jobs and services. These services may include child care, transportation, basic adult education, job training, employment counseling, substance/alcohol abuse treatment, financial empowerment coaching, asset-building strategies, household skill training, homeownership counseling and others. The role of the FSS Coordinator is essential to the success of the FSS program.

Generally, families have 5 years in which to achieve their goals. Participants who become and stay employed, become independent of TANF assistance, increase their income level, and achieve the goals they set for themselves successfully graduate from the program. Graduating participants gain access to their escrow account. Escrow accounts are made up of the difference of starting rent to increased rent that grows as earned income increases. The graduating participants also decrease or eliminate the need for rental assistance, and more resources are made available to serve more families over time.

Actual examples of outcomes for program graduates and their families:

- Q.P. (Waterbury, CT) a single mother of three, had been on the voucher program since 2005. She enrolled in the FSS program in 2010 with an income of $14,000 from temporary work. While on FSS she received her Associate’s degree and became a licensed radiographer. After 4 years, she graduated from FSS and was no longer in need of voucher assistance, as her income had increased to $72,000, which is 104 percent of the local area median income (AMI).

- Agnes (Lincoln, NE) a single mother of five, had $13,156 in income and was paying $386 in rent at the time of her FSS enrollment. With FSS support, she was able to graduate with her Associate’s degree in human services from a local community college and obtain and maintain full-time employment. At FSS graduation, her income was $44,330 per year and she received $5,019 in escrow. She is now able to pay her full contract rent for the Housing Choice Voucher program of $1,100 per month and will soon be ending voucher assistance.

- J.M. (Portland, OR), a single mother of two, had been living in public housing for over 7 years. She was earning $6,816 and paying only $5 per month in rent when she enrolled in FSS. With FSS support, she secured full-time employment with benefits, earning $38,728. She enrolled in financial education and improved her credit score. At the same time, J.M. enrolled
Family Self-Sufficiency Program

in an Individual Development Account (IDA) program to build assets for homeownership and she completed homebuyer education. After two-and-a-half years, she had $12,000 ($3,000 personal savings + $9,000 matching funds) available for a down payment. At FSS graduation, J.M was earning $41,733 and paying $849 in rent until she purchased her own home.

- L.W. (Sioux City, Iowa) moved out of transitional housing into a tax credit unit with voucher assistance, paying $186 per month in rent. His wife has serious health issues and is unable to work. He was working part time for a local hotel making $15,600 and he immediately signed up for FSS. He attended training classes whenever they were offered by his employer. He walked to work for several months after he sold his car to meet expenses. When his escrow had grown, he received an interim withdrawal to purchase a new car. He ultimately became part of the management team at his work and graduated from FSS with an income of $30,500 plus bonuses, and paying $690 in rent. He has since received several more raises, left housing voucher assistance, and pays the full tax credit rent. While on the program, he paid off his student loans and increased his credit score. He set an example for his son, who is now successfully attending college. L.W. is now saving to buy a home within the next year.

- E.P. (Lynn, MA) is a single mother with two children. She was earning $10,000 when she joined the FSS program in 2011 through a partnership between the PHA and Compass Working Capital, a nonprofit financial services organization. With the support of her FSS financial coach, E.P. achieved her goal of graduating from college with a Bachelor’s Degree in Criminal Justice, and she is now earning $53,000 annually. With such an increase in income, E.P. was able to pay off most of her debts, including collection accounts. At FSS graduation, E.P. was financially stable and decided to move out of public housing and into a market rent apartment.

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

FSS Coordinator funding addresses the lack of economic security and self-sufficiency of the Housing Choice Voucher and Public Housing programs’ participants. The FSS Coordinators build partnerships with employers and service providers in the community and link program participants to training and services that will enable them to develop the skills needed to become employed or obtain better employment. The program also provides opportunities for families to build escrow accounts toward the goal of greater economic security and economic independence. The program supports HUD’s Strategic Plan Goal 3, Use Housing as a Platform for Improving Quality of Life.

Current data points from the Public and Indian Housing Information Center (PIC) data system in fiscal year 2015 include:

- Over 71,000 households actively participated in the program (58,000+ in the Housing Choice Voucher program and 13,000+ in Public Housing).
Family Self-Sufficiency Program

- 4,245 families successfully completed their FSS contracts and graduated. (3,601 in Housing Choice Voucher FSS and 644 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.

- 52 percent of graduates have escrow savings, at an average of approximately $6,500.

- 1,529 FSS program graduates (36 percent) exited rental assistance within one year of leaving the program. (1,240 in Housing Choice Voucher (34 percent), 289 in Public Housing (45 percent)).

- 499 FSS program graduates (11.76 percent) went on to purchase a home. (386 in Housing Choice Voucher (10.72 percent), 113 in Public Housing (18 percent)).

4. How do we know this program works?

The FSS program is a particularly cost effective program in that it does not directly fund the 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 capitalized on its fiscal year 2015 and 2016 appropriations to further 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 expansion continues to allow PBRA owners to voluntarily make the FSS program available to their residents, and use residual receipts to support the program to assist families.

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 controlled study of the FSS program and has entered into collaborations with the foundation community to more robustly test various FSS models within the study. The request reflects the Department’s intent to support the FSS program through the period of the study with the commitment of modifying the program to support further evidence-based outcomes as they are identified.

Preliminary findings in a randomized control trial of the FSS program as well as two alternative strategies conducted by MDRC in New York City seem to warrant further study. Early reports show that the FSS program combined with more immediate cash incentives conditioned upon full-time work has produced a significant effect on the sub-group of participants who were not initially working. In addition, the FSS program alone and the more immediate cash assistance alone have both been shown to produce an earnings gain.
Family Self-Sufficiency Program

for participants who are receiving Supplemental Nutrition Assistance Program (SNAP) benefits – formerly known as Food Stamps.¹ The continued statistical significance of the impact and the generalizability from the New York economy to the rest of the country have yet to be established. HUD recently awarded a Research Partnerships to Abt, supported by national philanthropy to evaluate the partnership model in place between Compass Working Capital and several PHAs in Massachusetts. These evaluations, along with the longitudinal study, will give practitioners valuable information on the successful and challenging components of the program and will allow the Department to make evidence-based improvements to the FSS program.

In addition to current evaluation efforts, 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 $33,390.² The first national evaluation of FSS conducted by HUD which covered the period from 1996-2000 revealed that the median income for FSS families increased 72 percent during participation in the FSS program, while a similar group of non-FSS participants’ median incomes increased by only 36 percent during the same period.³⁴ While this study indicated that the program has positive impacts, this study did not control for self-selection and is the main reason that HUD is completing a more rigorous evaluation, as described above.

5. Proposals in the Budget

Not applicable.


## SUMMARY OF RESOURCES BY PROGRAM

### PUBLIC AND INDIAN HOUSING
#### FAMILY SELF-SUFFICIENCY PROGRAM

**Summary of Resources by Program**

**(Dollars in Thousands)**

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</table>
Family Self-Sufficiency Program

PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
Appropriations Language

The fiscal year 2017 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) and 9 of such Act with public and private resources, and enable eligible families to achieve economic independence and self-sufficiency, $75,000,000, to remain available until September 30, [2017] 2018: 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 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 with a section 8 contract may 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. (Department of Housing and Urban Development Appropriations Act, 2016.)
PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND

2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>HOUSING CERTIFICATE FUND</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
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a/ Resources include carryover of $156.9 million, and recaptures of $54.5 million realized in FY 2015.
b/ Resources include $211 million in carryover, $30 million in anticipated recoveries, and $13.4 million from source year 1974 or prior that will be cancelled.
c/ Includes $30 million in carryover, $33 million in anticipated recoveries, and an estimated $3 million from source year 1974 or prior that will 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 $33 million for fiscal year 2017, of which $3 million will be canceled; the remaining $30 million in anticipated recaptures will be used to supplement funding for Performance Based Contract Administration (PBCA) contracts in the PBRA 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.
Housing Certificate Fund

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.

5. **Proposals in the Budget**

   Not Applicable.
Housing Certificate Fund

PUBLIC AND INDIAN HOUSING

HOUSING CERTIFICATE FUND
Summary of Resources by Program
(Dollars in Thousands)

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NOTES:

1. Resources include “2014 Carryover Into 2015” of $211.6 million, 30 million in recaptures, net of balances cancelled ($13.4 million) from source year 1974.
2. Resources include “2015 Carryover Into 2016” of $30 million, $33 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2016, of which $3 million is anticipated to be from source year 1974 and cancelled.
The fiscal year 2017 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 [2016] 2017 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, 2016.)
PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>PUBLIC HOUSING OPERATING FUND</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Rescission</th>
<th>Total Resources</th>
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</table>

a/ Figure is net of the $39.9 million transferred from the Public Housing Operating Fund for subsidy payments for units converting under the Rental Assistance Demonstration (RAD).

b/ Figure is net of an estimated $61 million that will be transferred for implementation of RAD.

c/ Includes an estimated $23 million in Budget Authority to be transferred to the Research and Technology (R&T) account, and an estimated $212 million that will be transferred for implementation of RAD.

1. What is this request?

The Department requests $4.569 billion for the Public Housing Operating Fund for fiscal year 2017, which is an increase of $69 million from the fiscal year 2016 enacted level. This request, which represents an estimated 87 percent proration against formula eligibility, will allow the Department to continue to serve approximately 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.

In addition to supporting operational needs, this request supports PHA administrative expenses, particularly those associated with implementing new Affirmatively Furthering Fair Housing regulations. Using tools provided by HUD, PHAs will provide an Assessment of Fair Housing (AFH). Through these assessments, PHAs will submit data and establish local goals and priorities based on racially or ethnically concentrated areas of poverty, disparities in access to opportunity, and disproportionate housing needs.

Key program outcomes include, but are not limited to:

- Increasing occupancy in public housing;

---

1 Net of the estimated $212 million HUD will transfer to the Tenant-Based or Project-Based Rental Assistance accounts in support of public housing Rental Assistance Demonstration (RAD) conversions.
Public Housing Operating Fund

- Decreasing energy costs through regular maintenance and Energy Performance Contracting; and
- Leveraging federal resources.

The program supports the Department’s strategic goals by:

- Addressing the need for quality affordable rental homes by maintaining or improving upon the 96 percent occupancy rate of habitable units;
- Promoting housing as a platform to improve quality of life through supportive services, crime prevention efforts and resident engagement activities; and
- Helping to build inclusive communities free from discrimination, especially by facilitating implementation of Affirmatively Furthering Fair Housing measures.

Proposals in the Budget

- Provide Additional Operating/Capital Fund Flexibility
- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at $23 million)
- 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 provides subsidies necessary for PHAs to operate and maintain nearly 1.1 million deeply affordable public housing units that constitute a critical piece of the housing market, providing homes for some of the nation’s most vulnerable renters as well as local investment in economies. Local administration of federal funds allows communities freedom to tailor public housing to suit local needs – for example, by establishing preferences for the elderly, disabled, homeless veterans, homeless persons generally, as well as the working poor. At the national level, these units serve 2.6 million low- and extremely low-income residents with a median income of $14,312 – compared to the national median of $63,900. Extremely low-income families (families earning less than 30 percent of an area’s median income) make up approximately two thirds of public housing households. About 40 percent of all households served include children. Further, fixed-income seniors or people with disabilities head well over half of all households.

The Public Housing Operating Fund covers day-to-day operational expenses associated with public housing as well as the administrative and program implementation expenses that PHAs are required to undertake under the 1937 Housing Act and program regulations. Funds are applied in a number of ways:

2 http://www.huduser.org/portal/datasets/il/il14/Medians2014_v2.pdf
Public Housing Operating Fund

Public Housing Operation

- Management and operations, including staff
- Routine and preventative maintenance
- Anti-crime, anti-drug and security activities
- Operating costs for privately owned public housing units within mixed-finance projects
- Energy costs
- Resident supportive services, support coordinators, and participation activities
- Insurance
- Debt service incurred to finance unit rehabilitation and development

Administration and Program Implementation

- 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

Demands placed on PHAs go well beyond the activities that other real estate owners and operators, including those in other HUD supported multifamily programs, perform. To that end, 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.

Beyond operating and administrative expenses, the Operating Fund supports PHA involvement 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 Tenant-Based Rental Assistance, 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:
Public Housing Operating Fund

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, interpret data, and develop guidebooks and notices.

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.

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 Department will implement an MTW expansion of
Public Housing Operating Fund

100 public housing agencies over a 7-year period. In doing so, the Secretary will establish a research advisory committee, which will advise the Secretary with respect to specific policy proposals and methods of research and evaluation for the demonstration.

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, as amended) to transfer amounts from the fiscal year 2017 Public Housing Operating Fund and Capital Fund appropriations to the Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing units converting under RAD in calendar year 2016. For additional information, refer to the Rental Assistance Demonstration justification.

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

HUD’s Worst Case Housing Needs: 2015 Report to Congress 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 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.

Given the magnitude of unmet need, supporting existing affordable housing is crucial. The requested $4.569 billion level would support the operating formula and represents an estimated proration of 87 percent of formula eligibility.

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. the allowable Project Expense Levels (PEL), which were baselined against comparable FHA properties;
2. the reimbursement cost of utilities, or the Utilities Expense Level (UEL);
3. tenant incomes and their corresponding rent contributions; and, finally
4. the number of months a unit is eligible for funding, or the Eligible Unit Months (EUMs).
Public Housing Operating Fund

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

- 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 has 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**

**Overview**

Public Housing serves 2.6 million Americans in 1.1 million households.

More than 85 percent of these households make less than half the local Area Median Income.

Average monthly tenant rent contribution: $339

Average household income: $14,312.

**Age Distribution, All Tenants**

- 82+: 2%
- 62 to 81: 14%
- 50 to 61: 11%
- 18 to 50: 35%
- 6 to 17: 24%
- 0 to 5: 13%

**Race/Ethnicity, Head of Household**

- Black: 25%
- White: 45%
- Hispanic: 25%
- Asian: 3%
- Other: 2%

**Household Income Compared to Area Median Income (AMI)**

- Extremely Low (<30%): 9%
- Very Low [30 to 50%]: 3%
- Low [50 to 80%]: 20%
- Over 80%: 66%
- Income Unavailable: 0%

**Household Size**

- 1: 47%
- 2: 21%
- 3: 15%
- 4: 10%
- 5+: 7%

**Percentage of Population by Income**

- $0: 5%
- $1 to $5K: 12%
- $5 to $10K: 29%
- $10 to $15K: 21%
- $15 to $20K: 12%
- $20 to $25K: 7%
- $25K & Up: 13%

- Public Housing: 5%
- US General Pop: 1%

9-7
Public Housing Operating Fund

4. How do we know this program works?

Recently, 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 not only serve more families, but 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 – an undertaking that helps PHAs reduce utility costs, prepare for natural disasters, protect public health and preserve affordable housing. 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 PHAs. In addition to maintaining the approximately 20,000 annual property inspections undertaken to ensure that public housing is safe, sanitary and in good repair, 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 to further reduce income-reporting errors.

HUD Oversight, Monitoring, and Risk Assessment of PHAs

HUD’s Office of Public and Indian Housing (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). Collectively, PIH believes these efforts will improve its ability to oversee and monitor the more than 4,000 PHAs that administer these programs.

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.
Public Housing Operating Fund

The mitigation strategy has been 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 towards 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

- Provide Additional Operating/Capital Fund Flexibility to all Public Housing Authorities: The 2017 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.

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 HUD funds. 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.
Public Housing Operating Fund

This proposal would not increase HUD or PHA expenditures, but shift funding. Based on the fiscal year 2015 allocation of funds, this would impact 798 PHAs. Using the fiscal year 2017 request for funding, approximately $154 million could be transferred from the Capital Funds of these PHAs to their Operating Funds and Operating Fund reserves. (Sec. 224)

- 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 2017. 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 2014-2016 budget requests, and is repeated for 2017. (Sec. 229)

- Utilities Conservation Pilot. This provision was adopted by the fiscal year 2016 Senate Bill and is again being proposed. 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:
  
  o Extend energy incentives to a broader range of PHAs,
  o Reduce the amount of financing that would be required to implement repairs, and
  o 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, and 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 base would be reduced by one 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 five 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
Public Housing Operating Fund

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. Eleven 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. 240)
Public Housing Operating Fund

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
<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
<th>Actual FY 2015</th>
<th>Estimate FY 2016</th>
<th>Estimate FY 2017</th>
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<td>1</td>
<td>Non-Utility Expense Level (PEL)</td>
<td>$5,343,115,403</td>
<td>$5,500,929,749</td>
<td>$5,586,332,742</td>
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<td>2</td>
<td>Utilities</td>
<td>1,757,024,673</td>
<td>1,715,352,735</td>
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<td>3</td>
<td>Less: Tenant Income</td>
<td>-2,998,096,638</td>
<td>-3,084,623,412</td>
<td>-3,139,084,484</td>
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<td>4</td>
<td>Public Housing Operating Fund Base (line 1-3)</td>
<td>4,102,043,438</td>
<td>4,131,659,072</td>
<td>4,184,209,184</td>
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<tr>
<td>5</td>
<td>MTW Alternative Formula Grant, PHAs not in Base</td>
<td>554,335,189</td>
<td>565,817,689</td>
<td>577,538,038</td>
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<tr>
<td>6</td>
<td>Public Housing Add-ons</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>Elderly/Disabled Coordinators</td>
<td>16,206,242</td>
<td>16,718,359</td>
<td>17,246,659</td>
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<td>8</td>
<td>Resident Participation</td>
<td>25,317,975</td>
<td>25,266,459</td>
<td>25,215,048</td>
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<td>9</td>
<td>Energy-Add On for Loan Amortization</td>
<td>42,999,370</td>
<td>44,358,150</td>
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<td>Payments in Lieu of Taxes</td>
<td>140,403,389</td>
<td>144,840,136</td>
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<td>Cost of Independent Audit</td>
<td>25,167,906</td>
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<td>Asset Management Fee</td>
<td>38,226,576</td>
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<td>Information Technology Fee</td>
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<td>25,501,166</td>
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<td>Asset Repositioning Fee</td>
<td>35,323,174</td>
<td>36,439,386</td>
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<tr>
<td>15</td>
<td>Mutual Help and Turnkey Units</td>
<td>174,411</td>
<td>179,922</td>
<td>185,608</td>
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<tr>
<td>16</td>
<td>Estimated Appeals</td>
<td></td>
<td>10,000,000</td>
<td>10,000,000</td>
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<td>17</td>
<td>Stop Loss</td>
<td>141,930,786</td>
<td>141,641,991</td>
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<td>18</td>
<td>Subtotal Operating Fund Base (line 4-19)</td>
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<td>5,206,586,331</td>
<td>5,278,872,129</td>
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## Summary of Resources by Program

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<td>Operating Subsidy</td>
<td>$4,440,000</td>
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<td>$4,440,000</td>
<td>$4,398,203</td>
<td>$4,500,000</td>
<td>...</td>
<td>$4,500,000</td>
<td>$4,357,000</td>
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<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
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<tr>
<td>Rental Assistance</td>
<td>...</td>
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<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
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<td>Demonstration</td>
<td>...</td>
<td>-39,932</td>
<td>-39,932</td>
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<td>...</td>
<td>-58,000</td>
<td>-58,000</td>
<td>212,000</td>
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<td>Research and Technology (transfer)</td>
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<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Total</td>
<td>4,440,000</td>
<td>-39,932</td>
<td>4,400,068</td>
<td>4,398,203</td>
<td>4,500,000</td>
<td>-58,000</td>
<td>4,442,000</td>
<td>4,569,000</td>
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</tbody>
</table>
The fiscal year 2017 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 [2016] **2017** 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)), [[$4,500,000,000] **$4,569,000,000**, to remain available until September 30, [2017] **2018**. (Department of Housing and Urban Development Appropriations Act, 2016.)
1. What is this request?

The Department requests $1.865 billion for the Public Housing Capital Fund, which is a decrease of $35 million from the fiscal year 2016 enacted.

This request would provide:

- $1.794 billion in formula-based Capital Modernization grants to 3,100 independent public housing authorities (PHAs) nationwide – enough to subsidize about 53 percent of needs estimated to accrue during the fiscal year;
- Up to $20 million for the Emergency and Disaster Reserve;
- $35 million for the Jobs-Plus Initiative;
- $5 million for the ConnectHome initiative;
- Up to $1 million for Administrative and Judicial Receiverships; and
- Up to $10 million to support Financial and Physical Assessments at the PHA and project level.

Short-term improvement in severe rental problems as depicted in HUD’s *Worst Case Housing Needs: 2015 Report to Congress* belies long-term trends in worst-case housing needs, which have grown by nearly 50 percent since 2003. Meanwhile, a growing capital
Public Housing Capital Fund

needs backlog – estimated at $26 billion as of 2010 and increasing by an average of $3.4 billion each year – continues to imperil the future of public housing. Given the persistent gulf separating annual capital needs from appropriations received and the fact that the Department bases request in part on past funding, the Public Housing Capital Fund request for fiscal year 2017 should not be interpreted as a statement of reduced need. Rather, it is an estimate of minimum funding required to avoid cutting the number of residents served while limiting acceleration in the ongoing deterioration of America’s public housing stock.

2. What is this program?

The Public Housing Capital Fund is the principal source of federal funds to preserve public housing and promote opportunity for the nearly 2.6 million residents for whom it provides a safe, decent, affordable place to call home. Of the 1.1 million households who depend on federal public housing to pick up where the private housing market has failed, more than half have fixed-income seniors or people with disabilities as heads of household.

The Capital Fund awards formula-driven grants to more than 3,100 public housing authorities (PHAs). These independent agencies, which administer the actual housing developments, use these funds to protect long-term viability of public housing by financing investments and expenditures that fall outside the scope of routine operation, management and maintenance. The following set-asides, listed alongside examples of eligible expenses, comprise the Capital Fund:

- Capital Fund Modernization grants, which fund rehabilitation and development efforts for public housing and constitute the vast majority of Capital Fund;
- Emergency Disaster Reserve, which resolves capital needs arising from unforeseen emergency situations or non-Presidentially declared natural disasters;
- Jobs-Plus Initiative, which uses evidence-based strategies to promote resident self-sufficiency and employment and increase resident earnings;
- ConnectHome Initiative, which supports narrowing the digital divide for students and families by providing competitive grants to increase broadband access and adoption;
- Administrative and Judicial Receiverships, which allow the Department to aid recovery efforts among troubled PHAs; and
- Financial and Physical Needs Assessments, which facilitate financial and physical evaluations of rental housing assistance programs.
3. Why is this program necessary and what will we get for the funds?

HUD’s *Worst Case Housing Needs: 2015 Report to Congress* reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case 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 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.

The gap in supply of affordable rental units relative to need has been growing for decades; worst case needs are common in every region and metropolitan category across the United States. Nationwide 41.7 percent of very low-income renters had worst case housing needs in 2013. Only 65 affordable units are available per 100 very 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 4.8 percent in 2013 (*Worst Case Housing Needs: 2015 Report to Congress*). 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. Between the long-term crises in affordable housing and the massive capital needs backlog already outlined above, the Department’s request for full funding is essential for:

- **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 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 139,000 public housing units since fiscal year 2000, representing an average loss of approximately 8,700 units annually. This request empowers PHAs to meet as many of their capital needs as possible in fiscal year 2017, 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, or increase this percentage. 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 fiscal year 2015, 1,430 additional public housing units were developed, in part through funds provided under the Capital Fund program. The fiscal year 2017 request is expected to
Public Housing Capital Fund

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 efficient and healthy retrofits of 79,490 HUD-supported affordable homes in fiscal year 2016 and 80,500 in fiscal year 2017, for a combined 2-year target of 160,000 retrofits. In fiscal year 2015, the Capital Fund contributed to achieving this goal by enabling PHAs to make more than 8,671 units and unit equivalents more energy efficient, and build an additional 146 energy efficient 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 Capital Fund Financing Program (CFFP). HUD has approved approximately 192 transactions involving 247 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.

In addition to funding for the formula-based grants, the fiscal year 2017 request includes up to $71 million to fund the Emergency and Natural Disaster Reserve, Jobs-Plus Initiative, ConnectHome Initiative, Financial and Physical Assessment Support, and Administrative and Judicial Receiverships.

- **Emergency and Natural Disaster Reserve.** The Department requests up to $20 million be set aside in a reserve for grants to PHAs for capital needs arising from emergency situations or non-Presidentially declared natural disasters. PHAs that suffer damage because of Presidentially declared natural disasters are eligible to receive funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act. Examples of capital needs funded from this set-aside include plumbing replacement, sewer line replacement, foundation stabilization, HVAC replacement, fire alarm replacement, flood abatement and mold removal and repairs, boiler pipe replacement, and emergency window replacement. Additionally, this set-aside supports PHAs in addressing safety and security threats that pose a risk to the health and safety of residents.

- **Jobs-Plus Initiative.** The Department requests $35 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 innovative aspect of the approach is the addition of financial rent incentives and community support for work in comparison to traditional employment-related services. An MDRC evaluation revealed that in the three demonstration developments able to adopt the full program, residents did better—earning an average of $1,141 more per year than residents in the comparison developments (a difference of 14 percent during the program period). Residents in developments that received the full treatment kept earning more even after the program ended (an average of $1,517 a year more, or 19 percent), suggesting that Jobs-Plus can help set housing developments on a different long-term financial trajectory (the combined difference over the two periods was 16 percent). “Among programs that target all work-eligible public housing residents, Jobs-Plus is the only one with rigorous evidence showing sustained positive results.”

At current grant size (4-year grants at a maximum of $3 million each), $35 million would allow for 11-12 additional grants to PHAs, serving about 8,750 individuals.

HUD renews its fiscal year 2016 proposal to allow tribes and tribally designated housing entities (TDHEs) to administer a Jobs-Plus pilot program funded from the Jobs-Plus appropriation. Details of this proposal are discussed under Section 5, “Proposals in the Budget.”

- **ConnectHome.** The Department requests $5 million to support its goal of narrowing the digital divide for students and their families living in HUD-assisted housing. While ConnectHome is a Departmental priority, there is currently no funding for this program. The requested funding will be used to award competitive grants that increase broadband access and adoption, such as grants to hire and train program coordinators and to expand the program to a limited number of additional sites. The coordinators could serve as the primary link between the PHA/TDHE, Internet Service Provider (ISP), and federal, state, and local partners. Without funding, sites will not have a dedicated staff person and will likely have to rely on staff that already have multiple other responsibilities that do not allow them to adequately facilitate the success of ConnectHome.

- **Administrative and Judicial Receiverships.** The Department requests $1 million to support the costs of administrative and judicial receiverships. Balances are low, and there was no request for funding in 2016. The remaining carryover balance may not be sufficient to support the costs of future administrative and judicial receiverships in fiscal year 2017. These funds will allow the Department to provide technical assistance that will assist recovering PHAs. The Department’s efforts in this area are discussed in further detail in the next section.

- **Financial and Physical Assessment Support.** The Department requests $10 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. These support efforts and funds are also discussed in further detail in the next section.

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 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 192 transactions. Additionally, Capital Funds have also been used to leverage other sources of funds to create public housing units. In fiscal years 2008 through 2015, $2.06 billion in Capital Funds were invested in mixed-finance transactions to leverage $7.3 billion in private and other public funding sources. A total of 151 PHAs closed 425 mixed-finance transactions during this 8-year period.

- **The Capital Fund Develops and Builds Energy Efficient, 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 sustainable communities. Implementation of the green Physical Needs Assessment (PNA) in public housing is identified in HUD’s Strategic Plan and is underway with voluntary submissions.
Local PHA Snapshot: The Capital Fund at Work

Allen Wilson Terrace was a 200-unit public housing development originally built and occupied in 1941 on 7.68 acres in downtown Decatur, Georgia. Due to the serious deficiencies in the original 1941 design, obsolescence of the utility systems and other factors, the Housing Authority of the City of Decatur, Georgia (DHA) determined that something needed to be done. Despite its worsening physical condition, Allen Wilson Terrace enjoyed an exceptional location near downtown Decatur, with immediate access to public transportation and proximity to shopping, restaurants and churches, as well as parks, recreation and cultural facilities. The site was within two (2) blocks of Decatur’s thriving downtown government, business, and retail district, which includes the Decatur MARTA Rail Station. Extensive employment opportunities exist within a two-mile radius of the site.

After extensive public consultation with the residents of Allen Wilson and the community, DHA undertook a revitalization effort leveraging, in part, Capital Funds. The master plan called for the demolition of all existing structures and the construction of 191 mixed-finance rental units, of which 100 percent would be Low Income Housing Tax Credit/Public Housing, on 4.837 acres of the existing site in a three-phase affordable housing revitalization effort. A fourth phase would be developed on the remaining 2.88 acres along West Trinity Place to include market rate ownership or rental units with a smaller affordable component. DHA successfully completed the $28.3 million revitalization effort that met these goals: 1) Retain 191 affordable housing units, 2) Make the redevelopment seamless and reduce the disruption to the residents, 3) Provide housing for DHA’s growing senior population, and 4) Develop the community with energy efficiency, including EarthCraft Multifamily and EarthCraft Communities designations.
Public Housing Tenant Characteristics: A Picture of Who the Capital Fund Ultimately Serves

Overview

Public Housing serves 2.6 million Americans in 1.1 million households.

More than 85 percent of these households make less than half the local Area Median Income.

Average monthly tenant rent contribution: $339

Average household income: $14,312.

Age Distribution, All Tenants

- 82+: 2%
- 62 to 81: 14%
- 50 to 61: 11%
- 18 to 50: 35%
- 6 to 17: 24%
- 0 to 5: 13%

Race/Ethnicity, Head of Household

- Black: 45%
- White: 25%
- Hispanic: 25%
- Asian: 3%
- Other: 3%

Household Income Compared to Area Median Income (AMI)

- Extremely Low [<30%]: 9%
- Very Low [30 to 50%]: 3%
- Low [50 to 80%]: 20%
- Over 80%: 60%
- Income Unavailable: 2%

Household Size

- 1: 47%
- 2: 21%
- 3: 15%
- 4: 10%
- 5+: 7%

Family Type (Elderly, Disability and Child Status)

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<thead>
<tr>
<th>Family Type</th>
<th>With Children</th>
<th>Without Children</th>
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<tbody>
<tr>
<td>Elderly w/o Disability</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Elderly w/Disability</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Non-elderly w/o Disability</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Non-elderly w/Disability</td>
<td>1%</td>
<td>1%</td>
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</table>

Percentage of Population by Income

- Public Housing: 9% (0), 14% ($1 to $5K), 29% ($5K to $10K), 21% ($10K to $15K), 12% ($15K to $20K), 7% ($20K to $25K), 1.3% ($25K & Up)
- US General Population: 3% (0), 4% ($1 to $5K), 10% ($5K to $10K), 12% ($10K to $15K), 14% ($15K to $20K), 6% ($20K to $25K), 8% ($25K & Up)
Financial and Physical Assessments

The Department requests $10 million to support financial and physical assessments for rental housing assistance programs. Assessments are critical to ensuring and evaluating the Capital Fund’s effectiveness. These 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 reports of HUD’s assisted real estate portfolio using physical and financial assessments. The table below, which includes the fiscal year 2017 request, represents the Department’s active plan for Financial and Physical Assessment Support for Rental Housing Assistance programs.

<table>
<thead>
<tr>
<th>REAC Financial and Physical Assessment Obligations and Activities by Fiscal Year</th>
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<th>FY 2017 (estimated)</th>
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<tr>
<td>Projected BA carryover into FY</td>
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</tr>
<tr>
<td>Projected new BA in FY</td>
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<td>$10,000,000</td>
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<tr>
<td>Total funds available for FY (Carryover + new BA)</td>
<td>$11,721,962</td>
<td>$10,000,000</td>
</tr>
</tbody>
</table>

- **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.

Out of the 5,768 Low Rent submissions approved in fiscal year 2015, 5,765 submissions had no discrepancies or anomalies, as shown below:

1 There are 3,100 PHAs that manage approximately 8,200 projects. Of the projects that were scored, three scoring anomalies were detected during the routine quality assurance process. The three scoring anomalies were related to projects that did not have any balance sheet activity such as no assets, liabilities or equity.
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 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 created more inspection uniformity, reduced costs, and limited duplicative physical inspections performed by different government entities. The Physical Inspection Alignment Initiative has grown significantly since its inception in 2011 with 6 state Housing Finance Agency (HFA) partners. In 2015, the Alignment Initiative had 31 state HFA partners and is projected to grow to 32 partners in 2016. These HFA partners work in conjunction with the Real Estate Assessment Center to develop a list of properties with multiple funding streams. From there each duplicative inspection eliminated through the Alignment Initiative saves up to $2,000 per inspection including administrative costs, reducing administrative and financial burdens, but also preventing residents from having multiple inspections of their home in a single year. 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.
The following table offers a breakdown of REAC physical inspections for fiscal year 2015:

<table>
<thead>
<tr>
<th>Inspection Type</th>
<th>Q1 Planned</th>
<th>Q1 Actual</th>
<th>Q2 Planned</th>
<th>Q2 Actual</th>
<th>Q3 Planned</th>
<th>Q3 Actual</th>
<th>Q4 Planned</th>
<th>Q4 Actual</th>
<th>FY’15 TOTAL Planned</th>
<th>FY’15 TOTAL Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>PH</td>
<td>521</td>
<td>954</td>
<td>1005</td>
<td>1603</td>
<td>863</td>
<td>1349</td>
<td>996</td>
<td>740</td>
<td>3405</td>
<td>4646</td>
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<tr>
<td>MFH SM</td>
<td>1364</td>
<td>1264</td>
<td>783</td>
<td>602</td>
<td>852</td>
<td>1387</td>
<td>718</td>
<td>1209</td>
<td>3717</td>
<td>4462</td>
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<tr>
<td>MFH</td>
<td>3176</td>
<td>2933</td>
<td>1217</td>
<td>624</td>
<td>2175</td>
<td>1113</td>
<td>2037</td>
<td>2993</td>
<td>8605</td>
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<tr>
<td>Total</td>
<td>5061</td>
<td>5151</td>
<td>3005</td>
<td>2829</td>
<td>3910</td>
<td>3849</td>
<td>3751</td>
<td>4942</td>
<td>15727</td>
<td>16771</td>
</tr>
</tbody>
</table>

The target number of inspections was exceeded by 1044

- **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 Interventions and Receiverships**

The Department enters into an administrative receivership when a PHA has systemic, long-standing, and severe issues that require extraordinary levels of expertise and resources to recover performance and improve the quality of life for PHA residents. There are also receivership cases where the PHA is in substantial default of the statute or the Annual Contributions Contract and HUD must take over. Where local governance and accountability fails, and PIH identifies issues that have or will affect PHA performance based on PIH’s risk assessments, some PHAs warrant receivership.

PIH continues to refine its 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.
Public Housing Capital Fund

In fiscal year 2015, HUD transitioned one PHA out of administrative receivership and back to local governance: the Detroit Housing Commission (DHC). This transition followed capacity building and technical assistance with an emphasis on governance, financial management, and asset redevelopment. The judicial receivership of the Chester Housing Authority also ended in fiscal year 2015. The Lafayette Housing Authority, East St. Louis Housing Authority, and Wellston Housing Authority are all expected to transition to local control by the end of calendar year 2016, and the Gary Housing Authority is expected to follow suit by the end of calendar year 2017.

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. The Department is proposing the same for fiscal year 2017.

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.

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 HUD funds. With a $26 billion backlog in capital needs, PHAs need greater flexibility to address as much need as possible with the limited resources available.

This proposal would not increase HUD or PHA expenditures, but shift funding. Based on the fiscal year 2015 allocation of funds, this would impact 798 PHAs. Using the fiscal year 2017 request for funding, approximately $154 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 and managed in LOCCS.
Public Housing Capital Fund

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, which supports 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. (Sec. 224)

- **Initiate Jobs-Plus Pilot for Indian Country.** HUD re-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 receive up to $5 million of the overall Jobs-Plus appropriation, would be informed by the MDRC Jobs-Plus demonstration, and would incorporate lessons learned from the Jobs-Plus program grants. 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)
<table>
<thead>
<tr>
<th></th>
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<td>Rental Assistance</td>
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<td>Total</td>
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<td>92,056</td>
<td>1,967,056</td>
<td>1,870,212</td>
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<td>75,639</td>
<td>1,975,639</td>
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</table>
Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Appropriations Language

The fiscal year 2017 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") \([\$1,900,000,000]\) \(\$1,865,000,000\), to remain available until September 30, [2019] 2020: Provided, That notwithstanding any other provision of law or regulation, during fiscal year [2016] 2017, 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 \([\$3,000,000]\) \(\$10,000,000\) shall be to support ongoing Public Housing Financial and Physical Assessment activities: Provided further, That up to $1,000,000 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 \([\$21,500,000]\) \(\$20,000,000\) 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 [2016: Provided further, That of the amount made available under the previous proviso, not less than $5,000,000 shall be for safety and security measures: Provided further, That of the total amount provided under this heading $35,000,000 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.)] 2017: Provided further, That of the total amount made available under this heading, \([\$15,000,000]\) \(\$35,000,000\) shall be for a Jobs-Plus 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 allow public housing agencies 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
Public Housing Capital Fund

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 necessary for the effective implementation of the Jobs-Plus 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 the Secretary shall notify public housing agencies requesting waivers under the previous proviso if the request is approved or denied within 14 days of submitting the request:] Provided further, That of the amount provided for the Jobs-Plus initiative, the Secretary may set aside up to $5,000,000 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 alternate 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 of the total amount made available under this heading, $5,000,000 shall be for the ConnectHome broadband initiative: Provided further, That the funding provided under the previous proviso shall be for competitive grants that increase broadband access and adoption, such as grants to public housing agencies to hire coordinators to link residents with broadband and training services: Provided further, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year [2016] 2017 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, 2016.)
The Department requests $700 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 (IHBG), (also known as the Native American Housing Block Grant (NAHBG) program), and the Federal Guarantees for Financing Tribal Housing Activities program (also known as the Title VI Loan Guarantee program). The fiscal year 2017 funding request of $700 million is $50 million more than the fiscal year 2016 enacted level. The Department requests an increase due to the overwhelming need for adequate, decent housing in Indian Country, and to support the President’s Native Youth priorities. IHBG housing assistance mitigates the effects of overcrowding, homelessness, and unhealthy, unsafe homes, thereby improving the lives of Native youth.

Key outcomes of the IHBG program are:

- an increase in quantity, quality, and energy efficiency of affordable homes in Indian Country;
- a decrease in the severely overcrowded and substandard living conditions experienced by many Native American communities;
- a greater private-market investment in Indian Country through the Title VI program;

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PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>NATIVE AMERICAN HOUSING BLOCK GRANTS</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Appropriation ..................</td>
<td>$650,000</td>
<td>$42,096</td>
<td>...</td>
<td>$692,096&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$652,676</td>
<td>$729,305</td>
</tr>
<tr>
<td>2016 Appropriation ..................</td>
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<td>728,132&lt;sup&gt;c&lt;/sup&gt;</td>
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<td>Program Improvements/Offsets ......</td>
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</table>

<sup>a</sup> Includes $13.2 million in recaptures realized in fiscal year 2015.
<sup>b</sup> Total resources, obligations and outlays exclude permanent indefinite authority of $4 million for guaranteed loan upward re-estimates, and a rescission of Title VI funds in accordance with P.L. 114-113.
<sup>c</sup> Includes an Research and Technology (R&T) transfer of $3.5 million.

1. **What is this request?**

The Department requests $700 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 (IHBG), (also known as the Native American Housing Block Grant (NAHBG) program), and the Federal Guarantees for Financing Tribal Housing Activities program (also known as the Title VI Loan Guarantee program). The fiscal year 2017 funding request of $700 million is $50 million more than the fiscal year 2016 enacted level. The Department requests an increase due to the overwhelming need for adequate, decent housing in Indian Country, and to support the President’s Native Youth priorities. IHBG housing assistance mitigates the effects of overcrowding, homelessness, and unhealthy, unsafe homes, thereby improving the lives of Native youth.

Key outcomes of the IHBG program are:

- an increase in quantity, quality, and energy efficiency of affordable homes in Indian Country;
- a decrease in the severely overcrowded and substandard living conditions experienced by many Native American communities;
- a greater private-market investment in Indian Country through the Title VI program;
Native American Housing Block Grants

- an improved quality of life and greater self-sufficiency for Native American families; and
- a positive impact on the social and emotional well-being, an increase in opportunity, and a decrease in social trauma for Native American youth.

Legislative Proposals (Please see Section 5 for more details):

- Clarification of Authority Regarding Unexpended Indian Housing Block Grant Funds
- Safeguarding of IHBG Funds
- Clarification of Authority regarding Misallocated Indian Housing Block Grant Funds
- Technical Edit to NAHASDA

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 NAHASDA, which was reauthorized in 2008 through fiscal year 2013 (P.L. 110-411). Regulations are at 24 CFR Part 1000. The IHBG 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. IHBGs are the main source of funding for housing assistance in Indian Country. IHBG is an annual formula grant program 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 grant recipients are eligible tribal governmental entities or their designated housing entities, which deliver housing assistance to families in need.

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) that are in need of additional funds to engage in eligible affordable housing activities. Recipients can use the program to leverage their federal grant funds, by pledging future IHBGs to HUD for a guarantee on notes and other obligations. Title VI projects frequently include some infrastructure development and take several years to complete.

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 traditionally difficult to obtain.

The IHBG formula shows, in the last 12 years (2003-2015):
Native American Housing Block Grants

- the number of low-income families in the IHBG formula areas grew by 41 percent, from 224,461 families, to 317,042 families;
- the number of overcrowded households, or households without adequate kitchens or plumbing, grew by 21 percent, from 91,032 households to 109,811 households; and
- the number of families with severe housing costs grew by 55 percent, from 42,401 families, to 65,667 families.

American Indian and Alaska Native people living in tribal areas in 2006-2010 had a poverty rate and an unemployment rate that were at least twice as high as non-Indians nationally. Compared with the national average, 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. In selected American Indian counties in
Native American Housing Block Grants

Arizona-New Mexico, there was a 16 percent overcrowding rate; in that same area, almost 10 percent of Indian households had incomplete plumbing, and about 9 percent lacked complete kitchen facilities. In selected Alaska Native counties, there was a 22 percent overcrowding rate; in that same area, 18 percent lacked complete plumbing, and 15 percent lacked complete kitchens (source: Continuity and Change: Demographic, Socioeconomic, and Housing Conditions of American Indians and Alaska Natives, published by PD&R (HUD), January 2014).

Overcrowding has negative effects on a family’s health, especially children’s health, and tends to exacerbate domestic violence, 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.

Over the last several years, there have been numerous studies conducted on the extent of housing needs in Indian Country, and they all concluded that Indian communities are in critical need of improved housing conditions, which IHBG and Title VI provide. Technical assistance and training are needed in most Indian communities for many reasons, including the complexity of financing when trust land is involved, and issues related to sparse, low-income populations, remote locations, and intergovernmental considerations.

With this funding, the following accomplishments are expected:

- HUD will distribute $698 million in block grant funds to approximately 369 recipients, from among 567 tribes in 34 States.
- HUD estimates that this level of funding would allow IHBG recipients to build, acquire, or substantially rehabilitate 5,065 affordable units in fiscal year 2017. Recipients will also operate and maintain approximately 40,000 older affordable units, which were funded by programs authorized under the United States Housing Act of 1937 (before NAHASDA was enacted). Some recipients will offer other types of housing assistance, such as rent subsidies. The wide range of eligible IHBG-funded activities is described in the next section of this document. Because grant recipients must spend more of their grant each year on operating and maintaining their current, aging stock of homes, new development has become less feasible, and has declined each fiscal year since 2011.
- The $2 million in requested credit subsidy for the Title VI loan guarantee program can support up to $17.9 million in loans. IHBG recipients may use this program to borrow from private lenders up to five times the amount of the “need portion” of their annual IHBG award to fund larger, longer term housing developments. (Part of the annual grant is based on need, and part is based on the amount of stock in a recipient’s inventory that was funded under the U.S. Housing Act of 1937.) About five loans each year are guaranteed, but the size of the projects, and the loans, vary widely from tribe to tribe.
Native American Housing Block Grants

**Presidential Initiatives and Interagency Partnerships:** President Obama, through the Office of Management and Budget, directed federal agencies to focus resources on programs that support American Indian and Alaska Native tribes’ efforts to help Native youth reach their potential. Agencies committed to working on issues of poverty, health, educational inequality, and student opportunities, are all participants in the Administration’s holistic approach to achieve the following discrete outcome goals: Improve Educational Outcomes and Life Outcomes for Native Youth; Increase Access to Quality Teacher Housing in Indian Areas; and Reduce Teen Suicide in Indian Communities. It is undisputed that an adequate supply of decent, safe, affordable housing is one of the foundations of stable families and communities, and there is a direct link between the immediate effects of this program, and the positive, long-term goals that the President has identified. Without additional funding for IHBG, current services will continue to erode, and recipients will find it difficult or impossible to invest in new initiatives that support youth development.

President Obama also established the interagency White House Council on Native American Affairs in 2013. The Council includes more than 30 federal departments and agencies, and coordinates the Administration’s engagement with tribal governments. Its focus is on five priorities: 1) promoting sustainable economic development; 2) supporting greater access to and control over healthcare; 3) improving the effectiveness and efficiency of tribal justice systems; 4) expanding and improving educational opportunities for Native American youth; and 5) protecting and supporting the sustainable management of Native lands, environments, and natural resources.

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, 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).

4. **How do we know this program works?**

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.

**Performance History and Projections**

The following chart illustrates the number of affordable housing units built, acquired and rehabilitated since 2007:
### Native American Housing Block Grants

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th># Units Built or Acquired</th>
<th>Units Rehabilitated</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2017</strong> (estimate)</td>
<td>865</td>
<td>4,200</td>
<td>5,065</td>
</tr>
<tr>
<td><strong>FY 2016</strong> (estimate)</td>
<td>865</td>
<td>4,200</td>
<td>5,065</td>
</tr>
<tr>
<td><strong>FY 2015</strong> (actual)</td>
<td>765</td>
<td>4,249</td>
<td>5,014</td>
</tr>
<tr>
<td><strong>FY 2014</strong></td>
<td>1,238</td>
<td>4,291</td>
<td>5,529</td>
</tr>
<tr>
<td><strong>FY 2013</strong></td>
<td>1,566</td>
<td>4,499</td>
<td>6,065</td>
</tr>
<tr>
<td><strong>FY 2012</strong></td>
<td>2,423</td>
<td>4,648</td>
<td>7,071</td>
</tr>
<tr>
<td><strong>FY 2011</strong></td>
<td>2,679</td>
<td>5,537</td>
<td>8,216</td>
</tr>
<tr>
<td><strong>FY 2010</strong></td>
<td>2,100</td>
<td>3,485</td>
<td>5,585</td>
</tr>
<tr>
<td><strong>FY 2009</strong></td>
<td>2,678</td>
<td>4,942</td>
<td>7,620</td>
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<tr>
<td><strong>FY 2008</strong></td>
<td>2,453</td>
<td>3,859</td>
<td>6,312</td>
</tr>
<tr>
<td><strong>FY 2007</strong></td>
<td>2,426</td>
<td>3,974</td>
<td>6,400</td>
</tr>
</tbody>
</table>

*Data as of November 23, 2015

HUD estimates that, over the life of the IHBG program, (funding years 1998-2015), recipients have developed more than 37,700 affordable units, and rehabilitated almost 77,000.

For the Title VI loan guarantee program, the target for fiscal years 2016 and 2017 is to guarantee five loans each year. As of September 30, 2015, 86 guarantees had been issued over the 16-year life of the program, for approximately $220 million. Almost 3,100 affordable housing units or the supporting infrastructure has been financed with this funding. In fiscal year 2015, six loans were guaranteed, for a total of $13.4 million.

**IHBG Eligible Activities:** The program allows grant recipients to develop and support affordable housing and provide housing services through the following 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.
Native American Housing Block Grants

- In fiscal years 2011 through 2015, IHBG recipients expended approximately $941 million on activities in this category, or an average of $188.1 million each year. During this 5-year period, 6,546 affordable homes were built, 2,284 were acquired, and 23,224 were substantially rehabilitated.
- This activity averaged about 29 percent of total expenditures.

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 Formula Current Assisted Stock (FCAS) HUD units.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately $1.16 billion on activities in this category, or an average of $232.9 million each year.
- About half of IHBG recipients maintain an inventory of older “HUD units” that were funded before IHBG was implemented, that is, units that were funded by the U.S. Housing Act of 1937. In fiscal year 2015, there were approximately 46,400 of these FCAS units. In accordance with the disbursement formula, tribes with FCAS receive a percentage of the annual IHBG appropriation to ensure these units are properly operated and modernized.
- This activity averaged about 36 percent of total expenditures.

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.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately $204 million on activities in this category, or an average of $40.8 million each year.
- This activity averaged about 6 percent of total expenditures.

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.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately $214.6 million on activities in this category, or an average of $42.9 million each year.
- This activity averaged about 7 percent of total expenditures.
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.

   - In fiscal years 2011 through 2015, IHBG recipients expended approximately $85.0 million on activities in this category, or an average of $17 million each year.
   - This activity averaged about 3 percent of total expenditures.

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.

   - In fiscal years 2011 through 2015, IHBG recipients expended approximately $72.6 million on activities in this category, or an average of $14.5 million each year.
   - This activity averaged about 3 percent of expenditures each year.

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.

   - In fiscal years 2011 through 2015, IHBG recipients expended approximately $518.8 million on activities in this category, or an average of $103.8 million each year.
   - This activity averaged about 16 percent of total expenditures each year.

**Training and Technical Assistance for Program Recipients:** 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 is provided to residents of low-income housing to increase their self-sufficiency and life skills. In fiscal year 2015, HUD provided training to more than 1,700 persons at 64 events, covering topics essential to program administration: Procurement, Environmental Review, NAHASDA Essentials, Contract Administration, Financial Management, Human Resources, New Trends in Construction, Sustainable Housing, Self-Monitoring, Meth Prevention and Remediation, Mixed-Income Development, Project Management, Board of Commissioners training, Indian Housing Planning, Annual Performance Reporting, and Self-Sufficiency (for residents).
5. Proposals in the Budget

- Clarification of Authority Regarding Unexpended Indian Housing Block Grant Funds. This proposal clarifies HUD’s authority to address unexpended Indian Housing Block Grant (IHBG) funds. The language makes clear that regardless of the ability of IHBG recipients to accumulate grant funds for future use, HUD can still find that a recipient has failed to carry out eligible activities and expend grant funds in a timely manner. (Sec. 253)

- Safeguarding IHBG Funds. This proposal would revise the Indian Housing Block Grant (IHBG) hearing process for suspected misappropriations of IHBG grant funds to allow HUD to commence hearing procedures in 60 days and be able to suspend funds until the hearing is completed.

In these instances, HUD is authorized to suspend access to unspent funds, however HUD is required to “complete” a hearing within 60 days on the validity of the suspension, or return access to unspent funds. It typically takes a year to complete an enforcement action for illegal spending and apply remedies. Practically, HUD cannot complete a hearing on the suspension of access within 60 days, so grantees still have access to the funds. HUD’s proposal would require that HUD has to “commence” the hearing process within 60 days. This would allow HUD to suspend access to funds until the action is resolved. (Sec. 254)

- Clarification of Authority regarding Misallocated Indian Housing Block Grant Funds. This proposal clarifies HUD’s authority to recapture misallocated HUD funds. Under the language, if funds were distributed based on incorrect information and a recipient received more Indian Housing Block Grant (IHBG) funding than it should have according to the allocation formula, this proposal makes clear that HUD has the authority to require the IHBG grantee to pay the excess funds back to agency. It would also allow HUD to recapture the funding by offsetting the debt against future grants if a grantee refuses to repay the debt. (Sec. 255)

- Technical Edit to NAHASDA. This language is a necessary technical correction to an outdated cross reference in the Native American Housing and Self-Determination Act (NAHASDA.) Section 103(c) (3) of NAHASDA contains a reference to section 102(c)(5) of NAHASDA but that citation no longer exists as section 102(c)(5) was deleted in the 2008 Reauthorization of NAHASDA. The reference should be section 102(b)(2)(D). (Sec. 256)
Native American Housing Block Grants

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

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<td>9,391</td>
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<td>-4,000</td>
<td>8,542</td>
<td>4,542</td>
<td>2,000</td>
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<td>Technical Assistance</td>
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<td>3,372</td>
<td>235</td>
<td>2,000</td>
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<td>4,142</td>
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<td>National or Regional Organization</td>
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<td>3,544</td>
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<td>3,500</td>
<td>3,544</td>
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<td>Research and Technology (transfer)</td>
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<tr>
<td>Total</td>
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<td>692,096</td>
<td>652,676</td>
<td>644,000</td>
<td>39,420</td>
<td>683,420</td>
<td>700,000</td>
</tr>
</tbody>
</table>

NOTE: Fiscal year 2016 carryover includes a rescission in the amount of $6 million in accordance with the Consolidated Appropriations Act, 2016 (P.L. 114-113).
PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANT
Appropriations Language

The fiscal year 2017 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] $700,000,000, to remain available until September 30, 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: 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 [[$17,452,007] $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: Provided further, notwithstanding section 302(d) of NAHASDA, if on January 1, 2016, a recipient's total amount of undischarged block grants in the Department's line of credit control system is greater than three times the formula allocation it would otherwise receive under this heading, the Secretary shall adjust that recipient's formula allocation down by the difference between its total amount of undischarged block grants in the Department's line of credit control system on January 1, 2016, and three times the formula allocation it would otherwise receive: Provided further, That grant amounts not allocated to a recipient pursuant to the previous proviso shall be allocated under the need component of the formula proportionately among all other Indian tribes not subject to an adjustment: Provided further, That the two previous provisos shall not apply to any Indian tribe
Native American Housing Block Grants

that would otherwise receive a formula allocation of less than $8,000,000: *Provided further,* That to take effect, the three previous provisos do not require issuance or amendment of any regulation, and shall not be construed to confer hearing rights under any section of NAHASDA or its implementing regulations [*$17,857,142.* *(Department of Housing and Urban Development Appropriations Act, 2016.)*]
### 2017 Summary Statement and Initiatives

**Dollars in Thousands**

<table>
<thead>
<tr>
<th>INDIAN HOUSING LOAN GUARANTEE FUND</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
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<tbody>
<tr>
<td>2015 Appropriation ..................</td>
<td>$7,000</td>
<td>$16,437</td>
<td>...</td>
<td>$23,437(^a)</td>
<td>$19,726</td>
<td>$18,000</td>
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<tr>
<td>2016 Appropriation ..................</td>
<td>7,500</td>
<td>3,711</td>
<td>...</td>
<td>11,211(^b)</td>
<td>9,712</td>
<td>11,000</td>
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<td>2017 Request</td>
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<td>3,000</td>
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<td>8,500</td>
<td>6,999</td>
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<td>Program Improvements/Offsets ......</td>
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<td>-711</td>
<td>...</td>
<td>-2,711</td>
<td>-2,713</td>
<td>-5,000</td>
</tr>
</tbody>
</table>

\(^a\) Total resources, obligation and outlays include permanent indefinite authority of $10.5 million for guaranteed loan upward re-estimates and approximately $48 thousand from recaptures realized in 2015.

\(^b\) Total resources, obligation and outlays exclude permanent indefinite authority of $33 million for guaranteed loan upward re-estimates, plus interest.

### 1. What is this request?

The Department requests $5.5 million for fiscal year 2017 for the Indian Housing Loan Guarantee program (also known as the Section 184 program). This request is $2 million less than the fiscal year 2016 enacted level, and will support up to $1.341 billion in loan guarantees (based on a subsidy rate of 0.41 percent).

Key outcomes of the Indian Housing Loan Guarantee Fund are:

- access to market-rate home mortgage lending for Native American families;
- investment and engagement of mortgage lenders serving Native American families and tribal borrowers; and
- increased supply of housing in Indian to relieve overcrowding.
Indian Housing Loan Guarantee Fund (Section 184)

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. This loan guarantee program maximizes a relatively minimal federal investment by insuring approximately 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 an effort to meet program demand and reduce reliance on federal appropriations, HUD started collecting a 1.5 percent up-front fee in fiscal year 2014. In fiscal year 2015, HUD added 0.15 percent annual premium payment. In fiscal year 2017, HUD anticipates an increase in the annual fee from 0.15 to 0.25 percent, while the upfront loan guarantee fee will remain at 1.50 percent. HUD will outreach to tribes before implementation of this fee increase.

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.

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

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 before a lien can be placed on the property.

HUD continues to be the largest single source of financing for housing in tribal communities. The Section 184 program is the primary vehicle to access mortgage capital in Indian communities. The program helps tribes 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 Section 184 program does not have minimum requirements for credit scores and allows for alternative forms of credit and non-traditional income to address specific issues within the Native American communities. The program gives Native Americans from across the income spectrum the choice of living in their
Indian Housing Loan Guarantee Fund (Section 184)

native community. Tribes and tribally designated housing entities (TDHE) are eligible borrowers. This benefit of the program makes it possible for tribes and TDHEs to address housing shortages by developing and financing rental housing or promote homeownership opportunities for tribal members through lease purchase programs through the Section 184 program.

- 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.
- In fiscal year 2015, 4,198 loans were guaranteed for more than $738 million. The average loan in fiscal year 2015 was $175,820.
- In fiscal year 2016, 5,400 loans are expected to be guaranteed, for approximately $950 million.
- In fiscal year 2017, 5,800 loans are expected to be guaranteed, for approximately $1.05 billion.

Additionally, this program:

- Supports much needed financial literacy programs in Indian Country;
- Helps stem the foreclosure crisis by educating and counseling consumers when buying or refinancing a home, and by servicing delinquent loans; and
- Creates financially sustainable homeownership opportunities by making private financing accessible to a historically underserved population.

4. How do we know this program works?

The primary indicator of performance is the number of loans guaranteed under this program. As of September 30, 2015, a total of 30,448 (cumulative over the 21-year life of the program) loans had been guaranteed, with loan guarantee authority of almost $5 billion.
Indian Housing Loan Guarantee Fund (Section 184)

### Indian Housing Loan Guarantee – Summary of Loan Activity

<table>
<thead>
<tr>
<th></th>
<th>Actual 2015</th>
<th>Estimate 2016</th>
<th>Estimate 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Loan Commitments</td>
<td>$4,304</td>
<td>$5,700</td>
<td>$6,600</td>
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<tr>
<td>Number of Loans Endorsed</td>
<td>4,198</td>
<td>5,400</td>
<td>5,800</td>
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<tr>
<td>Average Loan Size of Endorsed Loans</td>
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<td>$177</td>
<td>$180</td>
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<tr>
<td>Number of Loans in Delinquent Status at End of Fiscal Year</td>
<td>1,750</td>
<td>1,750</td>
<td>1,750</td>
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<tr>
<td>Number of Loans that Defaulted in Fiscal Year</td>
<td>253</td>
<td>350</td>
<td>500</td>
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<tr>
<td>Total Number of Loans in Default</td>
<td>800</td>
<td>1,150</td>
<td>1,650</td>
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<tr>
<td>Loan Guarantee Commitment Limitation</td>
<td>$772,000 a/</td>
<td>$1,190,000</td>
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<tr>
<td>Subsidy Rate</td>
<td>1.16 b/</td>
<td>.63</td>
<td>0.41</td>
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</tbody>
</table>

a/ This is the amount of guaranteed loan commitments made; the fiscal year loan guarantee commitment limitation was $774,047,000.
b/ This rate represents a blended rate due to change in annual premium rate being implemented during the fiscal year.

### 5. Proposals in the Budget

HUD proposes four statutory changes to ensure the program’s long-term viability and maximize Native American housing resources.

**Proposals included in the 2017 Request:**

- Authority to get indemnification from lenders participating in the direct guarantee program. Lenders participating in the Section 184 direct guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184 requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. (Sec. 232)
Indian Housing Loan Guarantee Fund (Section 184)

- Authority to allow lenders to be terminated from the program. This proposal would allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives HUD authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines. (Sec. 232)

- Redefine the term “Indian” 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 term “Indian” is outdated. This proposal simply makes the definition of Indian consistent with NAHASDA. (Sec. 233)

- Redefine the term “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 term “Indian Tribe” is outdated. This proposal simply makes the definition of Indian Tribe consistent with NAHASDA. (Sec. 234)
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)

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<td>11,211</td>
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NOTES: Total resources, obligation and outlays include permanent indefinite authority of $10.5 million for guaranteed loan upward re-estimates and approximately $48 thousand from recaptures realized in 2015.

Total resources for fiscal year 2016 excludes permanent indefinite authority of $33 million for guaranteed loan upward re-estimates plus interest.
Indian Housing Loan Guarantee Fund (Section 184)

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

The fiscal year 2017 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), [$7,500,000] **$5,500,000**, 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 [$1,190,476,190] **$1,341,463,415**, 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, 2016.)
1. What is this request?

The Department requests $500 thousand for fiscal year 2017 for the Native Hawaiian Housing Block Grant (NHHBG), which is $500 thousand above the fiscal year 2016 enacted. The requested amount along with current carryover balances will support the construction, acquisition, or rehabilitation of up to 30 affordable housing units and their related infrastructure.

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 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...
Native Hawaiian Housing Block Grants

for low-income Native Hawaiian families who are eligible to reside on the Hawaiian home lands. Current and planned activities include the following:

- Infrastructure development to support future construction of new homeownership and rental housing units
- New construction of rental units with option to purchase.
- Housing counseling and training services to assist families prepare for homeownership and to prevent foreclosure.
- Home rehabilitation to improve energy efficiency and improve quality of substandard units.

The NHHBG provides annual funding to DHHL to provide affordable housing activities on Hawaiian home lands to eligible Native Hawaiian families. 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.

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

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. Under this program, DHHL is able to develop raw, vacant Hawaiian home lands, which are set aside for Native Hawaiian families, 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, 2015, DHHL had six NHHBG-funded housing projects in various stages of development. 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.

This program is also necessary given the general living conditions and poverty rates for Native Hawaiians living in Hawaii. According to the U.S. Census, 2011-2013 American Community Survey (ACS),

- Approximately 360,595 Native Hawaiians live in Hawaii, accounting for about 25 percent of Hawaii’s total population.
- Approximately 19 percent of Native Hawaiian (and other Pacific Islander) households in the State of Hawaii were overcrowded, compared to 8.9 percent of all households in Hawaii and 3.3 percent of all households in the United States.
- About 18.4 percent of Native Hawaiians in Hawaii live in poverty, compared to 11.5 percent of all people in Hawaii.

13-2
Native Hawaiian Housing Block Grants

- The median value of an owner-occupied home in Hawaii was $495,400 compared to $173,200 nationwide.

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.

