Government National Mortgage Association

The Government National Mortgage Association (Ginnie Mae or GNMA) was created in 1968 through amendment of Title III of the National Housing Act. GNMA, a wholly owned Government corporation within HUD, was established to support Federal housing initiatives by providing liquidity to the secondary mortgage market and by attracting capital from the Nation's capital markets into the residential mortgage markets.

Office of Mortgage-Backed Securities

GNMA's principal activity is its Mortgage-Backed Securities (MBS) program, through which it guarantees the timely payment of principal and interest to investors in privately issued "Ginnie Mae" securities. These securities are backed by pools of residential mortgages insured by FHA, or guaranteed by VA or FmHA. Each year, GNMA-guaranteed securities finance approximately 95 percent of all single-family loans insured by FHA and guaranteed by VA. GNMA's guaranty is backed in turn by the full faith and credit of the United States Government.

Since 1970, the MBS program has provided the capital to finance the purchase or refinancing of homes for approximately 16.3 million American families. In FY 1993 alone, GNMA provided the liquidity through the secondary market for the purchase or refinancing of approximately 1.6 million homes.

Program Activity

GNMA's net income for FY 1993 was $494.4 million, a decrease of $25.7 million from the FY 1992 net income of $520 million. The decrease was primarily caused by a reduction in interest income of $27.5 million, which resulted partially from lower interest rates earned on U.S. Treasury investments. This decline in revenue was offset by an increase in mortgage-backed security income of $10.4 million, resulting from increased commitment and guarantee fees.

In FY 1993, GNMA guaranteed the issuance of $118.2 billion in mortgage-backed securities, bringing the total amount of securities issued to $868 billion. Approximately $415.9 billion in outstanding securities were guaranteed at the end of FY 1993. GNMA's total assets increased from $3.2 billion in FY 1992 to $3.7 billion in FY 1993.

Program Improvements

During FY 1993, GNMA continually reviewed its programs, system networks, financial management, and capital adequacy to strengthen its operations and to measure risk and minimize future losses. GNMA has several initiatives under way that will strengthen its ability to channel funds from the capital markets to the mortgage markets.

- Strategic Framework Project--As part of a business reengineering project currently under way, GNMA expects to complete the strategic framework component of the project in FY 1994. This component will analyze GNMA's existing organization and infrastructure to determine its ability to support current and future Federal housing initiatives. The project will also define system modification needs and will develop performance measurements, against which GNMA can benchmark its accomplishments toward established goals.

- Real Estate Mortgage Investment Conduit (REMIC)--The GNMA REMIC program creates a new type of security backed by GNMA's mortgage-backed securities. GNMA will issue multiclass REMIC securities backed by the full faith and credit of the United States

Government. These new REMIC securities will pay investors based on multiclass securities concepts, including differences in timing, interest rate, and prepayment speeds.

At the end of FY 1993, GNMA had \$3.6 billion in acquired servicing rights outstanding, a \$4.7 billion reduction from FY 1992, mainly due to an aggressive sales program of single- and multifamily servicing rights.

Office of Public and Indian Housing

The Office of the Assistant Secretary for Public and Indian Housing (PIH) serves very low-income families and individuals who live in public housing, Section 8 assisted housing administered by public housing agencies (PHA's), and Native American housing.

Comprehensive Improvement Assistance Program (CIAP)

CIAP funds a wide range of modernization activities in smaller housing authorities (less than 250 dwelling units) on a competitive basis. In FY 1993, \$316.8 million was made available. Grants are used to improve the physical condition and upgrade the management and operation of existing public housing developments to ensure that such developments continue to be available to serve lower income families. Examples of eligible physical and management improvements include funding for repair and replacement of roofs and boilers, installation of energy-efficient windows, improved lighting for security, staff to improve rent collection, and kitchen remodeling.

Comprehensive Grant Program (CGP)

The CGP funded the modernization needs of larger housing authorities (HA's) (250 or more dwelling units). It provided financial assistance, on a formula basis, for modernizing public and Indian housing, giving housing authorities greater discretion and flexibility in planning and implementing modernization activities. In FY 1993, more than $2.6 billion was made available.

Lead-Based Paint

In FY 1993, $11.9 million was made available for funding lead-based paint risk assessments, in accordance with the FY 1992 HUD Appropriations Act (PL 102-139, approved on October 28, 1991). HA's with pre-1980 family developments are eligible for funding. The Department developed a risk assessment protocol to ensure that requirements of the Appropriations Act are met. The goal of the risk assessment protocol is to enable an HA to identify immediate and potential lead hazards so that appropriate interim measures can be implemented until testing and abatement can be fully undertaken.

Rental Voucher Program

In FY 1993, rental vouchers continued as one of the administration's primary rental housing programs for very low-income families. The program supplies more housing per dollar than new construction and allows needy families to choose the housing that best meets their needs. HUD obligated funds for 25,200 new rental vouchers in FY 1993.

Rental Certificate Program

In FY 1993, rental certificates continued as another of the administration's primary rental housing programs for very low-income families. Rental certificates differ from rental vouchers in the way the subsidy is calculated. During FY 1993, HUD obligated funds for 17,555 rental certificates.

Operating Subsidy

HA's receive operating subsidies to assist with the operating and maintenance expenses of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended. Operating subsidies are required to help maintain services and provide minimum operating reserves. The Performance Funding System (PFS) formula is the primary system for determining operating subsidy requirements. The subsidy amount is determined by calculating an estimate of operating costs on the basis of the PFS formula and reducing that amount by an estimate of income from rents and other sources. The PFS formula is used to calculate the level of operating subsidy for each HA to operate its owned units. In FY 1993, $2.267 billion was provided to HA's, supporting 1.4 million units.

Office of Native American Programs

During FY 1993, the field offices of Native American programs reserved $252.625 million in available funds for housing development in an effort to increase the delivery of decent, safe, and affordable housing units for low-income families on Indian Reservations. This allowed the reservation of 2,754 units. In addition, construction was begun on 1,694 units and completed on 1,342 units.

The Housing and Community Development Act of 1992 transferred the administration of the Indian Community Development Block Grant (ICDBG) program from the Assistant Secretary for Community

Planning and Development to the Assistant Secretary for Public and Indian Housing. In May 1993, the transfer was completed and the ICDBG program is now administered in the Office of Native American Programs with the Department's other Native American programs. In FY 1993, the Department awarded 90 grants for a total of $44 million.

The Indian HOME program, which was implemented in FY 1992, continued to be an effective supplement to the traditional rental and Mutual Help programs. In FY 1993, 11 grants were made to 9 tribes for a total of $10 million. The Department is in the process of developing six model implementation programs that will further assist tribes in developing their own HOME programs and applications for grants. Training seminars are also being planned to present the models and provide technical program assistance to tribes interested in participating in the program.

Office of Community Relations and Involvement

The Office of Community Relations and Involvement (OCRI) gives public and Indian housing families a greater voice in decisions affecting their lives and their communities. The Office manages programs to help residents address problems of drugs and crime, develop self-sufficiency, and acquire skills to operate programs in their housing communities.

Drug-Free Neighborhoods

In 1993, under the Public Housing Drug Elimination program, the Department awarded $145.5 million in grants to 439 HA's to fight drugs in their communities. The funded projects demonstrated a comprehensive approach to solving local drug problems through effective enforcement, prevention, and treatment strategies. Funds were used to hire security personnel, reimburse local law enforcement agencies for additional security and protective services, enhance security through physical improvements, and implement drug prevention, intervention, and treatment programs. Since 1989, HUD has awarded 1,337 grants totaling $392.5 million to public and Indian housing agencies nationwide.

The Drug-Free Neighborhoods Division (DFND) also administers the Youth Sports program, which provides recreational, athletic, and cultural antidrug programming to PHA's and Indian housing authorities (IHA's). In 1993, 72 grants were awarded; the average award is $106,000. These grants require a non-Federal match of at least 30 percent of the total amount awarded by HUD.

The Division's Technical Assistance (TA) program was funded in 1993 for $1.1 million to provide short-term technical assistance on the drug problem to PHA's, IHA's, resident management corporations, and incorporated resident councils. The Division has a database of 603 consultants with a wide variety of skills to respond to TA needs. One hundred and fifty applications for TA funds were approved, and those projects were undertaken and completed in 1993. These funds are used primarily for needs assessment, strategic planning, training in drug elimination activities, and security awareness programs.

