

Good morning,

As his tenure leading the U.S. Department of Housing and Urban Development (HUD) comes to close, Secretary Julián Castro today released his exit memo to the American People, “Housing as a Platform for Opportunity.” In this memo, Secretary Castro points to the accomplishments of this Administration and the work that lies ahead as the nation’s housing markets continue to heal from recession while many high-cost areas remain in the grip of an affordable rental housing crisis. Thank you for all your interest in HUD’s mission to create strong, sustainable, inclusive communities and quality affordable homes for all.



Housing as a Platform for Opportunity

A Memo to the American People

Secretary Julián Castro

January 5, 2017

Introduction

Every year, the U.S. Department of Housing and Urban Development (HUD) creates opportunity for more than 30 million Americans, including more than 11.6 million children. That support ranges from assisting someone in critical need with emergency shelter for a night to helping more than 7.8 million homeowners build intergenerational wealth. Simply put, HUD provides a passport to the middle class.

HUD is many things but, most of all, it is the Department of Opportunity. Everything we did in the last eight years was oriented to bring greater opportunity to the people we serve every day. That includes the thousands of public housing residents who now have access to high-speed Internet through *ConnectHome*. It includes the more than 1.2 million borrowers in 2016 – more than 720,000 of them first-time homebuyers – who reached their own American Dream because of the access to credit the Federal Housing Administration provides. And it includes the hundreds of thousands of veterans since 2010 who are no longer experiencing homelessness and are now better positioned to achieve their full potential in the coming years.

Our nation's economy benefits from HUD's work. As our nation recovered from the Great Recession, HUD was a driving force in stabilizing the housing market. When natural disasters struck, as with Superstorm Sandy in the Northeast, the historic flooding in Louisiana, and many other major disasters – HUD helped the hardest-hit communities to rebuild, cumulatively investing more than \$18 billion in those areas, and making it possible for folks to get back in their homes and back to work. And when we invested those dollars, we encouraged communities not just to rebuild, but to rebuild in more resilient ways. The \$1 billion National Disaster Resilience Competition demonstrated our commitment to encourage communities to build infrastructure that can better withstand the next storm and reduce the costs to the American taxpayer.

Housing is a platform for greater opportunity because it is so interconnected with health, safety, education, jobs and equality. We responded to the threat posed by lead-contaminated homes by launching a forthcoming expansion of critical protections for children and families in federally assisted housing. And we finally fulfilled the full obligation of the 1968 Fair Housing Act by putting into practice the Affirmatively Furthering Fair Housing rule to ensure that one day a child's zip code won't determine his or her future.

Much has been accomplished during the Obama Administration, but new challenges are on the horizon, including a severely aging public housing stock and an affordable housing crisis in many areas of the country. Just as HUD provided necessary reinforcement to the housing market during the latest economic crisis, this vital Department will be crucial to the continued improvement of the American economy and the security of millions of Americans in the years to come.

Focus on a Healthy, Affordable and Fair Housing Market

We stabilized a housing market in crisis and then, through the Federal Housing Administration, stepped up lending to responsible borrowers while increasing capital reserves and lowering mortgage insurance premiums. We developed public-private partnerships to preserve affordable housing. We affirmed the Fair Housing Act's basic principle of desegregated communities and protected housing opportunities for all. And conscious of the damage climate change is wreaking on our homes and infrastructure, we invested more than \$18 billion in communities recovering from natural disasters and initiated a \$1 billion competition for resilient housing and infrastructure projects, and unlocked access to Property Accessed

Clean Energy financing so that the thousands of American's that chose an FHA backed mortgage each day can make energy efficiency improvements on their homes at no upfront cost.



THE HOUSING MARKET

During the Obama Administration, HUD:

- ✓ Stabilized a housing market in crisis
- ✓ Affirmed the Fair Housing Act
- ✓ Preserved affordable housing
- ✓ Invested in disaster recovery

HUD.GOV

The infographic features a dark blue background with white text. On the right side, there is a photograph of President Barack Obama, Vice President Joe Biden, and two other men standing in front of a modern house. One man is holding an American flag. The HUD.GOV logo is located at the bottom right of the infographic.

A Healthy Housing Market

In 2009, the housing market was deeply in crisis – home values were plummeting, causing Americans to lose \$7.5 trillion in home equity. Meanwhile, foreclosure rates reached their highest point in history – nearly five million households experienced foreclosure and nearly as many families were forced to leave their homes through short sale and deed-in-lieu of foreclosure. Millions of homeowners were forced into rentals or even homelessness. The market reacted by making it extraordinarily difficult to obtain a home mortgage, even for responsible, hard-working, credit-worthy Americans.

