

Resources, Community, and  
Economic Development Division

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July 31, 1992

The Honorable Donald W. Riegle, Jr.  
Chairman

The Honorable Jake Garn  
Ranking Minority Member  
Committee on Banking,  
Housing and Urban Affairs  
United States Senate

The Honorable Henry B. Gonzalez  
Chairman

The Honorable Chalmers P. Wylie  
Ranking Minority Member  
Committee on Banking,  
Finance and Urban Affairs  
House of Representatives

As required by section 554 of the National Affordable Housing Act, we are currently reviewing the Family Self-Sufficiency (FSS) program of the Department of Housing and Urban Development (HUD). The FSS program, which was established by the act, requires public housing agencies (PHA) and Indian housing authorities (IHA) to develop programs that coordinate federal housing assistance with public and private support services, such as job training, education, and child care services, to enable lower-income families to achieve economic self-sufficiency.

We plan to report on the results of our reviews in November 1992 and November 1995, as required by the act. However, a bill now being considered in the Congress would amend the act to make the FSS program inapplicable to IHAs. To assist the Congress in its current deliberations on the housing reauthorization, we are providing information now regarding IHAs' and their representatives' views on how the FSS program applies to IHAs.

In summary, we found that while the Indian community generally agrees with the concept and goals of the FSS program, it has not widely endorsed the program itself. According to IHAs and their representatives, the lack of employment opportunities, insufficient support services, scarcity of unassisted housing, and geographic remoteness of IHAs from jobs and support services may limit the effectiveness of an IHA-administered FSS program in assisting families they serve to move toward self-sufficiency.

Several federal and Indian housing officials have suggested changes to the FSS program as it applies to IHAs. These changes include (1) making the program voluntary for IHAs rather than mandatory, as required by the act, and (2) allowing FSS participants, who have met program requirements other than the requirement that they leave assisted housing, to receive the escrow savings account set up for them under the program. This change would allow these participants to move from HUD-assisted rental housing to HUD-assisted, IHA home ownership housing, from which they may become ultimate buyers. Most housing in areas served by IHAs is assisted housing, and 62 percent of IHA-assisted housing is home ownership housing. These program changes would require the Congress to amend the FSS program's authorizing statute.

#### BACKGROUND

In November 1990, the Congress passed the National Affordable Housing Act (P.L. 101-625), which established the FSS program. During fiscal years 1991 and 1992, PHAs/IHAs that want to establish FSS programs compete for additional public/Indian housing development funds and section 8 rental housing assistance set aside by HUD for this purpose. Beginning in fiscal year 1993, each PHA/IHA receiving funds for new rental housing units, or for additional section 8 certificates or vouchers, must, unless exempted by HUD, operate an FSS program. Each year, the PHA/IHA's FSS program must serve at least as many families as the increase in the number of public/rental housing units or section 8 units that it makes available, as compared to the previous year.

Families' participation in the FSS program is voluntary. In addition to the housing assistance that they receive, families participating in the FSS program are to receive support services such as education, job training, child care, and transportation to help them to get and keep jobs that will allow them to become self-sufficient. A contract

of participation between the PHA/IHA and the participating family sets out the (1) resources and support services to be made available to the participating family and (2) family's responsibilities.

In addition, the PHA/IHA is to establish an escrow savings account for participating families. Contributions to the escrow savings account are based on the income earned by the family and the area's median income.<sup>1</sup> As the participating family's income increases, the PHA/IHA credits the escrow savings account with all or a part of the increase in rent that the participating family would otherwise have had to pay to the PHA/IHA. The family may withdraw the funds in the escrow account only after it no longer receives any federal, state, or other public assistance for housing. Although the successful FSS family may use the funds for any purposes it chooses, HUD's proposed program regulations provide that the PHA/IHA may require a participating family that withdraws its FSS escrow account funds to wait up to 2 years to apply for assisted housing owned or administered by the PHA/IHA.<sup>2</sup> The escrow savings account can serve as an incentive for participating families to relinquish housing assistance.

IHAs are comparable to PHAs in structure and function. An IHA is established under tribal or state law and operated by a board selected by the tribal government. HUD oversees Indian housing programs just as it does for PHAs. According to HUD, 186 IHAs are in operation, representing 267 Indian tribes and 199 Alaskan villages. These IHAs manage about 83,000 HUD-assisted units, the majority of which are home ownership units (see table 1). The eighteen largest IHAs (about 10 percent of the total) manage about 38,000, or 46 percent, of all IHA housing units.