During the year, the Division offered the following training opportunities to both housing agencies and residents:

- DFND joined with the Center for Substance Abuse Prevention (CSAP) to provide drug prevention training and TA to HA staff, residents, and community service providers. The training curriculum was developed and tested. A training session followed, which trained trainers to teach the curriculum in each of the regions. Ten training sessions took place during 1993.

- In cooperation with the U.S. Department of Agriculture (USDA), DFND conducted grants management training in 1993. The training sessions for HA staff on correct grants management procedures were held nationally.

- DFND joined with the Bureau of Justice Assistance in October 1993 to initiate regional workshops on community policing, a neighborhood-based approach to law enforcement. Community policing also addresses neighborhood revitalization issues. One thousand community leaders were trained.

- In partnership with USDA, DFND trained more than 600 housing agency staff in 10 regions on financial management, reporting, and monitoring of grants.

- Training teams taught more than 800 community leaders comprehensive antidrug, neighborhood vitalization strategies. Community teams attended 5-day Housing Community Institute workshops where they developed local drug elimination action plans. This training was cosponsored by CSAP, which is part of the Department of Health and Human Services (DHHS).

Economic Development and Supportive Services

In 1991, an interagency agreement was implemented with DHHS to bring expanded Head Start programs to public housing communities. OCRI has worked with DHHS to continue this initiative linking HUD's child care dollars with DHHS's Head Start program. This program continued with $5 million in HUD funding in 1993.

The Family Investment Centers program will provide families in public and Indian housing with better access to education and employment opportunities that will help them achieve economic self-sufficiency. A total of $24.3 million was appropriated in 1993 under this program.

In November 1991, $2 million of community planning and development technical assistance funds were awarded, supporting 13 grants ranging from $100,000 to $200,000 for technical assistance for residents of public housing to become self-employed. As a result of this effort, over 75 new businesses have been started and more than 315 residents have been identified as qualified business candidates.

During 1992, the Department published a final rule titled "Public Housing: Contracting With Resident-Owned Businesses" (24 CFR part 963). This rule gives PHA's the option of limiting the procurement for public housing services, supplies, construction, or modernization to resident-owned businesses as a way of promoting resident economic opportunity. As a result of this rule and the resident management movement, well over 50 resident-owned corporations have contracts with local PHA's.

Homeownership

1993 was a year of refining and implementing homeownership opportunities for residents of public and Indian housing. Headquarters worked with HUD field offices to ensure that the 249 1992 HOPE 1 planning and implementation grantees were getting their programs off to a good start and that any problems were resolved in a quick and efficient manner. On August 2, 1993, a HOPE 1 NOFA was published in the *Federal Register,* offering $182,047,160 in implementation grant money for the second HOPE 1 funding round. No additional planning grants were offered in 1993.

The Section 5(h) homeownership program continued with a pattern of steady growth. Fifteen homeownership plans were approved, encompassing 409 dwelling units in 11 States.

To meet the replacement housing requirements for these homeownership programs, the Department also approved $80.1 million in replacement housing funding for 775 units of public housing new development and 253 Section 8 certificates and vouchers.

The homeownership staff also processed 19 Turnkey III debt forgiveness requests, resulting in the return or retention of $20.5 million in Turnkey III proceeds of sale, excess residual receipts, and operating reserves to local HA's for reuse to meet local low-income affordable housing needs.

Resident Management

Since 1988, a total of $17 million in the public housing modernization account has been set aside for resident management activities; these grants have provided support to almost 300 resident organizations. Another $1.7 million was made available in FY 1993, funding 94 resident organizations.

The mission of the Resident Management program is to facilitate the upward mobility of public and Indian housing residents by fostering the development of resident organizations. HUD provides TA grants to build the management capacity of such groups. In a broader sense, HUD is responsible for providing the leadership that makes it possible for the key players in the empowerment process--HA's, residents, and HUD--to form partnerships to improve public housing communities and provide self-sufficiency opportunities for the residents.

There is widespread interest in resident training among grassroots resident leaders--more than three times the available funding. Resident management training has already resulted in nearly 50 resident organizations (representing more than 50,000 units) receiving contracts to operate property management, economic development, child care, and other self-sufficiency programs in their communities.

OCRI also sponsors training conferences and publishes guidebooks to assist resident organizations and their HA partners in carrying out resident participation and management programs.

Office of Community Planning and Development

The Office of Community Planning and Development (CPD) administers the Department's major economic and community development grant programs, several housing programs, special-purpose grants, and HUD's homelessness assistance programs.

All CPD programs emphasize using government resources, local public/private/nonprofit partnerships, and public entrepreneurship as tools to empower low-income people.

CPD also furnishes field and Headquarters administrative support for the Federal Interagency Council on the Homeless, which the HUD Secretary chairs. Ten full-time CPD staff members, as well as other HUD staff, serve as regional coordinators for the Council, and HUD Headquarters provides regular administrative support, particularly in developing Council publications and providing technical assistance at Council workshops.

Community Development Block Grants (CDBG)

Entitlement Program

On a formula basis, the program funds a wide range of community development activities in cities and urban counties throughout the country. In FY 1993, 756 metropolitan cities and 133 urban counties were eligible for CDBG entitlement program funds. Of the 889 eligible jurisdictions, 867 received grants totaling $2.7 billion.

Entitlement grants must support activities meeting one of three major objectives: benefiting low- and moderate-income people, preventing or eliminating slums or blight, or meeting urgent local needs. The cities and counties must also allocate at least 70 percent of the funds, over a period of 1 to 3 years, to activities benefiting low- and moderate-income people.

During FY 1993, 30 percent of the funds (the largest single use of entitlement grants) were budgeted for housing programs, primarily for rehabilitation.

The CDBG entitlement program generates about $450 million annually of program income, which supplements CDBG funds. Program income, when spent, must meet all applicable entitlement program regulations.

State and HUD-Administered Small Cities Programs

Communities that do not qualify because of size for assistance under the CDBG entitlement program may receive funds under these programs. Legislation passed in 1981 gave all States the option of administering these funds. Forty-eight States and the Commonwealth of Puerto Rico administer their own Small Cities programs. The Department still administers the program in New York and Hawaii.

For FY 1993, States will award more than $1 billion in grants to approximately 3,500 small, primarily rural communities. More than 95 percent of the activities will be designed principally to benefit low- and moderate-income persons. In FY 1992, States allocated 53.5 percent to public facilities and improvement, 26.8 percent to housing, 17.6 percent to economic development, and 2.1 percent to other purposes.

Indian Program

The Indian CDBG program is a competitive program carried out in each of six HUD field offices that administer the program. One percent of the Title I allocation, excluding amounts appropriated for Section 107 programs, is appropriated for the program. In FY 1992, this totaled $33.9 million.

FY 1991 and FY 1992 money was combined and applications were due in July 1992. These funds were to be distributed early in FY 1993.

Section 108 Loan Guarantee Program

This program allows CDBG entitlement communities to finance community and economic development projects that are too large to be funded from annual grants or other means. HUD guarantees local governments' notes up to five times the size of their annual entitlement grants.

HUD may guarantee notes issued by entitlement communities or by community-designated public agencies. The guaranteed notes may be used to finance the acquisition of real property and related expenses; the rehabilitation of publicly owned real property and related expenses; housing rehabilitation; and economic development activities. As with entitlement grants, the activities carried out under this program must benefit low- and moderate-income people, aid in eliminating or preventing slums or blight, or meet urgent community development needs.

In November 1991, eligibility for Section 108 loan guarantees was extended to nonentitlement communities where the State administers the CDBG program.

HUD issued 43 loan guaranty commitments in FY 1993, totaling $229.3 million. Approximately 42 percent of this amount was budgeted for economic development activities. Applicants budgeted 88.3 percent of the approved amount for activities benefiting low- and moderate-income people.

Special Purpose Programs

These grants provide nonentitlement funding for specialized community development constituents. Congress specifies the level of funding for each constituent when it appropriates funds for the Special Purpose programs. In FY 1993, the $18.0 million appropriation supported three ongoing programs: Historically Black Colleges and Universities, Community Development Work-Study, and Community Development TA. A fourth program that is authorized--CDBG for Insular Areas--was not funded in 1993. The appropriation included $6 million for two special Los Angeles grants for civil disturbances recovery and a special $2 million grant to Bridgeport, CT, for neighborhood economic revitalization.

