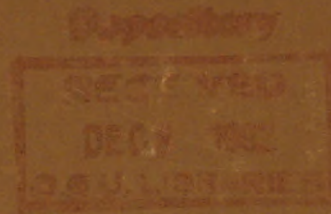




1981 Annual Report

U.S. Department of Housing and Urban Development



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The President
The White House
Washington, DC 20501



Dear Mr. President:

I have the honor to transmit herewith for submission to Congress the Seventeenth Annual Report of the Department of Housing and Urban Development.

This report is a narrative record of major activities under all of the programs administered by this Department for the calendar year 1981.

Very sincerely yours,

A handwritten signature in cursive script that reads "Samuel R. Pierce, Jr.".

Samuel R. Pierce, Jr.



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Samuel R. Pierce, Jr.

The Department of Housing and Urban Development is mandated to administer housing and development assistance to the Nation's citizens and communities. We operate on the principle that, under ideal circumstances, every citizen should have the opportunity to live in decent, affordable housing. America is the best-housed country in the world, yet the housing conditions of many of our people are far from ideal. Nationally, the problem of inadequate housing is most often a condition of insufficient income rather than limited housing availability, although this, too, is a problem in certain areas. . . .

. . . By the start of 1981, our Nation's economy was headed for a recession. There was widespread acceptance that the Federal Government was growing too fast and costing too much. It clearly had become necessary to meet our Federal responsibilities at less expense.

During 1981, I began a concerted effort to direct HUD's assistance to the persons and areas of greatest need. The Department underwent major change, with unnecessary and unsupportable costs eliminated, inefficient and ineffective programs improved or discontinued, and runaway expenditures brought under control. We are determined to help the most needy Americans meet their basic housing requirements. More responsible management can help us reach that goal. . . .

The Assistant Secretary for Housing/Federal Housing Commissioner directs the housing and mortgage insurance programs of the Department, supporting the production, financing and management of new and substantially rehabilitated housing, and the conservation and preservation of the existing housing stock.

The Department insures mortgages on single-family homes, multifamily rental and condominium and cooperative projects, land purchased for residential development, nursing homes, group practice facilities, and hospitals. HUD also insures loans for property improvements and the purchase of manufactured (mobile) homes. Special purpose programs are available to help meet the housing needs of low-income families, the elderly, the handicapped, the chronically mentally ill, veterans, disaster victims, and prospective home purchasers who are marginal credit risks.

During 1981 the Office of Housing added several new functions which were formerly part of the Office of the Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection (NVACP), including community services, lead-based paint poisoning prevention, housing counseling, real estate settlement procedures, interstate land sales registration, and manufactured (mobile) home standards.

Public and Indian Housing Programs

Program Activity

In FY 1981, there were over 1.1 million occupied public housing units under management of

local Public Housing Agencies (PHA's). These units are distributed among all areas of the country and serve urban, suburban, and rural housing needs. Of the approximately 3.3 million residents at year's end, approximately 1.5 million were

made in prior fiscal years were cancelled, the "net" number reserved in FY 1981 was 1,793 units. During FY 1981, construction was started on 3,947 units of Indian housing and 4,055 units were completed and available for occupancy.

. . . . To assure a more efficient and economical way of meeting the country's housing needs, we proposed a rental rehabilitation block grant program and placed more emphasis on the existing components of our Section 8 program. These steps were among the first in our deliberate plan to make more beneficial use of existing structures and to reduce the wasteful loss of housing through demolition and abandonment. . . .

elderly and handicapped persons. Since its inception in 1937, the Public Housing program has housed more than 15 million people.

During FY 1981, HUD reserved funds for 33,242 units but since reservations made for 9,945 units in prior fiscal years were cancelled, the "net" number reserved in FY 1981 was 23,297. Under the Public Housing Program during FY 1981, construction was started on 41,660 units and 29,576 units were completed and available for occupancy.

Under HUD's Indian Housing Program, HUD reserved funds for 3,128 units. However, since reservations for 1,335 units

Public Housing Cost Containment

As part of the Department's emphasis on cost containment in its assisted housing programs, a policy memorandum was issued limiting public housing project construction costs to 100 percent of HUD's market area Prototype Costs unless specifically exempted by Headquarters. Projects which were past a certain point in processing were exempted. The memorandum also indicated that public housing projects were not to have unnecessary amenities such as balconies, garages, carports, and basements.

Field Office Monitoring of Public Housing Agencies

New departmental guidelines for Field Office monitoring of PHA's stress management by exception in pinpointing the most crucial PHA operating problems for on-site examination. Detection and prevention of fraud, waste and mismanagement were emphasized along with technical assistance to PHA's in the reduction of costs and improvement of operating effectiveness.

Performance Funding System

The Performance Funding System (PFS) provides for operating subsidy payments to all PHA-owned rental units based upon the operating costs of well-managed PHA's. In 1981, \$933 million in PFS-based operating subsidies was approved for about 2,500 PHA's. This amount included an original appropriation of \$833 million and a supplemental appropriation of \$100 million for increased utility costs. In addition, the FY 1982 Appropriation provides \$142 million to supplement FY 1981 funding.

A task force was established to analyze the PFS and to examine alternative funding systems. A report on the findings of this study is to be completed in March 1982.

Comprehensive Improvement Assistance Program

HUD implemented the Comprehensive Improvement Assistance Program (CIAP), authorized by the Housing and Community Development Act of 1980. The goal of CIAP is to improve the physical condition and upgrade the management and operation of existing public

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housing projects. During FY 1981, HUD made available approximately \$85 million in contract authority to finance \$926.9 million in capital improvements. Under CIAP, there are four types of modernization: (1) Comprehensive Modernization, providing for all needed physical and management improvements at a project; (2) Special Purpose Modernization, limited to cost-effective energy conservation work at a project; (3) Emergency Modernization, limited to physical work items of an emergency nature; and (4) Homeownership Modernization, limited to work items at Mutual Help and Turnkey III homeownership projects.

Financially Troubled Public Housing Agencies

Since June 1979 the Department has been tracking the financial status of large PHA's. Where these PHA's have operating reserve levels of 20 percent or less of maximum levels, they are required to submit Financial Workout Plan arrangements, and their progress pursuant to the plans is closely monitored. Presently, there are 32 PHA's categorized as Financially Troubled. The Office of Public and Indian Housing is undertaking initiatives to obtain State and local involvement in sustaining operations of Financially Troubled PHA's.

Indian Housing Authority Management Improvement Initiatives

In 1981 the Department initiated a number of changes to strengthen the management capabilities of Indian Housing Authorities (IHA's) and to cor-

rect financial problems related to poor management practices. For instance, greater emphasis has been placed by HUD on ensuring that the accounting records of IHA's are up-to-date, that audits are implemented, and that audit findings are resolved within established time frames. In addition, all field office reviews of applications for project funding place increased emphasis on requirements for good management and financial soundness as a condition for approval.

Public Housing Urban Initiatives

The Public Housing Urban Initiatives Program (PHUIP) is designed to stimulate better management by PHA's and to aid distressed projects.

- Thirty-three PHA's are involved in efforts to improve management and to upgrade physical structures. Several PHA's have conducted renovations and implemented management improvements.
- The Targeted Rehabilitation component of PHUIP provided special funding in the amount of \$247,902,030 under the Low-Income Public Housing Modernization Program to finance capital improvements at 33 designated troubled public housing projects.

- The Management Assistance provision within the Targeted Rehabilitation component of PHUIP provided special funding in the amount of \$10,720,000 to the 33 PHA's to improve the management capability of the PHA. This is carried out through the upgrading of management and financial systems; improving tenant participation, upgrading security; tenant selec-

tion; and improving relationships between the PHA and local government.

- Thirty-four PHA's are in various stages of implementing Project Based Budgeting procedures. Several have begun to generate project based financial data, which will enable them to monitor and control more effectively the financial operations of each project. A document is being developed, under contract, to provide technical assistance to PHA's using Project Based Budgeting/ Management systems.

- The Urban Initiatives Anti-Crime Program, an interagency effort, awarded 39 PHA's approximately \$40 million to implement various activities, including youth employment, victim/ witness and alcohol and drug abuse programs. A \$1.8 million evaluation of the program is being conducted by the Police Foundation in coordination with HUD's Office of Policy Development and Research. The results will be used to develop future HUD policies regarding security, as well as to assist other PHA's in implementing Anti-Crime initiatives.

Public Housing Manager Certification Program

A Public Housing Manager Certification Program began in 1981 with the goal of improving the quality of PHA management operations. In order to accomplish this goal, HUD has accredited six national housing management organizations as Approved Certifying Organizations.

Community Services

PHA's were assisted in obtain-

ing services, funds and volunteer support from other agencies and the corporate sector at both national and local levels. This was accomplished through inter-agency agreements with Health and Human Services (HHS) and non-governmental agencies. Twelve workshops were held in PHA's across the country in the delivery of these services. The non-governmental partnerships included the Boy Scouts of America, the Girl Scouts of America, and the Boys Clubs and Girls Clubs of America. The annual assessment of the social services (for example, day care, counseling and transportation) funded in this manner for residents of public housing is \$95 million.

Lead-Based Paint Poisoning Prevention Program

The Lead-Based Paint Poisoning Prevention Program is responsible for carrying out provisions of the Lead-Based Paint Poisoning Prevention Act. Activities include monitoring compliance with requirements for the removal of lead-based paint hazards in HUD associated housing and for notification to tenants about the hazards of lead-based paint. Departmental handbooks, regulations and notices are reviewed to monitor their effectiveness.

Existing and Moderate Rehabilitation Housing Programs

Section 8 Existing Housing

This program allows lower-income families to receive rental subsidies for existing housing units of their choice. In FY 1981,

occupancy reached 661,838 units and cumulative reservations totalled 709,066, including 90,354 units reserved during the year.

In the program, an eligible family may apply for a Certificate of Family Participation from a PHA. The certificate entitles the family to seek housing anywhere within the local jurisdiction of the PHA. The desired rental unit, which may be the dwelling the family currently occupies, must meet HUD's Fair Market Rent limitations and the Section 8 Housing Quality Standards. If the owner wishes to lease the unit to the family, the family and owner sign a lease. The owner and the PHA sign a Housing Assistance Payments Contract that entitles the owner to the difference between the unit rent and the greater of 25 percent of the family's adjusted income, or 15 percent of the family's gross income. The contract allows the owner up to 60 days of payments for vacancies, property damage and unpaid claims.

Section 8 Moderate Rehabilitation

The Section 8 Moderate Rehabilitation Program provides financial guarantees, in the form of rental subsidies for lower-income tenants, to encourage owners of rental housing to rehabilitate deteriorated or substandard units.

Program experience indicates that the availability of Moderate Rehabilitation rental assistance stimulates the expenditure of about \$8,000 in rehabilitation work per unit. Typical work items include new roofs, electrical rewiring, plumbing repairs, energy conserva-

tion, and heating system improvements.

HUD estimates that about three million existing rental units need moderate upgrading, and that 85 percent of these units are in buildings of fewer than 20 units. During FY 1981, funds

rehabilitation of properties under Section 8. The mortgages for most of the Section 8 projects were purchased under the Government National Mortgage Association's Tandem program which provided financing at 7½ percent.

. . . It is far less expensive to place a family in existing housing that has been brought up to liveable standards than it is to construct new housing. There is greater local control over such efforts, and a family can move into a rehabilitated unit much sooner than when they must wait for new housing to be built. . . .

were reserved for approximately 20,000 units under this program.

Multifamily Housing Programs

Section 8 New Construction and Substantial Rehabilitation

In 1981, the Department reserved contract authority for 73,861 new construction and substantial rehabilitation units for lower-income families and the elderly. There were 60,428 units actually started during the year.

Multifamily Insurance Activity

During FY 1981 the Department insured 1,086 projects covering 116,140 units of multifamily housing. Almost 70 percent of these projects were insured to finance the construction or

Housing for the Elderly or Handicapped

HUD is authorized under Section 202 of the Housing Act of 1959 to make direct loans to finance rental or cooperative housing for the elderly or handicapped. Loan proceeds are used to fund the construction or substantial rehabilitation of projects sponsored by private, nonprofit organizations. The Department lends money to eligible borrowers for a 40-year term at the average interest rate paid on Federal obligations in the preceding fiscal year (as determined by the Secretary of the Treasury), plus an allowance for administrative costs and losses of ¼ of 1 percent per annum during the construction and loan amortization periods. The interest rate for FY 1981 was 9¼ percent. HUD also provides

Section 8 assistance to lower-income families residing in Section 202 projects. In FY 1981, fund reservations under the Section 202/Section 8 program were issued to 295 nonprofit sponsoring corporations to finance the construction and rehabilitation of more than 14,000 units designed for elderly and handicapped, at a cost of over \$822 million.