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<sup>1</sup>For families earning less than 50 percent of the area's median income, any increase in their income that would normally result in an increase in rent (generally, assisted families pay 30 percent of their income for rent) would go into the escrow savings account. A family's contribution to the escrow account is phased out when the family's income reaches 80 percent of the area's median income.

<sup>2</sup>HUD expects to issue its final FSS program guidelines by September 1992.

Table 1: Distribution of HUD's Indian Housing Assistance

Assistance provided	Number of units	Percent of total
Mutual Help Home Ownership Opportunity	49,514	60
Turnkey Home Ownership	2,021	2
Rental housing units	27,836	34
Section 8 rental assistance	3,141	4
Total	82,512	100

Source: HUD's Office of Public and Indian Housing.

As shown in the table, HUD provides financial and technical assistance to IHAs through four low-income housing programs: the (1) Mutual Help Home Ownership Opportunity program, (2) Turnkey Home Ownership program, (3) Indian rental housing, and (4) section 8 rental payment assistance.

- Mutual Help Home Ownership Opportunity program. Under contracts with IHAs, HUD provides financial assistance to IHAs to build and operate homes for eventual sale to assisted families. Among other things, this assistance includes HUD funds to (1) allow IHAs to pay for the development of the project and (2) modernize Mutual Help units. The assisted family--the eventual buyer--initially contributes at least \$1,500 in land, materials, money, or labor and makes monthly payments for the operating expenses of the home. When the assisted family moves into the unit, a purchase price for the home is established. The purchase price is reduced over time and the assisted family purchases the home.
- Turnkey Home Ownership program. HUD provides assistance that allows IHAs to develop housing for eventual sale to lower-income families who have the potential to become home owners. Assisted families occupy Turnkey units under lease-purchase agreements, which provide for an initial period of tenancy with the opportunity to build

equity credits toward purchasing their units after a period of years. According to HUD, no new Turnkey units are being developed.

- Rental housing program. As it does with traditional public housing, HUD provides assistance to IHAs to build, operate, and modernize IHA rental housing. IHAs own and operate these units under agreement with HUD. Units are rented to lower-income families.
- Section 8 rental housing assistance. IHAs enter into contracts with owners of private rental housing to house lower-income families in return for an agreed-upon monthly rent. The limited availability of privately owned rental housing on or near Indian reservations or other tribal areas limits IHAs' ability to use section 8 assistance.

According to HUD, 13 of the 186 IHAs, about 7 percent, will begin to operate the FSS program in 1992 for their rental housing or section 8 units. Under HUD's September 30, 1991, proposed program regulations, the FSS program does not apply to IHA home ownership programs, such as Mutual Help. (See table 2.)

**Table 2: Profile of IHAs Receiving FSS Units**

IHA	Current number of units	Additional FSS units*
Seminole (Florida)	475	25
Oneida Nation (New York)	30	15
Cherokee (Oklahoma)	5,289	50
Apache (Oklahoma)	105	20
Fort Peck (Montana)	1,108	10
Chippewa Cree (Montana)	455	45
Oglala Sioux (South Dakota)	1,484	45
Salish-Kootenai (Montana)	800	20
Ute Mountain Ute (Colorado)	297	15
Santee Sioux (Nebraska)	136	15
Karuk (California)	80	12
Seneca-Cayuga (Oklahoma)	505	10
Utah Paiute (Utah)	146	35
<b>Total</b>	<b>10,910</b>	<b>317</b>

\*FSS units allocated to the Karuk, Seneca-Cayuga, and Utah Paiute IHAs are section 8 vouchers or certificates. All other allocations are for Indian rental housing.

Source: HUD's Office of Public and Indian Housing.