Federal Housing Administration

The Federal Housing Administration (FHA) served as a stabilizing force during this crisis by providing access to mortgage credit for underserved borrowers, and preserving a path to the middle class that can be passed on from one generation to another. Among homebuyers, FHA increased its market share from 4.5 percent of purchase loans in 2006 to 33 percent in 2009, before returning to a more typical level today. FHA provided new purchase mortgages to 5.7 million homebuyers and refinance mortgages to 3.4 million homeowners between 2009 and 2016.

Through the *Home Affordable Modification Program (HAMP)*, *Home Affordable Refinance Program (HARP)*, the *Hardest-Hit Fund*, and the *Neighborhood Stabilization Program (NSP)*, the Obama Administration's efforts stabilized the economy by providing a critical lifeline to more than 10 million distressed homeowners. These efforts paid off – Americans built nearly \$7 trillion in housing wealth since 2009. Today, home values in many housing markets are fully recovered, and more people are once again turning to homeownership to build equity for themselves and their families.

But during the height of the financial crisis, homeowners were often victims of illegal mortgage servicing and foreclosures by some big banks, further exacerbating an already terrible situation. In 2012, HUD and the Department of Justice, together with 49 state attorneys general, reached the National Mortgage Servicing Settlement, a \$25 billion agreement with the five largest mortgage servicers that had preyed upon homeowners during the financial crisis. The settlement not only provided financial relief to homeowners, who saw reduced premiums and were able to refinance their loans, but it also prevented hundreds of thousands more foreclosures and affirmed significant protections for homeowners in the future. This bipartisan effort was the largest joint federal-state settlement of its kind, and it helped to lead the nation out of the depths of the Great Recession that had so devastated the housing sector and millions of American families.

Mutual Mortgage Insurance Fund

In early 2015, FHA reduced the premium that borrowers pay for mortgage insurance, providing an annual savings of \$900 for nearly two million FHA homeowners. We did this to help more responsible, credit-worthy folks realize the American dream of owning a home. Some critics in Congress objected that lower premium costs would generate less reserves in FHA's Mutual Mortgage Insurance (MMI) Fund to cover claims on defaulted mortgages. Today we can say with certainty that not only has this mortgage insurance premium reduction improved access to credit for a greater number of qualified families, but it did not undermine the financial health of FHA's forward mortgage portfolio.

The Mutual Mortgage Insurance (MMI) Fund's improvement was the result of sound policymaking, improved risk management, and market factors. The Fund now stands at \$27.6 billion, an increase of \$3.8 billion in the last year. The improvement represents a 12 percent increase in the capital ratio, from 2.07 to 2.32 percent, which Congress mandates must be above 2 percent.

Ginnie Mae

Meanwhile, Ginnie Mae helped to keep FHA and Department of Veterans Affairs (VA) programs viable by encouraging non-banks to support FHA and VA lending as banks withdrew from those programs. It has expanded access to sustainable mortgage financing for more credit-worthy working families. Ginnie Mae has experienced tremendous growth, providing the funding for less than 15 percent for the housing market to more than 30 percent in FY2016. Ginnie Mae's private sector partnerships also allowed FHA and VA program borrowers to obtain an interest rate .375 percentage points lower than the rate offered on conventional mortgage loan programs.

Communities of Color

Homeownership must be an affordable option within reach of all credit-qualified Americans, particularly young adults and communities of color who have historically experienced tighter credit markets. While there is no question that credit markets needed to be reformed following the market collapse, the pendulum has swung too far in the opposite direction. For example:

- the African American homeownership rate has fallen 6.7 percentage points to 43 percent;
- the Hispanic homeownership rate has fallen 2.5 percentage points to 45.6 percent; and
- the white homeownership rate has fallen 4.0 percentage points to 71.9 percent.

If we are to reverse this trend in a responsible manner, FHA must continue to be a key source of support for low- and moderate-income and first-time homebuyers.

An Affordable Housing Market

Rents are too high for working families and young people in many areas of the nation – from big cities to small towns to Indian Country. With only 65 affordable units available per 100 very low-income renters, availability of affordable housing is extremely limited and, in many cases, where they are available, they are unsafe. HUD's most recent Worst Case Housing Needs Report found that nearly eight million very low-income unassisted renter households were either paying more than half their income for rent or living in substandard housing. We can do better.