Homeless Programs

The Office of Special Needs Assistance programs is responsible for coordinating and overseeing the Department's programs to assist homeless people throughout the country. The Office continues to monitor the varying needs of the homeless and to help providers coordinate the delivery of resources to homeless individuals and families.

Emergency Shelter Grants Program

The program is designed to help improve the quality of existing emergency shelters for the homeless, to make additional shelters available, to meet the costs of operating shelters and of providing essential social services to homeless individuals, and to help prevent homelessness.

In FY 1993, HUD allocated $50 million to 372 cities, all 50 States, Puerto Rico, 1 Indian reservation, and 5 territories. Included in this amount was a 1 percent set-aside for Indian tribes.

Supportive Housing Program

The Supportive Housing program is designed to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Program funds may be used to provide the following: (1) transitional housing designed to enable homeless persons and families to move to permanent housing within a 24-month period, which may include up to 6 months of follow-up services after residents move to permanent housing; (2) permanent housing provided in conjunction with appropriate supportive services designed to maximize the ability of persons with disabilities to live independently within permanent housing; (3) supportive housing that is, or is part of, a particularly innovative project for, or alternative methods of, meeting the immediate and long-term needs of homeless individuals and families; (4) supportive services for homeless individuals not provided in conjunction with supportive housing; or (5) facilities in which supportive services are provided.

In FY 1993, HUD awarded 43 grants totaling more than $88.8 million.

Shelter Plus Care

The purpose of the Shelter Plus Care (S+C) program is to provide rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from other sources. Assistance is targeted primarily to homeless persons who are severely mentally ill; have chronic problems with alcohol, drugs, or both; or have acquired immunodeficiency syndrome (AIDS) or related diseases.

Through a nationwide competition, the S+C program provides rental assistance through four components. Applicants may request assistance for any component or combination of components. The four components are described below:

- Tenant-based rental assistance provides grants for rental assistance to participants for housing (usually of their choice) over a 5-year period.

- Sponsor-based rental assistance (SRA) provides grants for rental assistance through contracts with sponsor organizations (e.g., a private nonprofit organization or a community mental health agency established as a public nonprofit organization) over a 5-year period.

- Project-based rental assistance provides rental assistance through contracts between grant recipients and owners of existing structures, where the owners agree to lease the subsidized units to, or on behalf of, participants. The agreement must be for 5 years of assistance, or for 10 years if the units are rehabilitated using funds other than those provided under the S+C program and at least $3,000 is spent for each unit to bring that unit into compliance with local codes. The rehabilitation must be completed within 12 months of the date of the grant agreement.

- Single-room occupancy (SRO) for homeless individuals provides grants for rental assistance for 10 years in connection with the moderate rehabilitation of SRO housing units. Recipients may receive rental assistance for up to 100 SRO units per application; these units must be rehabilitated with funds from other sources. States, units of local government, and Indian tribes must subcontract with a PHA to administer S+C/SRO rental assistance.

In FY 1993, HUD awarded 130 grants totaling more than $317 million.

Section 8 Moderate Rehabilitation Program for SRO Dwellings

The Section 8 Moderate Rehabilitation Program for SRO Dwellings for Homeless Individuals provides 10 years of rental assistance to homeless individuals so that they can obtain permanent housing in rehabilitated SRO's with appropriate services. An assisted unit must need a minimum expenditure of $3,000 of eligible rehabilitation. PHA's, IHA's, and private nonprofit organizations are grant recipients. Private nonprofit organizations must subcontract with a PHA to administer the SRO assistance. Resources to fund the cost of rehabilitating the dwellings must be from other sources. However, the rental assistance covers operating expenses of the SRO housing, including debt service for rehabilitation financing, provided the monthly rental assistance per unit does not exceed the moderate rehabilitation fair market rent for an SRO unit as established by HUD.

In FY 1993, HUD awarded 64 grants totaling more than $131.5 million.

Housing Opportunities for Persons With AIDS

The purpose of the Housing Opportunities for Persons With AIDS program is to provide States and localities with the resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of low-income persons with AIDS or related diseases and their families. The program authorizes two types of grants for housing assistance and supportive services for such persons: (1) entitlement grants awarded by formula to eligible States and qualifying cities for eligible metropolitan statistical areas with the largest number of cases of AIDS; and (2) competitively awarded grants to State and local governments and nonprofit organizations. The program encourages an active partnership between State or local governments and nonprofit organizations to provide a wide range of housing assistance with supportive services for a continuum of care for persons with AIDS.

In FY 1993, $90 million was allocated by formula to 15 States (including the Commonwealth of Puerto Rico) and 28 cities (including the District of Columbia) in eligible metropolitan areas, and $10 million was originally reserved for a national competition. The $10 million, however, was rolled over into FY 1994 to be used in that year's national competition.

Title V Federal Property for Use To Assist the Homeless

The Title V program provides that suitable Federal properties categorized as unutilized, underutilized, excess, or surplus may be made available to States, units of local government, and nonprofit organizations to assist the homeless. Properties can be used to provide shelter, services, storage, or other benefits to the homeless.

The program provides no funding, and the properties are made available on an "as is" basis. Properties are leased without charge, although the homeless provider must pay for operating and repair costs.

Depending on the availability of the property and other factors, leases may be from 1 year to 20 years. Surplus properties may also be deeded to the organization.

As of September 30, 1993, HUD had 24,500 properties on its lists, of which nearly 13,500 were suitable.

HUD-Owned Single-Family Property Disposition Initiative

HUD-Owned Single Family Property Disposition--Lease and Sale of HUD Acquired Properties is an initiative to aid homeless persons by making HUD-held properties available to nonprofit homeless providers. The program consists of three initiatives for providing to homeless persons single-family homes acquired by HUD through foreclosure:

- **Lease Initiative.** HUD field offices will make up to 10 percent of HUD-held single-family properties (1 to 4 units) available for lease to units of local government and nonprofit organizations for use in homeless programs. Repairs, utilities, taxes, insurance (except hazard insurance), and other management costs are the responsibility of the recipient organization. Rent is $1.00 for each year of the lease up to 5 years, but organizations may charge tenants rent to help recover costs.

  Nonprofit, charitable, and religious organizations must provide evidence of Section 501(c)(3) Internal Revenue Service status; financial capacity to cover expenses; and ability to provide the required general liability insurance and supportive services. HUD field offices provide lists of available properties to interested organizations within the geographical areas in which the organizations have expressed an interest. Organizations may purchase the leased properties at the fair market value established at the time of the initiation of the lease, less a 10 percent discount.

- **Sale of Acquired Properties Directly to Nonprofit Organizations and Units of Local Government.** Nonprofit organizations may purchase foreclosed properties directly for use in homeless programs. HUD field offices are authorized to offer discounts of at least 10 percent from HUD's estimate of fair market value.

- **Lease-purchase Option Initiative.** Under this program, HUD makes properties available to eligible nonprofit applicants for the Supportive Housing program using a lease with option to purchase. The organization leases the selected property for a 6-month period for $1.00. During the 6-month period, under certain conditions, the nonprofit organization may be allowed to sublease the property. If awarded Supportive Housing funds, the nonprofit applicant may purchase the property for 90 percent of HUD's estimate of fair market value of the property. If the applicant does not receive Supportive Housing funding, the lease with option to purchase may be converted to the standard lease program.

Empowerment Zones/Enterprise Communities

In August 1993 legislation was enacted to create the Federal program for Empowerment Zones and Enterprise Communities. This program is a critical element of the administration's community revitalization strategy and is designed to empower people and communities throughout the Nation by inspiring residents to work together to create jobs and opportunities. The Secretary of HUD is responsible for selecting urban areas for this program; the Secretary of Agriculture is responsible for selecting rural areas. During the remainder of 1993, CPD staff worked with USDA and the Community Enterprise Board, chaired by the Vice President, to design the program, prepare the program guidelines and application materials, and establish the review procedures. These materials were made available to the public in January 1994 when the designation competition was announced.

Youthbuild Program

During 1993, CPD prepared the proposed rule and announced the first competition for the new Federal Youthbuild program. The purpose of this program, authorized by the Housing and Community Development Act of 1992, is to provide disadvantaged youth with education, employment, and leadership skills and to expand the supply of affordable housing by building and rehabilitating housing for low-income and homeless persons. It provides both onsite construction work experience and offsite academic and job skills training for high school dropouts in low-income communities. On September 23, 1993, HUD published the proposed rule for the Youthbuild Program and a NOFA for the first funding competition. The application kit was issued in early October and HUD staff held training sessions during November in different regions of the country to provide information to prospective applicants. Applications were due in January 1994.