**FSS PROGRAM HAS NOT BEEN WIDELY  
ENDORSED BY THE INDIAN COMMUNITY**

While the Indian community generally agrees with the concept and goals of the FSS program, the program itself does not have widespread endorsement from the community. The public comments that HUD received on its 1991 proposed FSS program regulations provide some insights into the Indian communities' perception of the FSS program. For

example, the president of the Southwest Indian Housing Authorities Association (an association of 47 IHAs) commented that the FSS program ". . . is a good program but not totally feasible yet in Indian Country, due to the limited [economic activity] on most Indian Reservations." The National American Indian Housing Council--which represents all 186 IHAs--commented that the lack of jobs on reservations must be addressed if the program is to assist families to achieve self-sufficiency. Similarly, the home ownership counselor for the Te-Moak Tribe of the Western Shoshone Housing Authority commented that although the self-sufficiency concept is excellent, the FSS program is "unrealistic and self-defeating" because of its emphasis on requiring successful FSS participants to leave assisted housing in order to receive funds from their escrow accounts, which would often mean leaving the reservation.

Although support in the Indian housing community for the FSS program as currently designed is limited, the need for additional housing appears great. HUD's Office of Indian Housing reports that a substantial number of Indian families still lack decent, safe, and sanitary housing--a point supported by a 1991 survey of Indian housing by the Department of the Interior's Bureau of Indian Affairs. In 1991, the National American Indian Housing Council reported that the lack of sufficient housing results in perpetual overcrowding, which leads to further deterioration of housing units and places additional stress on families.

LIMITATIONS OF EMPLOYMENT OPPORTUNITIES,  
SUPPORT SERVICES, AND GEOGRAPHY MAY AFFECT  
THE SUCCESS OF MANY INDIAN FSS PROGRAMS

The success of IHAs' FSS programs may be affected by the lack of employment opportunities, scarcity of needed support services, and geographic remoteness of many Indian communities. To some degree, as we found in a previous review, some PHAs also face these factors.<sup>3</sup>

Lack of Employment Opportunities

The FSS program may fall short in moving assisted families toward self-sufficiency because of the dismal economic environment of many Indian communities. In a 1989 overview of the employment problems of Indians, the National

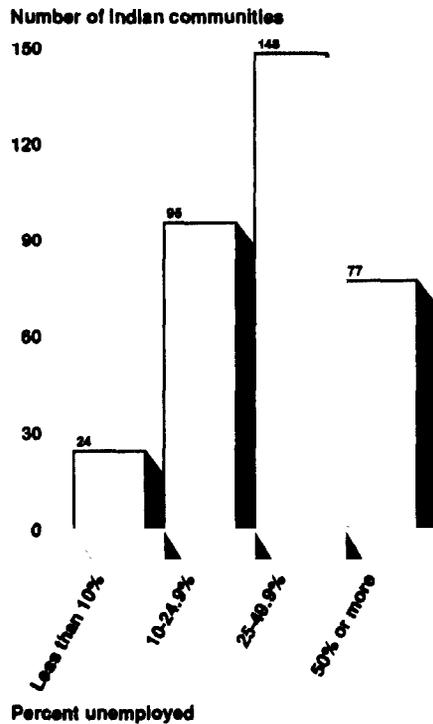
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<sup>3</sup>Public and Assisted Housing: Linking Housing and Supportive Services to Promote Self-Sufficiency (GAO/RCED-92-142BR, Apr. 1, 1992).

Commission for Employment Policy--an independent agency established under the Job Training Partnership Act-- reported that job opportunities for American Indians are limited and that they are the most economically disadvantaged ethnic group in the United States, experiencing unemployment rates of 40-50 percent, with rates higher on some reservations.<sup>4</sup> Economic development, which can provide jobs, is a key factor influencing the success of any self-sufficiency effort.

According to 1991 Bureau of Indian Affairs statistics, over 60 percent of 344 Indian communities had an unemployment rate of more than 25 percent, and 20 percent of the communities had more than half their populations out of work (see fig. 1).

Figure 1: Unemployment Rates for Indian Communities



Source: Bureau of Indian Affairs.

<sup>4</sup>National Commission for Employment Policy, An Overview of the Labor Market Problems of Indians and Native Americans, 1989.

Job markets on some reservations--like those of some PHAs--may not be conducive to a program such as FSS. Without new job opportunities, self-sufficiency efforts are likely to be severely hampered. According to the Executive Director of the Cheyenne River IHA, jobs must be created before a program such as FSS could be introduced to areas served by IHAs. In commenting on job opportunities, the Executive Director for the Hopi IHA in Arizona stated that federal and tribal governments are the main employers in his community and that a private job market does not exist.

