U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20410-0001

April 26, 1996

MEMORANDUM

TO: Bruce Katz

FROM: Lori Bamberger

RE: Summary

Attached are three summaries of administrative provisions:

1) What's in the Omnibus Appropriation
2) How our foremost concerns were addressed and/or rectified
3) Appropriations items that passed in January, as part of the Balanced Budget Downpayment Act, I.

The first two charts are pretty much exhaustive, and only leave out special projects authorized. I would delete some of this (especially: the New York provisions, the "other" category, and some others for public consumption.

I am also almost done with a comparison of Blue I to what we got. I'd like to talk to you or Jon about that before I finish, however.

April 26, 1996
FINAL DRAFT

KEY ADMINISTRATIVE PROVISIONS CONTAINED IN FINAL FY 1996 OMNIBUS APPROPRIATION

Provision	Summary
Section 8: Incremental Assistance	Provides $400 million in funding for Section 8 NONINCREMENTAL uses for: 1) relocation from PH and assisted housing; 2) replacement housing; 3) litigation settlements; 4) conversion of section 23 projects; 4) Allocation Plans (designated housing); 5) Family unification program; 6) witness relocation under the Operation Safe Home anti-crime program for public housing.
Section 8: Streamlining Reforms	Makes Section 8 Streamlining reforms contained in FY 1995 Rescission bill: Eliminates the "take 1, take all" requirement, burdensome notice requirements, and the endless lease.
Public Housing and Section 8: Minimum Rent Waiver for Hardship	Allows 3-month waiver of minimum rent requirement for all families affected by minimum rents (enacted in the January, 1996 Continuing Resolution).
Public Housing: Suspension of 1-for-1 replacement requirement	Suspends 1-for-1 replacement housing requirement (which previously required that every unit demolished be replaced with a new unit) through the end of the fiscal year.
Public Housing: Mandatory Demolition and Conversion to tenant-based assistance	Requires conversion of public housing assistance to tenant-based Section 8 assistance or appropriate site revitalization activities, associated with large, severely distressed projects that cannot be reasonably revitalized. Allows Secretary to halt unnecessary spending associated with such projects, and to require local PHAs to ensure that such projects are identified and removed from the inventory. Allows recapture and reuse of previously appropriated, but unused budget authority.

Provision	Summary
Public Housing: Severely Distressed Developments	Establishes a new program for severely distressed public housing for demolition, revitalization, replacement housing, and tenant-based assistance. Allows withdrawal of funding if grantee does not proceed expeditiously.
Public Housing: Consolidated Capital Funding	Enacts a de-facto consolidated capital fund by allowing mod and unobligated prior year funds modernization and development funds to be used for priority replacement housing and any eligible activity under the modernization program, including demolition, rehab, revitalization and replacement.
Operation Safe Home	Allows non-incremental Section 8 assistance to be used for witness relocation efforts associated with the Operation Safe Home initiative. Sets aside $2.5 million from Drug Elimination grants for Operation Safe Home.
Public Housing: Supportive Services	Allows up to $53 million to be provided as grants to public and Indian Housing authorities, nonprofits, and other appropriate entities for supportive services to assist public and Section 8 assisted housing residents to become self-sufficient. Funding may be used for: congregate services for the elderly and disabled, service coordinators, and education, job training, job search assistance, assistance related to retaining employment, vocational development, transportation, and child care.
Public Housing: Welfare-to-Work	Authorizes a demonstration for up to 30 PHAs to test approaches to moving public housing residents to working opportunities and economic self sufficiency. Allows merging of all funding streams (public housing mod, op subs and Section 8), and appropriate waivers of rent laws. Provides $5 million for technical assistance. Targets 75 percent of funding to very low-income families.
Public Housing: Funding for Severely Troubled PHAs	Allows use of Mod TA funding to support intervention by HUD or receivers in connection with improving severely troubled PHAs.

Provision	Summary
Public Housing: Anti-Drug and Crime Funding	Authorizes $290 million for drug elimination grants, including $10 million for TA, and 6.5 percent setaside for assisted housing. Allows $2.5 million for Operation Safe Home. Redefines "drug-related crime" to include other types of crime determined by the Secretary.
Economic Development Initiative (EDI) and Section 108	Sets aside $50 million from CDBG for the EDI program.
Emergency Supplemental for the Pacific Northwest	Provides $50 million for CDBG grants in connection with the floods in the Pacific Northwest.
CDBG and HOME: NY Allocation	Allows the Secretary to award 35% of funding for State of New York for multiyear commitments; and allows funds for State of NY for the HOME program to be made available to the Chief Executive Officer of the State or designee.
FHA: Preservation	Provides $624 million for a revised, flexible preservation program (also enacted previously in the Extender bill). These reforms would provide owners with a right to prepay and allow the Department to provide flexible vouchers to eligible tenants to prevent displacement from those properties whose owners prepay.
FHA: Portfolio Reengineering Demonstrations	Authorizes mark-to-market demonstrations for up to 15,000 units, and provides $30 million for these purposes. These demonstrations will be critical to determining how to address the impending wave of contract expirations on close to one million units of affordable housing during the next few years.
FHA: MF PD	Provides $192 million for property disposition and authorizes flexibility to the Department in disposing of properties and mortgage notes, and in providing grants for rehabilitation. Allows funding of rehab grants to be shifted to the FHA Fund. These flexibilities were also enacted in the January 1996 CR.

Provision	Summary
FHA: Abate and Recapture	Allows the Department to recapture and reuse amounts associated with Section 8 contracts that are terminated, in order to provide continued assistance to eligible families.
FHA: SF Assignment	Extends the single family assignment reforms enacted under the Balanced Budget Downpayment Act, I to all loans originated in FY 1996. Clarifies the savings provision for mortgagors who default prior to the date of enactment of this Appropriation.
FHA: Cost-Savings Offsetting Device	Allows FHA to offset certain program costs with revenue earned from mortgage sales, and to use such amounts until expended.
FHA: HUD-held mortgages	Allows the Secretary to delegate functions associated with mortgage foreclosure.
FH&EO: FHIP/FHAP	Provides $30 million for the Department's fair housing grant programs: the FHAP program and the FHIP program, and allows Secretary to allocate among both programs.
S&E: Micromanagement	Caps HUD at 8 Assistant Secretaries (same as current law), 77 Schedule Cs, and 20 non-career SES employees by 9/30/96.
Program Extensions	Extends programs, including CDBG Homeownership program, use of excess receipts in the flexible subsidy program, the setaside for the Colonias; the 221(g)(4) auction program; utility cost-sharing with PHAs; the FHA multifamily risk-sharing programs; characterization of multifamily refinancing.
Lead-Based Paint	Authorizes Lead-Based Paint income-targeting changes.

Provision	Summary
Other	Repeals the Frost-leland program; prohibits spending associated with sanctions resulting from State or local English-only laws; prohibits spending associated with illegal lobbying activities; prohibits spending associated with investigating or prosecuting otherwise lawful activities engaged in for the purpose achieving or preventing action by a government official or entity; amends CDBG to allow certain reconstruction.