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 19 years old in 2015, 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 2016, 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 2016.

In October 2009, President Obama signed an Executive Order re-establishing the White House Initiative on Asian Americans and Pacific Islanders. 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 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.

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 program’s primary performance goal for several years has been to assist at least 65 families annually by building, acquiring, or substantially rehabilitating their homes. This target was based on average accomplishments over the last several years. However, in fiscal years 2016 and 2017, this target is being reduced from assisting 65 families to assisting up to 30 families with construction, acquisition, or rehabilitation of an affordable housing unit. The reason for lowering the target is that DHHL has planned to focus on infrastructure development in the near future, and to a lesser degree on rehabilitations and housing services. Following completion of infrastructure construction in four separate communities, DHHL anticipates building new homes in future years.
Native Hawaiian Housing Block Grants

The recipient has provided housing services through the following eligible activities:

- **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 2011 through 2015, the bulk of the NHHBG funds, 89.7 percent, was spent on activities included in this category.
  
  - During this 5-year period, 219 affordable homes were built, acquired, or substantially rehabilitated. While these units provide welcome relief to 219 families, there are more than 27,000 families on the DHHL waiting list for housing assistance, and there are potentially more than 34,100 Native Hawaiian families who are eligible for 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 2011 through 2015, 5.4 percent of expenditures were for housing services and model activities. The housing services were delivered to more than 500 families, and included pre- and post-homebuyer education, financial literacy training, case management, and self-help home repair training. The model activity assisted an isolated rural community to be better prepared to respond to emergencies and natural disasters.

- **Planning and administration.** In fiscal years 2011 through 2015, DHHL used about 4.8 percent of its NHHBGs for planning and administration activities, or an average of about $379,000 annually. (24 CFR 1006.230 defines eligible administrative 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.

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

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 8,876 Native Hawaiian families living on Hawaiian home lands; 27,341 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.

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, 601 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 1,600 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.

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.

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.

As of November 30, 2015, all NHHBGs awarded through 2010 had been 100 percent expended by DHHL. However, between 2012 – 2014, DHHL experienced a slow-down in expending its funds, and accumulated several years’ worth of grant funding. This slow-down in its expenditure rate was 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 families on the waiting list; a state-imposed furlough and hiring freeze that affected DHHL personnel; and multiple turnovers of top executives and Hawaiian Homes Commissioners.

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.
Native Hawaiian Housing Block Grants

As a result, in fiscal year 2015, DHHL spent more than double what it spent in fiscal year 2014, and more than triple what it spent in fiscal year 2013. Two large infrastructure projects were substantially completed in fiscal year 2015, and DHHL has a well-rounded and aggressive plan to provide affordable housing activities in fiscal year 2016. HUD requests funding for this program in fiscal year 2017 in the amount of $500,000 to support DHHL’s spending projections. HUD is committed to funding the program in future fiscal years, once the backlog has decreased and additional progress has been demonstrated.

5. Proposals in the Budget

Not applicable.
### Summary of Resources by Program
(Dollars in Thousands)

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Native Hawaiian Housing Block Grants

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Appropriations Language

The fiscal year 2017 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 Hawaiian Housing Block Grant program, as authorized under title VIII of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4111 et seq.), $500,000, to remain available until September 30, 2021.
PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2017 Summary Statement and Initiatives
(Dollars in Thousands)

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\(^a\) This amount excludes permanent indefinite authority in the amount of $1.4 million for the downward re-estimate.

1. **What is this request?**

The Department does not request an appropriation in fiscal year 2017 for the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program). Similarly, in fiscal year 2016 no funds were requested or enacted. Current, carryover balances are sufficient to administer this program and guarantee 55 loans in fiscal year 2016 and 55 loans in fiscal year 2017.

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.

Legislative Proposals (please refer to Section 5 for more details):

- Indemnification by Native Hawaiian Housing Loan Guarantee Fund (Section 184A) Lenders; and
- Allow lenders to be terminated for unacceptable risk.
Native Hawaiian Loan Guarantee Fund (Section 184A)

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 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.

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 borrowers 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.

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.

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. In June 2015, there were more than 27,000 families on the DHHL waiting list for a homestead lease on the Hawaiian home lands.

According to the Department of Hawaiian Home Lands, there are 8,876 Native Hawaiian families living on Hawaiian home lands; 27,341 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 if the home is located on Hawaiian home lands, will benefit from this program. Lenders also benefit, as the guarantee expands their traditional customer base.
Native Hawaiian Loan Guarantee Fund (Section 184A)

According to the U.S. Census, 2011-2013 American Community Survey:

- Approximately 360,595 Native Hawaiians live in Hawaii, which is about 25 percent of Hawaii’s total population.
- Approximately 19 percent of Native Hawaiian (and other Pacific Islander) households in the State of Hawaii were overcrowded, compared to 8.9 percent of all households in Hawaii, and 3.3 percent of all households in the United States.

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 and then purchased using a Section 184A guaranteed loan.

Presidential Initiatives and Interagency Partnerships: 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. The Initiative seeks to highlight both the tremendous unmet needs in the Asian American and Pacific Islander communities as well as the dynamic community assets that can be leveraged to meet many of those needs. The Initiative focuses on cross-cutting priority areas that may reach across all issue areas and agencies, including, for example, advancing research, data collection, analysis and dissemination for Asian Americans, Native Hawaiians and Pacific Islanders, and ensuring access, especially linguistic access and cultural competence, for Asian Americans and Pacific Islanders and encouraging Asian American and Pacific Islander involvement in public service and civic engagement opportunities.
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 2013, 61 loans were guaranteed for more than $15.1 million.
- In fiscal year 2014, 87 loans were guaranteed for almost $20.3 million.
- In fiscal year 2015, 44 loans were guaranteed for more than $10 million.

As of September 30, 2015, the Section 184A Loan Guarantee Program had guaranteed a total of 468 loans. The cumulative loan guarantee certificates issued through September 30, 2015, total $114.95 million. The average loan in fiscal year 2014 was $232,842; in 2015 it was $227,882.

As a result of efficient underwriting, counseling, and prompt loan servicing, the foreclosure rate for the program has remained at less than 2 percent. As of September 30, 2015, only nine claims had been paid, out of 468 guaranteed 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.

The table below shows estimated and actual activity based on loan guarantee activity.

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In fiscal year 2017 the Office of Loan Guarantee expects the loan demand to be 55 homes financed totaling $14 million and total obligations of $23.3 million. Demand for this program will remain at or near this level until more homes can be built on Hawaiian home lands. HUD and DHHL expect housing construction to accelerate once infrastructure projects, currently underway, are completed. HUD projects that the current program balance will be sufficient through fiscal year 2017 and is not requesting funding for this program in fiscal year 2017. HUD fully supports this program and anticipates additional funding requests when the program balance is spent down.

5. Proposals in the Budget

The Department proposes the following legislative provision to maximize Native Hawaiian housing resources in order to improve housing conditions on Hawaiian home lands.

- **Indemnification by Native Hawaiian Housing Loan Guarantee Fund (Section 184A) Lenders.** HUD is proposing in fiscal year 2017 language to allow HUD to be indemnified by Section 184A lenders in the direct guarantee program. Lenders participating in the Section 184A direct guarantee program are able to underwrite loans for closing without prior HUD review. With any direct underwriting program, there is a risk that lenders will approve loans that do not meet program requirements. When this occurs, currently, HUD’s only remedy is to refuse to guarantee the loan. Lenders may have already included loans in a Ginnie Mae mortgage pool prior to submission of the loan to HUD for review. When HUD refuses to guarantee a Section 184A loan, the lender is forced to pull the loan from the pool, which could incur a penalty. This penalty and disincentive to include Section 184A loans in a Ginnie Mae pool increases risks to lenders, discouraging them from issuing Section 184A loans, especially when Section 184A loans are such a small possible pool of loans (only loans on Hawaiian home lands are eligible for the program). In the FHA program, an alternative to refusing to insure the loan is for the lender to indemnify HUD for part of the loan amount. This protects HUD from losses incurred on these loans, but prevents the lender from incurring the penalty for pulling the loan from the Ginnie Mae pool. This proposal would give HUD this option for the Section 184A program. (Sec. 257)

- **Allow lenders to be terminated from the program.** HUD is proposing to allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. (Sec. 257)
### PUBLIC AND INDIAN HOUSING
### NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
#### Summary of Resources by Program
(Dollars in Thousands)

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<td>$5,746</td>
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<tr>
<td>Total</td>
<td>100</td>
<td>5,713</td>
<td>5,813</td>
<td>68</td>
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<td>5,746</td>
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COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>COMMUNITY DEVELOPMENT FUND</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<tr>
<td>2015 Appropriation ..........</td>
<td>$3,066,000</td>
<td>$12,158,819</td>
<td>...</td>
<td>$15,224,819</td>
<td>$6,204,182</td>
<td>$6,547,127</td>
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<td>2016 Appropriation ..........</td>
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<td>$9,021,195</td>
<td>...</td>
<td>$12,380,195</td>
<td>$8,531,000</td>
<td>$7,178,000</td>
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<td>2017 Request ................</td>
<td>$2,880,000</td>
<td>$3,849,195</td>
<td>...</td>
<td>$6,729,195c</td>
<td>$6,439,000</td>
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<tr>
<td>Program Improvements/Offsets</td>
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<td>-5,172,000</td>
<td>...</td>
<td>-5,651,000</td>
<td>-2,092,000</td>
<td>-388,000</td>
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</tbody>
</table>

a/ This includes a $300 million to support disaster recovery efforts in communities most impacted by Hurricane Joaquin, Hurricane Patricia, and other recent events. These funds are classified as disaster relief under section 251(b)(2)(D) of BBEDCA. There is also a transfer of $1 million of these funds to CPD’s Salaries and Expenses account.
b/ This includes an estimated transfer to the Policy Development and Research account of $14.4 million of Budget Authority.
c/ This includes a transfer of $2 million of disaster administration funds to CPD’s Salaries and Expenses account under General Provision 258 (see section 5 below).

1. What is this request?

The Community Development Fund (CDF) request for fiscal year 2017 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, of which $20 million will be used for projects that directly support Native youth, such as community facilities, pre-school centers, and transitional housing, and to attract and retain high-quality teachers in Indian Country by improving the availability and physical condition of teacher housing. This competitive 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. For example, when adjusted for inflation, the fiscal year 2016 enacted level of $3 billion represents approximately one fifth of the fiscal year 1975 funding level of $2.473 billion. Meanwhile, 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 2017.
To address these challenges and to put the 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. 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.

Separately, to ensure a more orderly and efficient recovery in communities impacted by major disasters, in 2016, the Administration will work with agencies across the federal government, as well as public stakeholders to develop a standing authorization proposal for the provision of CDBG-DR funds. This proposed authorization would incorporate lessons learned from previous disasters, provide clarity and predictability over CDBG-DR funding and program guidelines, and improve the alignment of CDBG-DR funds with other federal disaster programs.

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 is 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. For purposes of CDBG, low income individuals have an income equal to or less than Very Low Income limit (50 percent of the area median income) and moderate income individuals have an income equal to or less than the Low Income limit (80 percent of the area median 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
Community Development Fund

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 $149.4 billion in communities nationwide, 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.

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.

In fiscal years 2016 and 2017, the Department will work with CDBG grantees to promote the use of CDBG funds to address a range of Administration policy priorities. Consistent with the Administration’s Build America initiative launched in 2014, HUD will continue efforts to promote the use of CDBG to support infrastructure pre-development and resilient infrastructure. In addition, HUD will work with select grantees to promote: 1) a more integrated approach to use of the consolidated plan process; 2) innovative strategies to help address the lack of affordable housing units; and 3) implementation of place-based strategies.

**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 Head Start 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.

Of the $80 million requested for ICDBG in the Budget, HUD is proposing that $20 million be set aside to assist tribes in addressing the needs of Native American youth. With these additional resources, tribes will be able compete for funding for community projects that will help to improve outcomes for Native youth, such as construction or renovations of community centers, health clinics, transitional housing, pre-school/Head Start facilities and teacher housing. The goal of this set-aside is to further support the Administration’s Native American Youth Priorities, including: improving education and life outcomes, reducing teen suicide, addressing the shortage of teachers on reservations, and improving access to the Internet.

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 2017 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 2015.
The 2017 request is intended to support community development needs and enhance economic competitiveness in approximately 1,200 entitlement grantees, 49 states, Puerto Rico, 3 non-entitled communities in Hawaii, and 4 Insular Areas in fiscal year 2017.
Community Development Fund

Projected Outcomes with 2017 CDBG Funding

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2015</th>
<th>Projected FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular CDBG Program Allocation</td>
<td>$3,000,000,000</td>
<td>$2,800,000,000</td>
</tr>
<tr>
<td>Economic Development Jobs Created/Retained</td>
<td>16,328</td>
<td>15,239</td>
</tr>
<tr>
<td>Public Improvements - Persons benefitting examples</td>
<td>3,237,506</td>
<td>3,021,672</td>
</tr>
<tr>
<td>Senior Centers</td>
<td>257,342</td>
<td>240,186</td>
</tr>
<tr>
<td>Homeless Facilities</td>
<td>95,845</td>
<td>89,455</td>
</tr>
<tr>
<td>Assisted Households examples</td>
<td>67,341</td>
<td>62,852</td>
</tr>
<tr>
<td>Single Family Rehab</td>
<td>44,626</td>
<td>41,651</td>
</tr>
<tr>
<td>Public Services - Persons benefitting examples</td>
<td>7,961,258</td>
<td>7,430,507</td>
</tr>
<tr>
<td>Services for Disabled</td>
<td>86,779</td>
<td>80,994</td>
</tr>
<tr>
<td>Homeless and AIDS Patient services</td>
<td>322,641</td>
<td>301,132</td>
</tr>
<tr>
<td>Food Banks</td>
<td>1,433,433</td>
<td>1,337,871</td>
</tr>
<tr>
<td>Battered and Abused Spouses services</td>
<td>103,715</td>
<td>96,801</td>
</tr>
</tbody>
</table>

*outcomes are based on fiscal year CDBG expenditures

CDBG funds are critical for communities across the country 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 2015, CDBG funding resulted in significantly improved community and economic development outcomes across a broad range of activities. Further, CDBG-funded activities present significant value over this 11-year period when examined on a unit or service basis.
### Outcomes Associated with CDBG Formula Funding, Fiscal Year 2005 through 2015

<table>
<thead>
<tr>
<th>Economic Development</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Jobs directly Created or Retained</td>
<td>369,565 Jobs</td>
</tr>
<tr>
<td>CDBG cost per job created ‘05-'15</td>
<td>$8,260 per job</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Improvements</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons Benefitted by these Facilities</td>
<td>40,179,567 Persons</td>
</tr>
<tr>
<td>CDBG Cost per person benefitting from public improvements ‘05-'15</td>
<td>$328 per person</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons Benefitting from these services</td>
<td>122,280,682 Persons</td>
</tr>
<tr>
<td>CDBG cost per person benefitting from public services ‘05-'15</td>
<td>$36.27 per person</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Households Assisted (excluding housing counseling)</td>
<td>1,295,796 Households</td>
</tr>
<tr>
<td>CDBG cost per household receiving housing assistance ‘05-'15</td>
<td>$7,809 per household</td>
</tr>
</tbody>
</table>

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 2013 and 2014 indicated:

- More than 9,800 activities reported that CDBG funds were leveraged with other public and private sources of capital;
- Of those projects, $1.310 billion of CDBG funding leveraged $4.789 billion in other resources; and
- A leverage ratio of $3.65 to every $1 of CDBG investment.

Additionally, under the requested funding level in the fiscal year 2017, 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 the request for $300 million in loan guarantee authority for this program.

Disaster Recovery. The CDBG program also 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 CDBG-DR Program is essential to 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.’

The most significant recent 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 2016, the Department had allocated $14.2 billion of this amount and continues to actively monitor grantee performance and expenditures consistent with the directives of P.L. 113-2. As of early November 2015, $7.85 billion had been obligated to grantees and more than $4.230 billion had been expended with significant additional expenditures expected in calendar year 2016. The remaining $1 billion dedicated to the
Community Development Fund

National Disaster Resilience Competition (NDRC) were awarded on January 21, 2016 to support resilient housing and infrastructure projects across 8 states and 5 localities.

The Department received an allocation of $300 million in CDBG-DR in the fiscal year 2016 appropriation to address the impacts of Hurricane Joaquin and related storm systems and Hurricane Patricia and other flooding events that impacted certain areas of the nation in 2015. Consistent with past allocations, the Department will allocate these funds in early 2016 using disaster impact data collected by other federal agencies and will issue implementing guidance in the Federal Register.

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

- $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.

Since 2000, over $45 billion in CDBG Disaster Recovery (CDBG-DR) funding has been provided to communities impacted by major disasters, and CDBG-DR has played an increasingly significant role in long-term recovery. To ensure a more orderly and efficient recovery process, the Administration will convene a series of meetings and consultations in 2016 with HUD, FEMA, SBA, other agencies, and public stakeholders to develop a standing authorization proposal for the provision of CDBG-DR funds. This proposed authorization would incorporate lessons learned from previous disasters, ensure a more orderly and efficient recovery process in response to major events, and eliminate uncertainty as to the rules and processes for CDBG-DR funding made available as part of the Federal long-term recovery response.

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.”)
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 2006-2010:
- American Indian and Alaska Native people living in tribal areas had a poverty rate and an unemployment rate that were at least twice as high as non-Indians nationally.
- Nationally, 8.1 percent of American Indian and Alaska Native households were overcrowded, compared with 3.1 percent of all households.
- Compared with the national average, 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.
- In selected American Indian counties in Arizona-New Mexico, there was a 16 percent overcrowding rate; in that same area, almost 10 percent of Indian households had incomplete plumbing, and about 9 percent lacked complete kitchen facilities.
- In selected Alaska Native counties, there was a 22 percent overcrowding rate; in that same area, 18 percent lacked complete plumbing, and 15 percent lacked complete kitchens.

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. In 2014, $3.6 million in funding was distributed to nine tribes for mold remediation efforts. A second round of funding ($12.4 million), using the remaining 2014 and all of the 2015 appropriations, was awarded in September 2015 to 18 tribal communities in 13 states to remove and prevent dangerous mold in more than 1,000 homes. HUD continues to work with and monitor all mold remediation grantees to ensure the funds are used effectively and will continue to update Congress on the results of these grants.

**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.
Community Development Fund

Urban Institute
In December 2014, the Urban Institute conducted a day-long roundtable discussion focused on the CDBG program at age 40 and options to adjust and improve the program for continued success in the future. The Department expects that a summary of the discussion and possible recommendations will be released by the Urban Institute in early 2016.

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 online January 28, 2014)\(^1\) This volume represents the most significant collection of analyses of CDBG in at least 20 years and 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, notes flaws in the 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.”
- 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.
- 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.
- Another article recommends restoring annual CDBG funding to that 1978 peak, and targeting activities in areas with high concentrations of poverty by adjusting the allocation formula with a greater weight toward high-poverty census tracts, which would require Congressional action.
- 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](http://www.tandfonline.com/toc/rhpd20/24/1#.VK_r7dJzRSI). Some articles require subscription access.
Government Accountability Office Reviews
The Government Accountability Office (GAO) has undertaken a range of reviews of over the past several years that have touched upon various aspects of the CDBG program, although a 2012 GAO study acknowledged 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. Among the study’s conclusions were the following points:

- 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.

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 (2012-2014), grantees reported the rehabilitation of 2,372 low-income housing units, the construction of 123 community buildings, and the creation of 835 jobs made possible by ICDBG. From 2005-2014, ICDBG funded 168 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 34 community buildings were built using ICDBG funds.

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.
Community Development Fund

*Information Technology Investments Benefitting CDBG*

Grants System Consolidation - Grants management involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD's Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

5. Proposals in the Budget

*Consolidation of Disaster Administrative Appropriations*

In certain instances, Congress has provided HUD with an administrative allowance to ensure appropriate oversight and management of CDBG-DR funds. These allowances have been critical to CPD's effort to ensure accountability and effective use of the related CDBG-DR appropriations, as existing CPD internal management structures and protocols are designed, staffed and funded to address needs associated with annually funded programs. These internal structures have little capacity to expand for the unpredictable scope of a CDBG-DR supplemental appropriation that may be a multiple of the annual CPD-wide budget. CPD proposes to consolidate remaining balances from these administrative allowances into a single account that can be used to support all CDBG-DR appropriations. This approach will enhance the usefulness of remaining administrative funds, and will ensure that CPD has the ability to hire term staff, perform on-site monitoring and provide training focused exclusively on the CDBG-DR portfolio. Moreover, the administrative funds provided under P.L. 113-2 will expire on September 30, 2017, but significant program management requirements will continue well past that date; extending the period of availability of the consolidated funds will allow HUD to address this major concern. Language to achieve the consolidation was included in the fiscal year 2016 THUD bill reported by the Senate Appropriations Committee but was not included in the fiscal year 2016 omnibus due to potential scoring concerns. HUD is proposing this language as a general provision in its fiscal year 2017 budget and will work with Congressional appropriations committee staff, OMB and the Congressional Budget Office to ensure the provision is correctly scored. (Sec. 258)

$5 million under PL 109-234 (2nd Katrina appropriation), $6 million under PL 110-329 (Hurricanes Ike and Gustav, 2008), $9.5 million under PL 113-2 (Hurricane Sandy and other events 2011-2013), and $1 million under P.L. 114-113 (Hurricane Joaquin and Patricia, 2015).
Community Development Fund

Proposal to Increase Set-aside for Colonias

The 2017 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 systems, decent housing, or a combination of the three. This change would affect the state CDBG programs of Texas, New Mexico, Arizona, and California. (Sec. 250)

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 5 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.

Future 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 that in order to meet those needs, the CDBG program must be re-focused in light of decreasing appropriations. As previously mentioned, recent funding levels represent only approximately one fifth of the fiscal year 1975 funding level. Over that same period, the number of grantees receiving funds under the program has roughly doubled. In addition, an
Community Development Fund

Increasing number of metropolitan city allocations are low enough that the Department is concerned about their ability run an effective CDBG program: under the projected 2017 allocations, 139 entitlement communities will have allocations of under $250,000.

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:

- 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 include 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 above).

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 potential regulatory updates to the CDBG program, as significant portions of the CDBG regulations have not been updated in more than 20 years.
Community Development Fund

CDBG State-by-State Projected Allocations

<table>
<thead>
<tr>
<th>State</th>
<th>2015 Actual</th>
<th>2016 Estimate</th>
<th>2017 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$4,164</td>
<td>$3,868</td>
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<td>1,022</td>
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<td>32,930</td>
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<td>149,276</td>
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<td>2016 Estimate</td>
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<td>7,534</td>
<td>6,996</td>
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## State-by-State Projected Allocations for CDBG (Dollars in Thousands)

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<thead>
<tr>
<th>State</th>
<th>2015 Actual</th>
<th>2016 Estimate</th>
<th>2017 Estimate</th>
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<td>52,378</td>
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<td>Wyoming</td>
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<td><strong>Total Grants</strong></td>
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<td><strong>$3,000,000</strong></td>
<td><strong>$2,785,600</strong></td>
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<td>Transfer to PD&amp;R</td>
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<td>-</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$3,000,000</strong></td>
<td><strong>$3,000,000</strong></td>
<td><strong>$2,800,000</strong></td>
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## COMMUNITY PLANNING AND DEVELOPMENT COMMUNITY DEVELOPMENT FUND SUMMARY OF RESOURCES BY PROGRAM (Dollars in Thousands)

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<td>$3,512,176</td>
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<td>Economic Resilience</td>
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<td>Research and Technology (transfer)</td>
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<tr>
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<td>15,224,819</td>
<td>6,204,777</td>
<td>3,359,000</td>
<td>9,021,195</td>
<td>12,380,195</td>
<td>2,880,000</td>
</tr>
</tbody>
</table>

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15-19
The fiscal year 2017 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, [[$3,060,000,000]]($2,880,000,000, to remain available until September 30, [2018]2019, 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 of the total amount provided under this heading [[$60,000,000]]($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 $4,000,000 may be used for emergencies that constitute imminent threats to health and safety: Provided further, that of the total amounts made available under the previous proviso, up to $20,000,000 shall be for grants to Indian tribes, tribal organizations, and tribally-designated housing entities for projects that support Native American youth, including the rehabilitation, acquisition, or new construction of community facilities, pre-school centers, health clinics, transitional housing, and housing for primary and secondary school teachers living on or near a reservation or other Indian areas regardless of teacher income or tribal membership: Provided further, That any amounts made available under the previous proviso may be used for new housing construction notwithstanding any provision in the Housing and Community Development Act of 1974. (Department of Housing and Urban Development Appropriations Act, 2016.)
1. **What is this request?**

For fiscal year 2017, 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 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.
Local Housing Policy Grants

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.

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. 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

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

is even more dramatic when it comes to affordable rental housing, with a shortfall of 3.9 million fewer units than demanded by the 11.2 million extremely low-income renters (as of 2013), according to The State of the Nation’s Housing 2015.²

Some points in the Worst Case Housing Needs 2015: Report to Congress³ 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 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. 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; worst case needs are common in every region and metropolitan category across the United States. Nationwide 41.7 percent of very low-income renters had worst case housing needs in 2013. 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.

As Jason Furman, the Chairman of the Council of Economic Advisors said in a recent speech to the Urban Institute:

Some land use regulations can be beneficial to communities and the overall economy. There can be compelling environmental reasons in some localities to limit high-density or multi-use development. Similarly, health and safety concerns—such as an area’s air traffic patterns, viability of its water supply, or its geologic stability—may merit height and lot size restrictions. But in other cases, zoning regulations and other local barriers to housing development allow a small number

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² The State of the Nation’s Housing 2015, Joint Center for Housing Studies, Harvard University: 2015.
Local Housing Policy Grants

of individuals to capture the economic benefits of living in a community, thus limiting diversity and mobility. The artificial upward pressure that zoning places on house prices—primarily by functioning as a supply constraint—also may undermine the market forces that would otherwise determine how much housing to build, where to build, and what type to build, leading to a mismatch between the types of housing that households want, what they can afford, and what is available to buy or rent.  

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. 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 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.

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.

4 Available at: https://m.whitehouse.gov/sites/default/files/page/files/20151120_barriers_shared_growth_land_use_regulation_and_economic rents.pdf
5 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.
6 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.
Local Housing Policy Grants

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 do we know this 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, 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.
1. **What is this request?**

HUD requests $300 million in loan guarantee authority for fiscal year 2017 for the Community Development Loan Guarantee program, also known as the Section 108 program. The requested loan guarantee commitment level is based on recent loan guarantee levels and the projected needs of communities in 2017.

With the November 2015 implementation of the congressionally-approved fee structure for the Section 108 program, HUD again requests $0 in credit subsidy in 2017 to support this program. Instead of appropriated credit subsidy, HUD will support the program through the imposition of a fee on borrowers, equal to 2.59 percent on the principal amount of the loan for fiscal year 2017.

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?**

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...
Community Development Loan Guarantee

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 1,933 commitments totaling more than $9.3 billion (through September 30, 2015). 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?**

In today's economic climate, finding private investment sources for economically distressed areas is a difficult charge. 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. 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 the CDBG program to obtain 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.

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 683 outstanding loans in communities across the country, with a total loan balance of $1.66 billion. Section 108-assisted projects approved in 2014 and 2015 are projected to create 5,187 jobs based on $233 million in loan guarantees. 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
Community Development Loan Guarantee

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 2017, 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 allows 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). In November 2015, HUD issued the necessary rules to implement the fee based structure in fiscal year 2016 after carryover credit subsidy amounts were exhausted.

Outcomes Associated with fiscal year 2017 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.

Project Examples:

Memphis, TN
The City of Memphis borrowed $4 million in Section 108 funds to assist in renovation of the former Sears Crosstown Distribution Facility, a 10-story, 1.5 million square-foot structure dating to the 1920's. The Section 108 funds were a critical component of the financing for the $194 million project as the program’s flexible financing terms enabled the developer to access more than $16 million in New Markets Tax Credit equity. Eight partners have committed to leasing approximately 60% of the space and the developer will build 260 apartments, and proposes to use the remaining rentable area for educational, residential retail, and office space. Overall, the city estimates that the project will create more than 800 jobs.
Community Development Loan Guarantee

Pleasanton, CA
The City of Pleasanton received $1.25 million in Section 108 funds to assist the Axis Community Health Project in the renovation of a vacant 24,188 square foot warehouse into a community health center. The health center will serve low-income and uninsured residents of the Tri-Valley area, which also includes the cities of Livermore, Dublin, and the County of Alameda. The Section 108 loan provides a crucial source of funding that will allow Axis to double its capacity by adding an additional 25 to 40 examination rooms. The additional capacity will help meet a rapidly growing need for medical services for low-income patients. Axis currently provides services at six locations, including this Project.

Proposed IT Enhancements to Improve Program Performance (Fiscal Year 2017 DME)

Grants System Consolidation

Grants management (including Section 108 loan guarantees) involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD's Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

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 in the Budget

Conform amendments to permanently authorize current program operations. 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;
- 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). (Sec. 211)
## COMMUNITY PLANNING AND DEVELOPMENT
### COMMUNITY DEVELOPMENT LOAN GUARANTEE
#### Summary of Resources by Program
(Dollars in Thousands)

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**NOTE:** The 2017 Budget continues the fee-based program established in previous appropriations acts 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 2017 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 RESCISSION)]
Subject to section 502 of the Congressional Budget Act of 1974, during fiscal year [2016] 2017, 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 $300,000,000 [, notwithstanding any aggregate limitation on outstanding obligations guaranteed in subsection (k) of such section 108]: 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[; Provided further, That all unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under this heading are hereby permanently rescinded]. (Department of Housing and Urban Development Appropriations Act, 2016.)
HOME INVESTMENT PARTNERSHIPS PROGRAM
2017 Summary Statement and Initiatives
(Dollars in Thousands)

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<th>HOME INVESTMENT PARTNERSHIPS PROGRAM</th>
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a/  This number includes $5.507 million of funds recaptured in fiscal year 2015. Of those funds recaptured, $5.468 million were grants, $35.4 thousand were technical assistance, and $4.0 thousand were Housing Counseling funds.
b/  This number includes a $10 million set aside for the Self-Help and Assisted Homeownership Opportunities Program, as well as a transfer to the Research and Technology account of $4.75 million of Budget Authority.
c/  This number excludes Research and Technology obligations and outlays.

1. **What is this request?**

   For fiscal year 2017, the Department requests $950 million for the HOME Investment Partnerships Program, of which $10 million would be set aside for the Self-help Homeownership Opportunity Program (SHOP). The 2016 enacted level funds HOME at $950 million and SHOP separately at $10 million. 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.

   An appropriation of HOME and SHOP funds at the requested level will result in the following production over time:
   - 14,014 units of affordable housing for new homebuyers;
   - 13,264 units of newly constructed and rehabilitated affordable rental units;
   - 6,576 units of owner-occupied rehabilitation for low-income homeowners;
   - 7,799 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 $235 million in matching contributions and, based on historical data, would result in approximately $3.95 billion in public and private leverage. Moreover, for every $1 million in HOME funds, 17.87 jobs are created. The fiscal year 2017 request would preserve/create approximately 16,798 jobs.
HOME Investment Partnerships Program

Legislative Proposals

The Department requests statutory changes to the HOME program that would:

(1) Eliminate the 24-month statutory requirement for grant recipients to commit HOME funds;
(2) Eliminate the 15 percent Community Housing Development Organization (CHDO) set-aside; and
(3) Revise “grandfathering” provisions and eliminate the dual allocation threshold for HOME PJs.

The Department also requests statutory changes to SHOP that would:

(1) Add a section to specifically allow the use of up to 20 percent of SHOP grant funds for eligible planning, administration, and management costs;
(2) Establish a single 36-month grant term for the grantee’s SHOP program;
(3) Authorize HUD to establish deadlines for completion and conveyance of all SHOP units; and
(4) Amend the SHOP statute to allow HUD to issue SHOP regulations over five pages in length.

More information on these changes is included in Section 5 of this justification.

HOME 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.
HOME Investment Partnerships Program

2. What is this program?

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. HOME provides States and local government participating jurisdictions (PJs) with formula based grants on an annual basis for the purpose of expanding the supply of decent, safe, sanitary, and affordable housing. HOME also promotes the partnership of 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.

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.

HOME funds may only be used 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).

Key Partnerships and Stakeholders

HOME funds are administered by states and local government Participating Jurisdictions (PJs). In fiscal year 2015, HOME provided funding to 640 PJs, including 584 local government PJs (including 144 consortia); 52 states including the District of Columbia and Puerto Rico; and 4 Insular Areas. 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). 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.

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
HOME Investment Partnerships Program

of self-help homeownership programs for low-income families and individuals who otherwise would be unable to afford to purchase a homeownership unit.

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 investments for each dollar of SHOP funds expended. The SHOP model also requires donations of volunteer labor, which 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.

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 *Worst Case Housing Needs: 2015 Report to Congress* 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.

- The gap in supply of affordable rental units relative to need has been growing for decades; worst case needs are common in every region and metropolitan category across the United States. Nationwide 41.7 percent of very low-income renters had worst case housing needs in 2013. 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 2015*).

- According to the “State of the Nation’s Housing 2015,” published by the Joint Center for Housing Studies at Harvard University, the U.S. homeownership rate fell for the tenth straight year from 66.1 percent in 2012 to 63.7 percent in the first quarter of 2015. Homeownership rates for all 10-year age groups between 25 and 54 are at their lowest point since recordkeeping began in 1976.

- The number of households with housing cost burdens is 34.1 percent; those households paid more than 30 percent of their income for housing in 2013. 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 2015*)
HOME Investment Partnerships Program

- A large decline in homeownership undermines neighborhood stability and experiences the great declines in incomes and increases in poverty. These neighborhoods have also seen a great reduction in buying power to support local businesses and invest in housing stock. *(State of the Nation’s Housing 2015)*

- 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. Extremely low-income households (earning up to 30 percent of area median) have increasingly few housing choices. In 2013, 11.2 million renters with incomes this low competed for 7.3 million affordable units, leaving a shortfall of 3.9 million. Excluding units that were structurally inadequate or occupied by higher-income households, there were only 34 affordable units for every 100 extremely low-income renters. Despite a slight improvement in recent years, the gap between the number of extremely low-income renters and the supply of units they can afford nearly doubled from 2003-2013. *(State of the Nation’s Housing 2015)*

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. The period of affordability for HOME rental units is 5-20 years, depending on the per-unit investment and the type of activity. In fiscal year 2017, there will be more than 15,000 HOME rental units lost to expiring periods of affordability.

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, 64.3 percent of approximately 204,000 completed HOME assisted rental units were part of awarded LIHTC projects from fiscal year 2009-2015. 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 2013, HOME funds were expended in 22.9 percent of them. *(PD&R calculations based on database of properties placed in service through 2013” available online*
HOME Investment Partnerships Program

at: [http://lihtc.huduser.org/](http://lihtc.huduser.org/). Of these, 62.7 percent were new construction and 34.1 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; 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 also funds 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 2013, HOME funds were used in 27.0 percent of them. Without this funding, many of these projects (over 250 projects with an average size of 56 units per project) likely would have had enormous difficulty being completed or finding alternative financing.
### HOME Investment Partnerships Program Accomplishments and Beneficiary Characteristics as of September 30, 2015

<table>
<thead>
<tr>
<th>Completed Production Units</th>
<th>Occupied Units</th>
<th>Ethnicity Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebuyer</td>
<td>502,244</td>
<td>Hispanic: 24%</td>
</tr>
<tr>
<td>Rental</td>
<td>475,721</td>
<td>Non-Hispanics: 76%</td>
</tr>
<tr>
<td>Homeowner Rehab</td>
<td>235,431</td>
<td></td>
</tr>
<tr>
<td><strong>Total Production Units</strong></td>
<td>1,213,396</td>
<td></td>
</tr>
</tbody>
</table>

| Units by HOME Activity     |                   |
|----------------------------|                   |
| Rental                     | 42%               |
| Homebuyer                  | 19%               |
| Homeowner Rehab            | 39%               |

<table>
<thead>
<tr>
<th>Status of HOME Funds</th>
<th>Units: Number of Bedrooms</th>
<th>Income Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Allocated</td>
<td>$35.2 billion</td>
<td>Extremely Low-Income (0-30% AMI): 26%</td>
</tr>
<tr>
<td>Amount Committed</td>
<td>$33.5 billion</td>
<td>Very Low-Income (30-50% AMI): 32%</td>
</tr>
<tr>
<td>Amount Disbursed</td>
<td>$32.1 billion</td>
<td>Low-Income (50-80% AMI): 42%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Above Low-Income (&gt;80% AMI): 0%</td>
</tr>
<tr>
<td></td>
<td>0 Bedroom: 3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 Bedroom: 17%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 Bedroom: 28%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 Bedroom: 44%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 Bedroom: 7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5+ Bedroom: 1%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio of Other Dollars to HOME Dollars (Leveraging)</th>
<th>Average HOME Cost Per Unit</th>
<th>Funds Reserved to Community Housing Development Organizations (CHDOs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.20:1</td>
<td>Homebuyer: $16,028</td>
<td>CHDOs: 21%</td>
</tr>
<tr>
<td></td>
<td>Rental: $33,176</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Homeowner Rehab: $22,096</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TBRA: $3,212</td>
<td></td>
</tr>
</tbody>
</table>

HOME Investment Partnerships Program

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. All grantees provide pre-purchase counseling, and most provide post-purchase interventions.

4. How do we know this program works?

According to the HOME Coalition 2015 Report, from the National Council of State Housing Agencies, “With HOME, Congress created a program that provides states and communities with unmatched flexibility and local control to meet the housing needs that they identify as most pressing. HOME is the only Federal housing program exclusively focused on addressing such a wide range of housing activities. States and local communities use HOME to fund new production where affordable housing is scarce, rehabilitation where housing quality is a challenge, rental assistance when affordable homes are available, and provide homeownership opportunities when those are most needed. Moreover, this flexibility means that states and communities can quickly react to changes in their local housing markets.” http://www.enterprisecommunity.com/resources/ResourceDetails?ID=0100911#

According to a recent Habitat for Humanity International survey, Habitat’s 1,440 affiliates consider HOME among the most important federal funding resources they use. Since 1992, Habitat affiliates have put more than $188 million in HOME funds to work in new or rehabilitating homes. Without HOME funds, Habitat affiliates would face significant barriers to accessing the flexible financing necessary to build and repair affordable homes (The HOME Coalition 2015 Report).
HOME Investment Partnerships Program

HOME Program Outcomes

Key contributions of the HOME program:

- Completed 1,213,396 affordable units in the past 23 years, of which 502,244 were for new homebuyers, 235,431 were for owner-occupied rehabilitation and 475,721 were new and rehabilitated rental units.

- Provided 307,663 low-income families in the past 23 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 were extremely low-income families (i.e., income at or below 30 percent of the AMI).

- Leveraged $121.8 billion of other funds for affordable housing, with a leveraging ratio of 4.2:1 (i.e., $4.20 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 $23,928, a small investment yielding significant results.

Evaluation and Monitoring

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. Quarterly meetings are held with the HUD Secretary to discuss the progress of departmental goals by program office, and ultimately reported in the Department’s Annual Performance Plan for Congress, OMB, and the public.

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 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.

Each year HUD field offices conduct a risk assessment of all formula and competitive grantees based on several factors, including size of formula grant, complexity of activities undertaken, management capacity, and length of time since last monitoring visit. Based on the risk assessment results, field offices target staff resources to monitor grantees that pose the greatest risk of fraud, waste, abuse and mismanagement. This monitoring includes a PJ review to assess policies and procedures governing sub-recipient management, financial management, eligible activities, allowable costs, written agreements, match requirements, and beneficiary data. It also includes a review of specific project files and on-site inspection of selected sample project(s).
HOME Investment Partnerships Program

- **Reporting**
  HUD has developed a range of innovative tools and system improvements over the years to improve HOME oversight and to assist grantees to better manage their programs. These tools help to track program funds, to rate and rank grantee performance, and to identify and lower risk in the HOME program – most are publicly available on HOME’s website. Examples are the HOME Performance SNAPSHOT Report, which ranks PJs, and notes poor performance given certain criteria; the Open Activities Report, which identifies at the state and local level, progress of individual HOME projects; and the Auto-Cancellation Report, which identifies those projects that are cancelled due to not having any activity within the 12-month commitment period. HUD added additional reports to enable improved, real-time reporting on the progress of HOME projects underway.

- **Enforcement**
  The HOME program is focused on realizing a full return on the taxpayers’ investment in affordable housing. HUD has a number of enforcement tools available when PJs do not meet commitment or expenditure deadlines, fail to complete a project, or cannot administer their HOME program due to mismanagement/non-compliance issues.

  - **Deobligations**
    The HOME program produces a monthly “Deadline Compliance” status report to track compliance with statutory HOME funds commitment and expenditure deadlines that are strictly enforced. PJs have two years to commit funds to a viable project and five years to expend these funds. A total of $120.6 million has been de-obligated for failure to meet those deadlines. These funds are reallocated as part of the annual formula reallocation.

  - **Repayments and Grant Reductions in Lieu of Repayment**
    HUD always receives repayment of HOME funds that are misspent. Moreover, HUD takes its enforcement role seriously and has collected more than $276 million in repayments from PJs for ineligible costs or activities. PJs are required to repay these funds from non-Federal funds.

  - **Suspension of Future HOME Funds**
    HUD has taken more serious action against PJs when there is a pattern of mismanagement or non-compliance with HOME regulations. Since 2004, after providing notice and opportunity to respond, HUD has withheld annual HOME fund allocations to ten PJs, some for multiple years, to enforce program requirements.

**Self-help Homeownership Opportunity Program**

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
HOME Investment Partnerships Program

SHOP funds with other dollars is not required, SHOP grantees have shown that for every SHOP dollar the program leverages more than $6 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 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, 33,399 affordable homeownership units have been completed and conveyed to low-income buyers.
- Over $2.4 billion in other funds have been leveraged for a ratio of $6.11 in other funds raised for each $1 of SHOP funds expended.

Proposed IT Enhancements to Improve Program Performance (Fiscal Year 2017 DME)

Grants System Consolidation: Grants management involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD’s Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This
HOME Investment Partnerships Program

investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

IT Enhancements Currently in Progress

Re-engineer IDIS to Remove OIG audit findings around First-In-First-Out (FIFO): The OIG has recorded a material weakness for IDIS in the fiscal year 2013 HUD Financial Statement audit. At the core of this issue is the financial accounting methodology known as First-In-First-Out (FIFO). Based on the findings from the OIG, HUD will eliminate the FIFO methodology used for commitments and disbursements in IDIS. The major outcomes of this project will be: (1) the ability to enforce each commitment and disbursement of program funds to a specific grant year, beginning with the fiscal year 2015 program year, in accordance with Generally Accepted Accounting Principles (GAAP) (elimination of the FIFO basis); (2) continued function of IDIS Online to automate grants management for CPD, including revision of all processing and system rules to support the new method of commitments and disbursements (i.e., program income, other receipt funds, and activities spanning grant years); and (3) ensure IDIS Online continues to enforce applicable Federal system standards under FFMIA and the closure of all related audit findings for the IDIS Online system, to resolve the IDIS Online contribution to HUD's material weakness.

HUD will use the funding to continue the project’s phased approach to removing the First-In-First-Out mechanism and related functions from IDIS Online, including Phase 1b, Part 2 and Phase 2 (Phase 1a and Phase 1b, Part 1 are completed). More details on the current progress of this project can be found in the fiscal year 2014 IT Expenditure plan.

5. Proposals in the Budget

Eliminate the 24-month commitment requirement from the HOME statute. The HOME statute requires that HOME funds be committed to projects within 24 months of HUD notifying the PJ of its obligation of the HOME grant. The Department has historically determined compliance with the commitment requirement using a cumulative method and treated the requirement the way Congress envisioned it – as a performance standard. A July 2013 GAO Decision requires HUD to change its method of determining compliance to a grant-specific method. This change will have a catastrophic effect on HOME participating jurisdictions’ ability to meet the 24-month commitment requirement and to not lose funds that become uncommitted after 24 months. The elimination of the 24-month commitment requirement will resolve this issue. HOME is the only HUD program with a commitment requirement. HOME also recently implemented, through regulation, a 4-year project completion deadline, which measures progress completing projects as opposed to committing funds to projects. The Department believes the project completion requirement will ensure HOME funds are used timely while not taking significant amounts of funds away from participating jurisdictions because of a technicality, which is what will happen under the commitment requirement.
HOME Investment Partnerships Program

- By eliminating the 24-month commitment requirement, HOME participating jurisdictions will be able to administer their HOME programs without the fear of losing funds that become uncommitted after 24 months. Participating jurisdictions will be able to re-commit those funds to other projects, which will have to be completed within four years. Removal of the commitment requirement will bring HOME in line with other departmental and federal government grant programs.

- Participating jurisdictions will be able to proceed with their affordable housing programs without the uncertainty of losing HOME funds due to the deadline placed on each HOME grant. This will allow participating jurisdictions to re-commit any funds that become uncommitted after 24 months. The Federal government will save the funds associated with the required IT Systems changes and FTE costs associated with the significant increase in grant deobligations as a result of the change to the method used to determine compliance with the 24-month commitment requirement.

- In fiscal year 2013, HUD de obligated $8.9 million from HOME participating jurisdictions for failure to meet the HOME 24-month commitment requirement using its cumulative method of determining compliance with the requirement. Under the grant-specific method of determining compliance, HUD would have been required to deobligate more than $121 million from HOME participating jurisdictions – that is more than 13 percent of the fiscal year 2015 HOME appropriation of $900 million. (Sec. 260)

Eliminate the CHDO set-aside in the HOME statute. The HOME statute requires that within 24 months of receiving its grant, not less than 15 percent of each participating jurisdiction’s grant be reserved for projects owned, developed, or sponsored by Community Housing Development Organizations (CHDOs). It is extremely difficult for participating jurisdictions receiving smaller and smaller allocations, to administer this 15 percent set-aside, which has been reduced along with the formula allocations because of significant reductions in appropriations over the past five years. The result of these program cuts leaves participating jurisdictions with a choice of either directing much more than 15 percent of their annual allocations to CHDO projects or surrendering the CHDO set-aside funds to HUD for non-compliance.

- This change will allow participating jurisdictions to use their entire HOME allocations, which have significantly diminished over the past five years, for affordable housing without regard to the type of developer undertaking the affordable housing project. In addition, funds will not be deobligated by HUD for failure to meet the 24-month CHDO reservation requirement.

- The cost savings will be for both the participating jurisdictions and the Federal government. Many participating jurisdictions will be able to proceed with their affordable housing programs without having to forfeit their CHDO funds because 15 percent of their allocations is not sufficient to undertake even a single CHDO project. The change will also prevent participating jurisdictions from using much more than 15 percent of their allocations for developers that may not be capable of undertaking affordable housing development projects.

- There was $15.5 million in unexpended CHDO funds cancelled due to the Defense Authorization Act (from 2009-2015); this is over 51 percent of all unexpended funds that were cancelled during this timeframe. For 2015, HUD recaptured
HOME Investment Partnerships Program

$1.17 million due to participating jurisdictions’ failure to meet their CHDO reservation requirements. In both examples, these funds are then not available to address the participating jurisdictions’ affordable housing needs.

- This proposal may concern CHDOs and other proponents of the CHDO set aside requirement. Participating jurisdictions, however, will still be able to choose to use CHDO organizations to address affordable housing needs. (Sec. 259)

Revise “grandfathering” provisions and eliminate the dual allocation threshold for HOME participating jurisdictions. 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 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 5-year period with an allocation of less than $500,000.

- Local participating jurisdictions remaining in the program after the first 5-year period could expect a significant increase in their HOME allocations as a result.

This proposal is necessary because while the number of local participating jurisdictions has increased from 383 in 1992 to 584 in 2015, the appropriation has not increased along with the number of new participating jurisdictions, resulting in much lower formula allocations than is necessary to administer a local affordable housing program. For example, at the fiscal year 2015 appropriation of $900 million, 146 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, 285 received less than $500,000, which is the minimum allocation proposed by HUD in its fiscal year 2017 budget request. Spartanburg, South Carolina, which has the smallest HOME grant in the country, received a fiscal year 2015 allocation of $139,664. 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 needs within communities.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation (billions)</td>
<td>$1.5</td>
<td>$1.4</td>
<td>$1.6</td>
<td>$2.0</td>
<td>$1.7</td>
<td>$1.8</td>
<td>$0.9</td>
</tr>
<tr>
<td>Number of Local Participating Jurisdictions</td>
<td>383</td>
<td>502</td>
<td>533</td>
<td>574</td>
<td>584</td>
<td>588</td>
<td>584</td>
</tr>
</tbody>
</table>
HOME Investment Partnerships Program

If the proposal is enacted and the HOME appropriation levels remain relatively consistent, 285 of the 584 local HOME participating jurisdictions will be removed from the program after 5 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 by applying directly to their States for funding specific projects. In addition, new participating jurisdictions would need to meet the allocation threshold of $500,000 regardless of the HOME appropriation level. Again, if these proposals are not enacted, smaller local participating jurisdictions will not receive allocations sufficient to administer local housing programs. (Sec. 219)

SHOP:

Eliminate the dual 24 month and 36 month grant expenditure time frames (the grant term). A single 36-month grant term would be established for all participating organizations, consortia and affiliate organizations, after which the Secretary would recapture any unexpended SHOP grant funds. This change will eliminate confusion for the grantees as to which timeframe is applicable.

Establish a deadline for completion and conveyance of units. Without regulations, there is no current incentive for grantees to complete and convey units. If enacted, this proposal will allow the Department to better influence the timely completion of SHOP units. The chart below shows that 11.5 percent of all SHOP units have not been completed or conveyed to homeowners.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2002-2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>TOTAL</th>
<th>Minimum Units Required</th>
<th>% of Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units Not Completed and/or not Conveyed</td>
<td>28</td>
<td>40</td>
<td>21</td>
<td>46</td>
<td>167</td>
<td>217</td>
<td>384</td>
<td>509</td>
<td>470</td>
<td>1,882</td>
<td>16,369</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

Add a 20 Percent Allowance for Administrative Cost Incurred. This proposal would allow SHOP grantees to more effectively and efficiently administer their SHOP grants. This proposal would add an eligibility category to specifically allow up to 20 percent of each SHOP grant to be used for eligible planning, administration and management costs. With the current allowance cap of 15 percent for eligible planning, administration and management costs, it is becoming increasingly difficult to administer the program well.

Eliminate the provision of law 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. (Sec. 226)
### HOME Investment Partnerships Program

**HOME Investment Partnerships Program Allocations by State for 2015 and 2016 Enacted Budget Authority, and the 2017 Budget Request**

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>STATE or TERRITORY</th>
<th>ACTUAL FY 2015</th>
<th>ESTIMATE FY 2016</th>
<th>ESTIMATE FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>$3,515</td>
<td>$3,530</td>
<td>$3,522</td>
</tr>
<tr>
<td>Alabama</td>
<td>12,078</td>
<td>12,648</td>
<td>12,425</td>
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<tr>
<td>Arizona</td>
<td>14,382</td>
<td>15,426</td>
<td>15,180</td>
</tr>
<tr>
<td>Arkansas</td>
<td>7,801</td>
<td>8,049</td>
<td>7,899</td>
</tr>
<tr>
<td>California</td>
<td>118,330</td>
<td>126,153</td>
<td>124,223</td>
</tr>
<tr>
<td>Colorado</td>
<td>12,180</td>
<td>12,957</td>
<td>12,747</td>
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<tr>
<td>Connecticut</td>
<td>10,301</td>
<td>10,782</td>
<td>10,593</td>
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<tr>
<td>Delaware</td>
<td>4,052</td>
<td>4,085</td>
<td>4,069</td>
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<tr>
<td>District of Columbia</td>
<td>3,728</td>
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<tr>
<td>Florida</td>
<td>43,225</td>
<td>46,209</td>
<td>45,475</td>
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<tr>
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<td>23,664</td>
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<td>24,882</td>
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<td>Hawaii</td>
<td>5,138</td>
<td>5,237</td>
<td>5,204</td>
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<td>Idaho</td>
<td>3,784</td>
<td>4,043</td>
<td>3,967</td>
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**HOME Investment Partnerships Program Allocations by State, continued**

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<td>TOTAL HOME</td>
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HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

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<tr>
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<td>Self-Help Homeownership Opportunity Program</td>
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<td>Research and Technology (transfer)</td>
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NOTES: The 2014 Carryover Into 2015 column includes approximately $5.507 million of funds recaptured in fiscal year 2015. Of those funds recaptured, $5.468 million were grants, $35.4 thousand were Technical Assistance, and $4.0 thousand were Housing Counseling funds.

The 2015 Carryover into 2016 Column excludes funds that expired at the end of fiscal year 2015.

In fiscal years 2015 and 2016, SHOP was funded in the SHOP account.
HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Appropriations Language

The fiscal year 2017 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, $950,000,000, to remain available until September 30, [2019]2020: 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 [with respect to funds made available under this heading pursuant to such Act and funds provided in prior and subsequent appropriations acts that were or are used by community land trusts for the development of affordable homeownership housing pursuant to section 215(b) of such Act, such community land trusts, notwithstanding section 215(b)(3)(A) of such Act, may hold and exercise purchase options, rights of first refusal or other preemptive rights to purchase the housing to preserve affordability, including but not limited to the right to purchase the housing in lieu of foreclosure: 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 and Assisted 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, 2016.)
**COMMUNITY PLANNING AND DEVELOPMENT**

**SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM**

**2017 Summary Statement and Initiatives**

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<td>...</td>
<td>-50,000</td>
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</table>

### 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 2017. 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 Research and Technology (R&T) account. Within the R&T account, 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.
COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

<table>
<thead>
<tr>
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<td>50,022</td>
<td>55,700</td>
<td>49,977</td>
<td>105,677</td>
<td>...</td>
</tr>
</tbody>
</table>

NOTE: In the fiscal year 2017 requests, SHOP is included as a set-aside in the HOME account and Capacity Building funding is included in the R&T account. Obligations and outlays for funds appropriated prior to fiscal year 2017 will continue to be reflected in the SHOP account.
### COMMUNITY PLANNING AND DEVELOPMENT

#### HOUSING TRUST FUND

**2017 Summary Statement and Initiatives**

(Dollars in Thousands)

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<tr>
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<tr>
<td>Program Improvements/Offsets</td>
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</table>

a/ This number includes $12 million that is temporarily unavailable.

#### 1. What is included in the 2017 Budget?

The fiscal year 2017 Budget estimates that $136 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 2017 funds will finance the development, rehabilitation, and preservation of affordable housing for extremely low-income (ELI) residents, and will result in over 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. 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 Budget estimates that $170 million will be collected for use in fiscal year 2016 and will result in approximately 1,400 units produced over time.

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:

- **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 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 two 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
Housing Trust Fund

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 be used for ELI families, or families with incomes at or below the poverty line (whichever is greater), unless the allocation is below $1 billion, at which point 100 percent of the funds must be used for ELI families.

- **Period of Affordability.** For rental projects, income targeting continues to apply throughout the HTF affordability period, which shall be 30 years. If a tenant becomes over-income, the HTF designation may float to another comparable unassisted unit in the project. For homeownership units, the affordability period is also 30 years if resale restrictions are used, or range from 10 to 30 years if the state imposes the recapture provisions.

- **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 “Inspectable” 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 *Worst Case Housing Needs: 2015 Report to Congress* 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.

- The gap in supply of affordable rental units relative to need has been growing for decades; worst case needs are common in every region and metropolitan category across the United States. Nationwide 41.7 percent of very low-income renters had worst case housing needs in 2013. 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: 2015 Report to Congress).

- The number of households with housing cost burdens is 34.1 percent; those households paid more than 30 percent of their income for housing in 2013. 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 2015)

- 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. Extremely low-income households (earning up to 30 percent of area median) have increasingly few housing choices. In 2013, 11.2 million renters with incomes this low competed for 7.3 million affordable units, leaving a shortfall of 3.9 million. Excluding units that were structurally inadequate or occupied by higher-income households, there were only 34 affordable units for every 100 extremely low-income renters. Despite a slight improvement in recent years, the gap between the number of extremely low-income renters and the supply of units they can afford nearly doubled from 2003-2013. (State of the Nation’s Housing 2015).

- At the estimated funding level of $136 million in fiscal year 2017, the HTF funding will leverage approximately 60 percent of other private and public funds needed to pay for the production of over 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.
Housing Trust Fund

*Proposed IT Enhancements to Improve Program Performance (Fiscal Year 2017 DME)*

**Grants System Consolidation**

Grants management involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD's Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

**IT Enhancements Currently in Progress**

Phase 1 to Automate Housing Trust Fund (HTF) program in Integrated Disbursement and Information System (IDIS) Carryover HUD IT funds; estimated completion date: June 30, 2016.

This project will automate the new Housing Trust Fund (HTF) program using an existing IT solution, the Integrated Disbursement and Information System (IDIS). IDIS Online is a web-based application providing financial disbursement, tracking, and reporting for HUD grant programs. IDIS Online also supports the Consolidated Plan Management Process for the grantee’s 5-year Strategic Plan and Annual Action Plan submission process.

HUD will build and deploy the first phase of functionality required to automate the HTF program in IDIS Online. Phase 1 focuses on deploying core functionality required for grantees to setup and administer activities, create vouchers to draw funds electronically, and provides HUD with basic program monitoring and oversight of the HTF.
Housing Trust Fund

Managing the HTF program in IDIS provides the most efficient and effective way to accomplish the program mission to provide housing to low-income households across the country, to demonstrate program performance, improve data integrity, enforce funds control, and to provide efficiency gains that reduce administrative burden to both HUD staff and grantees.

This enhancement directly supports strategies and outcomes of the HTF program, and has benefits for both internal and external stakeholders. Internal stakeholders including all HUD staff who manage, oversee, and implement the programs, strategies, and policy around housing and health outcomes. External stakeholders include grantees who directly administer the HUD program and mission as well as communities and persons who benefit from these services.

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4. Proposals in the Budget

Not applicable.
COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>HOMELESS ASSISTANCE GRANTS</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Appropriation ..........</td>
<td>$2,135,000</td>
<td>$2,089,432</td>
<td>...</td>
<td>$4,224,432</td>
<td>$2,109,360</td>
<td>$1,899,000</td>
</tr>
<tr>
<td>2016 Appropriation ..........</td>
<td>2,250,000</td>
<td>2,123,252b</td>
<td>...</td>
<td>4,373,252</td>
<td>2,286,000</td>
<td>2,263,000</td>
</tr>
<tr>
<td>2017 Request ................</td>
<td>2,664,000</td>
<td>2,107,027c</td>
<td>...</td>
<td>4,771,027</td>
<td>2,664,000</td>
<td>2,279,000</td>
</tr>
<tr>
<td>Program Improvements/offsets</td>
<td>414,000</td>
<td>-16,225</td>
<td></td>
<td>+397,775</td>
<td>378,000</td>
<td>16,000</td>
</tr>
</tbody>
</table>

\[a/\] This number includes $25 million of funds recaptured from prior year obligations in fiscal year 2015 and $5 million transferred to this account for the Department of Justice's Bureau of Justice Assistance (BJA) Pay for Success demonstration program.

\[b/\] This number includes $20 million in fiscal year 2016 recaptures, and another $5 million transfer to support the Pay for Success demonstration with DOJ.

\[c/\] This number includes $20 million in anticipated fiscal year 2016 recaptures.

1. **What is this request?**

In fiscal year 2017, the Department requests $2.664 billion for Homeless Assistance Grants (HAG). This program is key to the Administration’s progress in the reductions in homelessness nationwide, particularly chronic homelessness among individuals, which has declined by 22 percent between 2010 and 2015\(^1\). This request includes $2.387 billion for the Continuum of Care (CoC) Program, $270 million for Emergency Solutions Grants (ESG) and $7 million for Homeless Management Information System (HMIS) Technical Assistance. This is an increase of $414 million from fiscal year 2016, 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 individuals experiencing chronic homelessness to reach the goal of ending chronic homelessness,
- fund rapid re-housing interventions for 8,000 households with children to support the administration’s goal to end family homelessness, and
- provide $25 million for projects targeted to youth experiencing homelessness, and improve our understanding of how to best meet the Administration’s goal of ending youth homelessness.

Homeless Assistance Grants

Complementing these investments, the Budget also includes an $11 billion mandatory proposal to end homelessness among families by 2020, as described in the Homeless Assistance for Families Congressional Justification, and 10,000 vouchers targeted to families with children experiencing homelessness, as described in the Housing Choice Voucher Congressional Justification.

HAG funds allow HUD to continue making progress on the goals of Opening Doors: Federal Strategic Plan to Prevent and End Homelessness (Opening Doors), and 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.

In addition, the 2017 Budget includes legislative language to 1) 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; 2) allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another; 3) allow public housing agencies to be eligible subrecipients of Emergency Solutions Grants (ESG) program funds; and 4) 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 men, women, and children experiencing homelessness. Funds are awarded to over 8,000 projects through a national competition. In the fiscal year 2014 CoC Program competition, approximately 93 percent of those projects were renewals (see description of renewal demand on page 4).
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 2014 CoC Program competition, 40 percent of the communities reallocated projects to create new permanent supportive housing units, resulting in over 2,400 new beds dedicated to serving people experiencing chronic homelessness, and new rapid re-housing units, resulting in over 7,300 new beds dedicated to families with children experiencing homelessness.

The chart below details the number and type of new and renewal grants in the most recently awarded CoC Program competition.

**Fiscal Year 2014 Funding Requests**
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Requested</th>
<th>Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Projects</td>
<td>8,553</td>
<td>8,352</td>
</tr>
<tr>
<td>Total Amount ($)</td>
<td>$1,901.4</td>
<td>$1,810.6</td>
</tr>
<tr>
<td>CoC Planning Applications</td>
<td>309</td>
<td>308</td>
</tr>
<tr>
<td>CoC Planning Amount ($)</td>
<td>$16.4</td>
<td>$10.3</td>
</tr>
<tr>
<td>New Applications</td>
<td>504</td>
<td>312</td>
</tr>
<tr>
<td>New Amount ($)</td>
<td>$215.7</td>
<td>$102.1</td>
</tr>
<tr>
<td>Renewal Applications</td>
<td>7,738</td>
<td>7,730</td>
</tr>
<tr>
<td>Renewal Amount ($)</td>
<td>$1,669.3</td>
<td>$1,692.1</td>
</tr>
</tbody>
</table>

*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

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Homeless Assistance Grants

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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Renewal Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,929,731,574 - $1,988,505,124</td>
</tr>
<tr>
<td>2017</td>
<td>$1,972,743,053 - $2,053,263,178</td>
</tr>
<tr>
<td>2018</td>
<td>$1,986,653,751 - $2,088,533,430</td>
</tr>
<tr>
<td>2019</td>
<td>$2,001,435,988 - $2,125,236,152</td>
</tr>
<tr>
<td>2020</td>
<td>$2,024,177,509 - $2,149,384,365</td>
</tr>
<tr>
<td>2021</td>
<td>$2,047,185,558 - $2,173,815,593</td>
</tr>
</tbody>
</table>

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 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 to requiring HMIS to be used by their grantees—thereby streamlining data collection and improving collaboration among programs that serve
Homeless Assistance Grants

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 2017, 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 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
Homeless Assistance Grants

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 100,000 veterans being housed since 2008. As part of these joint efforts, HUD and the VA are collaborated on two studies: (a) the evaluation of the Veterans Homeless Prevention Demonstration, that identifies better outreach strategies and improved service delivery for this population; and (b) the HUD-VASH Evaluation and Exit Study, that provides information about the reasons for exiting the program, the barriers to accessing housing, and the long-term stability of participants.

