continued work with lenders to find ways to help borrowers at risk for foreclosure as well as outreach to borrowers to ensure they are aware of their options when facing foreclosure. Although our performance is strong, HUD continues to closely monitor the high number of defaults longer than 90 days that may go into foreclosure. For detailed quarterly assessments, and to continue to track HUD's progress on this measure, readers may consult Performance.gov.

As supporting measures of the Department's effectiveness in preventing foreclosures, HUD closely follows the Consolidated Claim Workout Ratio and the 6-Month Re-default Rate. The Consolidated Claim Workout Ratio measures the portion of FHA claims paid out as loss mitigation from the total of loss mitigation and foreclosure claims paid out. A high ratio is desirable, because loss mitigation claims are better than foreclosure claims for both the borrower and for FHA. The 6-Month Re-default Rate measures the tendency for homeowners who have received loss mitigation assistance to re-default on their mortgages within the first six months, which is the most vulnerable period for homeowners at risk of foreclosure.

MEASURING OUR PROGRESS

The performance indicators in the following table are used to track our progress in preventing foreclosures. Trends for the first two indicators are shown on charts above.

INDICATOR	FY 2012 Target	FY 2012 Actual	FY 2013 Target	Q3 FY 2013 Actual*
Early Delinquency Interventions	250,000	290,216	250,000	227,003
Loan Modifications	100,000	154,933	100,000	147,080
• Consolidated Claim Workout Ratio	50.00%	62.58%	50.0%	63.00%
• 6-Month Re-default Rate	13.00%	13.00%	10.00%	9.00%

*As of June 30, 2013

The Department's efforts to mitigate the foreclosure crisis have been led by the Assistant Secretary for Housing – Federal Housing Administration (FHA) Commissioner – and also extend to its close relationships with Treasury. Contributing programs include the FHA Home Affordable Modification Program (HAMP) and the Housing Counseling program. The FY 2012 actuals and the FY 2013 Q3 actuals together exceed the two-year goal of serving 700,000 additional homeowners.

AGENCY PRIORITY GOAL: REDUCING VACANCY RATES

By September 30, 2013, 70 percent of Neighborhood Stabilization Program 2 Neighborhood Investment Clusters will reduce the average residential vacancy rate relative to at least one comparable neighborhood.

OVERVIEW

One result of the downturn of the housing market—with high rates of foreclosure, increases in the number and proportion of vacant properties, and plummeting home values—has been to de-stabilize neighborhoods with high foreclosure rates. As HUD reported to Congress in 2010, "Foreclosures can depress property values, lower local property tax revenue, and impose additional costs on cash-strapped public agencies in the form of additional police, fire, and other municipal services needed to respond to the blighting influence that vacant and foreclosed properties can have on local communities."[2] For communities with high rates of foreclosure, the goal of the Neighborhood Stabilization Program (NSP) is to repurpose properties to stabilize neighborhoods.

STRATEGY

- **Mitigate the effects of the foreclosure crisis on neighborhoods by assisting communities that have high rates of foreclosure.**

HUD engaged the Reinvestment Fund under the NSP technical assistance program to analyze areas across the nation that received NSP investments. The purpose was to:

1) analyze how markets treated with NSP investment have changed over time compared to similar markets that have not been touched by these investments;
2) identify "outstanding performers," markets treated with NSP investment where home sale price and vacancy indicators have trended better than their comparable markets;
3) develop a systematic process and automated report for updating this analysis on a quarterly basis using new home sales and vacancy statistics; and,
4) provide technical assistance to grantees on the relative effectiveness of their programs in achieving program goals.

The Department has three programmatic tools for mitigating the de-stabilizing effects of foreclosures on neighborhoods:

Neighborhood Stabilization Program 2. The Neighborhood Stabilization Program 2 (NSP2) is HUD's primary tool for stabilizing neighborhoods whose viability has been and continues to be damaged by the economic effects of properties that have been foreclosed upon and abandoned. The NSP2 references the specific grant funds provided by the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5) to states, local governments, nonprofits, and a consortium of public and/or private nonprofit entities on a competitive basis. On January 14, 2010, HUD awarded a combined total of $1.93 billion in grants to 56 grantees nationwide, including 33 consortiums at a regional level and four national consortiums carrying out activities in target areas throughout the country. These grantees were selected on the basis of foreclosure needs in their selected target areas, recent past experience, program design, and compliance with rules.

HUD measures NSP2 target areas' units of service, which represent the number of units produced within each eligible activity. The term "units of service" is distinct from unique housing units or households because units of service may be produced through multiple activities (e.g., acquisition and rehabilitation). The activities reported on are the underlying Community Development Block Grant (CDBG) program activity groups that have emerged as the predominant uses of NSP funds.

[2] U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Report to Congress on the Root Causes of the Foreclosure Crisis, January 2010. http://www.huduser.org/portal/publications/Foreclosure_09.pdf.

Because NSP2 grantees' 100 percent expenditure deadline was February 11, 2013, there will be no NSP2 contribution to this APG after September 30, 2013. Production updates will be provided after this date, but no targets have been set beyond this quarter.