4/25/96

Outstanding Concerns Rectified

Provision	HR 2099, As Vetoed by President	Final Omnibus Appropriation
Funding Concerns		
EDI	Eliminated	$50 million restored.
HOPE VI	Reduced by more than 50% to $280 million.	$200 million additional restored, to a total of $480 million.
S&E	No additional dollars provided for downsizing.	No additional dollars provided for downsizing.
Funding Changes from Vetoed Bill		
Section 202 Supportive Housing for the Elderly	Funded at $780	Added $50 million, to $830, but only for increased contract terms.
Section 811 Supportive Housing for the Disabled	Funded at $233	Added $25 million, to $258 million, but only for increased contract terms.
Property Disposition	Funded at $261	Reduced to $192 million, the amount necessary for FY 1996, given other authorities provided in the January CR.
Emergency Supplemental	0	$50 million for CDBG grants.
Authorizing Riders		
FH&EO	Transferred FH&EO to the Department of Justice	Eliminated Provision

Provision	HR 2099, As Vetoed by President	Final Omnibus Appropriation
Micromanagement	Eliminated one Assistant Secretary position, froze Schedule Cs at 77, and non-Career SESs at 20.	Restored one assistant Secretary position, to a total of 8. Retained freeze of Schedule Cs at 77; non-career SESs at 20.
Minimum Rents	Required all public housing and Section 8 assisted residents to pay minimum rents of $25. Allowed minimum rents to be charged as high as $50.	Allows 3-month waiver of minimum rent provision for any household with particular hardship.
Section 8 Income targeting	Removes federal preferences without ensuring that assistance goes to very low-income households	No change.
Authorizing Problems		
Move to Work Demo	Imposed an arbitrary aggregate cap on demo	Eliminated aggregate cap
PHA Netting	Did not assure ability to retain unexpended amounts over time.	Explicitly authorizes netting and ability to use unexpended amounts until expended.
Troubled PHAs	Did not authorize use of Mod TA in conjunction with HUD takeovers of troubled PHAs	Rectified: authorizes use for troubled PHAs.
Mixed Income	Reduces use restriction from 30 years to 20 years.	Makes some fixes.
Hope VI	Requires competition.	Eliminates competition; instead, requires factors in determining awards.

Provision	HR 2099, As Vetoed by President	Final Omnibus Appropriation
Frost Leland	Senate version of HR 3019 required HUD reimbursement of indebtedness of large loan.	Eliminated reimbursement requirement.

Key Appropriations Administrative Provisions enacted as part of the Balanced Budget Downpayment Act, I on January 26, 1996

Provision	Summary of Content
Federal Preferences	Eliminates federal preferences in the public housing and Section 8 assisted housing programs. This provision will enable public housing to overcome its extreme concentration of the poverty by facilitating mixed income communities of poverty.
Rent Reforms to Make Work Pay	Allows public housing authorities to set rents in a way which disregards earned income -- encouraging work -- and to set ceiling rents at levels which are competitive with the market -- allowing PHAs to attract and retain in occupancy low-income families with relatively higher incomes.
Expiring Section 8 contracts	Authorizes a one-year interim solution to the impending cascade of Section 8 project-based assistance contract expirations, in a manner which achieves baseline rescoring, protects tenants, and ensures owners that a long-term solution will be crafted during FY 1996. For one year only, requires renewals of most expiring contracts at current rents.
FHA Single Family Assignment Program	Permanently eliminates the FHA single family assignment program for loans originated in FY 1995 and prior years, and gives FHA new loss mitigation/foreclosure avoidance tools. This provision resulted in over $1 billion in savings.

Section 8 Administrative Provisions	Reduced FMRs from 45th to the 40th percentile of rental distributions; Froze Section 8 Administrative Fees at 1995 levels; Delays reissuance of tenant-based assistance upon turnover for 3 months.
FHA Multifamily Property Disposition	Provides flexibility in disposing of properties and notes in HUD's inventory, and allows payment of rehabilitation grants to be made out of the FHA fund. These flexibilities are essential to operating at severely reduced funding levels.
Minimum Rents	Requires PHAs and the Secretary to charge every public housing resident and Section 8 assisted household minimum rents of at least $25, and provides discretion to set minimum rents of up to $50.
Program Extensions	Extends the Home Equity Conversion Mortgage program through FY 1996. Also, earlier CR extended FHA single family commitment authority through the end of the fiscal year.

April 30, 1996

KEY ADMINISTRATIVE PROVISIONS CONTAINED IN FINAL FY 1996 OMNIBUS APPROPRIATION

Provision	Summary
Eliminates Funding for incremental rental assistance subsidies to new households with severe housing needs.	For the first time since Congress enacted the Section 8 tenant-based rental assistance program in 1968, Congress eliminated all funding for new, currently unassisted households. The Section 8 program provides subsidies to low-income families to live in privately owned, affordable housing of their choice, and is the Nation's primary mechanism to address the needs of 5.3 million families who have "worst-case" housing needs.
Limits Section 8 tenant-based assistance to nonincremental, though critical, purposes	Provides $400 million in funding for Section 8 tenant-based NONINCREMENTAL uses for: 1) relocation from PH and assisted housing; 2) replacement housing; 3) litigation settlements; 4) conversion of section 23 projects; 4) Allocation Plans (designated housing); 5) Family unification program; 6) witness relocation under the Operation Safe Home anti-crime program for public housing.
Streamlines the Section 8 rental subsidy program to make it operate efficiently in the private sector	Makes Section 8 Streamlining reforms contained in FY 1995 Rescission bill: Eliminates the "take 1, take all" requirement, burdensome notice requirements, and the endless lease. These reforms enable the program, which provides subsidies to tenants to live in privately owned housing of their choice, the function efficiently and effectively with private sector (landlord) partners.

50M → EDI
move $, sevly dis'd, homeless

ended up at   823 from 760
96 → $19.2 B   vetoed $20.256

- didn't get $100M in OP
  20M in severely distressed
- hit in annual contracts -$300M (we shortened contract renewals)
- incremental: we wanted $865M ~~total~~

Provision	Summary
Public Housing and Section 8: Waiver of Minimum Rent Requirement	Allows 3-month waiver of minimum rent requirement for all families affected by minimum rents. The January, 1996 Balanced Budget Downpayment Act, I, required all public housing and Section 8 assisted households to pay minimum rents of between $25 and $50, regardless of their abilities to pay. This waiver attempts to reflect the Administration's concern that minimum rents could cause mass evictions of the Nation's most vulnerable households.
Public Housing: Suspension of 1-for-1 replacement requirement	Suspends 1-for-1 replacement housing requirement (which previously required that every unit demolished be replaced with a new unit) through the end of the fiscal year.
Public Housing: Mandatory Demolition and Conversion to tenant-based assistance	Requires conversion of public housing assistance to tenant-based Section 8 assistance or appropriate site revitalization activities, of certain large, severely distressed projects that cannot reasonably be revitalized. Allows Secretary to halt unnecessary spending, and to ensure that actions are taken. Allows recapture and reuse of previously appropriated, but unused budget authority.
Public Housing: Severely Distressed Developments	Establishes a new program for severely distressed public housing for demolition, revitalization, replacement housing, and tenant-based assistance. Allows withdrawal of funding if grantee does not proceed expeditiously.
Public Housing: Consolidated Capital Funding	Enacts a de-facto consolidated capital fund by allowing mod and unobligated prior year funds modernization and development funds to be used for priority replacement housing and any eligible activity under the modernization program, including demolition, rehab, revitalization and replacement.
Operation Safe Home	Allows non-incremental Section 8 assistance to be used for witness relocation efforts associated with the Operation Safe Home initiative. Sets aside $2.5 million from Drug Elimination grants for Operation Safe Home.