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 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 113,000 permanent supportive housing beds since 2001, and achieved a 22 percent reduction in chronic homelessness since 2010. It has also contributed to declines of 36 percent in veteran homelessness and 19 percent in family homelessness since 2010. The request supports the renewal of over 238,000 beds and the addition of 25,500 new permanent supportive housing beds and 8,000 new rapid re-housing units nationwide through the CoC Program, as well as an investment of $25 million in innovative projects for youth experiencing homelessness. These resources are dedicated to serving individuals and families experiencing homelessness and have
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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 where the total time is at least 12 months). 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 2017 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 8,000 additional families with children. Rapid re-housing is the most cost 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.

Complementing the targeted increases in Homeless Assistance Grants, the Budget provides 10,000 new Housing Choice Vouchers to support families with children experiencing homelessness. 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. The Budget also provides $11 billion over the next 10 years in mandatory funding for housing vouchers and
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rapid rehousing to reach and maintain the goal of ending homelessness among all of America’s families by 2020. Further
details on these significant investments are provided in the Tenant-Based Rental Assistance and Homeless Assistance for
Families Congressional Justifications.

HUD also requests $25 million to provide targeted resources to serve youth experiencing homelessness. HUD has heavily
promoted the importance of identifying youth experiencing homelessness, but there are insufficient resources to meet the
needs, as evidenced by the fact that 47 percent of youth experiencing homelessness are unsheltered. The $25 million is a
critical resource for improving the capacity to serve homeless youth and for building the evidence base for how to best
achieve the goal of ending youth homelessness. The Budget also continues to allow HUD to partner with other federal
agencies to allow local communities to test innovative, cost-effective, and outcome-focused strategies for improving results for
disconnected youth through the Performance Partnership Pilots for Disconnected Youth.

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 564,000 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),
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 2015 AHAR can be accessed online at https://www.hudexchange.info/resource/4832/2015-ahar-part-1-pit-estimates-of-homelessness/ and Part 2 of

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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 2 percent between 2014 and 2015: from 576,450 in January 2014 to 564,708 in January 2015. Roughly 1.49 million people spent at least 1 night in an emergency shelter or transitional housing program during the 2014 AHAR reporting period, a 6.6 percent decrease from 2010.

To track progress on implementation of the goals of Opening Doors, HUD uses the 2015 PIT count data in the AHAR to track the number of families, chronically homeless individuals, and veterans experiencing homelessness. The following charts from the 2015 Annual Homeless Assessment Report to Congress: Point-in-Time Estimates of Homelessness show the progress in reducing homelessness among these three groups.

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
Homeless Assistance Grants

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.

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Beds - Families</th>
<th>Beds - Individuals</th>
<th>Total Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Shelter</td>
<td>28,507</td>
<td>36,736</td>
<td>65,243</td>
</tr>
<tr>
<td>Transitional Housing</td>
<td>48,489</td>
<td>26,332</td>
<td>74,821</td>
</tr>
<tr>
<td>Rapid Re-housing</td>
<td>20,259</td>
<td>4,956</td>
<td>25,215</td>
</tr>
<tr>
<td>Permanent Supportive Housing</td>
<td>76,559</td>
<td>111,302</td>
<td>187,861</td>
</tr>
<tr>
<td>Safe Havens</td>
<td>1,694</td>
<td>1,694</td>
<td>1,694</td>
</tr>
<tr>
<td><strong>TOTAL BEDS</strong></td>
<td><strong>173,814</strong></td>
<td><strong>179,728</strong></td>
<td><strong>354,834</strong></td>
</tr>
</tbody>
</table>

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;
- 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;
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- 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 2014, HUD allocated over $1.24 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 2017 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 following chart from the 2015 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 22 percent decrease in the number of chronically homeless persons between 2010 and 2015.
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. Projects funded in fiscal year 2014 will provide over 10,000 homeless veterans 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 173,000 HUD-funded beds across the country were serving persons in homeless families at the beginning of 2015. In the fiscal year 2014 CoC Program competition, HUD funded over 9,000 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 nearly 8,000 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 study\(^3\) 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.\(^6\)

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Homeless Assistance Grants

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

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 also engaged in several efforts to improve interagency coordination, as well as a number of evaluations on the effectiveness of homelessness interventions 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
Homeless Assistance Grants

- The short-term outcomes from the *Family Options Study*, a large and rigorous study of the impact of various housing and service interventions for homeless families, were released in July of 2015. These outcomes document how families were faring roughly 20 months after being randomly assigned to one of four interventions: a permanent housing subsidy, community-based rapid re-housing, project-based transitional housing, or usual care. Overall, families assigned to receive a permanent housing subsidy achieved superior outcomes in all key measures, including increased housing stability and reduced homelessness, reduced family separations, and reduced exposure to psychological distress, family violence, and food insecurity. Families assigned to receive rapid re-housing did not achieve significant increases in housing stability over the short term, but did experience modest increases in annual income, as well as food security, and did so at a lower cost than those households assigned to receive either transitional housing or usual care. The results of this study have contributed significantly to the mix of funding requested in the 2017 Budget to reach the goal of ending family homelessness by 2020. All reports associated with the study can be found on [https://www.huduser.gov/portal/family_options_study.html](https://www.huduser.gov/portal/family_options_study.html). A report documenting the 36-month impact estimates will be available in early 2017.

- The *Homelessness Prevention Study* surveyed communities implementing prevention programs using HPRP funding and proposed alternative research designs for an empirical study of homeless prevention. The report for this study is available on HUDUSer.gov.

- The *Evaluation of the Veterans Homeless Prevention Demonstration* studied the best outreach and service provision models to meet the specific needs of homeless veterans. The final report was released on December 10, 2015, and can be found on [http://www.huduser.gov/portal/publications/homeless/veterans-homelessness-prevention-report.html](http://www.huduser.gov/portal/publications/homeless/veterans-homelessness-prevention-report.html). Among the lessons learned from this demonstration is that intense and targeted outreach is necessary; veteran-on-veteran supports are critical; service providers must have skills for working with clients suffering from traumatic brain injuries and post-traumatic stress disorders; and employment service providers must know how to translate military experience into terms that are meaningful in civilian labor markets. The evaluation of the Veterans Homelessness Prevention Demonstration found that 6 months after leaving the demonstration program, 76 percent of those veterans studied lived in their own place, employment nearly doubled, and monthly incomes grew by 41 percent.

- 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 early 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](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.”

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.

**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
Homeless Assistance Grants

rates of success. HUD is continuing to work towards releasing a final rule, and anticipates releasing a Notice for Further Comment by the second quarter of fiscal year 2016.

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

- Improve Title V data collection and process. HUD 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. 251)

- CoC Transition for Reallocated Grants. HUD proposes a provision that would allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another. When a grant for a project is awarded through reallocation, it is a new project and cannot start operations until the grant agreement has been executed. However, there are instances where a new grant created through reallocation is using the staff and other resources, including housing, from the grant that is being eliminated to create the new grant. To avoid undue hardship on organizations, and to ensure that program participants are served in the most appropriate manner during the transition period, HUD is seeking authority to allow the eliminated project to continue operating during the transition period from the old to new grant. (Sec. 261)

- PHA Eligibility for ESG Funds. This provision would allow public housing agencies to be eligible subrecipients of Emergency Solutions Grants (ESG) program funds. PHAs are important providers of homeless services in many communities. They often provide services across several project types. However, they are currently prohibited from administering ESG activities as a subrecipient, which is an unnecessary burden, especially if the PHA is most qualified to provide such services. This provision proposes to remove that barrier and allow PHAs to serve as a subrecipient. (Sec. 262)
Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Summary of Resources by Program
(Dollars in Thousands)

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NOTES
a. In the 2014 Carryover Into 2015 column, the Continuum of Care set-aside includes $25 million in fiscal year 2015 recaptures.

b. The Continuum of Care 2015 Carryover Into 2016 column includes $20 million in anticipated recaptures.
Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Appropriations Language

The fiscal year 2017 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, [$2,250,000] $2,664,000,000, to remain available until September 30, [2018] 2019: 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] $270,000,000 of the funds appropriated under this heading shall be available for such Emergency Solutions Grants program: Provided further, That not less than [$1,955,000,000] $2,362,000,000 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 shall establish system performance measures for which each Continuum of Care shall report baselines outcomes, and that relative to fiscal year 2015, under the Continuum of Care competition with respect to funds made available under this heading, the Secretary shall base an increasing share of the score on performance criteria]: Provided further, That none of the funds provided under this heading shall be available to provide funding for new projects, except for projects created through reallocation, unless the Secretary determines that the Continuum of Care has demonstrated that projects are evaluated and ranked based on the degree to which they improve the Continuum of Care’s system performance: Provided further, That the program to Continuums of Care that have demonstrated a capacity to reallocate funding from lower performing projects to higher performing projects: [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 2013, 2014, 2015, and 2016 provision of permanent housing rental assistance may be administered by private nonprofit organizations:] Provided further, 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:
Homeless Assistance Grants

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 2017. [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]: Provided further, That up to [$25,000,000] of the funds appropriated under this heading shall be to implement project to demonstrate how a comprehensive approach to serving homeless youth, age 24 and under, in up to 10 communities, including at least four rural communities, can dramatically reduce youth homelessness: Provided further, That such projects shall be eligible for renewal under the Continuum of Care program subject to the same terms and conditions as other renewal applicants: [Provided further, That up to $5,000,000 of the funds appropriated under this heading shall be available to provide technical assistance on youth homelessness, and collection, analysis, and reporting of data and performance measures under the comprehensive approaches to serve youth, in addition to an in coordination with other technical assistance funds provided under this title: Provided further, That youth aged 24 and under seeking assistance under this heading shall not be required to provide third party documentation to establish their eligibility under 42 U.S.C. 11302(a) or (b) to receive services: Provided further, That unaccompanied youth aged 24 and under or families headed by youth aged 24 and under who are living in unsafe situations may be served by youth-serving providers funded under this heading:] Provided further, That the Secretary may use amounts made available under this heading for the Continuum of Care program to renew a grant originally awarded pursuant to the matter under the heading “Department of Housing and Urban Development – Permanent Supportive Housing” in chapter 6 of title III of the Supplemental Appropriations Act, 2008 (Public Law 110-252; 122 Stat. 2351) for assistance under subtitle F of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C 11403 et seq.) Provided further, That such renewal grant shall be awarded to the same grantee and be subject to the provisions of such Continuum of Care program except that the funds may be used outside the geographic area of the continuum of care. (Department of Housing and Urban Development Appropriations Act, 2016.)
COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
2017 Summary Statement and Initiatives
(Dollars in Thousands)

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<tr>
<th>HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<td>-13,973</td>
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a/ Fiscal year 2015 carryover includes a Department of Justice Interagency Agreement transfer in the amount of $1.490 million.
b/ This number includes an estimated transfer to the Research and Technology Account of $1.675 million of Budget Authority.
c/ This number excludes obligations and outlays for the transfer to the Research and Technology account.

1. What is this request?

The Department requests $335 million for the Housing Opportunities for Persons With AIDS (HOPWA) program—the same level of funding as the fiscal year 2016 enacted appropriations—to enable communities to continue their efforts to prevent homelessness and sustain housing stability for approximately 49,125 economically vulnerable households living with Human Immunodeficiency Virus (HIV) infection.

Seventy-eight percent of assisted households 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.
Overall, communities remain challenged to sustain existing program beneficiaries with the provision of supportive housing and are limited in assisting new 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:

- **25,660 Permanent Supportive Housing households**: Continual support 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.
- **25,998 Transitional/Short-Term Housing households**: Continual support 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. These services promote self-sufficiency efforts for households able to transition to the private housing market.
- **Greater housing stability**: 96 percent of households receiving long-term assistance in fiscal year 2015 achieved housing stability, and 70 percent of client households receiving 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 modernization efforts, 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:
Housing Opportunities for Persons With AIDS

- 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 Rents for each eligible metropolitan statistical area (MSA) and balance of state area.
- Greater flexibility for communities to expand the provision of rental assistance for short-term and medium-term rental assistance, which will benefit the homeless and those at severe risk of homelessness in a manner similar to the Emergency Solutions Grant program.
- 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 (program web link) 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, achieve better health outcomes that translate to cost savings to public health and service systems, and dramatically decrease the risk of transmitting HIV to others. 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
Housing Opportunities for Persons With AIDS

assistance provided by the Ryan White Program. HOPWA formula grantees are evenly distributed between local and State health and community development agencies.

**Formula funds.** Ninety percent of funding is allocated to qualifying States and metropolitan statistical 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 3 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 3-year grant cycle. HOPWA’s appropriations account language requires HUD to prioritize funding of expiring permanent supportive housing grants. An estimated 29 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 2014-15 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. See the following charts for more detailed demographic information.
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: 17%; Percent of households with a Median Income between 51-80% of the Area Median Income: 5%
### Race and Ethnicity

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<th>Percentage HOPWA Eligible Individuals</th>
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<td>% of HOPWA Eligible Individuals Identified as Hispanic/Latino</td>
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### 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
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to and engagement in medical care, initiation of antiretroviral treatment, and sustainability of viral suppression. The Administration issued the National HIV/AIDS Strategy: Updated to 2020, which retains the original vision, but builds achievements and lessons learned to date. 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. 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 services and care. HUD is collaborating with HRSA’s HIV/AIDS Bureau on a HRSA Special Project of National Significance Initiative (Addressing HIV Care and Housing Coordination through Data Integration to Improve Health Outcomes along the HIV Care Continuum) that will identify models for the electronic integration of Ryan White and HOPWA data systems to better coordinate service delivery and enhance patient navigation to improve health outcomes along the HIV Care Continuum.

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 United States. 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 2015, HOPWA grantees reported that 18 percent of new households, or 4,441 households, assisted were homeless. Of these households, 11 percent were veterans and 58 percent were chronically homeless.

HUD Collaboration with the U.S. Department of Justice’s (DOJ) Office on Violence Against Women: In response to a recommendation by the Federal interagency working group, HUD and the DOJ identified available resources for competitive award demonstration grants aimed at addressing the housing and supportive needs of low-income persons living with HIV who are victims of sexual assault, domestic violence, dating violence, or stalking. Per an interagency agreement, HUD will administer the funds. Grantees will carry out innovative projects to improve cross-agency planning, resource utilization, and service integration among HIV housing providers and sexual assault, domestic violence, dating violence, and stalking service providers.

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. Over the past decade, the mortality of people living with HIV has
Housing Opportunities for Persons With AIDS

increased, while the annual number of new HIV infections has remained relatively stable at approximately 50,000 a year. The Centers for Disease Control and Prevention (CDC) estimates that 1,201,100 persons are living with HIV infection. Once clients become adherent to Antiretroviral Therapy (ART) medications they can obtain an undetectable viral load. An undetectable viral load means the virus is suppressed to such a rate that there is a reduced transmission rate of 96 percent. 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 25,660 households received permanent supportive housing and 25,998 households benefitted from transitional and short-term housing.

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. 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. 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.

How HOPWA Helps Solve the Problem

![HIV Care Continuum Shows Where Improvements are Needed](chart.png)

In the US, 1.2 million people are living with HIV. Of those:

- **Diagnosed**: 86%
- **Engaged in Care**: 40%
- **Prescribed ART**\(^*\): 37%
- **Virally Suppressed**: 30%

*Sources: CDC National HIV Surveillance System and Medical Monitoring Project, 2011.\(^*\)Antiretroviral therapy
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Of the 1.2 million people estimated to be living with HIV in the United States in 2011, an 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.

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 connection to care, with 89 percent of households served during the fiscal year 2014-2015 program year, compared to 86 percent during the 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.

- **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, depending on the severity of an individual’s infection. Lifetime treatment costs per person are estimated to be $367,134.

- **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. 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. 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.

4. How do we know this program works?

HOPWA Results based on Key Research and Evaluation

**Stable Housing in Connection to Health:** The HUD-CDC 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. 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.

**Stable Housing Equals Cost-Benefit Savings:** Stable housing is one of the most cost-effective strategies for driving down soaring national HIV/AIDS costs. By investing in the provision of affordable supportive housing, HOPWA grantees demonstrate that 97 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. 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. 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.

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. 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 who 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. 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. These successful program accomplishments provide a foundation for increased housing stability and better health outcomes. See chart (Percentage of Households who Accessed or Maintained Access to Care) below. 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 2015. Seventy percent of clients receiving transitional or short-term housing facilities assistance and 44 percent receiving STRUM assistance achieved housing stability in fiscal year 2015.
Grants System Consolidation

Grants management involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.
Housing Opportunities for Persons With AIDS

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD's Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

**IT Enhancements Currently in Progress**

Re-engineer IDIS to Remove OIG audit findings around First-In-First-Out (FIFO)

The OIG has recorded a material weakness for IDIS in the fiscal year 2013 HUD Financial Statement audit. At the core of this issue is the financial accounting methodology known as First-In-First-Out (FIFO). Based on the findings from the OIG, HUD will eliminate the FIFO methodology used for commitments and disbursements in IDIS. The major outcomes of this project will be: (1) the ability to enforce each commitment and disbursement of program funds to a specific grant year, beginning with the fiscal year 2015 program year, in accordance with Generally Accepted Accounting Principles (GAAP) (elimination of the FIFO basis); (2) continued function of IDIS Online to automate grants management for CPD, including revision of all processing and system rules to support the new method of commitments and disbursements (i.e., program income, other receipt funds, and activities spanning grant years); and (3) ensure IDIS Online continues to enforce applicable federal system standards under FFMIA and the closure of all related audit findings for the IDIS Online system, to resolve the IDIS Online contribution to HUD’s material weakness.

HUD will use the funding to continue the project’s phased approach to removing the First-In-First-Out mechanism and related functions from IDIS Online, including Phase 1b, Part 2 and Phase 2 (Phase 1a and Phase 1b, Part 1 are completed). More details on the current progress of this project can be found in the fiscal year 2014 IT Expenditure plan.

### 5. Proposals in the Budget

- **HOPWA Modernization.** This provision would make three changes to the HOPWA program that would:

  1) Update the HOPWA formula to base funding on the number of persons living with HIV adjusted for fair market rents and poverty rates. The current HOPWA formula bases funding on the number of AIDS cases as reported by the CDC. HUD has determined that the current formula can be updated to better reflect current levels of need. Currently, 55 percent of the statutorily required cumulative AIDS cases used to run the formula program represent deceased individuals. The new formula
would modernize the manner in which HOPWA funding is allocated. HUD is also proposing a stop-loss provision that would ensure that grant allocations remain stable until 2020 to help HOPWA grantees with the transition to the new formula.

2) Increase the maximum cap on administrative expenses that HOPWA grantees and project sponsors can charge to their HOPWA grants. Relative to other HUD grant programs, the cap on administrative expenses is significantly lower for the HOPWA program. The proposal allows grantees and project sponsors additional flexibility to use funds for these essential costs to ensure the successful administration of their HOPWA programs.

3) Allow HOPWA grantees to provide short-term and medium-term housing assistance in the manner that such assistance is provided under the Emergency Solutions Grant program for purposes of administrative ease. (Sec. 267)

Agreements Between Cities and States. 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, and allow former grantees to continue to receive direct allocations. 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. Finally, this provision makes technical changes to accurately reference the new formula factors in the Department’s formula modernization proposal. (Sec. 203)
The charts below reflect distribution of Funds to Grantees; the fiscal year 2017 figures are estimated using the proposed formula.

### Estimated HOPWA Formula Funding by Grantee

(Dollars in Thousands)

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<tr>
<th>HOPWA Formula Grantee</th>
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<th>2016 ESTIMATE</th>
<th>2017 PROPOSED</th>
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### Housing Opportunities for Persons With AIDS

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<tr>
<th>HOPWA Formula Grantee</th>
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<th>2016 ESTIMATE</th>
<th>2017 PROPOSED</th>
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Housing Opportunities for Persons With AIDS

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## Housing Opportunities for Persons With AIDS

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<th>2016 ESTIMATE</th>
<th>2017 PROPOSED</th>
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**Total Formula Grantees** $297,000 $301,500 $299,993

**Total Competitive Grants** $33,000 $33,500 $33,332

**Transformation Initiative** 0 0 $1,675

**Total HOPWA** $330,000 $335,000 $335,000
### COMMUNITY PLANNING AND DEVELOPMENT
### HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

**Summary of Resources by Program**

(Dollars in Thousands)

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**NOTE:** The 2014 Carryover into fiscal year 2015 column includes a Department of Justice Interagency Agreement transfer in the amount of $1.490 million.
The fiscal year 2017 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.), $335,000,000, to remain available until September 30, [2017]2018, except that amounts allocated pursuant to section 854(c)(3) of such Act shall remain available until September 30, [2018]2019. 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, 2016.)
Housing Opportunities for Persons With AIDS

WORKS CITED


8. Ibid.

9. Ibid.


Housing Opportunities for Persons With AIDS


15 Ibid.

16 Ibid.

17 Ibid.


COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE FOR FAMILIES
2017 Summary Statement and Initiatives

Estimated Outlays Over 10 Years
(Dollars in Millions)

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<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<th>2025</th>
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<td>$10,967</td>
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1. **What is this request?**

The Department requests $10.967 billion over 10 years in mandatory budget authority to reach and maintain the goal of ending family homelessness by 2020, as laid out in *Opening Doors*, the nation’s first Federal strategic plan to prevent and end homelessness. Specifically, this request provides the necessary rental assistance and case management to enable HUD to serve nearly 550,000 families with children over the course of 10 years through targeted, evidence-based interventions. Complementing this mandatory proposal, the Budget also provides targeted discretionary investments to address homelessness, including 10,000 new housing vouchers for families with children experiencing homelessness (in the Housing Choice Voucher account), 25,500 new units of permanent, supportive housing to end chronic homelessness, 8,000 new units of rapid rehousing, and $25 million to test innovative projects that support homeless youth (in the Homeless Assistance Grants account).

2. **What is this program?**

This investment will significantly expand the availability of rapid rehousing and Housing Choice Vouchers dedicated specifically to families experiencing homelessness, and would enable communities to properly scale their response to family homelessness. These two interventions offer the most flexible, targeted, and cost effective interventions for communities seeking to move families out of emergency shelter quickly and into their own permanent housing units. Rapid rehousing offers time-limited rental assistance and case management services designed to help families stabilize in housing and connect to other needed services in the community. The Housing Choice Voucher program, alternatively, offers a longer-term housing subsidy. Housing Choice Vouchers do not come with dedicated funding for services, but can be coordinated with supportive services funded through other resources, including mainstream systems.
Homeless Assistance for Families

The **Homeless Assistance for Families** funding will be provided through the Continuum of Care (CoC) framework already operating within a given community and in partnership with local Public Housing Agencies (PHAs). Execution will rely on each community’s coordinated entry system to assess families in need of assistance, and connect them to the most appropriate intervention. Coordinated entry provides a standardized way for CoCs to assess all persons presenting for homeless assistance and prioritize assistance based on vulnerability and severity of service needs. CoCs will use the information from their coordinated entry process to determine which housing intervention is most appropriate for each family’s needs, including the rapid rehousing interventions or Housing Choice Vouchers funded under this request or other housing and service options available in the community. Using the coordinated entry process will ensure that resources are efficiently allocated, targeting resources to those families who need them most. Based on current research and data on homeless families with children, HUD estimates that of the $11 billion spent over 10 years, approximately 20 percent of the funds will be used to support rapid rehousing, and 80 percent of the funds will support Housing Choice Vouchers.

**Rapid Rehousing**
The Continuum of Care (CoC) Program is the federal government’s largest targeted homelessness assistance program. Each year, funds are awarded to over 8,000 projects through a national competition that encourages communities to carefully review the performance of each project in its portfolio.

Rapid rehousing is an evidence-informed intervention that CoCs across the country use to provide time-limited housing assistance and stabilization services, particularly for families with children. Rapid rehousing is a cost effective solution for many homeless families, and it has helped many communities significantly reduce homelessness.

Families requiring longer-term housing assistance – as determined by CoCs through their coordinated entry processes – would be referred to the participating PHA to receive a housing voucher.

**Housing Choice Vouchers**
The Housing Choice Voucher program is the federal government’s largest rental assistance program, allowing very low- and extremely low-income families, the elderly, and persons with disabilities to afford decent and safe housing in the private market. The program is administered locally by approximately 2,300 PHAs and currently provides rental assistance to about 2.2 million households – including some of our nation’s most economically vulnerable families. Because the Housing Choice Voucher program serves a broader low-income eligible population, additional resources are necessary to adequately address the needs of higher-need families experiencing homelessness.

The new housing vouchers funded through the Homeless Assistance for Families account will be targeted to those families with children who have long-term housing affordability needs, and for whom rapid rehousing or other interventions have been inadequate.
Homeless Assistance for Families

for long-term housing stability. Housing vouchers will be distributed to PHAs partnered with the CoCs, and together they will work to ensure that the housing assistance is paired with the appropriate wraparound services for those families.

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

Although family homelessness has declined since the release of Opening Doors in 2010, the reduction has been modest. While limited new resources have been made available, communities continue to maximize their homeless assistance resources by reallocating funding toward higher performing projects and by focusing on improved coordinated entry. Between the 2014 and 2015 annual Point-in-Time (PIT) counts, family homelessness declined by 5 percent—one of the greater declines in family homelessness since the publication of Opening Doors. Yet, with over 64,000 families experiencing homelessness on a given night in 2015—and over 206,000 people in those families, over 128,000 of which are under 18—there remains an urgent need for far greater, dedicated resources to end family homelessness.¹

While HUD’s PIT count provides an important perspective on homelessness among families with children, HUD and its federal partners use many other data sources to get a full picture of homelessness and housing instability, including data collected by other Federal agencies as well as national and local studies and evaluations. Each of these data sources provides an important perspective used to drive policy decisions. HUD’s 2014 Annual Homeless Assessment Report,² which relies on data collected throughout the year in each CoC’s Homeless Management Information System (HMIS), indicated that over 160,000 families with children experienced homelessness in fiscal year 2014. The American Housing Survey (AHS) estimates the number of people who are living in overcrowded situations or living with other people temporarily. HUD’s Worst Case Housing Needs: 2015 Report to Congress,³ which uses the AHS data, found that in 2013 there were 7.7 million renter households with worst case needs—very low income households who receive no housing assistance and

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Homeless Assistance for Families

have severe rent burdens or live in substandard housing.

A growing affordability gap in communities across the country has meant that many families face significant barriers to sustainable housing solutions. The 2015 Worst Case Housing Needs Report showed a significant national shortage of affordable rental housing, with only 39 affordable rental units available to every 100 extremely low-income renters. Moreover, 12 percent of those affordable and available units for extremely low-income renters have severe deficiencies. While communities continue to maximize their homeless assistance resources by reallocating funding to projects that demonstrate success, one thing is clear – we will not end family homelessness without additional resources.

With this request, over the course of 10 years, 550,000 families will be provided with the assistance they need to lift themselves out of homelessness and into opportunity. For families who have lost their homes or are at risk of losing their homes, this assistance will bring stability to the household and help families connect to the services needed to maintain their housing and forge a path to self-sufficiency. This program will leverage the housing assistance delivery systems that are already established in communities through the CoC and PHAs. CoCs continue to develop coordinated entry systems that will allow communities to ensure that families experiencing homelessness are quickly assessed and referred to the most appropriate intervention.

More broadly, this request will further solidify partnerships between PHAs and CoCs across the country, who will work collaboratively to leverage coordinated systems to serve the most vulnerable families effectively and efficiently. With these partnerships and with adequate resources, this proposal builds a service delivery system with solid, sustainable solutions for the hundreds of thousands of families who experience homelessness each and every year.

4. How do we know this program works?

The programs supported by the Homeless Assistance for Families request are proven, evidence-based interventions that have ended homelessness for hundreds of thousands of families nationwide. The research on how to best serve families with children experiencing homelessness indicates that two key interventions are rapid rehousing and Housing Choice Vouchers.
Homeless Assistance for Families

Rapid rehousing is a highly promising intervention for helping families with children stabilize long enough to overcome their homeless experience, and cost efficient compared to alternative service interventions.

The 2014 Annual Homeless Assessment Report indicates that 19.5 percent of families who enter emergency shelter exit within 7 days or less. An additional 26.6 percent of families with children who enter emergency shelter leave within the 30 days. These families often need the type of short- and medium-term assistance rapid rehousing provides to stabilize their housing situation.

Additionally, HUD's experience with its Homelessness Prevention and Rapid Re-housing Program (HPRP) showed that roughly 85 percent of families with children who received rapid re-housing were placed into permanent housing destinations — both subsidized and non-subsidized — nearly 45 percent of which exited the program within 90 days. This performance overshadows the results in traditional transitional housing programs which exit families with children into permanent housing destinations roughly 71 percent of the time and only about a quarter of those exits happen in the first 90 days.

Numerous studies have demonstrated that the provision of housing vouchers to low-income families vastly reduces their risk of homelessness. The findings of the recently released Family Options Study, which documents the outcomes of a large cohort of families randomly assigned to receive different interventions to address their homelessness, adds to this body of evidence. Short-term outcomes reveal that 20 months after the study started, families who had been offered a voucher experienced significantly less homelessness and fewer moves than families assigned to the other interventions. Moreover, the study demonstrated that the provision of a housing voucher to a homeless family yielded other substantial benefits, such as dramatic reductions in child separations, domestic violence, psychological distress, food insecurity, and school mobility—all of which are measures linked by research to have powerful effects on child well-being.

Family homelessness generates both fiscal costs — particularly in the enormous price tag associated with emergency shelter — as well as social costs, in the long-term well-being of children, families, and communities. The Family Options Study also points to the cost-effectiveness of rapid rehousing and housing vouchers when compared to other interventions. Over the 20-month period that families were tracked, the cost of all assistance provided to families offered a housing voucher was comparable to the cost that accrued to other study families who did not have the opportunity to receive a housing voucher. The average monthly cost of rapid rehousing ($878 per family) and housing vouchers ($1,162 per family) was considerably lower than other forms of intervention. Addressing family homelessness with targeted housing vouchers provides communities with a tool that is proven to be cost-effective while delivering powerful and far-reaching benefits to homeless families and children.

5 HUD. Analysis of HMIS Administrative Data.
6 Family Options Study, 2015: https://www.huduser.gov/portal/family_options_study.html
# HOUSING
## PROJECT-BASED RENTAL ASSISTANCE
### 2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>PROJECT-BASED RENTAL ASSISTANCE</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Appropriation ...............</td>
<td>$9,730,000</td>
<td>$408,138a</td>
<td>...</td>
<td>$10,138,138</td>
<td>$9,810,138</td>
<td>$10,260,308</td>
</tr>
<tr>
<td>2016 Appropriation ...............</td>
<td>10,620,000</td>
<td>426,500</td>
<td>...</td>
<td>11,046,500b</td>
<td>10,731,001</td>
<td>10,660,000</td>
</tr>
<tr>
<td>2017 Request .....................</td>
<td>10,816,000</td>
<td>316,994</td>
<td>...</td>
<td>11,132,994c</td>
<td>11,002,000</td>
<td>11,016,000</td>
</tr>
<tr>
<td>Program Improvements/Offsets .....</td>
<td>+196,000</td>
<td>-109,506</td>
<td>...</td>
<td>+86,494</td>
<td>+270,999</td>
<td>+356,000</td>
</tr>
</tbody>
</table>

a/ Resources includes $351 million in unobligated funds, and $32 million from recaptures realized in fiscal year 2015. It includes $24.7 million transferred from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD).
b/ Resources exclude $25 million in spending authority from anticipated recaptures, an estimated $43.5 million transfer from the Public Housing Fund and Capital Fund for Rental Assistance Demonstration conversions (RAD), and $30 million transferred from Other Assisted Housing for RAD conversions.
c/ Resources exclude an estimated $149 million transfer from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and $15 million in spending authority from anticipated recaptures. Also include an estimated transfer to the Research and Technology Account (R&T) account of $28.5 million. When the additional resources are added, and the R&T transfer is included, Total Resources will be $11.268 billion.

### 1. What is this request?

The Department requests a total of $10.816 billion to meet Section 8 Project-Based Rental Assistance (PBRA) program needs for fiscal year 2017. This includes $10.028 billion for renewals and $549 million for amendments, as well as $235 million for Performance-Based Contract Administration and $4 million in technical assistance for tenant organizations. The total requested funding level for fiscal year 2017 is a $196 million increase over the fiscal year 2016 enacted level of $10.620 billion. The request fully supports the Department's calendar year funding policy, consistent with current practice in the Housing Choice Voucher and Public Housing programs, by providing 12 months of funding for all contracts from January through December 2017. The funding requested allows the renewal or amendment of several types of rental assistance contracts, including: Project-Based Section 8 contracts (including Public Housing, Rent Supplement, and Rental Assistance Program units converted to PBRA via the Rental Assistance Demonstration), Moderate Rehabilitation contracts, and Single Room Occupancy contracts.

The Department's fiscal year 2017 request of $235 million for Performance-Based Contract Administration (PBCA) funding will be combined with $60 million in anticipated recaptures in the Housing Certificate Fund (HCF) account to allow HUD to extend current PBCA contracts as necessary during fiscal year 2017, and also potentially execute new, awards during fiscal year 2017. Assuming the
Project-Based Rental Assistance

HCF recaptures occur at the forecast rate in 2016 and 2017, budgetary resources are expected to support PBCAs through the end of calendar year 2017. HUD's fiscal year 2017 request of $235 million is based on partial year extensions of existing contracts, and the estimated annual funding for the program under new cost-saving PBCA agreements.

Contract Renewals and Amendments - $10.577 billion

The Department’s fiscal year 2017 request provides for the second complete year of funding under the new calendar year methodology. In fiscal year 2016, for contracts whose terms expire during fiscal year 2016 and a new multiyear contract is executed, HUD is placing 12 months of forward funding on such contracts at the time of renewal. However, for fiscal year 2017, the Department is completing the transition to the calendar year funding model, which provides calendar year (January through December) funding for all contracts. This means that even those contracts that expire outright during fiscal year 2017 will be funded only through calendar year 2017. The Department estimates that this transition to strict calendar year funding will result in a one-time reduction in budget needs of approximately $240 million for fiscal year 2017.

HUD does not expect the change in calendar year funding methodology to have a significant impact on stakeholders, investors, or lenders. The Department will only shift the timing for funding of the contract, and 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 1-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 2017 will be approximately $549 million.

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.
Project-Based Rental Assistance

<table>
<thead>
<tr>
<th>Contract Units</th>
<th>Average Monthly Subsidy per Unit</th>
<th>Average Utilization¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008</td>
<td>1,260,865</td>
<td>$587</td>
</tr>
<tr>
<td>FY 2009</td>
<td>1,255,545</td>
<td>$610</td>
</tr>
<tr>
<td>FY 2010</td>
<td>1,251,460</td>
<td>$635</td>
</tr>
<tr>
<td>FY 2011</td>
<td>1,249,790</td>
<td>$665</td>
</tr>
<tr>
<td>FY 2012</td>
<td>1,243,562</td>
<td>$676</td>
</tr>
<tr>
<td>FY 2013</td>
<td>1,230,119</td>
<td>$680</td>
</tr>
<tr>
<td>FY 2014</td>
<td>1,220,664</td>
<td>$696</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1,224,779</td>
<td>$717</td>
</tr>
</tbody>
</table>

Contract Administration Support - $235 million

The Department proposes up to $235 million for Performance-Based Contract Administrators (PBCAs) in fiscal year 2017. 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. This request estimates for the program reflects the cost of extending current PBCA contracts for a portion of fiscal year 2017, as well as the execution of new contracts competed in accordance with Federal Acquisition Regulations (FAR). If HCF recaptures occur at forecast levels for fiscal years 2016 and 2017, an estimated $60 million from that account will be combined with the requested appropriations to support PBCA contracts through the end of calendar year 2017.

Cost Saving Measures

The funding request for fiscal year 2017 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 10 percent before medical expenses can be deducted. If this change is not approved, the fiscal year 2017 appropriations requirement is expected to increase.

Tenant Outreach Activities

The Department will continue 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

¹ The average percentage of contract units that are occupied by families assisted with program support.
Project-Based Rental Assistance

to $4 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 extend current VISTA agreements and provide for capacity building technical assistance to tenant organizations, likely be competed through the Community Compass (formerly OneCPD) Notice of Funding Availability and be available to 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, 2014, and 2015. Public housing units converting in 2016 that will require renewal funds in 2017 are not reflected in this PBRA request; instead, HUD has budgeted for and will use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, as amended) to transfer amounts from the fiscal year 2017 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, the request includes renewal funding for Rent Supplement (RS) and Rental Assistance Payment (RAP) properties converting to PBRA in 2016 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. RS and RAP properties that are converting in 2017 that will require renewal funds in 2018 are not reflected in this PBRA request; instead, HUD has budgeted for and will use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, as amended) to transfer amounts from the fiscal year 2017 RS, RAP, and TBRA accounts to the PBRA account. As with transfers pursuant to Public Housing conversions, any marginal increase in actual 2017 contract costs above the amounts transferred will be covered by funding in this account—and those actual marginal costs reported in subsequent fiscal years’ Justifications.

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
Project-Based Rental Assistance

low-income households that are primarily seniors, families with children, and persons with disabilities. Section 8 tenant data on household types is summarized here:


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 more than $17 billion in FHA insurance and a similar amount of 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 17,200 contracts generally receives high standardized physical inspection scores, consistently receiving REAC scores of at least 85 (out of 100) on average over the last 5 to 7 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 $235 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, 17 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.
Project-Based Rental Assistance

Reduces the number of families with severe housing needs and reduces or prevents homelessness

HUD’s Worst Case Housing Needs: 2015 Report to Congress 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 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.

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 gap in supply of affordable rental units relative to need has been growing for decades; worst case needs are common in every region and metropolitan category across the United States. Nationwide 41.7 percent of very low-income renters had worst case housing needs in 2013. Only 65 affordable units are available nationwide 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: 2015 Report to Congress). 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 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 neighborhoods where low-income families may otherwise be
Project-Based Rental Assistance

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 17,200 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 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

<table>
<thead>
<tr>
<th>How many households and people are served?</th>
<th>What are the racial characteristics of the tenants?</th>
</tr>
</thead>
<tbody>
<tr>
<td>This program serves 2.00 million Americans and 1.17 million households.</td>
<td>This program serves a diverse demographic mix. 65% of residents are in a minority group.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>White, non-Hispanic</th>
<th>Black, non-Hispanic</th>
<th>Hispanic</th>
<th>Asian/P.I.</th>
<th>Nat. American</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>41%</td>
<td>19%</td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What are the characteristics of the Heads of Household?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Female Headed Families with children - 26%</td>
</tr>
<tr>
<td>- Elderly - 47%</td>
</tr>
<tr>
<td>- Non-elderly disabled - 17%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How big are the households?</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart.png" alt="Household Size Bar Chart" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How old are the heads of the household?</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart.png" alt="Age Distribution Bar Chart" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What is the share of rent paid by the tenant and HUD?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The average household contribution to rent (includes utilities) per month is $272. HUD contributes an average of $715 per month.</td>
</tr>
</tbody>
</table>

### What are the Income Levels of Assisted Households

Tenants make an average gross income of $11,914

<table>
<thead>
<tr>
<th>Distribution of HCV Household's Income%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000 per year - 88%</td>
</tr>
<tr>
<td>More than $20,000 per year - 12%</td>
</tr>
</tbody>
</table>

The average household income was 18% of the local area median income.

<table>
<thead>
<tr>
<th>Household Incomes Compared to their Local Area Median Income*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Income (Less than 30% AMI) - 76%</td>
</tr>
<tr>
<td>Very Low Income (30% to 50% AMI) - 21%</td>
</tr>
<tr>
<td>Low Income (50% to 80% AMI) - 3%</td>
</tr>
</tbody>
</table>

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 $19,750 per year for a 4-person household, (national estimate - adjusted based on actual state and local incomes) and $13,800 for a single person. Note, that the US national poverty guideline for 2015 was set at $24,250 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 is asked to prioritize time and energy spent on the riskiest troubled assets and allocate less time to low-risk assets. Two measures monitoring the effectiveness of this organizational approach track the number of assets with current and accurate risk ratings and the number of troubled assets with an active and operative resolution plan. 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, plus a modest increase to support properties entering the Multifamily portfolio from RAD.

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 includes an Asset Resolution Specialist position that focuses on a specialized skill set and knowledge base on troubled assets (including PBRA-assisted assets). This increased focus is allowing 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.

After each Multifamily for Tomorrow wave, the consolidated offices utilize a new system to measure and track customer requests and response time. This allows for a clearer view of the flow of work within each office and the ability to determine when work should be shifted to maximize efficiency. Two measures in particular (processing time for Reserve for Replacement draws and Interest Rate Reduction requests) have been included in the Multifamily Performance Goals and are closely monitored with monthly reports. Standardizing a baseline and measuring improvement for these two measures will help Multifamily continue to realize efficiencies over the coming year.
Project-Based Rental Assistance

Multifamily Housing has also almost completed an initiative to convert all of the files in the asset management portfolio into a fully searchable digital repository. This means that all files affiliated with PBRAFs will soon be available in PDF format, with the ability to search through all files using Optical Character Recognition. This digital repository allows for increased efficiency in locating and better accuracy in maintaining files associated with PBRA monitoring and oversight by field staff.

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.

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 income and benefit information on a triennial basis 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
Project-Based Rental Assistance

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.

5. Proposals in the Budget

Other Preservation Strategies. The Department is proposing technical amendments to the Low-Income Housing Preservation and Resident Homeownership Act (LIHPRHA), as amended by the FAST Act (Public Law 114-94). The revisions will establish internal consistency within Sections 214 and 220 of the Act, support effective implementation of the intended reforms, encourage preservation transactions that maintain property affordability. (Sec. 230)

Enhancing Enforcement Authority for Non-Performing HUD-Assisted Properties. (Section 272). The Budget is proposing to expand HUD’s authority to seek double the specified financial damages endured by HUD and mortgagors under the PBRA, Section 202 and 811 programs when project owners fail to maintain their properties in accordance with program requirements. Currently, HUD is able to enforce these penalties under its various insurance programs, but does not have similar enforcement capacity for properties only receiving a subsidy. This proposal is part of a larger effort being undertaken by HUD to evaluate and strengthen enforcement authorities across its portfolio of assisted properties, including a potential rulemaking to update Real Estate Assessment Center (REAC) physical inspection criteria. (Sec. 272)

Multifamily Assisted Housing Reform and Affordability Act (MAHRA) Extension. HUD is proposing to extend the fiscal year 2015 enacted MAHRA sunset date to October 1, 2019. This extension is needed for the Mark-to-market program. (Sec. 264)
**Project-Based Rental Assistance**

### HOUSING PROJECT-BASED RENTAL ASSISTANCE

**Summary of Resources by Program**

(Dollars in Thousands)

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<tr>
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<td>$9,520,000</td>
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<td>$9,751,573</td>
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<td>Tenant Resources</td>
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<tr>
<td>Network</td>
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<td>3,070</td>
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<td>Vouchers for Disaster Relief - (P.L. 111-32)</td>
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<td>650</td>
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<td>Demonstration</td>
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<td>24,749</td>
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<td>73,506</td>
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<td>Mod Rehab and SRO</td>
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<td>Renewals</td>
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<td>57,471</td>
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<td>Research and Technology (transfer)</td>
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<td>...</td>
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<td>Total</td>
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<td>10,138,138</td>
<td>9,810,138</td>
<td>10,620,000</td>
<td>426,500</td>
<td>11,046,500</td>
<td>10,816,000</td>
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</table>

**NOTES:**
Total resources for fiscal year 2015 Contract and Renewals include $32 million from recaptures realized in 2015. It includes $24.7 million transferred from the Public Housing Fund and Capital Fund for the Rental Assistance Demonstration (RAD). Of the Renewal and Amendment carryover, $44.1 million is for Moderate Rehabilitation units, and $13.3 million is for Single Room Occupancy units.

Fiscal year 2016 Resources exclude $25 million in spending authority from anticipated recaptures, an estimated $43.5 million transfer from the Public Housing Fund and Capital Fund, and $30 million transferred from Other Assisted Housing for the Rental Assistance Demonstration (RAD). When the additional resources are added, estimated Total Resources and will be $10.047 billion. The fiscal year 2017 Request does not reflect an estimated transfer to the Research and Technology (R&T) account that may be up to $28.5 million. It also does not reflect anticipated recaptures and transfers into the account in 2017 to facilitate 2016 Public Housing RAD conversions and 2017 RS and RAP conversions.
Project-Based Rental Assistance

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Appropriations Language

The fiscal year 2017 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, [$10,220,000,000] $10,416,000,000, to remain available until [expended,] September 30, 2019, shall be available on October 1, [2015] 2016 (in addition to the $400,000,000 previously appropriated under this heading that became available October 1, [2015] 2016, and $400,000,000, to remain available until [expended,] September 30, 2020, shall be available on October 1, [2016] 2017: 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 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 [$215,000,000] $235,000,000 shall be available 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 Account Number: 025-09-0303 Project-based Rental Assistance (APPROPRIATIONS) 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, 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 Rental Assistance

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, 2016.)
### HOUSING

**FHA--MUTUAL MORTGAGE INSURANCE FUND**

2017 Summary Statement and Initiatives

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<tbody>
<tr>
<td>2015 Appropriation</td>
<td>$130,000</td>
<td>$47,238(a)</td>
<td>...</td>
<td>$177,238</td>
<td>$129,815</td>
<td>$118,673</td>
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<tr>
<td>2016 Appropriation</td>
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<td>$49,667(b)</td>
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<td>$179,667</td>
<td>$137,857</td>
<td>$104,373</td>
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<tr>
<td>2017 Request</td>
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<td>$46,810(d)</td>
<td>...</td>
<td>$206,810</td>
<td>$150,501</td>
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<tr>
<td>Program Improvements/Offsets</td>
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<td>...</td>
<td>+27,143</td>
<td>+12,644</td>
<td>+8,627</td>
</tr>
</tbody>
</table>

\(a\) Carryover includes $42.8 million carried forward into fiscal year 2015 and $4.4 million recaptured during fiscal year 2015. Of the recaptured amount, $1.5 million expired at the end of fiscal year 2015.

\(b\) Carryover includes $45.0 million carried forward into fiscal year 2016 and $4.6 million estimated to be recaptured during fiscal year 2016.

\(c\) The 2017 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, IT system delivery and operations. 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. This request also includes an $800,000 transfer to the HUD Research and Technology account based on the 2017 Budget priorities and requirements.

\(d\) Carryover includes $41.8 million carried forward into fiscal year 2017 and $5 million estimated to be recaptured during fiscal year 2017.

1. **What is this request?**

For fiscal year 2017 the Budget requests $160 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 2017 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 role in the continuing 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 5.4 million families buy a home since President Obama took office.
Mortgage and Loan Insurance Programs – MMI/CMHI Account

- Providing credit access to more than 614,315 first-time buyers in fiscal year 2015, representing over 81.5 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.
- The number of first time homebuyers that FHA has supported over the past 3 years now totals 1.6 million.
- Through its streamline refinance option, FHA helped 232,814 families reduce their monthly housing costs by an average of $122 per month, for an annual savings of $1,264 per family.
- FHA also helped more than 443,000 families avoid foreclosure this past year through its loss mitigation home retention servicing tools.

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.

The fiscal year 2017 request for MMI includes four components:

- **Commitment authority for up to $400 billion in new loan guarantees.** The fiscal year 2017 Budget requests $400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2018. 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 2017 is $222.7 billion. Of that total, $204 billion is estimated for standard forward mortgages, $18.5 billion for Home Equity Conversion Mortgages (HECM), and $200.0 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 $222.7 billion in loan volume projected for the entire MMI portfolio in fiscal year 2017 is expected to generate $9.1 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 $160 million, offset by estimated collections of $30 million from a proposed administrative fee charged to lenders. These 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.
Mortgage and Loan Insurance Programs – MMI/CMHI Account

- 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.

<table>
<thead>
<tr>
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<th>2015 Enacted</th>
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<th>2017 Request</th>
<th>Increase/Decrease</th>
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<tr>
<td>Direct Loan Limitation</td>
<td>$20,000,000</td>
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</table>

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. With a strong loss mitigation 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. Through the recession, FHA provided key support for the national mortgage market and mitigated the foreclosure crisis and the overall economic downturn.

As of September 30, 2015, the MMI insurance portfolio included 7.6 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.

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:
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), 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 88.8 percent of the total $229.1 billion in insurance endorsements for the MMI Fund under Section 203(b) during fiscal year 2015, 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. Forward mortgage endorsements in fiscal year 2015 were $213.0 billion, roughly equal to the forward volume activity in fiscal year 2012. Current estimates show that forward mortgage volume will decrease to $209 billion for fiscal year 2016 and $204 billion in fiscal year 2017. 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.
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
Mortgage and Loan Insurance Programs – MMI/CMHI Account

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. A Financial Assessment is now required for all HECM Mortgagors.

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.

From the program’s inception in 1989 through fiscal year 2015, FHA has endorsed 948,147 HECM loans. Volume increased significantly from 2005 to 2009. Since then, endorsements have declined from a high of 114,640 to an estimated 58,043 in fiscal year 2015. 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.
Mortgage and Loan Insurance Programs – MMI/CMHI Account

change supports the significant improvements that have been made to the program to reduce risk to the MMI Fund and to ensure responsible lending to seniors.

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.

Commitment Authority and Subsidy Projections
Mortgage and Loan Insurance Programs – MMI/CMHI Account

The fiscal year 2017 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 2016 and 2017. 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 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.

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</tr>
</thead>
<tbody>
<tr>
<td>MMI Purchase and Refinance</td>
<td>$212,961</td>
<td>$209,000</td>
<td>-3.70%</td>
<td>($7,733)</td>
<td>$204,000</td>
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<td>($9,017)</td>
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<tr>
<td>MMI HECM</td>
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<td>15,138</td>
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<td>(104)</td>
<td>18,469</td>
<td>-0.33%</td>
<td>($61)</td>
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<tr>
<td>FHA Short Refinance</td>
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<td>300</td>
<td>0.00%</td>
<td>...</td>
<td>200</td>
<td>0.00%</td>
<td>...</td>
</tr>
<tr>
<td>Totals</td>
<td>$229,143</td>
<td>$224,438</td>
<td>-3.49%</td>
<td>($7,837)</td>
<td>$222,669</td>
<td>-4.08%</td>
<td>($9,078)</td>
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</tbody>
</table>

Administrative Contract Appropriations

The $160 million request for fiscal year 2017 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 $30 million increase over the fiscal year 2016 appropriation will be offset by the proposed $30 million dollars in offsetting collections. These 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.
Mortgage and Loan Insurance Programs – MMI/CMHI Account

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 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 primarily on 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. In the near term, FHA aims to increase its capacity to reviewing approximately 70,000 loans annually to ensure sufficient early reviews of a more 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 2017 to procure
Mortgage and Loan Insurance Programs – MMI/CMHI Account

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 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.

In 2015, FHA assisted over 443 thousand homeowners through its loss mitigation home retention servicing tools. 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...
Mortgage and Loan Insurance Programs – MMI/CMHI Account

Program to sell notes to other investors who may be able to provide alternative loss mitigation options or other strategies for homeowners.

Strengthening FHA’s Capital Reserves

The 2015 actuarial review reported that the MMI Fund’s capital ratio is now above Congress’ two percent requirement, a full year earlier than last year’s projection. FHA’s independent actuary reports the Fund’s capital ratio is 2.07 percent, up from 0.41 percent in fiscal year 2014. The economic health of the MMI Fund improved significantly in fiscal year 2015 with a net value of nearly $24 billion, an increase of $19 billion over fiscal year 2014. This gain in economic value is the largest one-year increase since fiscal year 2012. In the past three consecutive fiscal years, the Fund’s value increased by $40 billion. This improvement shows tremendous progress, especially considering that the Fund had a negative value of $16.3 billion in fiscal year 2012.

FHA’s decision in January to reduce annual mortgage insurance premiums (MIP) helped stimulate a 42 percent increase in total volume including a 27 percent hike in purchase-loan endorsements. The MIP reduction also promoted access to credit by serving 75,000 new borrowers with credit scores of 680 or below.

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 for homebuyers as 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

Housing/FHA Automation of Business Processes
Mortgage and Loan Insurance Programs – MMI/CMHI Account

The technology supporting FHA is a set of complex, aging IT systems with COBOL-based mainframe applications as the foundation. These legacy systems were assembled as needs surfaced over the last 30 years without the benefit of an architectural plan in which these systems could be integrated and grow in an orderly fashion.

Today, FHA operations require data to move between numerous touch points through hundreds of interfaces, resulting in an environment that has become increasingly complex, costly, and difficult to maintain. The complex nature of the current IT environment constrains FHA’s ability to adapt its operations to changes in the housing industry, economic trends, and new legislation.

This funding request supports the continued planning, design, and execution for requirements focused on Counterparty Management, Portfolio Analysis, Borrower/Collateral Risk Management/Fraud Monitoring and Infrastructure/Application Modernization. It will modernize obsolete applications and reduce infrastructure costs, reduce fragmentation of legacy systems, and leverage shared components and data in support of multiple Housing programs.

Business Need/Value

In fiscal year 2010, FHA began planning for the execution of strategic initiative recommendations originating from the IT Strategy and Improvement Plan completed in August 2009. These initiatives sought to streamline current FHA business processes and modernize the technical infrastructure and applications for Loan Origination and Underwriting, Business Partner Approval, and Business Partner Monitoring processes.

To date FHA has deployed multiple transformed business capabilities consistent with the objective of automating and consolidating processes to drive improvements in the acquisition of lender, borrower, and asset data for improved reporting, transparency, and informed decision-making throughout the end-to-end life cycle of the loan.

FHA must keep pace with industry standards as lenders, servicers, investors, and others are improving their access to data. By continuing to invest in automated and modernized business processes, FHA will be better informed of risk and improve its policies for endorsement, servicing, quality control, counterparty management, and enforcement. Critical data needs include appraisal, loan application, borrower, loan documents and data, and counterparty data such as appraiser, lender, servicer, and non-profit entity information.

Loan Review System

Throughout fiscal year 2015, after considering comments solicited from stakeholders, FHA developed a new Quality Assurance Defect Taxonomy to simplify and more effectively and clearly communicate quality control results to FHA lenders. FHA developed a framework around three key components: identifying defects, assessing the severity of the defects, and focusing on the sources and causes of the defects. During fiscal year 2016 FHA will work to make systems changes and build the Loan Review System (LRS) that
Mortgage and Loan Insurance Programs – MMI/CMHI Account

will allow the new Quality Assurance Taxonomy to be implemented. This will provide clarity and transparency in FHA’s policies and encourage lending to qualified borrowers across the credit spectrum.

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;
- 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 on endorsements through September 30, 2019, to be charged to lenders pursuant to section 202 of the National Housing Act, as amended by section 238 of the General Provisions. Collection of the receipts from such fees will be credited as offsetting collections to the MMI Program account. Up to $30 million of the total fees may be transferred to the Information Technology Fund and/or the Housing Salaries & Expenses account to be used for the purpose of modernizing FHA systems and supporting the implementation of new practices for interaction with lenders. (Section 238; account language)
Mortgage and Loan Insurance Programs – MMI/CMHI Account

- Permanent Removal of HECM Cap. 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. (Sec. 209)

- Clarification on Non-Borrower Spouse Upon Death of HECM Borrower. 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. (Sec. 249)

- 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. 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. (Sec. 243)

- Amend the National Housing Act to enable FHA to take enforcement action against lenders on a nationwide instead of branch by branch termination authority. 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. (Sec. 244)

- 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. 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. (Sec. 244)

- Allow FHA to seek indemnification from DE lenders in addition to LI Lenders. 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. (Sec. 245)
Mortgage and Loan Insurance Programs – MMI/CMHI Account

- Revises the National Housing Act to allow for short sales in the case of imminent and not just actual default. 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. (Sec. 246)

- Limit the applicability of government financed down payment assistance towards satisfying FHA requirements. 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. (Sec. 247)

- Allow for FHA to direct servicers to move servicing to identified sub-servicers. 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. (Sec. 248)

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 Federal 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, please view the Federal Credit Supplement.
## HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

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25-16
HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Appropriations Language

The fiscal year 2017 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, [2017] **2018**: Provided, That during fiscal year [2016] **2017**, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed $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 for administrative contract expenses of the Federal Housing Administration, [$130,000,000] **$160,000,000**, to remain available until September 30, [2017] **2018**: 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, 2018, 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, 2018, and any such transferred amounts may be transferred back to this account and shall remain available until September 30, 2018: Provided further, That to the extent guaranteed loan commitments exceed $200,000,000,000 on or before April 1, [2016] **2017**, 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 238 of this title, shall be credited as offsetting collections to this account. (Department of Housing and Urban Development Appropriations Act, 2016.)**
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 2017 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 decreased to $13.4 billion in fiscal year 2015. In fiscal year 2015, the Department began initiating loans under the Federal Financing Bank (FFB) risk share program. The $30 billion requested for fiscal year 2017, together with $30 billion in 2016 unused commitment authority carried over to 2017, will allow up to $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 2017 new loan guarantee commitments will be $13.8 billion. Of the total commitments projected for 2017, it is estimated that $10.6 billion will be issued for FHA’s multifamily housing programs, which includes $350 million in direct loan obligations under the FFB Risk Share Program. Another $3.1 billion is estimated for hospitals and residential care facility mortgages.
Mortgage and Loan Insurance Programs—GI/SRI Account

Title I Property Improvements and Manufactured Housing commitments are expected to make up less than 1 percent of new activity in the fund.
Mortgage and Loan Insurance Programs-GI/SRI Account

**Offsetting receipt estimates from negative credit subsidy.** Fiscal year 2017 negative subsidy receipts for GISRI are estimated at $464 million, with the subsidy rate for new business averaging -3.60 percent. No new appropriations for positive credit subsidy are requested for fiscal year 2017.

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 remains a valuable tool for HUD in supporting affordable homeownership opportunities in distressed communities where private, state or local government funding is in limited supply while responsibly managing its real estate owned (REO) inventory of properties.

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a/ The 2017 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.
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 2015, GI/SRI's multifamily/healthcare portfolio had an unpaid principal balance (UPB) of $104.3 billion, an increase of $3.2 billion over that at the end of September 2014.

As of the end of fiscal year 2015, the entire GI/SRI insurance portfolio had an unpaid principal balance of $149.2 billion, including $44.9 billion in single family loans and Home Equity Conversion Mortgage (HECM) loans issued before 2009. These active loans cover apartments, healthcare facility beds, and single family homes across the nation.

Reductions to the multifamily mortgage insurance premiums (MIP) for affordable housing and energy-efficient housing will be implemented on April 1, 2016. FHA predicts that the premium reductions will promote the development of more than 400 new affordable units per year and the rehabilitation of 12,000 units of affordable housing per year due to the owners receiving additional loan proceeds. Furthermore, FHA projects that the MIP reductions will increase access to affordable units by promoting inclusionary zoning and other affordability initiatives, while also expanding the mobility options for residents by increasing the number of units accepting voucher holders as tenants. With respect to energy-efficient housing, FHA believes the rate reductions will encourage property owners to adopt higher standards for construction and rehabilitation, which will result in projects with greater energy and water efficiency. This will reduce utility costs, improve indoor air quality, and reduce the impact on the environment.

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 facilitates fixed-rate loans with long-term amortization not found with conventional lending sources. This 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
Mortgage and Loan Insurance Programs-GI/SRI Account

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 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 partial payment of claims based on 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 2015, new Section 221(d)(4) loans averaged $23.4 million and included an average of 164 units. The program insures loans for up to 100 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 $5.5 billion in fiscal year 2015, a decrease of 23 percent from fiscal year 2014. In the period from fiscal years 2009 – 2015, FHA issued commitments in excess of $55 billion as indicated in the following chart. The lower volume in 2015 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 2016 volume is expected to decrease by 10 percent. Fiscal year 2017 volume is forecasted to remain relatively 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 2015, thirty-five Section 241(a) loans were 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.
**Mortgage and Loan Insurance Programs-GI/SRI Account**

**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”.

HUD launched the Small Buildings Risk Share (SBRS) Initiative in 2015 and continues to implement that in fiscal year 2016. 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 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.
Mortgage and Loan Insurance Programs-GI/SRI Account

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 Residential 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 2015, new loan commitments for this program were $325 million, and are estimated to be approximately $325 million for both fiscal years 2016 and 2017.

Section 232/223(f) Refinancing and Purchase of Existing Residential 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) refines of existing Section 232 loans are also reported under this risk
Mortgage and Loan Insurance Programs-GI/SRI Account

category. New loan commitments were $2.4 billion for fiscal year 2015 and are projected to be $2.4 billion for both fiscal years 2016 and 2017.

FHA Section 232 Refinances

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Loan Commitments (in millions)</th>
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<tr>
<td>2015</td>
<td>$1,000</td>
</tr>
<tr>
<td>2016 Est.</td>
<td>$2,000</td>
</tr>
<tr>
<td>2017 Est.</td>
<td>$2,000</td>
</tr>
</tbody>
</table>
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, if applicable. The risk category also includes 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, allowing non-portfolio hospitals to refinance capital debt through FHA. New loan commitments for all Hospital programs were $160 million in fiscal year 2015 and are projected to reach nearly $665 million and $300 million in fiscal years 2016 and 2017, respectively.

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 I 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 $90 million in fiscal year 2015 and are projected to be $90 million in fiscal years 2016 and 2017. 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 I, Manufactured Housing. Under Title I, HUD provides mortgage insurance for individuals to finance manufactured homes and lots on which to set the homes. In fiscal year 2015, $32 million in manufactured housing loans were endorsed, with $30 million projected for fiscal years 2016 and 2017.
Mortgage and Loan Insurance Programs-GI/SRI Account

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 quality affordable housing and assisted living/nursing home opportunities. In fiscal year 2017, FHA is projected to issue loan insurance commitments providing financing for approximately 1,000 apartment projects and 350 healthcare facilities. The fiscal 2017 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 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.