Between 2011 and 2013, modest gains in household incomes reduced the number of households with worst case housing needs from 8.48 million to 7.72 million. By further increasing incomes, we can lower the demand for affordable housing units, specifically in the rental market. We must also expand the supply of decent, affordable rental units. HUD continues to work closely with the Treasury Department to maximize the benefits of the Low Income Housing Tax Credit program.

National Housing Trust Fund

This year we began administering the National Housing Trust Fund. This resource is designed to help states across the country produce more critically needed affordable housing. The Housing Trust Fund's first grants, totaling more than \$173 million in 2016, will play an important role in creating and preserving the supply of decent, safe and affordable rental housing.

Rental Assistance Demonstration (RAD)

We must invest in distressed neighborhoods to transform them into safe neighborhoods with quality, affordable housing. In 2010, HUD estimated that the backlog of capital needs among the nearly 1.2 million public housing units was \$26 billion — a figure that is estimated to grow by \$3.4 billion every year thereafter. In response, HUD launched the Rental Assistance Demonstration Program (RAD). Since October 2015, RAD has successfully generated more than \$3.3 billion in new investment from the private sector to preserve and improve public housing stock.

Housing Assistance

HUD's number one budget priority has been the continuation of housing assistance for 10 million of America's poorest citizens — the vast majority of whom are elderly, disabled, or children. Without housing assistance, these Americans would be worse off, and more likely to be dependent on the generosity of friends or relatives, or even homeless. The research is clear: targeted long-term housing assistance, like the housing voucher, is critically important to prevent and end homelessness. In addition, housing assistance improves the health and safety of parents and the economic outcomes for their children.

A recent study by the National Bureau of Economic Research found that disadvantaged youth whose families received housing assistance when they were teenagers saw their annual earnings increase as adults, while experiencing lower instances of incarceration as an adult as compared to similar teenagers who did not have housing assistance.

Rental Assistance

We must also encourage greater mobility to safe neighborhoods with decent schools. Numerous research studies show that life outcomes are profoundly impacted by where a person lives. Mothers who moved to safer, lower poverty neighborhoods experienced a 50 percent lower rate of diabetes, a 42 percent reduction in severe obesity, and even reported being happier. Nearly 20 years after moving, their youngest children enjoyed higher earnings as adults, higher college attendance rates, and were less likely to become single parents. In most locations, housing vouchers are the most effective form of housing assistance to give families access to safer, lower-poverty neighborhoods. To that end, we expanded housing choice for low-income families by providing additional rental assistance that allows them to move to areas of greater opportunity with higher paying jobs, better performing schools and access to transit.

Prosperity Playbook

What we also know is that many communities are grappling with the complex challenge of moving folks out of poverty into greater opportunity without bumping up against a lack of affordable housing. That's why I directed my staff to develop the "Prosperity Playbook," a blueprint to help local leaders plan regionally about how to expand affordable housing opportunity and increase economic mobility in their communities. We recently published the findings and shared them with local leaders who need best practices immediately.

A Fair Housing Market

The 1968 Fair Housing Act prohibits discrimination in the sale, rental and financing of housing, but until this Administration, an important component of the law remained undefined. For nearly five decades, the Fair Housing Act required that communities across the country take affirmative steps to foster inclusivity and ensure all families looking for housing are on an even playing field.

Affirmatively Furthering Fair Housing

Through its implementation of this obligation to affirmatively further the purposes of the Fair Housing Act, HUD has provided clear data and guideposts establishing proactive partnerships with local governments to prevent and end housing segregation. To date, 15 communities across the country have completed comprehensive fair housing assessments and are working locally to set and start working on fair housing goals that are priorities for their communities. HUD is providing these communities with data and technical assistance. In the years to come, we expect additional cities and towns across the nation will do the same. Locally crafted with robust community input, these housing assessments help communities plan to use resources and take actions to reduce disparities, level the playing field, and combat patterns of segregation. Because a child's trajectory is shaped by the opportunities available in their communities, HUD's partnership with cities and towns across the country will help build a stronger nation— today, tomorrow, and for generations to come.

Open Data Opportunity Project

To create additional tools for residents and communities focused on increasing access to opportunity, we have collaborated with the Census Bureau, the Presidential Innovation Fellows and the White House on an effort to leverage open data and technology to increase economic mobility in communities around the country. To date, this effort, which we've called the Opportunity Project, yielded more than 40 new digital tools or features including those helping to find affordable housing near jobs and transportation,

matching unemployed Americans with jobs that meet their skills, and enabling local leaders to use data to better target investments.