The Department issued reservations for \$73.6 million to construct almost 1,700 units exclusively for non-elderly handicapped. Ranging from group housing to independent living quarters, the housing options are intended to enable the handicapped to take part in as many routine daily activities as possible.

State Housing Finance Agencies

State Housing Finance Agencies (HFA's) play an important role in the development and financing of new and substantially rehabilitated units under Section 8. In FY 1981, HFA's accounted for 26,874 unit reservations. Overall, HFA's were responsible for 36 percent of all Section 8 new construction and 35 percent of all Section 8 substantial rehabilitation reservations in FY 1981. They also accounted for 770 unit reservations in FY 1981 of Section 8 existing housing.

Section 8/Farmers Home Administration (Section 515)

Under a cooperative working agreement with the Farmers Home Administration, HUD provided Section 8 subsidy assistance for construction of rural multifamily projects. Activity in FY 1981 under this agreement

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accounted for 8,332 housing unit starts on 313 rural projects.

Congregate Housing Services Program

The Congregate Housing Services Program consists of grants, funded through 1987, for services for frail, elderly or disabled residents of Public Housing and Section 202 Housing for the Elderly and Handicapped to prevent premature or unnecessary institutionalization. As of FY 1981, the program provides two meals a day, seven days a week, plus housekeeping and other services for about 1,200 individuals. The Department has underway a \$20.0 million evaluation which will assess program performance and impact. The final evaluation report will be available in late 1984.

HUD-Owned Properties

The sale of HUD-owned multifamily projects during 1981 resulted in sales totalling \$69.7 million for 121 projects containing 10,834 units. Section 8 rental assistance was provided in 87 of the projects. As an aid to financing the sale of the projects, Purchase Money Mortgages were provided for 70 of the projects. Under this mechanism, downpayments and mortgage payments made by purchasers are returned to the program insurance fund to offset losses.

Simplification of Management Policies and Procedures

During the year, steps to improve and strengthen multifamily program policies and operating procedures included the issuance of two handbooks. The first provides uniform and

detailed procedures for use in reviewing annual audited financial statements and monthly accounting reports submitted by owners of HUD-insured and HUD-held multifamily projects; provides monitoring procedures to determine project owner compliance with HUD requirements; and identifies actions needed to avoid defaults and claims against HUD.

The second handbook provides guidance to project owners, managers and HUD staff to ensure that subsidy funds are used properly, efficiently and effectively. It is a one-source "rule book" on occupancy policies and procedures that eliminates many overlapping forms and instructions. Specific simplifications include a uniform application form, model lease agreement, and model voucher payment form.

Third Party Servicing

As part of a test program, the Department contracted with the Mercantile Mortgage Corporation to service HUD-held mortgages in one of HUD's ten regions. It is viewed as a forerunner of a nationwide servicing contract, which will be made through HUD's competitive bidding process.

Cost Containment and Modest Design Requirements

New procedures for cost containment and modest design requirements were implemented for Section 8 and Section 202 new construction and substantial rehabilitation projects, including Section 8 projects developed in conjunction with State Agencies and FmHA.

The intent is to contain costs

while minimizing the imposition of regulations and requirements on project owners, architects and construction contractors. Proposed amenities must be carefully examined and any that are clearly excessive must be disallowed. Such items as balconies, atriums, dishwashers and individual unit trash compactors are not permitted. In addition, HUD set new standards limiting the size of units and the number of baths. In projects designed specifically for the elderly, all proposals must include at least 25 percent efficiency units, unless HUD determines that such units are not marketable in the community. To achieve economies in Section 202 project development costs, accommodations and common use areas must be designed to serve more than one function.

Single-Family Programs

Insurance Activity

High interest and inflation rates prevailing throughout 1981 resulted in substantial reductions in HUD's single-family mortgage insurance activity. During the year, the Department insured 277,026 single-family mortgages. While poor economic conditions precipitated a major reduction in our unsubsidized single-family programs, tremendous demand was experienced in the revised Section 235 Homeownership Assistance program. During 1981,

38,222 mortgages were insured under Section 235, representing the highest yearly total since the program was revised in 1976.

In addition, a revision this year to the Section 234 Condominium Program is expected to stimulate substantial condominium activity in 1982. This revision permits HUD to accept projects approved by the Veterans Administration.

The total number of loans registered for Title I insurance in Fiscal Year 1981 dropped by only 1.5 percent. Although approximately 6,000 fewer property improvement loans were insured, the number of manufactured (mobile) home loans insured increased by 2,000 during the same time period. The increase in manufactured housing loans indicates that consumers are purchasing lower-cost housing as opposed to traditional site-built housing.

Single-Family Programs

In an effort to accommodate the needs of potential home buyers who otherwise cannot afford or secure mortgage financing, the Department has embarked on a variety of initiatives to increase home purchase opportunities. Changes are being made to permit growing equity mortgages and second mortgages on properties with HUD-insured mortgages in an effort to expand the availability of FHA insurance to first-time and low- and mode-

Title I Loan Activity

	Loans Insured	Amount
Property Improvement	284,596	\$1,295,572,133
Manufactured (Mobile) Homes	24,769	\$ 377,805,646
Total	309,365	\$1,673,377,779

rate-income home buyers. In addition, the Graduated Payment Mortgage Program is being modified to adapt to current market conditions. With changes of this type, the Department is taking responsible measures to assist needy home buyers during these difficult times.

In cooperation with the Veterans Administration, considerable progress has been made in reducing unnecessary duplication of paperwork. HUD and VA have adopted common application forms for property appraisals and mortgage insurance commitments, and have agreed to develop common forms covering the entire insurance guaranty process.

Progress continued on plans to automate single-family Field Office procedures. It is expected that nationwide implementation of the first phase will begin in 1982.

Management and Disposition of Acquired Properties

HUD sold 18,023 acquired home properties, ending the year with 19,278 properties on hand. The sales generated about \$288.5 million, which was posted to the various single-family insurance funds. Many single-family properties in center cities were sold through the Department's Urban Home-steading Program.

Housing Counseling

Under the Housing Counseling program, HUD-approved agencies offer free counseling to homeowners and renters experiencing financial difficulties. During FY 1981, 212 of the more than 600 HUD-approved agencies were awarded grants.

Real Estate Settlement Procedures

The Real Estate Settlement Procedures Act (RESPA) is designed to reduce the settlement costs of mortgage loans by providing consumers with informa-

of the demonstration are being compiled.

Interstate Land Sales Registration

The Office of Interstate Land Sales Registration (OILSR)

. . . In another step to make the most responsible use of limited funds, we are implementing Congress' authorization to target more of our housing resources toward those with incomes at or below 50 percent of the area median than had previously been done. . . .

tion to aid informed buying and by prohibiting abusive practices.

HUD submitted its "Report to Congress on the Need for Further Legislation in the Area of Real Estate Settlements," which was mandated by Section 14 of RESPA. It concluded that the present statutory language has serious shortcomings. The primary recommendation was that Congress consider the adoption of a mandatory lender packaging approach. No action was taken on the report's recommendations during 1981.

HUD's nine land record demonstration projects were concluded during 1981. The demonstration, mandated by RESPA Section 13, was designed to show that improvements to existing recordkeeping systems could increase the efficiency of local recordation offices and reduce title search costs. The findings and results

assures that vital information is disclosed to purchasers of unimproved lots, and protects purchasers against land fraud and questionable sales practices through its administration of the Interstate Land Sales Full Disclosure Act. The Act requires developers to register with OILSR and to give each purchaser a property report that describes taxes, title, roads, utilities, recreational facilities, and other subdivision characteristics.

During 1981, OILSR processed 147 new registrations, 157 additions to existing registrations, 1,583 amendments to registrations and 80 requests for exemptions. It also initiated 487 formal administrative proceedings, 17 suspensions of developers, 602 voluntary suspension agreements, 31 investigative subpoenas, 60 civil cases,

11 injunctive complaints and 61 administrative settlement agreements with developers.

Administration

Program Compliance

Departmental policy requires that contract and grant awards be made only to responsible contractors and grantees who can demonstrate that Government funds will be properly utilized. Those who abuse the programs or who pose unacceptable risks are administratively sanctioned and/or excluded from further participation. In its efforts to protect the public interest and prevent fraud, waste and mismanagement in its housing programs, HUD has debarred more contractors and grantees from further participation than all other Federal agencies combined.

During calendar year 1981, 1,033 compliance actions were taken in connection with HUD-detected housing program violations or frauds. These include the nationwide debarment of 164 contractors or grantees and 79 of their affiliates. Many of these debarments followed criminal convictions in Federal and State Courts. Final determinations in debarment cases increased by 50 percent from 1980.

Regulatory Reform

Deregulation and regulatory reform are major goals of the Administration, as established under the President's Executive Order on Regulations (E.O. 12291, February 17, 1981) and the Economic Recovery Program. Secretary Pierce issued a memorandum to principal staff directing them to review existing

**HUD/FHA Mortgage and Loan Insurance Activity
Fiscal Year 1981
(Dollar Amounts in Thousands)**

Insurance and Direct Loan Programs	Number	Amount	Units
Grand Total- All Programs	587,477	\$17,742,300	717,494
Home Mortgages	277,026	12,483,493	291,989
Unsubsidized	238,804	11,025,987	253,676
Subsidized	38,222	1,467,506	38,313
Multifamily Hsg. Mtgs.	1,086	3,575,429	116,140
Unsubsidized	1,085	3,564,479	115,923
Subsidized	1	10,950	217
Title I Loans	309,365	1,673,378	N/A
Property Improvement	284,596	1,295,572	N/A
Mobile Homes	24,769	377,806	N/A

**Assisted Housing Program Activity
Fiscal Year 1981**

Assisted Housing Programs	Unit Reservations	Unit Starts	Units made Available for Occupancy
Total – Assisted Hsg.	220,501	106,035	242,381
New Construction and Substantial Rehab	109,782	106,035	174,015
Existing	110,719	N/A	68,366
Public Housing 1/ New Construction and Substantial Rehab	36,370	45,607	33,631
Existing	35,921	45,607	32,485
	449	N/A	1,146
Section 8 New Construction and Substantial Rehab	184,131	60,428	208,750
Existing 2/	73,861	60,428	141,530
	110,270	N/A	67,220

1/ Includes Indian Housing
2/ Includes Finders-keepers, Property Disposition, Loan Management Moderate Rehab, and PD/Moderate Rehab

**Section 235 Homeownership Assistance
Fiscal Year 1981**

Section 235	Unit Reservations	Unit Endorsements	Units Made Available For Payment
New Construction and Substantial Rehab	5,102	38,313	82,313

regulations in order to reduce codified regulations by at least 15 percent and to develop new regulations in accordance with the objectives of deregulation. A Deregulation Task Force for the Office of Housing has reviewed a total of 37 proposed regulations and has been effective in making these and other Housing regulations clearer and more concise.

Minimum Property Standards

The Minimum Property Standards (MPS) for One- and Two-Family Dwellings and for Multifamily Housing are being revised to reflect provisions of nationally recognized building codes.

Manufactured Housing Standards

The Manufactured Housing Division has primary responsibility for enforcing the Federal Manufactured Housing Construction and Safety Standards, which require makers of manufactured (mobile) homes for residential use to design and build their homes to conform to the standards. Since the beginning of the program, enforcement activities have resulted in 50 recall cases initiated by HUD.

HUD-approved inspection agencies must approve the design of every manufactured home and perform inspections during the manufacturing process in approximately 400 manufactured housing plants. During 1981, the Department monitored the performance of 14 design approval agencies and 25 factory inspection agencies. The Department resolved 260 disputes between manufacturers and inspection agencies.

It also performed 33 inspections in factories to verify inspection agency findings and to determine classes of defects. It made eight inspections in consumers' homes.

The National Conference of States on Building Codes and Standards, HUD's contractual agent, performed 1,144 monitoring inspections in manufacturing plants to complete 30 factory inspection agency reviews. It verified approval of 20 designs and quality assurance manuals and made audits to complete 24 design-agency reviews.

Manufacturers are responsible for correcting defects found in homes during production and for providing remedial action for certain safety and construction defects.