The following tables indicate projected FFB risk share direct loan levels and loan guarantee commitment volumes in fiscal years 2015, 2016, and 2017 and their respective credit subsidy rates and negative subsidy in fiscal year 2017. 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.
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 1.5 million multifamily housing units and nearly 500,000 residential care facility beds. FHA-insured projects can have a significant impact on the economic health of the community, as described in the previous section.
Housing Units/Beds Supported by FHA Multifamily Housing & Health Care Mortgage Insurance

Thousands of Units/Beds

Sec. 232 Beds (no Sec. 242)  Multifamily Housing Units


Est  Est
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 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. In the Section 232 program, Lean Thinking continuous improvement methodologies have been applied to new construction and refinance application processing to streamline applications, eliminate waste, and increase efficiency. Section 232’s Lean Program employs standardized work products and processes that focus attention on loan risk in order to obtain consistent, timely results.

For multifamily housing insurance programs, FHA launched the “Multifamily for Tomorrow” (MFT) initiative in fiscal year 2010 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. One of the signature elements of Multifamily for Tomorrow is the new Single Underwriter model, which assigns a single person to be responsible for a transaction. The underwriter 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.

FHA’s efficiency improvement efforts have resulted in an increase in the number of applications processed within the target timeframes. The Southwest Region of Multifamily Housing, the first region to complete the MFT initiative, has exceeded its prior-year processing times across all application types. For a period of several months prior to MFT, the region issued firm commitments within the target timeframes on zero percent of its 223(a)(7) applications. In the same period after MFT, that number rose sharply, with the region completing 78 percent of the applications within target timeframes. Similarly, for 223(f) applications, the percent processed within the target timeframes rose from 12 percent to 32 percent over the same periods.

<table>
<thead>
<tr>
<th>GI/SRI by the Numbers – FY 2015</th>
</tr>
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<tbody>
<tr>
<td><strong>Insurance in Force</strong></td>
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<tr>
<td><strong>New Commitments</strong></td>
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<tr>
<td><strong>Average Multifamily Housing Loan</strong></td>
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<tr>
<td><strong>Average Section 232 Loan</strong></td>
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<tr>
<td><strong>Average Hospital Loan</strong></td>
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<tr>
<td><strong>Negative Subsidy Offsetting Receipts</strong></td>
</tr>
<tr>
<td><strong>Premiums Collected</strong></td>
</tr>
<tr>
<td><strong>Claims Paid – Single-Family/HECM</strong></td>
</tr>
<tr>
<td><strong>Claims Paid - Multifamily/Healthcare</strong></td>
</tr>
<tr>
<td><strong>Recoveries on Claims</strong></td>
</tr>
</tbody>
</table>
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). (Sec. 235)

- **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. (Sec. 236)

- **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. (Sec. 242)

- **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 Sections 542(b) and 542(c). (Sec. 225)

- **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 or individuals, tend to be concentrated in lower income neighborhoods, and often offer rents affordable to households below median income. (Sec. 225)

- **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
Mortgage and Loan Insurance Programs-GI/SRI Account

exemption has allowed 10 such hospitals to qualify for mortgage insurance to modernize or replace their facilities. (Sec. 241)

- Amend the Definition of Multifamily Mortgage: This provision amends the definition of “multifamily mortgage” in the Multifamily Mortgage Foreclosure Act, 12 USC 3702(2), to include a mortgage held by the Secretary pursuant to “(F) Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRAA), as amended, 42 USC 1437f note” so that foreclosure of HUD-held loans originated under MAHRAA would be resolved in federal court rather than state courts. (Sec. 263)

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.
### HOUSING

**GENERAL AND SPECIAL RISK INSURANCE FUND**

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

<table>
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<tr>
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The fiscal year 2017 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 loans insured under the General and Special Risk Insurance Funds, as authorized by sections 238 and 519 of the National Housing Act (12 U.S.C. 1715z-3 and 1735c), shall not exceed $30,000,000,000 in total loan principal, any part of which is to be guaranteed, to remain available until September 30, [2017] 2018: Provided, That during fiscal year [2016] 2017, gross obligations for the principal amount of direct loans, as authorized by sections 204(g), 207(l), 238, and 519(a) of the National Housing Act, shall not exceed $5,000,000, which shall be for loans to nonprofit and governmental entities in connection with the sale of single family real properties owned by the Secretary and formerly insured under such Act. (Department of Housing and Urban Development Appropriations Act, 2016.)
**HOUSING**

**HOUSING FOR THE ELDERLY (SECTION 202)**

2017 Summary Statement and Initiatives

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Recession</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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a/ Includes $180.1 million in carryover and $7.1 million in recaptures realized in fiscal year 2015.
b/ Includes $15.4 million in spending authority from offsetting collections.
c/ Includes an estimated transfer to the Research and Technology (R&T) account of $2.5 million of Budget Authority.

1. **What is this request?**

The Department requests $505 million for the Housing for the Elderly (Section 202) program in fiscal year 2017, an increase of $72.3 million above the fiscal year 2016 Enacted appropriation.

In fiscal year 2017, the Department requests $505 million to primarily fund three activities for the Housing for the Elderly program: (1) $427 million to fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation Assistance Contracts (SPARC) Renewals/Amendments in support of more than 121,000 existing units; (2) $75 million to renew approximately 1,500 existing Service Coordinator/Congregate Housing Services grants; and (3) $3 million for property inspections and related costs. HUD will continue the execution of a 5-year Supportive Housing demonstration in 2017, using already appropriated funds.

Requested account language will enable the Department to use collections of excess residual receipts, recaptures, and unobligated balances to supplement the requested appropriations for service coordinators, renewals, and amendments, as needed.
Housing for the Elderly (Section 202)

Description of Set-Asides

Project Rental Assistance Contracts (PRAC)

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. Key cost drivers for PRAC and SPRAC 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 2017, an estimated 6,000 units will be renewing for the first time. HUD is assuming a 2.7 percent inflation factor for fiscal year 2017. Also, HUD does not expect carryover funds to be available to offset new renewal and amendment appropriation needs in fiscal year 2017, as was the case for fiscal year 2016.

Service Coordinators/Congregate Housing Services Program (CHSP)

A Service Coordinator is a social service staff person who is responsible for assuring that residents, especially those who are frail or at risk of becoming frail, are linked to the specific supportive services they need to continue living independently and age in place. Their primary responsibility 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 but are not limited to congregate meals, housekeeping, personal assistance, transportation, and case management.

Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. Annual extension of Service Coordinator grants are to be used only to meet a critical need and in cases where no other funding source is available. Meeting a “critical need” means addressing a need that cannot be met through use of other resources. As the physical repair/replacement needs of aging properties begin to increase, HUD has noticed a decline in the number of grantees that are able to offset service coordination costs from other sources, leading to growth in annual extension requests. If this trend accelerates, additional resources above the request level may be required to maintain the current number of service coordinators.

Section 202 Demonstration

The fiscal year 2014 Consolidated Appropriations Act provided HUD with $20 million in the Section 202 account to develop a housing-with-services demonstration program for low-income elderly to test models that demonstrate the potential to delay or avoid
Housing for the Elderly (Section 202)

the need for nursing home care. The Supportive Service Demonstration Program for Elderly Households in HUD-Assisted Multifamily Housing (also referred to as “Section 202 Demo”), 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 produce evidence about the impact of a supportive services model in existing assisted senior developments on aging in place; transitions to institutional care; and housing stability, wellbeing, health outcomes, and health care utilization (e.g. hospitalizations, emergency room visits) associated with nursing home placement and high health care costs.

2. What is this program?

The Supportive Housing for the Elderly program, also known as “Section 202,” provides funding to create and support multifamily housing for very low-income elderly persons. Nearly 400,000 units 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).


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.

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 $13,238.1

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1 2015 analysis by HUD Office of Policy Development and Research of PIC and TRACS data.
Housing for the Elderly (Section 202)

Tenants living in Section 202 supportive housing can access a variety of community-based services and support to keep living independently and age in place in their community. 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. 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 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.

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Housing for the Elderly (Section 202)

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.

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.

In fiscal year 2017, the Department is proposing legislation to further strengthen the long-term sustainability of Section 202 Capital Advance-PRAC properties, by allowing the conversion of PRAC contracts to Section 8 contracts though the Rental Assistance Demonstration (RAD) program. The Section 8 platform will enable recapitalization and capital improvements at aging PRAC properties that are now at risk of physical deterioration and default. Please see the RAD Justification for details on this proposal.

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

Today, HUD is only able to provide assisted housing to one in three seniors who need it. Based on a report from Harvard’s Joint Center for Housing Studies that ratio will only get worse over time – particularly as baby boomers continue to age into retirement.3 It would take a significant infusion of new funding in order to just keep up with the one-in-three figure.

In addition to demand outpacing investments in elderly housing, there is a growing increase in the number of older Americans with worst case housing needs. HUD’s Worst Case Housing Needs: 2015 Report to Congress 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. Almost 1.5 million households headed by an elderly person had worst case housing needs in 2013. 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.

A study of HUD’s housing programs found that the average age at which elderly households leave assisted housing is the highest for Section 202 residents compared to other housing programs. The study found that housing occupied primarily by the elderly has greater success retaining residents until more advanced ages.\(^4\) 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.\(^5\)


\(^5\) HUD, "Multifamily Property Managers' Satisfaction with Service Coordination", 2008.
Housing for the Elderly (Section 202)

The continuing 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. 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 an insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community. 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.

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.

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6 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).
Housing for the Elderly (Section 202)

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 Section 202 Demonstration competition held in early 2016.

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.

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 challenges. The SASH first annual report is now available. 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.

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Housing for the Elderly (Section 202)

5. Proposals in the Budget

- **Expand the second component of the Rental Assistance Demonstration (RAD) to include the conversion of Section 202 PRAC properties.** The Department proposes to amend the RAD authority to allow properties with Section 202 Project Rental Assistance Contracts to convert to Section 8 assistance. The Section 202 PRACs are funded on an annual renewal basis and are unable to leverage private debt and equity to address immediate and long-term capital needs. If enacted, HUD could preserve quality units without increased federal outlays, which would preserve and improve affordable housing for low-income households and create thousands of new jobs. (Sec. 269)

- **Civil Money Penalties.** The Department also proposes to expand the list of violations that may incur a monetary penalty of 202 property owners to include failure to maintain the property. (Sec. 271)

- **Enhancing Enforcement Authority for Non-Performing HUD-Assisted Properties.** The Department proposes to expand HUD’s authority to seek double the specified financial damages when project owners fail to maintain their properties in accordance with program requirements, to include PBRA, Section 202, and Section 811. (Sec. 272)
**Summary of Resources by Program**

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**NOTE:** Columns 2015 Carryover into 2016 and Total Resources include spending authority from offsetting collections. $1.2 million in actual fiscal year 2015 collections for Senior Preservation Rental Assistance Contracts and $14.2 million in anticipated fiscal year 2016 collections for purposes authorized under the Housing for the Elderly account heading. It also reflects the remaining $2.9 million in Conversion to Assisted Living balances reallocated to Elderly PRAC Renewal/Amendment per Congressional reprogramming.
Appropriations Language

The fiscal year 2017 President’s Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized 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, [$432,700,000] $505,000,000 to remain available until September 30, [2019] 2020: Provided, That of the amount provided under this heading, up to [$77,000,000] $75,000,000 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, shall be remitted to the Department and deposited in this account, to be available until September 30, [2019] 2020: 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 [amendments and renewals] 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 [shall be available for amendments and renewals] in prior Appropriations Acts 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, 2016.)
HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
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<th>HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Recession</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<td>-41,757</td>
<td>-46,664</td>
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a/ Includes $160.8 million in carryover, $13.4 million in recaptures, and $1.2 million in spending authority from offsetting collections.
b/ Includes an estimated transfer to the Research and Technology (R&T) account of $770 thousand of Budget Authority.

1. What is this request?

The Department requests $154 million for the Supportive Housing for Persons with Disabilities (“Section 811”) program in fiscal year 2017, an increase of $3.4 million above the fiscal year 2016 Enacted appropriation. The funding request for the Housing for Persons with Disabilities program includes funding for two primary activities: $152 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) renewals and amendments to fully fund over 27,000 units across 2,350 housing properties; and $2 million for other program expenses, including property inspections.

The Department also requests renewed authority to apply residual receipt collections to fund the Section 811 Project Rental Assistance (PRA) program and 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.

HUD is funding an evaluation of the Section 811 Project Rental Assistance (PRA) program in two phases. Phase 1 is under contract and includes a comprehensive process evaluation of fiscal year 2012 grantees. Phase 2 is expected to be awarded in 2016 and will assess the effectiveness of the Section 811 PRA program and its effect on participants’ quality of life, health outcomes, and costs. The evaluation is discussed in more detail in Section 4 (“How do we know this program works?”).
Housing for Persons with Disabilities (Section 811)

Description of Each Set-Aside

Section 811 Project Rental Assistance Program

The PRA program was authorized by the Frank Melville Supportive Housing Investment Act of 2010 and first implemented through a demonstration program in fiscal year 2012. The demonstration program revealed the presence of significant demand at the state level for rental assistance for integrated housing for extremely low income persons with disabilities. In the first year of funding, thirty-five states submitted competitive applications, with seven of the applicant states requesting the then maximum allowable award. Based on available funds, the Department could only fund grant awards to 13 states out of many competitive applications. Under the fiscal year 2013 NOFA, forty-five states submitted applications for funding consideration, of which thirty-five applications were eligible for selection. Based on the total amount of funds available, selection recommendations were limited to the top twenty-five applications for a total of 4,584 units. The Department is not requesting appropriations for PRA awards in 2017, but will review collections from excess residual receipts, recaptures, and other unobligated balances to determine whether funds are available for funding new investments.

Project Rental Assistance Contracts/Project Assistance Contracts Renewals/Amendments

The Department requests $152 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) renewals and amendments in fiscal year 2017. Project Assistance Contracts (PACs) support projects developed for persons with disabilities under the Supportive Housing for the Elderly (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 from fiscal years 2016 to 2017, almost 1,400 units will require first-time amendment (during their initial term) or first-time renewal. To offset the resulting increase in costs, the Department anticipates that a relatively small amount of carryover funding, approximately $7 million, will be available. In addition, for fiscal year 2017 HUD assumes a 3 percent cost inflation factor based on analysis of historical per-contract subsidy increases from fiscal year 2013 to fiscal year 2015.

2. What is this program?

The Section 811 Supportive Housing for Persons with Disabilities program\(^1\) 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

\(^1\) 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
Housing for Persons with Disabilities (Section 811)

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- and extremely low-income individuals with serious and long-term disabilities, including physical or developmental disabilities as well as mental illness. More than two-thirds of Section 811 residents 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 estimated at $11,000. Starting in fiscal year 2012 under the Project Rental Assistance program, Section 811 has been further targeted to serve only 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

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’s 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 allows 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.

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.
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 the 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 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 PRAC.

**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 *Worst Case Housing Needs: 2015 Report to Congress* reveals that among very low-income rental 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. It also estimates
Housing for Persons with Disabilities (Section 811)

that one in seven renters with worst case housing needs include one or more nonelderly person with disabilities. The number of households with worst case needs having at least one nonelderly person with disabilities decreased from 1.31 million households in 2011 to 1.09 million households in 2013, but remained 10 percent above the 2009 estimate.

Persons with disabilities often require special accommodation and support services to live independently, and finding housing that accommodates these special needs is a challenge. Approximately half of households that include non-elderly persons with disabilities that have worst case housing needs also have ambulatory and cognitive disabilities; one-third of the households also have independent living limitations. 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.

State Level Efforts to Promote Community Living and Olmstead Compliance

The Section 811 Project Rental Assistance (PRA) 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. State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based “waiver” programs administered by Health and 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. A recent report by the US Senate’s Health, Education, Labor, and Pensions Committee also found

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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](http://www.ada.gov/olmstead/q&a_olmstead.htm).

Housing for Persons with Disabilities (Section 811)

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 the lag.⁶

Due to Olmstead mandates, states across the country are going through the process of identifying high-priority populations for community-integration. 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 Department of Health and Human Services Money Follows the Person (MFP) 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 costs for people with disabilities and find more cost-effective ways to ensure that people with disabilities receive community-based support and services. Affordable housing has been a key barrier to this goal: evaluations of the MFP program have found the 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 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 (people that live in an institution for more than 90 consecutive days) and could potentially be transitioned to a Section 811 unit. The Genworth 2014 Cost of Care Survey estimates the national average cost of a semi private room in a nursing home at $77,380 per year. The cost of this type of facility has been increasing annually at a rate of 4 percent in 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

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⁸ Mathematica Report, June 2012.
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.
Housing for Persons with Disabilities (Section 811)

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 two phases. The first phase will include an in-depth process evaluation, case studies of promising supportive housing approaches for persons with disabilities, and a preliminary outcome study. The second phase of the evaluation will assess the effectiveness of the program and 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.11 Participants also reported greater sense of choice and control and community integration.12 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).13

Past studies of the traditional Section 811 have shown that projects are in high demand with rare vacancies and very low turnover.14 In an MFP report, States cited lack of affordable, accessible housing as the single greatest barrier to helping more people move out of institutions.15

12 Mathematica Report, June 2012
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. 16

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 federal initiatives.

5. Proposals in the Budget

Housing for Persons with Disabilities (Section 811) Transfer Authority. In certain States, existing 811 group homes are facing difficulties getting referrals for disabled populations due to state Olmstead settlements with the Department of Justice. This 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. (Sec 220)

Enhancing Enforcement Authority for Non-Performing HUD. The Budget also includes a proposal to expand HUD’s authority to seek double the specified financial damages when project owners fail to maintain their properties in accordance with program requirements, to include Section 811, Housing for the Elderly, and Project-Based Rental Assistance. (Sec 272)

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### Summary of Resources by Program

**Dollars in Thousands**

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The fiscal year 2017 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, [$150,600,000]$154,000,000 to remain available until September 30, [2019] 2020: 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, [2019] 2020: 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 [amendments and renewals] 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 shall be used for [amendments and renewals] 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, 2016.)
### HOUSING COUNSELING ASSISTANCE

#### 2017 Summary Statement and Initiatives

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>HOUSING COUNSELING ASSISTANCE</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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\(^a\) This number includes an estimated Research and Technology (R&T) transfer that may be up to $235 thousand.

#### 1. What is this request?

For fiscal year 2017, the Department requests $47 million for the Housing Counseling Assistance program equal to the fiscal year 2016 enacted level. Funding at this level will permit the Office of Housing Counseling to meet nearly 1.4 million consumers’ needs to improve or restore their borrowing ability, access credit, and improve their housing quality and affordability.

This funding request will maintain 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 housing 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;

- 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
Housing Counseling Assistance

- 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 $40.5 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 $2 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.

- In 2017, 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 1.4 million renters and owners to obtain, maintain or preserve their homes by making informed choices about their financial and housing options. Implementation of the housing counselor certification rule in 2016 is expected to expand the number of agencies and housing counselors in the program.
- We estimate that HUD Housing Counseling grants will leverage approximately $235 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 fiscal year 2017, 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 fiscal year 2017. Based on current timeframes, the Office of Housing Counseling will begin implementing the requirement to certify and test all housing counselors in 2017; 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
Housing Counseling Assistance

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, student loan debt, inappropriate mortgage choices, and high debt during the years following the recession.

Who benefits from HUD Housing Counseling Assistance?

From April 2009 through the third quarter of 2015, HUD-approved counseling agencies have helped over 12.2 million Americans, especially those who are underserved. Through the third quarter of 2015, 45 percent of counseled clients were racial minorities; 18 percent were Hispanic; and 71 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. Independent research continues to show that consumers who work with a HUD-approved housing counseling agency have significantly outcomes (savings, credit score, delinquency, foreclosure avoidance for example) than similar consumers who are not counseled. In addition, in 2017 HUD will be publishing results of its Pre-Purchase Housing Counseling Demonstration, a randomized experimental study of long-terms outcomes. The HUD Demonstration has already provided important insights into the housing counseling program.  

How does HUD support Housing Counseling Activities Nationwide?

HUD works closely with its network (as of 2015) of approximately 2,100 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 a toolkit designed to help communities get Community Development Block Grant Disaster Recovery (CDBG-DR) funds for housing counseling to get assistance more expeditiously to residents struggling to rebuild, repair or restore 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.

1A Summary of Recent Research and the HUD Demonstration can be found at: http://portal.hud.gov/hudportal/documents/huddoc?id=OHC_COUNSELINGWORKS1214.pdf
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 (SFH), seeking to ensure a more pronounced use of counseling in the loan origination and servicing spaces. For instance, OHC and SFH will work together to negotiate the integration of a “counseling type” indicator 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’s newsletter The Bridge highlights success stories, model programs, and technical assistance to over 15,000 subscribers each month.

HUD housing counseling is a widely recognized element in the success of other policy initiatives by federal agencies (including Treasury, the Federal Housing Finance Board, the Consumer Financial Protection Bureau); state and local governments; public housing authorities; and private lending and real estate stakeholders.

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, rising interest rates, housing needs of seniors, student loan debt, a soft real estate market, homelessness, and a tight rental market through fiscal year 2017. 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.

Housing 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; although the pace of foreclosures has slowed, there remain nearly 6 million families who experienced a foreclosure, and another 2 million families with loan modifications. These families have damaged credit and use housing counselors

Housing Counseling Assistance

to assist with rebuilding their savings and maintaining a sustainable budget. Another 3 million home equity lines of credit are expected to reset in 2016 – 2018 with substantial increases in payments. Housing counselors help customers facing modification or HELOC resets to adjust their revenues and expenses to be prepared for these changes, or connect them to programs that are available to them to soften the impact of these changes.

Housing 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 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, housing 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.

4. How do we know that this program works?

Evidence continues to mount regarding the effectiveness of housing counseling. Recent research 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. More than 5,500 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 this fiscal year.

Although most research is focused on pre-purchase and post-purchase homeownership counseling, the full impact of housing counseling 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, 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.
Housing Counseling Assistance

Plans to Improve this Program

In fiscal year 2017, OHC plans to continue to design and implement the following necessary program improvements within the capacity of available resources:

- Streamline and improve the housing counseling grant process
- Expand use of performance metrics
- Support HUD Strategic Objectives to Improve Credit Access and Fiscal Health of the Mutual Mortgage Insurance Fund (MMIF)
- Increase Visibility
- Manage Housing Counselor training and certification
- Convene Housing Counseling Federal Advisory Committee (HCFAC)
- Examine standards for Program Approval, Materials, Training, Testing, and Software Systems

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. 228)

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 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. 228)

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
Housing Counseling Assistance

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. 228)

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. 228)

**Use of Technology in Support of Housing Counseling**

HUD is identifying Departmental technology solutions and services in an effort 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 years 2016 and 2017.
## HOUSING HOUSING COUNSELING ASSISTANCE
### Summary of Resources by Program
(Dollars in Thousands)

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HOUSING COUNSELING ASSISTANCE
Appropriations Language

The fiscal year 2017 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, to remain available until September 30, [2017] 2018, 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 appropriate, subject to the availability of annual appropriations. (Department of Housing and Urban Development Appropriations Act, 2016.)
HOUING
MANUFACTURED HOUSING STANDARDS PROGRAM
2017 Summary Statement and Initiatives
(Dollars in Thousands)

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<th>MANUFACTURED HOUSING STANDARDS PROGRAM</th>
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a/ $10.4 million in fees was collected in 2015. The $0.4 million of fees collected above the appropriated fee limit was unavailable until 2016, when it counted against 2016’s $10.5 million appropriated fee limit.
b/ Includes $4.69 million in carryover and $778 thousand in recaptures.
c/ Made up of projected $10.5 million in fee collections in 2016.
d/ Made up of projected $11.5 million in fee collections in 2017.

1. What is this request?

The Budget requests $11.5 million for the Department of Housing and Urban Development’s (HUD) Manufactured Housing Standards Program in fiscal year 2017, 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 preemptive oversight and enforcement aspects of the program; and (2) make the required payments to State Administrative Agencies (SAAs) as outlined in federal regulations to offset the states’ costs of administering the federal portion of the manufactured housing program.
The industry has seen a slow increase in production since reaching its nadir in 2011. Growth is expected to continue through 2017, gradually increasing the number of transportable units for which label fees are paid. However, program expenses have risen as all Manufactured Housing Improvement (MHI) Act of 2000 mandates are fully implemented. In fiscal year 2017, HUD expects to collect approximately $11.5 million in label fees at the rate of $100 per label.

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.

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<th>Category</th>
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<th>FY 2016 Estimated Obligations (in Millions)</th>
<th>FY 2017 Estimated Obligations (in Millions)</th>
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<td><strong>13.8</strong></td>
<td><strong>11.5</strong></td>
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</table>

In the past, annual payments to states have not been obligated or issued until the following fiscal year. Beginning in 2016, HUD expects to reimburse states before the end of the fiscal year. Therefore, fiscal year 2016 obligations reflect both the 2015 and 2016 payments.

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 6.9 million manufactured homes currently in use, and more than 8 million homes built under the program since 1976. According to HUD estimates, in fiscal year 2015, approximately 68,400 homes were produced on over 122 production lines throughout the United States.

The requested fiscal year 2017 Budget will allow oversight of the 14 primary inspection agencies and 37 SAAs charged with assisting HUD in its administration of the nationwide program. 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 preemptive 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 added to these responsibilities, requiring HUD 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 model installation standards and handles consumer complaints, or HUD can administer the program in states without approved programs. The federal Manufactured Housing program is also responsible for maintaining the sole library for all designs of every manufactured home built since 1976. The duties of the Office of Manufactured Housing Programs (OMHP) 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 OMHP, as a result of careful analysis of proposals and data from the manufactured housing industry, consumers, and recommendations of the Manufactured Housing Consensus Committee (MHCC).

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 14 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 quality control programs are in place and that HUD’s 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
3. **Addressing Non-conformance 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 requires the manufacturer to 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 model standards and regulations for the installation of manufactured homes, a critical element to ensure that the homes perform as designed and constructed. These standards and regulations have been published and the Department has implemented and is enforcing the installation program in all states and administers a federally run 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 has implemented the dispute resolution program in all states and is administering a federally run program in those states that have no approved program of their own.

6. **Coordinate the 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 9.5 percent of the total single-family housing stock\(^1\). 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, the fiscal year 2017 Budget will provide for the following:

*Payments to the States:* In order to carry out the program’s consumer complaint activities on HUD’s behalf, thirty-seven State Administrative Agencies (SAAs) have entered into Cooperative Agreements with the Department. In return, the program regulations outline that HUD will pay the participating states $9.00 for every transportable unit shipped into the state, and

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\(^1\) American Housing Survey, 2013. Available at: http://factfinder2.census.gov/faces/tablesServices/jsf/pages/productview.xhtml?pid=AHS_2013_C01AH&prodType=table
Manufactured Housing Standards Program

$2.50 for every transportable unit built in the states. In addition, the 2000 Act stated that HUD shall continue to fund the states having approved State plans 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 has completed a review of the adequacy and equitable distribution of monitoring fees to conditionally and fully approved SAAs, and has proposed to the SAAs and Manufactured Housing Consensus Committee improved SAA fee payment calculation options. The proposed alternatives are under review by the MHCC and are not estimated to change the overall payment to SAAs. Payments to states in fiscal year 2017 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 $5.2 million in fiscal year 2017.

- **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 OMHP is responsible for collecting and maintaining the designs of each of the homes built under the program for future review and investigation when required. The design database contains approximately 750,000 design pages of manufactured homes still in active use, and about 7.4 million inactive 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 2017 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 five private and one 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 2015, approximately 68,400 homes were produced on over 122 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 continue improving the quality assurance plans of manufacturers and the quality assurance oversight performance of the five private and nine state IPIAs to reduce non-conformances before the units leave the plant. Collected fees in fiscal year 2017 will allow HUD to continue to fund a contractor to: review the quality assurance plans of the manufacturers to ensure they are adequate and effective for the production currently being carried out; to visit plants to review the performance of the in-plant primary inspection agencies; and to report and recommend actions to the Department based on the visits and reviews.

- **Handling Consumer Complaints and Taking Remedial Actions:** The Department has executed agreements with thirty-seven states to provide oversight of systems for handling 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 example, HUD has followed up the CPSC recall of potentially defective combination smoke alarm/carbon monoxide detectors installed in manufactured houses because of a risk of their malfunctioning by notifying and following up with home manufacturers on the need to replace or repair these combination smoke alarm/carbon monoxide detectors. 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 2017 request will support the contractor’s visit to 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 13 HUD-administered States and State Administered Programs: HUD has reviewed and approved thirty-seven states that have agreed to administer a manufactured home installation program that meets federal requirements. HUD is responsible for reviewing and approving those state programs and is also responsible for the administration of the installation program in the 13 states without such programs. In fiscal year 2015, approximately 3,303 homes were placed in those states. HUD is responsible for ensuring each installer, who has received the required level of training and meets the other eligibility requirements, is provided an installer’s license, allowing the installer to install homes in the HUD-administered states. In fiscal year 2017, an estimated 1,700 to 2,000 installers will be operating in the 13 HUD-administered states. The fiscal year 2017 request will allow HUD to use a contractor to continue to qualify installers for licenses in the 13 HUD-administered states; qualify and recommend approval of trainers for installation standards and procedures; review proposed training curricula and develop a database of approved 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 contract activities are estimated to require approximately $1.1 million in fiscal year 2016 and $1.3 million in fiscal year 2017. In September 2014, HUD awarded a contract, under which HUD is fully implementing and overseeing installation in the 13 HUD-administered states which is expected to continue in fiscal year 2017.

Regulation and Enforcement of the Dispute Resolution Program: HUD has reviewed and approved twenty-seven (27) states that have agreed to administer a manufactured housing dispute resolution program that meets federal requirements. In the remaining 23 states, HUD is implementing a federal dispute resolution program. For a dispute that qualifies for federal intervention and that is submitted within 12 months of the homeowner’s first installation of the home, HUD is required to provide mediation and arbitration assistance in the 23 states without approved programs. In fiscal year 2015, there were 18,839 homes sited in the HUD-administered states. The fiscal year 2017 request will allow HUD to continue using 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 $600,000 for fiscal year 2017.

*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 2017.

*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 also funds meetings for the MHCC. HUD anticipates conducting national and regional meetings and plans to hold multiple conference calls in fiscal year 2017. Meetings and calls will be held with the MHCC, the 14 primary inspection agencies, the 37 SAAs and with other stakeholders, including other federal agencies, manufacturers, installers, and homeowners at an estimated cost of $800,000 in fiscal year 2017.

It is important to note that costs in this program are not fully linked with or dictated by manufactured housing production levels. Although the number of units produced annually has declined, a decrease in production does not simply translate into a corresponding decrease in costs. First, the payments to states have a statutory floor, which prevents some of HUD’s costs from decreasing despite lower production. Second, the Manufactured Housing program responsibilities have substantially increased since 1998. The 2000 Act expanded HUD’s responsibilities to include the installation program, the dispute resolution program, and the consensus committee, all of which added costs to HUD. Finally, since 1998, HUD’s existing contracts have seen inflationary increases which account for a significant part of the revenue required to operate the program. These factors have meant that HUD has not seen a decrease in costs despite fewer manufactured houses being produced.

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 quality, safety and durability 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

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\(^2\) 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

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 the Environmental Protection Agency’s formaldehyde standards for composite wood products, through adoption of energy efficiency standards for manufactured homes being developed by the Department of Energy pursuant to the Energy Independence and Security Act of 2007, and through additional code modifications recommended by the MHCC. HUD had two meetings of the MHCC in fiscal year 2015 and is having an MHCC meeting in January 2016 to obtain proposals from the MHCC on updating the HUD Code. In 2017, HUD plans to have two meetings of the full MHCC and additional meetings of the MHCC Subcommittees to obtain additional recommendations.

On September 8, 2015, HUD issued the final on-site completion of construction of manufactured homes rule, which has an effective date of March 7, 2016. This final rule establishes procedures to permit completion of new manufactured housing at the installation site, rather than in the factory, under certain circumstances. Prior to this rule, manufacturers were required to request and obtain advanced HUD approval to permit alternative construction (AC) for each model of home that it wanted to complete on-site rather than in the production facility.

5. Proposal in 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 239)
## Manufactured Housing Standards Program

### HOUSING
### MANUFACTURED HOUSING STANDARDS PROGRAM
### Summary of Resources by Program
### (Dollars in Thousands)

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The fiscal year 2017 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 [$10,500,000] $11,500,000, to remain available until expended, of which [$10,500,000] $11,500,000 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 [2016] 2017 so as to result in a final fiscal year [2016] 2017 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 [2016] 2017 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, 2016.)
### OTHER ASSISTED HOUSING

**RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE (SECTION 236)**

#### 2017 Summary Statement and Initiatives

**Dollars in Thousands**

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<tr>
<th>OTHER ASSISTED HOUSING</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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\(^a/\) Amount reflects Rent Supplement and RAP (Section 236) accounts: excludes Section 235. It includes $34.8 million in actual carryover balances, $33 million in recaptures realized in fiscal year 2015, and is net of $4 million in cancellations.

\(^b/\) Amount includes $41.2 million in actual carryover balances. This figure is also net of $21 million transferred from Other Assisted Housing for subsidy payments for units converting under the Rental Assistance Demonstration (RAD) program.

#### 1. What is this request?

The Department requests $20 million for the Rental Housing Assistance Program (Section 236) (RAP) and Rent Supplement Program (Rent Supp) in fiscal year 2017. This is a decrease of $10 million from the fiscal year 2016 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 2017, 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 decreased request, in part, reflects fewer expirations occurring in fiscal year 2017, than in fiscal year 2016, with approximately 1,000 units expected to expire during the fiscal year. In addition, by fiscal year 2017 approximately 30-35 projects will remain in the RS/RAP portfolio. Because of this, we expect a decrease in both amendment and extension activities.

#### 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:
Other Assisted Housing

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 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.
Other Assisted Housing

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 the Rental Assistance Demonstration (RAD), which would allow for a more efficient use of resources and staffing for these properties.

In conjunction with RAD, 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 is 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 provide 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 is 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 and authorized as part of RAD, allows owners to convert to long-term Section 8 contracts (either Project-Based Vouchers or Project-Based Rental Assistance) to preserve the properties as affordable housing.

The Department’s request will continue an approach 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 will only be provided to projects that will otherwise expire in fiscal year 2017, 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: (1) amounts remaining on the contracts of converting projects, (2) funding that might otherwise be used to provide contract extensions and rent amendments for converting projects, and (3) amounts from TPVs. 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.
Other Assisted Housing

Therefore, while the amount of the fiscal year 2017 funding request is based on projected extension and amendment needs in fiscal year 2017, a portion of the funding may also be used to support Rent Supp and RAP conversions to project-based contracts via RAD. A projected 9,000 RS/RAP contract units will convert under RAD in fiscal year 2016 and will not require amendment or extension money in fiscal year 2017. Under the Second Component, conversions to PBV are funded by the Tenant Protection Voucher funding HUD provides at contract expiration or termination. Conversions to PBRA are funded by transfers to the PBRA account from budget authority recaptured from expired or terminated RS or RAP contracts; contract authority recaptured from contracts converting to RAD, which may be re-appropriated as budget authority; unobligated balances and new appropriations for amendments or extensions in the “Other Assisted Housing” account; and TPV funding that would have otherwise been issued for the project at expiration or termination. For PBRA conversions, any increase to the PBRA account must be offset by transfer.

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. Through December 2015 the Department has converted 127 RS and RAP projects, preserving 8,790 RS and RAP units. In addition, under the Second Component, unassisted units at a project that are eligible for Tenant Protection Vouchers at the time of prepayment may be included on the project-based HAP. This represents 6,159 units, for a total of 15,835 units preserved through the Second Component of RAD. The Department currently has 52 conversion requests that are actively being processed for preservation. We project approximately 9,000 units will be preserved in fiscal year 2016. After fiscal year 2016, an approximate 30-35 projects will remain in the RS/RAP portfolio, representing 1,500-2,000 contract units. We project the conversion of 1,000 of these units in fiscal year 2017. 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.

5. Proposals in the Budget

Not applicable.
### Other Assisted Housing

#### HOUSING

**OTHER ASSISTED HOUSING**

Summary of Resources by Program

(Dollars in Thousands)

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<td>$51,716</td>
<td>$61,758</td>
<td>$16,161</td>
<td>$15,000</td>
<td>$48,901</td>
<td>$63,901</td>
<td>$10,000</td>
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<td>7,958</td>
<td>12,750</td>
<td>20,708</td>
<td>11,827</td>
<td>15,000</td>
<td>8,881</td>
<td>23,881</td>
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<td>Section 236 Interest Reduction Payments (IRP) ..........</td>
<td>...</td>
<td>185</td>
<td>185</td>
<td>...</td>
<td>...</td>
<td>...</td>
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<tr>
<td>Rental Assistance</td>
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</tr>
<tr>
<td>(Transfer) ........................</td>
<td>...</td>
<td>...</td>
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<td>...</td>
<td>...</td>
<td>-21,000</td>
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<tr>
<td>Total ................................</td>
<td>18,000</td>
<td>64,651</td>
<td>82,651</td>
<td>27,988</td>
<td>30,000</td>
<td>36,967</td>
<td>66,967</td>
<td>20,000</td>
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</tbody>
</table>

**NOTE:** 2016 Budget Authority includes an estimated $11 million in Rent Supplement and RAP Extension funds to support conversions to project-based contracts via RAD.
The fiscal year 2017 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, [$30,000,000] $20,000,000, 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, 2016.)
# GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

## MORTGAGE-BACKED SECURITIES PROGRAM

### 2017 Summary Statement and Initiatives

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>GUARANTEES OF MORTGAGE-BACKED SECURITIES</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Appropriation .....................</td>
<td>$500,000,000</td>
<td>$500,000,000</td>
<td>...</td>
<td>$1,000,000,000</td>
<td>$505,586,103</td>
<td>...</td>
</tr>
<tr>
<td>2016 Appropriation .....................</td>
<td>500,000,000</td>
<td>494,413,897</td>
<td>...</td>
<td>994,413,897</td>
<td>994,413,897</td>
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<td>2017 Request ............................</td>
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<td>...</td>
<td>500,000,000</td>
<td>500,000,000</td>
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<tr>
<td>Program Improvements/Offsets ...........</td>
<td>...</td>
<td>-494,413,897</td>
<td>...</td>
<td>-494,413,897</td>
<td>-494,413,897</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GUARANTEES OF MORTGAGE-BACKED SECURITIES PROGRAM ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Expenses and Commitment and Multiclass Fees</td>
</tr>
<tr>
<td>2015 Appropriation ..................</td>
</tr>
<tr>
<td>2016 Appropriation/Request..........</td>
</tr>
<tr>
<td>2017 Request ........................</td>
</tr>
<tr>
<td>Program Improvements/Offsets........</td>
</tr>
</tbody>
</table>

## 1. What is this request?

The fiscal year 2017 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. Gross Budget Authority represents new budget authority to be collected within the fiscal year and does not include the $7.2 million balance of no-year S&E collected in prior fiscal years.
Guarantees of Mortgage-Backed Securities

(2) $23 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2017 (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 stepped up to fill the gap and provide liquidity in the secondary market, bringing stability to a still-recovering housing market. Therefore, Ginnie Mae is requesting $500 billion in commitment authority, to remain available until September 30, 2018, 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).

Salaries and Expenses

In fiscal years 2016 and 2017, Ginnie Mae will utilize a portion of the $7.2M in cumulated S&E funding made available until expended through the Commitment and Multiclass Fee Proviso (section 306 of the National Housing Act, as amended (12 U.S.C.1721(g)) to cover Non-Personnel Services, Working Capital Fund expenses and hire additional 2-year Term or Presidential Management Fellow (PMF) staff.

Ginnie Mae’s salaries and expenses (S&E) request of $23 million, equal to the fiscal year 2016 enacted level, is offset by an estimated $101 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of $78 million. This request of $23 million will support 139.9 FTE and with the no-year S&E expected to fund 25 additional temporary FTE this brings the fiscal year 2017 FTE total to 164.9.

2. What is this program?

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 is not in the business of making or purchasing mortgage loans, nor does it buy, sell, or issue securities. Instead, Ginnie Mae earns income by approving commitment authority for which qualified mortgage issuers pay a fee. Issuers use that authority to pool their eligible government loans into securities and issue Ginnie Mae MBS. Ginnie Mae, in turn, guarantees the performance of
Guarantees of Mortgage-Backed Securities

the Issuer who issues the MBS and who continues to service and manage the underlying loans. The 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 the issuers who can then use the proceeds from issuances to make new mortgage loans at attractive interest rates to borrowers. The ongoing cycle (as depicted in Figure 1) 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 and in times of great market change as we are experiencing now with the withdrawal of major banks from the origination space.

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 with the issuers’ ability to meet its financial obligations to Ginnie Mae MBS investors. 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 and un-reimbursed losses 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 2). Ginnie Mae issuers must exhaust their corporate resources — usually through bankruptcy — before Ginnie Mae will pay on its guarantee through all financial losses in transferring the defaulted issuers Ginnie Mae obligations to another Ginnie Mae issuer. This process is very similar to the Federal Deposit Insurance Corporation (FDIC) closing a failed bank. 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 1: Capital Flow of Ginnie Mae Guaranteed 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 Freddie Mac’s MBS guarantee levels\(^2\). Ginnie Mae’s UPB of securities outstanding in the market has risen from $1.05 trillion to an estimated $1.74 trillion between fiscal years 2010 – 2017 (estimated) (see Figure 3).

Guarantees of Mortgage-Backed Securities

Figure 3: Ginnie Mae vs. Freddie Mac – Unpaid Principal Balance Outstanding in Mortgage-Backed Securities Portfolio

As of September 30

- Ginnie Mae
- Freddie Mac
Guarantees of Mortgage-Backed Securities

The outstanding principal balance of MBS for fiscal years 2015 – 2017:

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL 2015</th>
<th>ESTIMATE 2016</th>
<th>ESTIMATE 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities Outstanding, start of Year</td>
<td>$1,526,470,160</td>
<td>$1,608,790,109</td>
<td>$1,667,531,494</td>
</tr>
<tr>
<td>Issued During Year</td>
<td>432,445,025</td>
<td>330,200,000</td>
<td>359,000,000</td>
</tr>
<tr>
<td>Principal Payments to Securities Holders</td>
<td>-350,125,076</td>
<td>-271,458,615</td>
<td>-283,714,409</td>
</tr>
<tr>
<td>Securities Outstanding, end of year</td>
<td>1,608,790,109</td>
<td>1,667,531,494</td>
<td>1,742,817,085</td>
</tr>
</tbody>
</table>

The Ginnie Mae MBS Program and Multiclass products provide liquidity for an array of FHA, VA, and USDA Rural Development programs:

**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 and MBS is the only securitization program for reverse mortgages in the world. 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.
Guarantees of Mortgage-Backed Securities

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.

<table>
<thead>
<tr>
<th>REMICs</th>
<th>Callable Trusts</th>
<th>Platinum Securities</th>
<th>SMBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>Allow investors who hold multiple pools of MBS to combine them into a single Ginnie Mae Platinum Certificate.</td>
<td>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.</td>
</tr>
</tbody>
</table>
Guarantees of Mortgage-Backed Securities

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:

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL 2015</th>
<th>ESTIMATE 2016</th>
<th>ESTIMATE 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MULTICLASS MBS SECURITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities Outstanding, start of year</td>
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<td>$541,007,625</td>
<td>$574,297,648</td>
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<tr>
<td>Issued During Year</td>
<td>93,030,625</td>
<td>85,169,322</td>
<td>85,169,322</td>
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<tr>
<td>Principal Payments to Securities Holders</td>
<td>-47,163,000</td>
<td>-51,879,300</td>
<td>-54,473,265</td>
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<tr>
<td>Securities Outstanding, end of year</td>
<td>$541,007,625</td>
<td>$574,297,648</td>
<td>$604,993,706</td>
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</tbody>
</table>

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 significantly diminish. If issuers were unable to access the global capital market through the sale of Ginnie Mae securities, they would not have the long-term funding necessary to continue originating FHA, VA, PIH and USDA insured loans upon which so many in America depend. In response, issuers would originate mainly adjustable-rate mortgage (ARM) 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 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.

The Ginnie Mae MBS transforms individual mortgages from relatively illiquid individual assets into liquid, tradable, and homogeneous capital market instruments that will allow the lender to transfer the risks of offering a 30 year fixed interest rate mortgage to the worldwide capital markets. Prior to MBS, borrowers across the United States had limited access to fixed interest rate home mortgages and some regions experienced localized credit crises because lenders only source of funding was form certificates of
Guarantees of Mortgage-Backed Securities

Deposits they sold in their local markets. 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 led to the retreat of investors from investing in MBS that the government did not guarantee the issuer’s ability to perform their financial obligations. 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 $2.8 trillion in new mortgage backed securities during fiscal years 2009 – 2015, bringing its outstanding guarantee to over $1.61 trillion.

Since 2008 GNMA’s issuer base has grown 30 percent and is projected to reach 484 in fiscal year 2017. A significant subcategory of the new Issuer population is composed of sizable non-depository entities that have grown rapidly (Figure 4), and due to their financial and operational complexity will require substantial changes to Ginnie Mae’s counterparty monitoring and governing practices.

Figure 4: League Table Fiscal Years 2012 – 2015

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
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</thead>
<tbody>
<tr>
<td>Top 20 Issuer’s Issuance</td>
<td>$310,666,844,849</td>
<td>$334,546,365,702</td>
<td>$194,411,098,428</td>
<td>$270,196,724,372</td>
</tr>
<tr>
<td>Percent of Total Issuance</td>
<td>86%</td>
<td>79%</td>
<td>70%</td>
<td>69%</td>
</tr>
<tr>
<td>Percent of Top 20 by Depositories</td>
<td>83%</td>
<td>75%</td>
<td>61%</td>
<td>38%</td>
</tr>
<tr>
<td>Percent of Top 20 by Mortgage Banks</td>
<td>17%</td>
<td>25%</td>
<td>39%</td>
<td>62%</td>
</tr>
</tbody>
</table>

As shown in Figure 5, Ginnie Mae supported approximately 1.9 million units of housing for individuals and families in fiscal year 2015. 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; 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 MBS obligations that are collateralized by 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 supports lenders in providing funding for hospitals, nursing homes, and assisted-living facilities. The Multifamily Program guarantee portfolio increased from $87.9 billion at the end of fiscal year 2014 to $92.5 billion at the end of fiscal year 2015 marking the 21st 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.

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—as evidenced by the steep trajectory of demand for our MBS. The UPB of Ginnie Mae securities outstanding in the market have risen from $1 trillion in 2010 to over $1.65 trillion estimated by the end of fiscal year 2016. In addition, Ginnie Mae has been profitable
Guarantees of Mortgage-Backed Securities

every year since it began guaranteeing securities in 1970, becoming the major outlet for providing global capital and liquidity to the housing market. 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, 2015, 98.2 percent of FHA fixed-rate single-family loans, 99.1 percent of multifamily eligible loans, and 97.3 percent of VA fixed-rate single-family loans were funded through the issuance of Ginnie Mae MBS, making Ginnie Mae securities the primary source of funding 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.

Figure 7: Relative Market Share of Ginnie Mae and GSE Securities\(^3\), 2011 through 2015

\(\text{MBS Issuance (\$ Billions)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ginnie Mae</th>
<th>Fannie Mae</th>
<th>Freddie Mac</th>
<th>Non-Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$301.7</td>
<td>$551.0</td>
<td>$301.8</td>
<td>$27.6</td>
</tr>
<tr>
<td>2012</td>
<td>$394.4</td>
<td>$827.9</td>
<td>$439.7</td>
<td>$13.1</td>
</tr>
<tr>
<td>2013</td>
<td>$312.5</td>
<td>$622.3</td>
<td>$357.3</td>
<td>$25.4</td>
</tr>
<tr>
<td>2014</td>
<td>$212.7</td>
<td>$267.1</td>
<td>$187.1</td>
<td>$23.8</td>
</tr>
<tr>
<td>2015</td>
<td>$330.7</td>
<td>$368.4</td>
<td>$277.4</td>
<td>$48.7</td>
</tr>
</tbody>
</table>

\(^3\) Source: *Inside MBS & ABS*, MBS issuance figures based on the 12 months of the calendar year for 2011 through 2014, and for the first 9 months of Calendar Year 2015.
Guarantees of Mortgage-Backed Securities

Notably, between fiscal years, 2012 and 2017 (estimated) Ginnie Mae will have contributed $582 million from discretionary commitment and multiclass fee collections toward reducing the federal deficit. Moreover, Ginnie Mae has generated an average negative subsidy in excess of $900 million a year for a combined discretionary and mandatory collections contribution of $4,194 million toward reducing the federal deficit between fiscal years 2012 and 2015.

5. Proposals in the Budget

- **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. 225)

- **Administrative Expenses Fiscal Year Limitations**: 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 adds 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. (Sec. 205)
Guarantees of Mortgage-Backed Securities

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Summary of Resources by Program

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
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<tr>
<td>Commitment Limitation</td>
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<td>$500,000,000</td>
<td>$1,000,000,000</td>
<td>$505,586,103</td>
<td>$500,000,000</td>
<td>$494,413,897</td>
<td>$994,413,897</td>
<td>$500,000,000</td>
</tr>
<tr>
<td>Total ...............</td>
<td>500,000,000</td>
<td>500,000,000</td>
<td>1,000,000,000</td>
<td>505,586,103</td>
<td>500,000,000</td>
<td>494,413,897</td>
<td>994,413,897</td>
<td>500,000,000</td>
</tr>
</tbody>
</table>
Guarantees of Mortgage-Backed Securities

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Appropriations language

The fiscal year 2017 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, [2017]2018: Provided, That $23,000,000 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, [2016]2017, 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, 2016.)
## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
### SALARIES AND EXPENSES
#### Government National Mortgage Association

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
<td>$19,718</td>
<td>$21,738</td>
<td>$23,000</td>
</tr>
<tr>
<td><strong>Non-Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>465</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>Printing</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other services/Contracts</td>
<td>792</td>
<td>462</td>
<td>-</td>
</tr>
<tr>
<td>Training</td>
<td>330</td>
<td>320</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>28</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Attorney’s Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-Personnel Services Subtotal</strong></td>
<td>$1,615</td>
<td>$1,262</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$21,333</td>
<td>$23,000</td>
<td>$23,000</td>
</tr>
<tr>
<td><strong>Permanent FTE</strong></td>
<td>124.6</td>
<td>134.5</td>
<td>139.9</td>
</tr>
<tr>
<td><strong>Temporary FTE</strong></td>
<td></td>
<td>12.5</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total Associated FTE</strong> 1/</td>
<td>124.6</td>
<td>147.0</td>
<td>164.9</td>
</tr>
</tbody>
</table>

1/ In addition to the discretionary appropriations reflected in the table above, Ginnie Mae will utilize no-year funds available from prior year appropriations for funding administrative costs, including investments in improved risk management and oversight.

### Program Area Overview:

The Government National Mortgage Association (Ginnie Mae) is integral to the success of our nation’s housing finance system. Ginnie Mae’s mission and purpose is to bring domestic and global capital into the nation’s housing finance market. Ginnie Mae fulfills its mission by attracting investors to Ginnie Mae’s mortgage backed securities (MBS) program, the sale of which provides the liquidity that keeps funds flowing to lenders, allowing them to continue to originate loans under the FHA, VA, RHS and PIH programs. At the heart of the demand for the Ginnie Mae MBS is the explicit government guaranty that effectively removes credit risk for investors, making Ginnie Mae MBS a valuable international commodity. Protecting the government guaranty, by insuring that only financially
and operationally capable lenders or issuers can issue MBS and reliably make payments to investors, has been one of Ginnie Mae’s two operational priorities. The other priority has been running the platform over which the MBS is issued and investors receive payment. In addition, without access to the Ginnie Mae program, lenders will be challenged to offer a 30-year fixed-rate mortgage at affordable interest rates. The 2017 request along with use of Ginnie Mae’s accumulated no-year funding will allow it to meet these priorities on a growing and changing portfolio.

Ginnie Mae’s core activities surround its guarantee of timely payment on Ginnie Mae guaranteed-MBS securities. Activities include the key operational functions of approving and monitoring the mortgage lenders who can issue and service the Ginnie Mae MBS, and maintaining the platform over which the MBS is issued and investors receive payment. When we approve lenders to issue MBS, we are providing potential investors with the U.S. government’s guarantee that they will receive timely payments from said Issuer while they remain in good standing in the program. Once a Ginnie Mae guaranteed MBS is issued, we must pay the investor if the Issuer does not or cannot.

As seen in Table 1 below, Ginnie Mae has experienced a tremendous growth rate in the number of issuers since 2008, and expects total growth to exceed 35 percent by calendar year 2017.

Table 1: Calendar Years 2008 – 2017

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-10</th>
<th>Dec-11</th>
<th>Dec-12</th>
<th>Dec-13</th>
<th>Dec-14</th>
<th>Estimated 2015</th>
<th>Estimated 2016</th>
<th>Estimated 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mortgage Company</td>
<td>222</td>
<td>232</td>
<td>252</td>
<td>256</td>
<td>314</td>
<td>317</td>
<td>325</td>
<td>330</td>
<td>330</td>
<td>332</td>
</tr>
<tr>
<td>2. Savings &amp; Loan</td>
<td>36</td>
<td>32</td>
<td>28</td>
<td>24</td>
<td>24</td>
<td>20</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>3. Commercial Bank</td>
<td>63</td>
<td>82</td>
<td>57</td>
<td>86</td>
<td>67</td>
<td>67</td>
<td>80</td>
<td>81</td>
<td>81</td>
<td>81</td>
</tr>
<tr>
<td>5. Credit Union</td>
<td>7</td>
<td>8</td>
<td>12</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>6. Other</td>
<td>20</td>
<td>24</td>
<td>27</td>
<td>24</td>
<td>24</td>
<td>26</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>355</td>
<td>367</td>
<td>385</td>
<td>385</td>
<td>416</td>
<td>457</td>
<td>461</td>
<td>476</td>
<td>483</td>
<td>484</td>
</tr>
</tbody>
</table>

To support the growing portfolio, Ginnie Mae plans to make full use of all available resources to improve management and oversight by decreasing the ratio of issuers to key risk managers, through hiring Account Executives and Monitoring Analysts.

**Requested Level and Justification**

Ginnie Mae requests $23,000K, which would support 139.9 FTE in fiscal year 2017.
Ginnie Mae’s Salaries and Expenses (S&E) request is offset by an estimated $101 million in collections from multiclass and commitment fees in fiscal year 2017. The net result is an estimated $78 million contribution to the federal government’s bottom line. Since 2012, Ginnie Mae’s total impact to reducing the deficit through fees and subsidy receipts is estimated at $589 million through the end of fiscal year 2017. Moreover, Ginnie Mae has generated an average negative subsidy in excess of $900 million a year for a combined discretionary and mandatory collections contribution of $4,194 million toward reducing the federal deficit between fiscal years 2012 and 2015.

In fiscal years 2016 and 2017, Ginnie Mae will utilize a portion of the $7.2M in cumulated S&E funding made available until expended through the Commitment and Multiclass Fee Proviso (section 306 of the National Housing Act, as amended (12 U.S.C.1721(g)) to cover Non-Personnel Services, Working Capital Fund expenses and hire additional 2-year Term or Presidential Management Fellow (PMF) staff.

**Personnel Services:**

The $23M in Personnel Services supports 139.9 FTE to complete the following mission critical functions:

- Carrying out mission-critical work in the Offices of Issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology, and the Office of the Chief Financial Officer, including building the foundation to reach targeted issuer to staff ratios. (See Table 2).

- Providing 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.

- Continuing modernization and transformational initiatives necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (e.g., FISMA, FISCAM, and NIST Rev. 4) and other regulatory mandates; and align with Ginnie Mae-imposed policies and procedures.

- Building increased capacity to strengthen the management oversight of contractors across the enterprise.

- Increasing focus on risk management of a portfolio of more than $1.6 trillion in outstanding guaranteed securities, as the portfolio continues to grow.

**Non-Personnel Services:**

$1M of no-year S&E funding will be allocated for Non-Personnel Services to complete mission critical functions, including issuer applicant on-site reviews, on-site visits for new or probationary issuers, compliance reviews and reviews of GNMA’s master subservicers and additional oversight and monitoring protocols.
Government National Mortgage Association – Salaries and Expenses

- $425K in Travel
- $298K in Other services/Contracts
- $299 in Training
- $27K in Supplies

Working Capital Fund:
An estimated $675K to pay working capital fund fees for shared services, and other investments determined by the Secretary will also be covered by no-year S&E funding.
## Permanent Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE OF THE PRESIDENT/VP</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>OFFICE OF CHIEF FINANCIAL OFFICER</td>
<td>11</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>OFFICE OF ISSUER &amp; PORTFOLIO MGMT</td>
<td>35.6</td>
<td>36.5</td>
<td>36.9</td>
</tr>
<tr>
<td>OFFICE OF ENTERPRISE RISK</td>
<td>13</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>OFFICE OF CAPITAL MARKETS</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>OFFICE OF ENTERPRISE DATA &amp; TECHNOLOGY SOLUTIONS</td>
<td>19</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>OFFICE OF SECURITIES OPERATIONS</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>OFFICE OF MANAGEMENT OPERATIONS</td>
<td>15</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td><strong>Permanent Staff Sub-Total</strong></td>
<td><strong>124.6</strong></td>
<td><strong>134.5</strong></td>
<td><strong>139.9</strong></td>
</tr>
</tbody>
</table>

## 2-Year Term or PMF Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE OF THE PRESIDENT/VP</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>OFFICE OF CHIEF FINANCIAL OFFICER</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>OFFICE OF ISSUER &amp; PORTFOLIO MGMT</td>
<td>2.5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>OFFICE OF ENTERPRISE RISK</td>
<td>2</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>OFFICE OF CAPITAL MARKETS</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>OFFICE OF ENTERPRISE DATA &amp; TECHNOLOGY SOLUTIONS</td>
<td>2</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>OFFICE OF SECURITIES OPERATIONS</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>OFFICE OF MANAGEMENT OPERATIONS</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Temporary Staff Sub-Total</strong></td>
<td><strong>-</strong></td>
<td><strong>12.5</strong></td>
<td><strong>25</strong></td>
</tr>
<tr>
<td><strong>Perm and Term/PMF Staff Total</strong></td>
<td><strong>124.6</strong></td>
<td><strong>147.0</strong></td>
<td><strong>164.9</strong></td>
</tr>
</tbody>
</table>
Recognizing that human capital is at the heart of our operational success, Ginnie Mae leadership is focused on hiring and retaining staff in Ginnie Mae’s 2016 and 2017 operational plan, alongside running our securitization platform and administering the government guaranty.

Ginnie Mae’s key operational initiatives are designed to establish continuity of, and depth in, critical staff and skills; reduce our reliance on key person dependencies; and to develop an ability to respond to unforeseen events that require immediate attention without compromising other tactical and strategic efforts.
Ginnie Mae will establish a Management Working Group to execute short-term tactical goals as well as develop longer-term strategies for achieving our hiring and retention objectives.

Ginnie Mae will work very closely with HUD’s Office of the Chief Human Capital Officer (OCHCO) and HUD’s shared services provider for personnel services (Treasury’s Bureau of Fiscal Services - BFS) to explore and employ all available OPM recruitment and retention tools, in order to combat the loss of its highly sought-after staff, who are being recruited for their industry skill set by other financial agencies that offer premium pay for the same work and often less hours; another goal is to reduce the time of the recruitment process, and increase the acceptance rate of job offers.

More specifically, the Management Working Group will analyze our current practices of hiring and will work hand-in-hand with our internal and external partners, including HUD’s Budget Office and OCHCO, BFS, and OPM to execute the needed changes, including streamlining the processes for hiring, hiring multiple candidates off rosters, looking for new flexibilities in the process, and removing any impediments possible while staying within the government hiring rules.
POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>RESEARCH AND TECHNOLOGY</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Appropriation ...........</td>
<td>$72,000</td>
<td>$2,744</td>
<td>...</td>
<td>$74,744</td>
<td>$44,632</td>
<td>$35,818</td>
</tr>
<tr>
<td>2016 Appropriation ...........</td>
<td>85,000</td>
<td>30,123</td>
<td>...</td>
<td>115,123</td>
<td>115,123</td>
<td>67,000</td>
</tr>
<tr>
<td>2017 Request .................</td>
<td>185,000a/</td>
<td>...</td>
<td>...</td>
<td>185,000</td>
<td>185,000</td>
<td>107,000</td>
</tr>
<tr>
<td>Program Improvements/offsets ...</td>
<td>+100,000</td>
<td>-30,123</td>
<td>...</td>
<td>+69,877</td>
<td>+69,877</td>
<td>+40,000</td>
</tr>
</tbody>
</table>

a/ The 2017 request includes $120 million in programs transfers.

1. **What is this request?**

The 2017 Budget requests $185 million for the Department’s Research and Technology (R&T) account through a combination of direct appropriation and transfer authority. This request will support a range of research, data infrastructure, technical assistance, and capacity building all under one account:

- $65 million in direct appropriations for the category of core research support, surveys, data infrastructure, and knowledge management (research dissemination.) “Core research support” is proposed as a new component of the core data and research infrastructure request, which supports: 1) the long-term commitment to evaluate Moving-to-Work policy initiatives and expansion, and 2) research on new innovation that facilitates behavior changes among builders, property owners and tenants that results in lower consumption of carbon based energy.

- Authority to transfer up to $120 million from program accounts to the R&T account for the categories of research, evaluations, and demonstrations ($33 million); technical assistance ($52 million); and capacity building ($35 million).