Equal Access Rule

HUD's new protections for transgender individuals seeking emergency shelter represent another important step to ensure full acceptance of transgender and gender non-conforming individuals in the programs HUD supports. This will ensure equal access to the very programs that help to prevent homelessness for persons who are routinely forced to choose between being placed in facilities against their gender identity or living on our streets.

Violence Against Women Act

Under the leadership of President Obama and Vice President Biden, this Administration made important strides toward creating a comprehensive, coordinated and thoughtful response to domestic violence. A home should be a safe place where residents can live without the threat of violence or harassment. The actions we have taken will work to protect the housing rights of victims of harassment and survivors of domestic violence. Following the Violence Against Women Act of 2013, we developed a policy that strengthens protections for anyone who lives in HUD-assisted housing and becomes the victim of domestic violence. HUD outlined guidance for emergency housing transfers, protections against the adverse effects of abuse on tenancy, and made it easier for victims to request the relief provided for in the Violence Against Women Act.

These protections and others help ensure our nation treats everyone equally in housing.

A Climate-Resilient Housing Market

As we plan for the future, we cannot ignore the threat posed by increasingly-frequent natural disasters. In 2016 alone, our nation witnessed two "once-in-a-thousand-year floods" and several "500-year" flood events, along with numerous other floods and disasters, for a total of 45 federally declared major disasters as of December 8, 2016. In fact, since 2010, 85 percent of all U.S. counties have suffered a Presidentially-declared disaster, and more than 500 counties have had four or more major declared disasters since 2010.

Superstorm Sandy

On October 29, 2012, Superstorm Sandy collided into the most densely populated region in the nation with devastating and tragic results. Recognizing the size and magnitude of the storm and the rebuilding challenges facing the region, President Obama signed an Executive Order creating the Hurricane Sandy Rebuilding Task Force. The Task Force was established to ensure the recovery benefitted from cabinet-level focus and coordination. Less than a year after the storm hit, the Task Force released a rebuilding strategy to serve as a model for communities across the nation facing greater risks from extreme weather and to continue helping the Sandy-affected region rebuild. The Rebuilding Strategy contained 69 policy recommendations – many of which have now been adopted – that will help homeowners stay in and repair their homes, strengthen small businesses and revitalize local economies, and ensure entire communities are better able to withstand and recover from future disasters.

Infrastructure Design Competitions

In the aftermath of Hurricane Sandy, HUD, in partnership with the Rockefeller Foundation and other philanthropies, launched the Rebuild by Design competition to inspire affected communities to rebuild differently in ways that would enhance their physical, economic, social, and environmental resilience. Two years into the work, these projects are providing important lessons about how officials at all levels of government can design and construct infrastructure projects that deliver multiple community benefits.

Building off of lessons learned following Superstorm Sandy and Rebuild by Design, we launched the National Disaster Resilience Competition in late 2014, awarding \$1 billion for resilient housing and infrastructure projects in hard-hit communities devastated by natural disasters. We developed the competition in response to requests from state, local and tribal leaders to build resilience and better prepare their communities for the impacts of climate change. Once again, we worked with the Rockefeller Foundation to ensure that the National Disaster Resilience Competition promoted risk assessment, stakeholder engagement, and resilience planning in communities where the risks of disaster are projected to increase substantially.

Low- and moderate-income households (about 40 percent of the nation's households) are especially vulnerable when disaster strikes, and have the most difficult road to recovery when jobs are lost, homes are damaged and access to opportunity is compromised. HUD is working toward building resilience into ongoing disaster recovery and community development programs.

Community Development Block Grants

Recognizing that the cost of disaster recovery can be crippling for every level of government (as well as businesses and individual households), I encourage the next Administration to support local government efforts to create natural disaster-resilient buildings and infrastructure. Indeed, more than 1,200 state and local governments receive HUD's hallmark Community Development Block Grants (CDBG). Nearly half of the CDBG funding to states, and nearly a third to cities and urban counties, is spent on infrastructure projects. The fact of the matter is every park, school, road and drainage project has the potential to provide greater protection from the threats of future natural disasters. So when state and local governments seek our help to support resilient design we should support them. Those communities that act in advance are not only saving lives and homes, but also taxpayer money.

Focus on Outcomes for People, Not Only Outputs of Federal Dollars

Armed with research and data to support our mission, HUD is more effectively than ever expanding opportunity for all. Whether it's connecting a student living in public housing to the internet so she can complete her homework and apply to college, or providing a homeless veteran with a permanent home and social services to get a job, these strategies are supported by data and the successes they reap are game-changing for the individuals they benefit. As a whole, these policies move our nation toward greater equality and a brighter future.