Provision	Summary
Public Housing: Supportive Services	Consolidates funding for the Department's supportive service programs by allowing up to $53 million to be provided as grants to public and Indian Housing authorities, nonprofits, and other appropriate entities for supportive services to assist public and Section 8 assisted housing residents to become self-sufficient. Funding may be used for: education, job training, job search assistance, employment-retention services, vocational development, transportation, child care, congregate services for the elderly and disabled, and service coordinators. The Department will also use a portion of this funding for Bridges to Work, an interagency demonstration oriented to linking inner city low-income persons with jobs in the greater metropolitan area.
Public Housing: Welfare-to-Work	Authorizes a demonstration for up to 30 PHAs to test approaches to moving public housing residents to working opportunities and economic self sufficiency. Allows merging of all funding streams (public housing mod, op subs and Section 8), and appropriate waivers of rent laws. Provides $5 million for technical assistance. Targets 75 percent of funding to very low-income families.
Public Housing: Funding for Severely Troubled PHAs	Allows use of Mod TA funding to support intervention by HUD or receivers in connection with improving severely troubled PHAs.
Public Housing: Anti-Drug and Crime Funding	Authorizes $290 million for drug elimination grants, including $10 million for TA, and 6.5 percent setaside for assisted housing. Allows $2.5 million for Operation Safe Home. Redefines "drug-related crime" to include other types of crime determined by the Secretary.
Economic Development Initiative (EDI) and Section 108	Sets aside $50 million from CDBG for the EDI program, an economic development program which leverages private investment in distressed communities. In FY 1995 alone the combination of the EDI and Section 108 loan guarantee program helped over 100 communities create or retain over 70,000 jobs.

Provision	Summary
Emergency Supplemental for the Pacific Northwest	Provides $50 million for CDBG grants in connection with the floods in the Pacific Northwest.
FHA: Preservation of Affordable Multifamily Housing	Provides $624 million for a revised, flexible preservation program. These reforms would provide owners with a right to prepay and allow the Department to provide flexible vouchers to eligible tenants to prevent displacement from those properties whose owners prepay.
FHA: Expiring Section 8 Contracts/Portfolio Reengineering Demonstration	Authorizes mark-to-market demonstrations for up to 15,000 units, and provides $30 million for these purposes. These demonstrations will be critical to determining how to address the impending wave of contract expirations on close to one million units of affordable housing during the next few years.
FHA: Multifamily Property Disposition	Provides $192 million for property disposition and authorizes flexibility to the Department in disposing of properties and mortgage notes, and in providing grants for rehabilitation. Allows funding of rehab grants to be paid for by the FHA Fund. These flexibilities were also enacted in the January 1996 CR.
FHA: Abate and Recapture of Section 8 project-based rental assistance	Allows the Department to recapture and reuse amounts associated with Section 8 contracts that are terminated, in order to provide continued assistance to eligible families.
FHA: Single Family Assignment	Extends the single family assignment reforms enacted under the Balanced Budget Downpayment Act, I to all loans originated in FY 1996. Clarifies the savings provision for mortgagors who default prior to the date of enactment of this Appropriation.
FHA: Cost-Savings Offsetting Device	Allows FHA to offset certain program costs with revenue earned from mortgage sales, and to use such amounts until expended.
FHA: HUD-held mortgages	Allows the Secretary to delegate functions associated with mortgage foreclosure.

Provision	Summary
Fair Housing Initiatives Program and Fair Housing Assistance Program	Provides $30 million for the Department's fair housing grant programs: the FHAP program, administered by states, and the FHIP program, which provides grants to nonprofit organizations, and allows Secretary to allocate among both programs.
S&B: Staffing Reductions	Caps HUD at 8 Assistant Secretaries (same as current law), 77 Schedule Cs, and 20 non-career SES employees by 9/30/96.
Program Extensions	Extends programs, including CDBG Homeownership program, use of excess receipts in the flexible subsidy program, the setaside for the Colonias; the 221(g)(4) auction program; utility cost-sharing with PHAs; the FHA multifamily risk-sharing programs; characterization of multifamily refinancing.
Lead-Based Paint	Authorizes Lead-Based Paint income-targeting changes.

OUTSTANDING CONCERNS RECTIFIED

Provision	HR 2099, As Vetoed by President	Final Omnibus Appropriation
Funding Concerns		
Economic Development Initiative	Eliminated	$50 million restored.
Severely Distressed Public housing	Reduced by more than 50% to $280 million.	$200 million additional restored, to a total of $480 million.
S&E for Reinvention, Downsizing, and Relocation.	No additional dollars provided.	No additional dollars provided.
Funding Changes from Vetoed Bill		
Section 202 Supportive Housing for the Elderly	Funded at $780	Added $50 million, to $830. Requires this increase to assist in funding longer-term subsidy contracts rather than additional units subsidized.
Section 811 Supportive Housing for the Disabled	Funded at $233	Added $25 million, to $258 million. Requires this increase to assist in funding longer-term subsidy contracts rather than additional units subsidized.
FHA Multifamily Property Disposition	Funded at $261	Reduced to $192 million, the amount necessary for FY 1996, given other authorities provided in the January CR.
Emergency Supplemental for Pacific Northwest	0	$50 million for CDBG grants.

Provision	HR 2099, As Vetoed by President	Final Omnibus Appropriation
Authorizing Riders		
Fair Housing	Transferred the Department's responsibilities in enforcing and administering the Fair Housing Act to the Department of Justice	Eliminated Provision
Micromanagement	Eliminated one Assistant Secretary position, froze Schedule Cs at 77, and non-Career SESs at 20.	Restored one assistant Secretary position, to a total of 8. Retained freeze of Schedule Cs at 77; non-career SESs at 20.
Minimum Rents	Required all public housing and Section 8 assisted residents to pay minimum rents of $25. Allowed minimum rents to be charged as high as $50.	Allows 3-month waiver of minimum rent provision for any household with particular hardship.
Section 8 Income targeting	Removes federal preferences without ensuring that assistance goes to very low-income households	No change.

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Expiring Section 8 contracts/Portfolio Reengineering	Authorizes a one-year interim solution to the impending cascade of Section 8 project-based assistance contract expirations, in a manner which achieves baseline rescoring, protects tenants, and ensures owners that a long-term solution will be crafted during FY 1996. For one year only, requires renewals of most expiring contracts at current rents.
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Program Extensions	Extends the Home Equity Conversion Mortgage program through FY 1996. Also, earlier CR extended FHA single family commitment authority through the end of the fiscal year.

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April 26, 1996
FINAL DRAFT

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FHA Multifamily Property Disposition	Provides flexibility in disposing of properties and notes in HUD's inventory, and allows payment of rehabilitation grants to be made out of the FHA fund. These flexibilities are essential to operating at severely reduced funding levels.
Minimum Rents	Requires PHAs and the Secretary to charge every public housing resident and Section 8 assisted household minimum rents of at least $25, and provides discretion to set minimum rents of up to $50.
Program Extensions	Extends the Home Equity Conversion Mortgage program through FY 1996. Also, earlier CR extended FHA single family commitment authority through the end of the fiscal year.

HUD FY 1996 BUDGET

EXECUTIVE SUMMARY

"The country needs a Federal commitment to communities, to its cities, to affordable housing, to local economic development, and to the housing needs of its poorest and most vulnerable citizens. The nation at this time in history must reassure its cities and their citizens that it remains committed to their role in America's future."