Currently, 34 HUD-approved State Administrative Agencies (SAA's) handle consumer complaints in their States, initiate recalls, and monitor the performance of manufacturers. In 1981, SAA's handled an estimated 6,000 consumer complaints, while HUD handled about 250 directly. SAA's initiated more than 50 recalls.

The Assistant Secretary for Community Planning and Development (CPD) advises the Secretary on grants made to local governments to finance a wide range of community, neighborhood and economic development activities, and administers major programs, including Community Development Block Grants (CDBG) and Urban Development Action Grants (UDAG).

CPD also administers a broad range of financial and technical aids to foster effective planning and management by State and local units of government, and carries out the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

CPD also performs environmental functions. The Office coordinates environmental duties which HUD shares with other Federal agencies and with the Council on Environmental Quality. The Assistant Secretary assures departmental compliance with the National Environmental Policy Act of 1969 and the National Historic Preservation Act of 1966.

Community Development Block Grants (CDBG)

In FY 1981, a total of 557 metropolitan cities and 86 urban counties applied for and received block grant funds. Only 26 eligible units chose not to apply, and two others were disapproved, leaving a total of \$21 million unused entitlement funds. During the same time period, CPD awarded 1,875 grants to small cities. The amount, \$919 million, repre-

sented about 25 percent of the entire CDBG allocation.

Entitlement Cities

During 1981, the Department took substantial strides towards simplifying the block grant pro-

gramming the entitlement program led to the development of proposals for statutory changes. Proposals to expand the eligible uses of CDBG funds and to eliminate the requirement for preparation by the local government and review by HUD of a

as a part of the Omnibus Budget Reconciliation Act of 1981, this program will enable States to assume responsibility for the distribution and administration of over \$1 billion to address the community development needs of the Nation's small cities.

The money is distributed to each State based on a statutory formula which compares its needs with other States by considering population, extent of poverty, over-crowded housing, and age of housing. Each State electing to assume responsibility for the program is free to fashion any system or systems it may choose to distribute the funds to its units of general local government. States must pass the funds through to the units of general local government for eligible community development activities which address the national objectives of benefiting low- and moderate-income persons, preventing or eliminating slums or blight, or meeting community development needs having a particular urgency because existing conditions pose a serious threat to the health or welfare of the community.

To assist States in meeting the costs they will incur when assuming responsibility for this program, the legislation provides that each State may deduct from amounts to be distributed to units of general local government up to 50 percent of its administrative costs, not to exceed two percent of its allocation.

In order to facilitate design of a program responsive to the needs of its small cities and to develop the distribution system, each State must consult with local elected officials from among units of general local government in the State's non-

. . . We took positive action on the urban front, encouraging greater self-sufficiency by delivering technical assistance to help local governments improve their management and financial capabilities. We also made HUD's programs more flexible

gram for entitlement grantees, giving them much greater discretion in the use of block grant funds.

Action was taken early to modify the requirement that the HUD reviewer follow specific steps, depending on the percentage of overall benefit to lower income persons, in order to determine whether the proposed program was plainly inappropriate to address the stated needs. Another change involved identification of regulations which unnecessarily restricted grantees' use of funds. Other changes included streamlining the review of economic development projects, and using special contract conditions more selectively to ensure that they were imposed only for serious performance deficiencies.

Additionally, a comprehensive analysis of the regulations

complex application for entitlement grants were adopted by the Congress, to be implemented with funds distributed in 1982. These actions will serve to substantially increase local discretion and lessen the extent of Federal involvement in determining how and where entitlement funds are used.

Small Cities Program

The State-Administered Small Cities Community Development Block Grant Program is one of the domestic assistance programs included in the Administration's major efforts to return responsibility and authority for dealing with local needs to a level of government more in tune with and more responsive to those needs. It represents one of CPD's most significant achievements in 1981. Included

entitled areas. As a further demonstration of the State's interest in local community development, the Governor of the State must assure HUD that the State engages in planning for community development and provides technical assistance in nonentitled areas. Each State that elects to assume responsibility for the program must also guarantee that it will provide,

from State resources, funds for community development in its nonentitled areas in an amount equal to 10 percent of its allocation. This "match" can be met through capital or operating funds generated through State operating appropriations or through State general obligations or revenue bonds.

States will be responsible for the total administration of the

program, including ensuring recipients' compliance with the requirements of this legislation and other applicable laws. States are required to conduct reviews and audits of the recipients to ensure that funds are being used consistent with the purposes for which they were intended and in conformance with applicable laws and requirements.

The Department anticipates that about 35 States will exercise their options and take advantage of the opportunity to aid small cities by designing and implementing a Small City Block Grant program.

Section 108 Loan Guarantee Program

Section 108 is the loan guarantee provision of the CDBG program. It provides entitlement grantees with front-end financing, up to three times the annual block grant amount, for large-scale physical development projects which cannot be funded from annual grants. Activities undertaken with loan funds must meet the regular CDBG program benefit test, aid in the elimination of slums and blight, or meet other urgent community needs.

During the 1978 to 1981 period, 81 commitments totaling \$344.7 million were made.

Categorical Program Closeouts

During 1981, 67 of the remaining Urban Renewal and Neighborhood Development Projects, or 57 percent, were closed out. This resulted in a workload of 51 active projects remaining at the start of Fiscal Year 1982. There were 28 Resource Projects closed out during this period, which left 26 active projects remaining at the start of FY 1982. Six Model Cities Programs were closed out in 1981 with a remaining workload of two programs at the start of FY 1982. In addition, two Code Enforcement Programs remain open.

Since all Financial Settlement Grant funds were rescinded in FY 1980, there were no Financial Settlement Grants awarded in FY 1981.



Urban Development Action Grant Program

The Urban Development Action Grant (UDAG) program assists severely distressed cities, towns, and urban counties in the revitalization of their economies. Its objective is to encourage economic development activity and aid in local economic recovery. Assistance is available to communities which qualify on the basis of severe economic distress and have demonstrated results in providing housing for persons of low- and moderate-income, and in providing equal opportunity in housing and employment to low- and moderate-income persons and members of minority groups. One-fourth of Action Grant annual funding is reserved for cities under 50,000 population.

Action Grant funds can be used for almost any activity that stimulates a significant amount of new private sector investment. Uses of Action Grant funds include infrastructure improvements, building construction, interest subsidies on loans, and loans to developers for extraordinary project costs. No Action Grant project can be approved without a firm commitment of private sector funds.

Since the program's inception, 1,233 public/private development projects have received preliminary approval totaling \$2.1 billion in Action Grant funding. These projects are expected to generate 311,000 new permanent jobs, retain 110,000 jobs and create over 239,000 construction jobs. More than 68,000 housing units will be constructed or rehabilitated under Action Grant projects. The program has stimulated nearly \$12 billion of private investment in connection with

the Action Grant awards, and, in addition, will generate \$368 million of increased annual property and other tax revenues to local governments. Put another way, the Action Grant program has:

- Leveraged \$6.00 of private

Secretary's Discretionary Fund

The Secretary's Discretionary Fund consists of four programs, providing assistance for New Communities, community development for trust territories,

efforts. In Fiscal Year 1981, 256 of the approximately 500 Indian Tribes and Alaskan Villages eligible submitted preapplications for grants from the \$33.3 million made available for this program. A total of 129 grants were awarded. The funds awarded were divided primarily among these categories:

(% of total funds)

- housing rehabilitation 32%
- infrastructure improvements 30%
- economic development 16%
- community facilities 14%

Community Development Block Grants totaling \$5.0 million for the Insular Areas were used in FY 1981 primarily for basic health, safety and shelter needs. Activities included a water destabilization plant project, historic preservation activities, housing infrastructure construction and housing rehabilitation.

During 1981, \$22.6 million of Technical Assistance funds gave support to States and Community Development Block Grant communities to aid them in planning, developing and administering their CDBG programs. A wide array of technical assistance was given, with particular emphasis on economic development training, energy-related activities, and housing rehabilitation.

Of particular note were projects for the revitalization of the South Bronx and assistance to help cities simplify local regulations and procedures which impede housing affordability. Five million dollars in technical assistance funds also were used to help 25 States prepare for the full administration of the Small Cities Block Grant program.

. . . Private investment is essential to urban areas, and our Urban Development Action Grant (UDAG) program encourages the private sector to make that investment. We carefully examined UDAG, fought for its retention and gave it greater emphasis on economic development. We also took the lead in a government-wide effort to frame a legislative proposal for urban assistance which would employ the creative Enterprise Zone concept. . . .

investment for every \$1.00 of Action Grant funding.

- Generated \$.17 of annual property tax and other tax revenues to the cities for every \$1.00 of grant funding.

- Created new, permanent jobs at an average Action Grant cost of \$6,858. Seventy percent of the new permanent jobs go to lower income people and one-fourth are held by minorities.

These are merely the *direct* results of the program. Most grants have secondary or spin-off effects which lead to several-fold more in private investment, jobs and tax revenue to distressed cities.

community development for Indian Tribes and Alaskan Natives, and technical assistance in planning, developing, and administering programs under Title I of the Housing and Community Development Act of 1974. During 1981, the Department negotiated the phase-out of funding to new communities that were not financially viable.

The Community Development Block Grant Program for Indian Tribes and Alaskan Natives, funded under the Secretary's Discretionary Fund, is the major source of HUD funding for Indian community development

Section 701 Planning Assistance Program

In FY 1981, CPD provided \$19 million in Section 701 planning assistance grants to 209 metropolitan and 318 nonmetropolitan planning organizations. The primary purposes of the grants were to encourage planning organizations to develop strategies and action programs to implement previous planning efforts, and to seek other funding sources, due to the termination of the program as of October 1, 1981.

Grants also were made to 49 planning organizations to provide assistance to 260 minority or disadvantaged Work Study students. The purpose of the grants was to allow students previously in the Work Study Program to complete their second year of graduate study prior to termination of the Section 701 Program. HUD will provide assistance in FY 1982 through a new Community Development Block Grant Work Study Program.

Neighborhood Self-Help Development Program

With the dissolution of the Office of the Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection, Community Planning and Development assumed responsibility for the administration and closeout of the Neighborhood Self-Help Development Program, which was terminated on October 1, 1981. A total of 125 grants and 13 cooperative agreements will be closely examined and reviewed in the close-out process.

Urban Homesteading Program

During FY 1981, HUD transferred 1,190 properties to localities for use in HUD-approved Urban Homesteading Programs. During this same period, 581 locally-acquired properties also were transferred to homesteaders by participating Urban Homesteading localities, using HUD program guidelines.

Additionally, to carry out the legislative mandate to include properties held by the Veterans Administration (VA) and Farmers Home Administration (FmHA) in the Section 810 Urban Homesteading Program, HUD implemented procedures to help transfer these properties for use in local Urban Homesteading programs.

Other HUD initiatives included joint technical assistance efforts by HUD Headquarters and Area Office staff to help Urban Homesteading localities develop creative financing techniques for the rehabilitation of Urban Homesteading properties. These efforts will stretch public dollars and streamline program management.

For multifamily urban homesteading, HUD approved the development and publication of a guidebook similar to the one now available to local officials on single family urban homesteading. This guidebook will discuss the experience gained through the HUD-sponsored six-city Multifamily Homesteading Demonstration, and the technical aspects of implementing multifamily homesteading programs.

Small Rental Property Rehabilitation Demonstration Program

Twenty-three localities throughout the United States were selected last summer from more than 75 applicants to participate in the Small Rental Property Rehabilitation Demonstration Program. The purpose of the demonstration is to develop and promote a new cost-effective approach to rehabilitating rental properties which would be available to low- and moderate-income households.

The demonstration is based on the premise that the subsidy for rehabilitation of the property should be separated from the rent subsidy for low-income tenants, a significant departure from most other publicly-subsidized rental rehabilitation programs. Rehabilitation subsidies are provided under the new approach through a one-time, front-end mechanism such as a deferred payment loan or a below market-rate interest loan. The amount of subsidy must be sufficient to allow investors to rehabilitate and maintain rental units and to obtain a reasonable rate of return based on market rates.

The rental subsidies, currently provided through the Section 8 Existing Housing Rental Assistance Program, are used to permit eligible low-income tenants of properties rehabilitated under the demonstration to continue to live in the renovated property, or move to other decent housing of their own choice.

Participating localities have broad discretion to design and implement programs which are particularly appropriate to local needs and conditions. To gain

maximum efficiency, participants are encouraged to delegate as many technical tasks as possible to the applicant and the private sector. HUD Headquarters and Area Office staff and outside consultants are providing technical assistance to these localities in program design and implementation.