The creation of job opportunities on reservations is viewed as the path to self-sufficiency. According to a 1991 National Indian Policy Center report, tribal economic development is the ". . . only means available to reduce the pervasive poverty and improve the quality of life."

Needed Support Services May Not Be Available

IHAs must rely on local resources to provide the support services that their FSS participants need. Like their PHA counterparts, IHAs will not receive any additional funding for these services. IHAs' ability to access these support services will be affected by (1) the degree of coordination among IHAs and service providers, and (2) the availability of these services to IHAs. Because of their past experiences, Indian community and other officials have been critical of both elements.

As HUD has recognized, close coordination between the PHA and the agencies providing the support services needed by FSS participants is a key ingredient for a successful program. However, coordination may be difficult to achieve because, as reported by the 1989 National Commission for Employment Policy, there is a high degree of overlap and fragmentation within federal programs that provide services to Indians. Also, the Commission reported that past efforts at coordination have failed, in part because of "turf" conflicts, because each federal program has its own approach to serving its constituency.

In commenting on HUD's proposed FSS program regulations, IHAs also expressed concern about the availability of support services. For example, the Quechan and Northern Circle IHAs (located in Arizona and California, respectively) stated that HUD cannot assume that all of the needed services, such as day care, job training, and educational assistance, are readily available. According to these IHA officials, many reservations do not have these services in place. In addition, in a recent review of a

welfare-to-work program in Indian communities, we found that the lack of child care and transportation hampered self-sufficiency efforts.<sup>5</sup>

Geographic Isolation Affects Access to Services and Jobs

Another potential barrier facing some IHAs in promoting self-sufficiency is the remoteness of their communities from the location of jobs and support services. This remoteness can affect both the delivery of support services and the ability of participants to obtain and keep jobs. For example, an official for the Sac and Fox Nation IHA in Oklahoma stated that for an IHA, services may be spread out over many miles and counties, and even across states. Two IHAs are further examples of this remoteness: The Duck Valley IHA in Nevada is 100 miles from any town of significant size and the Cheyenne River IHA is more than 90 miles from the nearest city in South Dakota.

SUGGESTED CHANGES TO MAKE THE FSS PROGRAM MORE RESPONSIVE TO INDIAN COMMUNITIES

Federal officials responsible for Indian programs within the Bureau of Indian Affairs, the Department of Labor (Labor), and the Department of Health and Human Services (HHS), heads of two large Indian housing associations, and 24 of 28 IHAs we contacted suggested that the FSS program be made voluntary for IHAs--not mandatory as required by the act.<sup>6</sup> Most IHA officials supported self-sufficiency demonstration projects to find out what works best within Indian communities. In addition, several officials suggested that the FSS program be changed to allow FSS participants who have otherwise met their obligations under their contracts of participation to receive their escrow savings even though they have not yet left assisted housing. These participants could then use their escrow savings to move from assisted rental housing to a federally assisted, IHA-managed home ownership program. Both of these changes would require the Congress to amend the FSS program's authorizing statute.

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<sup>5</sup>Welfare to Work: Effectiveness of Tribal JOBS Programs Unknown (GAO/HRD-92-67BR, Mar. 19, 1992).

<sup>6</sup>These 28 IHAs account for over 50 percent of the 82,512 IHA units and consist of 18 IHAs with more than 1,000 housing units, the 7 IHAs that commented on HUD's proposed regulations, and three IHAs in New York.

### Making the FSS Program Voluntary

Federal officials responsible for Indian programs within the Bureau of Indian Affairs, Labor, and HHS believe the FSS program should not be mandatory for IHAs. In addition, most of the 28 IHA officials we contacted opposed the mandatory nature of the program. HUD officials agreed that the program may not be appropriate for all IHAs. However, they said that a mandatory program could serve as a catalyst for some IHAs to participate successfully when they might not have done so if the program was voluntary.

Although the FSS program becomes mandatory in fiscal year 1993, HUD can exempt individual PHAs/IHAs from the requirement to operate an FSS program. To obtain the exemption, the PHA/IHA must certify that operating an FSS program is not feasible because of local circumstances, such as lack of (1) funding for support services, (2) funding for reasonable administrative costs, or (3) cooperation by state or local government entities. HUD, in a May 1992 interim notice to PHAs/IHAs, stated that

PHA/IHA requests for exemptions need to be fully justified and will be scrutinized very closely by HUD field office staff. HUD is more likely to authorize a smaller program than exempt a PHA/IHA totally.