Secretary Henry G. Cisneros
"Reinvention Blueprint"
December 19, 1994

OVERVIEW

The U.S. Department of Housing and Urban Development (HUD) has a vital mission to perform: making America's communities better places to live by supporting local efforts to expand affordable housing, homeownership and job opportunities. The proposed FY 1996 budget for HUD establishes a strong foundation for transforming the way in which HUD serves America's communities. The budget and legislative program of the Department propose to change the character of HUD by creating the framework for an agency that is modern, streamlined, efficient, accountable, performance-driven, fully responsive to local needs and supportive of efforts to help people improve their lives.

The FY 1996 budget honors the commitments made by the Department in the Reinvention Blueprint issued in December 1994. It provides a pool of flexible funding for communities, supports local initiatives, gets HUD out of the business of prescribing top-down solutions for local problems, gives low-income people the opportunity to make real choices about where they live, offers greater homeownership opportunity for hard-working Americans, and streamlines HUD's bureaucracy. In FY 1996, localities will control 46.8 percent of HUD appropriations -- up from 33.2 percent in FY 1995.

The Department's proposed FY 1996 budget is a downpayment on a multi-year process that will create vast new opportunities for partnerships among HUD, state and local governments, the private sector and community-based organizations. It will allow HUD and its partners to do a better job of fulfilling the Department's mission. The ultimate result of reinvention will be a Department that meets the public's desire for a government that costs less, works better, and is less intrusive in their lives. At the end of the transition, it will:

Consolidate 60 HUD programs into three flexible, performance-based funds. HUD proposes to create partnerships that allow state and local governments broad flexibility in program design and administration. HUD is not proposing to replace narrow programs with open-ended block grants. Instead, HUD is creating performance partnerships, emphasizing responsibility and accountability: localities and states would be given greater flexibility to administer Federal resources in exchange for setting and meeting nationally and locally identified performance goals.

Transform public housing by providing assistance directly to families rather than projects and bureaucracies. Low-income families should be given maximum choice about decisions affecting their own lives. Operating subsidies would be converted to rental assistance for residents, who would be free to choose to stay where they are or seek housing in the private rental market. Public housing would become part of a system in which deregulated housing authorities would compete for subsidized and unsubsidized low-income tenants in a competitive marketplace. During the transition, all public housing funding will be consolidated into two formula-allocated funds operating under more flexible rules.

Establish an entrepreneurial, government-owned FHA corporation. FHA would become a streamlined, entrepreneurial government-owned corporation that uses innovative risk-sharing partnerships and market mechanisms to achieve its public purposes of expanding homeownership opportunities for low- and moderate-income families and providing a source of affordable rental housing. During the transition, FHA's numerous insuring authorities will be streamlined into two -- single-family and multifamily -- and the process of restructuring FHA's costly multifamily portfolio will begin.

At the same time, the Department is required to live within tight fiscal restraints. The proposed budget reflects hard choices and addresses forthrightly the existing long- term contractual commitments that have driven the steady growth in HUD's budget. As a result, in FY 1996 alone, the budget includes savings of $860 million in outlays and $7.6 billion in budget authority relative to FY 1995 program levels, adjusted for inflation. Over the next five years, savings of nearly $13 billion in outlays and more than $51 billion in budget authority will be realized.

The fundamental changes proposed in HUD policies coupled with the long-term commitment to reducing outlays and budget authority will produce a Department that is both leaner and better organized to enable communities to solve their housing and economic problems.

THE FY 1996 BUDGET

Reinvention: Program Consolidations

Consolidation of HUD's categorical programs into seven performance partnerships funds -- for Affordable Housing, Community Opportunity, Homeless Assistance, Housing Opportunities for Persons with AIDS, Housing Certificates for Families and Individuals, Public and Indian Housing Operation, and Public and Indian Housing Capital -- will almost immediately shift control over resources from the Federal government to states and localities. This is a fundamental restructuring of HUD's relationship with thousands of housing authorities and local governments, tens of thousands of private owners of rental housing, and the approximately 4.7 million households that currently receive rental assistance. With HUD's new program structure, jurisdictions can develop their housing and economic development strategies without having to worry about complex, narrow and often conflicting program guidelines.

Following are descriptions of the performance-based funds proposed in the budget.

AFFORDABLE HOUSING PERFORMANCE FUND

The FY 1996 budget proposes $3.3 billion for the consolidation of current grants for housing production and rehabilitation -- including homeownership initiatives -- into a single, flexible Affordable Housing Performance Fund. Funds would be provided to states and localities on a formula basis, with a national set-aside for native Americans.

A comprehensive housing policy must assure that a sufficient quantity of decent housing is available for low-income families to rent. This new Fund will serve as a funding mechanism for what were previously myriad independent programs, including the HOME Investment Partnerships program and the Section 202 and 811 programs for the elderly and disabled, respectively. As a streamlined, flexible delivery system for the development of affordable housing, the Fund would support a wide range of eligible activities, including:

-- housing acquisition, rehabilitation and construction of affordable housing, particularly housing for special populations; and

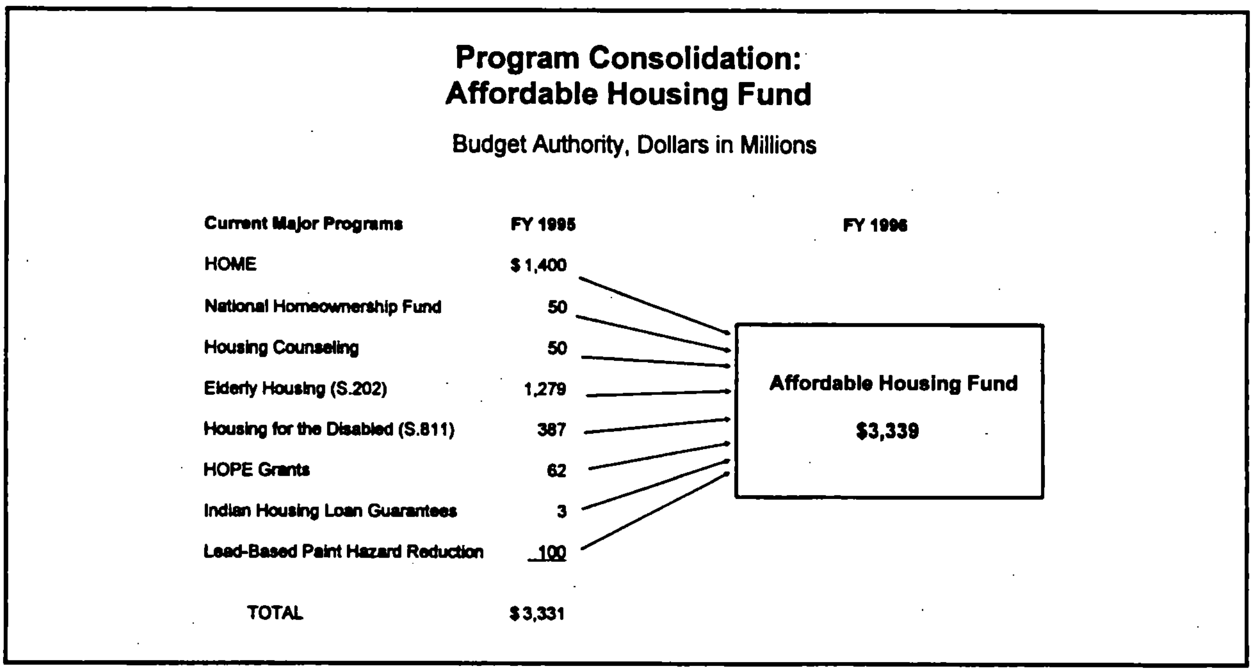
-- homeownership efforts that draw moderate income families back to or help stabilize distressed communities.