Affordable Housing Programs

HOME

The HOME program provides assistance to State and local governments and consortia of local governments on a formula basis to address affordable housing needs. In FY 1993, 52 States (including Puerto Rico and the District of Columbia), 257 cities, 73 urban counties, and 64 consortia were eligible for HOME funds. Of the 446 eligible jurisdictions, 442 received funding.

All HOME funds must be used to provide affordable housing to low-income people, except for 10 percent of each jurisdiction's allocation, which may be used for program administration, and another 5 percent, which may be used for operating expenses of community housing development organizations (CHDOs).

HOME funds may be used to acquire, rehabilitate, and construct owner-occupied and rental housing, to assist new home buyers, and to provide tenant-based rental assistance. At least 15 percent of each jurisdiction's HOME funds must be used for housing that is owned, sponsored, or developed by CHDOs.

Of the $1 billion available in FY 1993, $10 million was set aside for Indian tribes, $2 million for insular areas, and $988 million was distributed to State (40 percent) and local (60 percent) governments.

During FY 1993, $418.2 million was committed to specific projects, and $188.8 million was expended for project costs. Of the funds committed, 62 percent went to rental projects and tenant-based rental assistance, 26 percent to homeowner rehabilitation, and 12 percent to assistance for new home buyers.

HOPE 3

HOPE 3 is a competitive grant program providing single-family homeownership opportunities to low-income families and individuals who are first-time home buyers. Properties purchased by HOPE 3 grant recipients or donated to those recipients must be owned or held by Federal, State, or local governments.

HOPE 3 grants may be awarded only to private nonprofit organizations, public agencies (including cities, counties, and States cooperating with private nonprofit organizations), and cooperative associations. In FY 1993, 62 percent of grant recipients were private nonprofit organizations and 38 percent were public agencies.

Over $94.7 million in FY 1993 HOPE 3 grant funds were awarded to 112 recipients. The awards were made following a competition in which 257 applicants requested $247,933,000. The implementation grants are expected to result in the creation of more than 4,400 homeownership units for first-time home buyers. The $94.7 million in HOPE 3 grants that were awarded is currently leveraging over $251 million in private and other public investments in homeownership programs.

The principal eligible activities being undertaken by currently approved implementation grant recipients include, in order of magnitude, property acquisition, property rehabilitation, financial assistance to home buyers, homeownership counseling, and administrative costs.

Rental Rehabilitation Program

Although this program was terminated on October 1, 1991, grantees were able to use the funds they received in previous fiscal years. In the 8 years prior to termination, $1.1 billion was appropriated. A total of 486 cities and urban counties and 47 States participated, and HUD administered 122 programs for smaller jurisdictions. The program made grants for the rehabilitation of privately owned housing to cities of more than 50,000, urban counties, approved consortia of local governments, and States.

In FY 1993, participating States and communities began rehabilitating 7,981 units and completed work on 18,310 units. Ninety-two percent of the households occupying units rehabilitated under this program had incomes below 80 percent of the median family income in their areas; 70 percent had incomes below 50 percent of the median.

Office of Fair Housing and Equal Opportunity

The Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) administers major legislation that ensures equal access to housing for all Americans, guarantees equal opportunity in all HUD programs and prohibits discrimination in employment.

Office of Investigations

The Office is composed of two Divisions and is responsible for enforcing and administering the Fair Housing Act and Executive Order 11063.

The Fair Housing Enforcement Division is responsible for processing complaints filed under the Fair Housing Act, which prohibits discrimination in housing and housing-related transactions on the basis of race, color, religion, sex, national origin, familial status, and handicap. Its activities include developing, disseminating, and monitoring case processing procedures and standards; reviewing case processing by regional offices of FHEO; and referring cases to OGC for cause determinations and issuance of charges, where appropriate. The Division is also responsible for identifying and managing all Secretary-initiated investigation activities involving possible violations of the Act that cannot be addressed or corrected through an existing complaint.

During calendar year 1993, the Department received 10,228 housing discrimination complaints, of which 6,079 were processed by HUD, with the balance processed by certified State and local fair housing agencies under the Fair Housing Assistance Program (FHAP). During 1993, 6,165 HUD complaints were closed and $2,062,368 was awarded to complainants through HUD conciliation and settlement agreements. In celebration of the 25th anniversary of the Fair Housing Act, arrangements were made with the U.S. Post Office to use a fair housing postmark on all mail from July to December 1993 in 21 major urban areas across the country.

The Program Investigations Division is responsible for developing policy and enforcing civil rights compliance requirements under the statutes involving recipients of Federal financial assistance: Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, the Age Discrimination Act of 1975, and the Americans with Disabilities Act of 1990. In calendar year 1993, the Department processed 603 complaints, including 188 Title VI complaints, 371 Section 504 complaints, and 44 Section 109 complaints. These actions resulted in

279 administrative closures in cases in which the complaints were withdrawn, the cases were settled voluntarily, the Department lacked jurisdiction to proceed, or the complaints were referred to another agency. A total of 98 recipients were found to be in compliance with the statutes. The Department made preliminary findings of noncompliance in 15 cases, in which negotiations and enforcement are ongoing.

Office of Fair Housing Assistance and Voluntary Programs

The Office plans, develops, and executes fair housing funded program activities under FHAP, the Fair Housing Initiatives Program (FHIP), and the Community Housing Resource Board (CHRB) program. In addition, the Office administers the Substantial Equivalency Certification program, Executive Order 12259, and Section 3 of the Housing and Urban Development Act of 1968, as amended. The Office also develops and monitors voluntary civil rights compliance agreements with private housing industry groups and PHAs.

Through the Office's management of FHAP and FHIP, eligible State and local fair housing enforcement agencies, public and private fair housing agencies, and nonprofit organizations can be awarded funding for fair housing enforcement activities and other programs designed to advance fair housing. In 1993, $10.6 million was available for FHIP, and an additional $4.4 million was made available under FHAP to State and local agencies for capacity building, complaint processing, and training. FHIP provides funding to public and private nonprofit fair housing agencies and organizations under the Private Enforcement, Administrative Enforcement, and Education and Outreach initiatives to fight discriminatory practices through creating new private fair housing organizations; building the capacity of existing private fair housing groups; and implementing education, outreach, investigative, and enforcement programs.

In its administration of the Substantial Equivalency Certification program, the Office is responsible for certifying State and local fair housing enforcement agencies with laws that are substantially equivalent to the Fair Housing Act, entering into agreements and memorandums of understanding with interim and certified agencies, and providing technical assistance to those agencies. The Office also provides technical assistance to agencies that are seeking certification.

The Office promotes fair housing in PHAs through management of the Public Housing Affirmative Compliance Actions (PHACA) program. PHACA encourages PHAs to act affirmatively to comply with the provisions of Title VI of the Civil Rights Act of 1964 and other related civil rights authorities and to take actions to eliminate the effects of past discrimination in the programs they administer.

The Office is responsible for establishing voluntary compliance programs to support and encourage fair housing activities. These activities extend beyond law enforcement to support institutional change within the private housing industry. In FY 1993, HUD continued to implement voluntary affirmative marketing agreements with the National Association of Realtors, the National Association of Real Estate Brokers, the National Association of Home Builders, local affiliates of the National Apartment Association, and the 51 State Real Estate Commissions of the Association of Real Estate License Law Officials.

In 1993, the Office administered and managed the grants provided to CHRBs. CHRBs engage in housing activities that promote nondiscrimination in the sale, rental, or financing of housing, and equal opportunity in the housing market. The Office also initiated action to formally cancel the regulation governing the CHRB program.

The Office is responsible for administering Section 3 of the Housing and Urban Development Act of 1968, which requires the Department to facilitate employment opportunities for lower income residents and contract opportunities for local small businesses through its programs of direct financial assistance. The Office established the following priorities for implementing Section 3:

- Integrate Section 3 into program policies and procedures.

- Publish a substantive Section 3 rule.

- Process grievances timely and thoroughly.

- Develop and implement a technical assistance strategy for program participants.

- Provide guidance and training to HUD staff.