Single Family Housing Asset Management. HUD acquires 1-to-4 unit residential properties when owners default and lenders foreclose on FHA-insured mortgages. These acquired properties become departmental assets, and are referred to as Real Estate Owned (REO) properties. The Office of Single Family Housing continues to reduce residential vacancy rates by decreasing the cycle time associated with selling its REO properties. In FY 2011, HUD sold its Single Family REO properties on average in 192 days, while in FY 2012 REO properties were sold on average in 136 days. Additionally, the Office has developed the National First Look Program.

National First Look Program. The National First Look program is a first-ever public-private partnership agreement between HUD and the National Community Stabilization Trust. To help rebuild neighborhoods that have been struggling with blight and declining home values due to foreclosures, the First Look program gives Neighborhood Stabilization Program grantees a brief exclusive opportunity to purchase bank-owned properties in target neighborhoods so these homes can either be rehabilitated, rented, resold or demolished. In collaboration with national servicers, FHA, Fannie Mae, and Freddie Mac, the nation's leading financial institutions, representing approximately 75 percent of the REO market, are participating in this program.

MEASURING OUR PROGRESS

The following performance indicators track our progress towards this priority goal:

INDICATOR	FY 2012 Target	FY 2012 Actual	FY 2013 Target	Q3 FY 2013 Actual
• Percent of NICs* with improved vacancy rate outcomes over at least one comparable area	70%	75%	70%	74%
• NSP2 target areas units of service	6,157	5,185	19,462	9,011
• Average days to list REO properties to market	44	22	23	21
• Average time in inventory for REO properties	188	136	133	121

* Neighborhood Investment Cluster

Through Q3 of FY 2013, HUD was exceeding its target with Neighborhood Investment Clusters (NICs) beating at least one comparable area by 4 percentage points. Although more completions still need to be reported, 74 percent of all NICs trended better than at least one of their comparable markets when it came to vacancy rate change between the first half of FY 2008 and the third quarter of FY 2013. This indicator identifies NICs (neighborhoods with at least two NSP investments per 100 houses) and tracks their vacancy rates against comparable (in terms of vacancy rate, home price, and market conditions pre-2008) neighborhoods that received no investment.

By statute, NSP2 grantees were required to expend all grant funds by February 11, 2013, but units are not counted until they are occupied. Therefore, the production estimates will lag expenditures by six to eighteen months, which will also delay impacts on reducing vacancy rates.

The continued provision of technical assistance (TA) relies on the use of NSP3 TA funds, which are not authorized to serve NSP2 grantees—an issue that CPD is currently working to address. Market conditions are a large factor for NSP2 grantees, which face still-declining property values, competition from investors, reluctance from lenders, and local capacity issues related to tight budgets, and TA may be needed to help these grantees successfully implement their programs.

The indicators for REO properties include all FHA REOs, not just those in NSP2 treatment areas.

For detailed quarterly assessments of progress, readers may consult the archived quarterly updates on Performance.gov.

AGENCY PRIORITY GOAL: PRESERVE AFFORDABLE RENTAL HOUSING

Between October 1, 2011 and September 30, 2013, one of HUD's priority goals was to preserve affordable rental housing by continuing to serve 5.4 million total families and serve an additional 61,000 families through HUD's affordable rental housing programs.

OVERVIEW

In an era when more than one-third of all American families rent their homes, we face a housing market that does not create and sustain a sufficient supply of affordable rental homes, especially for low-income households. In many communities, affordable rental housing does not exist without public support.

Affordability problems have been exacerbated by the recession and the increasing demand for rental housing generated by the foreclosure crisis. According to the 2011 Worst Case Housing Needs report published in February 2013, HUD found the number of renters with worst case housing needs grew from 5.9 million in 2007, to 7.1 million in 2009, and 8.5 million in 2011, representing an increase of 44 percent over these four years. Individuals and families were considered to have worst case housing needs if they were very low-income renters with incomes below 50 percent of the Area Median Income (AMI), who do not receive government assistance, and who either paid more than one-half of their income for rent, lived in severely inadequate conditions, or faced both of these challenges. At the same time, only about one in four very low-income families eligible for HUD/Federal rental assistance programs receives assistance. Federal housing programs have been financially unable to keep up with this demand over the years to help offset the limitations of the private rental market in providing housing that all families can afford. Given the current fiscal climate, it is critical that HUD maximize existing resources to maintain our current support to families and seek opportunities to expand that support where possible.

Funding from the HUD Community Planning Development Supportive Housing Program assists homeless families at the St. Lawrence Place emergency shelter in Columbia, South Carolina. The program helps families move from homelessness to a life of self-sufficiency and stability. One mother is an example of the program's success. After a separation from her husband and a loss of her job, she was unable to pay the rent. Consequently, she and her boys had to move in with family, but then she heard about St. Lawrence Place and applied. Once in St. Lawrence Place, their family life began to turn around. The mother was able to earn a college degree and get a job. She now works for the regional transit authority and has given her boys something they have never had before - a home of their very own.