Customized Local Solutions

In 2009, President Obama called on federal agencies to adopt a new approach to the federal-local relationship that requires a more unified federal government that serves as an on-the-ground partner with communities. This led to a series of "place-based" initiatives that start with local needs and priorities, develop and build upon evidence-based and data-driven solutions, strategically invest appropriate federal assistance, and leverage 21st century technology and innovation to address local challenges.

Place-Based Initiatives

HUD has championed this approach from the beginning, with the creation of the Choice Neighborhoods program in 2010; the development of the Partnership for Sustainable Communities with the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) in 2011; the establishment of the Strong Cities, Strong Communities Initiative in 2012; and the launch of the Promise Zones in 2014 with the U.S. Department of Agriculture (USDA) and 16 other agencies.

HUD's place-based work empowers local leaders in participating communities by helping to connect them with the resources they need to enact their own homegrown solutions for the challenges facing their communities. Initiatives like Choice Neighborhoods and Promise Zones take a big-picture approach to development. Their work helps improve communities' access to and delivery of a wide-range of services and activities, from building housing and creating jobs, to supporting after-school programs and improving the health of local residents. We've also joined with agencies across the federal government to cut through red tape and expand opportunity for the people we serve. For example, our Partnership for Sustainable Communities, a joint initiative with the Department of Transportation and the EPA, has helped connect affordable housing units with infrastructure and public transportation options that lower travel costs and reduce neighborhood pollution. We also accelerated this work through the use of modern, digital tools and by connecting local leaders with the technology and innovation ecosystems in their own backyards that can add to their capacity to solve local challenges using 21st century tools.

Community Solutions Council

To continue this momentum, President Obama created the Community Solutions Council, a lasting structure for federal agencies to coordinate across government and deliver more effective, streamlined, and responsive federal assistance. Local communities have directly benefitted from the customized approach that "place-based" work provides, and the next Administration should continue to align federal resources with the ideas and needs of local leaders and residents.

Ending Homelessness

HUD plays a vital role in preventing and ending homelessness in America.

Opening Doors

Through the President's *Opening Doors* plan, the first-ever federal strategy to prevent and end homelessness, HUD and our partners have made historic progress toward ambitious goals. Since 2010, when the plan was launched, overall homelessness has dropped by 14 percent. Homelessness among veterans is down by nearly half. Family homelessness and chronic homelessness have each been cut by roughly one-fourth. Key to this progress is the unprecedented interagency collaboration that HUD and the U.S. Interagency Council on Homelessness have fostered and we strongly recommend continue.

The First Lady's Mayors' Challenge to End Veteran Homelessness

The progress we've made would not be possible without the dedication of local leaders. The First Lady's Mayors' Challenge to End Veteran Homelessness inspired more than 850 elected officials to lead local efforts, leading to 36 communities and three states that have so far achieved the goal, with many more positioned to follow.

Congress also made the necessary investments in housing vouchers for veterans, dedicating hundreds of millions toward the HUD-Veterans Affairs Supportive Housing program. This commitment to veterans and collaborating to provide resources is truly an example of how Washington can and should work.