There were major accomplishments in each of these areas during the year. Section 3 monitoring and technical assistance was included in the Field Management Plan. Additionally, in the Department's Program and Management Plan, published in October 1993, the statement of priorities included increasing economic opportunities for low-income persons through the full implementation of Section 3. The Office revised the regulations to implement the amendments to Section 3 in the Housing and Community Development Act of 1992, and on October 8, 1993, published a proposed regulation. There was a slight increase in the number of grievances filed under Section 3 over the previous year. In 1993, 22 Section 3 grievances were received and 11 were closed. In the past, lack of awareness and understanding of Section 3 impeded its effectiveness. For this reason, presentations on the opportunities and responsibilities under Section 3 were made at national meetings of organizations that represent residents, public housing authorities, community development agencies, and managers of assisted housing.

In cooperation with PIH and CPD, a major national effort was undertaken to provide economic opportunities for low-income persons by implementing a Technical Assistance Initiative--to share expertise, information, and skills in assisting communities to comply with Section 3. The initiative was included as an output measure of the Presidential Performance Agreement with HUD. In November 1993, HUD named Baltimore, MD, the first of 30 sites to participate in the initiative. The Office provided training for FHEO field and regional staff on Section 3, focusing on the 1992 amendments to Section 3 and potential intradepartmental and interagency partnerships in implementing Section 3.

Office of Program Training and Technical Assistance (OPTTA)

OPTTA is responsible for training and technical assistance services for HUD staff, HUD program users, and beneficiaries--including private housing providers; public housing agencies and tenants; State and city governments and their community development agencies; subgrantees and program participants; housing industry associations; and the general public.

During 1993, the Office undertook several initiatives and achieved major milestones:

- OPTTA began planning a Fair Housing Summit to be held in January 1994--a historic meeting bringing together Federal, State, and local elected and appointed officials; cabinet officials; public and private human rights and fair housing enforcement agencies; and insurance and lending industry representatives. This summit initiated a new day for affirmatively furthering and enforcing fair housing.

- OPTTA, in collaboration with OGC, continued preparing a regulation mandated by Congress to clarify the provision of the Fair Housing Act dealing with housing for older persons, which is exempt from the law's familial status provisions.

- Benefiting from a 140 percent increase in training funds over the previous year, OPTTA doubled both the number of field staff trained and the number of subjects covered. More than 300 field staff participated in advanced training on Title VIII investigation, preparation of final investigation reports, prompt judicial action, statistical analysis, quality case management, conciliation, Section 504, and Section 3. All training sessions included presentations on AIDS and how discrimination against HIV-positive persons should be treated.

- Following the training on statistics and Section 3, a software program designed for Title VIII investigations and a videotape on the new Section 3 program were distributed so training could continue in the field.

- Work was begun on a major assessment of the long-range training needs of FHEO investigators and State and local FHAP agencies. The year-long assessment is expected to be completed in 1994, followed by development of a curriculum plan and course materials. This will be the first time since passage of the Civil Rights Act of 1968 that such an exhaustive examination of investigator training has been undertaken. The assessment will guide training decisions for years to come and make training far more cost-effective.

Office of Program Standards and Evaluation

The Office develops and evaluates FHEO policies and programs and writes civil rights program standards to implement legislation and regulations that apply to HUD programs. These standards, referred to as "Civil Rights Related Program Requirements," cover subjects such as nondiscrimination in delivery of benefits and services, affirmatively furthering fair housing, site and neighborhood selection criteria for locating housing, and racial and ethnic data collection and recordkeeping. The evaluations and studies are carried out to ascertain program progress and effectiveness and to determine the extent to which minorities, women, and persons with disabilities are benefiting from HUD programs.

In 1993 the Office sent staff members to help desegregate public housing in Vidor, TX. Staff also participated on the special task force that drew up the overall plan for settlement of the *Young vs. Cisneros* East Texas desegregation case. The Office also conducted training for field office FHEO staff on the Housing and Community Development Act of 1992 and began to develop regulatory guidance on affirmatively furthering fair housing in the Department's major community development programs. It also developed a reinvention lab to test a metropolitan areawide affirmative fair housing marketing plan to be administered by a third-party clearinghouse. The clearinghouse would work with owners of assisted multifamily housing projects and other parties to encourage greater housing choice on a nondiscriminatory basis. The Office provided administrative and financial support for the Task Force on Occupancy Standards in HUD-Assisted Housing. Eight meetings and three public hearings were held. A preliminary report was published on August 27, 1993, resulting in receipt of almost 400 comments. The final report will be published in early 1994.

During 1993, the Office developed an automated Fair Housing Information and Management System that will help FHEO field staff target those HUD recipients in need of monitoring. The Office continued its quarterly analyses of housing discrimination complaints filed under the Fair Housing Act. These analyses examined trends in complaints received by HUD and State and local agencies filed by all protected groups. The analyses assessed the volume of complaints received during the fiscal year and their disposition, nationally and by regions. The analyses serve as a quarterly management tool for monitoring and improving FHEO's response to housing discrimination against the classes protected by the Fair Housing Act.

Office of Management and Field Coordination

The Office is principally responsible for providing and coordinating the management, personnel, administrative, budgeting, and field monitoring performance evaluation functions of FHEO. This Office serves the program components of FHEO through preparing and administering the budget; developing and implementing program management and performance evaluation systems; administering personnel services; interpreting rules, regulations, standards, and guidelines governing FHEO responsibilities to ensure basic uniformity of policy implementation among field offices; and acting as liaison with the Office of the Inspector General to coordinate actions related to internal program units and investigations.

The Office prepares, manages, and monitors FHEO's component of the Headquarters and Field Management Plan. In calendar year 1993, the Office executed FHEO's FY 1994 programs and operating budgets and formulated FHEO's program, salaries, and expenses budget for FY 1995. In support of the FHEO organization, the Office provides the procurement, logistical, telephonic communication, and space management services to FHEO.

The Office of Management and Field Coordination has also begun working with FHEO program offices to develop performance measures. This is the beginning of the Department's efforts to fully implement the Government Performance and Results Act of 1993.

Office of Affirmative Action and Equal Employment Opportunity

The Office develops and manages the implementation of the Department's Affirmative Employment Program to ensure equal employment opportunity for all women, minorities, and persons with disabilities in its work force.

In 1993, HUD's work force consisted of 40.7 percent minorities (blacks, 30.8 percent; Hispanics, 6.2 percent; Asians, 2.7 percent; American Indians, 1.0 percent), 58.3 percent women, and 7.8 percent persons with disabilities.

This Office also manages the Department's Special Emphasis Programs, which include the Federal Women's Program, the Hispanic Employment Program, the Disability Employment Program, and the Upward Mobility Program. In 1993, the Office trained all managers and supervisors in their Equal Employment Opportunity/Affirmative Employment responsibilities.

The Office is also responsible for enforcing all equal employment opportunity civil rights laws and executive orders in the Department, which prohibit discrimination on the basis of race, color, religion, sex, national origin, age, and disability. The Office accepts and processes complaints of employment discrimination filed against the Department by applicants and employees.

The Office assisted in the reinventing HUD process by designing several initiatives to help women, minorities, and persons with disabilities to break the "glass ceiling" and move into higher positions within the

Department. These initiatives included a mentoring program, an expanded upward mobility program, and individual development plans. Finally, to assist in providing promotions and reasonable accommodations for persons with disabilities, the Office produced a "Guide for Managers and Supervisors on the Employment of Persons with Disabilities."

Also, the Office prepared a new comprehensive policy, issued by the Secretary, on preventing discrimination and sexual harassment, as well as a program for managing cultural diversity.

Office of Policy Development and Research

The Office of Policy Development and Research (PD&R) provides a foundation of rigorous research and critical program evaluation to ensure that HUD policy reflects what has worked in the past and shows promise for the future. Four functional objectives guide the work of PD&R: expert program support, timely program evaluation, collaboration on research initiatives, and public accessibility of information. In this role, PD&R is working to reinvent HUD and to create communities of opportunity across the Nation.

PD&R advances the Secretary's six specific policy priorities through informed program support. The Secretary's vision of HUD's role in our communities offered a dramatic blueprint for this work in 1993. All of the Department's major initiatives have ambitious goals that extend far beyond the short-term provision of shelter--to revitalizing communities and expanding housing market opportunities. PD&R provides policy expertise to design programs in collaboration with program staff and has structured several short-term research projects to address specific issues raised by these initiatives.

In addition to short-term analyses, PD&R invests in long-term program evaluations to measure outcomes over an extended period. While these evaluations surely offer lessons for changes to specific HUD programs, they also answer major policy questions that cut across programs and into other agencies and levels of government. These evaluations will bear fruit for years to come and will offer critical policy guidance to future administrations.