The blueprint for how a community would use its AHF would be outlined in that locality's Consolidated Plan, which would identify housing needs, actions to address those needs, and performance measures, all within the context of that locality's plan for community revitalization. The Department will establish performance-based program standards for localities that will affect their future Fund allocation levels. However, to the extent possible, HUD will remove administratively complex and burdensome requirements that can be replaced with broader requirements than can be implemented locally.

Affordable Housing funds would be allocated to states, cities and urban counties using the current HOME formula, which distributes 40 percent to states and 60 percent to local jurisdictions. The current set-aside levels would be maintained for community housing development organizations.

A portion of the appropriation for the Fund would be available for use as an incentive to reward grantee performance that exceeds appropriate performance targets.

Through the transition phase of the Department's reinvention program, the Homeless Assistance Fund and Housing Opportunities for Persons with AIDS would remain separate programs.



COMMUNITY OPPORTUNITY PERFORMANCE FUND

The FY 1996 budget proposes $4.85 billion to consolidate current HUD grants for community economic development into a single Community Opportunity Performance Funds program. The consolidated program would provide localities and states with flexible funding for economic revitalization and renewal of distressed communities and for leveraging non-Federal resources.

In addition to providing affordable housing opportunities, HUD strives to foster community economic development and employment opportunities for residents of urban areas. This program would build on the highly successful and popular Community Development Block Grant (CDBG) program by providing localities with the flexibility to fund a wide range of community-based economic development and revitalization activities now served by independent programs. These include the CDBG program and other programs that are functionally linked to CDBG, including: the Section 108 loan guarantee program, the Economic Development Initiative, Colonias assistance, the Heinz Neighborhood Development program, and special purpose grants funded under Section 107 of the Housing and Community Development Act of 1974.

Funds would be allocated using the current CDBG formula: 30 percent of the amount appropriated after deducting amounts designated for Indian tribes and other mandated set-asides, and the remaining 70 percent to the larger cities and counties in the United states on an entitlement basis. The Department will seek to ensure that, upon enactment of this proposal, grantees may to the greatest possible extent use unobligated CDBG and Community Opportunity Fund resources under one set of rules.

As with the Affordable Housing Performance Fund, the blueprint for how a grantee uses its Fund allocation would be determined by its Consolidated Plan, through which it identifies community and neighborhood development needs, actions to address those needs, and measures against which its performance will be judged.

A portion of the appropriation for the Community Opportunity Funds would be available for use as an incentive to reward grantee performance that exceeds appropriate performance targets.

Program Consolidation: Community Opportunity Fund/CDBG

Budget Authority, Dollars in Millions

Current Major Programs	FY 1995
CDBG	$4,600
Economic Development Initiative	300
UDAG Recaptures	(100)
Youthbuild	50
Colonias	*
Historically Black Colleges	*
Work Study Program	*
Joint Community Development	*
Community Outreach	*
Early Childhood Development	*
Insular Areas	*
Technical Assistance	*
Neighborhood Development	*
Community Adjustment Planning	*
TOTAL	$4,850

FY 1996

Community Opportunity Fund/CDBG

$4,850

* Funded as set-aside from CDBG appropriation.

HOMELESS ASSISTANCE FUND

The FY 1996 budget proposes $1.12 billion to create a single Homeless Assistance Fund program to provide flexible support on a formula basis to states, local governments, nonprofit organizations, and Indian tribes.

This new grant program would consolidate the existing HUD McKinney programs -- Shelter Plus Care, Section 8 Moderate Rehabilitation (SRO), Emergency Shelter Grants, Supportive Housing, Homeless Assistance Grants, and the Innovative Homeless Initiative -- into a single Homeless Assistance fund to enable communities to shape a competitive, flexible, coordinated "continuum of care" approach to solving homelessness.

The reinvention proposal would create a single, formula-driven grant to states and localities. This would give localities added flexibility, enabling them to fashion a competitive system that addresses the needs of different populations and ensures that the various elements of the system -- emergency, transitional and permanent housing, with supportive services when necessary -- are in balance. The community would have maximum flexibility to shape solutions, and a strong framework for results-oriented accountability would be established. At the same time, participation by not-for-profit providers and others would be required, both in developing and implementing the plan.

A portion of the appropriation for the Homeless Assistance Fund would be held back to provide incentives for grantees who exceed appropriate performance standards.

It is anticipated that, after a transition period, the Homeless Assistance Fund would be incorporated into the Affordable Housing Fund.

Program Consolidation:
Commitment to Special Needs Population
Homeless Assistance Fund

Budget Authority, Dollars in Millions

Current Major Programs	FY 1995	FY 1996
Emergency Shelter Grants	$ 157	Homeless Assistance Fund $1,120
Supportive Housing	34	
Innovative Homeless Initiative	25	
Homeless Assistance Grants	905	
Shelter Plus Care	-	
Section 8 SRO	-	
TOTAL	$1,121	

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

The budget proposes a 1996 appropriation of $186 million to meet the special housing needs of persons with AIDS.

The Housing Opportunities for Persons with AIDS program is authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990. Eligible recipients include states, units of local government and, under limited circumstances, nonprofit organizations. As with the Affordable Housing and Community Opportunity Performance funds recipients must have a HUD-approved Comprehensive Plan to be eligible for funding under this program.

The program allocates funds to grantees based on the incidence of AIDS. Such activities include: housing information and coordination services; short-term supported housing and services; short-term rental assistance; single-room occupancy dwellings; and community residences and services.

At the end of a specified transition period, this program would also be merged into the Affordable Housing Fund. A transition period is needed to assure that the service supported aspects of the program can be delivered through other mainstream programs that meet community needs.

HOUSING CERTIFICATES FOR FAMILIES AND INDIVIDUALS PERFORMANCE FUNDS

The budget proposes $7.67 billion for consolidation of all Section 8 rental assistance programs that provide housing assistance to families and individuals.

Consolidation of Section 8 rental assistance programs -- certificates, vouchers, contract renewals, Section 8 certificates for persons with special needs, and Choice in Residency, and self-sufficiency programs -- into a performance-based fund is the first step toward consolidating all current public housing, assisted housing and rental assistance programs into one fund for tenant-based housing assistance administered at the state and local level.

In FY 1996, the Department's budget proposes to provide 50,000 additional households with new certificates to help them afford rental housing in the private market. In addition, all expiring Section 8 contracts would immediately be renewed through this new, flexible performance fund for housing certificates administered by the states and localities.

Administering state and local agencies would be granted flexibility in designing their housing certificate program. They would be required to use Federal income limits for eligibility, but could design other eligibility requirements, establish preferences for family participation, and have broad control over the way the program works. HUD would still require that certain national objectives -- housing quality and deconcentration, freedom of choice and portability, and administrative competence -- be met by administering agencies.

HUD will allocate assistance to states and localities on the basis of estimates of per unit needs for assistance. HUD will consider both the need to provide continuing assistance to current users of certificates and assistance to serve unmet needs for housing assistance, relative to those needs in other states.

A portion of the appropriation for Housing Certificates would be set aside to provide bonus allocations to grantees who exceed appropriate performance standards.