This demonstration offers HUD the unique opportunity to test new program concepts prior to the implementation of a major new legislative initiative. The Rental Rehabilitation Block Grant Program, proposed by the Administration as part of its 1983 Budget, is based on the same model as the demonstration.

Rehabilitation Technical Assistance

Rehabilitation technical assistance was provided directly through contracts and HUD staff to 116 local governments in 38 States, Puerto Rico and the District of Columbia during Fiscal Year 1981. Major categories of assistance included improving overall rehabilitation program design and management, streamlining case processing procedures and leveraging private financial resources. In FY 1981, the Rehabilitation Advisory Service (RAS) negotiated lender agreements in seven cities which leveraged \$11.25 million private dollars with \$6 million public dollars. Twenty million dollars in additional private commitments are imminent. Based on past experience, it is anticipated that improved streamlined rehabilitation case processing procedures implemented in 38 cities will reduce case processing

time by 50 to 75 percent. Annual caseload production is expected to triple.

Environment and Energy

CPD is the Department's focal point for environmental matters and for the wise use of energy by HUD clients, particularly those with low and moderate incomes, and works with the Office of General Counsel and other departmental program offices to ensure compliance with national legislation and Presidential orders dealing with the environment. In response to Congressional recognition of the need to deal with the impact of rising energy costs on housing and community development programs, in 1981 CPD established an energy unit whose key functions include encouraging energy activities in the Community Development Block Grant (CDBG) and Urban Development Action Grant (UDAG) programs. A special emphasis was placed on State administration of the Small Cities CDBG program.

Among its other major responsibilities are: promoting assessment of the feasibility of using waste heat for district heating; encouraging energy retro-fitting and weatherization; leading efforts to implement energy policy, especially as it applies to CPD programs; and, coordinating these efforts with other parts of the Department, other agencies and levels of government, and professional and private organizations. A fifth key responsibility is to support the design and delivery of technical assistance through creation of a National Community Energy Management Center.

In 1981, CPD participated in

the Administration's efforts to reduce red tape and improve the efficiency of Federal programs through development of new environmental review procedures for the CDBG and UDAG programs. This included redrafting the Department's

agement (CZM) Act was simplified to delegate direct review and certification of compliance with the Act to applicants with assistance from their State CZM agency.

The Office has made its experience in community devel-

eliminate wasteful and counter-productive action by local government units, take advantage of opportunities for joint development, and make cities more livable. Other efforts to help local governments cope with their environmental problems include administration of a cooperative Federal effort to help cities develop new methods to meet both community development goals and air pollution requirements.

HUD has actively participated with other Federal agencies in implementing agreements aimed at reducing damage and helping communities recover from floods. HUD has contributed innovative ideas to the Interagency Committee on Urban Noise, and work continues to protect HUD clients from the effects of toxic and radioactive materials, such as uranium mill tailings, radon gas in buildings, and other natural and man-made environmental hazards.

Another continuing effort is to improve the environmental assessment process to eliminate criticism that it is time-consuming and not always as effective as it should be. HUD has developed new assessment forms and handbooks to make the process faster, more efficient and effective in meeting both program and environmental goals.

. . . We proposed that the Community Development Block Grant (CDBG) program be opened to stimulate investment by for-profit companies. And to ease the burden of red tape on cities, we no longer require them to prepare long and complicated applications under CDBG. . . .

overall environment procedures. The new procedures are shorter, simpler and more easily understood than previous ones.

Other efforts included working with the Advisory Council on Historic Preservation to develop Council regulations for UDAG that are expected to improve the program's efficiency without losing sight of the need to safeguard important historic buildings and areas. Procedures were developed to deal with newly perceived problems such as the potential danger represented by locating HUD projects in the immediate vicinity of storage areas for highly explosive and inflammable materials or in areas near airports having above average potential for accidents. The review process required of CDBG and UDAG grantees under the Coastal Zone Man-

agement available to the Mexican and Canadian governments through a training seminar on Areawide Environmental Impact Assessment in Mexico and participation in conferences on urban infill and urban rehabilitation in Canada. Together with the Office of International Affairs, it has promoted cooperation in planning and urban development between U.S. and Mexican border cities to eliminate counter-productive planning and encourage coordinated action so that the resources of both can be used for the common good of their citizens.

Recognizing the need for more efficient and coordinated design administration, CPD has promoted a multidisciplinary approach by local government in the design of cities. This will

The Office of Fair Housing and Equal Opportunity (FHEO) assures compliance with Title VIII of the Civil Rights Act of 1968. Known as the Federal Fair Housing Law, Title VIII prohibits discrimination in housing based on race, color, religion, national origin, and sex. The office also is responsible for assuring non-discrimination in HUD programs; for training, employment, and business opportunities for residents in departmental project areas; for minority employment under HUD contracts, and equal employment opportunity for HUD employees and applicants for HUD employment.

FHEO accomplished several important goals during FY 81. In conjunction with the Office of Housing, the office was instrumental in designating more than \$10 million of housing assistance funds for a special effort to demonstrate that minority builders and developers can gain a greater share of the home building market. The Fair Housing Systemic Discrimination Program, which allows a broader approach to examining housing discrimination than was formerly possible, was fully instituted in all Regions. Increased emphasis was given to promoting the participation of State and local government civil rights agencies in processing housing discrimination complaints. A substantial number of new State and local agencies were certified as enforcing laws providing rights and remedies substantially equivalent to those provided in Title VIII.

Office of Fair Housing Enforcement and Section 3 Compliance

The Office of Fair Housing Enforcement and Section 3 Compliance seeks compliance

with and enforcement of the Federal Fair Housing Law which prohibits discrimination in the sale, rental or financing of housing; Executive Order 11063 (as amended by Executive Order 12259) which prohibits discrimination in housing and related fa-



ilities owned or operated by the Federal Government or supported by Federal financial assistance, including mortgage insurance and guaranty programs; and Section 3 of the Housing and Urban Development Act of 1968 (Employment Opportunities for Businesses and Lower Income Persons in Connection with Assisted Projects).

Funding of State and local government civil rights agencies to support and improve their processing of housing discrimina-

tion complaints was continued during the year under the Fair Housing Assistance Program (FHAP). The number of State and local agencies recognized as having substantially equivalent fair housing laws and, therefore, eligible for participation in

amount of monetary compensation awarded to complainants also rose from a total of \$448,550 in FY 80 to \$578,632 in FY 81.

The Systemic Discrimination Program was fully implemented during the fiscal year. Designed to address individual complaints where pervasive or institutional discriminatory housing practices are indicated, the Systemic program was extended to all ten Regional FHEO Offices. During FY 81, 313 individual complaints, were closed nationwide. Of the closed complaints 50 percent resulted in successful conciliations. In addition, 3 of the 4 systemic cases referred to the Department of Justice were incorporated into existing litigation actions. The remaining case resulted in the Justice Department's initiation of a separate pattern and practice suit.

Calendar year 1981 brought to a close the Fair Housing and Equal Opportunity (FHEO) Policy Development and Research (PD&R) Private Fair Housing Demonstration Project for 9 private fair housing groups. Two of the nine groups are being considered for an extension of this program. The project provided financial assistance for the establishment of strong working relationships between these groups and Regional FHEO staff.

HUD Program Compliance

The Office of HUD Program Compliance is responsible for compliance and enforcement activities under Title VI of the Civil Rights Act of 1964, the HUD Contract Clause prohibiting discrimination in employment, Section 109 of the Housing and Community Development Act of 1974, Title VII of the

the FHAP increased from 38 to 48. In addition to monies provided for capacity building and training, fair housing agencies received \$1.4 million to implement education and outreach projects, technical assistance programs and projects designed to improve their effectiveness through new approaches to fair housing.

In FY 81, the number of complaints filed pursuant to Title VIII increased by 22 percent; from 3,036 in FY 80 to 3,710. The

Civil Rights Act of 1964, Section 501 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act, and Executive Order 11478 providing equal employment opportunity within the Department. The Office is divided into two divisions.

The Program Compliance Division is specifically responsible for the implementation and enforcement of Title VI, Section 109, the Age Discrimination Act and the HUD Contract Clause. Taken together, these statutes prohibit recipients of HUD financial assistance from discriminating on the basis of race, sex, national origin, physical or mental handicap, or age in HUD-assisted programs.

The Division monitors complaint investigations and compliance reviews of HUD recipients and conducts final negotiations prior to the initiation of enforcement proceedings. In 1981, the Regional Offices completed 549 Title VI and Section 109 reviews of HUD recipients and 212 complaint investigations. The Division provided support and technical assistance to HUD constituent groups, program recipients and the general public on nondiscrimination in HUD-assisted programs.

The Public Employment Division is responsible for compliance and enforcement activities under title VII of the Civil Rights Act of 1964, Executive Order 11478, and regulations issued by the Office of Personnel Management, the Equal Employment Opportunity Commission and the Department. The Division investigates all employment discrimination cases based on race, color, religion, sex, national origin, handicap or age involving HUD employees and applicants for

employment. During the year, the Division closed 82 individual employment discrimination complaints against the Department. The total number of active complaints on hand at the end of 1981 was 107. The Office issued a total of 44 decisions on

their endorsement of HUD's 1975 Affirmative Marketing Agreement with the National Association of Realtors. Effective November 16, 1981, that Agreement was amended and extended for an additional five years.

. . . The struggle for fair housing is critical to a more just society. During 1981, we increased our use of education and conciliation to combat housing discrimination. Although problems remain, with untiring effort, we can bring our fair housing goal closer to reality. . . .

the merits. Discrimination was found in four cases. Some 45 EEO investigations were completed.

Voluntary Compliance

The Office of Voluntary Compliance is primarily responsible for encouraging voluntary actions by the private sector and other governmental agencies in support of nationwide fair housing enforcement efforts. In addition, the office, through its Division of Minority Business Development, assists in carrying out departmental minority business objectives.

In 1981, FHEO executed 281 voluntary affirmative marketing agreements, bringing the total number of such agreements to 1,115. The bulk of these voluntary agreements were consummated with local real estate boards, representing

Participating Community Housing Resource Boards (CHRBs), consisting of HUD-appointed representatives of local government and civic groups, assist local real estate boards in the implementation and monitoring of these agreements. The number of CHRBs increased by 169 to a total of 589 during 1981. Area Office FHEO staff completed 600 evaluations of local agreements and 1,284 CHRB monitoring reports.

A New Horizons Fair Housing Assistance Project, administered by this office, is a planning instrument that enables cities, towns, counties, States, and regional planning agencies to participate and develop positive and innovative fair housing activities. The planning of these activities brings together industry groups, Federal, State and local officials, education officials, edu-

cational organizations, civil rights groups, and others in a cooperative effort to bolster fair housing in the community. Some 25 New Horizons strategies are in place nationwide.

The office also operates two programs specifically related to minority business enterprise: Minority Business Participation in HUD Programs and Minority Bank Deposits. In FY 1981, HUD awarded \$964,964 in contracts to minority business firms, placing HUD second among all Federal agencies, behind the Department of Defense.

The Minority Bank Deposit Program's annual average daily balance for FY 1981 was \$113,800,000, giving HUD first place in the Treasury Department's ranking of Federal agencies participating in the program.

Management and Field Coordination

The Office of Management and Field Coordination provides nationwide administrative guidance, policy coordination and HUD program management services. These activities relate directly to the priority FHEO program concerns and goals as established by the departmental Automated Operating Plan System (OPLAN). There are two Divisions: Management Systems and Services and Field Support and Evaluation.

In FY 1981, the Management Systems and Services Division, with primary responsibility for the provision of administrative services, established an Automatic Data Processing Committee to analyze and determine the ADP needs of the divisions within FHEO.

Significant actions were also taken to reduce fraud, waste and mismanagement in the provision of administrative services. This was initiated by the implementation of improved record-keeping and control procedures directed toward travel, time and attendance, acquisition and use of office supplies and other procurement activities.

The Field Support and Evaluation (FS&E) Division is responsible for the coordination and evaluation of FHEO programs and concerns as implemented by HUD Regional and Area Offices. In 1981, these functions were accomplished by the FHEO Desk Officers supported by other Headquarters E.O. Specialists. The Division monitored the Department's public program information activity as it related to FHEO program concerns.

Program Standards and Evaluation

The Office of Program Standards and Evaluation (OPSE) has the principal responsibility for developing and evaluating specific FHEO policies and program performance standards that implement the mandates and protections of the Civil Rights statutes and Executive Orders applicable to HUD programs.