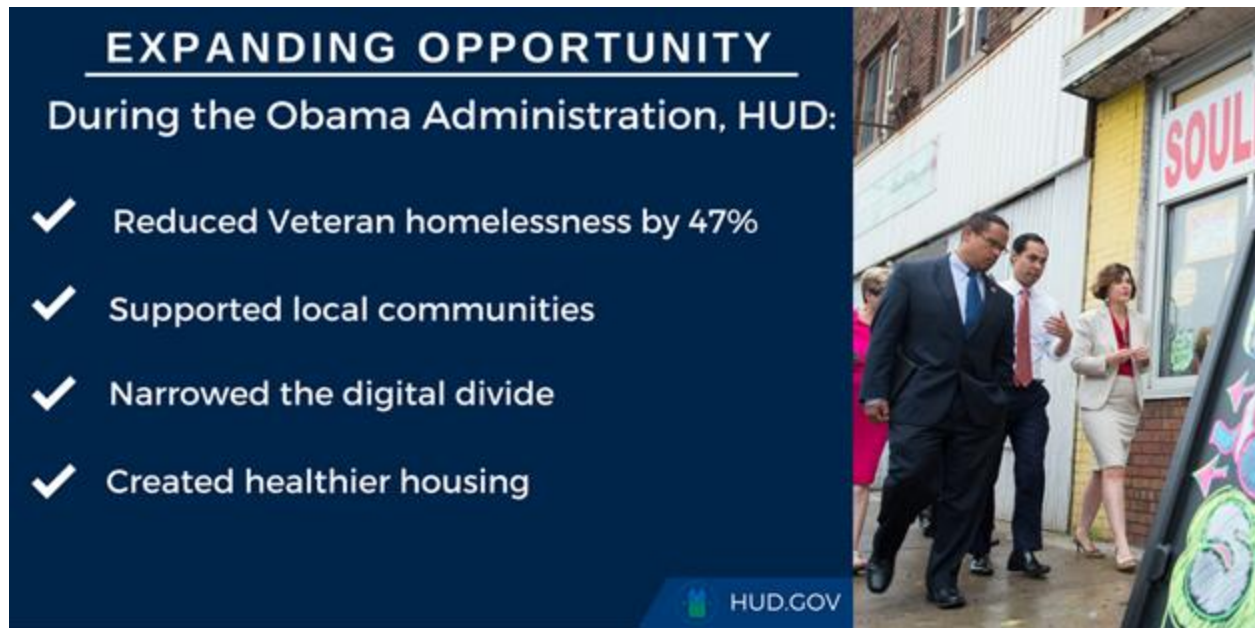
Family and Youth Homelessness

While the work to end veteran homelessness has received much public support, there are still thousands of other folks who need assistance. Remarkably, even without commensurate resources, the number of families, children and individuals experiencing chronic homelessness is also down significantly as a result of this work. And for the first time, we have a much clearer understanding of what we need to do for young people who are homeless, up to 40 percent of whom are LGBTQ – lesbian, gay, bisexual, transgender or queer.

For all of this progress, however, there has been an increase in homelessness on the West Coast and in Hawaii. Local leaders in the communities hardest hit with an increase in unsheltered homelessness – folks living out in the open – have asked for HUD’s help. The challenges in these areas must be addressed with proven long-term housing strategies as well as short-term assistance to immediately help those living outside. On the East Coast, so-called “right to shelter” communities – cities that by law must provide shelter – like New York City and Washington, D.C. will need to continue their efforts to find more creative housing solutions for homeless families.

U.S. Interagency Council on Homelessness (USICH)

In order to build on the momentum created, I hope the next Administration continues to provide leadership in this area and will support the ongoing federal collaboration. I strongly encourage states and local communities to focus on the proven best practices that employ data-driven, collaborative efforts to reduce homelessness across the board. I hope that Congress will take the lessons learned from the extraordinary progress we’ve made reducing veteran homelessness, and make the same strategic and consistent investments for other populations. The leadership of the U.S. Interagency Council on Homelessness (USICH), which is set to sunset in October 2017, before the *Opening Doors* goals are fully realized, has also been critical in all we have achieved and will be instrumental in the work still ahead. Congress must act soon to extend the Council’s authorization so it can continue its critical work.



EXPANDING OPPORTUNITY

During the Obama Administration, HUD:

- ✓ Reduced Veteran homelessness by 47%
- ✓ Supported local communities
- ✓ Narrowed the digital divide
- ✓ Created healthier housing

HUD.GOV

The infographic features a dark blue background with white text. On the right side, there is a photograph of a group of people, including a man in a dark suit and a woman in a white blazer, walking past a building with a sign that says 'SOUL'. The HUD.GOV logo is located at the bottom right of the infographic.

Creating Opportunity by Closing the Digital Divide

President Obama said it best: “High-speed broadband is not a luxury, it’s a necessity.” Certainly, that is true for students who need internet access to accomplish everything from homework to job and college applications. And yet, half of America’s lowest-income households do not have a home internet subscription, creating a “homework gap” for low-income kids who lack the internet access they need to do school work at home.

ConnectHome

That’s why in July 2015, HUD launched the *ConnectHome* pilot project, an initiative to help close the digital divide by offering free or low-cost internet access, technical and digital literacy training, and devices to public housing residents. Working with public, private and non-profit partners, this effort will accelerate broadband internet adoption in 28 communities, including one tribal nation, and help thousands of children gain access to the life-changing opportunities that are available online. And it’s not just making the internet more accessible, it’s also making it more meaningful for students and their parents by offering technical assistance and digital literacy training so they can make the most of this opportunity. As the first 28 communities transition into the second year of the pilot, we have collaborated with them to identify key lessons from their experiences about how to best leverage public-private partnerships to narrow the digital divide. These lessons, models and best practices are being integrated into a *ConnectHome* Playbook, which we will share online for all communities interested in building their own digital inclusion program. With this Playbook, the dynamic “community of practice” set in motion by the pilot, and the free- or low-cost offers that many *ConnectHome* partners have already extended nationwide, *ConnectHome* has created a platform that any community can now use to connect its low-income residents to the Internet and opportunity in the 21st century.