Program Consolidation:
Housing Certificate Fund

Budget Authority, Dollars in Millions

Current Major Programs	FY 1995	FY 1996
Section 8 Certificates	$2,386	Housing Certificate Fund $7,665 (50,000 Incremental units)
Section 8 Vouchers	–	
Section 8 Contract Renewals	3,336	
Section 8 Family Unification	76	
Section 8 Certificates for Persons with Disabilities	–	
Section 8 for Persons w/AIDS	–	
Section 8 for Homeless	–	
Section 8 Opt-Outs	83	
Section 8 Counseling	[171]	
Section 8 Pension Fund Partnerships	[350]	
Lease Adjustments	22	
Family Self Sufficiency Coordinators	17	
TOTAL	$5,970 (62,774 incremental units)	

REINVENTION: TRANSFORMING PUBLIC HOUSING

Public housing has worked in many communities. However, the rigid, top-down command and control system for public housing management that has evolved over the years has left too many people living in the poorest conditions, at a high cost of wasted lives and taxpayer dollars. The Department proposes to transform the current public housing system by: giving residents market choice in the search for affordable housing; ending the monopoly of housing authorities over Federal housing resources, and accelerating the demolition of uninhabitable or non-viable public housing developments.

During a transition phase, all public housing programs would be consolidated into two accounts for capital expenditures and operations; a performance-based system would be instituted through deregulation of more than 3,300 well-performing housing authorities; steps would be taken to improve the operations of more than 100 severely troubled authorities; and thousands of severely deteriorated units would be demolished and replaced either with tenant-based certificates or small-scale, scattered-site housing.

Ultimately, all direct capital and operating subsidies to housing authorities would cease, with subsidy funds being converted to rental assistance certificates to the greatest possible extent and funded through the Housing Certificates Performance Fund.

Following are descriptions of the two funds that will be created in FY 1996.

PUBLIC AND INDIAN HOUSING OPERATION PERFORMANCE FUND

The FY 1996 budget proposes $3.2 billion for a consolidated public housing operating grants program.

This proposal would allocate operating funds for public housing authority operation according to the existing performance funding formula. However, HUD plans to permit the use of operating funds for the anti-crime purposes of the Community Partnerships Against Crime (COMPAC) initiative proposed in HUD's FY 1995 budget and legislative program. The anti-crime allocation formula would automatically fund large urban housing authorities and smaller authorities with serious crime problems.

Consistent with the Department's goal of program consolidation and deregulation, Federal preferences for admission to public housing would be eliminated and housing authorities would be free to adopt local preferences as long as those preferences do not adversely impact protected populations. In addition, housing authorities would be permitted to set their own income limits under certain circumstances.

A revised series of Public Housing Management Assessment Program (PHMAP) indicators would be used by the Department as a tool to rate housing authority performance.

At the end of a specified transition period, the Operating Fund would be folded into tenant-based Housing Certificates Families and Individuals, and housing authorities would be required to compete in the marketplace for low-income residents with other providers of rental housing.

PUBLIC AND INDIAN HOUSING CAPITAL PERFORMANCE FUND

The budget proposes $5.2 billion to consolidate all current public housing capital programs into a single Public and Indian Housing Capital Performance Funds program. This program would provide Federal resources to rehabilitate and restore viable public housing in need of cost-effective modernization, demolish uninhabitable and non-viable public housing projects, and construct replacement housing where feasible.

Funds for public housing capital and management improvement would be allocated by a formula similar to that used in the current comprehensive grant program. Funds could be used for the entire range of purposes currently permitted under the programs being consolidated, including: development of new units; vacancy reduction; modernization, including management improvements; demolition and relocation; supportive services coordination and delivery; support of resident empowerment; economic development; community service; and replacement reserves.

The Department will seek the authority it needs to permit demolition of properties that cannot be made marketable, as long as relocation assistance in the form of hard units or certificates adequately protects sitting tenants.

At the end of a specified transition period, the Capital Fund would be terminated and folded into tenant-based Housing Certificates Families and Individuals, and housing authorities would be required to compete in the marketplace for low-income residents with other providers of rental housing.

Program Consolidation:
Transforms Public Housing

Budget Authority, Dollars in Millions

Current Major Programs	FY 1995	FY 1996
Public Housing Development	$ 598	Public Housing Capital Fund $5,171
Public Housing/Indian Housing Amendments	50	
Indian Housing Development	282	
Severely Distressed Public Housing	500	
Public Housing Coordinators	[30]	
Tenant Opportunity Program	[25]	
Urban Youth Corps	[10]	
PH/IH Modernization	3,700	
Family Investment Centers	26	
TOTAL	$5,156	
PH Operating Subsidies	$2,900	Public Housing Operating Subsidies Fund $3,220
Drug Elimination Grants	290	
PH Service Coordinators	30	
TOTAL	$3,220	

Reinvention: The FHA Corporation

In the last decade, the private housing finance market grew more sophisticated and efficient at delivering capital to housing, but FHA -- once an effective market leader -- lagged behind. FHA's bureaucratic structure and rules impede sound business practice, and its one-size-fits-all products cannot be tailored to local needs or specialized markets. To operate effectively, FHA must change dramatically, relying more on market incentives and private-sector partners to boost housing production and increase homeownership. At the same time, the national goal of meeting the needs of underserved individuals and communities demands that FHA remain a public-sector institution.

The reinvention of FHA will create a government-owned, market-driven enterprise that would use Federal credit enhancement to finance expanded homeownership opportunities and the development of affordable rental housing. Continued HUD oversight would ensure that the new FHA corporation would provide state and local governments and community-based housing providers with an effective credit enhancement tool to leverage demand-side subsidies available through Housing Certificates for Families and Individuals, and supply-side subsidies from the Affordable Housing and Community Opportunity Performance Funds.

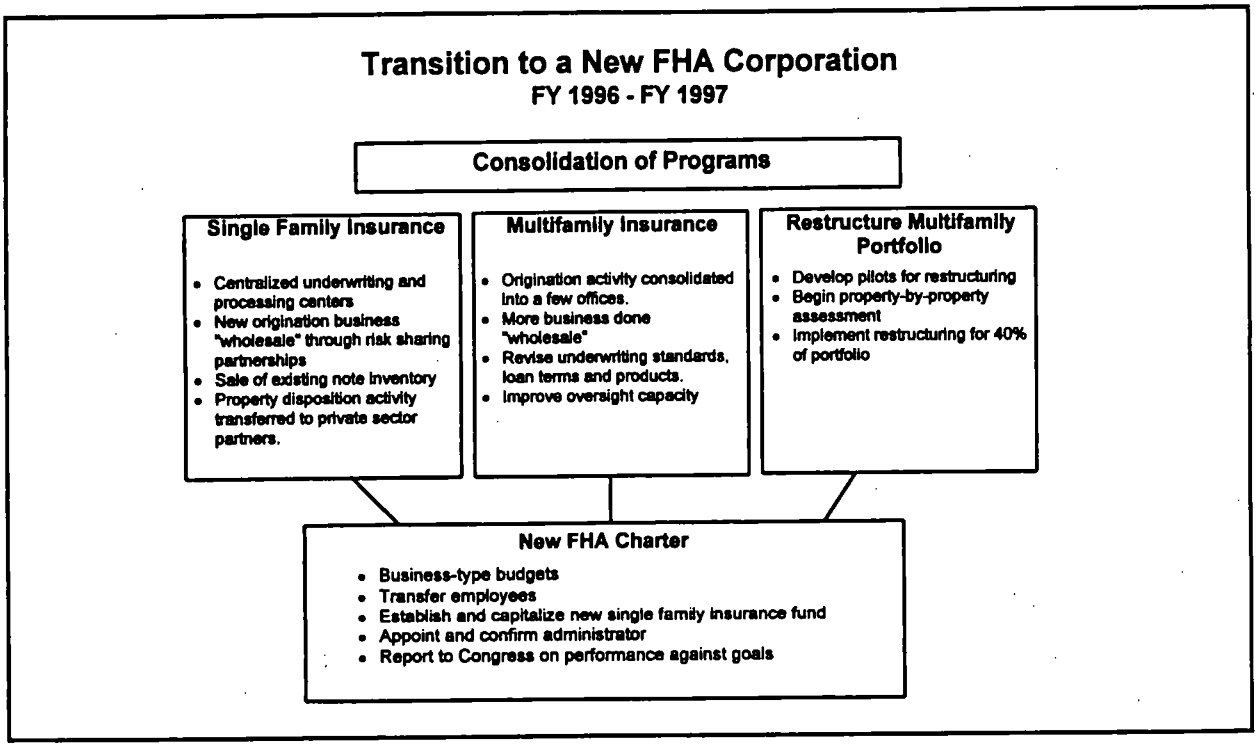
The new FHA corporation would consolidate FHA's existing insurance programs into broad single-family and multifamily insurance authorities.