The Office consists of two divisions: Program Standards and Program Evaluation. These divisions work in tandem as the chief human resources for addressing program design concerns, policy issues, performance standards and legislative proposals as they relate to Fair Housing and Equal Opportunity.

The Program Standards Division reviews regulations, handbooks, notices and other issuances relating to HUD pro-

grams to ensure that the policies, standards and administrative procedures are consistent with applicable civil rights laws and Executive Orders. In 1981, the division developed a Monitoring Handbook for major CPD programs to provide guidance to Area Office FHEO staff and to provide technical assistance to grantees in the development of approaches to fair housing and equal opportunity. The division also implemented a major pilot cross-training program to strengthen Area Office FHEO monitoring procedures in the Community Development Block Grant program.

Another major accomplishment was the revision of the Affirmative Fair Housing Marketing (AFHM) Handbook which had been in effect since June 1973. This Handbook and accompanying forms provide guidance to the Area and Regional Office staffs as well as to applicants for participation in federally-insured and Section 8 New Construction and Substantial Rehabilitation programs.

The Division of Program Evaluation is the primary research and evaluation unit in FHEO for evaluating HUD's programs and policies as they affect FHEO concerns.

A major activity of the division in 1981 was the conduct of the Critical Cities Monitoring Evaluation Project. This study was made to assess the effectiveness of several new procedures introduced into the Area Office monitoring of CPD programs. The Equity Measurement Indicators Project, another major initiative for the division, was an attempt to define equity in housing programs and to identify evaluation criteria, indicators and research methodologies to assist in measuring program effectiveness.

The Office of Policy Development and Research (PD&R) is responsible for developing policy recommendations for the Secretary, performing policy and economic analyses, directing the research and demonstration activities of the Department, and evaluating existing programs.

In 1981, PD&R's research priorities were redirected to emphasize its policy development function. Policy development and research projects now concentrate on improving the efficiency, effectiveness, and equity of HUD's programs, or developing practical and useful alternatives to these programs. PD&R was given the responsibility to ensure that all of the Department's research and evaluation activities are coordinated.

In carrying out its broad mandate, the Office conducts analyses using either contract or staff resources, and gives staff assistance to other offices in the Department. PD&R also works closely with HUD field staff, State and local governments, academicians, and representatives of HUD's constituent groups.

In 1981 as part of its policy analysis function, PD&R published major reports to Congress on rental housing availability, real estate settlement practices, due-on-sale clauses in mortgages, residential displacement, and impact of changes in social security benefits on rents to be charged in assisted housing.

President's Commission on Housing

The President's Commission on Housing was established by Executive Order on June 16,

1981. The President called upon the Commission to recommend to him and to the Secretary of Housing and Urban Development options for the development of a national housing policy and the role and objectives of the Federal Government in the future of housing.

PD&R provided funds and staff for the Commission, supplied data, prepared background reports and options papers, and served as HUD's coordinating office for the Commission's activities. The Commission published an Interim Report on October 30, 1981, with a Final Report due on April 30, 1982.

Cabinet Council Activity

The Secretary represents the Department at several of the White House-created Cabinet Councils, Secretariats, and Working Groups. These include: the Cabinet Councils on Economic Affairs, as well as its Working Groups on Troubled Industries, Thrift Institutions, and Federal Credit; the Cabinet Council on Human Resources; the Cabinet Council on Commerce and Trade; and the Cabinet Council on Natural Resources and Environment. In 1981, PD&R provided staff support for this activity and represented the Secretary at Cabinet Council meetings when he was unable to attend.

The Office of Policy Development and Research had a lead role in developing the Administration's Enterprise Zone proposal and directed a Working Group on Urban Policy. In addition, PD&R provided background material and staff support for the Secretary and other program offices on areas as diverse as water resources and

energy to facilitate their full participation in the Cabinet Council process.

Strengthening Urban and Community Development

Enterprise Zones

PD&R coordinated the Administration-wide task force that studied the major issues relating to the Enterprise Zone concept, which consists of four elements: Federal, State and local tax relief; Federal, State and local regulatory relief; improved local services; and involvement of neighborhood organizations. This concept is radically different from traditional urban economic development programs because it relies on market forces rather than administrative decisions to create jobs and expand economic opportunities.

Urban Development Action Grants

The Urban Development Action Grant (UDAG) program was created by Congress in 1978 to improve the local economies of distressed cities by stimulating economic development which would not have occurred otherwise. PD&R evaluated the program, focusing on four major questions: Were UDAG funds actually needed to undertake the economic development project? Were the expected benefits actually realized? Were the funds distributed to cities with the greatest need? What is the role of the program in building local economic development capacity? The study found that Action Grants generally stimulated additional and effective

private investment, jobs, and taxes that would not have occurred in these distressed areas without the program. The results of the study were the basis for the Secretary's recommendation to the President that the program be continued.

tages of alternative delivery methods so that local officials can select from these methods.

Neighborhoods

In 1981, PD&R redirected its neighborhood research pro-

major concerns of the Department.

In January 1981, PD&R presented the results of a demonstration showing how the costs of land, site development and compliance with Federal, State and local regulations could be reduced. For example, as part of this demonstration, a Las Vegas developer, without Federal funds, was able to price homes 10 percent below others in the same market. This price reduction was possible because relaxed local regulations permitted innovative housing design and site development.

As part of its housing affordability research program, PD&R also created the Building Value Into Housing program to foster innovative design, construction techniques and materials in building marketable homes that save energy and are easy to maintain. Grants are given to builders to develop ways of increasing quality while decreasing cost. In 1981, a number of designs resulting from the 1980 grants were selected for construction, and 10 more builders were selected for a second round of design awards. Builders in the Affordable Housing Demonstration program are using many of the innovations tested in this program.

Improving Assisted Housing

Section 8 Research and Evaluation

Since 1974, the Section 8 program has been the principal vehicle for federally-assisted housing. In 1981, using findings from the Experimental Housing Allowance Program and evaluations of the Section 8 Existing Housing Program, PD&R ex-

. . . It is important that our policies and programs respond to the needs of the American people. In 1981, we launched several affordable housing efforts designed to make housing less costly. We will continue our work to better house the American people and to enrich the communities in which they live. . . .

Management Capacity of State and Local Governments

As part of the Department's commitment to revitalizing the Nation's urban areas, PD&R is continuing to help State and local governments to adjust to budgetary constraints by working with localities to strengthen their management capacity. In response to the changing needs of State and local officials, PD&R explored alternatives for the delivery of local public services, techniques for managing and financing public infrastructure, partnerships for public/private participation in community economic development and management, and strategies from the private sector that can be adapted for cities.

A book is being prepared on the advantages and disadvantages

of alternative delivery methods so that local officials can select from these methods. In 1981, PD&R redirected its neighborhood research program to focus on ways for community-based organizations to integrate their activities with local programs for housing, re-investment, economic development and public service delivery. The neighborhood research program was structured to complement two major themes of the Administration – voluntarism and private sector initiatives. PD&R began planning a demonstration designed to test whether neighborhood-based organizations can deliver city services responsively and cost-effectively.

Meeting National Housing Needs

Housing Cost Reduction

The high cost of housing and the lack of affordable housing are

plored policy changes to the Section 8 Existing Housing Program.

First, PD&R designed and proposed a housing voucher program which builds on the experience gained under the Section 8 Existing Housing Pro-

gram. The voucher program would represent a substantial re-direction of the Department's provision of housing assistance – away from new construction (except Section 202) to helping the poor through a more cost-effective utilization of

the country's existing housing stock. The voucher approach was designed to allow low-income tenants to participate in the marketplace like other tenants, and to provide an incentive for renters to negotiate rents with landlords.

Second, PD&R worked with the Office of Housing to improve the enforcement of the housing quality standards used under the current Section 8 Existing Housing Program. Training materials were an adaptation of inspection forms developed by



PD&R to evaluate the quality of subsidized units.

Private Contract Management of Public Housing

PD&R continued to work on remedies for the problems affecting public housing projects. In 1981, PD&R began a study to determine if it is economical to contract with the private sector to manage public housing projects. The study compares private management with management by local public housing agencies. The study will show whether the private sector can reduce the cost of services and improve overall management.

Performance Funding System

HUD's Performance Funding System (PFS) is used to allocate operating subsidies to public housing agencies. In 1981, a PD&R evaluation of the PFS led to a revision of the inflation factor used to project operating expenses for PHA's in different parts of the country. Also in 1981, PD&R headed a departmental task force to examine several fundamental alternatives or revisions to the PFS.

Section 8 Annual Adjustment Factors

PD&R revised the method for calculating the annual adjustments permitted to the rents of Section 8 units. The former system permitted increases up to 10 percent annually; by focusing on the appropriate part of the rental housing market, the new system limits annual increases to approximately five percent. This change is expected to result in a \$15 million savings to the Federal Govern-

ment in fiscal year 1982 and more in future years.

Fair Housing Enforcement

In 1981, PD&R concluded its Fair Housing Enforcement Demonstration. Under the demon-

Other Activities

Annual Housing Survey

The Annual Housing Survey, funded by PD&R and conducted by the Bureau of the Census, is the Government's

Housing Finance Issues

In 1981, PD&R undertook work on the effects of Federal and local tax policies on the production and location of new housing, the economics of preserving existing housing, alternative mortgage instruments and surveys of mortgage market activity. Planning began on a review of FHA and its role in housing markets.

Research Utilization

PD&R works with the Office of Public Affairs to ensure that HUD-sponsored research reports are disseminated effectively to interested parties (e.g., State and local governments, financial institutions, builders, developers, neighborhood groups and academicians). As a cost-saving measure, PD&R reduced the cost of printing research reports by, for example, placing more documents for sale by the Government Printing Office.

Public Access to PD&R Data

PD&R has a policy of making the data it collects widely available to academicians and other interested groups. In 1981, PD&R created the Housing Research Data Center to provide public access to a large collection of data resulting from evaluations of HUD programs.

. . . At my request, the President's Commission on Housing was established to help us explore new directions in meeting the Nation's housing problems. Comprised of respected private and public sector leaders, the Commission began reviewing Federal housing policies and programs and setting out options for basic reforms of federally-subsidized housing. . . .

stration, nine private fair housing groups worked with staff in seven HUD Regional Offices to increase public awareness of procedures for filing fair housing complaints and to promote the use of testing and other investigative techniques. The demonstration improved enforcement of the Fair Housing Act at the local level, and contributed a substantial portion of the evidence used in the first major fair housing cases brought by the Department of Justice. In 1981, planning was also begun on an in-depth evaluation of the Fair Housing Enforcement Program.

primary data source on the condition of housing and urban dynamics. This survey, which was conducted annually from 1974 to 1981 and is now conducted biennially, provides current information on the size and cost of the housing inventory, demographic and income characteristics of occupants of different types of housing, changes in the inventory resulting from new construction, rehabilitation, conversions and losses, indicators of housing and neighborhood quality, and characteristics and dynamics of urban housing markets.

The Government National Mortgage Association (GNMA) was created in 1968 through amendment to Title III of the National Housing Act. Under the provisions of the Housing and Urban Development Act of 1968 the Federal National Mortgage Association (FNMA), originally established in 1938, was re-chartered as a private corporation to provide secondary support for the private residential mortgage market. By the same Act, GNMA was established as a Government corporation within HUD to administer mortgage support programs which could not be carried out in the private market.

GNMA has four major activities, the first of which is the Mortgage-Backed Securities (MBS) Program. Its purpose is to increase liquidity in the secondary mortgage market and to attract new sources of financing for residential loans. In the MBS Program, GNMA guarantees to investors the timely payment of scheduled principal and interest on securities which are backed by pools of federally-underwritten mortgages and issued by private mortgage lending institutions. The GNMA guaranty is backed by the full faith and credit of the United States Government.

The second activity is the Special Assistance Functions (SAF) in which GNMA purchases certain types of mortgages to fulfill two statutory objectives: (1) to provide support for housing for which financing is not readily available, such as housing for low-income families; and (2) to counter declines in mortgage lending and housing construction.

The third major activity is the purchase of conventional and government-backed mortgages

on an emergency basis. GNMA was mandated to make purchases of these mortgages by the Emergency Home Purchase Assistance Act of 1974. This authority was updated by the Housing and Community Development Act of 1980 to reflect current and future market conditions.

Finally, under its Management and Liquidation Function, GNMA assumed responsibility from FNMA for managing a portfolio of federally-owned mortgages.