PD&R has made a commitment to develop new partnerships with foundations and nonprofit organizations to research housing and community development policy issues. As discussed below, these partnerships have addressed long-term program evaluation as well as short-term policy guidance for the Secretary. Through such collaboration, PD&R has enriched HUD policy with the expertise and insights of researchers, advocates, and practitioners from across the country.

Since the early 1970's, PD&R has maintained critical databases on housing markets and conditions for the United States. More recently, the Office has created several new mechanisms to disseminate this information more widely and publicize its availability. PD&R has made such efforts a major priority because the success of both local community revitalization strategies and research depend upon accurate and accessible information. HUD has a responsibility to ensure that its tremendous resources are available to all those concerned about the future of our communities.

PD&R's major accomplishments in 1993 have focused on the Secretary's six policy priorities for this administration:

Reducing Homelessness

In 1993, PD&R initiated a long-term research strategy to evaluate HUD's major homeless assistance programs. The Office completed or initiated evaluations of the following programs in 1993: Supplemental Assistance for Facilities to Assist the Homeless, Supportive Housing Demonstration, Emergency Shelter Grants, and Shelter Plus Care. These evaluations will provide invaluable insights into not only specific HUD programs, but also successful independent strategies to help homeless Americans. Program office and PD&R staff will work together to improve HUD's approach to homelessness based on the results of these extensive evaluations.

Opening Housing Markets

The Secretary has made a firm commitment to opening American housing markets to all low- and middle-income families. Through collaboration with private sector organizations and local government officials, HUD can create substantial new housing opportunities. In 1993, PD&R launched numerous initiatives to reach this goal, including the following highlights.

The Moving to Opportunity for Fair Housing (MTO) Demonstration enables public and assisted housing residents in high-poverty neighborhoods to move into low-poverty areas anywhere in their metropolitan region. In 1993, PD&R reached out to experienced academics and practitioners to help design this demonstration. PD&R staff have also worked closely with program office staff to implement MTO. In addition, the Office designed MTO to ensure that both a major, long-term evaluation and short-term evaluations by PD&R would produce definitive conclusions regarding the impacts of neighborhood on the stability and livelihood of families.

PD&R has also taken an active role in HUD's campaign against discrimination in housing markets. In partnership with the Urban Institute, the Office evaluated FHIP, a demonstration authorized by Congress in 1987. FHIP provides funds to State and local governments, nonprofit organizations, and other organizations to implement programs to fight housing discrimination. The evaluation found that FHIP significantly increased the quality and quantity of complaint investigation by both FHIP grantees and HUD.

In May 1993, PD&R sponsored a major conference to address discrimination in mortgage lending. This conference provided HUD, independent researchers, and fair lending organizations with an analysis of research results in the area of mortgage credit discrimination. Further, the conference produced valuable recommendations for future research and policy initiatives in this area.

Transforming Public Housing

The Secretary has pledged to change the face of public housing and make it an asset to communities, and PD&R undertook a number of projects in 1993 to help fulfill this commitment.

The HOPE VI program for modernization and revitalization represents a major part of HUD's strategy to transform public housing communities. In 1993, PD&R began a long-term evaluation of this program. When it is fully implemented, this evaluation will use local teams at many HOPE VI sites to establish performance criteria and measure the success of the program. PD&R has designed the evaluation in several parts to retain flexibility and provide short-term preliminary results throughout the 10-year evaluation period.

HUD's Public Housing Drug Elimination Grant program promises to help communities fight drugs in and around public housing. In 1993, PD&R completed an early evaluation of this program. The two-volume study includes both evaluation of participants' progress in implementation and in-depth case studies of 15 sites. PD&R has already made this research available to the public on HUD User, the Office's online information data base.

PD&R also completed two studies addressing alternative strategies for funding public housing. Both studies fulfill mandates within the National Affordable Housing Act of 1990 for studies of prospective payment systems and general public housing funding. Both reports present a series of simulations to show how distribution of public housing operating and modernization funds would change under alternative formulas. These studies will provide critical data for future HUD modifications of public housing funding.

Empowering Communities

In 1993, PD&R worked to define an ambitious policy agenda for the future of our communities. These projects included the following:

In 1993, PD&R began work on the President's National Urban Policy Report to Congress. This report reviews the broad array of Federal programs that affect the lives of urban residents and offers data on the state of American cities. In addition, the report charts a course for Federal policies to revitalize urban areas in the future. PD&R has made this report a critical part of its policy support for the Secretary and the administration.

PD&R also helped to design and initiate a new HUD policy effort to give low-income families the opportunity to purchase their own homes in their own communities or in a new area. HUD will allow these families to use Section 8 vouchers and certificates to pay part of their mortgages. This program promises not only to increase homeownership opportunities for families, but also to bring to communities the proven positive effects of greater homeownership.

PD&R is working with the Office of Housing and the Office of General Counsel to carry out the Department's regulatory responsibilities over the Government-sponsored enterprises Freddie Mac and Fannie Mae. Among other requirements, Congress has required the Secretary to establish goals for their financing of low-and moderate-income housing and mortgage purchases in distressed urban and rural communities. The Department specified the goals applicable to Fannie Mae's and Freddie Mac's 1993 and 1994 business in a formal notice issued on October 13, 1993. The Department also began work on an ongoing program to monitor the agencies' progress.

PD&R also developed a report to Congress to evaluate the structure and functions of the Federal Home Loan Bank System. The report found that the Federal Home Loan Bank System should play a significant supportive role in housing and community development finance over the coming years. The report included recommendations for restructuring its capital and establishing appropriate minimum and risk-based capital standards for its activities.

To facilitate further research on community development issues, PD&R has redesigned the American Housing Survey (AHS). AHS provides detailed information on the U.S. housing stock and its inhabitants. Researchers and practitioners use these data to assess the adequacy of the housing stock, the need for housing assistance, and the prevalency of housing problems. The redesign added two new metropolitan areas to the metropolitan sample (Charlotte and Sacramento); made Oakland a separate metropolitan survey; increased the frequency of reporting for New York, Los Angeles, Chicago, Philadelphia, and Detroit; and substantially increased sample sizes for the metropolitan surveys.

Creating Affordable Housing

PD&R has taken a leadership role in developing and promoting HUD strategies to ensure a stable supply of affordable housing.

In 1993, PD&R produced two major reports to assist State and local governments in creating affordable housing. The first report, "Proposed Land Development Standards," provides detailed technical standards and models enabling legislation to update and reform land standards. If adopted by its audience, these standards will reduce the cost of housing development. The second report, "Impact Fees and the Role of the State," offers guidance to local governments in the use of impact fees to create infrastructure and affordable housing.

Another major PD&R study estimates the cost of compliance with the 1988 Fair Housing Amendments requiring accessibility to disabled Americans. The study demonstrates that total project cost increases would range from 0.23 percent to 0.98 percent, with an average of 0.63 percent. When considered as part of the original design, therefore, compliance with the Amendments does not lead to significantly higher costs.

PD&R also closely monitors conditions in housing and mortgage markets to assess the industry's capacity to meet American housing needs. In partnership with HUD field economists, PD&R gathers information at the local, regional, and national levels. PD&R recently began publishing a quarterly summary of this information to make it available to all those interested in housing.

PD&R conducts a wide range of research and evaluation in support of the important FHA insurance programs. In 1993, PD&R analyzed alternatives to FHA foreclosure, both to help homeowners and reduce insurance losses. PD&R also evaluated the preforeclosure sale demonstration and initiated an evaluation of the home equity conversion mortgage demonstration. PD&R's staff consistently monitors the FHA Mutual Mortgage Insurance Fund through sophisticated economic modeling and assists FHA in overseeing the annual, external analysis of the fund.

Bringing Excellence to Management

In 1993, the Secretary reinvented HUD's management approach, and PD&R took the lead to develop both the policy and the implementation strategy for this initiative.

First, PD&R staff produced a comprehensive catalog of the major impediments to effective program operation within the existing management structure. This review covered both programmatic issues and pure management issues. In addition, PD&R conducted extensive telephone conferences with HUD constituents, PHA's, community residents, nonprofits, and others to confirm these impediments and identify new areas for reform. This two-part review played an integral part in the process of reforming HUD's management structure and program regulations.

In addition, PD&R developed the internal program and management plan for the Department entitled "Creating Communities of Opportunity." This detailed document contains specific programmatic and management steps to achieve the Secretary's goals. In short, it provides a blueprint for the work of each program office to create communities of opportunity across the country.