The new FHA would rely increasingly on partnerships with well-capitalized, sophisticated financial institutions, including Fannie Mae and Freddie Mac, the Federal Home Loan Banks, private mortgage insurance companies, state and local housing finance agencies and community-based organizations, to design a variety of products that meet market needs. This new partnership will ensure that FHA insurance and credit enhancement is delivered as effectively and efficiently as possible, and will permit FHA to develop innovative products to meet unique community needs.

A new FHA would be authorized to design and price its own products, subject to its ability to meet performance goals that measure social outcomes and impact, budget needs and financial performance.

Multifamily Restructuring. Reinvention of FHA would permit the restructuring of debt on FHA's existing portfolio of insured multifamily properties, which will achieve meaningful cost savings, enhance housing quality, and allow properties to compete in the marketplace for renters holding tenant-based assistance. Many older insured and assisted properties lack the necessary resources to be maintained as quality housing. HUD's traditional approach has been to authorize higher rents and pay for them by adding more section 8 assistance or a Flexible Subsidy loan. This practice will cease.

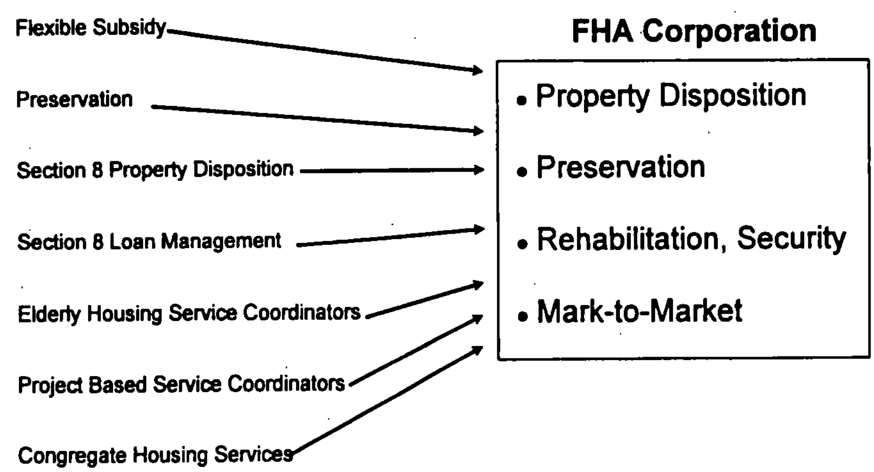
Many of these older projects have been sheltered from the conventional rental market, and the excessive rents they require would not permit them to compete in the market. Rather than continuing to artificially prop up these properties with more rental assistance, HUD believes it is better and less expensive to establish these properties' true market value. It is better to pay a partial or full insurance claim earlier rather than later, thus reducing future risks and losses. As part of this approach, debt service on some properties would be reduced based on a "mark-to-market" approach to allow them to compete in the rental market without relying on project-based rental assistance. As necessary, these properties would also be provided with access to capital for repairs and project-based certificates during a short transition period.



Housing Resolution Fund

The 1996 budget also requests a flexible source of funding to meet the physical needs of properties that receive project-based rental assistance. This assistance is necessary to make projects marketable before the conversion of project-based subsidies to tenant-based assistance and the allocation of such assistance to states and localities for administration. The Department thus proposes to initiate multifamily housing resolution activities to provide this flexible source of funding. The goals of these activities are to: avert prepayments and thus preserve the older inventory as affordable rental housing; dispose of HUD-owned or -held properties; and rehabilitate or provide for the security needs of older, viable projects.

**Program Consolidation:
Restructuring Multifamily Housing Activity**



Outlay Savings

The Department proposes to achieve over a five-year period approximately $13 billion in outlay savings from existing programs using, where possible, market principles. These savings are measured from the Office of Management and Budget (OMB) current services baseline.

Policy Changes to Rental Assistance ($3.4 billion). The largest single source of outlay savings is drawn from rental assistance programs: public housing, tenant-based assistance, and project-based assistance programs. Together, these programs account for three-quarters of all HUD spending in FY 1995. The Department is proposing a number of changes to these programs, which will yield $3.4 billion in savings over the next five years. Among the anticipated outlay savings from these programs are:

- *Rewarding Work ($500 million).* The Department is proposing to change tenant admission rules to give greater preference to families that are either working or work-ready (i.e. enrolled in job training or education programs. This will reward work and families who are playing by the rules, increase the average income of subsidized families and thus drive down the Federal subsidy per assisted household. As a further incentive to work, the budget proposes to lower the rent payment for tenants from 30 percent of adjusted gross income to 20 percent on new earned income above $5,000.

- *Stop Oversubsidizing Private Landlords ($1.7 billion).* HUD proposes a market-disciplining process for its FHA-insured subsidized, project-based inventory. Rather than renewing all project-based contracts at current inflated debt levels, HUD proposes to restructure debt on older assisted projects to reflect their lower, true market value. In turn, rent subsidies will be pegged at market rent levels, rather than the above-market rent levels currently used. Through a systematic "mark-to-market" process, projects that are either too expensive or that are in such bad shape will be cut loose from the assisted housing inventory. Section 8 New Construction/Substantial Rehabilitation contracts as well as contracts from the older assisted inventory will be restructured in this fashion.

  HUD is also renewing its FY 1995 request to scale back the automatic rent increases paid to owners of assisted housing whose contracts are not expiring. By marginally reducing annual adjustment factors (AAFs) for units with sitting tenants, the Department will conform to the pattern normally found in the private rental market, where rents are increased more when a change in occupancy takes place. The Department also proposes to deny future rent increases to properties whose current rents exceed the average local market rents for comparable unassisted nonluxury housing.

- *Reduce Fair Market Rents ($594 million).* HUD once again is proposing to reduce fair market rents from the 45th to the 40th percentile of the distribution of local rents of recent movers. This change in fair market rents alone will reduce average tenant-based subsidies by 3 percent. Reducing fair market rents is a fairer way to reduce the per unit subsidy costs than raising tenant rent contributions, because tenants continue to have the option to find less expensive units and because the poorest recipients simply cannot afford higher rents.

Rescissions of Lower Priority Funding ($476 million). HUD proposes to rescind $476 million in funds appropriated in FY 1995. Specific rescissions include:

- *Preservation ($150 million).* Among the proposed rescissions is $150 million appropriated in FY 1995 for the preservation/prepayment program. HUD believes that the program is too complex and overly generous to some landlords receiving benefits.