Mortgage-Backed Securities Program

Since the Mortgage-Backed Securities (MBS) Program began operation in 1970, GNMA has guaranteed over \$125 billion in securities (referred to as "Ginnie Maes"). The program is widely acknowledged to be the most important secondary mortgage market innovation in over 40 years. During the past 11 years, the MBS Program helped to increase and stabilize the overall supply of mortgage credit and to reduce its cost by making it possible for funds that normally circulate only in the securities and bond markets to flow into the residential mortgage market as well.

During Fiscal Year 1981, \$16.9 billion of securities were guaranteed by GNMA, which brought the cumulative amount of guaranteed securities issued to \$126.2 billion. Of this total, \$112.9 billion was in single-family level payment securities, \$5.7 billion in single-family level payment securities, \$3.7 billion in multifamily project and construction loan securities, \$1.9 billion in mobile home loan se-

curities, and \$2 billion in serial notes.

GNMA implemented a new program for securities backed by pools of "buydown" mortgages on August 24, 1981. These buydown mortgages are federally-underwritten fixed payment, unsubsidized home mortgages in which funds from a number of sources reduce the borrower's monthly payments during the early years of the mortgage. The program increases the supply of funds for such mortgages, thereby helping families buy homes they may not otherwise be able to afford.

GNMA Mortgage Purchase (Tandem) Programs

The GNMA Mortgage Purchase Programs were authorized as part of the Special Assistance Functions (SAF) which have existed since 1954. When GNMA was created in 1968, it was given authority to continue the Special Assistance Functions formerly operated by FNMA. Two purposes are described in the Charter Act. The Special Assistance Functions are intended to be used to provide financing: (1) for special housing programs designed to serve segments of the population not adequately served otherwise; and (2) to counter declines in mortgage lending and residential construction activities.

During FY 1981, GNMA issued \$1.75 billion in commitments to purchase below-market interest rate multifamily project mortgages and actually purchased \$2.17 billion in such mortgages pursuant to already outstanding commitments. At the end of FY 1981, \$4.785 billion in commitments remained outstanding to purchase such mortgages.

Since its creation in 1970, the New Community Development Corporation (NCDC) has administered a program of Federal guarantee assistance to finance the development costs of new communities. However, new applications have not been accepted because of a 1975 Congressional moratorium on New Community Loan Guarantees. The Administration and Congress have agreed on a plan to liquidate the program as expeditiously as possible.

Altogether, 16 new communities were approved for program assistance or entered into project agreements with HUD. Thirteen received guarantee assistance and three received Certificates of Eligibility for grant and housing assistance that is not guarantee assistance.

NCDC is pursuing an aggressive asset liquidation program to sell or otherwise dispose of the remaining new community properties by:

- Liquidating the assets of the six failed communities presently owned by HUD: Flower Mound, Texas; Newfields, Ohio; Park Forest South, Illinois; Riverton, New York; Shenandoah, Georgia; and Soul City, North Carolina.
- Negotiating acceptable terms with the existing developers of three new communities not meeting their debt service obligations and terminating their Title VIII project agreements: Harbison, South Carolina; Maumelle, Arkansas; and St. Charles, Maryland. If acceptable terms are not reached, NCDC will take possession of these properties and liquidate their assets.
- Terminating all remaining Title VII agreements on those projects with Certificates of

Eligibility: Park Central, Texas; Radisson, New York; Roosevelt Island, New York; and,

- Terminating the Title VII status of the remaining financially successful new community: The Woodlands, Texas.

Under the liquidation program, NCDC received offers totaling \$4,203,000 on Newfields, Ohio, and Park Forest South, Illinois and accepted bids totaling \$15,236,000 on Riverton, New York and Flower Mound, Texas. Land sales totaling \$162,000 were made in Shenandoah, Georgia and an aggressive sales program was initiated to sell the entire holding within 12 months.

The Corporation negotiated salvage arrangements totaling \$28,200,000 for two of the three new community projects remaining in the hands of their developers which are not meeting their debt service.

During the year, NCDC took steps to strengthen its management structure and operations. These steps, to take effect January 1, 1982, included establishment of a financial accounting and reporting system that monitors the revolving fund activities, establishment of internal project audits and controls, and establishment of debt collection and budget controls. NCDC also proposed a reorganization of the corporation to clearly define lines of responsibility and authority, reduce personnel, and provide specific structure to support the liquidation mission.

Administration is organized in eight offices and two special staffs. They are: Organization and Management Information (OMI), Personnel, Budget, Finance and Accounting, Administrative Services, Procurement and Contracts, Automated

ment. Knowledgeable staff members were detailed to form the cadre for a central debt collection coordination office reporting directly to the Secretary. One staff member was detailed to the Office of Management and Budget in the Executive Of-

In the area for which the Assistant Secretary for Administration has responsibility (Federal Housing Administration insurance premiums), delinquencies have been reduced by 52 percent.

Cash Management Improvements

Continued management attention to cash management techniques resulted in several processing improvements which are saving the taxpayers thousands of dollars. Further initiatives planned but not yet fully implemented will save substantial additional dollars. Cash receipt processing in Headquarters has been consolidated within a single office. As a result, all collections are now deposited within 24 hours of receipt. This has not only resulted in annual savings of \$295,000 due to lessened Federal borrowing but has resulted in improved physical security over receipts. HUD has also received informal approval from the U.S. Treasury to pilot a "lock box" process with a commercial bank that will further accelerate collections and save an additional \$1.1 million annually.

By careful timing of scheduled payments to the fiscal agents for public housing financing bonds, HUD is now saving the taxpayers thousands of dollars. Previously, these fiscal agents received amortization and interest payments in advance of the due date. These procedures were waived to allow HUD to develop with the U.S. Treasury a transfer system to deliver the payments by wire transfer, which will save an estimated \$600 thousand annually.

. . . It makes sense to call on private sector procedures, as well as private sector people, to help meet our country's immediate and long-range needs. Many management practices that work well in the business world also prove effective in government. . . .

Data Processing (ADP) Systems, ADP Operations, the Management Consulting Staff, and the Executive Secretariat. However, efforts were begun in 1981 to reorganize Administration to better manage information resources. Plans were well underway to combine the functions of ADP into one office. Various functions of ADP have resided in three offices – OMI, ADP Systems and ADP Operations. In addition, plans were formulated to remove the training function from Personnel and create a separate office.

Debt Collection Improvements

The Department responded immediately to the President's mandate for improvements in debt collection, debt management and reduction of delinquent debts owed the Govern-

ment. Knowledgeable staff members were detailed to form the cadre for a central debt collection coordination office reporting directly to the Secretary. One staff member was detailed to the Office of Management and Budget in the Executive Of-

ice of the President to assist in Government-wide debt collection planning. The emphasis on debt collection is requiring a refocus of HUD's accounting and financial information process to develop, maintain and report data on receivables including: nature of the receivable, geographical focus of the debts, aging of the debt, reporting debt restructuring, automating billings and follow-up, monitoring liens and other encumbrances, computing allowances, overseeing write-offs, screening for possible offsets, establishing social security number and tax identification data elements for tracking debtors, generating listings for private sector credit bureaus, etc. "Bottom-line" results from this reprocessing will not occur immediately, but HUD expects to reduce delinquent debts significantly in the future.

The Office of Legislation and Congressional Relations is headed by an Assistant Secretary who acts as the principal adviser to the Secretary on the Department's relations with the Congress.

The Office consists of two

sections: Legislation and Contact for Members of Congress with respect to the operation of the Department's programs in their districts.

During 1981 the Office of Legislation and Congressional Relations was restructured to



gressional Relations. Each Section is headed by a Deputy Assistant Secretary.

Legislation personnel are responsible for coordinating development of the Department's legislative program, managing presentations before the Congress and assisting that body in its consideration of legislative and regulatory proposals as well as other matters of interest to HUD.

Congressional Relations staff coordinate the services and information provided by HUD to Members of Congress, respond to congressional inquiries, and serves as the primary point of

improve the Department's ability to obtain congressional authorizations for the Administration's housing and urban development programs and appropriations for those activities.

In addition to providing staff support for testimony on the Department's authorization and appropriations legislation, the Office coordinated the preparation of testimony and departmental appearances before congressional committees on the following topics:

- HUD's Suspension and Debarment Policies and Procedures

• Inspector General Reports and Follow-up Actions Taken by Program Offices

- Indian Housing
- Federal Role in Conventional Home Finance
- Regulatory Reform
- Water Resources Council
- Public Building Policy and HUD's Space Needs
- Congregate Housing
- Public Housing Policies
- Special Problems of Housing for the Elderly
- Problems of Aged Blacks
- Making the Community Development Block Grant Program More Effective
- Government Cost Reduction Act
- Condominium and Cooperative Conversions
- Real Estate Settlement Procedures Act
- Small and Disadvantaged Business Utilization
- Housing Counseling
- Alternatives for Meeting Public Service Needs in Housing

• Manufactured Housing Construction and Safety Standards

- Revitalization of FHA
- Alternative Service Delivery Systems

During the year, the 11 Congressional Liaison Officers responded to approximately 15,323 telephone and 6,433 written inquiries about HUD matters from Members of Congress and congressional staff. They made 7,725 grant announcements to Members of Congress and arranged 384 meetings between HUD staff and Members of Congress and staff to discuss various Departmental programs.

The General Counsel provides legal services and advice to the Secretary and officials of the Department's Headquarters and field offices. He is assisted by a six-office Washington staff and ten Regional and thirty-nine Area Counsel's offices.

Office of Assisted Housing and Community Development

Block Grants Division

The Block Grants Division provides legal services in the Community Development Block Grant program, the Urban Development Action Grant program, relocation, the Section 312 rehabilitation program and historic preservation.

The Division played a major role in the development and implementation of the extensive 1981 amendments to the block grant legislation and assisted in implementing program simplification for entitlement communities.

During the past year, a demonstration program utilizing HUD's Section 108 loan guarantee program was developed. Under this program entitlement grantees may provide long-term economic development assistance to small businesses. The Division also took the lead in issuing a completely revised form of agreement between HUD and localities carrying out urban homesteading programs to facilitate simplification.

Finally, the Division assisted in HUD's ongoing effort to resolve over 9,000 delinquent section 312 loan accounts, and in reducing the rate of loans which are 30 or more days delinquent from over 13 percent at the beginning of 1981 to less than half that rate by the end of the year.

Assisted Housing Division

The Assisted Housing Division provides legal counsel for the Department's two major programs for housing our lowest income families: the conventional public housing program and the Section 8 program. The Division also furnishes legal advice on the Section 202 Loan program for housing the elderly and handicapped, and on the governance of housing allocations for all assisted housing.

During 1981, the Division's attorneys furnished regulatory drafting and other legal advice in support of the Department's establishment of the financing adjustment factor (FAF), a necessary mechanism to achieve financial feasibility of Section 8 new construction and substantial rehabilitation projects.

In compliance with Departmental efforts to improve existing programs, the Division played a key role in drafting the Multifamily Housing Occupancy Handbook covering a wide range of management concerns in most of the Section 8 and FHA-assisted housing programs. Similarly, the Division provided guidance on rental/homeownership conversions of conventional public housing units (including Indian Housing)

At the same time, Division attorneys participated in implementing newly-enacted legislation through regulations authorizing the new Comprehensive Improvement Assistance Program for the modernization of public housing, carrying out statutory shifts in emphasis on existing housing and on accommodating local preferences in the allocation of assisted housing, and effectuating a series of cost-cutting and simplifying changes to the Section 8 program.

Office of Insured Housing and Finance

Multifamily Mortgage Insurance Division

The Multifamily Mortgage Insurance Division provides legal

by insured or HUD-held mortgages. These guidelines assure that the Department's security in the transferred project is protected when the sale involves a second mortgage, wraparound mortgage, or land contract.

The Division developed the

. . . I came to HUD determined to improve its management and efficiency . By quickly getting top executive staff in place, we made an early start in running the Department on a businesslike basis. . . .

guidance for the implementation of the Department's multifamily housing programs with financing insured under the National Housing Act.

In 1981, the Division assisted the Associate General Counsel in the development of regulations under 1980 and 1981 legislation to deny financial assistance to nonimmigrant student aliens and other illegal aliens occupying housing developed under the FHA, public housing, Section 8 and rent supplement programs. The Division also played a leading role in the revision of FHA regulations relating to coinsured multifamily mortgages in an effort to make coinsurance more attractive to the private mortgage market, particularly to encourage major private lenders to refinance urban multifamily housing projects.