Program transfers for these purposes reflect the Department’s enterprise-wide commitment to integrate evidence and cross-disciplinary intelligence throughout program policy, management, and operations. The transfer funding provides a devoted source of funds for research, evaluations and technical assistance as previously made available under the TI account during fiscal years 2010 to 2014.
A summary of R&T funding for fiscal years 2015, 2016 and 2017 follows:

<table>
<thead>
<tr>
<th>Research &amp; Technology</th>
<th>FY 2015 Enacted</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Market Surveys</td>
<td>$37.7</td>
<td>$41.5</td>
<td>$41.5</td>
</tr>
<tr>
<td>*Knowledge Management</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>**Non-Survey Data Acquisition</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Housing Finance Studies</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Research Partnerships</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Housing Technology</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Core Research Support – Moving To Work</td>
<td>-</td>
<td>-</td>
<td>10.0</td>
</tr>
<tr>
<td>Core Research Support – Energy and Housing Innovation</td>
<td>-</td>
<td>-</td>
<td>5.0</td>
</tr>
<tr>
<td>Subtotal PD&amp;R Research and Technology</td>
<td>$46.2</td>
<td>$50.0</td>
<td>$65.0</td>
</tr>
<tr>
<td>Research and Demonstration a/</td>
<td>3.8</td>
<td>10.0</td>
<td>[33.0]</td>
</tr>
<tr>
<td>Technical Assistance a/</td>
<td>22.0</td>
<td>25.0</td>
<td>[52.0]</td>
</tr>
<tr>
<td>Section 4 – Capacity Building a/ b/</td>
<td>-</td>
<td>-</td>
<td>[35.0]</td>
</tr>
<tr>
<td>Total PD&amp;R</td>
<td>$72.0</td>
<td>$85.0</td>
<td>$185.0</td>
</tr>
</tbody>
</table>

* Formerly referred to as "Research Dissemination."
** Formerly referred to as "Program Metrics/Urban Data."
a/ The 2017 request reflects transfers from programs.
b/ The Section 4 Capacity Building program was funded at $35 million within the Self-Help Homeownership Opportunity Program account in 2015 and 2016, equal to the 2017 request.
Research and Technology

The table below provides the estimated program transfers:¹

<table>
<thead>
<tr>
<th>Research and Technology Account - Program Transfers</th>
<th>Treasury Account</th>
<th>FY 2017 Budget Request</th>
<th>FY 2017 Estimated Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice Neighborhoods Initiative</td>
<td>86-0349</td>
<td>$ 200,000,000</td>
<td>$ 1,000,000</td>
</tr>
<tr>
<td>Community Development Fund</td>
<td>86-0162</td>
<td>2,880,000,000</td>
<td>14,400,000</td>
</tr>
<tr>
<td>Fair Housing Activities</td>
<td>86-0144</td>
<td>70,000,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Family Self-Sufficiency</td>
<td>86-0350</td>
<td>75,000,000</td>
<td>375,000</td>
</tr>
<tr>
<td>HOME Investment Partnerships Program</td>
<td>86-0205</td>
<td>950,000,000</td>
<td>4,750,000</td>
</tr>
<tr>
<td>Homeless Assistance Grants</td>
<td>86-0192</td>
<td>2,664,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Housing Counseling Assistance</td>
<td>86-0156</td>
<td>47,000,000</td>
<td>235,000</td>
</tr>
<tr>
<td>Housing for Persons with Disabilities (Section 811)</td>
<td>86-0237</td>
<td>154,000,000</td>
<td>770,000</td>
</tr>
<tr>
<td>Housing for the Elderly (Section 202)</td>
<td>86-0320</td>
<td>505,000,000</td>
<td>2,525,000</td>
</tr>
<tr>
<td>Housing Opportunities for Persons with AIDS</td>
<td>86-0308</td>
<td>335,000,000</td>
<td>1,675,000</td>
</tr>
<tr>
<td>Lead Hazard Reduction</td>
<td>86-0174</td>
<td>110,000,000</td>
<td>550,000</td>
</tr>
<tr>
<td>Mortgage Mutual Insurance Program Account</td>
<td>86-0183</td>
<td>160,000,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Native American Housing Block Grants</td>
<td>86-0313</td>
<td>700,000,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Native Hawaiian Housing Block Grant</td>
<td>86-0235</td>
<td>500,000</td>
<td>-</td>
</tr>
<tr>
<td>Project-Based Rental Assistance</td>
<td>86-0303</td>
<td>10,816,000,000</td>
<td>28,325,500</td>
</tr>
<tr>
<td>Public Housing Capital Fund</td>
<td>86-0304</td>
<td>1,865,000,000</td>
<td>9,325,000</td>
</tr>
<tr>
<td>Public Housing Operating Fund</td>
<td>86-0163</td>
<td>4,569,000,000</td>
<td>22,844,000</td>
</tr>
<tr>
<td>Rental Assistance Demonstration</td>
<td>86-0406</td>
<td>50,000,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Tenant-Based Rental Assistance</td>
<td>86-0302</td>
<td>20,854,000,000</td>
<td>28,325,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>47,024,500,000</strong></td>
<td><strong>120,000,000</strong></td>
</tr>
</tbody>
</table>

¹ Represents estimated R&T transfers based on the 2017 Budget priorities, program requirements, and application of $28.3 million cap per account.
Research and Technology

2. What is this program?

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 and serves as a key resource to stakeholders for data, research, and best practices through knowledge management (research dissemination) activities.

Strategic investments in research and evaluation build knowledge, provide public accountability, and inform policy to increase efficiency and effectiveness of the Department’s existing programs. The major program demonstrations funded through R&T are 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 technical assistance and capacity building funds are used for the benefit of all of HUD’s programs. PD&R’s role is to ensure an efficient allocation of these funds – identifying where the funds can be used cross-program, program specific, or grantee specific – and allocating the funds in a way to increase the probability that HUD’s grantees and other partners succeed at achieving program goals efficiently. After allocation of the resources, the actual management of technical assistance and capacity building resources are done by program office staff – in PIH, CPD, Housing, and FHEO - with the knowledge and expertise to effectively manage the funds.

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

Research, Evaluations, and Demonstrations - $33.0 million (Transfers)

High quality research, evaluations and program demonstrations are essential for building knowledge, providing public accountability, and informing policy in the manner that increases the efficiency and effectiveness of the Department’s programs.

The table below outlines the prioritized list of research, evaluation, and demonstration projects PD&R proposes to fund in fiscal year 2017. In establishing fiscal year 2017 priorities, PD&R first seeks to complete previously initiated research efforts and leverage opportunities generated through such investments. Newly proposed projects address emerging research needs identified through
Research and Technology

eyear research findings, stakeholder input through the Research Roadmap process, which PD&R is updating during fiscal year 2016, and other means.

Estimated budgetary costs for projects are shown, but the final project selections will be made after funding enactment on the basis of updated cost estimates and agency and Congressional priorities. HUD will notify Congress of significant deviations from these priorities through HUD’s annual operating plan.

### Summary of PD&R FY 2017 Research, Evaluation, and Demonstration Projects Under Consideration

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Summary Description</th>
<th>FY17 Budget Request</th>
<th>Funding Request Type</th>
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<tbody>
<tr>
<td><strong>Moving to Work Demonstration, Phase 2: Impacts of Promising Self-Sufficiency Interventions in the Current 39 MTW Locations</strong></td>
<td>Building off of current work in progress documenting the scope of interventions being tested under MTW, this study will focus on a few promising MTW initiatives designed to promote self-sufficiency, housing choice, and cost-effectiveness such as time-limited and/or short-term assistance, work incentives, and mobility programs. This research would include costs and benefits of different approaches to the housing and other social service systems and investigation of impacts or outcomes relevant for households, PHAs, and the community.</td>
<td>$2,400,000</td>
<td>Continuing</td>
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<tr>
<td><strong>Multidisciplinary Research Team (MDRT): Rapid Policy Research</strong></td>
<td>Initiated in FY2014, 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 answers for priority policy questions. Five task orders were awarded with the first round of the program. This funding request will allow HUD to continue to fund the MDRT contract.</td>
<td>$800,000</td>
<td>Continuing</td>
</tr>
<tr>
<td><strong>Pre-Purchase Counseling Demonstration, Phase 3: Administrative Data Follow-Up</strong></td>
<td>Supports continued demonstration on impacts of in-person vs. remote education and counseling for first-time homebuyers. The funding request for Phase 3 supports the collection and analysis of administrative data (loan servicing and origination and credit report data) to assess the impacts of the pre-purchase counseling interventions over a 36-month period on the sample of over 5,500 study participants.</td>
<td>$1,350,000</td>
<td>Continuing</td>
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<tr>
<td>Project Title</td>
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<tr>
<td>Pre-Purchase Counseling Demonstration, Phase 4: 36-month Follow-Up Survey</td>
<td>Supports continued demonstration on impacts of in-person vs. remote education and counseling for first-time homebuyers. Requested funding for Phase 4 supports a survey of approximately 5,500 study participants at 36 months. It would provide context for the administrative data analysis and final report on impacts at 36 months.</td>
<td>$2,840,000</td>
<td>Continuing</td>
</tr>
<tr>
<td>Choice Neighborhoods: Exploring the Impact of Investment on Family and Neighborhood Outcomes</td>
<td>In fiscal year 2014, HUD completed an implementation study of five Choice Neighborhood sites in Boston, Chicago, New Orleans, San Francisco, and Seattle. Resident households have been tracked for the past three years. This study will assess the outcomes of the completed Choice Neighborhood investments in the same five sites for two years (2017-2019) after conclusion of the grant period (2016). A follow-up survey and collection and analysis of administrative data will help to measure the effects of the completed Choice Investments in these first five implementation sites.</td>
<td>$2,400,000</td>
<td>Continuing</td>
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<tr>
<td>Rent Reform</td>
<td>This investment will support continued work on a critically important study of MTW interventions, scientifically testing a combination of rent reforms common among many MTW agencies, specifically: (1) 28 percent of Gross Income instead of 30 percent of Adjusted Income; (2) A higher minimum rent ($50-$150 depending on site); (3) triennial recertification, with interim recerts not increased for increased earned income; (4) simplified utility allowance; and (5) streamlined hardship policies. The funds will be used to survey approximately 7,000 households enrolled in the Demonstration.</td>
<td>$6,000,000</td>
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### Project Title

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<tr>
<th>Family Options Study--Extending the Analysis</th>
<th>Summary Description</th>
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<tr>
<td>This project would allow HUD to fully leverage the investment made in the Family Options Study by extending the analysis of the existing study data and ensuring access to this unique data source for future researchers. Specifically, this request has two separate components: 1) a data storage component, which would support the cost of contracting with an outside entity to store and manage access to the restricted access data file, as well as store the personally identifiable information of study participants for future administrative data matching efforts, and 2) an analysis component that would support researchers to use the existing Family Options Study data to explore policy and research questions that HUD deems important.</td>
<td>$600,000</td>
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<tr>
<th>Evaluation of PBRA Transfer Authority</th>
<th>Summary Description</th>
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<tr>
<td>The 2012 Consolidated Appropriations Act provided HUD with the authority to transfer PBRA subsidies from currently assisted properties to different properties. Building on the results of in-house research, 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, as well as its location.</td>
<td>$1,100,000</td>
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<tr>
<th>Housing Choice Voucher Regional Mobility Demonstration--Impact Evaluation</th>
<th>Summary Description</th>
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<tr>
<td>This project will evaluate the impacts of the HCV Regional Mobility Demonstration by randomizing 300-500 eligible families from public housing or assisted multifamily developments at each of 10 sites (total sample of 3,000 to 5,000). Families would be assigned to receive either no mobility services or one of three models of mobility services: using turnover vouchers to develop new project-based vouchers, relocating existing voucher holders, or using turnover vouchers to relocate existing households. Treatment will vary in design and implementation across the sites (e.g., mobility counseling only or incentives only). Data collection for an outcome study will include case studies, focus groups, tracking moves to opportunity neighborhoods and housing costs in administrative data. Impact evaluation will add baseline and follow-up surveys, and interim reporting, to assess the intermediate and long-term effects of mobility services and neighborhood opportunity.</td>
<td>$5,000,000</td>
<td>New</td>
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<tr>
<td>Evaluation of the FUP/FSS Demonstration Program</td>
<td>The 2015 Consolidated Appropriations Act provided authority for HUD to implement a demonstration program to allow PHAs administering both the Family Unification Program (FUP) and the Family Self-Sufficiency (FSS) program to overlay these two programs for youth being served through FUP. Youth accessing a FUP voucher in a demonstration site will be eligible to maintain their housing assistance for the full-term of their FSS contract, and bypass the required 18-month time limit applied to a standard FUP youth voucher. HUD plans to conduct in-house evaluation of this demonstration program beginning in fiscal year 2016, and these additional funds will enable HUD to extend and enhance this in-house effort.</td>
<td>$150,000</td>
<td>New</td>
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<tr>
<td>Competitive Evaluation Grants: Assessing the Impacts of CDBG and HOME Eligible Activities</td>
<td>42 USC 5305 enumerates 25 eligible activities under the CDBG program. 42 USC 212 enumerates a narrower but still substantial range of purely housing activities under HOME. This project would fund grants to researchers who would investigate the extent to which one or more enumerated activities, as actually implemented, cost-effectively accomplish the goals set forth in the respective statutes. The project would harness the dispersed local knowledge of practitioners and academics to inform Congress and HUD about policy efficacy and efficiency.</td>
<td>$2,500,000</td>
<td>New</td>
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<tr>
<td>Multifamily Pilot to Reduce Energy Consumption</td>
<td>This will evaluate the Office of Multifamily Housing clean energy PFS pilot authorized in 2016 by the FAST Act (P.L. 114-94). The pilot is intended to incentivize multifamily owners and tenants to reduce energy consumption. The evaluation will have two components: (i) process evaluation to examine feasibility, deal structuring, and outcome payments; and (ii) quick turn-around Randomized Control Trial behavior evaluations of how various messaging and other business process changes impact the energy choices made by property owners and tenants. This investment complements the broader investment in “Energy and Housing Innovation” requested under the Core Research Supports.</td>
<td>$5,000,000</td>
<td>New</td>
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## Research and Technology

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<tr>
<td><strong>Comparing Subsidy Costs of Federal Rental Housing Assistance Programs</strong></td>
<td>This study will analyze the comparative costs of providing a unit of housing with various housing subsidy programs. About $2.0 million of the requested $2.4 million would be devoted to the cleaning and reconciliation of subsidized unit data to support the comparison. Research will also examine subsidy layering, characteristics, and benefits of cost-effective housing subsidy programs.</td>
<td>$2,400,000</td>
<td>New</td>
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<tr>
<td><strong>Understanding Child Development Trajectories in Public and Assisted Housing</strong></td>
<td>This project will support a contractor of the National Center for Education Statistics will link HUD tenant data with the National Child Longitudinal Survey (NCLS) and analyze the merged data to shed light on questions that are critical for reducing intergenerational poverty.</td>
<td>$200,000</td>
<td>New</td>
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<tr>
<td><strong>Innovative Approaches to Healthcare Service Delivery to Aging Populations in Rural Communities</strong></td>
<td>This request will inform efforts to support innovative service delivery strategies to seniors residing in federally assisted housing in rural areas. These efforts will include: characterizing the housing, health, and supportive service needs of residents in elderly restricted properties in rural areas; and second, providing a framework for future investments that build on the findings from an expert convening PD&amp;R hosted on this topic in September 2015, especially strategies focusing on: tele-medicine, transportation services, university healthcare collaborations, enhanced service delivery within wellness centers, family care providers, and adaptive approaches in response to high-utilizers of emergency healthcare services. HUD expects that any effort to explore rural housing and supportive services needs and strategies will be developed jointly with USDA to ensure the inclusion of Section 515 properties, and HHS partners, such as HRSA and CMS, who have overlapping interest in this issue area.</td>
<td>$250,000</td>
<td>New</td>
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<tr>
<td>Estimating Cross-System Cost Impacts of Homeless Interventions with Administrative Data</td>
<td>This project would expand on an existing technical assistance contract that estimates the savings in Medicaid costs of clients experiencing chronic homelessness who obtain permanent supportive housing by linking Medicaid and HMIS data. The analysis would add more sites and more systems (statewide HMIS systems and administrative systems in addition to Medicaid, such as child welfare and public benefits). The purpose is to gain a more complete picture of the cost savings associated with providing homelessness assistance to any individuals and families, but specifically those experiencing chronic homelessness.</td>
<td>$500,000</td>
<td>New</td>
</tr>
<tr>
<td>Estimating Vulnerability of Gulf Coast Public Housing to Climate Risk</td>
<td>Recent developments in climate science and meteorology suggest that climate-driven risks to the built environment could escalate rapidly in coming decades. This study will assess such risks for public housing in the Gulf Coast region, in partnership with federal agencies such as NOAA, USGS, and FEMA. This study will support the goals of the HUD Climate Council and HUD’s Adaptation Plan by advancing interagency coordination, risk modeling, and enhanced data collection methods that could be applied to understand and reduce the risk to federal assets across the nation.</td>
<td>$500,000</td>
<td>New</td>
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<tr>
<td>Impact of the Coordinated Entry Model for Homelessness</td>
<td>This project would measure the impacts of which coordinated entry models work better for whom and the associated effects on ending homelessness for all populations. This project would be a process evaluation on the development of these systems to provide examples of how communities made decisions about coordinated entry (e.g. use HMIS or not/centralized or decentralized/phone based or not), and then how each of these decisions affected how well their coordinated entry process worked.</td>
<td>$1,200,000</td>
<td>New</td>
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<tr>
<td>Evaluating Choice Planning Grants</td>
<td>This study would look at a sample of planning grants, and collect, through interviews with key stakeholders and local administrative data, descriptive information about the effect of planning grants on placed based development.</td>
<td>$675,000</td>
<td>New</td>
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Research and Technology

**Technical Assistance and Capacity Building - $87 million (Transfers)**

Most HUD-supported work in America’s communities is carried out by state and local partners. Technical assistance and capacity building has a direct impact on the ability of HUD’s partners and grantees to carry out affordable housing and community development programs. Continued investment in this work in fiscal year 2017 will ensure that HUD can sustain the progress made toward cross-programmatic, better-targeted technical assistance and capacity building.

**Technical Assistance (TA) - $52.0 million**

Complex federal requirements, staff turnover at city, county, and state agencies and Public Housing Agencies (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. Technical assistance 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.

In fiscal year 2017, HUD will use program transfers into the R&T account to fund TA for:

- Targeted TA for addressing troubled PHAs and local implementation of HUD programs, including CDBG, Public Housing Capital Fund, the Rental Assistance Demonstration, and Native American Programs;
- Technical assistance and training, including on-line training, that cross program areas, such as a single web-site for TA resources, rental housing management and occupancy, housing development, energy efficiency and fair housing; as well as targeted training to develop the skills of PHAs; and
- Innovative approaches to support communities, such as place-based efforts that focus on communities of persistent poverty and distress as well as those facing challenges recovering from disaster. Place-based technical assistance can provide TA support for effective implementation of neighborhood initiatives such as Choice Neighborhoods – as well as TA that provides focused attention on city or state agencies that show inadequate capacity to administer HUD’s programs – including communities implementing CDBG Disaster Recovery programs and agencies consistently found through monitoring and IG findings to have implementation challenges.

HUD expects to allocate TA funding as follows:

- $27 million for targeted or program-specific TA, including $5 million for Native American TA
- $15 million for cross-cutting TA
Research and Technology

- $10 million for innovative, place-based TA

Eligible uses of funds include: needs assessments and direct TA; tools and products; self-directed and group learning (training); data analysis; knowledge management; and NAHASDA formula development, allocation, and negotiation.

Full funding at the requested $52.0 million would allow HUD to provide basic, programmatic technical assistance, primarily through online tools, curricula, and resources, as well as ensuring the most deeply troubled and at-risk grantees and PHAs are able to continue providing housing and services in their communities.

The TA funding provided through program transfers allows HUD a flexible mechanism for delivering assistance that spans multiple HUD program areas and results in more efficient management and use of TA resources. Funds are awarded and managed through HUD’s Community Compass program.

Capacity Building - $35.0 million

In addition, the fiscal year 2017 request for R&T includes the capacity building tools previously funded through the SHOP account. The Capacity Building for Affordable Housing and Community Development Program, also known as the Section 4 program, was originally authorized under Section 4 of the HUD Demonstration Act of 1993 (Pub. L. 103-120, 107 Stat. 1148, 42 U.S.C. 9816 note), as amended. The program enhances the capacity and ability of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out community development and affordable housing activities that benefit low-income persons. 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.

For both Technical Assistance and Capacity Building, PD&R will coordinate the allocation of resources as well as facilitate collaboration across program offices. The program offices will be the allotment holders of the funds and administer the resources.

Core Research Support, Surveys, Data Infrastructure, and Knowledge Management- $65 million (Direct Appropriation)

Core Research Support - $15.0 million

The fiscal year 2017 request of $15.0 million would provide funding for two core data and research infrastructure support activities:
Research and Technology

- **Moving-to-Work Research.** In the fiscal year 2016 Consolidated Appropriations Act, Congress directed HUD to expand the MTW program to 100 agencies over 7 years. As part of the MTW expansion, Congress directed HUD to establish an MTW advisory committee to develop specific policy proposals and methods to rigorously evaluate those proposals. This creates a long-term obligation for HUD and thus it becomes a core cost to PD&R operations. Specifically, HUD is proposing a new component to its core research funding that would support: (i) the continuing costs of an MTW advisory committee; (ii) some of the costs incurred by PHAs for participating in the research in order to ensure the research is done rigorously; and (iii) costs to rigorously evaluate the policy changes. ($10 million)

- **Energy and Housing Innovation.** On December 11, 2015, the U.S. committed with 195 nations to reducing greenhouse gas emissions. As part of that landmark commitment, 20 countries, including the U.S., committed to doubling their governmental clean energy research and development investment over five years. To support this effort, HUD proposes to invest in research on innovations that facilitate behavior changes among builders, property owners, and tenants that will reduce consumption of carbon based energy. Like the MTW core research, this proposal would include the creation of an advisory group of researchers, builders, tenants, and homeowners to propose simple, testable approaches to facilitate long-term behavior change in the housing sector. There have been substantial advances in cost-effective technologies that reduce individual carbon emissions, such as the advances in residential building technologies resulting from the Department of Energy’s major investments in the Building America program. There also is growing understanding of how behavioral biases, cognitive shortcuts, and habits impede adoption of beneficial technologies and impact energy consumption. This research center would leverage building technology advances by using social science insights to span the last mile—informing and incentivizing technology adoption and behavioral changes to reduce energy waste and reduce carbon emissions. The program will work with the Department of Energy’s Decision Science program to collaborate and coordinate clean energy behavioral R&D efforts. ($5 million)

**Housing Market Surveys - $41.5 million**

The fiscal year 2017 funding target of $41.5 million would provide funding for five housing market surveys:

- **The American Housing Survey (AHS),** which provides national, regional, and metropolitan area estimates of the characteristics of the nation's housing stock. The AHS gathers data every 2 years; for the survey that is conducted in fiscal year 2017, funding from both fiscal year 2016 and fiscal year 2017 will be used. The total estimated cost for this survey (both fiscal year 2016 and fiscal year 2017 funding) is approximately $70 million. The fiscal year 2016 funds ($33.75 million), combined with the fiscal year 2017 funding target ($33.35 million), will fund the national sample of the AHS and 35 metropolitan area oversamples.
Research and Technology

- The Survey of Construction (SOC), which provides two principal economic indicators (new homes sales and new residential construction) on a monthly basis ($3.6 million).
- The Survey of Market Absorption of Apartments (SOMA), which provides absorption rates and other key estimates for multifamily housing uptake ($1.1 million).
- The Manufactured Homes Survey (MHS), which is statutorily mandated to produce estimates of manufactured homes production, shipments, and placements for the nation and each of four Census regions, and at least annual estimates for each State ($450 thousand).
- The Rental Housing Finance Survey (RHFS), which provides national estimates of mortgage and other characteristics for rental properties. The RHFS gathers data every two years; for the survey that is conducted in fiscal year 2017, funding from both fiscal years 2016 and 2017 will be used. The total estimated cost for this survey (both fiscal years 2016 and 2017 funding) is approximately $6 million. The fiscal year 2016 funds ($3 million), combined with the fiscal year 2017 funding target ($3 million), will be sufficient to fully fund the fiscal year 2017 RHFS based on current survey cost estimates.

Housing Finance, and Non-Survey Data Acquisition - $1.8 million

- The request includes $1.2 million for housing finance-related studies needed to help advance the understanding of housing finance markets and inform decision making on Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) policy. The specific study proposals were developed through the Research Roadmap process.
- Non-Survey Data Acquisition- PD&R requires purchases of private sector data not otherwise collected by HUD or other federal statistical agencies to monitor housing finance and local housing market conditions ($600 thousand).

Knowledge Management (Research Dissemination) - $5.7 million

Knowledge management is accomplished primarily through HUD User—the essential tool for HUD's dissemination of research and data. In addition to providing free on-line access to hundreds of useful housing and community development research publications dating back to the 1970s, these funds would continue to support the research periodicals Cityscape, Evidence Matters, and The Edge; easily digestible housing market data from the US Housing Market Conditions application; case studies of award-winning projects; the Secretary's award programs; and a student design competition. Extensive data resources needed for program operations (of both HUD and sister agencies) and research are also shared and managed through this site. These include income limits, fair market rents, qualified census tracts, and difficult development areas. HUD User also supports the new Enterprise Geographic Information System (eGIS) storefront, with tools including the Single Family Home Locator for real estate owned (REO) properties and Neighborhood Stabilization Program (NSP) target areas; the Choice Neighborhoods mapping tool; and CPD maps, which show CDBG, HOME and other HUD investments.
Research and Technology

Research Partnerships - $1.0 million

The Budget includes $1.0 million for the Research Partnerships initiative, which allows PD&R to engage in the design and execution of externally-led housing and community development research. Since proposers must provide at least 50 percent cost share, this investment will leverage an additional $1.0 million (minimum) from philanthropic entities, federal, state, and local governmental agencies to conduct research on HUD policy relevant issues. These projects are aligned with PD&R’s research priorities and help the Department and PD&R answer key policy and programmatic questions in ways that can inform new policy and program development efforts.

4. **How do we know this program works?**

**Research, Evaluations, and Demonstrations**

Research, evaluations and demonstrations have contributed to 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. More recent examples include two studies released during fiscal year 2015: the *Family Options Study*, a multi-site random assignment experiment designed to study the impact of various housing and services interventions for families experiencing homelessness, and the *Housing Choice Voucher (HCV) Program Administrative Fee Study*, which measured the costs of operating a high-performing and efficient HCV program to help develop a new administrative fee formula. Both of these studies answered fundamental questions about policy effectiveness and impact, and the findings of each study are currently supporting active policy dialogues and programmatic changes.

Importantly, investments in research, evaluations, and demonstrations can continue to generate ground-breaking results years after “final reports” are completed. For example, 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 deconcentration has powerful impacts on resident health. In May 2015, new work leveraging the MTO data was released by Raj Chetty, Nathan Hendren, and Larry Katz. The study expands the body of evidence on MTO and while it was not funded directly by HUD, it does rely upon data from the original demonstration provided by HUD as well as the Internal Revenue Service. “The Effects of Exposure to Better Neighborhoods on Children,” a new contribution to a large body of work looking at MTO, specifically examines how moving as a child from high poverty to low poverty between 1994 and 1998 has shaped the adult economic outcomes of those children. The release of the Chetty, Hendren, and Katz work launched a new national dialogue about mobility—a dialogue made possible by the Department’s original investment in MTO as well as our ongoing practice of making data available to other researchers.
Research and Technology

Technical Assistance and Capacity Building

Technical Assistance

Over the last few years of managing TA funds through a coordinated funding source, HUD has developed more efficient ways to deploy and manage cross-Departmental TA funds. As a result, the Department can obligate and deploy TA funding faster and more effectively, and grantees receive assistance sooner.

Examples of Technical Assistance benefits in 2015 include:

- Lead the Way: 793 PHA staff and boards commissioners from 513 different PHAs enrolled in this free, online training to help PHA boards and staff fulfill their responsibilities in providing effective governance and oversight.
- Rental Assistance Demonstration TA: 284 PHAs have received technical assistance this year, for a total of 48,899 converting units.
- At-Risk/Troubled PHA TA: Provided TA to 28 PHAs (10 PHA received or receiving ongoing TA into fiscal year 2015 from prior year and 18 PHAs started TA in fiscal year 2015).
- Highlights of Other TA:
  - Development and Capital Improvements TA led 1,840 new and rehabbed units at Puerto Rico Public Housing Administration, Virgin Islands Housing Authority, St. John the Baptist Housing Authority, and Detroit Housing Commission.
  - Guided the New York City Housing Authority’s (NYCHA) solicitation and contract to perform an investment-grade energy audit for their planned large scale energy performance contract (EPC). Presumably, this contract leads to negotiation of an Energy Services Agreement to implement the EPC project, which could cover up to 90,000 units and include improvements in water consumption, light fixtures, boilers and water heaters, new systems controls, and leverage the rate reduction incentive.

Capacity Building

- A 2013 policy brief from Local Initiatives Support Corporation (LISC) found that from 2002 to 2011, Section 4 has created or preserved over 83,000 homes and attracted over $13.2 billion in investment for lower-income neighborhoods and

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communities across the country. The same brief also found that median business operating budgets grew by over 157 percent for Section 4 CDC recipients from 2001 to 2011. This has resulted in increased potential for growth and revitalization, inspiring further investment in areas in which traditional investors have seen little value.

- The Section 4 Capacity Building program was also the subject of a 2011 independent evaluation by Social Compact and Weinheimer and Associates\(^3\). Relying primarily on an online survey of 235 CDCs receiving Section 4 grants between 2001 and 2009, the study supported the conclusion that CDCs that received Section 4 assistance had greater capacity to carry out their programs, and that CDCs and CHDOs receiving Section 4 assistance showed a dramatic increase in their ability to carry out HUD and other federal programs.
- The CDCs surveyed and interviewed for the Social Compact reported Section 4 assistance helped them boost their capacity. Section 4 assistance was rated as having a "moderate positive" or "significant positive" impact by a majority of CDC respondents in each of 12 organizational capacity dimensions. Investments in targeted areas produced observable overall organizational capacity growth and enabled recipients to boost their production of affordable housing and other community assets.

Core Research Support, Surveys, Data Infrastructure, and Knowledge Management

Core Research Support

- **Moving to Work Research.** The fiscal year 2016 expansion of MTW requires the creation of an advisory group to assist the Department with identifying promising innovations to be tested to meet the MTW statutory objectives of:
  - Reduce cost and achieve greater costs effectiveness in federal expenditures;
  - Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
  - Increase housing choices for low-income families.

By involving an advisory group to identify promising innovations and requiring agencies wishing to gain MTW authority to rigorous testing the effectiveness of the innovations, it represents an opportunity to understand the impacts of the innovations.

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Research and Technology

- **Energy and Housing Innovation.** In recent years, there has been a significant expansion of research on how small changes in business processes can result in behavior changes. One component of reducing greenhouse gas emissions is human behavior – adoption of new lower carbon emitting technologies in housing; changing individual use of energy in housing. As with MTW, by involving an advisory group to identify promising business process change innovations and quickly testing those innovations to see their impact on behavior could assist with more quickly reducing carbon emission from housing.

Housing Market Surveys

The housing survey data collections provide the primary source of information for assessing the state of housing in the United States, 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, and as confirmed by stakeholders through PD&R’s *Research Roadmap* consultation. Examples include:

- The American Housing Survey (AHS) data assists in identifying the characteristics of owners with underwater mortgages and other housing finance problems, and informs the national understanding of the growing rental affordability gap.
- 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.

Housing Finance and Non-Survey Data Acquisition

The studies of pressing housing finance topics and proprietary data sources acquired through this request provide critical intelligence about housing finance markets and implications for FHA and Ginnie Mae program policy. Such investments contributed to the successful emergence of FHA’s Mutual Mortgage Insurance Fund during fiscal year 2015 to a positive position relative to the statutory capital reserve requirement following FHA’s crucial countercyclical role during the housing finance crisis.

One of the major purchases of non-survey data PD&R makes every year is private sector data on the apartment construction pipeline. This helps PD&R’s Field Economists to more accurately assess rental housing demand and supply conditions in local markets when they are determining demand for potential market-rate multifamily developments applying for FHA-insured mortgages. Purchases of private sector mortgage data allow HUD to keep abreast of developments in the wider mortgage market and understand how FHA is fitting into it.
Research and Technology

PD&R also is generating high-impact data evidence at minimal cost by leveraging the Department’s administrative data through collaborations with a number of federal agencies and other partners. These partnerships provide for securely linking administrative records for assisted renters with a variety of survey and administrative data sources and analyzing the linked data to address crosscutting policy issues and outcomes affecting HUD tenants. Such recent and ongoing efforts include, with the Department of Health and Human Services: the National Health Interview Survey, the National Health and Nutrition Examination Survey, Medicare and Medicaid health utilization records, and a Disaster Data Enclave (which includes the Federal Emergency Management Agency); and with the Department of Education, Federal Student Aid application records and the Early Childhood Longitudinal Survey.

Knowledge Management (Research Dissemination)

PD&R is responsible for assuring broad-based awareness of and timely access to current Departmental research and policy through its Knowledge Management (Research Dissemination) services.

At the core of Knowledge Management is HUD’s research information clearinghouse, HUDuser.gov. HUDuser.gov provides a broad range of stakeholders access to downloadable housing reports and publications; datasets and databases; an e-magazine (PD&R’s Edge); e-lists and e-books; a newly launched portal to access geospatial datasets and mapping tools; current information on housing needs, market conditions, and existing housing programs; and other housing and community development information that PD&R develops such as case studies. HUDuser.gov houses over 1,000 publications and datasets as well as a Bibliographic Database dedicated to housing related issues with more than 10,000 full abstracts of research reports, articles, books and data sources. Finally, HUDuser.gov serves as the platform for complying with GAO recommendations for documenting how PD&R calculates Fair Market Rents (FMRs) for the Housing Choice Voucher Program. PD&R projects that 18 million files will be downloaded in fiscal year 2016 as compared to 17.7 million in fiscal year 2015 and 16.9 million in fiscal year 2014.

Knowledge Management also includes the following activities:

- **Evidence Matters**, PD&R’s quarterly data-driven publication designed to support evidence-based policy-making at all levels of government. In the last year, Evidence Matters has added nearly 700 new subscribers for a total subscribership of approximately 24,000.
- Information and order fulfillment services are provided through an information center operated by staff knowledgeable in housing and community development matters. The call center fields 4,000 inquiries per year on average.
- The Innovation in Affordable Housing Student Design and Planning Competition, which is now in its third year, is a competition for multidisciplinary teams of graduate students designed to encourage research and innovation in affordable housing, to raise practitioner and future practitioner capacity, and to foster cross-cutting team-work within the design and
Research and Technology

community development process. In 2014, seven teams from seven universities participated and that grew to 34 teams from 25 universities in 2015.

- The Edge, an online magazine that translates research, shares partner reports, frames policy issues; and highlights housing data. The Edge generated 56,622 unique page views in fiscal year 2015.

Research Partnerships

Through cooperative agreements, Research Partnerships allow PD&R to partner with outside researchers who are addressing questions of high priority to HUD, and where 50 percent or more of the costs are borne externally. This strategy has proven to be a highly productive way to move forward on a larger set of projects, leveraging both the ideas and financial resources of a broader set of stakeholders. To date, we have entered into 25 research partnerships by awarding nearly $6.0 million. Those funds have leveraged any addition $25.0 million in matching funds secured by each of the lead partners. Recently completed efforts include the examination of a promising family self-sufficiency demonstration program and a study leveraging MTO data to answer the question of what happens to residents who leave housing assistance programs.

5. Proposals in the Budget

- Eliminate Units Under Lease Report. The Department proposes to repeal Section 314 of the fiscal year 2006 Appropriations Act, which required the Department to submit a report in 2006, and annually thereafter, on 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. 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)

- Improve the Process for Establishing Fair Market Rents. 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 printed in the in the Federal Register to become official. While HUD would continue to announce proposed FMRs with a Federal Register notice seeking public comment on the proposed FMRs and any proposed methodology changes, the FMRs themselves would be published on a HUD web site rather than printed in the Federal Register. Final FMRs would be announced and made available similarly. A similar version of this language appeared in the Department’s fiscal year 2015 and 2016 budget requests. This provision will save printing expenses of $90,000 to $100,000 per annum and reduce administrative burden. (Sec. 227)
Research and Technology

- **Evaluation Funding Flexibility Pilot.** 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. (Sec. 218)
Research and Technology

### POLICY DEVELOPMENT AND RESEARCH

#### RESEARCH AND TECHNOLOGY

**Summary of Resources by Program**

*(Dollars in Thousands)*

<table>
<thead>
<tr>
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<tr>
<td>Core R&amp;T</td>
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<td>$52,744</td>
<td>$44,632</td>
<td>$50,000</td>
<td>$8,123</td>
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<tr>
<td>Technical Assistance</td>
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<td>Research, Evaluations, and Demonstrations</td>
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<td>10,000</td>
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<td>10,000</td>
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<td>30,123</td>
<td>115,123</td>
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</table>

**NOTE:** The fiscal year 2017 request includes $120 million in program transfers for Research, Evaluations, and Demonstrations; Technical Assistance; and Capacity Building.
Research and Technology

POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Appropriations Language

The fiscal year 2017 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, $85,000,000,]$65,000,000, to remain available until September 30, [2017]2018:

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 of the amounts made available in this Act under each of the 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, 2019, 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 Grants", "Native Hawaiian 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 from any account, may be transferred back to and merged with the original account and be available for the same purpose and same time period as provided under this Act. [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, 2016.)
## FAIR HOUSING AND EQUAL OPPORTUNITY

### FAIR HOUSING PROGRAMS

#### 2017 Summary Statement and Initiatives

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>FAIR HOUSING PROGRAMS</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Recision</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<tr>
<td>2015 Appropriation</td>
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<td>$11,973(^b)</td>
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<td>2016 Appropriation</td>
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<td>2017 Request</td>
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<td>Program Improvements/Offsets</td>
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<td>-21,125</td>
<td>-20,125</td>
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</table>

\(^a\) The 2015 enacted level includes $736 thousand collected in National Fair Housing Training Academy (NFHTA) fees.
\(^b\) Includes $356 thousand in recaptures.
\(^c\) The 2016 enacted level includes $669 thousand in estimated collected NFHTA fees.
\(^d\) Does not include 2017 collections of NFHTA fees. This number does include an estimated transfer to the Research and Technology account of $350 thousand.

1. **What is this request?**

For fiscal year 2017, the Department requests for Fair Housing programs $70 million, a $4.7 million increase from the enacted fiscal year 2016 appropriations.
## Fair Housing Programs

<table>
<thead>
<tr>
<th>Fair Housing Activity</th>
<th>FY 2015 Enacted</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
<th>Increase/Decrease From FY 2016</th>
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<tr>
<td>Fair Housing Initiatives Program (FHIP)</td>
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<td>$39,200,000</td>
<td>$46,000,000</td>
<td>$6,800,000</td>
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<td>Fair Housing Assistance Program (FHAP)</td>
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<td>24,300,000</td>
<td>21,900,000</td>
<td>(2,400,000)</td>
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<tr>
<td>Limited English Proficiency</td>
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<td>National Fair Housing Training Academy (NFHTA)*</td>
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<td>1,500,000</td>
<td>1,800,000</td>
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<td><strong>Program Total</strong></td>
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<td><strong>$65,300,000</strong></td>
<td><strong>$70,000,000</strong></td>
<td><strong>$4,700,000</strong></td>
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</table>

*Does not include fees collected from program participants.

The Fair Housing Initiatives Program (FHIP) requests a funding level of $46 million, an increase of $6.8 million from enacted 2016 appropriations. The FHIP provides fair housing enforcement and education nationally. The requested amount will continue to support 150 private fair housing organizations that interview potential complainants and conduct investigations to include testing for unlawful discrimination and supporting local compliance with the Fair Housing Act. This level of funding will:

- allow a variety of education and outreach activities for consumers and the housing industry, including media campaigns;
- allow for the continued operation of the Accessibility Fair Housing Instruction Resources Support and Technical guidance (Accessibility FIRST) that trains industry professionals on the design and construction requirements of the Fair Housing Act;
- provide for the establishment of new fair housing enforcement organizations in communities not currently well served by a strong fair housing organization;
- Provide $325,000 annual funding level to multiyear Private Enforcement Initiative grantees and continue larger grants to serve the nation’s largest metropolitan areas; and
- Continue support for one or more Education and Outreach Initiative (EOI) national or regional enforcement effort on significant Fair Housing Act violations such as mortgage redlining or lending discrimination or discrimination based on race or national origin in real estate rental or sales.
Fair Housing Programs

The Fair Housing Assistance Program (FHAP) requests a funding level of $21.9 million, a $2.4 million decrease from enacted 2016 appropriations. This level will provide for the investigation and remedy of complaints of discrimination; deterrence of willful violators through increased severity, immediacy, or probability of penalties; and education of potential victims both to assert their civil rights and to seek remedies. For fiscal year 2017, FHEO also intends to use its existing statutory authority (24 C.F.R. 115. 304 and 305) to enhance FHAP program outcomes through the award of Partnership funds and Special Enforcement Effort funds, subject to the availability of funds. These agencies often serve as the principal civil rights enforcers in their communities and assist jurisdictions’ efforts to affirmatively further fair housing.

The National Fair Housing Training Academy (NFHTA) requests a funding level of $1.8 million, a $300 thousand increase from enacted 2016 appropriations. NFHTA provides consistent training nationwide on fair housing and conciliation techniques for investigators from the Fair Housing Assistance Program (FHAP), HUD and other fair housing organizations. This is accomplished through a managed training curriculum; a continued program that helps ensure that the performance of these investigators meets national standards and that training is provided and available at a single point of contact nationally; and assured continuation and enhancement of an important national fair housing education clearing-house.

The Limited English Proficiency Initiative (LEPI) requests a continued funding level of $300 thousand. This funding will allow FHEO and HUD to continue department-wide language access services to ensure that Limited English Proficiency (LEP) individuals are able to receive information and services in a meaningful and accessible way from HUD. LEP services are offered through contracts to all of HUD staff.

2. What is this program?

Fair Housing Initiatives Program

The Fair Housing Initiatives Program (FHIP) was created under Section 561 of the Housing and Community Development Act of 1987 to establish and support a network of non-governmental, 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, especially cases involving systemic patterns of discrimination that affect underserved areas. This is accomplished through the interplay of three major components: the Private Enforcement Initiative (PEI), the Fair Housing Organizations Initiatives (FHOI), and the Education and Outreach Initiatives (EOI).
Fair Housing Programs

PEI supports high quality, effective investigations and testing by private fair housing organizations in more than 120 communities. These private organizations have advantages over HUD, state, and local agencies in handling complaints of housing discrimination: FHIP grantees provide on-the-spot assistance without the lengthy administrative and legal requirements of a formal legal complaint. When necessary, they do not hesitate to file court cases on behalf of victims of discrimination. PEI grantees also perform testing to detect and deter housing discrimination, conducting almost all of the fair housing testing in the country and engage in enforcement activities. These grants are critical to the pursuit of cases involving systemic patterns of discrimination that affect large numbers of people in underserved areas or individual cases in those areas.

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 providing grants to allow enforcement organizations to bring in an expert such as an architect or economist to assist in bringing a case.

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 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, which reached over 384 television stations and 189 radio stations nationwide. Further, this national grant produced two videos for multimedia distribution to consumers and landlords: (1) How to file a Housing Discrimination Complaint: What Every Homebuyer and Renter Should Know; and (2) Fighting Housing Discrimination: One Family’s Story. As a separate education program, Fair Housing Accessibility FIRST educates builders, designers, architects, and planners on the Fair Housing Act's accessibility requirements for multifamily housing.

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 the grantees’ cases, financial records, testing methodology, compliance with established procedures and grant requirements and the timeliness of investigations.
Fair Housing Programs

Fair Housing Assistance Program

The Fair Housing Assistance Program (FHAP) provides consistent and dependable funding to HUD’s partner state and local civil rights enforcement agencies that provide rights, remedies, and procedures that are equivalent to the Fair Housing Act. FHAP provides support to 89 state and local government civil rights agencies to investigate and prosecute housing discrimination within their jurisdictions. These agencies investigate the majority (75 percent) of the administrative fair housing complaints filed in the country to ensure compliance with fair housing laws, and, where necessary, litigate complaints to address violations. FHAP agencies plan the investigations, interview parties and witnesses, gather and analyze evidence, facilitate resolution, and render determinations. Further, these agencies ensure compliance with settlement agreements and, where necessary, litigate complaints to address violations. The FHAP budget is formulated based on years of data regarding the projected level of cases from year to year and the associated administrative, technical-assistance and training costs for these cases. FHAP agencies also conduct education on fair housing and fair lending at events throughout their communities.

National Fair Housing Training Academy

Established in 2004, the Patricia Roberts Harris National Fair Housing Training Academy (NFHTA) was formed as a specialized Fair Housing training Academy by the Office of Fair Housing & Equal Opportunity (FHEO). It is FHEO’s goal through fee for service and appropriated funding, to train fair housing professionals nationwide on increasing the efficiency of complaint case processing and to raise industry standards on effective investigative techniques. The Academy administers a well-executed fair housing training program and fees collection to sustain its operations. The overall result is fair housing professionals and housing industry personnel effectively enforcing the federal Fair Housing Act and substantially equivalent state and local fair housing laws.

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 real-life experts 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. NFHTA instructors regularly travel from their base in Washington, D.C. to 10 regional locations to accommodate trainees who cannot travel away from their jurisdictions due to state and federal budget constraints. Cost factors include instructor time and travel costs and overhead, curriculum development and updates and development of consistent fair housing education materials.
Fair Housing Programs

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. HUD continues to work to fully implement the “HUD Speaks” campaign, which is designed to raise awareness of HUD’s commitment to serve the LEP community in the most requested languages. Every year Congress has appropriated $300,000 for HUD to fulfill its LEP requirements stated in Executive Order 13166. In fiscal year 2015, HUD expanded its LEP services to improve accessibility to HUD services, programs, and housing for LEP persons. This expansion of LEP services included expanding the type of services offered and the launching of the “HUD Speaks” campaign which focuses on the creation of tools to assist HUD staff in their communication and interaction with LEP persons. The HUD Speaks campaign includes the creation of posters, desk guides, and language cards to be utilized by HUD staff in the office or out in the field conducting inspections, investigations, and/or meetings. These tools allow the LEP person to identify their native language to the HUD staffer so further assistance can be provided. The key cost driver for LEPI is the increased demand for written translation and oral interpretation services seen by local fair housing organizations which has resulted from training staff on the types and uses of HUD’s language services. Additionally, HUD continues to prioritize its efforts to comply with Executive Order 13166 by effectively providing information on its programs, services and housing to the LEP population that is timely, accurate and vital.

Key Populations this Program targets/serves:

While services are open and available to everyone, the primary beneficiaries of FHIP and FHAP are overwhelmingly minorities who face historical discrimination and persons with disabilities who through the programs benefit from investigation of their complaints of housing discrimination at the local level. NFHTA provides direct training to fair housing investigators at government agencies and nonprofit organizations, the instruction then carry 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?

Housing is critical to many aspects of a person’s life. The neighborhood a child grows up in has a large effect on their future: the quality of schools they attend, their health, and their future employment opportunities. Homeownership is a way to build wealth. Therefore, housing discrimination can have a compounding effect on its victims: the inability to move to an area with better schools
Fair Housing Programs

keeps children from realizing their potential. This prevents them from doing better than their parents, preventing them from escaping the cycle of poverty and leaving their children vulnerable to the same problems they experienced.

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. Racial segregation has also been identified as having a negative effect on communities’ economic growth as well as on individual skill sets. 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 NFHTA 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.

The FHIP, the FHAP, and 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.

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.

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2 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
Fair Housing Programs

Enforcement

While HUD has the primary responsibility for enforcement of the Fair Housing Act, it cannot possibly fulfill this vital responsibility without its partners, both public (FHAP) and private (FHIP). These partners provide are valuable because they provide local knowledge and context to HUD’s enforcement efforts. The FHAP program, in particular, fills a crucial gap in ensuring that potential victims of housing discrimination have the opportunity to pursue relief for alleged fair housing violations. 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. The HUD-sponsored Housing Discrimination Study (HDS 2012) concluded that while the most blatant forms of housing discrimination have declined, other, less easily detectable forms of discrimination persist, affecting millions of American families annually, keeping them from the opportunities they deserve.

The total number of fair housing complaints filed under the Fair Housing Act and equivalent state and local laws in fiscal year 2015 was 8,246; FHAP agencies processed 6,972, or 84.6 percent, of those complaints. This represents nearly a 5 percent increase from fiscal year 2014. FHAP agencies increasingly serve as the initial point of contact for persons who believe they have been subject to fair housing violations. In fiscal 2015, FHAP agencies initiated more than half--54.6 percent--of the complaints filed, and the share of FHAP-initiated complaints has grown steadily since fiscal year 2010, demonstrating the value of the local presence of FHAP agencies.

FHAP’s state and local agencies provide a presence in their communities to serve the needs of their own citizens. Because of the timeliness of FHAP investigations and efficiencies gained through local presence (the average age of FHAP closed cases is consistently well below the age of HUD-closed cases), the FHAP program allows HUD to meet its own responsibilities with respect to civil rights enforcement – through its enforcement partners – in a cost-effective manner. The presence of a FHAP agency in a community increases the likelihood that a victim of discrimination will file a complaint. For fiscal year 2017, FHEO also intends to use its existing authority to enhance FHAP program outcomes, to further educate individuals about their fair housing rights and to support increased enforcement of reasonable cause findings, through the award of Partnership funds and Special Enforcement Effort funds.

Education

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

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Fair Housing Programs

when publicized, 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.

Further, similar to fiscal year 2016, we would seek to provide EOI funding to the National Media campaign to support training and education and outreach on a national basis. For example, our current EOI National Media TV PSA campaign received over $6.5 million in donated media and achieved over 280 million household impressions. The radio campaign received over $625,000 in donated media and reached over 21 million listeners.

4. How do we know this program works?

The long-term results of HUD’s efforts to combat housing discrimination are seen both in reduced discrimination in HDS studies and in controlled econometric studies. The Department’s Housing Discrimination against Racial and Ethnic Minorities (HDS) 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 HDS recommended follow-up testing and enforcement so that enforcement strategies do not rely primarily on individual complaints of suspected discrimination. It recommended that HUD encourage the local fair housing organizations it funds to conduct more proactive testing. Studies of the effectiveness of FHIP have shown that FHIP agencies increase the number and quality of fair housing complaints investigated.

In addition, HDS 2012 found continued evidence of discrimination against Black and Asian home-seekers, although reduced from prior studies. Ross and Galster studied variation of enforcement activity between metropolitan areas, and concluded, “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.”

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6 Ibid.
Fair Housing Programs

A study of FHIP-referred complaints to HUD and FHAP agencies found that 90 percent of FHIP-generated inquiries referred to HUD are converted to complaints. The study also found that for cases closed between fiscal years 2003 and 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. Further, FHIP has funded a comprehensive Tester Coordinator training program to build consistency in testing among all FHIP funded enforcement organizations.

HUD’s FHAP partners achieve positive outcomes for numerous complainants and other affected parties and represent a cost-effective strategy for the execution of HUD’s Fair Housing Act enforcement responsibilities. FHAP agencies routinely process 80 percent or more (84.6 percent for fiscal year 2015) of the fair housing cases filed with HUD and FHAPs in a given year, and consistently reach determinations of reasonable cause in a higher percentage of cases than HUD – 6.5 percent for fiscal year 2015. The efficiencies of local processing also lead to greater timeliness by FHAP agencies, more than half of all FHAP cases completed in fiscal year 2015 were completed in less than 100 days. FHAP agencies vindicate the rights of victims of unlawful housing discrimination through both enforcement of cause findings and through conciliation – FHAP agencies successfully conciliated 21 percent of their cases in fiscal year 2015. The resolution of these cases opens doors to housing opportunities that otherwise would have been closed, providing monetary relief to aggrieved persons for the violation of their fair housing rights and securing reasonable accommodations and modifications for persons with disabilities who might otherwise be unable to obtain housing suited to their needs. In addition to obtaining relief for victims, FHAP agencies often obtain relief for the greater community as well in the form of public interest relief such as changes in discriminatory policies and training for housing providers who have violated fair housing laws.

In May 2015 MCAD Hearing Officer Betty Waxman ordered Attorney David Zak to pay $233,600 for discriminating against a group of seventeen Latino homeowners by targeting them with predatory and deceptive mortgage modification advertising. Waxman determined that Zak specifically targeted Latinos; evidence introduced in the case showed that Zak opened an office in Revere, Mass. because he believed its Latino community would be “easy targets” and “gullible.” Zak used radio and written advertisements in Spanish and Portuguese and even hired a “Coordinator of the Latino Market,” whose job it was to leverage her extensive network of contacts in the Latino community to recruit agents and clients.

Waxman found that Zak charged Latino clients inflated and duplicative fees for services that were available elsewhere for free, encouraged them to intentionally fall behind on mortgage payments, failed to adequately translate documents, misrepresented the
Fair Housing Programs

status of clients’ cases, performed minimal, substandard work—often failing to secure promised mortgage modifications, refused to provide appropriate refunds, and engaged in threats, intimidation, and demeaning conduct.

Victories for fair housing like this are possible because of the partnerships formed between HUD and local public and private fair housing organizations. The hard work of these organizations and HUD grants help ensure that Americans across the country receive equal access to housing, neighborhoods, and opportunity.
### FAIR HOUSING AND EQUAL OPPORTUNITY
### FAIR HOUSING PROGRAMS
#### Summary of Resources by Program
(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
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**NOTES:**
The 2015 enacted level for the National Fair Housing Training Academy (NFHTA) includes $736 thousand of collected in fees.
The carryover into 2015 includes recaptures of $75 thousand for FHIP and $281 for FHAP.
The 2016 enacted level for the NFHTA includes $669 thousand in estimated collected fees.
FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
Appropriations Language

The fiscal year 2017 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, \[\$65,300,000\] $70,000,000, to remain available until September 30, [2017] 2018: 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, 2016.)
To help fulfill the mission of its Office of Lead Hazard Control and Healthy Homes to provide safe and healthy homes for at-risk families and children, the Department requests $110 million for the Office’s programs in fiscal year 2017, the same as the 2016 enacted level. This request will allow the Department to fund:

- Lead Hazard Control Program: $83 million
- Healthy Homes Program: $25 million
- Lead Technical Studies and Programmatic Support: $2 million

Key outcomes of this program include:

- At least $1.6 billion (and as much as $20.5 billion) in reduced healthcare costs and increased income of children not lead-poisoned as a result of making 8,800 low-income privately-owned housing units lead safe;
- At least $110 million (and as much as $330 million) in reduced healthcare costs as a result of eliminating asthma-inducing and other health and injury exposures in 13,000 low-income privately owned housing units;
- New and enhanced methods for assessing and controlling lead and other housing-related health and safety hazards will be developed;
- More than 5,500 children under 6 will live in homes where lead hazards will be addressed using fiscal year 2017 funds;

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a/ This number includes an estimated transfer of $550 thousand to the Research and Technology account.

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1. What is this request?

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LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
2017 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
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<tr>
<th>LEAD-BASED PAINT HAZARD REDUCTION PROGRAM</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Rescission</th>
<th>Total Resources</th>
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<td>+5,860</td>
<td>+6,000</td>
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</tbody>
</table>
Lead Hazard Reduction

- More than 2,600 children under 18 will live in homes where asthma hazards will be addressed using fiscal year 2017 funds; and
- More than 5,500 people will live in homes where injury hazards will be addressed using fiscal year 2017 funds.

HUD is proposing two General Provisions in the 2017 budget, requesting:

- Subpoena authority for enforcement of the Lead Disclosure Statute (42 U.S.C. 4852d); and
- An increased threshold for lead abatement under the Lead Safe Housing statute (42 U.S.C. 4822(a)(1)) to reflect inflation since the enactment of that statute.

A full explanation of these proposals is in Section 5 “Proposals in the Budget.” HUD will also submit a legislative proposal to update Healthy Homes program standards and definitions (within §§ 4851b and 4852).

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.

<table>
<thead>
<tr>
<th>OLHCHH Budget (in thousands)</th>
<th>2015 Enacted</th>
<th>2016 Enacted</th>
<th>2017 Request</th>
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<td>Healthy Homes</td>
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<tr>
<td>Technical Studies and Programmatic Support</td>
<td>2,000</td>
<td>2,000</td>
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</tbody>
</table>

Lead Hazard Control

Lead paint in housing presents one of the largest threats to the health, safety, and future productivity of America’s children. The OLHCHH’s Lead Hazard Control programs currently include both the Lead Based Paint Hazard Control (LBPSC) and Lead Hazard Reduction Demonstration (LHRD) grant programs. Although they are similar in their overall goal of producing lead-safe homes for
Lead Hazard Reduction

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. 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. 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).

Healthy Homes

The Healthy Homes program goes beyond just addressing lead-based paint hazards and covers other serious threats to residents’ health and safety. Grantees can use Lead Hazard Control funds to remove the lead paint in a residence, but these grants cannot clean up mold, install smoke detectors, or fix other obviously unsafe or unhealthy conditions present in those same houses. Healthy Homes funding supplements Lead Hazard Control grants to give communities a more holistic approach to creating safe homes. The OLHCHH’s Healthy Homes program currently includes:

- Healthy Homes Supplemental funding for Lead Hazard Control Grants, which allows Lead Hazard Control grantees to conduct housing interventions to address multiple health hazards in addition to lead, including hazards that contribute to, trigger, or cause asthma, cancer, and unintentional injuries;
- Healthy Homes Technical Studies (research) grant programs, which provides funding for academic institutions, non-profit organizations, and governments to assess the efficacy and cost-effectiveness of methods for the evaluation and control of housing-related health and safety hazards; and
- Healthy homes contracts for training and public education programs that help state, local, and nongovernmental agencies, housing industry stakeholders, and the public to understand the health-and-housing relationship and identify and address housing-related health and safety hazards.

For fiscal year 2017, the OLHCHH will also award a Healthy Homes Production grant program, in which homes beyond those completed under the Lead Hazard Control grants will be treated for housing-related health and safety hazards. Healthy Homes 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. Unlike housing rehabilitation programs, which focus on renovations without health and safety as a primary concern, the lead hazard control and healthy homes programs focus intentionally on making homes safer for children and families to live in using established assessment methods that are addressed with cost-effective interventions. As such, no other federal grant program directly and specifically identifies and addresses health and safety hazards in low-income privately owned homes.
Lead Hazard Reduction

Technical Studies and Programmatic Support

For fiscal year 2017, 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 connections to resident health. This includes identifying effective interventions and preventive practices, and demonstrating health benefits of targeting interventions to reduce or eliminate health and safety hazards in homes. The OHHLHC’s lead technical studies and programmatic support activities advance and support OLHCHH programs. These activities include contracts, grants and cooperative agreements, technical support and training, grant management and evaluation tools, and interagency collaborative projects.

The Department is constantly working to enhance the way that it controls lead and deals with household hazards. Through collaborating with HUD’s Real Estate Assessment Center, we are working to standardize health and safety inspection protocols across HUD’s programs. Also, through our new grants management software, we are gaining a better understanding of the hazards that grantees are identifying and the interventions that they are using. Over time, we will introduce new and enhanced methods based on an analysis of the grantees’ data and outputs.

In order to determine if the process for enrolling families to have their homes treated under its lead hazard control grants can be streamlined; HUD is conducting a 3-year demonstration of processes for using low-income eligibility determinations made by other federal programs for determining eligibility for its lead hazard control grants. If successful, this approach collect a minimum amount of information from the family and rely on the other program’s determination to avoid the time- and effort-consuming full duplicate eligibility determinations for the large fraction of families that have already been determined eligible for such low-income programs as HOME; the special supplemental nutrition program for women, infants and children; reduced or free price lunch programs; low-income home energy assistance program; weatherization assistance program; etc. If successful, the demonstration would yield cost and time savings, and would not expand the scope of eligibility, because the determinations for the lead hazard control grant programs would continue to be for programs with thresholds at or below 50 or 80 percent, as applicable, of the area median income as per the authority for the lead hazard control grant programs (42 U.S.C. 4852(a)(1)-(2)).

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

The program identifies and addresses home-based health and safety hazards that contribute to a wide range of illnesses and injuries, including lead poisoning, asthma, home injuries, and lung cancer.

Researchers have found that more children than previously thought have too much lead in their blood. 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
Lead Hazard Reduction

of 10 micrograms of lead per deciliter of blood (µg/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. This 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. Because this program targets children with too much lead in their blood, 435,000 more children than previously thought are in the most urgent need of its services. Twenty three million U.S. homes have one or more lead based paint hazard, 1.1 million of which are low-income households with one or more children under age 6. Because residential lead-based paint hazards are the primary source of lead intake for United States children, continued investment and effort 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. This program has contributed to the significant decrease in childhood lead poisoning from the early 1990s to today.

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 µg/dL over the 2005–08 period, to HHS’ target for 2020 of 1.4 µg/dL. 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 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 conditions continue to affect the health of millions of people from all income levels and geographic areas in the United States; however, these hazards disproportionally affect 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 health hazards are of particular importance:

Lead Hazard Reduction

- According to the most recent data available, more than 6.8 million housing units have radon levels above the current EPA action level; radon exposure causes approximately 21,000 deaths per year from lung cancer attributable to this preventable hazard.\(^5\)
- Approximately 24 million homes have elevated levels of 4 or more different types of allergens that have been associated with increased negative health outcomes among residents with asthma.\(^6\)
- Falls are the leading cause of non-fatal injuries for all children ages 0 to 19 and for older adults (65 years of age or older).\(^7\)

Each year, approximately 2.8 million children and 2.4 million older adults have an initial emergency department visit for injuries from a fall.\(^8\) 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, with falls alone responsible for almost half of those costs.\(^9\)

HUD grantees will use their Healthy Homes grants and supplemental funding to perform simple radon tests, remediate mold, install allergen filtering, and provide basic safety upgrades, such as installing grab bars and hand rails, repairing tripping hazards, fixing stairs, and installing safety bars or child locks on windows, among other actions.

As noted above, the Healthy Homes Supplemental funding proposed for fiscal year 2017 will allow Lead Hazard Control grantees to conduct housing interventions to address multiple health hazards in addition to lead. Of the over 6,500 units made lead-safe by our Lead Hazard Control grantees in fiscal year 2015, grantees identified and addressed hazards that may cause or contribute to asthma and allergies in over 1,500 homes (24 percent of homes made lead-safe) and hazards that may cause or contribute to unintentional injuries in over 1,500 homes (23 percent). Grantees also addressed hazards that may cause or contribute to a wide range of other illnesses and injuries, including cancer. The most common healthy homes hazards addressed in addition to lead were dampness and mold (16 percent of homes made lead-safe), carbon monoxide (13 percent), fire hazards (11 percent), electrical hazards (9 percent),

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Lead Hazard Reduction

fall hazards on stairs (9 percent), excess cold (insufficient insulation/energy efficiency) (8 percent), pests (7 percent). OLHCHH expects to see similar results from its fiscal year 2017 grantees.

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. The Lead Hazard Reduction and Healthy Homes programs are investments that pay off. Research has proven time and again that providing safe, decent and sanitary homes for the most at-risk American families more than pays for itself in lower health care costs and increased productivity.