### Conducting Self-Sufficiency Demonstrations

Twenty-three of the 28 IHA officials (82 percent) we contacted stated that introducing demonstrations of self-sufficiency programs would be more helpful than requiring that each IHA receiving additional FSS units implement the FSS program from the start. These demonstrations could provide IHAs with the experience that PHAs gained from participating in two earlier HUD self-sufficiency demonstrations: Project Self-Sufficiency and Operation Bootstrap.<sup>7</sup> (These demonstrations involved section 8 units, which represent less than 5 percent of IHA housing units.) According to IHA officials, demonstrations would help them gain experience and provide guidance in designing

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<sup>7</sup>A total of 155 PHAs participated in Project Self-Sufficiency, which ran from 1984 to 1988. An additional 322 PHAs have participated in Operation Bootstrap, which started in 1989 and is still running. No IHAs participated in these demonstration programs.

FSS programs that may be more responsive to the problems faced by Indian communities.

Allowing FSS Participants to Move Into IHA-Managed Home Ownership Programs

Several IHA officials we surveyed expressed concern that the FSS program does not allow participants to take advantage of other HUD-assisted programs designed to encourage home ownership, such as the Mutual Help Home Ownership Opportunity program. This restriction may (1) limit where the successful FSS participant can move and (2) reduce the incentive value of the escrow savings.

Under the act, to receive the escrow savings, participants must leave assisted housing. The restriction on participating in Mutual Help and other home ownership programs presents the successful FSS participant with a dilemma. Typically most housing on or near Indian reservations or other tribal areas is HUD-assisted IHA housing, including housing within the home ownership programs such as Mutual Help. There is limited availability of privately owned affordable rental housing on or near reservations that would allow successful FSS participants to give up their assisted housing, thereby qualifying them to receive their escrow savings.

Some IHA officials said that by allowing successful FSS participants to receive their escrow accounts and then move into Mutual Help units, the IHA could increase the incentive value of the escrow savings and increase the ability of FSS participants to become home owners. The incentive would be greater because successful FSS participants, in their move from assisted rental housing, could use their escrow savings toward the minimum \$1,500 initial contribution required under the Mutual Help program.

The National American Indian Housing Council, in comments to HUD, indicated that the Mutual Help program should be a natural next step for Indian families. In its June 1992 annual convention, the council, by a vote of 127 IHAs to 4, passed a resolution requesting that the FSS program be expanded to allow FSS participants who met the requirements of the program, other than leaving housing assistance, to move into Mutual Help units and still receive their escrow accounts. This change would require the Congress to amend the FSS program's authorizing statute.

SCOPE AND METHODOLOGY

We interviewed federal officials from HUD's Office of Indian Housing, the Department of the Interior's Bureau of Indian Affairs, HHS' Administration for Native Americans and Tribal Job Opportunities and Basic Skills Training program, and Labor's Job Training Partnership Agency-Tribal Affairs. We reviewed various reports concerning the economic and social needs of the Indian community. We also analyzed the comments made on HUD's proposed FSS regulations. In addition, we contacted officials of 28 IHAs by telephone. These IHAs included 18 IHAs with more than 1,000 housing units in their inventories, the 7 IHAs that commented on HUD's proposed regulations, and three IHAs in New York. These 28 IHAs account for over 50 percent of the 82,512 IHA units. Finally, we interviewed officials from two Indian housing organizations that responded to HUD's proposed regulations. One of these organizations represents all 186 IHAs and the other represents 47 IHAs located in the southwestern United States. We performed our review from April to July 1992.

We discussed the information presented in this letter with officials at HUD's Office of Indian Housing and Office of Resident Initiatives, who agreed with its contents. Specific comments from these officials are incorporated in this letter where appropriate.

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Copies of this letter are being sent to congressional committees interested in housing and Indian matters; the Secretary of Housing and Urban Development; the Secretary of the Interior; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

If you have any questions about this information, please contact Dennis W. Fricke, Assistant Director, at (202) 566-1132. I can be reached at (202) 275-5525.



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