With HUD’s continued support, we can close the digital divide and provide greater educational opportunity to young people in public housing. In this day and age, our challenge is to do everything we

can to ensure that America remains the undisputed land of opportunity in this rapidly changing 21st century global economy.

Stronger Families, Healthier Housing

Our efforts to protect the health of young children starts with where they live. Preventable diseases like asthma and lead poisoning, among others, can be greatly reduced among low-income families when we create healthier HUD-assisted homes.

Smoke-Free Public Housing

We know that where we live affects how we live and to help ensure that all kids have the opportunity to reach their fullest potential, we have initiated a requirement to make public and project-based HUD-assisted housing smoke-free. Since we began encouraging landlords to make housing smoke-free in 2009, we have seen a substantial increase in the number of smoke-free properties. Before 2009, fewer than 75 Public Housing Authorities (PHAs) had smoke-free policies in place; the number has increased to 676 as of September 2016, covering 22% of public housing agencies, a remarkable achievement. Building on that success, we issued the smoke-free public housing rule, which provided an 18-month transition period for public housing agencies to develop their own policies for making all living units, indoor common areas, PHA administrative office buildings and outdoor areas up to 25 feet from the housing and administrative office buildings smoke-free. This rule will create healthier homes for millions of residents – including 760,000 children – and save public housing agencies \$153 million in repairs and preventable fires each year.

Lead-Free Homes, Lead-Free Kids

Creating healthier homes doesn't end with the air. While HUD has been leading lead-poisoning prevention efforts for 25 years through our lead hazard control grant program, this year we have intensified our efforts. In our *Lead-Free Homes, Lead-Free Kids* toolkit, we have laid out a path for strengthening protections against lead poisoning. The centerpiece of these actions will be our efforts to immediately help young children with dangerous blood lead levels. HUD is considering a rule that would ensure that the actionable level of lead in a child's blood conforms to the Centers for Disease Control recommendation, helping us act more quickly to get kids into safe, healthy homes.

Looking ahead at how we can end childhood lead poisoning, we strongly recommend that Congress greatly increase funding for the lead hazard grant program – the largest effort toward remediating lead paint hazards in low-income homes in our nation – at a level that would eliminate this public health problem. In order to achieve this goal, Congress must give HUD the authority, along with the necessary funding, to require landlords of housing receiving tenant-based rental assistance to follow the same strict lead-safe regulations as landlords of housing receiving project-based rental assistance. Creating a single lead hazard assessment standard across all federally assisted housing programs would also make lead hazard management in the federal housing portfolio more efficient.

We take seriously our commitment to the residents in HUD-assisted housing and we are particularly focused on families who live close to Superfund sites -- thousands of public housing units included. We will continue to explore whether these families may be at risk for health hazards in connection with this proximity. Even so, we note that, at the moment, there is no dedicated funding allocation to assist them. I hope that Congress will take seriously the threat to these American families across our nation and set

aside dedicated funding for a meaningful response to an environmental health problem that is only now coming into focus.

Focus on a Stronger HUD

We've innovated and improved our customer service, benefitting not only our grantees, but also our employees, without whose support HUD cannot function. We've streamlined processes and empowered employees to execute on our shared mission. The result is an agency that is rejuvenating at the grassroots level, while providing better service to its customers in a more efficient manner.

Improve Morale


Every organization is only as good as its people. That's why I have spent considerable time during my tenure improving employee morale and strengthening HUD's investment in its human capital. We are seeing positive evidence that the culture at HUD is changing and becoming more customer-centric, more responsive and more focused on outcomes. We are increasing employee engagement, changing business processes, improving accountability, and modernizing systems.

First, this work starts and stops with people—the more than 8,000 employees who make up the Department of Housing and Urban Development. The Administration emphasized the importance of the Employee Viewpoint Survey, which measures how connected an individual employee is to the agency's overall mission. This index can be viewed as a snapshot into whether the actions and accomplishments by agency leadership are working. I am proud to report that HUD's engagement index increased from 57 percent in 2014, to 62 percent in 2015, to 66 percent in 2016—representing significant year-over-year gains. Indeed, HUD was named the most improved mid-sized agency in the 2015 Best Places to Work in the Federal Government rankings by the Partnership for Public Service. And in the just released 2016 Best Places to Work in the Federal Government ranking, HUD had the third highest increase among all midsize agencies. Our team has worked diligently to increase employee engagement at the Department and the incoming Administration would do well to continue this concerted effort at engaging our employees to create a more productive workforce.