- 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 $5.9 million in medical care costs and $50.9 billion in lost economic productivity.

- In addition to 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. Researchers found that nearly 30 percent of residential injuries among children in a randomized controlled trial could have been prevented by interventions. 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. Other modifiable childhood asthma risk factors within the home (e.g., pet dander, cockroach allergen, use of stove or oven for home heating) were estimated to cost nearly $1 billion.


Lead Hazard Reduction

The high health-related costs of unsafe housing are matched by significant and enduring social costs. Researchers have found 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.”16

4. How do we know this program works?

The work of the grantees funded through HUD’s Lead Hazard Reduction program has led to real results. 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 ongoing National Health and Nutrition Examination Survey (NHANES) conducted by the CDC.17 HUD’s lead hazard control grants have contributed to this decline in the more than 180,000 housing units treated under the program.

HUD’s Healthy Homes grants fund interventions that ensure positive, healthy outcomes for vulnerable populations, especially children:

- A randomized controlled trial in Cleveland, OH (Cuyahoga County and Case Western Reserve University) funded by HUD’s Healthy Homes Technical Studies program 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 percent 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.18
- In Seattle, WA, a HUD Healthy Homes grant to nonprofit “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

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17 www.cdc.gov/nchs/nhanes.htm; www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm; www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3_e.htm
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indoor air quality and reduce indoor asthma triggers. 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. The study reported significant reductions in exposures to mold, rodents, and moisture in the Breathe Easy Homes.

- 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. A program evaluation found that, among the 22 percent of homes 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.

- HUD-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. Reductions in the frequency of wheeze/cough, slowing down or stopping play, and waking at night were also noted.

Costs and Benefits

The programs run by the HUD’s Office of Lead Hazard Control and Healthy Homes offer high returns on investment. Study after study has proven that small investments ensuring that children grow up in healthy, lead-free homes provide a lifetime of benefits for both that child and society as a whole.

- Studies suggest that each dollar invested in interventions similar to those funded by HUD for:
  - Controlling lead paint hazards results in a return of $17–$221;
  - Reducing household allergens, which contribute to or trigger asthma and allergies, results in a return of $5.30–$16.50; and

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Lead Hazard Reduction

- Installing battery-operated smoke alarms results in a return of $18.23
- 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 17:1.24
- 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 2008.25 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.26 Another study suggests that for every $1 spent on asthma reduction there is a $5.30-$16.50 return on investment.27
- 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 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.28
- Working smoke alarms cut the risk of dying in a home fire in half.29 Our grant programs have identified and addressed fire hazards in 1,524 units over the past 3 years.

Lead Hazard Reduction

- Approximately 21,000 radon-related lung cancer deaths annually are attributed to exposure to radon gas in the home, resulting in over $2 billion per year.\(^3^0\) Our grant program has tested for the presence of radon in 2,627 units over the past 3 years. Of these units tested, grantees found and remediated radon hazards in 181 units.

HUD Initiatives

HUD, through its Lead Hazard Control and Healthy Homes programs, continues to be a national leader in the effort to ensure that all children in America live in safe and healthy houses. HUD’s goal, in conjunction with other federal, state, and local programs, is to eliminate lead poisoning in children nationwide as a major public health problem. It is working towards that goal in several different ways. 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 that promote cross-discipline housing and health interventions, and through collaborative efforts with other federal agencies.

HUD and its grantees are working on several initiatives to make its programs more effective.

- Some HUD grantees are working to combine Lead Hazard and Healthy Homes grant funds with weatherization grants from the Department of Energy so with one trip to a home can make it safe and efficient. In Cuyahoga County, OH (Cuyahoga County Board of Health) and Bellingham, WA (Opportunity Council) grantees partnered their Lead Hazard and Healthy with weatherization grants 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.\(^3^1\)

- As part of implementing the federal Hurricane Sandy Rebuilding Strategy, the OLHCHH convened and chaired the interagency Indoor Environmental Pollutants Working Group, which created resources for the public, workers, and employers on reducing, cleaning up or remediating asbestos, lead, mold, and radon after disasters.\(^3^2\) In addition to these resources, OLHCHH created a mobile application that helps homeowners and tenants learn about how to make homes safe and healthy after disasters.


Lead Hazard Reduction

- The OLHCHH is playing a leadership role in implementing the Coordinated Federal Action Plan to Reduce Asthma Disparities,\(^3^3\) 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.\(^3^4\) 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, and the Work Group is monitoring its implementation.

- The OLHCHH is currently working on a pilot that would harmonize the income eligibility criteria for its Lead Hazard Control grant programs with income eligibility criteria of other federal programs. Families that meet OLHCHH’s income eligibility criteria may already participate in a number of other federal programs, such as DOE’s Weatherization Assistance Program, the Supplemental Nutrition Assistance Program, Medicaid, or HUD’s Housing Choice Voucher program. The purpose of the pilot is to increase the efficiency and effectiveness of OLHCHH’s Lead Hazard Control grants’ recruitment process by reducing duplication of income eligibility determinations for families that have already been deemed eligible for another federal program. The pilot would provide an opportunity to evaluate how standardized income eligibility requirements across federal programs decreases delays in enrolling eligible families into the various programs and see how best to set up this program to prevent improper payments.

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. The system has allowed for in-depth analysis of program outputs, outcomes, and performance for our lead hazard control grants.

\(^{33}\) www.epa.gov/childrenstaskforce/federal_asthma_disparities_action_plan.pdf
\(^{34}\) portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/advhh
5. Proposals in the Budget

HUD is submitting the following legislative proposals as General Provisions to make the program more effective in protecting the health and safety of families, especially children:

- HUD is requesting an increase in the threshold for requiring lead abatement under the Lead Safe Housing statute (42 U.S.C. 4822(a)(1)) to reflect inflation since the October 28, 1992 enactment of that statute. The statute has a fixed threshold above which lead-based paint hazard abatement is required when substantial rehabilitation projects in “target housing” (generally, pre-1978 housing) receive more than $25,000 per unit in federal funds. Costs of construction have increased significantly in the two decades since the enactment of the statute, causing many projects for which Congress had intended interim control measures to be used to require hazard abatement. This section would retain Congress’ original performance requirement of an abatement threshold while considering the effects of inflation, thereby increasing grantee flexibility. The increase in the threshold would give HUD housing assistance providers the flexibility to conduct interim controls instead of abatement when the amount of rehabilitation assistance is between the original level and the escalated level. Because the cost of interim controls is usually less than the cost of abatement, this amendment would result in more units being made lead-safe and thus more children being protected from lead-based paint hazards. HUD would issue a notice for comment on revising the abatement threshold, and, when further threshold increases are appropriate in subsequent years, issue a notice for comment for each such increase. (Sec. 266)

- 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 231)
## LEAD HAZARD CONTROL AND HEALTHY HOMES

### LEAD HAZARD REDUCTION

#### Summary of Resources by Program

(Dollars in Thousands)

<table>
<thead>
<tr>
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<td>45,000</td>
<td>...</td>
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<tr>
<td>Research and Technology (transfer)</td>
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<td>111,947</td>
<td>108,223</td>
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<td>3,140</td>
<td>113,140</td>
<td>110,000</td>
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</tbody>
</table>
Lead Hazard Reduction

LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
Appropriations Language

The fiscal year 2017 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, to remain available until September 30, [2017]2018, of which [$20,000,000]$25,000,000 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, 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 previous proviso shall contribute an amount not less than 25 percent of the total: 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, 2016.)
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES
FY 2015 ACTUAL
FTE

PS

FY 2016 ENACTED

NPS

Am ount

FTE

PS

NPS

FY 2017 REQUEST
Am ount

FTE

PS

NPS

FY 2016 TO FY 2017
Am ount

FTE

Am ount

(Dollars in Thousands)
PROGRAM OFFICES
Community Planning and Development

747.0

$98,900

$1,788

$100,688

748.0

$101,053

$3,747

$104,800

748.0

$102,758

$7,501

$110,259

0.0

$5,459

Fair Housing and Equal Opportunity

490.2

64,367

1,872

66,239

514.0

68,802

3,198

72,000

518.0

70,475

3,760

74,235

4.0

2,235

46.8

6,512

220

6,732

46.2

6,774

226

7,000

49.0

7,368

458

7,826

2.8

826

2743.5

362,797

10,291

373,088

2,708.0

360,080

14,920

375,000

2717.0

366,423

26,725

393,148

9.0

18,148

Office of Lead Hazard Control and Healthy Homes
Housing
Policy Development and Research

146.8

20,914

1,858

22,772

149.0

21,818

1,282

23,100

155.0

22,518

1,982

24,500

6.0

1,400

1349.8

184,184

10,949

195,133

1,396.0

194,351

11,149

205,500

1390.0

196,880

24,052

220,932

(6.0)

15,432

5524.1

737,674

26,977

764,651

5,561.2

752,878

34,522

787,400

5577.0

766,422

64,478

830,900

15.8

43,500

18.4

3,249

612

3,861

18.6

3,172

585

3,757

18.7

3,272

729

4,001

0.1

244

4.8

1,135

30

1,165

5.7

953

48

1,001

5.7

1,037

36

1,073

0.0

72

Office of Congressional and Intergovernmental Relations

17.0

2,513

78

2,591

14.8

2,145

61

2,206

16.2

2,420

51

2,471

1.4

265

Office of Public Affairs

Public and Indian Housing
TOTAL
EXECUTIVE SUPPORT OFFICES
Immediate Office of the Secretary
Office of the Deputy Secretary

20.8

3,187

229

3,416

22.6

3,518

235

3,753

22.4

3,561

140

3,701

(0.2)

(52)

Office of Adjudicatory Services

8.1

1,254

98

1,352

8.8

1,338

86

1,424

9.6

1,407

83

1,490

0.8

66

Office of Small and Disadvantaged Business

3.3

533

25

558

4.6

571

92

663

4.9

615

92

707

0.3

44

Office of Faith-Based and Neighborhood Partnerships

8.3

1,046

101

1,147

7.1

898

98

996

7.2

951

85

1,036

0.1

40

80.7

12,917

1,174

14,091

82.2

12,595

1,205

13,800

84.7

13,263

1,216

14,479

2.5

679

Office of the Chief Human Capital Officer

176.0

32,823

21,887

54,710

152.0

28,399

27,901

56,300

153.0

28,917

12,724

41,641

1.0

Office of Administration

230.9

29,543

172,825

202,368

235.0

31,044

176,556

207,600

238.0

31,987

170,836

202,823

3.0

(4,777)

Office of the Chief Financial Officer

190.3

34,849

11,602

46,451

192.0

35,970

43,030

79,000

195.0

36,832

16,619

53,451

3.0

(25,549)

Office of the Chief Procurement Officer

114.7

15,867

558

16,425

117.0

16,363

837

17,200

120.0

17,003

2,127

19,130

3.0

1,930

Office of Field Policy and Management

357.6

50,177

717

50,894

352.0

50,500

1,000

51,500

346.0

50,500

2,130

52,630

(6.0)

1,130

19.0

2,716

425

3,141

20.0

2,867

433

3,300

21.0

3,141

750

3,891

1.0

591

585.7

88,629

4,354

92,983

581.0

89,512

4,988

94,500

576.0

90,270

4,931

95,201

(5.0)

701

26.6

3,637

719

4,356

29.0

3,927

573

4,500

33.0

4,556

591

5,147

4.0

647

231.6

35,030

8,904

43,934

236.0

35,873

9,327

45,200

236.0

36,496

9,652

46,148

0.0

TOTAL

1,932.4

293,270

221,991

515,262

1914.0

294,455

264,645

559,100

1918.0

299,702

220,360

520,062

4.0

(39,038)

TOTAL HUD Salaries and Expenses

7,537.2

1,043,860

250,142

1,294,004

7557.4

7579.7

1,079,387

286,054

1,365,441

22.3

5,141

23,000

5.4

-

129,000

12.0

3,000

TOTAL
ADMINISTRATIVE SUPPORT OFFICES

Office of Departmental Equal Employment Opportunity
Office of the General Counsel
Office of Strategic Planning and Management
Office of the Chief Information Officer

1,059,928

300,372

1,360,300

Government National Mortgage Association

124.6

19,718

1,615

21,333

134.5

21,738

1,262

23,000

139.9

23,000

Office of Inspector General

598.6

94,257

31,429

125,686

643.0

97,515

28,485

126,000

655.0

99,298

35-1

29,702

(14,659)

948


Housing and Urban Development – Salaries and Expenses Overview

The Department of Housing and Urban Development (HUD) requests $1,365.4 million for the Salaries and Expenses (S&E) account in fiscal year 2017, which reflects an increase of $5.1 million and an increase of 22.3 Full Time Equivalents (FTE) from the fiscal year 2016 enacted levels. Overall, this request includes $1,079.4 million for Personnel Services and $286.1 million for Non-Personnel Services. The request will enable the Department to continue working to build a stronger HUD with a focus on investing in people, enhancing our systems, and improving business processes. These efforts include making sure HUD’s resources are aligned to our highest priorities, streamlining management processes, centralizing enterprise-wide support functions and investments within the appropriate offices, and institutionalizing continuous improvement as a central tenet of how HUD carries out its work.

The fiscal year 2017 S&E budget is being requested in 8 accounts:

- Program offices including:
  - Community Planning and Development, $110.3 million and 748.0 FTE;
  - Fair Housing and Equal Opportunity, $74.2 million and 518.0 FTE;
  - Office of Lead Hazard Control and Healthy Homes, $7.8 million and 49.0 FTE;
  - Housing, $393.1 million and 2,717.0 FTE;
  - Policy Development and Research, $24.5 million and 155.0 FTE.
  - Public and Indian Housing, $220.9 million and 1,390.0 FTE;

- Executive Offices, $14.5 million and 84.7 FTE; and

- Administrative Support Offices, $520.1 million and 1,918.0 FTE.

In addition to the eight accounts above, the request includes authority for HUD to continue towards full implementation of the Working Capital Fund established in the 2016 Consolidated Appropriations Act.

Description of Need

The fiscal year 2017 S&E request of $1,365.4 million is slightly less than 3 percent of HUD’s total discretionary request. The requested level will help address under-investments in the crucial areas of monitoring, oversight, operations, and management. HUD’s S&E resources are dedicated to carrying out the Department’s mission. Eighty-five percent of HUD’s total budget request is needed solely to renew rental assistance to 5.5 million HUD-subsidized households, including public housing operating subsidies and
Housing and Urban Development – Salaries and Expenses Overview

capital needs, and to renew existing HUD grants to homeless assistance programs. Detailed data on over 4.66\(^1\) 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 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 2017, HUD will continue its collaboration with other agencies, including the Departments of Transportation, Education, Justice, Energy, and 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, 2015, the Mortgage Mutual Insurance portfolio included 7.7 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 2015, 81.5 percent of FHA-insured purchase-loan endorsements were for first time homebuyers.

**The Salaries and Expenses Budget**

HUD’s fiscal year 2017 request for S&E seeks to continue progress on efforts to build a stronger HUD—increasing the efficiency and effectiveness of HUD operations, while also increasing transparency. The Department looks forward to working with Congress to continue progress towards these goals. The request reflects the same account structure as the enacted 2016 appropriations, including the new Working Capital Fund. The budget also requests flexibilities for HUD to be able to be proactive and responsive in budget execution, applying resources where they make the most impact. As provided for in the 2016 appropriation, this budget request carries forward a General Provision to authorize transfer of a limited amount of funds between accounts that provide for personnel and non-personnel expenses by up to 10 percent or $4,000,000, whichever is less. The budget request also proposes that up to $10 million in S&E funding may be transferred to the Information Technology (IT) fund.

1 This figure reflects tenants for whom the Department has recently reported demographic data, and not total tenants supported by these programs.
Other key priorities and initiatives include:

**Shared Services.** In fiscal year 2017, HUD will continue its shared-service arrangement with Treasury’s Bureau of Fiscal Services (BFS) for certain financial system and accounting services, procurement, travel, support, and human resources (HR) service delivery. The shared services model aims to improve service levels and efficiency—reducing redundancy and allowing HUD to focus its operational resources on delivering on HUD’s mission.

**Working Capital Fund (WCF).** The fiscal year 2017 budget request supports the Department’s continued implementation of a true WCF. The objectives of the WCF are to centralize common administrative services, align incentives, drive efficiencies, and provide better data to executives. Funding for the Department’s Shared Services transactions costs and other centralized functions as determined by the Secretary will be paid out of the working capital fund. Starting in 2017, the S&E request incorporates shared services funding within each Program Office, and anticipates that each Office will pay the working capital fund for its proportional use of goods and services.

**Centralization of Enterprise Services:** In addition to centralizing funding for enterprise goods and services through the WCF, starting in fiscal year 2016, the Department is considering realigning functions to streamline and centralize responsibility for core enterprise functions in the appropriate Administrative Support Office. These efforts would improve service delivery, and allow each office to focus on what they do best—their core missions. As part of these efforts, the Offices of Administration, Chief Financial Officer, Chief Human Capital Officer, Chief Procurement Officer and Chief Information Officer plan to request buyout authority and target hiring to ensure the appropriate skills and personnel are in place to efficiently and effectively carry out Departmental needs.

**Cross-Cutting and Priority Initiatives.** In the 2017 budget, the Department will continue its focus on a number of cross-cutting and priority 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.

**The Affirmatively Furthering Fair Housing (AFFH) Rule Initiative** – The Department continues to invest in AFFH, which was finalized in 2015 and 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 carry out the purposes of the Fair Housing Act, 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.

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.
Housing and Urban Development – Salaries and Expenses Overview

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 2017 request reflects cross-cutting and collective AFFH efforts requiring a total 135.9 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 office. The following chart identifies the FTE support provided for each program office in HUD supporting this initiative:

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<tr>
<th>AFFH Initiative</th>
<th>Program Office</th>
<th>FTE</th>
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<tbody>
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<td>OGC</td>
<td>8.2</td>
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<tr>
<td>CPD</td>
<td>8.0</td>
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<tr>
<td>FHEO</td>
<td>107.2</td>
<td></td>
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<tr>
<td>PDR</td>
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<tr>
<td>PIH</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135.9</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Rental Assistance Demonstration Conversion (RAD) Initiative** – The proposed S&E funding levels for the Rental Assistance Demonstration Program (RAD) support HUD’s efforts in shifting the Public Housing, Moderate Rehabilitation, Moderate Rehabilitation SRO, Rent Supplement, Rental Assistance Payment and, as proposed in the Budget, Section 202 Housing for the Elderly Project Rental Assistance Contract (PRAC) stocks to the more sustainable project-based Section 8 platform. HUD’s cross-cutting and collective RAD efforts will target conversion and incremental subsidy to 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 supplement and complement the ongoing conversions that will occur without additional subsidy, and these investments will place HUD on a strong trajectory to convert 500,000 public housing units over the next 5 years.
Housing and Urban Development – Salaries and Expenses Overview

HUD’s fiscal year 2017 request reflects cross-cutting and collective RAD efforts requiring 177.8 FTE across the Office of Housing, PIH, FHEO, PDR, CPD, and OGC. More detailed information regarding the specific RAD-related activities can be found within the respective CJs for each program office.

<table>
<thead>
<tr>
<th>RAD Initiative</th>
<th>Program Office</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OGC</td>
<td>28.3</td>
</tr>
<tr>
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<td>CPD</td>
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<td></td>
<td>PDR</td>
<td>2.5</td>
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<td></td>
<td>FHEO</td>
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<td></td>
<td>Housing</td>
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<td></td>
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**Promise Zones Initiative** – The Promise Zones initiative is a place-based effort 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 2017 request reflects the consolidation of Promise Zones implementation efforts in FPM, with 22 FTE, and 1.2 FTE in PDR to support evaluation. More detailed information regarding the specific PZ-related activities can be found within the respective CJs for each program office.
Promise Zones Initiative

<table>
<thead>
<tr>
<th>Program Office</th>
<th>FTE</th>
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<tbody>
<tr>
<td>PDR</td>
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<td>FPM</td>
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**Personnel Services: $1,079.4 million**

The Department requests $1,079.4 million to fund employee salaries as well as nominal increases to fund the pay raise, within grade, and promotions in fiscal year 2017. This funding level represents a $19.5 million increase over fiscal year 2016 enacted levels, and will also support programmatic changes. The fiscal year 2017 request is estimated to support a total of 7,579.7 FTE, an increase of 22.3 FTE from the fiscal year 2016 request.

**Non-Personnel Services: $286.1 million**

The Department requests $286.1 million in Non-Personnel Services in fiscal year 2017. This represents a $14.3 million decrease over fiscal year 2016 enacted levels.
### Housing and Urban Development – Salaries and Expenses Overview

<table>
<thead>
<tr>
<th>PROGRAM OFFICES</th>
<th>TRAVEL</th>
<th>TRANS OF THINGS</th>
<th>RENT, UTIL, COMM</th>
<th>PRINTING</th>
<th>OTHER SERVICES</th>
<th>TRAINING</th>
<th>SUPPLIES</th>
<th>EQUIP.</th>
<th>CLAIMS</th>
<th>WORKING CAPITAL FUND</th>
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(Dollars in Thousands)
## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
### EXECUTIVE OFFICES

($) in Thousands

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
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<tr>
<td>Travel</td>
<td></td>
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</tr>
<tr>
<td>Transportation of Things</td>
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<tr>
<td>Rent, Comm. &amp; Utilities</td>
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<tr>
<td>Printing</td>
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<td></td>
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<tr>
<td>Other services/Contracts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Working Capital Fund</td>
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<tr>
<td><strong>Associated FTE</strong></td>
<td>80.7</td>
<td>82.2</td>
<td>84.7</td>
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</table>

### Program Area Overview:

The Executive Offices (EO) implement 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 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;
Executive Offices

ensure the Department’s compliance with small business contracting regulations; and carry out White House directives by providing outreach, convening events, and information exchange with communities.

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

Requested Level and Justification

EO requests $14,479K and 84.7 FTE in fiscal year 2017, an overall increase of $679K to include $279K in mandatory funding for the newly established Working Capital Fund (WCF) and 2.2 FTE compared to fiscal year 2016:

• An increase of 2.2 FTE and $668K in Personnel Services is the result of FTE increases due to the change in administration, efficiencies in technology and nominal increase to fund the pay raise, promotions and within grade increases.
• Request also include $279K to pay working capital fund fees for shared services, and other investments determined by the Secretary.
• An overall decrease of $268K in Non-personnel Services, including a decrease of $38K in Travel and a decrease of $176K in Other Services due to the reduction in personnel required providing temporary staffing support to the Executive Offices.
## Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
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<td><strong>Total</strong></td>
<td><strong>80.7</strong></td>
<td><strong>82.2</strong></td>
<td><strong>84.7</strong></td>
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</tbody>
</table>
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.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
EXECUTIVE OFFICES  
OFFICE OF THE DEPUTY SECRETARY  

($ in Thousands)  

<table>
<thead>
<tr>
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<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
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<td>Other services/Contracts</td>
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**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.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

($ in Thousands)

<table>
<thead>
<tr>
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<tr>
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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
Executive Offices

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.
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.
Executive Offices

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. 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
($ in Thousands)

<table>
<thead>
<tr>
<th>Account Name</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>1,254</td>
<td>1,338</td>
<td>1,407</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$98</td>
<td>$86</td>
</tr>
<tr>
<td>Travel</td>
<td>11</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Other services/Contracts</td>
<td>76</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>2</td>
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</tr>
<tr>
<td>Supplies</td>
<td>6</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Non-Personnel Services Subtotal</td>
<td>$98</td>
<td>$86</td>
<td>$83</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$1,352</td>
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<td>$1,490</td>
</tr>
<tr>
<td>Associated FTE</td>
<td>8.1</td>
<td>8.8</td>
<td>9.6</td>
</tr>
</tbody>
</table>

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.
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.
Executive Offices

successful and strong business community is an integral component of the Department's overall mission of job creation, community empowerment and economic revitalization.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
CENTER FOR FAITH-BASED AND NEIGHBORHOOD PARTNERSHIPS

($ in Thousands)

<table>
<thead>
<tr>
<th>Account Name</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$951</td>
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<td>Non-Personnel Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>55</td>
<td>50</td>
<td>40</td>
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<tr>
<td>Rent, Comm. &amp; Utilities</td>
<td>25</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Printing</td>
<td>17</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>Other services/Contracts</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Training</td>
<td>1</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Supplies</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Non-Personnel Services Subtotal</td>
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<td>$98</td>
<td>$85</td>
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<tr>
<td>Grand Total</td>
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<td>$996</td>
<td>$1,036</td>
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<tr>
<td>Associated FTE</td>
<td>8.3</td>
<td>7.1</td>
<td>7.2</td>
</tr>
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</table>

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 the 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
Executive Offices

... 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.
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
### Salaries and Expenses

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
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<td>$299,702</td>
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<td><strong>Non-Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Travel</td>
<td>3,732</td>
<td>4,427</td>
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<tr>
<td>Transportation of Things</td>
<td>55</td>
<td>120</td>
<td>27</td>
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<tr>
<td>Rent, Communications, Utilities</td>
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<td>129,500</td>
<td>129,560</td>
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<tr>
<td>Printing and Reproduction</td>
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<td>263</td>
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<tr>
<td>Other Services</td>
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<td>77,099</td>
<td>69,739</td>
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<tr>
<td>Training</td>
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<tr>
<td>Supplies</td>
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<td>1,672</td>
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<tr>
<td>Furniture</td>
<td>6,410</td>
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<tr>
<td>Claims and Indemnities</td>
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<td>960</td>
<td>327</td>
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<tr>
<td>Working Capital Fund</td>
<td>-</td>
<td>-</td>
<td>7,654</td>
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<tr>
<td><strong>Non-Personnel Subtotal</strong></td>
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<td>264,645</td>
<td>220,360</td>
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<tr>
<td><strong>GRAND TOTAL</strong></td>
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<td>559,100</td>
<td>520,062</td>
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<tr>
<td><strong>Associated FTE</strong></td>
<td>1,932.4</td>
<td>1,914.0</td>
<td>1,918.0</td>
</tr>
</tbody>
</table>
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 for the Department. OCHCO represents HUD on strategic human capital and human resource matters and plays a critical role in maximizing the Department’s performance and ensuring accountability with the Office of Personnel Management (OPM), Office of Management and Budget (OMB), other federal agencies, Congress, and the public. According to the U.S. Government Accountability Office’s report "GAO-15619T," the federal government is facing workforce-related challenges that could affect the ability of agencies to effectively carry out their missions. The Department confronts two major challenges: 1) HUD has experienced the greatest percentage decline of permanent career employees across the Government from 2005 through 2014 and 2) HUD possesses the highest percentage of any agency of career permanent employees eligible to retire by 2019. This retirement wave can cause a loss of leadership and
Administrative Support Offices - Office of the Chief Human Capital Officer

Institutional knowledge at all levels. To address these challenges, OCHCO advises the Secretary and other principal staff on human capital efforts to ensure HUD recruits and retains individuals with the right skills to fulfill HUD's growing mission imperatives. OCHCO has employed a number of key human capital strategies to address HUD's human capital needs, and will build further upon them in fiscal year 2017. Specifically, in performing its responsibilities, OCHCO:

- Maintains the values of the federal civil service system including adherence to the merit system principles and equal employment opportunity requirements.
- Provides the Secretary and Deputy Secretary and other HUD leadership with expert human capital management advice and a high level of technical services that further the goals and objectives of the Department.
- Ensures that Federal and Departmental human capital goals, performance management, policies, and practices are communicated to all levels of management and to employees.
- Evaluates the effectiveness of human capital and resources programs.
- Strengthens employee engagement.
- Develops strategies to close agency skills gaps in mission critical areas.
- Provides leadership in the growth of agency competence, capability, and culture.

Separately, OCHCO's transactional work was outsourced in fiscal year 2013 to the Bureau of the Fiscal Service (BFS), a shared service provider. Preliminary reports show that BFS shared service accelerated HUD's hiring process (excluding the job classification and position descriptions) from 136 days to 98 days. Growth in this service area allows OCHCO to continue building on improving the accelerating processes. As a result, OCHCO plans to request a Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment (VERA/VSIP) and a reorganization is under consideration. This reorganization would facilitate a better focus of OCHCO's resources on improving strategic planning, consultative capacity, and compliance oversight. In addition, this workforce reshaping will enable OCHCO to address expanded workforce-related challenges such as: talent management and development, including staffing reductions; retention; employee engagement; mission critical occupation competencies; consultation to departmental management; and departmental knowledge management. Under the new structure, the OCHCO organization will be comprised of Executive Resources, Accountability, Employee and Labor Relations, Conflict Resolution, Center for Talent Management and Human Capital Strategy, Center for Talent Development and Planning, Center for Performance and Workforce Engagement, and Center for Business Management and Administration. The request for a VERA/VSIP and associated realignment of duties will also feed into the Department’s efforts to streamline and centralize certain enterprise functions.
Administrative Support Offices - Office of the Chief Human Capital Officer

**Requested Level and Justification**

In fiscal year 2017, the OCHCO is requesting $41,641K to support an estimated 153 FTE.

- **Personnel Services:** The OCHCO is requesting $22,017K and 153 FTE. The additional FTE is for the Center for Talent Management and Human Capital Strategy. This request represents an increase of $518K from fiscal year 2016 enacted budget. A nominal amount of funding is included to fund the pay raise, promotions and within grade increases. The requested budget supports OCHCO in the areas of strategic human capital management, recruitment and staffing, departmental 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 2017. The CD account supports the following program activities: 1) Transit Subsidy; 2) Student Loan Repayment Program; and 3) Flexible Spending. The request assumes transit subsidy funding at the same level as fiscal year 2015.

- **Non-Personnel Services:** The OCHCO is requesting a base amount of $12,724K for the S&E non-personnel services accounts for fiscal year 2017. This request represents a reduction of $15,177K from the fiscal year 2016 enacted budget of $27,901K. The changes to non-personnel services accounts are described below:
  - Travel account is maintained at the same funding level from fiscal year 2016.
  - Other Services/Contracts account is reduced by $16,928K, as this reduction represents funding that previously supported the BFS Shared Service provider agreement and Treasury’s Franchise account (that is, HR-E2E; InCompass; and HR-Connect). In fiscal year 2016, the funding for HUD’s BFS shared-service agreement will be transferred and funded out of the Working Capital Fund (WCF). Starting in fiscal year 2017, HUD offices will pay for these, and other shared services, through the WCF based on their usage. The customer service support, oversight monitoring, and other operating activities will remain in OCHCO. For more information, please see the Congressional Justification for the WCF. OCHCO’s 2017 request includes $751K to pay working capital fund fees for shared services, and other investments as determined by the Secretary.

- **Training in fiscal year 2017 increased by $1M.** The funding increase will allow OCHCO to provide excellence in developmental training for HUD’s leadership and technical assistance along with consultation support to assess mission-critical skill gaps and to implement workforce planning and succession planning goals.
### Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the CHCO</td>
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<td>7.0</td>
<td>7.0</td>
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<tr>
<td>Executive Resources</td>
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<td>10.0</td>
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<tr>
<td>Accountability</td>
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<td>2.0</td>
</tr>
<tr>
<td>Employee &amp; Labor Relations</td>
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</tr>
<tr>
<td>Center for Talent Development and Planning</td>
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<td>17.0</td>
</tr>
<tr>
<td>Center for Performance and Workforce Engagement</td>
<td>8.0</td>
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<td>8.0</td>
</tr>
<tr>
<td>Center for Business Management and Administration</td>
<td>32.0</td>
<td>31.0</td>
<td>31.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>176.0</strong></td>
<td><strong>152.0</strong></td>
<td><strong>153.0</strong></td>
</tr>
</tbody>
</table>

### Key Operational Initiatives

OCHCO is in the midst of developing its reorganization plan to align the organization with its new strategic and consultative focus. As a part of that effort, OCHCO is offering a buy-out/VERA VSIP to certain OCHCO employees in fiscal years 2016 and 2017. In addition, OCHCO will propose a reorganization of its structure.

The buyout and the approval of its fiscal year 2016 reorganization plan will allow OCHCO to downsize to ensure that we maintain the optimum operational structure. The reorganization plan provides OCHCO the opportunity to re-align the number of staff in an office and hire the appropriate positions for quality management, data integrity, and oversight, and focus on human capital issues and policies. The requested positions include Statistical and Data Analyst, Instructional Systems Specialist, Industrial Organizational
Administrative Support Offices – Office of the Chief Human Capital Officer

Psychologist, and an Employee and Labor Management Director and to align OCHCO’s performance capabilities with the Department's mission and strategic goals.

In addition, OCHCO is working with the Office of the Deputy Secretary to scrub all of its contracts to achieve efficiencies, consolidate similar functions, and federalize functions where appropriate. This thorough review of contracts supports OCHCO's key operational initiatives.
<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$29,543</td>
<td>$31,044</td>
<td>$31,987</td>
</tr>
<tr>
<td><strong>Non-Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
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<td>1,800</td>
<td>1,600</td>
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<tr>
<td>Transp. of Things</td>
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<td>15</td>
<td>7</td>
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<tr>
<td>Comm, Rent and Utilities</td>
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<td>129,500</td>
<td>129,500</td>
</tr>
<tr>
<td>Printing</td>
<td>88</td>
<td>140</td>
<td>100</td>
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<tr>
<td>Other services/Contracts</td>
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<tr>
<td>Supplies</td>
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<tr>
<td>Furniture and Equipment</td>
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<td>Claims and Indemnities</td>
<td>6</td>
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<td>Working Capital Fund</td>
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<td>-</td>
<td>823</td>
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<tr>
<td><strong>Non-Personnel Services Subtotal</strong></td>
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<td><strong>176,556</strong></td>
<td><strong>170,836</strong></td>
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<td><strong>Grand Total</strong></td>
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<tr>
<td></td>
<td><strong>202,368</strong></td>
<td><strong>207,600</strong></td>
<td><strong>202,823</strong></td>
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<tr>
<td><strong>Associated FTE</strong></td>
<td><strong>230.9</strong></td>
<td><strong>235.0</strong></td>
<td><strong>238.0</strong></td>
</tr>
</tbody>
</table>

**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 in order to save funds and release the unneeded space back 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.”
Administrative Support Offices - Office of Administration

The functions in OA include:

- **Facilities Management** (provides management, operations and safety for all HUD facilities located in the National Capital Region)—administered by the Office of Facilities Management Services;

- **Field Support Services** (provides HUD field staff with administrative support services)—administered by the Office of Field Support Services (OFSS);

- **Digital Services** (provides enterprise digital and multimedia services)—administered by the Office of Digital Enterprise;

- **Disaster Management and National Security** (coordinates HUD’s role in the federal government’s response to, and recovery from, national disasters that affect housing)—administered by the Office of Disaster Management and National Security; 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)—administered by the Office of the Executive Secretariat.

**Requested Level and Justification**

The Office of Administration is requesting $202,823K in fiscal year 2017 to support an estimated 238 FTE. This request reflects a decrease of $4,777K from the fiscal year 2016 enacted budget of $207,600K.

**Personnel Services**

The OA is requesting $31,987K in personnel services funding for fiscal year 2017. This represents a nominal increase of $943K in funding compared with fiscal year 2016 enacted. This will fund pay raise, promotions and with-in grade increases. The increase of 3 additional FTE will be allocated as follows:

- Executive Secretariat – 1 FTE to support FOIA, document and records management functions
- Digital Enterprise Office – 2 FTE to support broadcasting, webcasting and multimedia functions
Non-Personnel Services

The OA is requesting $170,836K in non-personnel services funding for fiscal year 2017. This represents a reduction of $5,720K from fiscal year 2016. The reduction primarily reflects the completion of several non-recurring special projects that are anticipated to be completed in fiscal year 2016, such as the Multifamily Transformation Project, and the culmination of efforts to review and better target spending. OA is currently working with the Office of the Deputy Secretary to scrub all of its contracts to achieve efficiencies, consolidate similar functions, and federalize functions where appropriate. This thorough review of contracts will enable OA to streamline its own functions and to consider relocating these functions out of the program offices and back into OA.

The OA non-personnel services funds ($170,836K) will support:

- Maintenance and extraordinary repairs for the 48-year-old Weaver Building;
- Field Operations for space and facilities management, vehicle fleet, telecommunications services and supplies;
- Disaster coordination, and personal security for the Secretary and Deputy Secretary;
- Departmental rent, telecommunications, and utilities costs;
- Departmental records management; and
- Obsolete furniture replacement and equipment for broadcasting operations.

- Working Capital Fund: The request includes $823K to pay working capital fund fees for shared services, and other investments determined by the Secretary.
### Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Support</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Disaster Management and National Security</td>
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<td>21</td>
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<tr>
<td>Field Support</td>
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<td>106</td>
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<tr>
<td>Executive Secretariat</td>
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<tr>
<td>Executive Scheduling</td>
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<td>6</td>
<td>6</td>
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<tr>
<td>Facilities Management Services</td>
<td>28</td>
<td>28</td>
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<tr>
<td>Digital Enterprise</td>
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<tr>
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<td><strong>231</strong></td>
<td><strong>235</strong></td>
<td><strong>238</strong></td>
</tr>
</tbody>
</table>

### Key Operational Initiatives

The Office of Administration’s key operational initiative is its continued effort 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 goals of the "OMB Memorandum M-12-12, Section 3: Freeze the Footprint". In fiscal year 2014, the Department realized a 97,113 square foot reduction. This was followed by a further reduction of 71,231 square feet during fiscal year 2015. It is anticipated that an additional 54,784 square feet will be reduced in fiscal year 2016, and 34,883 square feet in fiscal year 2017, based on continued field and headquarters relocations and realignments. Although HUD continues to reduce its overall space footprint, market rents in most Metropolitan Statistical Areas continue to increase on a yearly basis and are far higher than they were 10-20 years ago when the expiring leases were signed. As a result, HUD often pays more in annual rent for less space.
In addition to these efforts, the OA will look at cross-cutting implementation strategies for supply purchases to create operational efficiencies in Headquarters, and streamline costs. The OA also will examine how Freedom of Information Act (FOIA) processing is done throughout the Department to develop operational improvements.

In addition to these efforts, the OA is reviewing functions in Headquarters and the Field to establish best practices and operational improvements during the fiscal year 2017. OA will standardize Freedom of Information Act (FOIA) processing, the purchase of supplies and several other areas as a result of the Deep Dive process. This focus will yield cost savings to the Department.

The OA also is working on the Controlled Unclassified Information (CUE) NARA directive. This directive pertains to how we categorize, maintain and dispose of data and information throughout HUD. In fiscal year 2017, the Department expects to have a comprehensive record retention schedule for all permanent electronic records and media-neutral record categories. The Department is currently adopting newly established General Record Schedules into its record retention policies. In fiscal year 2017, the Department expects to manage its electronic records in a cloud-based repository, thus reducing storage costs and related record management services.

Key operational issues also include the creation of a separate Privacy Office. New OMB directives and compliance requirements necessitate standing this office apart, reporting directly to the Senior Agency Official for Privacy (SAOP), at the Assistant Secretary Level, and filling a Chief Privacy Officer (CPO) career position. The SAOP and CPO will represent HUD on the Federal Privacy Council chaired by OMB. HUD will be reviewed in fiscal year 2017, and the SAOP and CPO will participate in OMB oversight processes.

The General Services Administration and HUD will continue to review and revise space and accommodation issues in the National Capital Area and throughout HUD’s Field operations. The Office of Administration is working with the Office of the Chief Information Officer to modernize space, automation, and technology with the objective of making HUD’s workforce mobile and agile. This will take resources to achieve; however, it will vastly improve HUD’s flexibility in the near future as we consolidate and streamline program delivery.

In fiscal year 2016, OA is exploring functional realignments, both within OA and as part of the Department’s overall plan to streamline and centralize core enterprise functions. As part of these efforts, the Office of Administration plans to request a VERA/VSIP, and will target hiring to ensure the appropriate skills and personnel are in place to efficiently and effectively carry out departmental needs.
### 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. 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 and budget, OCFO works to ensure the Department meets established financial management goals and complies with pertinent legislation and directives. In addition, OCFO analyzes budgetary implications of policy and legislative proposals and oversees budget activities throughout the Department. Starting in 2016, OCFO will establish and manage the Department’s Working Capital Fund, as provided in the 2016 Consolidated Appropriations Act.
Requested Level and Justification

OCFO requests $53,451K in fiscal year 2017 to support an estimated 195.0 Full Time Equivalents (FTE). The decrease of $25,549K reflects the move of the shared service transaction costs to the Working Capital Fund structure, where program offices will begin paying for these services based on use.\(^1\) It also reflects the Department’s continued efforts to strengthen financial management and budget formulation and execution by streamlining across the Department, and centralizing functions where appropriate.

- **Personnel Services:** OCFO requests $28,832K to support an estimated 195.0 FTE—a slight increase over 2016 enacted. CFO will continue offering buyouts during first quarter of fiscal year 2017 to support the Department’s transition to Shared Services. The net increase reflects the restoration of core budget staff and the establishment of the working capital fund management team. It also reflects HUD efforts in working towards centralization of financial management and budget functions.

- **Common Distributable:** OCFO requests $8,000K, a decrease of $67K from fiscal year 2016, to support CFO’s Common Distributable payments for Professional Liability Insurance, Worker’s Compensation and Unemployment Compensation.

- **Non-Personnel Services:** OCFO requests $16,619K to support funding requirements for Travel, Rent/Utilities, Printing, Contracts, Training, and Supplies. The 2017 request reflects the move of shared services costs for Travel, Financial Management and procurement from OCFO, to the Department’s Working Capital Fund starting in 2016.

  - **Working Capital Fund:** Estimates include $1,252K to pay working capital fund fees for shared services and other investments determined by the Secretary. OCFO’s estimate includes OIG’s portion of WCF costs in the amount of $560K for financial management, procurement, and travel.

\(^1\) Please see the Congressional Justification for the Working Capital Fund for more information.
### Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>5.5</td>
<td>6.0</td>
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<tr>
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<td>Assistant CFO for Accounting HQ</td>
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<td>Ft Worth Accounting Center</td>
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<tr>
<td>Assistant CFO for Financial Management</td>
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<tr>
<td>Assistant CFO for Systems</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>190.3</strong></td>
<td><strong>192.0</strong></td>
<td><strong>195.0</strong></td>
</tr>
</tbody>
</table>

### Key Operational Initiatives

- **Business Alignment to adapt Shared Services** – CFO’s business alignment to adapt Shared Services may include restructuring, VERA/VSIP, realignment and/or possible reorganization within the CFO. These options are under consideration at this time. In addition, HUD is working towards strengthening financial management and budgeting, through centralization of certain functions in the Department.

- **Improve Financial Governance** and work towards regaining our clean audit opinion - HUD will regain a clean audit opinion by strengthening financial governance through a collaborative approach with CFO and other Program Offices. CFO will reassess the changes in our program and financial environments through the application of federal accounting standards and financial management requirements. In addition, CFO will seek external expertise and explore new options to resolve long-standing issues. This initiative will result in streamlined and compliant processes, expanded understanding of program complexities and appropriate application of standards/requirements, improved financial information for better decision making and more reliable reporting, and, ultimately, resolution of audit findings. In addition, the initiative will position the agency to identify and address potential issues before they arise to the material weakness level impacting the audit opinion.
• Building HUD staff financial skills - A key objective of OCFO is to recruit, retain, and develop highly-skilled financial management and budget staff. At the end of fiscal year 2015, OCFO initiated a new Training Academy to strategically employ training resources across the CFO in a more targeted and efficient manner to achieve greater results. The CFO has incorporated guidance for the Academy efforts from the Office of Personnel Management, the Office of Management and Budget, the National Academy of Public Administration, other agencies, and the Association of Government Accountants. These training investments will dovetail with other improvements in our financial management, including the move to shared services for financial reporting and stronger governance and coordination with program offices. The Academy program will provide curriculum-based financial training across the CFO workforce, including an emphasis on improved internal controls and vigorous analytics. The Academy and other training efforts will reflect increased enrollment in courses, an emphasis on performance and expanded opportunities to achieve valued identifiable core financial competencies including widely recognized certifications of expertise.

• Establishing the working capital fund - Establishing the working capital fund will create a mechanism for the Department to finance enterprise goods and services that supports more efficient operations, stronger governance, and increased transparency. Starting in 2017, OCFO anticipates moving further towards a true working capital fund, where offices will pay for their own use of goods and services through the working capital fund. OCFO will stand up a WCF financial management and governance the WCF. OCFO will continue working to stand up and improve transparent and reliable price allocation models for all goods and services financed through the Fund. The OCFO will also establish a governance structure for the WCF, working closely in coordination with business line owners and customers. Please see the Congressional Justification for the Working Capital Fund for more information.

• Develop Financial Management systems and processes to support the grants and loans programs within the Department - CFO will work with OCIO and Program Offices to develop modernized business systems, policies and procedures for grant and loan programs affected by the replacement of HUD’s legacy systems. CFO’s investment will ensure existing audit findings are addressed and will mitigate future audit risk to the Department for these mission centric programs. Additionally, CFO will support analysis of HUD’s mission programs and facilitate proactive, data-driven management decisions by Program Offices.

• Shared service implementation – OCFO is focused on continued strong management and oversight of financial management, procurement, and travel shared services. With the Department’s transition to Shared Services, CFO established the Business Operations and Support Execution (BOSE) work group as the primary point-of-contact between the Shared Services provider and HUD employees. BOSE provides customer care and support through facilitation and escalation of unresolved ARC Help Desk requests; management of system errors and issue resolution for transaction processing; and managing process and system change requests. This work group is also responsible for oversight of the Shared Services Provider to ensure HUD receives the intended value for services being purchased in a timely and effective manner.
• Contract Consolidation - Working with the Office of the Deputy Secretary, OCFO is scrubbing its NPS contracts to maximize efficiency and reduce duplication of efforts. OCFO will increase efficiency and reduce duplication by consolidating contracts to better align with changes in Federal financial management requirements, focus on delivering value to the programs, leverage methods and approaches used by other Federal agencies in the execution of improper payment programs, and identify opportunities to address new mandates such as the Data Act and enterprise risk management.
# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
## ADMINISTRATIVE SUPPORT OFFICES
### OFFICE OF THE CHIEF PROCUREMENT OFFICER

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
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<tr>
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<td>125</td>
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<tr>
<td>Supplies</td>
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<tr>
<td>Attorney’s Fees</td>
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<tr>
<td>Working Capital Fund</td>
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<td>Non-Personnel Services Subtotal</td>
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<tr>
<td>Associated FTE</td>
<td>114.7</td>
<td>117.0</td>
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</table>

**Program Area Overview:**

The Office of the Chief Procurement Officer (OCPO) provides quality, timely, innovative, and compliant acquisition and business solutions to support the creation of strong, sustainable, inclusive communities and quality, affordable homes for all. OCPO is responsible for all matters related to the Department’s acquisition-related needs and activities, including managing the acquisition workforce in addition to conducting procurement activities. Procurement activities are conducted in Washington DC, Atlanta, GA; Ft Worth, TX; Denver, CO; Chicago, IL; and Philadelphia, PA in support of all HUD program offices.

OCPO has been leading multiple initiatives to transform the business of providing acquisition support to the Agency’s programs. These initiatives have included implementing an enterprise acquisition management solution, conducting business process reengineering, leveraging the acquisition management solution to improve the strategic planning processes, developing performance metrics to measure timeliness of the entire acquisition process, implementing performance-based contracting, initiating strategic sourcing projects to reduce costs, conducting pilot projects for using shared services, streamlining through standardized templates, and improving the quality of all three pillars of the acquisition workforce – Contracting Officers, Contacting Officer Representatives,
and Project/Program Managers. Additional transformation efforts will continue to drive improvement, including projects to reduce pain points in the acquisition processes, measure accountability in the processes, implement more strategic sourcing, assess the Shared Services pilots to ascertain best uses, provide more procurement support through Category Management methods, and improve customer satisfaction through improved engagement and collaboration.

A linchpin of the entire acquisition process begins with an effective annual strategic acquisition planning process. OCPO implemented a robust annual strategic acquisition planning process to focus the strategic plans on requirements associated with budget submissions instead of wish lists and then early interaction on the planned acquisitions through Integrated Acquisition Teams (IAT) and the Acquisition Liaison Unit (ALU). The ALU has trained HUD personnel in the use of an automated tool for developing requirements documents.

HUD uses several metrics primarily focused in areas of Acquisition Planning and Execution:
- Planned versus Unplanned Acquisitions measures the ability of program offices to accurately forecast their needs through the acquisition planning process.
- Target Requisition Release Date (TRRD) measures the ability to submit acceptable requisition packages in a timely manner.
- Target Award Date measures the ability to award by the date forecasted.
- Procurement Acquisition Lead Time measures the average time it takes to award procurement actions.
- Contractor performance reporting is measured by the timeliness of contractor past performance information reported into the Contractor Performance Assessment Reporting System (CPARS).

**Requested Level and Justification**

Office of Chief Procurement Officer (OCPO) requests $19,130K in fiscal year 2017, an increase from fiscal year 2016 enacted of $1,930K.

- Personnel Services: OCPO is requesting $17,003K, which is expected to fund 120.0 FTE. This request represents an increase from the fiscal year 2016 enacted budget of $640K and an increase of 3.0 FTE. A nominal amount of funding is included to fund pay raises, promotions, and with-in grade increases.

- The additional 3.0 FTE will support Field Contracting Operations and Administration/Management Support. As a result of recent court decisions, HUD is now required to competitively procure new contracts for Performance-Based Contract Administrators in support of the Project-Based Rental Assistance program (PBRA). The contracts previously acquired under grants expend over $240M per year, more than $1B over 5 years, and were accomplished through more than 50 individual agreements. A complete 5-person work unit will be necessary to accomplish the procurements and administer these new contracts supporting the multi-billion dollar PBRA program with new procurements projected to begin in early-to-mid 2016.
Non-Personnel Services: OCPO is requesting $2,127K to support travel, training, contracts, supplies and printing. The request includes $1,030K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
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<td>Office of Chief Procurement Officer</td>
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<td>CPO, Customer Service Support Staff</td>
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<td>CPO, Policy and Systems</td>
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<tr>
<td>CPO, Administration and Management Support</td>
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<td><strong>114.7</strong></td>
<td><strong>117.0</strong></td>
<td><strong>120.0</strong></td>
</tr>
</tbody>
</table>

Key Operational Initiatives

- As part of the New Core financial initiative, OCPO moved in early fiscal year 2016 from its enterprise acquisition system – HUD Integrated Acquisition Management System (HIAMS) - to the Acquisitions Shared Services Provider at Treasury.
- OCPO implemented an automated tool, the Acquisition Requirements Roadmap Tool (ARRT), in early fiscal year 2016 for preparation of improved requirements documents for performance-based acquisitions (PBA). OCPO’s Acquisition Liaison Unit (ALU) has trained both program offices and contracting staff on how to utilize it to write better Performance Work Statements (PWS) and Quality Assurance Surveillance Plans (QASP).
- OCPO is working with several stakeholders as part of the Deputy Secretary’s Deep Dive projects to improve the cradle-to-grave process of acquisitions. Projects initiated in fiscal year 2016 include: developing strategies to improve the pain points in the acquisition process; improving contract oversight by the acquisition workforce; implementing more strategic sourcing opportunities through targeted analysis of data; assessing and implementing the best uses of shared service providers for acquisition projects; realigning OCPO to better support the HUD enterprise through category management versus the traditional silo approach by program office; improving transparency and accountability throughout the acquisition process.
through standard assessment tools and reporting dashboards; and improving accountability of all Departmental senior executives as they relate to acquisition requirements.

- HUD continues to leverage strategically sourced acquisition vehicles put in place by the General Services Administration and other agencies to reduce duplication across government, including the vehicles in place for office supplies, package shipping, wireless services, and data transport services. There are additional on-going efforts in the active procurement phase, including utilizing shared services for IT infrastructure and cloud services. The six initiatives are an effort to consolidate contracts with like services under a single vehicle that will allow the Department to leverage its buying power and achieve more competition resulting in lower cost and improved performance for these requirements. Some of these efforts include consolidating similar requirements and opening them up to competition through the competitive 8a program, where previously sole source contracts were awarded under the SBA 8a program. Other areas that are on track for strategic sourcing in fiscal year 2016 include logistical support services, document imaging and storage services, training services, and multifamily property inspections.

- OCPO is making more use of the lowest-priced technically acceptable (LPTA) method of obtaining contracts versus the most commonly used tradeoff approach, where the source section official often selects a higher technically qualified, high-priced offer for the contract award. For requirements that are not highly complex, the experience to date in using LPTA has been to show cost savings ranging from 10-30 percent. The initial candidates for this approach have been in the information technology support services and we are looking for other areas to implement this cost saving approach and other variants of it.

OCPO plans to request Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment (VERA/VSIP) authority for the first time in fiscal year 2016 to reduce the overall cost per FTE and allow us to hire more staff using career ladders while rightsizing the workforce to implement category management and achieve grade parity between HQ and field staff performing the same work. The VERA/VSIP and associated realignment of duties would also feed into the Department’s efforts to streamline and centralize certain enterprise requirements.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF FIELD POLICY AND MANAGEMENT

($ in Thousands)

<table>
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<th>FY 2015 Actual</th>
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<th>FY 2017 Request</th>
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<tr>
<td>Working Capital Fund</td>
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<td>Non-Personnel Services Subtotal</td>
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<td>Associated FTE</td>
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</table>

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 and Field Office Directors serve as the first point of contact for all Housing and Urban Development (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. FPM exists to provide seamless program delivery to HUD’s customers and stakeholders in order to achieve the Department’s central goal of expanding opportunity for all Americans. FPM is uniquely
Administrative Support Offices – Field Policy and Management

positioned to ensure that HUD’s diverse group of stakeholders and partners fully benefit from the agency’s programs and effectively leverage federal dollars. In addition, FPM’s Office of Labor Standards and Field Support enforces the statutory and regulatory requirements related to the Davis-Bacon Act. Key responsibilities include compliance and monitoring, program evaluation, 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). FPM establishes, coordinates, and executes local place-based strategies for cross-cutting initiatives including, but not limited to, Promise Zones (PZ) and Strong Cities, Strong Communities (SC2) initiatives. Overall, FPM spearheads efforts to ensure the effective use of existing federal resources for revitalization and economic development purposes.
Requested Level and Justification

In fiscal year 2017, FPM requests $52.6 million, an increase of $1.1 million compared to fiscal year 2016. The request supports an estimated 346.0 FTE, a slight decrease from 2016.

- FPM’s request will primarily support placed-based initiatives, including the Promise Zones (PZ) initiative. The initiative is 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. Other FPM field and headquarters staff also provide leadership and support across the United States to support the PZ initiative.

  - Community Needs Assessments (CNAs) are the cornerstone of FPM’s long-term place-based strategy. The CNAs provide a forum to solve locally identified issues, focus resources on issue resolution and present a venue for increased collaboration across HUD’s programs, with other federal agencies and local partners to deploy resources and expertise. Each Field Office selects at least one community to focus on for this in-depth community assessment. In fiscal year 2015, FPM conducted 82 community needs assessments around the country.

  - The 2017 request provides $1.1 million to pay working capital fund fees for shared services and other investments determined by the Secretary.

  - **Travel** – FPM’s placed-based initiatives require travel to support new hires on board by start of fiscal year 2017 as well as a growing number of communities participating in a number of place-based initiatives (ConnectHome, Community Needs Assessments, etc.) across the Department. In fiscal year 2017, there will be a total of 14 Promise Zone (PZ) sites, all at different stages of implementation, with unique priorities, requiring varying levels of support from HUD headquarters and field staff. Support includes, but is not limited to, on-site technical assistance, convening and facilitating roundtables and trainings, ongoing capacity building and community engagement efforts.

  - **Contract Services** – Resources will support subscription services for FPM’s Office of Labor Relations, Max.Gov in support of the PZ initiative, and miscellaneous expenses.

FPM ensures that each HUD field office functions as a common enterprise throughout the strategic planning process and provides seamless program delivery and customer service to the many communities HUD serves. The fiscal year 2017 requested level supports FPM’s overarching priorities:
1. **Operational Capacity and Place-Based Strategy in the Field** – It is essential that the agency maintain its focus on place-based programs in our states and localities. FPM’s strategy is to transition its entire workforce to be consistent with the specific place-based programs and activities that have been implemented in targeted communities. Critical staff at appropriate levels is essential to ensure that FPM’s core mission ability is not compromised.

2. **Disaster Preparedness Readiness and Response Capability** – FPM staff implement the agency’s efforts related to disaster preparedness, response and recovery at the regional, state and local level. This includes implementing Continuity of Operation Plans (COOP) and exercises across HUD field offices as part of the larger federal effort to ensure Continuity of Government and managing efforts to staff and support FEMA Joint Field Offices and Disaster Recovery Centers after disasters. FPM staff in each state serve as Field Coordinators and work directly with FEMA Federal Disaster Recovery Coordinators to plan, prepare and implement disaster recovery strategies in partnership with federal, state and local agencies. It is critical that field offices in disaster prone areas have appropriate staffing levels.

3. **Commitments to Maintaining Service Levels Across the Country** – HUD is committed to ensuring continued levels of coverage and responsiveness for all of the nation. Where HUD has closed some small offices, FPM continues to provide technical assistance and customer service to all stakeholders through more efficient operations, including work shared with nearby offices, teleconferencing and other technology solutions, and travel.

4. **Place Based Training Strategy** – A broad-based place-based training plan for agency field staff is needed to ensure continuity and consistency across all program areas. FPM priorities include a national training for selected field staff across all program areas on place-based activities and programs consistent with the broader Departmental and OMB strategy.
Administrative Support Offices – Field Policy and Management

### Full-time Equivalents

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
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</thead>
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<tr>
<td>HQ</td>
<td>30</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Labor Standards and Field Support (located throughout the regions)</td>
<td>48</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Region 1 – Boston, MA</td>
<td>20</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>Region 2 – New York, NY</td>
<td>24.9</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>Region 3 – Philadelphia, PA</td>
<td>30.5</td>
<td>28</td>
<td>25</td>
</tr>
<tr>
<td>Region 4 – Atlanta, GA</td>
<td>46.6</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>Region 5 – Chicago, IL</td>
<td>35.7</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Region 6 – Fort Worth, TX</td>
<td>32</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Region 7 – Kansas City, KS</td>
<td>14.7</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Region 8 – Denver, CO</td>
<td>17.6</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Region 9 – San Francisco, CA</td>
<td>33.1</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>Region 10 – Seattle, WA</td>
<td>24.5</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357.6</strong></td>
<td><strong>352</strong></td>
<td><strong>346</strong></td>
</tr>
</tbody>
</table>

### Key Operational Initiatives

The Office of Field Policy and Management manages the Customer Relationship Management Information Technology Segment. For more information on the Customer Relationship Management segment please see the Information Technology Fund Congressional Justification.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
ADMINISTRATIVE SUPPORT OFFICES  
OFFICE OF DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>$2,716</td>
<td>$2,867</td>
<td>$3,141</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>31</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td>Printing</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Other services/Contracts</td>
<td>368</td>
<td>370</td>
<td>500</td>
</tr>
<tr>
<td>Training</td>
<td>22</td>
<td>27</td>
<td>90</td>
</tr>
<tr>
<td>Supplies</td>
<td>6</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Attorney’s Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Working Capital Fund</td>
<td>-</td>
<td>-</td>
<td>91</td>
</tr>
<tr>
<td>Non-Personnel Services Subtotal</td>
<td>$425</td>
<td>$433</td>
<td>$750</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$3,141</td>
<td>$3,300</td>
<td>$3,891</td>
</tr>
<tr>
<td>Associated FTE</td>
<td>19.0</td>
<td>20.0</td>
<td>21.0</td>
</tr>
</tbody>
</table>

**Program Area Overview:**

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, sex, religion, national origin, age (40 and over), disability, veteran status, protected genetic information, protected activity, sexual orientation, gender identity and expression, marital status, or parental or pregnancy status or other non-merit factors; and, to ensure that the Department functions to recruit, hire, train, develop, promote, reward, and discipline employees are conducted in a fair and consistent manner, solely on the basis of merit. 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 and other management directives.
Administrative Support Offices - Office of Departmental Equal Employment Opportunity

The activities of the ODEEO are carried out through the functions of two Divisions: The Equal Employment Opportunity Division (EEOD), and the Affirmative Employment Division (AED). 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.

**Requested Level and Justification**

ODEEO is requesting $3,891K, which reflects an increase of $591K from fiscal year 2016.

Personnel Services: ODEEO requests $3,141K for personnel services. This is $274K above the fiscal year 2016 enacted level which will provide 1.0 FTE to support processing equal employment opportunity complaints, and support the federal pay raise, within grade increases and promotions.

Non-Personnel Services: ODEEO requests $750K to support contracts, travel, training, and supplies.

The additional $130K in Other Services/Contracts will support increased contract investigation costs. In fiscal year 2015, ODEEO’s expenditures in EEO complaints investigations, Alternative Dispute Resolution (ADR) mediations, and providing Final Agency Decisions exceeded $368K. The expenditures for fiscal years 2016 and 2017 are anticipated to be higher, as EEO services costs rise with the cost of living each year.

The request includes $91K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

**Full-time Equivalents**

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office, Director/Deputy</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Office, Affirmative Employ</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Office, Equal Employment</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
<td><strong>20</strong></td>
<td><strong>21</strong></td>
</tr>
</tbody>
</table>

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Key Operational Initiatives

A primary objective of ODEEO is to continue to reduce formal complaints and increase responsiveness through proactively offering greater training and support to HUD staff, and increasing use of alternative dispute resolution mechanisms, thereby lowering the financial and human capital cost to HUD of EO issues.

Improving responsiveness for EEO complaints: While ODEEO has made great progress in improving responsiveness, further investment is needed to improve and automate tracking and enhance processing of complaints and resolutions, including capacities related to alternative dispute resolution, and reasonable accommodation.

Through operational and management changes within ODEEO, implementation of a shared service agreement with the U.S. Postal Service, and back filling a key vacant position, ODEEO reduced average processing time of EEO investigations to 132 days, which is well below the 180 day regulatory requirement. In addition, formal EEO complaints have been reduced by 10 percent since 2014 as a result of increased emphasis on alternative dispute resolution, training, and other activities designed to proactively prevent discrimination. Increased funding for additional positions and program initiatives will enable ODEEO to further reduce EEO investigation processing time, and resolve more disputes early and at the lowest possible level.

As a result of training programs and resources that were designed to foster a diverse and inclusive work environment at the Department, HUD achieved a 5 point increase on the NEW IQ inclusion metric in the 2015 Federal Employee Viewpoint Survey. The IQ inclusion metric gauges workplace inclusion and the associated tools to improve organization inclusion and employee engagement. IQ inclusion index scores are calculated using a subset of 20 questions from the Federal Employee Viewpoint Survey (FEVS). The metric is separated into several factors comprising the 5 Habits of Inclusion: Fair, Open, Cooperative, Supportive, Empowering. Research confirms that workplace inclusion is a contributing factor to employee engagement and organizational performance. One of the major issues facing organizations and the federal government in regard to inclusion is how to properly measure it and improve an inherently intangible aspect of group interaction, which the inclusion index scores help accomplish.