  Beginning in 1996, preservation-eligible properties will be included in HUD's legislative proposal to restructure its project-based inventory of rental properties. All low-income tenants will be protected with tenant-based assistance, that empowers residents and subjects owners to the discipline of market competition.

- *Choice in Management ($100 million).* HUD proposes to rescind funding for a public housing management reform proposal from the previous Administration which was never implemented.

- *Lead Paint ($80 million).* The Budget proposes rescinding $80 million of FY 1995 funding for removal of lead-based paint hazards in privately owned housing. HUD continues to believe that lead paint removal is absolutely critical to ensuring the Nation's private housing stock is environmentally sound. However, the Department has already made 64 grants for lead-paint hazard reduction totaling $279 million, which is a significant stimulus to state and local governments to take the initiative in this area and to promote a more fully developed abatement industry. There is currently has a backlog of unspent abatement grant funds, and HUD believes there is not enough certified technical capacity to utilize existing levels of funding.

Streamlining ($800 million). As a result of streamlining its headquarters and field office operations, HUD is proposing a five-year $800 million reduction in Departmental salaries and expenses. When this process is complete, HUD staff will be reduced from the current level of 12,000 to about 7,500. In FY 1995, HUD plans to begin this streamlining process by offering buyouts to up to 1,000 current employees.

Outlay reductions from baseline ($3.3 billion). The Budget projects phased reductions in baseline budget authority from major HUD programs over the next 5 years. Reductions in budget authority will result in corresponding reductions in outlays.

Asset Sales ($236 million). The Department is proposing to sell $6.6 billion in non-performing FHA mortgages. Savings reflect greater efficiency of the private sector in managing these loans.

HUD Outlay Savings
FY 1996 - FY 2000

Outlays, Dollars in Billions

Policy Changes to Rental Assistance	$ 3.4
Across the Board Reductions FY 1997-FY 2000	3.3
Streamlining HUD	0.8
Performance Bonuses	0.8
Rescissions	0.4
Asset Sales	0.2
Technical Adjustments and Other Changes	4.0
TOTAL	$ 12.9

Budget Authority Savings

The proposed Budget represents the first step in achieving a five-year total savings of $51 billion in budget authority below current baseline levels. This savings is achieved in the following ways:

- *Freeze Outyear Budget Authority at FY 1995 Level ($14.8 Billion).* Budget constraints do no permit continued growth in appropriations beyond FY 1996. The budget assumes, instead, that appropriations for all programs will be frozen, with no adjustment for inflation, at FY 1996 levels.

- *Reduced term of Section 8 contract renewals ($16.7 billion).* HUD will continue to practice the policy of renewing all expiring Section 8 rental subsidy contracts. However, given HUD's budget authority constraints, the Department cannot continue the practice of multi-year renewals of expiring contracts. In FY 1998, for example, contracts on 620,000 housing units assisted under four different project-based and tenant-based subsidy programs will all expire in the same year.

  Unless fundamental changes are made, the cascading of multiple year renewals will cause ever-greater spikes in the amounts of budget authority needed to renew expiring contracts. Shortening the length of contracts is needed to give the Department greater control over the budget process. Shortening the renewal terms of expiring contracts, by itself, will have no impact on the overall level of resources necessary to continue subsidizing households who get the contracts.

- *Reduced term of incremental contracts ($4.0 billion).* In addition to shortening the terms of renewal contracts, the budget proposes to shorten the term of all new incremental contracts to two years. This change should have little effect on the subsidy that tenants receive.

- *Reductions from current baseline ($7.2 billion).* The budget proposes additional across-the-board reductions in outlays for major programs, government-wide by 3, 5, 7 and 9 percent in FYs 1997, 1998, 1999 and 2000 respectively from the current baseline. These reductions are necessary to comply with the discretionary caps in law and the extension of these caps through FY 2000 proposed by the Administration.

- *Other Savings ($2 billion).* In addition to reductions described above, approximately $1 billion in budget authority is saved from rescinding or recapturing low-priority previous year appropriations. An additional $825 million in administrative savings will be realized from downsizing HUD's bureaucracy consistent with the reinvention blueprint.

HUD Budget Authority Savings
FY 1996 - FY 2000

Budget Authority, Dollars in Billions

Hard Budget Authority Freeze (No inflation)	$ 14.8
Shorten Contract Renewal Terms	16.7
Shorten Incremental Terms	4.0
Across the Board Reductions	6.0
Technical Adjustments and Other Changes	8.3
Rescissions	0.5
Streamlining HUD	0.8
Asset Sales	0.2
TOTAL	$ 51.4

FAIR HOUSING AND OTHER REGULATORY PROGRAMS

Changing the way the Department delivers on its mission does not eliminate the need for HUD to continue to provide regulatory oversight in a number of key areas. For example, the reinvention of HUD and spending reductions will not come at the expense of the Department's responsibility to enforce fair housing and equal opportunity. Housing opportunity must be made a reality for all Americans. The availability of homeownership opportunities and rental housing free from discriminatory impediments are essential to strengthening America's communities. The Department's proposed budget seeks to ensure that housing markets are open to all qualified home seekers, that action is taken at the Federal, state and local levels to eliminate discriminatory barriers, and that Federal civil rights and fair housing laws are vigorously enforced.

- **Fair Housing Enforcement.** The budget provides $45 million to expand support for two existing programs -- the Fair Housing Initiative Program (FHIP) and the Fair Housing Assistance Program (FHAP) -- that enable HUD, working with nonprofit groups and state and local governments, to aggressively enforce the nation's fair housing laws. This funding will enable the Department to assist an increasing number of state and local agencies who administer fair housing laws that have been certified as "substantially equivalent" to the Fair Housing Act.

- **Government Sponsored Enterprises (GSEs).** GSEs benefit greatly from the implicit government guarantee they receive. Close attention must be paid to ensure that their mission serves a public purpose and makes credit to all, including low-income communities and minority populations. HUD will continue to perform its statutory role of overseeing the activities of the government sponsored housing enterprises.

- **Real Estate Settlement Procedures Act (RESPA).** HUD must protect the interests of consumers in negotiating through the complex transactions associated with the real estate settlement process. The Department will continue its active enforcement of the RESPA statute and regulations.

- **Manufactured Housing.** HUD is responsible for ensuring that manufactured housing complies with Federal construction and safety standards. Regulation of manufactured housing will continue in order to ensure that manufactured housing remains a safe, low-cost source of housing and homeownership.

CONCLUSION

The Administration believes that dismantling HUD, as some have suggested, would be a tragic mistake. HUD is the primary Federal agency that speaks to the needs of the very poor, and those needs are on the rise. For example, the number of very low-income renters paying more than 50 percent of their income for shelter jumped 700,000 between 1989 and 1993. Their numbers now total 5.6 million, more than the total number of families now receiving HUD assistance. The effectiveness of the Federal government in meeting the often interrelated needs of strengthening communities, making housing affordable, meeting the living needs of the poorest and most vulnerable populations, and protecting the basic rights of fair housing and equal opportunity are enhanced when they are combined in one agency.

HUD's proposed FY 1996 budget recognizes that the current way in which the Department does business is outmoded and inefficient, and accordingly the Administration is proposing the most dramatic changes in housing and community development policy in more than a generation. If the budget and accompanying legislative program are enacted, HUD will demonstrate that the Federal government can, in true partnership with other levels of government and the private sector, effectively and efficiently make a difference in the lives of people and communities.