A STRONGER HUD

During the Obama Administration, HUD:

- ✓ Was named the most-improved mid-sized agency in 2015
- ✓ Measured outcomes and streamlined processes
- ✓ Empowered employees and increased morale
- ✓ Improved customer service



HUD.GOV

Measure Success

We have made a substantial commitment to evidence-based policy making since 2009 by investing in large-scale studies to make future funding decisions based on what works. I expect these studies to inform policymaking for years to come. They include: *The Family Self-Sufficiency Program Evaluation*; *Pre-Purchase Homeownership Counseling Demonstration and Impact Evaluation*; *The Family Options Study*; *Rent Reform Demonstration*; and *Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs*.

The evidence-based approach this Administration has undertaken helped us to manage our internal processes as we change our focus from outputs to outcomes. Over the past seven years, we have transformed the ways in which HUD uses data, employing HUDStat, an analytical system modeled on proven successes like CompStat in NYC and Baltimore's Citistat. We are leveraging data to improve performance management reporting and accountability, increase transparency, and create an outcome-focused culture. We also utilized this approach in the internal management of the Department through Quarterly Management Reviews, which help manage enterprise risk and drive efficiencies in core business operations like budgeting and hiring.

Streamline Processes

Not long after I arrived at HUD, our agency became the first federal agency to work with Toyota's renowned process improvement team. We focused on the hiring process initially, with a group of employees collaborating to decrease the time to approve hiring plans from 84 days to 10 days. The Toyota partnership was so successful we are continuing the relationship to streamline other critical functions. We mapped the end-to-end community development grant program process, allowing us to close out 63,000 out of 88,000 expired grants. We also cut the review time for the RAD pilot in 2016 by reducing from 280 days to 168 days the time it takes to go from a financing plan to closing.

New leadership should support the continuous process improvement approach and tools that our team has already implemented. It not only created a more efficient process, but it empowered employees. Keeping process improvement front and center – and providing employees with the tools to do it, as in the Toyota partnership – is key to connecting individual job responsibilities to the overall mission and continuing the upward trajectory of employee engagement.

Modernize systems

Based on feedback from employees, the public and stakeholders, we modernized HUD systems to better provide mission critical functions. We overhauled HUD's core technology infrastructure, launching Office 365, Skype for Business and migrating all e-mail to the cloud. We became the first Cabinet-level agency to move its core financial system to a Federal Shared Service Provider. And to make it easier to do business with HUD, we are building a Loan Review System to streamline and automate all aspects of FHA's loan and lender-level quality control processes.

Moving forward, we should continue to institutionalize and streamline the new shared services approach for financial management, hiring and other support functions. We must build on the ongoing efforts to centralize decision-making, accountability and resources for the chief executives of our departments, and use an enterprise-wide approach instead of a siloed, fragmented system. This approach is particularly critical for making the technology investments that HUD desperately needs to both deliver critical services for the public and improve collaboration and productivity across the HUD team. The next Administration should continue to support the efforts currently underway to realize the potential of our agency.

Conclusion

The Obama Administration has championed the cause of ensuring that every American has the opportunity to live in a decent home in a neighborhood of promise. Our Opportunity Agenda has been central to that effort.

It has been the privilege of my career to serve with this department's outstanding public servants and to help move our nation closer to the day when every American has the strong foundation they need to thrive. To that end, we have continued the work of supporting our housing market's recovery. We have preserved public housing and invested in new affordable housing. We have joined forces with states, cities, towns, and tribal communities to help end homelessness. And we have fought to make our rental market more affordable. All of this work has been a vital part of the President's longstanding effort to help more Americans succeed today, and live healthier lives long into the future.

While our progress is important, our work is far from finished. Last year, during a visit to Ferguson, Missouri, I learned that a child growing up in the upscale Clayton area of St. Louis can expect to live 18 years longer than a child living just eight miles away in the JeffVanderLou neighborhood. We must not accept that. Where a child grows up should never determine where she ends up. I have been committed to that single mantra in my work at HUD, and I urge the next Administration to build upon what we have achieved and continue fulfilling the vision of making a decent, affordable home available to every citizen. That is the vision our nation has been fighting to realize since President Theodore Roosevelt proposed federal investment to create housing specifically for low-income Americans more than a century ago. Let's accomplish it for every family in this 21st century and beyond.

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