PD&R also prepared the Presidential Performance Agreement, which outlines the Secretary's commitment to achieving the Department's six major priorities. The agreement established concrete targets for HUD's program and management reform agenda, enabling HUD staff to focus upon specific goals in their daily and long-term work.

Office of Congressional and Intergovernmental Relations

The Assistant Secretary for Congressional and Intergovernmental Relations oversees the Office of Legislation, the Office of Congressional Relations, and the Office of Intergovernmental Relations.

Office of Legislation

The Office of Legislation works with program offices to develop legislation and pursues congressional enactment of the Department's legislative priorities and appropriations requests. The Office works primarily with those congressional committees that have direct jurisdiction over HUD programs.

During 1993, the Office represented the administration's interests and positions to congressional committees considering the 1993 HUD Demonstration Act, the Fiscal Year 1994 VA-HUD and Independent Agencies Appropriations Bill, and Midwest Flood Supplemental Appropriations.

Office of Congressional Relations

The Office of Congressional Relations' main responsibility is responding to requests from Members of Congress for assistance for their constituents. This Office keeps Congress informed of HUD's priorities and policy proposals.

In 1993, congressional relations staff fielded telephone calls and written inquiries, many of which represented potential or actual serious problems for individual citizens.

Liaison officers maintain personal contact with the Members and staffs they are assigned to cover. The close working relationship between the Office and Members enables HUD to identify and deal readily with their concerns. The Office staff notifies Members of grants and projects in their districts and States and provides detailed information on major departmental initiatives.

Office of Intergovernmental Relations

This Office manages relations between the Department and State and local government, housing interest groups, the building industry, and banking and mortgage finance businesses interested in housing legislation, programs, and policies.

Office of Administration

When the Clinton administration assumed office, Secretary Cisneros engaged an effort to "reinvent HUD," to meet our customers' needs more effectively while achieving greater efficiency and economy in all aspects of HUD's programs and administrative activities. As part of the effort to reinvent HUD, the Secretary challenged the Office of Administration to accomplish the following:

- Create an environment conducive to change, which emphasizes opportunities for all HUD employees, customers, and stakeholders to provide input to positive change initiatives;

- Introduce new tools and support the reinventing of HUD's business processes;

- Strengthen the HUD management infrastructure through more effective resource management practices.

- Invest in HUD's human capital by formalizing a HUD Training Academy and developing a course curriculum relevant to HUD employees and others;

- Evaluate and implement opportunities for introducing state-of-the-art technology into all aspects of HUD's operations to enhance customer service, expedite program delivery, and eliminate onerous paperwork;

- Develop a plan and strategy to enhance the Office of Administration's services to its customers.

The following sections present the Office of Administration's progress in meeting each of the goals.

Creating an Environment for Change

Recognizing that any change in an employee's work environment creates stress, we took a proactive approach to minimizing this stress and implemented a number of change-management initiatives to help managers and employees deal with the transitions that the Department is undergoing as a result of reinvention.

HUD employees participated at all levels in Reinvention Workshops and submitted thousands of suggestions for program and management improvements. These suggestions were given to two departmental task groups set up specifically to review them and recommend ways the suggestions could be implemented. Their recommendations were then forwarded to technical task teams for implementation. The Office of Administration provided support or leadership on a number of teams, including the Training Task Force and the Labor-Management Task Force. The labor-management team, composed of representatives from a cross-section of departmental offices, advocated the creation of new partnerships between HUD management and the unions, both at the local and national levels. These partnerships have greatly facilitated communication and enhanced the Department's ability to resolve issues through mutual cooperation. Several work groups were also established to address recommendations contained in the National Performance Review (NPR).

Management Infrastructure and New Business Tools

A significant weakness in HUD's management structure had been cited by the Inspector General and others over the years: HUD has not implemented effective resource management practices to ensure the effective utilization of its scarce resources. Secretary Cisneros made correcting this weakness a priority of the Department and established a departmental Resource Management Committee under the leadership of the Deputy Secretary. The committee identified a number of actions to be taken, one of which was developing resource management tools. This task was assigned to the Office of Administration. Using a multidisciplinary Resource Management Core Team and with the help of Price Waterhouse, the Office began documenting requirements for improving internal resource allocation practices. The team identified analytical and management information gaps contributing to staffing mismatches and skill imbalances. HUD lacked many longer range process tools for redesigning inefficient and ineffective business processes and monitoring program outcomes; these needs were addressed. A workplan was created to identify and develop the management tools HUD needs to match its scarce resources with its priorities and workload. The types of tools identified were process tools, workload and staffing management tools, and performance management tools.

Process tools were the initial products; the first tool in this area was business process redesign. Three pilot projects using this tool were initiated in the Office of Fair Housing and Equal Opportunity, the Office of Housing, and the Government National Mortgage Association. The Office of Administration served in a consulting capacity during these efforts. A permanent internal management consulting capability will be the final product in this area.

Investment in Human Capital

In April 1993, HUD convened a task force on departmental training to review HUD's overall training program and develop better ways to provide both technical and nontechnical training, as well as to expand career opportunities. The task force represented a cross-section of union members and management. The task force's five-point plan to improve departmental training included the following:

- Establishing a HUD Academy to administer all training efforts;
- Comprehensively assessing training needs;
- Enhancing career development opportunities for every HUD employee;
- Employing state-of-the-art technology in conducting training programs;
- Training HUD's intermediaries (the people and organizations with whom we work) on HUD's programs and business practices.

The Secretary approved the plan and a number of actions have been initiated. The Office of Administration has played a leadership role in this reinvention of the training program at HUD.

HUD Academy

This academy will be established and will consist of three institutes. The Program Technical Training Institute will provide technical training, retraining of HUD employees for new or changing skills requirements, and coordination of training for intermediaries. The Applied Management Institute will provide executive, managerial, and supervisory training. The Employee Development Institute will offer professional and general skills training and career development programs for employees.

Assessing HUD's Training Needs

Major job descriptions are being assessed for specific technical skills, such as computer literacy, briefing skills, and other broader requirements. This process will result in training tailored to every major occupation at HUD.

New Training Delivery Mechanisms

In a shift from traditional classroom training, distance learning has been introduced as a more efficient and effective training mechanism for an organization as large and dispersed as HUD. Satellite dishes have been installed at many of the field offices to facilitate the training of hundreds of employees simultaneously. Additional dishes will be installed and it is expected that training savings will grow exponentially over the next several years.

Training will be tailored to the specific needs of HUD employees through the Individual Development Plan (IDP). This "road map" for career development will enable both employees and managers to establish career goals, training, and other developmental assignments and activities to help achieve these goals.

State-of-the-Art Technology

The Office of Administration continued to upgrade the technology platform to infuse new technology into program operations. Improvements were made to the standard environment within which HUD integrates desktop multifunction workstations, local area networks (LANs), mainframe computers, a telecommunications network, and LAN gateways. This integrated desktop computing environment throughout the Department has dramatically improved communication and productivity. The advancement of HUD's technology has enhanced customer service, improved data security, and advanced information processing support to our customers.

Office of Administration's Service Levels

In addition to supporting major HUD reinvention initiatives, the Assistant Secretary for Administration initiated a major evaluation of the Office's organization structure, the way Administration conducts its activities, and the extent of customer satisfaction with service delivery levels. Furthermore, the National Performance Review directed all Federal agencies to seek more efficient ways to conduct their administrative functions.

The Office of Procurement and Contracting continued to take steps to improve field contracting operations and educate the users of this service.

Office of Inspector General

The Office of Inspector General (OIG) is an independent organization, established by the Inspector General Act of 1978 and charged with the responsibility of detecting and preventing fraud, waste, and abuse in the Department's programs, activities, and functions. To fulfill this responsibility, OIG conducts independent audits and investigations, participates on interagency and HUD task forces, promotes fraud prevention, and analyzes and comments on legislation, regulations, and policy directives promulgated by the Department to ensure attention to fraud prevention, economy, and efficiency.

OIG audits are designed to ensure that HUD programs and operations are efficiently and effectively administered; investigations ensure that violations of legal or administrative requirements are detected and adjudicated. Fraud prevention activities and policy reviews complement these primary functions by promoting efficient and economical operation of HUD programs and operations; recommending remedies; and monitoring and reporting on HUD's progress in implementing these recommendations. Highlights of OIG activities during FY 1993 include the following:

- With Federal reinvention efforts under way, including discussion on the role to be played by the OIG, the OIG published its mission statement and values in its semiannual report to Congress, reaffirming its independent posture and continued commitment to objective reporting to the Secretary and the Congress.