The Division also developed guidelines for the use of secondary financing in connection with the sale of projects covered

mechanics for implementing the Multifamily Mortgage Foreclosure Act of 1981 which will enable HUD to move quickly to foreclose the interests of defaulting mortgagors for mortgages held by the Secretary. The use of Foreclosure Commissioners in a nonjudicial capacity will result in reduced costs to the Government and other parties involved in the foreclosure process. The Department expects to be able to move rapidly to protect the Government's interests under this Act.

Finance Division

Finance Division attorneys serve as counsel to the Government National Mortgage Association (GNMA), providing legal guidance with respect to all of its secondary mortgage activities and representation in all judicial actions. The Division also provides assistance, through the General Counsel, to the Secre-

tary in discharging his oversight responsibility for the Federal National Mortgage Association (FNMA). In addition, it advises the Department on tax exempt bond financing and marketing, real estate syndication, project refinancing and workouts, the Federal Financial Bank, and the impact of tax, bankruptcy and securities laws on HUD programs.

During the past year, the Finance Division worked with GNMA to prepare extensive revisions to GNMA's Sellers Guide, particularly those sections involving the delivery of multifamily tandem mortgages, and participated in analyses which will result in early 1982 in major improvements of GNMA's tandem project mortgage auctions.

The Finance Division has worked extensively to assist in the development of secondary market capital resources. For example, it cooperated with the Department of Labor to clarify the impact of the ERISA statute and regulations on the purchase by pension plans of GNMA mortgage-backed securities and tandem mortgages. In addition, during the past year the Division assisted in the preparation of a program under which GNMA (and FNMA as its agent) would begin the auction sales of FHA's large HUD-held mortgage portfolio. This will facilitate the Government's effort to reduce Treasury borrowings through the sale of such Government assets to private lenders and the recovery of the invested funds for more critical purposes.

Home Mortgage Division

The Home Mortgage Division provides the full range of serv-

ices for the Department's single-family insured housing program managers from the initiation of the mortgage insurance contract by approved lenders until the mortgage insurance is terminated.

A substantial portion of the Division's work in 1981 related to the implementation of significant legislative changes made by Congress during 1980. The Housing and Community Development Act of 1980 authorized the Secretary to provide Temporary Mortgage Assistance Payments to mortgagors who are in default due to circumstances beyond their control. This Division played a principal role in the development of regulations and procedures to implement the new program, which is expected to reduce the number of mortgages assigned to the Secretary, and hence the dollar volume of mortgage insurance claims paid.

Another legislative change affecting home mortgage insurance was the 1980 Act's requirement that mortgage assistance payments made under the Section 235 homeownership program be recaptured under specified conditions. The Home Mortgage Division prepared the necessary legal instruments and regulations to implement recaptures, which will contribute to the Administration's campaign against waste and dissipation of Federal resources.

Under the Mortgage Subsidy Bond Tax Act of 1980, this Division assisted in developing procedures whereby mortgagors under FHA insured mortgages would be eligible for the benefits under the Act, thus laying the groundwork for expanded use of FHA single-

family housing programs by first-time home buyers.

To further support the retargeting of HUD's single-family housing programs to families in need, the Division analyzed the various alternative mortgage instruments now used in the mortgage industry and determined the extent to which these types of mortgages could be insured under the FHA program.

The number of foreclosures of Secretary-held mortgages initiated in 1981 increased 500 percent over 1980, partly as a result of expedited procedures developed by the Home Mortgage Division.

Office of Program Enforcement

Inspector General and Administrative Proceedings Division

The Inspector General and Administrative Proceedings Division provides legal support to the Mortgagee Review Board, which imposes sanctions on mortgagees found to be in violation of the Department's rules and regulations. It also advises the Office of Inspector General regarding legal implications and conclusion to be drawn from OIG audits and investigations.

During 1981, the Division drafted proposed regulations for the Office of Inspector General setting forth the organization, functions, and authority of the OIG; procedures for requesting information from the OIG under the Freedom of Information Act; and procedures governing the production of

documents or disclosure of testimony by the OIG in response to subpoenas or demands of courts. In addition, the Division provided representation to the Mortgagee Review Board in 40 docketed proceedings and entered into Consent and Indemnification Agreements with FHA-approved mortgagees resulting in savings of approximately \$485,000 to the Mutual Mortgage Insurance Fund.

Program Compliance and Enforcement Division

The Division provides legal support to enforce requirements of various programs of the Department. Remedial actions include judicial and non-judicial foreclosure actions involving HUD multifamily projects, and injunctive and administration proceedings and other enforcement actions under the Interstate Land Sales Full Disclosure Act, the Real Estate Settlement Procedures Act and the National Manufactured Housing Construction and Safety Standards Act. The Division also provides legal opinions and drafts regulations concerning requirements of these programs as well as the lead-based paint, housing counseling and consumer affairs programs.

In 1981, the Division successfully concluded several enforcement lawsuits, contributed to a major deregulation initiative in the Interstate Land Sales program, and drafted regulations implementing legislative changes in the Manufactured Housing program.

Office of Litigation

The Office of Litigation repre-

sents the interests of the Department in cases in which significant legal issues are raised concerning the Department's programs and activities.

In *Daniels v. HUD*, the District Court held that HUD does not have a statutory obligation to maintain all of the multifamily rental units which it controls in suitable condition for occupancy. Low-income residents of Cincinnati, Ohio, had claimed that HUD must repair and rent 100 percent of the housing it controls through foreclosure or as mortgagee-in-possession.

The Fifth Circuit Court of Appeals in *Blackshear Residents Organization v. HUD* and the District Court in *Indianapolis Neighborhood Development, Inc. v. HUD* rejected community organizations' claims that HUD must issue regulations to implement that provision of 42 U.S.C. 5301(c) which directs that community development block grants should not be used to reduce local financial support for community development activities. The Fifth Circuit held that HUD's monitoring of compliance with 5301(c) on a case-by-case basis was satisfactory implementation and the District Court held that HUD properly accepted the City of Indianapolis' certification that it had not substantially reduced its own support for community development activities.

The D.C. Circuit Court of Appeals held in *Shivers v. Landrieu* that tenants in Section 608 projects may not bring suit under the National Housing Act against their landlord or HUD for alleged breaches of landlord-tenant obligations or HUD regulations. The tenants' allegations concerned illegal evictions, high rents and deficient mainte-

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nance. The Court concluded that the tenants were not direct beneficiaries of Section 608 which was designed to stimulate construction of war housing for veterans. It also concluded that agency action under Section 608 was expressly exempt from judicial review under the Administrative Procedure Act.

In *Vandermark v. Housing Authority of the City of York, et al.*, the Third Circuit Court of Appeals found that the housing authority's policy of refusing Section 8 assistance to persons owing it money was consistent with the United States Housing Act and HUD regulations. The Court found that the housing authority had a fiscal and management interest in having debts owed to it paid by Section 8 applicants.

Office of Regulations and Administrative Law

Regulations Division

The Regulations Division manages the review and clearance of all HUD regulations and acts as the Department's liaison with the Federal Register.

In 1981, the Division assisted the General Counsel in implementing HUD's deregulation program. Under that program, the Department is making substantial inroads in reducing the regulatory burdens on the private sector and in simplifying the language and procedures of its regulations.

New Communities Division

The New Communities Division assists in the settlement of complex negotiations with New Communities in default. In addition,

in 1981, the staff served as counsel for the Solar Energy and Energy Conservation Bank and provided legal support for the Department's requirements under the Davis-Bacon and National Environmental Policy Acts.

. . . When no one could tell me how much was owed HUD in delinquent debts, I assigned a Task Force which discovered that figure to be \$1.6 billion. That's a huge debt. We've made significant progress in collecting it and have improved our ability to monitor our debt collection. . . .

Equal Opportunity Division

The Equal Opportunity Division provides legal support to the Assistant Secretary for Fair Housing and Equal Opportunity (FH&EO) and represents the Department in administrative hearings conducted by the Equal Employment Opportunity Commission.

In 1981, FH&EO coordinated the establishment of Systemic Discrimination Units in each HUD Regional Office. These units investigate significant cases involving alleged discriminatory housing practices under the Fair Housing Act. In support of these activities, the Division conducted training sessions for regional attorneys and FH&EO staff on the issuance and enforcement of subpoenas under the Act.

In connection with increased

interest by States and localities in funds available under the Fair Housing Assistance Program, the Division has provided legal opinions regarding whether State or local fair housing laws provide rights and remedies substantially equivalent to the

Fair Housing Act, which is a prerequisite to such funding.

Administrative Law Division

The Administrative Law Division provides legal services in the areas of personnel and torts litigation, the Freedom of Information and Privacy Acts, procurement and contracts activities and conflict of interest matters.

In 1981, the Division revised the method of charging fees under the Freedom of Information Act and developed the Department's system of management control of consulting contracts. It also developed Standards of Conduct regulations to eliminate employee conflict of interest and conducted Department-wide briefings in this area.

The Division represented the Department in the first perform-

ance removal case to go to the Merit System Protection Board (MSPB) under Chapter 43 of Title V of the U.S. Code, pursuant to the Civil Service Reform Act of 1978.

Office of Legislation

The Office of Legislation performs a variety of legal functions in connection with the Department's legislative program. These include development and clearance of the annual authorization legislation; provision of legal counsel during congressional consideration of such legislation; preparation and clearance of reports on other proposed and pending bills; advice on appropriation matters; and review and clearance of departmental testimony.

During 1981, the Office worked on a number of major legislative initiatives including the Housing and Urban Development Amendments of 1981. These amendments substantially revised the Community Development Block Grant Program, funded and made significant changes in the Public Housing and Section 8 programs, and created a new non-judicial foreclosure remedy for multifamily mortgages held by HUD under the National Housing Act and Section 312.

The Office of Inspector General (OIG) conducts independent audits and investigations to review and evaluate the efficiency, effectiveness and integrity of the Department's nationwide operations. Pursuant to the Inspector General Act, the Inspector General keeps the Secretary of HUD and the Congress fully and currently informed about fraud and other problems and deficiencies in the Department's programs and operations. Further, the Inspector General recommends, monitors and reports on the Department's progress in implementing corrective actions.

During 1981, the OIG engaged in a number of significant and successful efforts to detect and prevent fraud, waste and mismanagement in the Department's programs and operations.

The OIG, together with non-Federal auditors, issued audit reports resulting in cash recoveries and savings to HUD of about \$38.2 million during fiscal year 1981. Cash recoveries from OIG investigations produced an additional \$2.2 million. The cash recoveries and savings were reported in 976 internal and external audit reports issued by the OIG and in 4,646 external audit reports that were prepared by non-Federal auditors and whose issuance was monitored by the OIG. The non-Federal auditors were engaged by HUD program participants to audit their financial operations. In total, these reports resulted in more than 9,400 audit findings and recommendations during the year.

In addition, the OIG opened 2,257 investigations and referred 734 to the Department of Justice because possible viola-

tions of Federal criminal statutes existed. A total of 198 persons or firms were indicted and 119 persons or firms were convicted during fiscal year 1981. OIG's investigative efforts resulted in \$2.2 million in cash recoveries and \$228,000 in fines. In con-

Fraud, Waste and Mismanagement, as well as with other offices in the Department. Recommendations by the Committee to improve HUD's program participant monitoring were approved by Secretary Pierce and a task force was formed to begin

HUD offices. Both systems are designed to evaluate controls in the Department's existing programs on a continuing and systematic basis.

Cooperative efforts between HUD and other agencies continued to produce significant results. During the past year, OIG participated in two joint efforts with the Office of Inspector General of the Departments of Agriculture and Health and Human Services. The first effort, called Project MATCH, consisted of comparing fraudulent food stamp cases involving recipients in Memphis, Tennessee, with HUD-assisted tenant records. As a result of the effort, we opened 112 cases for investigation due to indications that false information was submitted to obtain HUD rental subsidy payments. In an effort similar to Project MATCH, we began preliminary work in August 1981 on a review of controls over rent and subsidy payments in Birmingham, Alabama. At September 30, 1981, we had already identified 25 possible cases involving misreported incomes which warranted investigation and possible referral to prosecutive authorities.

Other OIG fraud control activities during the year included issuing Fraud Information Bulletins and other materials designed to alert departmental employees of program vulnerabilities and maintaining an employee telephone hotline for reporting activities involving fraud, waste or mismanagement.



tinuing efforts to instruct HUD personnel on the Department's Standards of Conduct provisions, 74 seminars were given to 9,244 employees.

OIG continued to work closely with HUD's Committee on

implementing those recommendations. In conjunction with HUD's Fraud Vulnerability and Management Control Assessment Systems, a total of 87 assessments were performed by

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The Secretary is responsible for the administration of programs, functions and authorities of the Department, and for advising the President on Federal policies, programs and activities relating to housing and urban development.