Increased funding is needed to build on this success and to support development of strategies to address underrepresentation in the Department’s workforce.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
ADMINISTRATIVE SUPPORT OFFICES  
OFFICE OF GENERAL COUNSEL

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>$88,629</td>
<td>$89,512</td>
<td>$90,270</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>$938</td>
<td>$970</td>
<td>$938</td>
</tr>
<tr>
<td>Transportation of Things</td>
<td>$47</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>Printing</td>
<td>$938</td>
<td>$1,000</td>
<td>$107</td>
</tr>
<tr>
<td>Other services/Contracts</td>
<td>$1,354</td>
<td>$1,210</td>
<td>$1,404</td>
</tr>
<tr>
<td>Training</td>
<td>$471</td>
<td>$540</td>
<td>$374</td>
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<tr>
<td>Supplies</td>
<td>$289</td>
<td>$298</td>
<td>$289</td>
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<tr>
<td>Claims and Indemnities</td>
<td>$317</td>
<td>$950</td>
<td>$317</td>
</tr>
<tr>
<td>Working Capital Fund</td>
<td>$0</td>
<td>$0</td>
<td>$1,482</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>$4,354</td>
<td>$4,988</td>
<td>$4,931</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$92,983</td>
<td>$94,500</td>
<td>$95,201</td>
</tr>
<tr>
<td>Associated FTE</td>
<td>585.7</td>
<td>581.0</td>
<td>576.0</td>
</tr>
</tbody>
</table>

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. This table illustrates how OGC’s accomplishments produced a positive return-on-investment/appropriation--greater than 7-to-1--for fiscal year 2015:
OGC Financial Impact in Fiscal Year 2015 as of September 30

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015 Appropriation</td>
<td>$94,000,000</td>
</tr>
<tr>
<td>Closing Fees/Collections</td>
<td>180,509,703</td>
</tr>
<tr>
<td>MF Housing Project/CPD/PIH Recoveries</td>
<td>33,992,817</td>
</tr>
<tr>
<td>FHA fund recoveries</td>
<td>314,687,494</td>
</tr>
<tr>
<td>Debt collection activities</td>
<td>404,896</td>
</tr>
<tr>
<td>Fair Housing Act and Civil Rights Resolutions</td>
<td>216,607,550</td>
</tr>
<tr>
<td>Total return from OGC actions</td>
<td>746,202,460</td>
</tr>
<tr>
<td>Return on appropriated funds</td>
<td>793.8%</td>
</tr>
</tbody>
</table>

**Requested Level and Justification**

OGC’s $95,201K fiscal year 2017 request reflects the move of base Federal Register and Code of Federal Regulations printing activities from OGC to the Working Capital Fund (WCF), and includes an estimate of $1,482K to pay WCF fees for shared services, including OGC’s share of Federal Register printing, and other investments determined by the Secretary.

- **Personnel Services:** Funding of $90,270K will support 576.0 FTE and provide for the pay raise, within-grade increases, career ladder promotions and benefit increases.
- **Non-Personnel Services funding of $4,931K** to support funding requirements for travel, printing, supplies, contracts, training, claims and indemnities.
  - An increase of $194K in Other Services to fund 1) 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 2) costs of a contract for a reader needed for a reasonable accommodation.
  - A decrease in Printing of $893K due reflects the move of Departmental Federal Register and Code of Federal Regulations printing to the WCF.

**Attorney Fees for Program Litigation.** As part of prudent planning OGC estimates that there could be approximately $1.4 million in attorney’s fees claims resulting from program litigation across the Department in 2017. For any program litigation attorney’s fees, OGC would cover 10 percent, or up to $140K in 2017, and the appropriate program office(s) would cover any remaining costs. While the Congressional Justifications reflect HUD’s expectation that it will succeed in all pending litigation, to the extent such
costs materialize, HUD anticipates the ability to pay these estimated costs from within the total requested amount for applicable accounts.

OGC dedicates resources to specific Departmental priority goals in the following ways:

**Priority 1:** The Affirmatively Furthering Fair Housing rule is requiring HUD to review all Assessments of Fair Housing (AFHs) submitted by HUD's program participants within 60 days of their receipt, or the AFHs will be deemed accepted notwithstanding any deficiencies. For HUD to properly implement the rule in the two years and avoid liability for failing to affirmatively further fair housing in HUD programs, counsel must provide legal advice to FHEO and answer their questions relating to each AFH, particularly where FHEO indicates concerns. To train employees and provide counsel for meetings and negotiations, the travel request includes $125K to support the implementation.

OGC anticipates the need to redeploy regional and field attorneys from other Departmental work to provide legal assistance to FHEO to handle legal work associated with reviews of AFH plans. OGC anticipates utilizing 8.2 FTE in fiscal year 2017 to handle all the legal work associated with the implementation of the AFFH rule, including the reviews of up to 107 AFH's and training of field staff.

**Priority 2:** Attorneys who previously worked on Multifamily Housing transactions have been redeployed to work on Rental Assistance Demonstration (RAD) transactions, as Multifamily Housing loan closings have decreased by 13.4 percent (982 in fiscal year 2014 to 866 in fiscal year 2015), while RAD transactions have been increasing. The RAD program is predicting a 385 percent increase in the number of RAD transactions from fiscal year 2015 to fiscal year 2017 (130 to 500 transactions). OGC estimates the need for 8.9 FTE in fiscal year 2016 and 28.3 FTE in fiscal year 2017 to support RAD transactions.
## Full-time Equivalents

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMMEDIATE OFFICE OF THE GENERAL COUNSEL</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>DEPUTY GENERAL COUNSEL FOR OPERATIONS</td>
<td>22</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>ASSOCIATE GENERAL COUNSEL FOR FAIR HOUSING</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>DIRECTOR, DEPARTMENTAL ENFORCEMENT CENTER HQ</td>
<td>18</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>DEC SATELLITE OFFICE, ATLANTA</td>
<td>19</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>DEC SATELLITE OFFICE, CHICAGO</td>
<td>13</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>DEC SATELLITE OFFICE, FORT WORTH</td>
<td>17</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>DEC SATELLITE OFFICE, LOS ANGELES</td>
<td>17</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>DEC SATELLITE OFFICE, NEW YORK</td>
<td>15</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>OFFICE OF PROGRAM ENFORCEMENT</td>
<td>23</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>OFFICE OF LEGISLATION AND REGULATIONS</td>
<td>18</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>OFFICE OF FINANCE AND ADMINISTRATIVE LAW</td>
<td>28</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>OFFICE OF ETHICS, PERSONNEL LAW AND APPEALS</td>
<td>21</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>OFFICE OF INSURED HOUSING</td>
<td>21</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>OFFICE OF ASSISTED HOUSING AND COMMUNITY DEVELOPMENT</td>
<td>23</td>
<td>25</td>
<td>22</td>
</tr>
</tbody>
</table>
OGC hires a class of approximately 20 Legal Honors at the end of each fiscal year, depending on available funding, to fill vacancies left by departing and retiring attorneys. This succession program has staffed OGC and the Department well for nearly 50 years by recruiting qualified and committed legal staff dedicated to the Department’s mission. OGC also intends to address staffing losses in the DEC through the hiring of Presidential Management Fellows.
**Key Operational Initiatives**

OGC 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 2015, OGC closed 1,184 insured loans for multifamily housing, hospitals, nursing homes, and elderly and disabled housing with a total value of $13.1 billion.

In fiscal year 2015, OGC attorneys reviewed 130 Rental Assistance Demonstration transactions for 18,982 units with a contract value of $2.7 billion.

The Departmental Enforcement Center’s mission is to strengthen the execution of HUD programs and operations through monitoring, oversight and enforcement so that the programs operate more efficiently, effectively and with the highest degree of fiscal integrity. In fiscal year 2015, the Departmental Enforcement Center (DEC) produced 271 written recommendations after conducting on-site and remote reviews and submitted them to the requisite PIH and CPD program offices. In making these recommendations, the DEC found $283,329,974 in unsupported expenditures, $4,113,022 in ineligible expenses, and $342,442 in unreasonable costs.

For the Office of Multifamily Housing Programs, the DEC negotiated 37 settlement agreements totaling $1,146,600 in civil penalties. In addition, the DEC’s work on 126 insured and assisted Multifamily housing and health care facilities resulted in recoveries to those projects of $22,823,681.

The DEC issued 279 Final Determinations, 163 Suspensions and 254 Proposed Debarments in fiscal year 2015. These actions involved individuals and entities who had caused losses to HUD-related federal programs of over $285,115,126. As mentioned in the Government Accountability Office’s fiscal year 2014 873 Report to Congress, the DEC’s work led to HUD enforcing the highest number of debarments of all civilian agencies in the federal government. In terms of debarments, HUD is second only to the Department of Defense.

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 2015, OGC Program Enforcement’s efforts accomplished the recovery of more than $314 million for the FHA Fund.

In fiscal year 2015, OGC Defensive Litigation function defended the Department against $2,456,800,000 in claims. This does not include personnel and tort claims.

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
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.
- **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.
Program Area Overview

The Office of Strategic Planning and Management (OSPM) is responsible for driving organizational, programmatic and operational changes across HUD to maximize agency performance. The Office achieves its mission by facilitating the Department-wide strategic planning process with the Secretary, his senior leadership team and external stakeholders and HUD employees. This includes 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. OSPM consists of four divisions: (1) Front Office Operations, (2) Transformation, (3) Performance Management, and (4) Grants. OSPM provides support of change management for program offices, works with offices to develop and track performance and outcome metrics in HUD’s annual performance plan, and supports timely awards of HUD’s competitive grants.
Administrative Support Offices – Office of Strategic Planning and Management

**Requested Level and Justification**

The OSPM request for 2017 is $5,147K, which represents an increase of $647K over fiscal year 2016 enacted budget of $4,500K. The request would support a total of 33 Full-Time Equivalents (FTE), an increase of 4.0 FTE over 2016.

The increased level will enable OSPM to continue activities funded in fiscal year to support initiatives in these areas: 1) LEAN facilitation activities geared towards agency-wide process improvement efforts in the Transformation Division, 2) HUD’s new agency priority goals around educational attainment and high speed Internet access for HUD assisted residents in the Performance Division, and 3) further implementation of the federal shared service Grant Solutions in the Grants Management Division. OSPM’s request also includes $147K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

<table>
<thead>
<tr>
<th>Full-time Equivalents</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>3.6</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Performance</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Transformation</td>
<td>9</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Grants Management</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26.6</strong></td>
<td><strong>29</strong></td>
<td><strong>33</strong></td>
</tr>
</tbody>
</table>

**Key Operational Initiatives**

OSPM will continue implementation of the Grant Solutions award and performance modules. In fiscal year 2016 HUD is piloting the award module to automate and standardize the competitive grants process across programs from announcement to award. Fiscal year 2017 funding will enable us to complete the implementation across nearly all competitive grants.

HUD anticipates the completion of the Paperwork Reduction Act (PRA) process for the core performance indicators for competitive grants in fiscal year 2016. Implementation of the performance module will enable HUD to begin collecting data from HUD grant recipients across common outcome metrics, helping us to comply with multiple GAO audit findings across different grant programs. While these efforts to improve grants processing and performance management are separate from the broader HUD effort to modernize grants management and move away from legacy financial and program management systems, these efforts share the same goals and are aligned; improvements in competitive grants management will be incorporated into the larger grants modernization efforts.
### Program Area Overview:

The CIO 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.

Additionally, the Federal Information Technology Acquisition Reform Act (FITARA), enacted on December 19, 2014, outlined specific requirements related to: Agency (CIO) Authority Enhancements; Enhanced Transparency and Improved Risk Management in IT.
Administrative Support Offices - Office of Chief Information Officer

Investments; Portfolio Review; Federal Data Center Consolidation Initiative; Expansion of Training and Use of IT Cadres; Maximizing the Benefit of the Federal Strategic Sourcing Initiative and Government wide Software Purchasing Program. HUD’s OCIO will be facilitating the implementation of these requirements.

HUD is continually transforming the agency by changing the way HUD does business and increasing effectiveness of the Department’s programs. To support this effort, HUD’s OCIO is also transforming the way business is done within the OCIO organization. A key component enabling HUD’s OCIO to achieve its transformational goals has been the enhancement of its IT service delivery model. Opportunities exist to optimize the current service delivery model through enhancements to the OCIO’s structure, people, workforce environment and technology delivery. OCIO will continue the focus on improving the OCIO’s alignment to customers, and on agile development in support of continual deployment of IT capabilities to HUD in support of HUD’s mission. These efforts will enable OCIO to effectively deliver services to customers, improve customer satisfaction, and position OCIO as a strategic business partner to the Department’s Program Offices, among other key benefits. The OCIO will align all salaries and expenses resources represented in this justification in support of this transformational effort.

**Requested Level and Justification**

OCIO is requesting $46,148K in fiscal year 2017, which reflects an increase of $948K as compared to fiscal year 2016.

- **Personnel Services**: OCIO request includes $36,496K for personnel services to support 236.0 FTE. The slight increase maintains staffing from fiscal year 2016, and supports the pay raise, promotions and within grade increases.
- **Non-Personnel Services**: OCIO requests $9,652K to support funding requirements for Travel, Contracts, Training, and Supplies. Savings will be achieved in Other Services/Contracts to accommodate the increase in Personnel Services costs. The request includes $948K to pay working capital fund fees for shared services, and other investments determined by the Secretary.
Administrative Support Offices - Office of Chief Information Officer

**Full-time Equivalents**

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
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<tr>
<td>Office of the Chief Information Officer (Immediate Office)</td>
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<tr>
<td>Chief Information Security Officer Staff</td>
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<tr>
<td>Office of Customer Relationship and Performance Management</td>
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<td>73</td>
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<tr>
<td>Business and IT Resource Management Office</td>
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<td>43</td>
<td>41</td>
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<tr>
<td>Infrastructure and Operations Office</td>
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<tr>
<td>Total</td>
<td>231.6</td>
<td>236</td>
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</table>

**Key Operational Initiatives**

OCIO is submitting a fiscal year 2017 budget that supports our specific goals to:
- Deliver world class commodity IT and services.
- Understand the business and mission of the programs and improve program skills / business knowledge of OCIO staff.
- Implement initiatives to improve operations, reduce cost, improve budget management, and expand services capabilities.
- Leverage technology strategically to innovate, add value, and improve on user experiences.

OCIO has embraced an Enterprise IT approach to support the realization of efficiencies within IT and improved operational improvements. OCIO has begun a multiyear workforce transformation with the objectives and rationale:
- To better position OCIO as a business partner to better deliver Mission IT, thus allowing HUD program offices to focus on delivering HUD services.
Administrative Support Offices - Office of Chief Information Officer

- To achieve OCIO target state of a high-performing organization that effectively supports a flexible service delivery model providing services to both channels (Business to Consumer - Digital Services, Business to Business – Enterprise IT) of OCIO customers.
- To optimize OCIO’s current service delivery model by focusing on three critical strategy groups: organizational alignment, organizational roles and responsibilities, workforce competency requirements and staff alignments.

To implement this realignment, OCIO is considering requesting Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment (VERA/VSIP) in 2016. This will also support the larger HUD efforts to consider realigning and centralizing core enterprise functions in the appropriate Administrative Support Office. In addition, OCIO is working with the Office of Deputy Secretary to thoroughly scrub both NPS contracts and IT contracts to maximize efficiency, reduce redundancy, and federalize functions, as appropriate.

An outcome of this effort will have HUD program offices focusing on developing and defining business requirements needed to support their mission. OCIO will then focus on IT service and capability delivery. This effort will benefit HUD with:
- Improved Customer Experience across all channels anytime, anywhere, any device
- Increased Mission Agility – fully enabled workforce focused on critical mission activities, improved stakeholder relationships
- Innovations with Purpose – improved technical solutions for the business (e.g., Congress, lenders, PHAs, COC providers, etc.)
- Efficient OCIO O&M Management - Reduced O&M costs, Improved Security posture – investing in mission enhancements
- Easier and Quicker Access to Data
- Reduced Data Management Costs
- Improved Business Analytics
- Relevant, Timely, and Actionable Mission Insights
- Agile DevOPS
- Better delivery of Mission IT – greater efficiency, with less fragmentation and duplication

To accomplish this, OCIO is considering a phased approach to realize this workforce transformation. The phases may include:
- Details to lead change and fill competency gaps
- Federalizing functions within OCIO that have been traditionally outsourced
- Requesting VERA and VSIP
- Restructuring to support OCIO’s IT Service Delivery Model and conceptual functional alignment of IT services

Our S&E budget request works to ensure that key organizational transformation initiatives begun in fiscal years 2015 and 2016 achieve their intended strategic outcomes. OCIO S&E funding supports the services provided in the IT Segment of the IT Fund, and has a direct impact on the quality of services provided through funding in the IT Segment.
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 and provides the automated tools required to meet employee performance requirements. 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 HUD’s ability to manage the identity of users accessing HUD’s systems, which strengthens authentication to HUD systems, thereby reducing potential for unauthorized user access and strengthens authentication of privileged user access to HUD systems.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF PUBLIC AND INDIAN HOUSING

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
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<th>FY 2017 Request</th>
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<td>Printing</td>
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<td>40</td>
<td>40</td>
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<tr>
<td>Other services/Contracts</td>
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<td>Attorney’s Fees</td>
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<td>1,396.0</td>
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</table>

Program Area Overview

The central mission of the Office of Public and Indian Housing (PIH) is to connect nearly 3.3 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 facilitate programs that provide supportive services to improve tenant outcomes and create strong, sustainable, inclusive communities and quality affordable homes for all.

In fiscal year 2017, PIH will have approximately 1,390 employees stationed in one Headquarters office, 46 field offices and 6 Native American program area offices. This workforce supports PIH’s mission to:

Deliver assistance to low-income families through three core areas:
- Public Housing (Operating and Capital subsidies)
- Tenant-Based Rental Assistance (TBRA) – Housing Choice Vouchers (HCV) program
- Native American programs

47-1
Program Office Salaries and Expenses—Office of Public and Indian Housing

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:

- Improving the financial health of PHAs
- Strengthening core housing program oversight by aligning inspection processes across housing programs and by designing rules and regulations that protect federal investments
- Increasing efforts to assist and mitigate troubled PHAs through earlier detection and increased intervention strategies
- Conducing HCV and Public Housing unit inspections
- Advancing opportunity via programs such as Jobs-Plus, ConnectHome, Family Self Sufficiency and the implementation of the Department’s Rental Assistance Demonstration (RAD) Initiative, and the Affirmatively Furthering Fair Housing (AFFH) Rule

**Requested Level and Justification**

**Personnel Services**

PIH requests $196.8M of which $2.8M is specifically to support federalizing the oversight of HCV inspection process as directed by Congress. The $196.8 million total will support 1,390 Full-Time Equivalents (FTE), a decrease of 6 FTE from the fiscal year 2016 enacted level.

This funding level supports a workforce committed to its stewardship of federal funds and improving outcomes for residents of HUD-assisted housing. PIH seeks to maintain a workforce with sufficiently diverse skillsets to foster public and private partnerships, encourage the leveraging of federal dollars, provide rigorous financial oversight and monitoring of programs, and design policies that increase the quality and efficiency of our programs and reduce our partners’ administrative burdens.

This request continues to support our three core areas as well as supports the workload associated with implementing the Departmental Priority Goals listed below.

- **Priority 1 – Affirmatively Furthering Fair Housing (AFFH).** PIH will continue to support 10 FTE hired during 2016 in the implementation of 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.
- **Priority 2 – Rental Assistance Demonstration (RAD) Initiative.** The number of RAD applications from PHAs for Public Housing units, that will convert into project-based Rental Assistance Contracts and enable them to leverage private capital to address properties capital backlog, is expected to increase as the program expands. By the end of fiscal year 2016, 25 FTE will be on board to review this increasing application load.
Non-Personnel Services

PIH requests $24,052K in Non-Personnel Services (NPS) to support Travel, Training, Contracts, supplies and printing. Of this, PIH requests $2.8 million to support federalization of the HCV inspection process, including support for 20 Full-Time Permanent (FTP) staff to be hired during fiscal year 2016 within the Real Estate Assessment Center. The request includes $16,732K to pay working capital fund fees for shared services, and other investments determined by the Secretary. The requested NPS funding allows PIH to:

- Conduct the travel necessary for onsite regulatory oversight, monitoring, and the provision of technical assistance to PHAs and TDHEs;
- Ensure that its workforce has the skills and knowledge to perform the mission;
- Procure the contractual support needed to back our programs and the analysis of program data; and
- Evaluate current HCV housing quality standards in order to develop and implement a plan for updating the standards and a schedule to implement a single inspection protocol for public housing and voucher units.
Program Office Salaries and Expenses-Office of Public and Indian Housing

The following chart reflects FTE by staffing office for fiscal years 2015 – 2017.

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front Office/Assistant Secretary</td>
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<td>14</td>
<td>11.5</td>
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<tr>
<td>Office of Procurement and Contracting Services</td>
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<td>Office of Policy, Program and Legislative Initiatives</td>
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<td>13</td>
<td>13.5</td>
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<td>Office of Native American Programs</td>
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<td>Office of Field Operations</td>
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<td>141</td>
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<td>242.5</td>
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<td>1,349.8</td>
<td>1,396</td>
<td>1,390</td>
</tr>
</tbody>
</table>

**Key Operational Initiatives**

- Housing Choice Voucher (HCV) inspection federalization. At the direction of Congress, the Real Estate Assessment Center is strengthening HCV oversight by aligning the HCV inspection standard with that of other housing assistance programs. This process will result in the transition to the Uniform Physical Conditions Standards – Voucher (UPCS-V) protocol. In fiscal year 2016, a plan is being implemented for updating the standards and a schedule to implement a single inspection protocol for public housing and voucher units. Initially data was collected on the condition of HCV units and the protocol was developed. Federal staff will provide on-site implementation support of UPCS-V at PHAs nationwide; this will involve instructing, coaching, and in-the-field testing and collaboration with PHA inspectors and staff so that they are able to accurately and effectively apply the new, standard inspection protocol.
Program Office Salaries and Expenses-Office of Public and Indian Housing

- Next Generation Management System (NGMS). NGMS, financed with Information Technology (IT) funds, 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
  - Streamline complex business processes
  - Integrate disparate 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. The module 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. The module provides 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.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
PROGRAM OFFICE SALARIES AND EXPENSES  
COMMUNITY PLANNING AND DEVELOPMENT

($ in Thousands)

<table>
<thead>
<tr>
<th>Category</th>
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<th>FY 2017 Request</th>
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<tbody>
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<td>Printing</td>
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<td>Claims and Indemnities</td>
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</table>

*These figures exclude disaster/emergency supplemental appropriations.

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 and mobility 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;
Program Office Salaries and Expenses - Community Planning and Development

- 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, for the most part, 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 performs multiple functions that include, among others, 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, it is the number of active grants in CPD’s portfolio that 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 2015, an increase of 122 percent. However, FTE resources have decreased by 18 percent over that time. Presently, CPD maintains a ratio of 42.9 grants per field staff person, an increase of 28.3 grants per person compared to 14.6 per person in the fiscal year 2004—up 293 percent.

Approximately $6 to 7 billion is appropriated each year – on top of a total portfolio of $57 billion obligated and $18.2 billion to be expended, including disaster recovery grants and stimulus funds. The ongoing oversight responsibilities for these open grants – 20,593 grants and billions 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 2015, CPD funds directly touched the lives of millions of households and individuals – not including emergency disaster recovery funds – for new housing production, rehabilitation, rental assistance, housing counseling, public services, public improvements, and the creation of 16,328 jobs nationwide. CPD’s produced 30,718 units and funded 251,168 beds and served 353,585 in beds at a point in time. Together, CPD contributed to the reduction of the number of unsheltered homeless by 1.2 percent and by 16 percent for unsheltered persons in families.

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 increased workload requirements and initiatives, which include, but are not limited to: Strong Cities and Strong Communities Initiative (SC2), Rental Assistance Demonstration (RAD), Affirmatively Furthering Fair Housing (AFFH), and the Housing Trust Fund (HTF).
Requested Level and Justification

In fiscal year 2017, the Office of Community Planning and Development (CPD) requests $110,259K; this amount represents an increase of $5,459K from fiscal year 2016 enacted.

- **Personnel Services**: CPD is requesting $102,758K and 748.0. This represents an increase of $1,705K from fiscal year 2016 enacted, reflecting the increased cost of salaries and benefits.

- **Non-Personnel Services (NPS)**: CPD is requesting $7,501K. This represents an increase of $3,754K from fiscal year 2016 enacted. The changes to the NPS accounts are described below:
  - Other Services decreased $1,705K primarily due to reductions in CPD’s largest contract, the Data Analysis contract. In fiscal year 2017, CPD will utilize Research and Technology (R&T) funds to fund the Data Analysis contract.
  - Travel, training, printing, and supplies remained constant.
  - Request includes $5,459K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

CPD has significant on-going 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 205,252. CPD is requesting 748.0 FTE to support core areas such relating to Grants Management, Special Needs Assistance Programs, Field Management, as well as Department-wide priorities relating to Strong Cities and Strong Communities Initiative (SC2), Rental Assistance Demonstration (RAD), Affirmatively Furthering Fair Housing (AFFH), and the Housing Trust Fund (HTF).

Beyond CPD’s core grant workload, the FTE will be needed to do the following:
- Manage the National Disaster Resilience Grants;
- Manage supplemental grants and appropriations relating to disasters;
- Train and provide customer support to grantees on important Departmental initiatives;
- Implement 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
- Manage the cross-cutting program functions of Environmental and Relocation for the entire Department.
For Monitoring, CPD currently monitors only 7 percent of its grantees in its portfolio. CPD will leverage its FTE resources in fiscal year 2017 for grant compliance by:

- Increased technical assistance and training; and
- Greater leverage on remote monitoring and technology.

For Audits, CPD has a significant backlog of open audit recommendations that CPD will dedicate staff to continue the progress of fiscal year 2016 to reduce the backlog.

For Disaster Recovery and Special Issues, CPD is dedicating staff to assist with the backlog and on-going workload relating disaster recovery, particularly relating to closeout, audits, and disaster resilience.

Cross Cutting Initiatives:

For SC2, CPD will allocate 4.0 FTE to provide resources to strengthen local capacity and spark economic growth in local communities, while ensuring taxpayer dollars are used wisely and efficiently.

- Provide training and technical support to stakeholders; and
- Work closely with local government and assist with efforts to build on local assets, strengthen regional economies, develop transportation infrastructure, improve job-training programs, and support community revitalization.

For RAD, CPD will allocate 13.0 FTE to provide resources to support the Departmental responsibility to ensure that all applicable HUD programs are compliance. The FTE will primarily be for:

- Conducting compliance review of documents and relocation plans;
- Monitoring, training, and/or providing technical assistance for HUD staff and grantees; and
- Responding to public inquiries and complaints from persons displaced in connection with HUD programs and projects.

For AFFH, CPD will allocate 8.0 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.
Program Office Salaries and Expenses - Community Planning and Development

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
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<tr>
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<td>DAS for Grant Programs</td>
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<td>DAS for Special Needs</td>
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<td>DAS for Economic Development</td>
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<tr>
<td>DAS for Operations</td>
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<tr>
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<td>478</td>
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<tr>
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<td><strong>748.0</strong></td>
<td><strong>748.0</strong></td>
</tr>
</tbody>
</table>

**Key Operational Initiatives**

In fiscal year 2017, CPD is proposing major changes and streamlining processes to increase efficiency of operational funding in all of our programs. The below are system improvements to be made in fiscal year 2017 funded by working fund dollars.

**Grants Management System Consolidation**

In an effort to enhance grants management, HUD will develop an enterprise grants management solution that reaches across multiple program areas by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity. This will involve enhancing internal controls and improve management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls. This move to centralize grants management aligns with the HUD Target Enterprise Architecture. This investment will also help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

**HUD Environment Review Online System (HEROS) Improvements for system use across all Agency programs**

This project is to address Office of Inspector General (OIG) audits and correct findings and to make enhancements to the HUD Environmental Review Online System (HEROS) required to automate all Environmental Review Records (ERR) for HUD. These needs originate from OIG Audits of HUD’s Environmental Review process; requirements to effectively automate PIH and Housing Responsible Entities (REs); and opportunities to expand capabilities identified during the pilot period by CPD REs.
Specifically, HUD will modify HEROS to:

- Respond to OIG audit including enhance User Roles and enhancements for Housing and PIH;
- Deliver system updates required by changes to Policy/Guidance/Regulation;
- Implement a Central Library function to economize file storage;
- Deliver enhancements identified by HEROS Pilot Users; and
- Implement centralized Energy Efficiency Reporting.
### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
### PROGRAM OFFICE SALARIES AND EXPENSES
### OFFICE OF HOUSING

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
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<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
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<tr>
<td></td>
<td>$362,797</td>
<td>$360,080</td>
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<tr>
<td>Rent and Utilities</td>
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<td>2</td>
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<tr>
<td>Printing</td>
<td>18</td>
<td>37</td>
<td>31</td>
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<tr>
<td>Other services/Contracts</td>
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<tr>
<td>Training</td>
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<td>Household Goods Storage</td>
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<tr>
<td>Supplies</td>
<td>243</td>
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<td>229</td>
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<tr>
<td>Attorney’s Fees</td>
<td>236</td>
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<tr>
<td>Working Capital Fund</td>
<td>-</td>
<td>-</td>
<td>14,431</td>
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<tr>
<td><strong>Non-Personnel Services Subtotal</strong></td>
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<td><strong>14,920</strong></td>
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<td><strong>Grand Total</strong></td>
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<td><strong>375,000</strong></td>
<td><strong>393,148</strong></td>
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<td>Associated FTE</td>
<td><strong>2,743.5</strong></td>
<td><strong>2,708.0</strong></td>
<td><strong>2,717.0</strong></td>
</tr>
</tbody>
</table>

**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.

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. The request reflects the current structure for Housing. Looking ahead, HUD is considering options for improving operational efficiencies and program support for the Office of Manufactured Housing, including potentially transferring the responsibilities of the program to another office within HUD.

**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.

**Multifamily Transformation Initiative**

Through fiscal year 2016, the Office of Multifamily Housing (MFH) continued the implementation of the Multifamily Transformation (MFT), and will be complete before the beginning of fiscal year 2017.

As a result of the Transformation, MFH streamlined its headquarters 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 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 by completing the process of consolidating its field production operation into 12 offices, and implemented the single underwriter and risk based processing, and account executive models into the field operation. 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 MFT Initiative. It is not anticipated that there will be any more MFT related expenses in fiscal year 2017.

<table>
<thead>
<tr>
<th>Multifamily Transformation</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
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<tr>
<td>MF Buyout</td>
<td>$2,975,000</td>
<td>$1,175,000</td>
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<tr>
<td>MF Severance</td>
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<tr>
<td>Terminal Leave</td>
<td>$3,039,916</td>
<td>$960,000</td>
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<tr>
<td>MF Relocation</td>
<td>$2,777,199</td>
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<tr>
<td>Total Personnel</td>
<td>$8,792,115</td>
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<tr>
<td>Non-Personnel</td>
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<td></td>
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<tr>
<td>MF Relocation</td>
<td>$1,035,139</td>
<td>$291,600</td>
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<tr>
<td>Total Multifamily Transformation</td>
<td>$9,827,254</td>
<td>$3,215,000</td>
</tr>
</tbody>
</table>

**RAD Department-wide Cross-cutting Initiative**

The Office of Recapitalization allocates 96 FTE in fiscal year 2017 to support its RAD workload functions as part of the Department-wide RAD initiative. 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.

**Office of Healthcare Programs:** HUD's Healthcare programs provide mortgage insurance on loans that finance the construction,
Program Office Salaries and Expenses – Office of Housing

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 is managing a high volume of endorsements and monitoring 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:

- Maximizing Single Family FHA recovery rates by actively monitoring contractor scorecards and implementing alternative asset disposition options.
- Continuing loss mitigation efforts in order to prevent foreclosures.
- Updating and streamlining Single Family Housing policy and underwriting standards by finalizing the transition from multiple handbooks to a single policy handbook.
- Evaluating policy regarding servicing and issuing appropriate Mortgagee Letters on any revisions necessary to revise FHA guidance.
- Completing and implementing components of the new quality assurance framework to provide clarity and transparency in FHA’s policies and encourage lending to qualified borrowers across the credit spectrum.
- Implementing an asset execution model that supports FHA realization of optimal recovery across disposition strategies.

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. 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.

**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.
Program Office Salaries and Expenses – Office of Housing

**Requested Level and Justification**

The Office of Housing requests $393,148K and 2,717 Full Time Equivalents (FTE) in fiscal year 2017, an increase from fiscal year 2016 enacted of $18,148K.

Personnel Services: The Office of Housing is requesting $366,423K for Personnel Services and 2,717 FTE. This request represents an increase from fiscal year 2016 enacted of $6,343K and an increase of 9 FTE. Funding is included to fund the pay raise, promotions, and within grade increases. The additional 8 FTE will support the RAD Initiative. The remaining 1 FTE is in support of Housing’s environmental needs and in response to an IG finding that HUD strengthen its environmental review process and clarify roles and responsibilities.

Non-Personnel Services: The Office of Housing is requesting $26,725K for Non-Personnel Services (NPS), which includes the working capital fund of $14,431K. The total NPS of $12,294K did not increase from fiscal year 2016 enacted of $14,920K. The small increases for Training and Supplies are inflation cost but the total NPS was decreased by $2,626K.

The 2017 request includes $14,431K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

**Full-time Equivalents**

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Secretary</td>
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<td>14.0</td>
<td>14.0</td>
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<tr>
<td>Finance and Budget</td>
<td>230.6</td>
<td>235.0</td>
<td>235.0</td>
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<tr>
<td>Healthcare</td>
<td>146.9</td>
<td>153.0</td>
<td>145.0</td>
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<tr>
<td>Housing Counseling</td>
<td>66.1</td>
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<td>81.0</td>
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<tr>
<td>Multifamily</td>
<td>1,265.8</td>
<td>1,176.0</td>
<td>1,181.0</td>
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<tr>
<td>Operations</td>
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<td>127.0</td>
<td>128.0</td>
</tr>
<tr>
<td>Risk</td>
<td>50.0</td>
<td>60.0</td>
<td>65.0</td>
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<tr>
<td>Single Family</td>
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<td>864.0</td>
<td>868.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,743.5</strong></td>
<td><strong>2,708.0</strong></td>
<td><strong>2,717.0</strong></td>
</tr>
</tbody>
</table>
Key Operational Initiatives

The Office of Housing actively works to identify opportunities to streamline processes to enhance consistency, efficiency and effectiveness. The impact of the process improvement varies by process but in most cases, the savings equates to increased quality, reduced process time and increased consistency. Although there are no direct FTE savings, in the environment where we are being asked to do more with less, the process improvement frees capacity of resources to focus on other priorities and operate under a reduced FTE ceiling.

The Office of Housing is considering using a shared services provider for processing procurement actions. HUD's internal procurement shop does not have the capacity to process the volume or complexity of Housing contract actions. In order to achieve the needs of our business and obtain contracting resources in a timely manner, we are looking at the availability of optional resources. For shared services, Housing is currently in the process of finalizing the Interagency Agreement with Program Support Center and completing the Performance Work Statement packages. The process is expected to move forward in the near future.

Looking ahead, HUD is considering options for improving operational efficiencies and program support for the Office of Manufactured Housing, including potentially transferring the responsibilities of the program to other offices within HUD.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF POLICY DEVELOPMENT AND RESEARCH

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
</tr>
</thead>
<tbody>
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<td><strong>Personnel Services</strong></td>
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<td></td>
</tr>
<tr>
<td>Travel</td>
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<td>290</td>
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<tr>
<td>Transportation of Things</td>
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<tr>
<td>Printing</td>
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<td>150</td>
<td>150</td>
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<td>Other services/Contracts</td>
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<td>571.5</td>
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<tr>
<td>Training</td>
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<td>210.5</td>
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<tr>
<td>Supplies</td>
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<td>25</td>
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<tr>
<td>Equipment</td>
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<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Attorney’s Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Working Capital Fund</td>
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<td>-</td>
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<td><strong>Non-Personnel Services Subtotal</strong></td>
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<td><strong>$1,982</strong></td>
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<td><strong>Associated FTE</strong></td>
<td><strong>146.8</strong></td>
<td><strong>149.0</strong></td>
<td><strong>155.0</strong></td>
</tr>
</tbody>
</table>

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. Staff in OREM also conducts in-house research, programming and geospatial analysis.

The Office of Policy Development (OPD) engages in policy analysis, policy development, research and data analysis, and dissemination of policy and research findings. In addition, OPD analyzes legislative proposals, develops legislative initiatives, interprets statutory guidance, and prepares regulatory guidance. OPD consists of two divisions that have distinct but related responsibilities.

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. The office has led the development of PD&R’s first research NOFA. The Office also coordinates PD&R’s data licensing process that researchers may use to obtain HUD data, where appropriate. OUP continues 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.

The White House Council on Strong Cities, Strong Communities (SC2), will be moved to the Office of Community Planning and Development in fiscal year 2016.

Requested resources will allow PD&R to continue its core operation of providing policy development, research and program evaluation to the Department. 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

The workload of PD&R focuses on ways to improve the efficiency, effectiveness, and equity of HUD programs. This entails developing policy recommendations for the Secretary, performing policy and economic analyses, conducting program evaluations, directing research and demonstration activities, gathering programmatic and basic housing and urban data, and evaluating and monitoring new and existing programs for the Department. In carrying out its responsibilities, PD&R conducts analyses using either contract or in-house staff resources, depending on the issue and the nature of the work.

**Requested Level and Justification**

PD&R Requests $24,500K in fiscal year 2017, an increase of $1,400K over the fiscal year 2016 enacted of $23,100K. The request supports an estimated 155.0 FTE, an increase of 6.0 FTE over the fiscal year 2016 enacted of 149.0 FTE.

- **Personnel Services:** PD&R requests $22,518K for personnel services, to support 155.0 FTE. This is an increase of $700K and 6.0 FTE from fiscal year 2016 enacted. The increased funding supports promotions, within grade increases, and pay raises for 2017.

- An additional 5.0 FTE for Data Scientists are required to support PD&R’s data matching and management efforts. PD&R’s efforts in this area will increase the quality and usability of HUD’s data assets for research and program execution, especially HUD’s Enterprise Data Management project and administrative data matching initiatives.

The Data Scientists will provide PD&R a core staff dedicated to the maintenance of HUD’s tenant data warehouse and the production of analytic and research datasets on tenants in rental housing assistance programs, including, but not limited to, Housing Choice Vouchers, Public Housing, and Project-Based Rental Assistance programs, and the Low-Income Housing Tax Credit. Further, this staff will have primary responsibilities for scoping and implementing administrative data match with federal, state, and local government agencies. As part of these responsibilities, this staff will provide support to rapid cycle evaluations that require HUD’s administrative data as well as evaluations that can be performed jointly with data match partner agencies. Finally, this staff could also provide technical support to PD&R’s data reporting and delivery platform development—strategies to make public use administrative data files and information they contain more accessible and easily digestible.

- The remaining 1.0 FTE is needed to support two critical areas: (1) Housing Finance and (2) Priority Initiatives. PD&R seeks to sustain its increased role in providing analytical tasks in the housing finance area to support FHA and the Secretary. Further, additional PD&R staff resources are needed to support Departmental priorities, such as

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Program Office Salaries and Expenses—Office of Policy Development and Research

Affirmatively Furthering Fair Housing, Rental Assistance Demonstration and Promise Zones (on the data analytics side and also through OIPI’s philanthropic engagement).

- Non-Personnel Services: PD&R is requesting $1,982K which is $700K more than the fiscal year 2016 enacted.
  - Travel remained the same at $290K.
  - Printing remained the same at $150K.
  - Other Services/Contracts remained the same at $571.5K to fund HUD library services, conference registration fees and other related costs.
  - Training remained the same at $210.5K to fund 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 remained the same at $25K needed to fund supplies for employees.
  - Equipment remained the same at $30K.
  - Attorney’s Fees are not anticipated for fiscal year 2017; the Department will request attorney’s fees centrally under OGC.
  - The request includes $700K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

The Personnel Services and Non-Personnel Services request will also support Departmental policy goals, such as Affirmatively Furthering Fair Housing (AFFH), Rental Assistance Demonstration (RAD), and Promise Zones (PZ). PD&R will dedicate approximately 6.2 FTE as follows:

- **AFFH** – Approximately 2.5 FTE provide support for this priority from OPD and OREM. The primary duties for PD&R staff are to work to ensure efficient and appropriate execution of data extraction, metrics development, and GIS (mapping) interface development. Resources needed are primarily PD&R Personnel Services and travel expenses to be provided by FHEO on behalf of PD&R.

- **RAD** – Approximately 2.5 FTE provide support for this priority from OREM and the field economists. PD&R’s Field Economists perform a full demand/supply analysis for a typical FHA review. Each review requires 40 hours on an average and it is estimated that in fiscal year 2017 there will be 150 to 200. Resources needed are primarily PD&R Personnel Services and travel expenses for the field economists.
• PZ – Approximately 1.2 FTE provide support for this priority from OREM.

PD&R’s primary duties are to develop and prototype data extraction, metrics development, and data visualization (to include mapping) routines in support of designee reporting requirements. Resources needed are primarily PD&R Personnel Services and travel expenses.

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSISTANT SECRETARY FOR POLICY, DEVELOPMENT &amp; RESEARCH</td>
<td>7</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>PDR, BUDGET, CONTRACTS AND PROGRAM CONTROL DIVISION</td>
<td>7</td>
<td>8</td>
<td>8</td>
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<tr>
<td>PDR, MANAGEMENT &amp; ADMINISTRATIVE SERVICES DIVISION</td>
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<td>5</td>
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<tr>
<td>PDR, DAS FOR INTERNATIONAL AFFAIRS</td>
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<td>PDR, DAS/OFFICE OF ECONOMIC AFFAIRS</td>
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<td>PDR, DAS/OEA, HOUSING &amp; DEMOGRAPHIC ANALYSIS DIVISION</td>
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<td>6.7</td>
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### Program Office Salaries and Expenses-Office of Policy Development and Research

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<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
<th>FY 2017 FTE (Est)</th>
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<td>PDR, DAS/OFFICE OF RESEARCH, EVALUATION, &amp; MONITORING</td>
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<td>PDR, DAS/OREM, AFFORDABLE HOUSING RESEARCH &amp; TECHNOLOGY DIVISION</td>
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<td><strong>149.0</strong></td>
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**Key Operational Initiatives**

PD&R supports the Business Analytical and Data Management IT segments. For more information on Business Analytical and Data Management systems please see the Information Technology Fund Congressional Justification.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
PROGRAM OFFICE SALARIES AND EXPENSES  
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY  

($ in Thousands)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2015 Actual</th>
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<th>FY 2017 Request</th>
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<td></td>
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<td>Rent/Utilities</td>
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<td>2</td>
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<td>Printing</td>
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<td>Other services/Contracts</td>
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<td>Supplies</td>
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<td>Attorney’s Fees</td>
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<td>-</td>
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<td>1,735</td>
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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. As the lead for implementing the groundbreaking new Affirmatively Furthering Fair Housing (AFFH) rule, 2016 enacted and the 2017 request reflects a significant increase to support these efforts, including providing necessary training and technical assistance. This responsibility affects almost every program in the Department and is a HUD-wide effort. In preparing for and implementing the new rule, FHEO is working closely with the Offices of Public and Indian Housing and Community Planning and Development. In addition to enforcement of federal housing civil rights laws, FHEO staff has oversight responsibility for more than 8,500 complaint investigations through the Fair Housing Act Assistance Program (FHAP). This program funds approximately 89 state
Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

and local government Fair Housing Act enforcement agencies. FHEO administers and oversees the Fair Housing Initiatives Program (FHIP) funding more than 150 private fair housing groups and non-profits nationally through a grant award process. 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—a policy priority for the Department.

Requested Level and Justification

FHEO requests $74,235K in fiscal year 2017, an increase from fiscal year 2016 enacted of $2,235K.

Personnel Services (PS): FHEO requests $70,475K and 518.0 Full-Time Equivalents (FTE) in fiscal year 2017, an increase of $1,600K. The increase in funding will support 4.0 additional FTE and the pay raise, promotions and within grade increases.

Non-Personnel Services: FHEO requests $3,760K in fiscal year 2017. This funding level is $562K above the funding level in fiscal year 2016. The increases and decreases are as follows:

- Increase in Travel by $49K – to support increase in compliance, monitoring, and AFFH activities. Travel will also support AFFH technical assistance, training, and guidance as well as conducting of the civil rights reviews of the Rental Assistance Demonstrations (RAD) conversions including performing site and neighborhood, PHA plan, threshold, and accessibility and relocation reviews.
- Decrease Other Services by $1M – in fiscal year 2016 additional one-time requirements were funded to support the implementation of AFFH activities. Funding in fiscal year 2017 will support other contracts including: Government-Sponsored Enterprise Review, Fair Lending and Home Mortgage Disclosure Act data, and Litigation Services (architectural experts, subpoenas, depositions, and transcriptions).
- Decrease in Training by $222K. Implementation of AFFH in fiscal year 2016 required a larger increased level of training funding than will be required in fiscal year 2017.
- The 2017 request includes $1.7M to pay working capital fund fees for shared services, and other investments determined by the Secretary.

FHEO Priorities:
- Priority 1 - Implement the AFFH rule, and ensure effective implementation by supporting HUD partners, to achieve fair housing outcomes.
  - Provide up-front guidance, technical assistance and training. To provide program participants with the data, resources, information, and support needed to succeed in successful completing Assessments of Fair Housing (AFH), HUD plans to provide extensive guidance and training to all program participants and direct Technical
Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

Assistance (TA). Development of guidance and training materials begun in fiscal year 2015 will be completed and delivered in fiscal year 2017 and beyond.

- Review Assessments of Fair Housing (AFH) submissions and provide technical assistance to approximately 1,245 Community Planning and Development (CPD) jurisdictions, and over 3,000 Public Housing Agencies (PHAs) over the next several years. In fiscal year 2017, FHEO anticipates review of an estimated 53 AFHs from CPD grantees.
- Provide TA to CPD jurisdictions and PHAs to ensure they 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 107 CPD grantees in fiscal year 2017, who will submit in fiscal year 2018.
- Review Consolidated Plans and PHA Annual Action Plans to evaluate application of AFH and progress on fair housing goals and compliance with standards established in the AFFH regulation. Program participants will submit action plans for achieving goals identified in AFH submissions seven and a half months after the AFH submissions. The action plans will be incorporated into Consolidated Plans (for CPD grantees) and 5-year PHA Plans (for PHAs).
- Evaluate the implementation of the AFFH rule and propose modifications to streamline or standardize the AFH review processes.
- FHEO plans to allocate 107.2 FTE to support AFFH.

- Priority 2 - Support the Department in carrying out its obligation to conduct the civil rights reviews of Rental Assistance Demonstration (RAD): 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 request 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 fair housing and civil rights laws. FHEO plans to allocate 13.0 FTE to support RAD.

- Priority 3 - Provide timely and complete investigations of complaints filed under the Fair Housing Act, Title VI, Section 504 and the ADA: In fiscal year 2017, FHEO seeks to further reduce its aged case inventory and achieve high impact outcomes where housing discrimination has occurred. Over the past several years, FHEO has seen steady increases in the number of cases open over 300 days. The implementation of rigorous agency-wide performance objectives in fiscal year 2015 began a modest reversal in this trend. The Title VIII aged case inventory carried into fiscal year 2016 remained level over the previous year, while aged cases under FHEO’s other civil rights authorities decreased by 30 percent during the same period. However, significantly more progress must be supported, as nearly half of FHEO’s open case inventory is aged. While the reduction of aged cases has been an important priority, FHEO has continued to achieve impactful enforcement outcomes. Despite this agency-wide focus on reducing backlog, FHEO charged or successfully conciliated 33 percent of its cases in fiscal year 2015, obtaining relief valued at over $200 million. The fiscal year 2017 requested FTEs would allow FHEO to more effectively reduce aged cases by expediting the completion of newly filed cases and
Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

aggressively addressing backlog, while still achieving impactful case outcomes that deliver full and just remedy to victims of housing discrimination. FHEO plans to allocate 25.5 FTE to support this effort.

- Priority 4 – Monitor CPD, PIH, and Housing grantees for compliance with civil rights laws: Staff will also resolve outstanding compliance reviews, which should lead to a substantial increase in the number of completed compliance reviews for fiscal year 2017. FHEO plans to allocate 20.2 FTE to support this effort.

<table>
<thead>
<tr>
<th>Full-time Equivalents</th>
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</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td><strong>Staffing</strong></td>
</tr>
<tr>
<td>Office of the Assistant Secretary</td>
</tr>
<tr>
<td>Office of the GDAS</td>
</tr>
<tr>
<td>Office of the DAS for Policy, Legislative Initiatives and Outreach (AFFH)</td>
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<tr>
<td>Office of the DAS for Enforcement and Programs</td>
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<tr>
<td>DAS/EP – Office of Enforcement</td>
</tr>
<tr>
<td>DAS/EP – Office of Programs</td>
</tr>
<tr>
<td>DAS/EP – Office of Systemic Investigations</td>
</tr>
<tr>
<td>Office of the DAS Office for Operations and Management</td>
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<tr>
<td>DAS/OM – Office of Field Oversight</td>
</tr>
<tr>
<td>DAS/OM – Office of Administrative Services</td>
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<tr>
<td>DAS/OM – Office of Information Services</td>
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<tr>
<td>DAS – OM – Office of Management and Budget</td>
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<td><strong>Total FHEO Headquarters</strong></td>
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<tr>
<td><strong>FHEO Field</strong></td>
</tr>
<tr>
<td><strong>Grand Total Field and Headquarters</strong></td>
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</table>
Key Operational Initiatives

- Implement AFFH Rule
- Implement RAD Monitoring
- Release and Monitor Section 3 Rule/Registry
- Release Harassment Rule
- AFFH User Interface Tool Partially Developed – For fiscal year 2017, $1.5M within the IT Fund is needed to continue system development of the Internal User Analysis module, AFFH Comprehensive Workflow Process module, Response Template, Dashboard, Report Module, Custom Map Capability and PHA Template. 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 funding, HOME Investment Partnership funding, Emergency Solutions Grants, and funding through Housing Opportunities for Persons With AIDS, and also 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.
- Enterprise Opportunity – Fund the Document System integration requirements with IDIS and other business systems for deployment in fiscal year 2017. Estimated funding $1M.
- FHEO Section 3 Performance Evaluation and Registration:
  - The objectives of Section 3 are (1) to use HUD program funds to provide a springboard for residents to become economically empowered through direct participation in construction and other activities designed to physically improve and revitalize their neighborhoods; and (2) to leverage HUD funds to strengthen local economies, promote self-sufficiency, and reduce dependency on Federal housing subsidies.
  - HUD expects to issue a revised Section 3 rule in fiscal year 2016 that will clarify fair housing obligations and reduce barriers to compliance. It will help communities analyze their own challenges to fair housing choice and establish their own goals and priorities to address their fair housing barriers. To adhere to this Rule, development funds are imperative to address the necessary system changes.
  - Another component of SPEARS is the Section 3 Business Registry. This is a tool that HUD launched in fiscal year 2014 to meet regulatory obligations to notify Section 3 businesses of the availability of local HUD-funded contracts and to increase the amount of contracts awarded to Section 3 businesses. The funds are requested to modify the existing Section 3 Performance Evaluation and Registration System (SPEARS) to comply with changes to Form 60002 and the Business Registry based on the new rule.
There are about 5,000 covered grantees, who receive funds that are subject to Section 3, and are required to submit Form 60002 to HUD. There are also about 1,000 businesses who have self-certified that they meet one of the definitions of a Section 3 business. The systems enhancements to SPEARS will save grantees and businesses time and effort, and will promote consistency in compliance with the revised regulatory requirements.
### 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.

The Salaries and Expenses request for OLHCHH includes an increase of $826K over 2016 enacted, as required to support the Department’s request for $110 million for the Lead Hazard Control and Healthy Homes Grant Programs in fiscal year 2017 – a programmatic increase of $10 million over 2016 enacted.

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.

### Office of Lead Hazard Control and Healthy Homes

<table>
<thead>
<tr>
<th>Activity</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
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<td>$7,368</td>
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<td></td>
<td></td>
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<tr>
<td>Training</td>
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<td>55</td>
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<td>Supplies</td>
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<td>8</td>
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<td>Attorney’s Fees</td>
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<td><strong>Associated FTE</strong></td>
<td>46.8</td>
<td>46.2</td>
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</table>
Program Office Salaries Expenses – Lead Hazard Control and Healthy Homes

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.

**Requested Level and Justification**

In fiscal year 2017, OLHCHH is requesting $7,826K, this amount represents an increase of $826K from fiscal year 2016 enacted.

**Personnel Services** – OLHCHH is requesting $7,368K and 49.0 FTE. This represents an increase of $594K from fiscal year 2016 enacted, reflecting the increased cost of salaries and benefits. In addition, the increase in 2.8 FTE will ensure that the OLHCHH has adequate staff to provide technical assistance and program oversight to the expected increase in grants to communities for the control of lead-based paint hazards and other health and safety hazards in housing.

**Non-Personnel Services (NPS)** – OLHCHH is requesting $458K. This represents an increase of $232K from fiscal year 2016 enacted. The changes to the NPS accounts are described below:

- The $19K for travel would provide for one or two additional grantee monitoring visits as well as a slight increase for the cost of travel. The Training increase of $10K is just over $1,000 per person with an expected FTE increase to 49 FTE. The additional $10K for printing if for lead publications, fact sheets, and guidance materials.
- Request includes $193K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

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<thead>
<tr>
<th>Staffing</th>
<th>FY 2015 FTE</th>
<th>FY 2016 FTE (Est)</th>
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<td>Office of Lead Hazard Control and Healthy Homes</td>
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<td>OLHCHH, Programs Division</td>
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<td>OLHCHH, Lead Programs Enforcement Division</td>
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<td>OLHCHH, Policy and Standards Division</td>
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<td>OLHCHH, Regional Management and Technical Support Division</td>
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<td>OLHCHH, Grants Services Division</td>
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<td><strong>Total</strong></td>
<td><strong>46.8</strong></td>
<td><strong>46.2</strong></td>
<td><strong>49.0</strong></td>
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</tbody>
</table>
**Key Operational Initiatives**

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 and has made it more accessible to grantees. Enhancements to the system are expected to enable improved programmatic evaluation to determine the Return on Investment for grantees’ activities in terms of costs for outreach, assessment, intervention, and 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.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

($ in Thousands)

<table>
<thead>
<tr>
<th>Account Name</th>
<th>FY 2015 Actual</th>
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<th>FY 2017 Request</th>
</tr>
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<tr>
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<tr>
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<td>Claims &amp; Indemnities</td>
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<td>GRAND TOTAL</td>
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<tr>
<td>Associated FTE</td>
<td>598.6</td>
<td>643.0</td>
<td>655.0</td>
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</table>

Program Area Overview

The mission of the Office of Inspector General is not only to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD) but to promote economy, efficiency and effectiveness as well. We accomplish this by conducting independent audits, evaluations, and investigations. The work performed by our auditors, evaluators, and investigators provides the 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 halting it at the earliest opportunity. Protecting taxpayer dollars is one of the Inspector General’s highest priorities in order to account for money going to the right place, doing what it was supposed to do, and having the results it was
intended to have. We actively pursue financial fraud schemes in all of HUD’s programs that can have a significant economic impact often at the expense of the American taxpayer.

**Fiscal Year 2017 Description of Changes**

Office of Inspector General (OIG) requests $129,000K and 655.0 Full Time Equivalents (FTE) in fiscal year 2017.

- **Personnel Services:** OIG is requesting $99,298K and 655 FTE. This request represents an increase from the fiscal year 2016 request of $1,783K and 12 FTE. These additional funds include the cost of new hires and resources to fund cost of living adjustments, promotions, increased benefit costs, and within grade increases.

- **FTE:** Despite some struggles to increase staff recently, in fiscal year 2015 the OIG was able to make gains in total FTE, as part of the overall goal of building the organization back to pre-sequestration levels. The OIG will continue to build on this success into fiscal year 2016. Utilizing this active workforce management should allow the OIG to maintain a staffing base that is closer to historical norms, and what is needed based on workload facing the organization. The new FTE requested for fiscal year 2017 represent a small increase over fiscal year 2016 and will be utilized in a variety of OIG functions requiring specific skill sets. Approximately seven FTE will operate within the Office of Audit, where the skill sets needed will mostly concentrate on two initiatives: The increased workload as a result of bringing the HUD consolidated financial statement audits in-house, which requires highly specialized skills in federal financial auditing and actuarial modeling, and the information security workload that is overseen by the Office of Audit, which requires Information Technology (IT) skills. The remaining five new FTEs will bolster the Office of Evaluations multi-disciplinary teams that work on overseeing, testing, and improving the information security systems and protocols in place within HUD, which require highly technical IT skills in IT security and penetration testing, especially in light of breaches to federal IT systems.

- **Non-Personnel Services:** OIG is requesting $29,702K, this is a $1,217K increase from the fiscal year 2016 enacted budget. This is mostly due to increases in travel requirements, which are the result of staffing level increases and the travel costs associated with the caseload handled by that staff.

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, as amended, the OIG budget request for 2017 includes:

- **$824K for training.** By investing in information technology including web-based and on-line training solutions, we are working to decrease the average training cost per FTE and still satisfy all training requirements for our teams of auditors, evaluators, and investigators.
$389K 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.

**Office of Inspector General Program Divisions**

**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.

The Office of Audit has an expansive reach, and the ability to provide oversight across a wide array of responsibilities. The funding requested for the mission of the Office of Audit allows the organization to expand and concentrate its expert oversight in several areas:

- Financial audits consisting of the HUD Consolidated Financial Statement including the audit of FHA ($1.2 trillion mortgage insurance program) and Ginnie Mae ($1.2 trillion in mortgage backed securities) which determine whether financial statements are fairly presented, internal controls are adequate, 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 fiscal year 2014. This was done to ensure the highest level of accuracy and due diligence. This is a task that is driving the workload of audit staff now and into fiscal year 2017.

- Information system audits determine, among other things, the adequacy of general and application controls, and whether security over information resources is adequate, and in compliance with system development requirements. This duty is part of the OIG’s ongoing response to the Federal Information Systems Controls Audit Manual (FISCAM), and financial audit responsibilities. IT security has and will continue to grow into a greater priority for every office within the OIG. Insuring taxpayer and HUD client information is stored with the guarantee that it will be safe and private is something system audits seeks to scrutinize and work to correct when vulnerabilities are found. In addition, OA has been involved with scrutinizing new information system deployment within HUD. This has become an especially large task during the transition from HUD’s previously utilized accounting system to the newly implemented New Core shared services system with the Department of Treasury. Insuring financial data accuracy is paramount to the institutional health of HUD and the ability for the department to effectively steward the appropriated dollars that it is granted.
Office of Inspector General

- Joint Civil Fraud Division audits and reviews any suspected financial fraud against HUD and makes referrals for civil actions and administrative sanctions. This group 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 cases.

The workload and reach of OA will continue to change now and into the future. In addition to taking on new and growing challenges in the arena of IT security, the OA is working to make new Congressional mandates a top priority. These initiatives include monitoring and auditing HUD purchase and travel card activities, and scrutinizing IT acquisition reform.

A portion of the OIG’s request for additional FTEs will be utilized within the Office of Audit. These positions will bolster the organization’s staffing responsible for the HUD Consolidated Financial Statement audits that have moved in-house to improve the accuracy and thoroughness of these audits. Other new staff that requires highly specialized skills in federal financial auditing and actuarial modeling will be focusing on the role OA plays insuring that FISCAM based initiatives are carried out and increased into the future.

The Office of Audit has been incredibly successful in rooting out and exposing waste, fraud, abuse of taxpayer funds. The audits conducted by the OIG during the last 4 years have produced recoveries, settlements, and other findings with a value over $14.6 billion. In fiscal year 2015 the impact of the audit findings and reports totaled $4.6 billion. This amount compared with the OIG’s appropriated dollars means that for every appropriated dollar received $36 are returned to taxpayers or reallocated to other valued mission objectives.

This success is a product of the dedicated and professional staff that makes up and supports the Office of Audit. However, these results and the ability to extend the reach of this office are reliant on the budgetary resources made available for its mission. When the funding is restrained this reduces the number of audits that can be conducted thus lowering the OIG’s ability to seek out and uncover waste, fraud, and abuse.
Office of Inspector General

Fiscal Years 2012 - 2015 Major Accomplishments

<table>
<thead>
<tr>
<th>Audit Activities</th>
<th>FY 2012 Actual</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
</tr>
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<tbody>
<tr>
<td>External Audit Reports Issued</td>
<td>133</td>
<td>134</td>
<td>109</td>
<td>114</td>
</tr>
<tr>
<td>Internal Audits Issued</td>
<td>31</td>
<td>45</td>
<td>39</td>
<td>34</td>
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<tr>
<td>Civil Fraud Actions</td>
<td>68</td>
<td>65</td>
<td>86</td>
<td>64</td>
</tr>
<tr>
<td><strong>Impact of Audit Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Fraud Settlements &amp; Court Ordered Judgments*</td>
<td>$810,403,031</td>
<td>$975,904</td>
<td>$338,121,250</td>
<td>$111,408,775</td>
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<tr>
<td>Ineligible and Questioned Costs</td>
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<td>$945,857,211</td>
<td>$1,282,183,762</td>
<td>$2,627,585,304</td>
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<tr>
<td>Recommendations That Funds Be Put To Better Use</td>
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<td>$1,969,800,488</td>
<td>$1,978,524,145</td>
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<td><strong>Total Monetary Impact</strong></td>
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<td>$2,135,351,772</td>
<td>$3,251,984,250</td>
<td>$4,606,109,449</td>
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<td><strong>Internal and External Recommendations Results:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Internal Audit Recommendations Made</td>
<td>178</td>
<td>264</td>
<td>311</td>
<td>294</td>
</tr>
<tr>
<td>Internal Audit Recommendations Resolved</td>
<td>206</td>
<td>231</td>
<td>193</td>
<td>259</td>
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<tr>
<td>External Audit Recommendations Made</td>
<td>775</td>
<td>775</td>
<td>546</td>
<td>694</td>
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<tr>
<td>External Audit Recommendations Resolved</td>
<td>687</td>
<td>772</td>
<td>690</td>
<td>527</td>
</tr>
</tbody>
</table>

Office of Evaluation

The Office of Evaluation (OE) provides a flexible and effective mechanism for oversight and review of HUD’s operations, programs and policies by using a multidisciplinary staff and multiple methods for gathering and analyzing data. The Office of Evaluation is comprised of teams of individuals with specialized skills in information technology (IT), IT security, accounting, research, and social sciences. The use of multidisciplinary teams, concentrating on areas of risk, and multiple methods for analyzing data provides a flexible and effective process to produce impartial and reliable results in a more timely way than our audits. Using the full resources available OE can be responsive and adaptable to the needs of the Department, Congress and the OIG.