- The semiannual reports to Congress focus on the OIG's perspective of significant management issues at HUD. The reports outline both short- and long-term major systemic and programmatic issues facing the Department, among which are the adequacy of its data systems, human resource management, and management control environment.

  Included in the OIG's semiannual report for the period ended September 30, 1993, was the Department's progress on correcting the identified issues with the understanding that the OIG will assess these activities.

- OIG audits and investigations resulted in $88 million in cash recoveries and $19 million in cost efficiencies to the Department. HUD management made commitments to recover an additional $121 million.

- OIG issued 191 audit reports, of which 42 were internal reports on HUD operations and 149 were external audits on grantees, program participants, and financial audits.

- OIG closed 892 investigations of alleged irregularities or abuses in HUD programs and activities. These investigations resulted in 976 total years of suspended or probated sentences, 406 total years of prison sentences; 487 indictments of individuals or firms; and 375 criminal convictions.

- OIG worked with the Federal Bureau of Investigations, the Department of Justice, the VA, and various U.S. Attorneys to investigate and prosecute fraud in HUD's single-family mortgage insurance programs, public housing, multifamily housing, and a number of CPD programs.

- As a result of OIG audits and investigations, 88 individuals or firms were suspended, 146 were debarred from doing business with the Department, and another 166 were issued limited denials of participation in HUD programs. Additionally, four referrals to the MRB resulted in administrative sanctions of mortgagees for violating HUD-FHA lending requirements.

- The HUD hotline received a total of 2,251 complaints and suggestions, a volume more than twice that received the previous year. The increase was due to initiatives of the NPR, which advertised toll-free numbers nationally to encourage suggestions to improve Federal programs. The suggestions were provided to the Reinventing HUD team. Actions taken as a result of closed complaints included nearly $2 million in monetary actions, numerous improvements benefiting program participants, staff reprimands, and procedural changes.

Office of the Chief Financial Officer

The Chief Financial Officer (CFO) is responsible for providing financial management leadership for the Department and for incorporating the resulting practices into program policy and operations. This role involves establishing an effective management information system, financial policy, and accountability; overseeing the management of the Department's assets, including establishing credit policy; and producing consolidated financial statements. The Office also oversees the Department's internal control program and the audits resolution process, including developing related policies and procedures and preparing related reports to the President and Congress.

Significant accomplishments in 1993 include the following:

- Implementing the strategic performance system;
- Revising the Department's management planning and management control program;
- Advancing systems integration;
- Lowering the FHA multifamily loan loss reserve; and
- Implementing the debt collection performance agreement.

<u>The Strategic Performance System</u>

As part of Reinventing HUD, a Strategic Performance System (SPS) was developed to advance the many initiatives of the Department in a coherent manner to achieve the Department's mission. SPS enables

HUD to communicate better internally and to achieve greater understanding and involvement by its constituents. The system is not a static document, but rather a set of interrelated activities that provide continuous direction to the Department.

SPS guarantees the achievement of the Department's mission through the interrelation of the following processes: setting goals; developing plans to manage programs and their associated risks; measuring and tracking performance; producing annual budgets and resource allocation needs; and carrying out the Department's legislative and policy development activities.

To oversee these processes and to create an integrated management oversight structure for the Department, the Management Committee was created. It is designed to strengthen the Department's planning and execution of significant management decisions, including staff allocation and approval of funding for systems development activities. The committee ensures integration of management planning into all significant policy decisions, including the status of legislative initiatives within the Department. Its key oversight roles are in the areas of audit resolution, management controls, and performance in accordance with the Presidential Performance Agreement and the first year priorities.

The SPS will also enable the Department to track its performance. The CFO's Office designed the first *Secretary's Performance Report* to catalog the commitments made by the Department, by program area, for FY 1994 and to document the status of each commitment. The performance reporting system will track commitments made by the Department each year.

Management Planning and Management Control

Management controls are critical to the SPS and management planning.

The Department's control program had previously been identified as a material weakness. In addressing this, the Federal Managers' Financial Integrity Act reinvention laboratory determined that management control needed to be inherent in the process of management, not merely an add-on. The CFO's

Office developed a new Management Planning and Control program that integrates the annual commitments and goals of program and support areas with their associated risks and evaluates both program performance and program integrity. The CFO's Office is working with the program areas and is conducting training in the field in order to fully implement this new approach in FY 1995.

Systems Integration

In order to address weaknesses with the Department's financial systems and enable it to comply with OMB's Circular A-127 (Financial Management Systems) and the Federal Managers' Integrity Act, the Department developed its Financial Systems Integration Plan.

Calendar year 1993 was significant for this systems integration program. To ensure that this program received the highest level of management attention, the Secretary established the Systems Integration Steering Committee (SISC). SISC consisted of the program office Assistant Secretaries, the Assistant Secretary for Administration, the Inspector General, and the CFO. The CFO was charged with the responsibility for overall management of the systems integration program.

This committee, which became part of the Management Committee, has accomplished a great deal as systems are developed, tested, and implemented based on sound business and informational requirements. Financial systems integration standards have been developed and are being implemented by the Department. These standards will be used by HUD's project teams in developing integrated systems and by HUD's management in approving integration projects.

Specific accomplishments for 1993 include the following:

- Initiating preliminary development of activities for the administrative accounting system, which will support the Department's core accounting functions. Beginning with FY 1995's appropriation, this system will maintain the accounting records for the Department's salaries and expense account, the working capital fund, and OIG's appropriation.

- Continuing plans for developing and implementing the FHA mortgage insurance system.

- Developing and implementing the Tenant Rental Assistance Certification System (CTRACS) for the Office of Housing's project-based Section 8 subsidy programs.

- Developing a system to meet the needs of PHS's Section 8 tenant-based subsidy programs.

- Approving work plans and budgets for projects to develop integrated management systems in CPD and for the remaining programs managed by PIH.

The FHA Multifamily Loan Loss Reserve

The CFO's Office assisted FHA with creating an auditable system for establishing loss reserves for insured multifamily projects. In FY 1993, the Department had spent approximately $2.0 million on contractor support to determine the loan loss reserve presented in the FHA 1992 audited financial statements. In addition, through the improved analysis, strengthened portfolio quality, and payment of claims, the reserve is expected to decrease by $1.6 billion.

Table 1
Modernization Program
Fiscal Year 1993 Status of Modernization

COMPREHENSIVE GRANT PROGRAM	COMPREHENSIVE IMPROVEMENT

ASSISTANCE PROGRAM

REGION	Public Housing	Indian Housing	Public Housing	Indian Housing	Total Funds
I	127,607,694	--	19,237,569	--	146,845,263
II	596,530,461	--	19,801,692	--	616,332,153
III	309,505,677	--	13,990,833	--	323,496,510
IV	549,030,927	--	77,975,118	--	627,006,045
V	451,240,877	10,803,240	53,366,075	3,451,403	518,861,595
VI	151,950,388	25,240,373	60,909,567	1,752,712	239,853,040
VII	53,441,147	--	27,016,625	--	80,457,772
VIII	18,205,343	31,127,219	10,010,153	3,237,780	62,580,495
IX	148,656,527	45,888,567	10,871,412	9,806,191	215,222,697
X	43,253,205	20,591,111	8,665,000	6,328,956	78,838,272
Total	2,449,422,246	133,650,510	301,844,044	24,577,042	2,909,493,842

Table 2
Comprehensive Improvement Assistance Program
Fiscal Year 1993 Approval by Region*

Region	Number of Housing Authorities	Total Approved
I	66	19,237,569
II	44	19,801,692
III	38	13,990,833
IV	248	77,975,118
V	157	56,817,478
VI	220	62,662,279
VII	155	27,016,625
VIII	36	13,247,933
IX	30	20,677,603
X	39	14,993,956
Total	1,033	326,421,086

*Preliminary data; final data to be reconciled.

Table 3
Comprehensive Grant Program
Fiscal Year 1993 Approval by Region

Region	Number of Housing Authorities	Final Formula Allocations
I	64	127,607,694
II	78	596,530,461
III	88	309,505,677
IV	257	549,030,927
V	148	462,044,117
VI	98	177,190,761
VII	30	53,441,147
VIII	35	49,332,562
IX	59	194,545,094
X	31	63,844,316
Total	888	2,583,072,756