The Secretary develops and recommends policies regarding the orderly growth and development of the Nation's urban areas, and exercises leadership, at the direction of the President, in coordinating Federal activities that impact on housing and community development in urban, suburban or metropolitan areas.

Office of the Under Secretary

The Under Secretary assists the Secretary in the discharge of departmental duties and responsibilities and serves as Acting Secretary in the absence of the Secretary.

As the chief operating officer, the Under Secretary is responsible for the maintenance of efficient management and accountability systems, the establishment and execution of specific priorities, and for overseeing the accomplishment of the Department's goals and objectives by the various Assistant Secretaries.

Deputy Under Secretary for Field Coordination

The Deputy Under Secretary for Field Coordination serves as the focal point of communication between Regional/Field Offices and the Secretary/Under Secretary; advises principal staff on the adequacy and effectiveness of field operating policies; oversees and manages the Department's Field Performance Evaluation System; conducts and

coordinates Department-wide studies on management, organizational, and program policy issues; provides staff support for the Federal Regional Councils; coordinates the recruitment and assignment of key personnel in both Regional and

programs and funds. To date the Task Force has:

- Initiated new monitoring policies and adapted them to the new program thrust of the Administration.
- Established a field network to coordinate and implement

. . . We also gave added impetus to departmental efforts to combat fraud, waste and mismanagement. HUD audits achieved cash recoveries of about \$31 million during the calendar year. Over \$100 million in potentially recoverable monies also were identified that were spent on ineligible activities by program recipients. . . .

Area Offices; and oversees the Field's debt collection initiatives, and efforts to reduce fraud, waste and mismanagement.

Fraud Monitoring Task Force

Secretary Samuel R. Pierce, Jr. approved the Fraud Monitoring Task Force's report which established a new departmental strategy for monitoring program participants. The Task Force, chaired by the Deputy Under Secretary for Field Coordination, is implementing a concept of "accountability monitoring" which is designed to assure that our field staff are the first line of defense against abuse of HUD

Task Force recommendations in the field.

- Trained staff in new monitoring techniques and procedures.

Deputy Under Secretary for Intergovernmental Relations

The Office of the Deputy Under Secretary for Intergovernmental Relations was created by the Secretary to coordinate departmental policies, programs and responses affecting HUD's major constituent groups: intergovernmental, private interest, and special constituent concerns, including Hispanics, the Handicapped, the Elderly, and Women. In its first year of operation, DUSIR has established liaison with public and private interest groups, focusing espe-

cially on the major intergovernmental groups, but dealing as well on an ongoing basis, or by need and occasion, with groups representing aspects of the housing industry or special constituent concerns. DUSIR thus serves as a focal point for constituent inquiries, complaints, concerns, reactions, and proposals to HUD.

During 1981 the Office of Intergovernmental Relations arranged and conducted briefings for the Secretary with over 200 State and local officials on various issues, including FY '82, '83 and '84 budget proposals, legislative and program initiatives like State block grants, UDAG, pension funds and housing issues. DUSIR also arranged and conducted meetings on specific issues at the request of, or in conjunction with, the Program Assistant Secretaries on Enterprise Zones, Multifamily Housing, State CDBG, and Technical Assistance for the State Block Grant Program.

A comprehensive network of governors, mayors, and other State and local officials was established to enable HUD to receive direct input and comment from elected officials. DUSIR has met with over 400 mayors, local officials and many governors, to establish these relationships.

Performing an ombudsman's role for State and local governments, DUSIR has established a successful, rapid process for casework requests. These requests have come from governors, mayors and other State and local officials. Over 600 requests were processed in 1981, coordination was established through program offices and Regional Administrators, and extensive monitoring and follow-

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up procedures have been established.

DUSIR served as the central point for coordinating all departmental efforts in conjunction with the White House Executive Office of the President (EOP) Task Force and other agencies on the Regional Conferences to implement the State Block Grant program. These conferences were convened nationwide; over 800 State, county and local officials participated. In addition, DUSIR coordinated with the EOP Task Force the various aspects of negotiations on the State Block Grants regulations.

The special program officers – Hispanic, Handicapped, Elderly and Women – established programs of outreach and consultation with their respective groups. All officers worked to orient their constituencies to the Administration's new policies, provided forums for gathering input from these groups on program priorities, and reviewed and monitored proposals and projects as they were submitted.

Office of Public Affairs

The Assistant to the Secretary for Public Affairs advises the Secretary and other principal staff on the Department's relations with the public and the news media.

The Office of Public Affairs is responsible for matters relating to public information, public opinion, participation in public events, and for the following services:

- liaison with and response to requests for information by national, regional, and local news media;
- issuance of news releases and other publications explain-

ing or describing departmental activities;

- liaison with and guidance of field public affairs officers;
- communication support for the program activities of the Department;
- management of the Com-

- liaison with national organizations having an interest in housing and community development and related fields;
- development and execution of an overall public affairs program for the Department;
- response to Freedom of In-

agreements, and provides for the acquisition and dissemination of foreign information.

Other activities of the Office of International Affairs include advising the Department of State on American representation at international meetings on



munication Review Board and, through it, coordination of the Department's communication with the public via publications, audiovisual products and exhibits;

- public affairs evaluation and training;
- community liaison relating to speeches and visits of HUD personnel;
- preparation of speeches for use by the Secretary and the Under Secretary, as well as other top staff;

formation requests from the news media;

- review of all departmental issuances;
- maintenance of quickly retrievable information on departmental programs and activities.

Office of International Affairs

The Assistant to the Secretary for International Affairs advises the Secretary on activities involving other nations, directs the administration of bilateral

housing related subjects, and arranging programs for foreign officials visiting the Department. In 1981, the Office arranged 124 programs for 404 visitors from 54 nations.

Bilateral Agreements

During 1981 –

- The Secretary received a delegation from the State Capital Construction Commission (SCCC) of the People's Republic

lic of China in October. A result of the meeting by the Secretary and SCCC Vice Minister Zhao Wucheng was the signing of a cooperative agreement on building construction and urban planning. Following these discussions, the six-member Chinese delegation visited with architects, planners, and local government officials in Baltimore, New York, Houston and San Francisco.

- The Department's Memorandum of Understanding with the Canada Mortgage and Housing Corporation (CMHC) was renewed at a meeting in Washington between the Secretary and the Canadian Minister for Public Works and Housing. Future plans for activities under the agreement include joint work on housing finance mechanisms, residential energy conservation, building technology, and the management of public housing projects facing difficulties. A report, "Housing and Affordability Problems and Housing Needs in Canada and the United States," the third in a series, resulted from joint activities under the Memorandum of Understanding.

- The annual Joint Steering Committee set up under the US-Mexico Agreement for Cooperation in Housing and Urban Development convened in July in Mexico City to renew the Agreement and establish a framework for future work. A new schedule of information exchanges on a variety of subjects was established, including national housing policies, national urban development, metropolitan planning, and earthquake construction standards. In addition to promoting technical exchange data, this agreement serves as a mechanism to

facilitate planning along the border.

- Joint meetings and information exchanges under the U.S.-U.S.S.R. Agreement on Housing and Other Construction continued through the year. Three projects for which HUD has pri-

country in the project devoted to "Policies to Address Urban Decline," the Department submitted a report on what 11 OECD member nations were doing to counteract urban unemployment and neighborhood blight.

. . . We achieved some worthwhile goals by applying management discipline across-the-board. Through concentrated effort, we managed to direct over 20 percent of our property disposition contract dollars to minority businesses during the first three quarters of Fiscal '81. . . .

mary responsibility were the subjects of meetings, which included construction site visits to both countries to study internal and external utility systems and industrialized building systems. The Office also arranged and monitored two joint seminars on concrete and fire-resistant building components. Two publications resulting from joint activities were issued during the year: "Planning New Towns: National Reports of the U.S. and U.S.S.R."; and "Building Under Cold Climates and on Permafrost."

Multilateral Activities

- The Department continued its participation in the Ad Hoc Group on Urban Problems of the Organization for Economic Cooperation and Development (OECD) in Paris. As the lead

- The Office administered and coordinated U.S. participation in the work of the Committee on Housing, Building and Planning of the UN Economic Commission for Europe (UNECE).

Foreign Research and Publications

The Office continued to maintain and upgrade a computer based information retrieval system containing over 10,000 foreign documents on housing and urban subjects. The system, called the HUD Foreign Information Retrieval System (HUDFIRS) makes this information readily available to researchers nationwide. During the year, HUDFIRS responded to 1,201 inquiries, including 84 from foreign countries.

Office of Small and Disadvantaged Business Utilization

The Office of Small and Disadvantaged Business Utilization (OSDBU) has been designated by the Secretary as the focal point for the implementation of the Department's Procurement Preference Programs (PPP) which include small, minority, and women-owned businesses, firms in labor surplus areas (LSA) and historically Black colleges and universities. The Office of Small and Disadvantaged Business Utilization was established by the Small Business Act, as amended, P.L. 95-507, which mandates that small business concerns and small disadvantaged business concerns be given the maximum practicable opportunity to participate in the performance of contracts led by Federal agencies.

The principal functions of OSDBU are to formulate, recommend and implement policy for HUD's Procurement Preference Programs, establish and evaluate PPP goal performance, and provide assistance to PPP firms and institutions for increasing their participation in HUD's procurement activities.

In carrying out these responsibilities, a significant proportion of OSDBU's efforts are achieved through the assistance of Small Business Technical Advisors designated in each Program Office with procurement responsibilities. These advisors, are assisted by Contract Coordinators who are responsible for establishing program goals, monitoring progress, and identifying "set-asides" for procurement preference businesses. These

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Coordinators also assist in expediting the Small Business Administration's Section 8(a) set-aside contracting process.

An example of the services provided by OSDBU is the assistance provided to a minority-owned business which led to the first Consolidated Supply Program contract awarded to such a firm to supply Public Housing Authorities with major appliances. One of OSDBU's most important activities is to provide specialized assistance to individual firms on a case-by-case basis. It is in this area and that of major out-reach activities that OSDBU expects to assist a significant number of individual firms and institutions to increase their participation in HUD's programs and activities.

OSDBU is actively involved in implementing programs for historically Black colleges and universities (HBCU's) in accordance with the requirements of President Reagan's Executive Order Number 12320 issued September 15, 1981. HUD is one of the key model agency's for implementing the Executive Order, through increasing dollar support to HBCU's and encouraging the private sector to do business with these institutions.

Under the Regulatory Flexibility Act, OSDBU is responsible for review and recommendations on proposed HUD regulations to ensure that adverse economic impact will not be imposed on a significant number of small entities.

Office of Labor Relations

The Assistant to the Secretary for Labor Relations is the Secretary's principal advisor on labor relations and labor standards matters, particularly in the construction industry. The Office of

Labor Relations acts as HUD liaison with organized labor and through its field staff, administers and enforces labor standards in HUD-assisted programs.

The Office focused on initiatives to reduce and eliminate un-

lic housing authorities was concluded, and the system scheduled in early 1982. An effort to upgrade HUD's residential construction wage rate survey was initiated, in conjunction with the Department of Labor, in order to improve the accuracy of Davis-

. . . As the year began, we had a clear agenda and a common purpose with the American people. We were determined to support President Reagan in his efforts to restore a sense of leadership and confidence in ourselves and our country, and to start on the road toward economic revitalization. Our common purpose was, and is, to make more cost-effective use of that part of the Federal budget allocated to aid the American people in their search for decent, affordable housing in healthy and safe communities. . . .

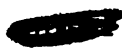
necessary paperwork and procedures associated with construction labor standards enforcement while ensuring a better managed and more responsive enforcement activity. Renewed emphasis was placed on contractor education and training as the key to a prevention-based labor standards compliance function. A research and development project for an improved and more accurate system of determining wage rates for maintenance workers in pub-

Bacon wage determinations.

The Office supported efforts to control crime in public housing authorities, especially in projects for the elderly. The Office emphasized cost control to create more construction jobs and to deliver more housing units, and assisted in training and apprenticeship programs in the construction trades, including the Indian housing programs. Use of pension funds to support home construction and urban development has been facilitated.

. . . We made a strong beginning during 1981, and we met the challenge to achieve our purpose. We will continue to concentrate our housing assistance in the areas of real need. We will target our help where there's a good chance we can make a difference whether people are adequately housed; and, we will continue to work equitably with all sectors of the American public to pursue and realize these goals.





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