In an effort to concentrate the resources and tools of the Office of Evaluation where they can be most effective, and where the greatest institutional risk is present, several priorities have been identified:

- The federal government harvests and maintains a tremendous amount of data in many diverse systems and databases. This is especially true within HUD and across the many programs administered within the department. The ability for the OE to tap into these systems and refine the information into a product that can be used to identify fraud and wasteful tendencies before they occur or early on so that they don’t have the chance to grow into a larger problem is a central goal and tenet of the OE mission. Using the data available to recognize patterns from historical events and to learn how those patterns can be used to prevent future incidents is a powerful tool that OE is trying to enhance in strength and deploy in larger scale. In addition to directly
identifying weaknesses in the administration of HUD funds and programs the task of improving data analysis and predictive analytics will provide OIG with the best information when communicating with constituents, directing enforcement strategies, and allocating limited resources.

- Cybersecurity and insuring the protection of information technology systems has become a mission of the upmost importance for the federal government as a whole and certainly for OIG. The Office of Evaluation is uniquely situated with an array of skill sets and access to data that can uniquely contribute to this OIG mission goal. HUD is at a critical crossroads with the maturity of the department’s IT infrastructure and the need to modernize these systems. In this environment, the opportunities for a breakdown in data security are heightened. In addition many HUD systems are supported by outside vendors. While this model of IT acquisition and maintenance is sometimes necessary, it also creates additional IT security liabilities. OE contributes to the OIG’s IT security mission by conducting necessary oversight and by monitoring these systems.

- OE is responsible for conducting a portion of HUD Federal Information Security Management Act (FISMA) reviews and other IT compliance evaluations. One of the best tools that the OIG has to measure this compliance is what’s known as “penetration testing”. Penetration testing can be conducted in different ways and in multiple detail levels to technically test mandated IT security controls. Recent penetration testing greatly assisted in finding vulnerabilities within the HUD network and will provide the OIG with additional key information and recommendations for FISMA reporting. Into the future, follow up penetration testing will be required to validate that recommendations by OIG to avoid previously found vulnerabilities are being implemented by HUD, to assess other areas of the HUD network, FISMA assessment topics, or any future federal cybersecurity guidance.

The Office of Evaluation is in the process of maturing and becoming fully staffed and operational; the key to completing this process is ensuring the timely and consistent availability of budgetary resources and critical technical skills. When the OIG’s appropriated resources are constrained this can create a situation where fledgling offices like OE might not grow at a pace where they can fully realize their mission.

**Office of Investigation**

The Office of Investigation (OI) is responsible for the development and implementation of the OIG’s investigative activities and is comprised of criminal investigators, investigative analysts, and administrative personnel. OI initiates and conducts investigations of possible violations of laws and regulations relating to the administration of HUD programs and HUD funded activities, as well as employee misconduct.

- The Office of Investigation has recently produced significant criminal and civil findings relating to HUD program fraud, including participation in large scale settlements that have returned money to the FHA fund. OI has made it a priority to root out fraud involving the origination of FHA mortgages, multifamily equity skimming schemes at housing developments receiving HUD subsidized rental assistance for tenants, and at nursing homes. These efforts have produced noteworthy results in the past and
Office of Inspector General

this trend is expected to continue into the future. The OIG is a full-time participant in the Department of Justice’s Financial Fraud Enforcement Task Force where the Inspector General is the Co-Chair of the Mortgage Fraud Working Group. This focus on finding and identifying fraudulent activity will continue to protect taxpayers from those who look to defraud the government, negatively impact the financial health of our economy and undermine the true mission of HUD programs.

- OI also works to reduce fraud, waste, and abuse in the Public and Indian Housing arena, with a focus on Public Housing Authorities (PHAs). Ensuring that public housing dollars are being administered properly and utilized by the intended recipients is a challenge the Office of Investigation emphasizes every day. This work with the PHAs takes on many different forms: identifying public corruption, management and administration deficiencies, contract fraud, embezzlement, bribery, and rental assistance fraud. The fight against corruption also takes place in the management of Community, Planning and Development (CPD) grant programs, which are administered and distributed in a decentralized manner. Public corruption poses a fundamental threat to our way of life and to the benefits HUD’s programs are supposed to provide.

- OI continues to dedicate time and resources to the work in communities affected by previous disasters and more recently Hurricane Sandy. Designated disaster sites are provided large amounts of grant and emergency funding in the wake of these disasters. OI conducts investigations of fraud of disaster recovery funds efforts, assists to ensure that these resources are utilized properly and leads the effort to prevent and deter disaster fraud schemes.

Over the last 4 years the Office of Investigation has produced over $4.3 billion in criminal judgments and nearly $2.2 billion in recoveries.

While the Office of Investigation has experienced a decline in staffing over the last 4 years, it is extremely important that the budgetary resources continue to be adequate for the challenges facing this office. The reach of this office is extended by resources that keep investigators in the field, working with the tools they need to root out the waste, fraud, and abuse they’re tasked with exposing.
Office of Inspector General

Fiscal Year 2012 – 2015 Major Accomplishments

<table>
<thead>
<tr>
<th>Investigative Activities</th>
<th>FY 2012 Actual</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
</tr>
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<tbody>
<tr>
<td>Arrests</td>
<td>614</td>
<td>431</td>
<td>333</td>
<td>232</td>
</tr>
<tr>
<td>Indictments/Information</td>
<td>708</td>
<td>523</td>
<td>393</td>
<td>308</td>
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<tr>
<td>Convictions</td>
<td>663</td>
<td>514</td>
<td>423</td>
<td>335</td>
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<tr>
<td>Criminal Judgments/Restitutions</td>
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<td>$114,863,539</td>
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<td>Civil Actions</td>
<td>94</td>
<td>45</td>
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<tr>
<td>Civil Recoveries</td>
<td>$1,146,851,978</td>
<td>$40,198,140</td>
<td>$815,562,000*</td>
<td>$233,154,990</td>
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<tr>
<td>Administrative Actions</td>
<td>389</td>
<td>52</td>
<td>291</td>
<td>440</td>
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<tr>
<td>Suspensions</td>
<td>148</td>
<td>97</td>
<td>108</td>
<td>110</td>
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<tr>
<td>Debarments</td>
<td>179</td>
<td>104</td>
<td>129</td>
<td>191</td>
</tr>
<tr>
<td>Personnel Actions</td>
<td>62</td>
<td>44</td>
<td>37</td>
<td>52</td>
</tr>
</tbody>
</table>

Office of Information Technology

In the technology and information centric environment the OIG faces today, the Office of Information Technology (OIT) has become the backbone in the OIG’s mission to adequately and promptly keep pace with its reporting requirements and protect itself from the unauthorized release of information. Every program within the OIG depends on the support and innovation taking place in OIT. This support manifests itself in the unseen but constantly utilized infrastructure that keeps the vital parts of the OIG connected and collaborating. The reach and effectiveness of every audit, evaluation, investigation, and undertaking brought by the organization is enhanced and in ways made possible by the work within OIT.

Working into the future the dependence on and the role played by OIT will only continue to increase. The return on investment in IT is seen in the abilities now readily available to the Office of Audit, Office of Evaluation and Office of Investigation, and the successes these abilities have yielded. In furthering the mission and strategic plan of the OIG, the OIT will continue to focus and develop these areas:

- Infrastructure: OIT is responsible for maintaining the internet infrastructure across the entire OIG; this includes the nationwide network that connects field and headquarters offices. This network provides internet access, hosting for secure services such as audit and investigation case management systems, email, and mobile device management. Expanding the presence of this network will come in the form of the OIG taking advantage of cloud-computing as a tool to increase organizational productivity. In addition, OIT has been heavily involved with Continuous Diagnostic Monitoring, a set of systems that allows for monitoring
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the security of the OIG’s computing environment. These sensors and tools that watch over the OIG’s network allow for faster recognition, response, and prevention of threats to the OIG secure information systems.

- Case Management System Modernization: The ability for investigators, auditors and evaluators to track and manage their caseload is paramount to the effective and efficient operation of the OIG, as is maintaining a robust Hotline system. The current systems utilized within the OIG have become outdated and are in need of refreshing. These coming updates will ensure that staff in the field is working with technology that enhances their ability to document and secure case related materials, information, and ultimately verdicts against the abusers of HUD resources. This new technological advantage will also allow for increased use of case management functionality on mobile devices. This allows all staff to increase the efficiency of time spent in the field and increases their overall workload capacity.

The Office of Information Technology will continue to focus on the ever-present mission of delivering the IT resources the OIG needs as efficiently, effectively, and securely as possible. As the reliance on IT based investigations, audits and evaluations continues, OIT’s role as the partner enabling the reach of other OIG offices will continue to grow and become more imperative over time.

Cost Containment

OIG Space Footprint

The OIG has taken far reaching steps in the last three years to contain, reduce, and modernize the overall space footprint of the organization. The organization has seen the following successes in its space reduction effort:

- Reduced space footprint by over 36,000 square feet, this represents over 12 percent of the total fiscal year 2013 occupied space. The reduction in occupied square footage has resulted in a savings of over $1.2 million, a reduction of 13 percent from fiscal year 2013 rental costs.
- The reduction in square footage and annual savings were accomplished through efficient and effective management of space consolidations, as well as the closing of seven offices nationally which represents nearly 9 percent of the total offices that were open as of fiscal year 2013. Eliminating excess or underutilized space has allowed resources to be redirected for use in the core responsibility areas within the OIG. By using these savings as an offset against programmatic expenses this has reduced the growth rate or need for expanded appropriated dollars in these areas. Based on the successes the OIG has experienced to date, the push to look for new cost containment opportunities through space reduction remains a top priority.
Appendix I: 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

Proposed Appropriations Language changes

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: Provided, that the Inspector General shall have independent authority over all personnel and acquisition issues within this office.

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 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 2017 General Provisions

SEC. 201. Section 1012(b) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437f 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. 1437f note) shall be [rescinded] cancelled or in the case of cash, shall be remitted to the Treasury, and such amounts of budget authority or cash recaptured and not [rescinded] cancelled 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] cancelled 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 [2016] 2017 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.
SEC. 203. Sections 203 (except subsection (d)) and 209 of division C of Public Law 112–55 (125 Stat. 693–694) shall apply during fiscal year [2016] 2017 as if such sections were included in this title, except that during such fiscal year such sections shall be applied by substituting ["fiscal year 2016"] "fiscal year 2017" for "fiscal year 2011" and for "fiscal year 2012" each place such terms appear, which shall be adjusted, through a notice published by the Secretary, to reflect the number of persons living with human immunodeficiency virus (HIV), the housing cost factor, and the community need factor in Section 854(c) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12903(c)) in lieu of the number of cases of acquired immunodeficiency syndrome (AIDS), and shall be amended to reflect revised delineations of statistical areas established by the Office of Management and Budget pursuant to 42 U.S.C. 12903(c), 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 and allows former grantees to continue to receive direct allocations. This provision also makes necessary changes to reflect HUD’s HOPWA formula modernization proposal. 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 and the updated references to the HOPWA formula modernization proposal.

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 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 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 adds 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."

54-3
General Provisions

**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.

**[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 2016 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 2017, 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 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. 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:** This provision 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 years [2016] 2017 and [2017] 2018, 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.
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(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 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-Gonzales 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.

(e) [PUBLIC NOTICE AND] RESEARCH REPORT.
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[(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 President’s Budget proposes to retain this provision with the date change, but without the requirement that the Secretary publish the terms and conditions of transfer. HUD has already done an FR notice and requiring a new notice would be duplicative.

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.** 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, 2016, 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 (HCEM) 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.** Notwithstanding any other provision of law, in fiscal year 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, including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997.
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("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 "by States on behalf of units of general local government in non-entitlement areas," after "issued by eligible public entities,"

(2) by striking subsection (k) and inserting the following new subsection:

"(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:

"(m) DISTRIBUTION OF FUNDS TO LOCAL GOVERNMENTS IN NONENTITLEMENT 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.".
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**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 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.
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**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"[, ] and "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 President’s Budget proposes retaining this provision. OIG is proposed for deletion to allow the Office full independence over its finances.

**SEC. [221] 213.** The Secretary of the Department of Housing and Urban Development shall, for fiscal year [2016] 2017, 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 [2016] 2017, 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 President’s Budget proposes retaining this provision with date changes.
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[SEC. 222.] Payment of attorney fees in program-related litigation shall be paid from the individual program office and Office of General Counsel salaries and expenses appropriations. The annual budget submission for the program offices and the Office of General Counsel shall include any such projected litigation costs for attorney fees as a separate line item request. No funds provided in this title may be used to pay any such litigation costs for attorney fees until the Department submits for review a spending plan for such costs to the House and Senate Committees on Appropriations.]

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. It also requires the Department to submit a spending plan to the House and Senate Committees on Appropriations for review before it can pay attorney fees.

Proposed Action: The President’s Budget proposes deleting this provision.

SEC. [223] 214. The Secretary is authorized to transfer up to 10 percent or $4,000,000, whichever is less, of funds appropriated for any office under the heading "Administrative Support Offices" or for any account under the general heading "Program Office Salaries and Expenses" to any other such office or account: Provided, That no appropriation for any such office or account shall be increased or decreased by more than 10 percent or $4,000,000, whichever is less, without prior written approval of notice to the House and Senate Committees on Appropriations: Provided further, That the Secretary shall provide notification to such Committees three business days in advance of any such transfers under this section up to 10 percent or $4,000,000, whichever is less.

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 President’s Budget proposes retaining this provision.

SEC. [224] 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 President’s Budget proposes retaining this provision.

SEC. [225] 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 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
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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 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. [226] 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 2016.]

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.—
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"(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 agency 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;

"(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 existing provision prohibits funds from being used by any public housing agency for any amount of salary for employees or its chief executive officer that exceeds the annual rate of basic pay payable for a position at level IV of the Executive Schedule. The President’s Budget proposes deleting this provision and replacing it
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with a provision that 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 President's Budget proposes deleting this provision in favor of permanent, tiered caps on PHA personnel compensation as explained above.

[SEC. 227 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.]

**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 deleting this provision.

[SEC. 228. 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, 2016.". ]

**Explanation of this Section:** This provision extends the authorization of appropriations and sunset provision in the HOPE VI statute through fiscal year 2017.

**Proposed Action:** The President’s Budget proposes deleting this provision because the HOPE VI program has been replaced by the Choice Neighborhoods program.

[SEC. 229. 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.]
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**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. 230. 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:** This section prohibits HUD from using funds to require or enforce the Physical Needs Assessment (PNA).

**Proposed Action:** The President’s Budget proposes deleting this provision.

[SEC. 231. 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:** This provision prohibits HUD from using appropriated funds to implement the Homeowners Armed with Knowledge, a program that would allow those agreeing to participate in housing counseling to pay a reduced mortgage insurance premium.

**Proposed Action:** The President’s Budget proposes deleting this provision.

[SEC. 232. 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 refines 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.
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**Proposed Action:** The President’s Budget proposes deleting this provision.

**SEC. 233.** 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).

**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 the CDBG program.

**Proposed Action:** The President’s Budget proposes deleting this provision.

**SEC. [234] 218.** 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 [subject to reprogramming requirements in section 405 of this Act].

**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 retaining this provision.

**SEC. [235] 219.** [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).".]

**MINIMUM LOCAL ALLOCATION.—**Section 217(b) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12747(b)) is amended—

(1) in paragraph (3)—
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(A) by striking ", except as provided in paragraph (4)"; and
(B) by inserting ", except as provided in paragraph (4) of this section," following ", or more, and"; and
(2) by amending paragraph (4) to read as follows:

"(4) MINIMUM ALLOCATION.— If the allocation under paragraph (3) for a participating jurisdiction is below $500,000 for any three of the prior five consecutive fiscal years, the Secretary may determine that funds are not to be allocated to such jurisdiction in the sixth fiscal year.".

Explanation of this Section: This provision allows for the 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. This provision also authorizes HUD to not award HOME funds to participating jurisdictions that received an allocation of HOME funds that is less than $500,000 for any three of the prior five consecutive fiscal years.

Proposed Action: The provision on eviction was enacted permanently into law in the 2016 Budget. Therefore the President’s Budget proposes deleting it.

HUD is proposing the minimum allocation provision because the number of local participating jurisdictions has increased over the years while the total HOME appropriation has decreased. This has resulted in much lower formula allocations to each HOME grantee which has made it more difficult to administer effective local affordable housing programs. The proposal will reduce the total number of participating jurisdictions eligible to receive allocations over time. This will ensure that any remaining participating jurisdictions will receive formula allocations that are large enough to administer effective local HOME programs.

[SEC. 236. None of the funds under this title may be used for awards, including performance, special act, or spot, for any employee of the Department of Housing and Urban Development who is subject to administrative discipline in fiscal year 2017, including suspension from work.]

Explanation of this Section: This provision prohibits the Department from issuing performance awards to employees subject to administrative discipline.

Proposed Action: The President’s Budget proposes to delete this provision.

[SEC. 237. 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:]

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(1) In proviso eighteen, by inserting “for fiscal year 2012 and hereafter,” after “Provided further, That”; and (2) In proviso nineteen, by striking “, which may extend beyond fiscal year 2016 as necessary to allow processing of all timely applications.”.

**Explanation of this Section:** This provision makes changes fiscal years referenced in the authorization for the Rental Assistance Demonstration (RAD) program.

**Proposed Action:** The 2016 enacted budget makes this change. Therefore, the President’s Budget proposes deleting this provision, and is proposing additional statutory changes to the RAD program in section 269.

**[SEC. 238.** Section 526 (12 U.S.C. 1735f-4) of the National Housing Act is amended by inserting at the end of subsection (b): 
"(c) The Secretary may establish an exception to any minimum property standard established under this section in order to address alternative water systems, including cisterns, which meet requirements of State and local building codes that ensure health and safety standards.”.]

**Explanation of this Section:** This provision modifies Section 526 of the National Housing Act to allow, but not require, HUD to establish exceptions for alternative water systems that meet requirements of State and local building codes that ensure health and safety standards.

**Proposed Action:** The 2016 enacted budget makes this change permanent. Therefore, the President’s Budget proposes deleting this provision.

**[SEC. 239.** The Secretary of Housing and Urban Development shall 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 100 public housing agencies that are designated as high performing agencies under the Public Housing Assessment System (PHAS) or the Section Eight Management Assessment Program (SEMAP). No public housing agency shall be granted this designation through this section that administers in excess of 27,000 aggregate housing vouchers and public housing units. Of the agencies selected under this section, no less than 50 shall administer 1,000 or fewer aggregate housing voucher and public housing units, no less than 47 shall administer 1,001–6,000 aggregate housing voucher and public housing units, and no more than 3 shall administer 6,001–27,000 aggregate housing voucher and public housing units. Of the 100 agencies selected under this section, five shall be agencies with portfolio awards under the Rental Assistance Demonstration that meet the other requirements of this section, including current designations as high performing agencies or such designations held immediately prior to such portfolio awards. Selection of agencies under this section shall be based on ensuring the geographic diversity of
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Moving to Work agencies. In addition to the preceding selection criteria, agencies shall be designated by the Secretary over a 7-year period. The Secretary shall establish a research advisory committee which shall advise the Secretary with respect to specific policy proposals and methods of research and evaluation for the demonstration. The advisory committee shall include program and research experts from the Department, a fair representation of agencies with a Moving to Work designation, and independent subject matter experts in housing policy research. For each cohort of agencies receiving a designation under this heading, the Secretary shall direct one specific policy change to be implemented by the agencies, and with the approval of the Secretary, such agencies may implement additional policy changes. All agencies designated under this section shall be evaluated through rigorous research as determined by the Secretary, and shall provide information requested by the Secretary to support such oversight and evaluation, including the targeted policy changes. Research and evaluation shall be coordinated under the direction of the Secretary, and in consultation with the advisory committee, and findings shall be shared broadly. The Secretary shall consult the advisory committee with respect to policy changes that have proven successful and can be applied more broadly to all public housing agencies, and propose any necessary statutory changes. The Secretary may, at the request of a Moving to Work agency and one or more adjacent public housing agencies in the same area, designate that Moving to Work agency as a regional agency. A regional Moving to Work agency may administer the assistance under sections 8 and 9 of the United States Housing Act of 1937 (42 U.S.C. 1437f and g) for the participating agencies within its region pursuant to the terms of its Moving to Work agreement with the Secretary. The Secretary may agree to extend the term of the agreement and to make any necessary changes to accommodate regionalization. A Moving to Work agency may be selected as a regional agency if the Secretary determines that unified administration of assistance under sections 8 and 9 by that agency across multiple jurisdictions will lead to efficiencies and to greater housing choice for low-income persons in the region. For purposes of this expansion, in addition to the provisions of the Act retained in section 204, section 8(r)(1) of the Act shall continue to apply 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. No public housing agency granted this designation through this section shall receive more funding under sections 8 or 9 of the United States Housing Act of 1937 than it otherwise would have received absent this designation. The Secretary shall extend the current Moving to Work agreements of previously designated participating agencies until the end of each such agency’s fiscal year 2028 under the same terms and conditions of such current agreements, except for any changes to such terms or conditions otherwise mutually agreed upon by the Secretary and any such agency and such extension agreements shall prohibit any statutory offset of any reserve balances equal to 4 months of operating expenses. Any such reserve balances that exceed such amount shall remain available to any such agency for all permissible purposes under such agreement unless subject to a statutory offset. In addition to other reporting requirements, all Moving to Work agencies shall report financial data to the Department of Housing and Urban Development as specified by the Secretary, so that the effect of Moving to Work policy changes can be measured.}
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**Explanation of this Section:** This provision expanded the number of Moving to Work agencies by adding to the program 100 public housing agencies that are designated as high performing agencies and extending, until 2028, the contracts of the 39 agencies already in the program without modifications, except by mutual agreement.

**Proposed Action:** The President’s Budget proposes deleting this provision for fiscal year 2017.

**SEC. [240] 220.** (a) **AUTHORITY.**—Subject to the conditions in subsection (d), the Secretary of Housing and Urban Development may authorize, in response to requests received in fiscal years [2016] 2017 through [2020] 2021, 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
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(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 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 the Department's approval of transfers pursuant to this section no later than 30 days before the effective date of such notice.

Explanation of this Section: This 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. In certain States, existing 811 group homes are facing difficulties getting referrals for disabled populations due to state Olmstead settlements with the Department of Justice.

Proposed Action: This provision was enacted in FY 2016 and the President’s Budget proposes it again in 2017.

[SEC. 241 (a) Of the unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the heading "General and Special Risk Program Account", and for the cost of guaranteed notes and other obligations under the heading "Native American Housing Block Grants", $12,000,000 is hereby permanently rescinded.

(b) All unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the headings "Rural Housing and Economic Development", and "Homeownership and Opportunity for People Everywhere Grants" are hereby permanently rescinded.]

Explanation of this Section: This provision rescinds unobligated balances in several HUD programs.

Proposed Action: The President’s Budget proposes deleting this provision.

SEC. [242] 221. Funds made available in this title under the heading "Homeless Assistance Grants" may be used [by the Secretary] to participate in Performance Partnership Pilots authorized [in an appropriations Act for fiscal year 2016 as initially authorized] under section 526 of division H of Public Law 113–76,[and extended under] section 524 of division G of Public Law 113–235, section 525 of division H of Public Law 114–113, and such authorities as are enacted for Performance Partnership Pilots in an appropriations Act for fiscal year 2017[. Provided, That such participation shall be limited to no more than 10 continuums of care and housing activities to improve outcomes for disconnected youth].
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**Explanation of this Section:** This provision adds Homeless Assistance Grants to the list of programs authorized to participate in the Performance Partnership Pilots for Disconnected Youth.

**Proposed Action:** The President’s Budget proposes retaining this provision, as amended.

[SEC. 243. With respect to grant amounts awarded under the heading "Homeless Assistance Grants" for fiscal years 2015 and 2016 for the Continuum of Care (CoC) program as authorized under subtitle C of title IV of the McKinney-Vento Homeless Assistance Act, costs paid by program income of grant recipients may count toward meeting the recipient’s matching requirements, provided the costs are eligible CoC costs that supplement the recipient’s CoC program.]

**Explanation of this Section:** This provision would allow Homeless Assistance Grant recipients to count program income as an eligible match for 2015 and 2016 CoC program funds.

**Proposed Action:** The President’s Budget proposes deleting this provision because it is not necessary.

[SEC. 244. With respect to funds appropriated under the "Community Development Fund" heading for formula allocation to states pursuant to 42 U.S.C. 5306(d), the Secretary shall permit a jurisdiction to demonstrate compliance with 42 U.S.C. 5305(c)(2)(A) if it had been designated as majority low- and moderate-income pursuant to data from the 2000 decennial Census and it continues to have economic distress as evidenced by inclusion in a designated Rural Promise Zone or Distressed County as defined by the Appalachian Regional Commission. This section shall apply to any such state funds appropriated under such heading under this Act, in each fiscal year from 2017 through 2020, and under prior appropriation Acts (with respect to any such allocated but uncommitted funds available to any such state).]

**Explanation of this Section:** This provision modifies CDBG grantee compliance with low- and moderate-income area requirements for areas that are designated rural promise zone jurisdictions and certain other economically distressed communities.

**Proposed Action:** Because this was enacted in the 2016 Omnibus and already applies through 2020, the President’s Budget is proposing to delete this provision from the 2017 Budget.
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SEC. 222. 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; for these properties, first-year rents must be underwritten for each unit type at levels no higher than 30 percent of 80 percent of area median income for the appropriate household size, but property-level affordability restrictions and tenant income certifications shall not be required.”.

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 2017.

SEC. 223. Section 211 of the Department of Housing and Urban Development Appropriations Act, 2008, is repealed.

Explanation of this Section: Section 211 of the fiscal year 2008 Appropriations Act required the Department to submit a report in 2008, 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 President’s Budget proposes the addition of this provision in fiscal year 2017. 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. 224. Section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) is amended—

(I) in subsection (d), by adding the following new paragraph at the end:
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"(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).".

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 2017.
SEC. 225. 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:

"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.

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 President’s Budget proposed the addition of this provision in fiscal year 2016 and proposes it again for fiscal year 2017. The proposed amendments will increase access to multifamily development financing by allowing Ginnie Mae to securitize risk-sharing loans.

SEC. 226. 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 AND ADMINISTRATION.—Planning and administration 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.—";
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(3) 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 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
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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 President’s Budget proposes the addition of this provision in fiscal year 2017.

SEC. 227. FAIR MARKET RENTS.—Paragraph (1) of section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f) 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 2016 and proposes it again in fiscal year 2017.

SEC. 228. 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 the following sentence: "These standards may provide that an individual may also show competence to provide counseling by having successfully completed training in 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
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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.

Proposed Action: The President’s Budget proposed the addition of this provision in 2016 and proposes it again in fiscal year 2017.

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 President’s Budget proposed the addition of this provision in fiscal years 2014, 2015 and 2016 and proposes it again for fiscal year 2017 to simplify administration of the medical expenses deduction, and reduce Federal costs.

SEC. 230. LIHPRHA FLEXIBILITY.—The Low Income Housing Preservation and Resident Homeownership Act of 1990 is amended—

(1) in section 214 (12 U.S.C. 4104)—

(A) by revising subsection (a) to read as follows: "(a) ANNUAL AUTHORIZED RETURN.—Pursuant to an appraisal under section 213, the Secretary shall determine the annual authorized return on the appraised housing, which shall be— "(1) equal to 8 percent of the preservation equity (as such term is defined in section 229(8)); or "(2) an amount established by the Secretary through notice or regulation to facilitate the preservation of the housing as affordable housing through acquisition or refinancing."; and
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(3) in subsection (c) by striking "section" and inserting "subtitle";
(2) by revising section 220(d)(2)(E) (12 U.S.C. 4110(d)(2)(E)) to read as follows: "(E) receive a distribution equal to
the annual authorized return determined under section 214(e);"; and
(3) in section 222(e) (12 U.S.C. 4112(e))—
(A) in paragraph (1)—
(i) by striking "section shall be entitled to distribute" and inserting "subtitle shall be entitled to distribute";
(ii) in subparagraph (A), by striking "annually, all surplus cash generated by the property," and inserting "receive an
annual authorized return determined under section 214(a),"; and
(iii) in subparagraph (B), by inserting "distribute" before "any funds accumulated"; and
(B) in paragraph (2)—
(i) by inserting "receives or" before "distributes"; and
(ii) in subparagraph (C), by inserting "renew or" before "extend".

Explanation of this Section: This provision makes technical changes to the Low Income Housing Preservation and Resident
Homeownership Act of 1990 (LIHPRHA), as amended by the FAST Act (Public Law 114-94). The revisions will establish internal
consistency within Sections 214 and 220 of the Act, support effective implementation of the intended reforms, and encourage
preservation transactions that maintain property affordability.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 231. 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 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 2016 and proposes it again in fiscal year 2017.

SEC. 232. 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 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 affect 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.
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**Proposed Action:** The President's Budget proposed addition of this provision in 2016 and proposes it again in 2017.

**SEC. 233.** 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:** This provision 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 2016 and proposes it again in fiscal year 2017.

**SEC. 234.** 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 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:** This provision 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 (NAHASDA) for eligibility purposes.

**Proposed Action:** The President’s Budget proposed addition of this provision in 2016 and proposes it again in fiscal year 2017.

**SEC. 235.** 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)".

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Explanation of this Section: This provision 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 2016 and proposes it again in fiscal year 2017.

SEC. 236. Section 221 of the National Housing Act (12 U.S.C. 1715l) is amended by striking subsection (g)(4).

Explanation of this Section: This provision 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 2016 and proposes it again in fiscal year 2017.

SEC. 237. Notwithstanding section 24(o) of the United States Housing Act of 1937 (42 U.S.C. 1437v(o)), amounts made 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 2016 and proposes it again in fiscal year 2017.

SEC. 238. 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, effective on endorsements through September 30, 2019, charge and collect a fee not to exceed 4 basis points of the original principal balance of mortgages endorsed or submitted for insurance endorsement by the mortgagee that were insured under this title during the previous fiscal year.

"(A) Such fee collected from each mortgagee must 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, for the purpose of modernizing FHA systems and supporting the implementation of new practices for interaction with lenders."
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"(B) The Secretary must establish the amount of such fee through regulations, notice, Mortgagee Letter, or other administrative issuance after providing for public comment."

Explanation of this Section: This provision provides FHA with the 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 2017.

SEC. 239. Section 620 of the Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5419) is amended in subsection (d)(2) by adding "or by notice published in the Federal Register" after "pursuant to rulemaking in accordance with section 553 of title 5".

Explanation of this Section: This provision would 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 2016 and proposes it again in fiscal year 2017.

SEC. 240. 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.
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(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.

(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 2017.

SEC. 241. Section 242 of the National Housing Act (12 U.S.C. 1715z-7) is amended by striking subsection (i).

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 2017.
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SEC. 242. Title V of the National Housing Act is amended by striking section 521 (12 U.S.C. 1735e).

Explanation of this Section: This provision 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 2017.

SEC. 243. 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 202(d) 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: This provision 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 2017.

SEC. 244. 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 or underwritten by the mortgagee 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;"

(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.—
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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.

(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 2017.

SEC. 245. 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 under section 256 was not originated, underwritten, or serviced in accordance with the requirements established by the Secretary, and the borrower defaults on 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.
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"(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 the borrower defaults on the mortgage.

"(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 Endorsement (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 2017.

SEC. 246. SHORT SALES FOR FHA-INSURED MORTGAGES. Section 204(a)(1) of the National Housing Act (12 U.S.C. 1710(a)(1)) is amended—
   (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 2017.

SEC. 247. USE OF GOVERNMENT-FINANCED DOWNPAYMENT ASSISTANCE. Section 203(b)(9) of the National Housing Act (12 U.S.C. 1709) is amended by replacing subparagraph (C) as follows and by adding at the end a new subparagraph (D) 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)."
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"(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 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 2017.

SEC. 248. 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.
(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 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
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"(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 2017.

SEC. 249. HECM SPOUSAL SURVIVAL. Section 255 of the National Housing Act (12 U.S.C. 1715z-20) is amended—
(a) in subsection (b)(2) 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 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 to establish the time period in 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 2017.

SEC. 250. 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 2017.
SEC. 251. 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 ", in a searchable database on the Web site of the appropriate Government agency, or through other electronic means, as determined by the Secretary—" after "in the Federal Register"; 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.".

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 2017.

SEC. 252. Paragraph (13) of section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) is amended by striking subparagraph (B) and inserting the following new subparagraph: "(B) PERCENTAGE LIMITATION. A public housing agency may use project-based assistance under this paragraph for not more than 20 percent of the authorized units for the agency.".

Explanation of this Section: This provision would change project-based voucher portfolio cap for PHAs. Currently, the limit is twenty percent of funding available for tenant-based assistance. The provision would change this to twenty percent of authorized units with tenant-based assistance.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.
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SEC. 253. Section 203(f)(2) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4133) is amended by adding the following after "any subsequent fiscal year.": "The Secretary may still determine the recipient did not carry out eligible activities in a timely manner in accordance with Section 405 of this Act."

Explanation of this Section: This proposal would clarify that regardless of the ability of IHBG recipients to accumulate grant funds for future use, HUD can still find that a recipient has failed to carry out eligible activities and expend grant funds in a timely manner. This proposal is necessary to ensure that IHBG recipients continue to spend grant funds and carry out eligible activities in a timely manner.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.


(1) in subparagraph (A), to read as follows: "(A) IN GENERAL.—Notwithstanding any other provision of this subsection, if the Secretary makes a determination that the failure of a recipient of assistance under this Act to comply substantially with any material provision (as that term is defined by the Secretary) of this chapter is resulting, and would continue to result, in a continuing expenditure of Federal funds in a manner that is not authorized by law, the Secretary may immediately take an action described in paragraph (1) before conducting a hearing."; and

(2) in subparagraph (B)(ii), to read as follows: "(ii) commence the hearing procedures not later than 60 days after the date on which the Secretary provides notice under clause (i)."

Explanation of this Section: This proposal would revise the IHBG hearing process for suspected unlawful spending of IHBG grant funds to allow HUD to immediately suspend funds provided that HUD commences hearing procedures within 60 days. (See NAHBG account for further justification)

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 255. Section 302 of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4152) is amended to add the following new subsection:

"(f) OVERFUNDING.—If the Secretary determines that a recipient received more block grant funding than it should have according to the allocation formula, the recipient shall repay the overfunding so that it may be properly allocated according to the formula. The recipient may repay the overfunding from past, current, or future grant amounts, or from other funds. If the recipient fails to make arrangements for repayment within a reasonable period of time, as determined by the Secretary, the
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Secretary may recoup the overfunding by offset against past, current, or future grant amounts. Nothing in this Act shall be construed as limiting the Secretary's authority to recoup overpaid grant funds; nor shall anything in this Act be construed as requiring formal hearing procedures or a finding of noncompliance for the Secretary to recoup overpaid grant funds."

Explanation of this Section: This provision would clarify that HUD has the right to recapture misallocated funds under the IHBG formula. If an IHBG recipient receives an overpayment of funding, all other recipients receive an underpayment. This provision clarifies that HUD has the authority to recoup overpaid funds from past, current and future IHBG grants without having to pursue costly and time consuming formal administrative hearing procedures. HUD believes it already has this authority. However, various IHBG recipients have challenged HUD's position and claimed the right to a formal administrative hearing before HUD may recoup overpaid IHBG funds. This proposal clarifies HUD's existing authority and is necessary to ensure that HUD may continue to administer the formula in an equitable manner. Program regulations do provide for an alternative yet extensive paper administrative appeal process that affords recipients several opportunities to appeal HUD formula determinations.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 256. Section 103(c)(3) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4113(c)(3)) is amended by striking "section 102(c)(5)" and inserting "section 102(b)(2)(D)"

Explanation of this Section: This is a technical amendment that corrects an incorrect citation.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 257. Section 184A(c)(4) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b(c)(4)) is amended by adding the following new subparagraph:

"(C) Direct Guarantee and Indemnification.—

"(i) 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."
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"(ii) Periodically, the Secretary may review the mortgagees originating or underwriting single family mortgages under this section, as follows:

"(aa) In conducting this review the Secretary shall compare that mortgagee with other mortgagees originating or underwriting loan guarantees for Native Hawaiian housing based on the rates of defaults and claims for insured single family mortgage loans originated or underwritten by that mortgagee.

"(bb) 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 affect the default risk of mortgages insured by the Secretary.

"(cc) In carrying out the periodic review of mortgagee performance, the Secretary shall implement such comparisons by regulation, notice, or mortgagee letter.

"(dd) The Secretary may terminate the approval of a mortgagee to originate or underwrite loan guarantees for Native Hawaiian housing if the Secretary determines that the mortgage loans originated or underwritten by the mortgagee present an unacceptable risk to the Native Hawaiian 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: This provision would authorize HUD to be indemnified by Section 184A lenders in the direct guarantee program. Lenders participating in the Section 184A direct guarantee program are able to underwrite loans for closing without prior HUD review. This provision protects HUD from losses incurred on loans that are issued in violation of HUD standards and other program requirements. HUD will be authorized to terminate noncompliant mortgagees from the program.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 258. CDBG DISASTER RECOVERY ADMINISTRATIVE EXPENSES.

Unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development for administrative costs of the Office of Community Planning and Development associated with funds appropriated to the Department for specific disaster relief and related purposes and designated by Congress as an emergency requirement pursuant to a Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act, including information technology costs and costs for administering and overseeing such specific disaster related funds, shall be transferred to the Program Office Salaries and Expenses, Community Planning and Development account for the Department, shall remain available until expended, and may be used for such administrative costs for administering any funds appropriated to the Department for any disaster relief and related purposes in any prior or future act, notwithstanding the purposes for which such funds were appropriated: Provided, That amounts transferred pursuant to this section that were previously designated by the Congress as an emergency requirement pursuant to a Concurrent Resolution on the Budget or the
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Balanced Budget and Emergency Deficit Control Act are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 and shall be transferred only if the President subsequently so designates the entire transfer and transmits such designation to the Congress.

Explanation of this Section: This provision authorizes unobligated funds remaining from funds initially appropriated for administrative costs of the Office of Community Planning and Development associated with funds appropriated for specific disaster relief to be transfer to the Program Office Salaries and Expenses, Community Planning and Development account. These funds may be used for administrative costs for administering any funds appropriated to the Department for any disaster relief and related purposes in any prior or future act. In three instances, Congress provided HUD with an administrative allowance to ensure appropriate oversight and management of CDBG-DR funds. This provision authorizes HUD to consolidate these remaining balances from the three administrative accounts into a single account that can be used to service all CDBG-DR appropriations.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 259. Section 231 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12771) is amended to read as follows:

"Sec. 231. SET-ASIDE FOR COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS.— The participating jurisdiction may reserve funds under this section for investment only in housing to be developed, sponsored, or owned by community housing development organizations. Each participating jurisdiction that chooses to set aside a portion of funds for community housing development organizations shall make reasonable efforts to identify community housing development organizations that are capable, or can reasonably be expected to carry out elements of the jurisdiction’s housing strategy, and to encourage such community housing development organizations to do so."

Explanation of this Section: This provision would eliminate the requirement in the HOME statute that 15 percent of each HOME allocation to be set aside for CHDO projects.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

Sec. 260. Section 218 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12748) is amended by striking subsection (g) and redesignating subsection (h) as subsection (g).

Explanation of this Section: This provision would eliminate the statutory HOME 24-month commitment requirement.
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**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.

**SEC. 261. CONTINUUM OF CARE TRANSITION GRANTS.**

Section 428 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11386b) is amended by adding at the end of the section, subsection (f) to read as follows:

"(f) TRANSITION FOR REALLOCATED GRANT.—

'(1) From amounts under this subtitle made available to carry out subtitle B and this subtitle, the Secretary may award one-year transition grants to recipients to transition from one Continuum of Care program component to another.

'(2) In order to be eligible to receive a transition grant, the project must have the consent of the Continuum of Care, and meet standards determined by the Secretary."

**Explanation of this Section:** This provision would allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another. When a grant for a project is awarded through reallocation, it is a new project and cannot start operations until the grant agreement has been executed. To avoid undue hardship on organizations, and to ensure that program participants are served in the most appropriate manner during the transition period, HUD is seeking authority to allow the eliminated project to continue operating during the transition period from the old to new grant. This proposal is cost-neutral but it allows an easier transition for HUD’s recipients.

**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.

**SEC. 262. PUBLIC HOUSING AGENCIES AS SUBRECIPIENTS OF EMERGENCY SOLUTIONS GRANTS.**

(a) Section 411 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371) is amended by—

(1) by redesignating paragraphs (6) through (9), as paragraphs (7) through (10), respectively; and

(2) by inserting a new paragraph (6) as follows:

"(6) The term "public housing agency" has the meaning given such term in section 3(b)(6) of the United States Housing Act of 1937."

(b) Section 414 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11373) is amended—

(1) in subsection (a) by inserting ", public housing agencies," after "(for distribution to local governments"; and

(2) in subsection (c) by—

(A) amending the heading to read— "Distributions to nonprofit organizations and public housing agencies.— ";

and

(B) inserting "and public housing agencies" after "private nonprofit organization" each time it appears.
General Provisions

**Explanation of this Section:** This provision would allow public housing agencies to be eligible subrecipients of Emergency Solutions Grants (ESG) program funds. PHAs are important providers of homeless services in many communities. They often provide services across several project types. However, they are currently prohibited from administering ESG activities as a subrecipient, which is an unnecessary burden, especially if the PHA is most qualified to provide such services. This provision proposes to remove that barrier and allow PHAs to serve as a subrecipient. This is a cost-neutral proposal.

**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.

**SEC. 263.** Section 363(2) of the Multifamily Mortgage Foreclosure Act (12 U.S.C. 3702(2)) is amended by—
(1) in subparagraph (D), striking "and"; 
(2) in subparagraph (E), striking the period and inserting "; and"; and
(3) by adding the following new subparagraph:
"(F) the Multifamily Assisted Housing Reform and Affordability Act (42 U.S.C. 1437f note)."

**Explanation of this Section:** This provision amends the definition of "multifamily mortgage" in Multifamily Mortgage Foreclosure Act, 12 USC 3702(2), to include a mortgage held by the Secretary pursuant to "(F) Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRAA), as amended, 42 USC 1437f note" so that foreclosure of HUD-held loans originated under MAHRAA would be resolved in federal court rather than state courts.

**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.

**SEC. 264.** 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, 2017" each place it appears and inserting in lieu thereof "October 1, 2019".

**Explanation of this Section:** This provision would extend the FY 2015 enacted sunset date for MAHRA to October 1, 2019. This change is being requested for the benefit of the Mark-to-Market program.

**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.

**SEC. 265.** 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 $10,000,000 may be transferred to and merged with amounts made available in the "Information Technology Fund" account under this title.
General Provisions

Explanation of this Section: This provision allows HUD to transfer up to $10 million from salaries and expenses to fund technology priorities throughout the Department.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 266. THRESHOLD REQUIREMENTS FOR LEAD-BASED PAINT HAZARD ELIMINATION IN FEDERALLY ASSISTED HOUSING. Section 302(a)(1) of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4822) is amended—

(1) in subparagraph (D) by inserting "which may be updated to adjust for inflation, using a publicly available price or cost index, as determined by the Secretary, and rounded down to a multiple of $1,000, as published by notice in the Federal Register with opportunity for public comment" following "less than $25,000 per unit"; and

(2) in subparagraph (E) by striking "$25,000 per unit in Federal funds" and inserting "the amount of Federal funds specified in subparagraph (D) of this paragraph".

Explanation of this Section: This provision would raise the threshold above which lead-based paint hazard abatement is required when substantial rehabilitation projects in target housing are conducted to reflect inflation. HUD would adjust the threshold by publishing a notice in the Federal Register for public comment. The effect would be more homes receiving interim control measures, which last 8-10 years, rather than no measures.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 267. HOPWA MODERNIZATION.

(a) Section 854(c) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12903(c)) is amended by—

(1) redesignating paragraph (3) as paragraph (5); and

(2) striking paragraphs (1) and (2) and inserting the following:

"(1) FORMULA ALLOCATION.—The Secretary shall allocate 90 percent of the amount approved in appropriations Acts under section 863 among States and cities as follows:

"(A) 75 percent among—

"(i) cities that are the most populous unit of general local government in a metropolitan statistical area with a population greater than 500,000, as determined by data compiled by the U.S. Census Bureau, and more than 2,000 persons living with the human immunodeficiency virus (HIV), using the data specified in subparagraph (C); and

"(ii) States with more than 2,000 persons living with HIV outside of metropolitan statistical areas; and
"(B) 25 percent of funds among States and cities that are the most populous unit of general local government in a metropolitan statistical area with a population greater than 500,000, as determined by data compiled by the U.S. Census Bureau, and more than 2,000 persons living with the human immunodeficiency virus (HIV), using the data specified in subparagraph (C) based on a combination of the housing cost factor described in subparagraph (D) and the community need factor described in subparagraph (E). The housing cost factor and community need factor to qualify a city for an allocation under this subparagraph (B) shall be based on the metropolitan statistical area in which the city is located.

"(C) SOURCE OF DATA.—The data to be used for allocating formula funds for any fiscal year shall be the number of persons living with HIV reported to and confirmed by the Director of the Centers for Disease Control and Prevention, as of December 31 of the most recent calendar year for which such data are available.

"(D) HOUSING COST FACTOR.—For purposes of allocations under subparagraph (B), the Secretary shall use a housing cost factor to account for differences in housing costs among States and metropolitan statistical areas. The housing cost factor shall be based on the fair market rents established by the Secretary pursuant to section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)) or such other methodology established by the Secretary through regulation.

"(E) COMMUNITY NEED.—For purposes of allocations under subparagraph (B), the Secretary shall use a community need factor to account for differences in poverty rates among States and metropolitan statistical areas. The community need factor shall be based on area poverty indexes or such other methodology established by the Secretary through regulation.

"(2) STOP-LOSS PROVISION FOR STATES AND CITIES.—For purposes of the formula allocation under paragraph (1), for fiscal year 2017 through fiscal year 2019, the Secretary shall require that a grantee's share shall not decrease more than 10 percent nor gain more than 20 percent of the share of total available formula funds under subtitle D of title VIII of the Cranston-Gonzalez National Affordable Housing Act that the grantee received in the preceding fiscal year. This provision shall not apply in fiscal year 2020 and thereafter.

"(3) CONTINUED AND RE-DETERMINATION OF ELIGIBILITY.—In fiscal year 2017 and thereafter, an applicant that is not eligible to receive a formula allocation under subsection (c)(1)(A) and (B) of this section in any or all of three consecutive fiscal years but received a formula allocation in the immediately preceding fiscal year shall be eligible to receive a formula allocation that is equal to amount representing a share of the total available formula funds, that, in each such fiscal year, is decreased not more than 10 percent of the share of the total available formula funds that the applicant received in the preceding fiscal year. In the fourth consecutive year of ineligibility and thereafter, the applicant will receive no formula allocation until it again becomes eligible under subsection (c)(1)(A) or (B) of this section, or any other then-applicable criteria for receiving formula allocation. This paragraph shall not apply to a city that becomes ineligible to receive a formula allocation solely on account of the city no longer qualifying as the most populous unit of general local government in the metropolitan statistical area.

"(4) ALTERNATIVE APPLICANT AND REALLOCATIONS.—

"(A) ALTERNATIVE APPLICANT.—The Secretary may award funds to an alternative applicant if—
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"(i) the eligible applicant makes a request for such award to the Secretary, and the Secretary approves the request;

(ii) the request of the eligible applicant is made pursuant to a written agreement between the applicant and the alternative applicant that addresses how the alternative applicant will take actions consistent with a comprehensive housing affordability strategy under section 105 of this Act; and

(iii) the alternative applicant is a Public Housing Agency, a Unified Funding Agency under section 401 (42 U.S.C 11360) and section 402 (42 U.S.C.11360a) of the McKinney-Vento Homeless Assistance Act, a State, a unit of general local government, or an instrumentality of State or local government.

(B) AGREEMENT TERM.—The written agreement under paragraph (4)(A) may be for a maximum term of ten years. The agreement may be renewed by the parties with the approval of the Secretary.

(C) REALLOCATIONS.—If an eligible State or city declines a formula allocation, or the Secretary determines, in accordance with criteria specified in regulation, that the eligible State or city is unable to properly administer its formula allocation, the Secretary shall reallocate the reserved funds to be administered in place of the State or city. The Secretary shall make the reallocations as follows:

(i) STATES.—The Secretary shall reallocate funds reserved for a State to one or more units of general local government within the State, as determined by the Secretary, to carry out eligible activities that meet the needs of eligible persons within the State.

(ii) CITIES.—The Secretary shall reallocate funds reserved for a city to the State(s) containing the metropolitan statistical area in which the city is located. When the metropolitan statistical area spans two or more states, the funds shall be reallocated pro rata based on the relative number of HIV cases or in accordance with other indications of need as prescribed by the Secretary. The state(s) shall use such reallocated funds to carry out eligible activities that address the needs within the metropolitan statistical area in which the city is located.

(iii) PRO RATA.—If the Secretary is unable to make a reallocation under either clauses (i) or (ii), the funds shall be reallocated on a pro rata basis under paragraph (1)."; and

(3) inserting at the end the following:

"(6) INTEGRATION.—Notwithstanding any other provision herein, all housing provided under this section shall be provided in the most integrated setting appropriate to the needs of any qualified persons with disabilities and shall be subject to the integration regulations under Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131–34) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 701). For purposes of this section, 'most integrated setting' means a setting in which persons with disabilities have the opportunity to interact with non-disabled persons to the fullest extent possible.’.

(b) Section 856(g) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12905(g)) is amended to read as follows:

"(g) ADMINISTRATIVE EXPENSES.—
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"(1) Grantees.—Notwithstanding any other provision of this subtitle, each grantee may use not more than 6 percent of the grant amount for administrative costs relating to administering grant amounts and allocating such amounts to project sponsors.

"(2) Project sponsors.—Notwithstanding any other provision of this subtitle, each project sponsor receiving amounts from grants made under this title may use not more than 10 percent of the amounts received for administrative costs relating to carrying out eligible activities under section 855, including the costs of staff necessary to carry out eligible activities.”.

(c) Section 858 of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 U.S.C. 12907) is amended—

(1) by revising the section title to read as follows: "SHORT-TERM AND MEDIUMTERM HOUSING INTERVENTIONS AND SERVICES.—"; and

(2) in subsection (a), amending paragraphs (1) and (2) to read as follows:

"(1) EMERGENCY SHELTERS AND OTHER-TERM FACILITY-BASED INTERVENTIONS.—

"(A) EMERGENCY SHELTERS.—Providing emergency shelter and services to such eligible persons by acquiring, leasing, renovating, repairing and converting buildings and other structures; and

"(B) SHORT-TERM FACILITIES.—Providing shelter in short-term facilities and services to such eligible persons by acquiring, leasing, renovating, repairing and converting buildings and other structures.

"(2) SHORT-TERM AND MEDIUM-TERM HOUSING INTERVENTION.—Providing rent assistance payments for short-term supported housing and rent, mortgage, and utilities payments to prevent homelessness of the tenant or mortgagor of a dwelling, and providing short and medium term rental assistance and housing relocation and stabilization services to homeless individuals or families or individuals at risk of homelessness, in a manner similar to the activities described in sections 415(a)(4) and (a)(5) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(4) and (a)(5)).";

(3) by amending subsection (b) to read as follows: "(b) PROGRAM REQUIREMENTS.—

"(1) TERM OF ASSISTANCE.—The Secretary shall prescribe, by regulation, the maximum term of housing assistance authorized under this section.

"(2) PLACEMENT.—A program assisted under this section shall provide for any individual who has remained in an emergency shelter or other short-term facility assisted under this section, to the maximum extent practicable, the opportunity for placement in permanent housing or other environment appropriate to the health and social needs of the individual.

"(3) PRESUMPTION FOR INDEPENDENT LIVING.—In providing assistance under this section in any case in which the residence of an individual is appropriate to the needs of the individual, a program assisted under this section shall, when reasonable, provide for assistance in a manner appropriate to maintain the individual in such residence."
“(4) CASE MANAGEMENT SERVICES.—A program assisted under this section shall provide each individual assisted under the program with an opportunity, if eligible, to receive case management and clinical services available from the appropriate social service agencies.”.

(d) Section 859(a)(1) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12908(a)(1)) is amended by inserting “for such limited periods of time as the Secretary may establish by regulation” after “low-income eligible persons”.

**Explanation of this Section:** This provision would make three changes to the HOPWA program:

1) It would update the HOPWA formula to base funding on the number of persons living with HIV; FMRs; and poverty. The current HOPWA formula bases funding on the number of AIDS cases as reported by the CDC. HUD has determined that the current formula is can be improved to better reflect current levels of need. The new formula would modernize the manner in which HOPWA funding is allocated while also ensuring some funding stability as HUD transitions to a new HOPWA formula.

2) This provision would increase the maximum cap on administrative expenses that HOPWA grantees and project sponsors can charge to their HOPWA grants. Relative to other programs, the cap on administrative expenses is significantly lower for the HOPWA program. The proposal allows grantees and project sponsors additional flexibility to use funds for these essential costs to ensure the successful administration of their HOPWA programs.

3) This provision allows HOPWA grantees to provide short-term and medium-term housing intervention in the manner that such assistance is provided under the Emergency Solutions Grant program for purposes of administrative ease.

**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.

**SEC. 268.** Section 8(x)(2)(B) of the United States Housing Act of 1937 (42 U.S.C. 1437f(x)(2)(B)) is amended by striking "18 months" and inserting "60 months".

**Explanation of this Section:** This provision extends housing voucher assistance from 18 months to 5 years for eligible Family Unification Program youth aging out of foster care.

**Proposed Action:** The President’s Budget proposes the addition of this provision in 2017.
SEC. 269. 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—

(a) in the undesignated paragraph before the first proviso, by inserting the following before the colon: "( "First Component" herein)";

(b) in the second proviso, by striking "until September 30, 2018" and inserting "for fiscal year 2012 and thereafter";

(c) by striking the fourth proviso;

(d) in the thirteenth proviso, as amended (reordered) above, by—

(I) inserting "or nonprofit" before "entity, then a capable entity,"; and

(II) striking "preserves its interest" and inserting "or a nonprofit entity preserves an interest";

(e) in the seventeenth proviso, as amended (reordered) above, by—

(I) inserting "or with a project rental assistance contract under section 202(c)(2) of the Housing Act of 1959," after "section 8(o) of the Act,";

(2) inserting "or assistance contracts" after "for such vouchers"; and

(3) inserting the following before the colon: "( "Second Component" herein)";

(f) by inserting the following proviso before the eighteenth proviso, as amended (reordered) above: "Provided further, That conversions of assistance under the Second Component may not be the basis for re screening or termination of assistance or eviction of any tenant family in a property participating in the demonstration:";

(g) in the nineteenth proviso, as amended (reordered) above, by striking "previous proviso" and all that follows through the end of the proviso and inserting "Second Component, except for conversion of Section 202 project rental assistance contracts, shall be available for project-based subsidy contracts entered into pursuant to the Second Component:";

(h) in the twentieth proviso, as amended (reordered) above, by striking "previous two provisos" and inserting "Second Component, except for conversion of Section 202 project rental assistance contracts,";

(i) in the twenty-first proviso, as amended (reordered) above, by striking "three previous provisos" and inserting "Second Component, except for conversion of Section 202 project rental assistance contracts";

(j) by inserting the following proviso before the twenty-second proviso, as amended (reordered) above: "Provided further, That the Secretary may transfer amounts made available under the heading "Housing for the Elderly" to the accounts under the headings "Project-Based Rental Assistance" or "Tenant-Based Rental Assistance" to facilitate any Section 202 project rental assistance contract conversions under the Second Component, and any increase in cost for "Project-Based Rental Assistance" or "Tenant-Based Rental Assistance" associated with such conversion shall be equal to amounts so transferred:"; and

(k) in the twenty-third proviso, as amended (reordered) above, by striking "previous four provisos" and inserting "Second Component, as applicable,".
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Explanation of this Section: This proposal makes the following changes to the Rental Assistance Demonstration program:

- Eliminates the 185,000 unit cap on public housing projects that could convert assistance to long-term Section 8 rental assistance contracts;
- Eliminates the deadline of September 30, 2018 for submission of RAD Applications under the first component;
- Standardizes ownership and control requirements for converted public housing properties by extending the baseline standard of permitting non-profit ownership at conversion to situations where low-income housing tax credits are used or where foreclosure, bankruptcy, or default occurs;
- Authorizes a tenant’s right to continued occupancy under the second component; and
- Expands the second component of RAD to include the conversion of Section 202 project rental assistance contract (PRAC) properties.

Proposed Action: The President’s Budget proposes to include this provision in 2017.

Sec. 270. Housing Choice Voucher Mobility Demonstration.—

(a) Authority.—To encourage families to move to lower-poverty areas and expand access to opportunity areas, the Secretary of Housing and Urban Development (hereafter referred to as "Secretary") is authorized to implement a mobility demonstration, including approving up to 10 regional housing mobility programs established by public housing agencies (hereafter referred to as "PHAs") to administer Housing Choice Voucher assistance under section 8(o) of the United States Housing Act of 1937 (hereafter referred to as "1937 Act") (42 U.S.C. 1437f(o)).

(b) Demonstration Requirements.—

(1) IN GENERAL.—The Secretary must establish the competitive selection criteria and requirements for participation in the demonstration. The Secretary may require participating PHAs to use a randomized selection process among the families eligible to receive mobility assistance under this demonstration.

(2) REGIONAL HOUSING MOBILITY PLAN.—Applicant PHAs must submit a Regional Housing Mobility Plan (hereafter referred to as "the Plan").

(A) The Plan must meet all requirements established by the Secretary and must identify—

(i) the PHAs that will participate and the number of vouchers each participating PHA will make available out of their existing programs in support of the mobility demonstration;

(ii) any community-based organizations, nonprofit organizations, businesses, and other entities that commit to participate;

(iii) any waivers or alternative requirements requested for the execution of the Plan; and

(iv) specific actions that the PHAs and other entities will undertake to accomplish the goals of the demonstration, which must include a comprehensive approach to enable a successful transition to opportunity areas and may include counseling and continued support for families.
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(B) The Plan may also establish preferences for participating families, including a preference for families with children, based on regional housing needs and priorities.

(c) Funding for Mobility-Related Services.—In order to provide mobility-related services, PHAs participating in this demonstration may use administrative fees under section 8(q) of the 1937 Act (42 U.S.C. 1437f(q)), their administrative fee reserves, and funding from private entities. Mobility-related services may include but are not limited to such things as counseling, portability coordination, landlord outreach, and administrative activities associated with establishing and operating regional mobility programs.

(d) Waivers.—
(1) The Secretary may waive or specify alternative requirements for any provision of sections 8(o), 8(r), or 8(x) of the 1937 Act, except for requirements related to fair housing, nondiscrimination, labor standards, or the environment, upon a finding that such waiver or alternative requirement is necessary to implement and administer a Plan.

(2) The Secretary must publish by notice in the Federal Register any waivers or alternative requirements for statutory provisions no later than 10 days before the effective date of such notice.

(e) Implementation by Notice.—The Secretary may implement the demonstration, including its terms, procedures, requirements, and conditions, by notice.

(f) Evaluation.—No later than five years following implementation of the regional housing mobility programs, the Secretary must publish an evaluation of the effectiveness of the demonstration, subject to the availability of funding to conduct the evaluation.

Explanation of this Section: This provision would authorize up to ten regional housing mobility programs established by PHAs that administer Housing Choice Vouchers. The programs would be selected on a competitive basis and would encourage proposals that include a comprehensive approach to enable residents to make successful transitions to opportunity areas. Mobility-related services may include counseling, portability coordination, landlord outreach, and administrative activities associated with establishing and operating regional mobility programs.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 271. CIVIL MONEY PENALTIES.—Section 202a(c)(1) of the Housing Act of 1959 (12 U.S.C. 1701q-1) is amended by adding the following new subparagraph at the end:

"(N) Failure to maintain the premises, accommodations, any living unit in the property, or the grounds and equipment appurtenant thereto in good repair and condition in accordance with regulations and requirements of the Secretary."

Explanation of this Section: This provision expands list of violations that may incur a monetary penalty of 202 property owners to include failure to maintain the property.
Proposed Action: The President’s Budget proposes the addition of this provision in 2017.

SEC. 272. Section 421(a)(1) of the Housing and Community Development Act of 1987 (12 U.S.C. 1715z-4a(a)(1)) is amended—

(1) in subparagraph (B) by striking "(including property subject to section 202 of such Act as it existed before enactment of the Cranston-Gonzalez National Affordable Housing Act of 1990)" and inserting "of the Housing Act of 1959 or section 811 of the Cranston-Gonzalez National Affordable Housing Act of 1990";
(2) in subparagraph (C), by striking "or";
(3) by redesignating subparagraph (D) as subparagraph (E);
(4) by adding a new subparagraph (D) to read as follows: "(D) assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), excluding subsection (o), section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) or section 811 of the Cranston-Gonzalez National Affordable Housing Act of 1990"; and
(5) by amending the undesignated matter after the newly redesignated subparagraph (E) to read as follows: For purposes of this section, a use of assets or income in violation of the regulatory agreement, or such other form of regulatory control as may be imposed by the Secretary or any applicable regulation shall include any use for which the documentation in the books and accounts does not establish that the use was made for a reasonable operating expense or necessary repair of the property and when the property has not been maintained in accordance with the requirements of the Secretary and in reasonable condition for proper audit, or, in the case of assistance described under subparagraph (D), when any distribution is made when the property is not decent, safe, or sanitary."

Explanation of this Section:

This provision proposes to expand HUD’s authority to seek double the specified financial damages endured by HUD and mortgagors under the PBRA, Section 202 and 811 programs when project owners fail to maintain their properties in accordance with program requirements. Currently, HUD is able to enforce these penalties under its various insurance programs, but does not have similar enforcement capacity for properties only receiving a subsidy.

Proposed Action: The President’s Budget proposes the addition of this provision in 2017.