



General Government Division

B-260119.2

February 1, 1996

The Honorable James A. Leach
Chairman
The Honorable Henry B. Gonzalez
Ranking Minority Member
Committee on Banking and Financial Services
House of Representatives

As required by the Resolution Trust Corporation (RTC) Completion Act,¹ we examined the feasibility of setting up a single federal agency to sell and otherwise dispose of the real property owned or held by the Department of Housing and Urban Development (HUD), the Farmers Home Administration (FmHA) of the Department of Agriculture (USDA),² the Federal Deposit Insurance Corporation (FDIC), and RTC.³ We identified some of the impediments that would need to be addressed by Congress, as well as by any federal entities involved in any such consolidation.

These impediments include (1) conflicting legislative requirements, (2) differing practices and procedures, and (3) lack of support for making changes. We also identified some ongoing efforts to improve cooperation and coordination between federal entities disposing of

¹The Resolution Trust Corporation Completion Act, P.L. 103-204, 107 Stat 2369, 2409-2410 (1993).

²The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, P.L. 103-354, 108 Stat 3218, 3209-3238 (1994), reorganized USDA. Under this reorganization, FmHA was abolished and the Consolidated Farm Services Agency and the Rural Housing and Community Development Services within USDA now have responsibility for farm properties and housing dispositions, respectively.

³As required by the RTC Completion Act, RTC ceased operations on December 31, 1995. Its asset disposition functions were transferred to FDIC but continue to operate under RTC procedures as a separate unit within FDIC.

properties. These efforts have the potential to improve disposition activities without consolidating property disposal activities in a single agency.

We obtained oral comments on a draft of this letter from representatives of HUD, USDA, FDIC, RTC, and the Department of the Treasury (Treasury). Their comments have been incorporated in this letter.

IMPEDIMENTS TO CONSOLIDATING
PROPERTY DISPOSITION ACTIVITIES

A major impediment to consolidating the federal property disposition activities into a single agency is that the legislative requirements and missions of agencies involved in such activities differ--sometimes dramatically. For example, the property disposition efforts of the RTC and FDIC are driven primarily by their mandate to maximize the return on the disposition of properties, whereas HUD's multifamily and single-family housing programs and the USDA programs for farmers also emphasize serving the needs of their client populations. Effective consolidation would require Congress to reconcile conflicting legislative requirements and missions that could hamper the merging of the property disposition functions of the various agencies.

A second major impediment is that the procedures and practices that agencies use to dispose of real property differ. This may be due to differences in the agencies' historical origins, missions, functions, and asset portfolios. In some instances, differences may also result from management preferences or business philosophies, which in turn may have developed from the agencies' needs. For example, RTC and FDIC had differing views on the extent that seller financing should be made available to potential buyers. Both organizations have provided such financing, but RTC used this technique more aggressively, having had a greater volume of real estate to sell than FDIC. FDIC, on the other hand, has provided more limited seller financing with less generous terms than RTC. FDIC and RTC officials said that these differences resulted from management preferences rather than statutory requirements.

Lack of support for consolidating disposition of federal property is a third major impediment. Several of the disposition officials we met with during our work expressed the opinion that they would not resist changes that could benefit their programs. However, some of these officials said that they were unsure how their programs could benefit from consolidation. Most of the organizations included in our study had recently undergone significant changes, and their officials were sensitive to the impact on their agencies of making these changes.

ONGOING EFFORTS TO IMPROVE COORDINATION
OF PROPERTY DISPOSITION ACTIVITIES

While it may be difficult to overcome these and other impediments to consolidation, there are some ongoing efforts to improve property disposition activities within the current organizational structures. We are aware of efforts that have the potential to improve the effectiveness and efficiency of property dispositions through enhanced coordination and cooperation among various federal entities that currently have property disposition responsibilities.

A significant governmentwide effort to improve the coordination and cooperation of federal property disposition activities is the Government-Owned Real Estate (GORE) Project. The Department of the Treasury's Financial Management Service (FMS) started this project in 1990 and later joined forces with several property disposition entities, including the General Services Administration (GSA), which now acts as the project's facilitator.⁴ The objectives of the GORE Project are to improve customer service, lessen costs to the government, apply consistency in government asset management practices, and develop one information source on assets for disposition. To achieve these objectives, the project has, among other things, conducted joint sales, shared contracts for services, and tracked costs.

GORE's efforts are ongoing, but some of the results thus far seem encouraging. Some disposition entities participating in GORE-sponsored events estimated that they achieved average sales prices of 10 percent to 20 percent higher than usual. They also estimated total savings of about \$200,000 per combined sales and marketing event versus the costs of separate events. Over 3,300 prospective purchasers attended the 1994 GORE-sponsored housing event in Atlanta.

Another effort to improve coordination for property disposition is the Housing Opportunity Hotline in Dallas, which was established in October 1992. The hotline is operated by the Federal Home Loan Bank Board of Dallas (FHLBBD). The effort was sponsored by RTC's oversight board, and several agencies participated.⁵ Under this

⁴Entities that participated in GORE included FMS, GSA, HUD, the Department of Veterans Affairs (VA), the Army Corps of Engineers, the Internal Revenue Service, RTC, the Small Business Administration, and the U.S. Marshals Service, as well as representatives from FmHA. GORE-sponsored events have occurred in the District of Columbia, Georgia, Florida, and Virginia.

⁵The participating entities were FHLBBD, RTC, FDIC, GSA, HUD, VA, and FmHA.

effort, the FHLBBD advertises the hotline by mailing property lists and affordable-housing program information to public and private housing groups and individuals. The hotline's purpose is to expand opportunities to purchase affordable housing. According to results from a hotline-sponsored survey, 89 percent of the respondents found the hotline helpful. Despite these results, officials from HUD and FDIC said that the Hotline had mixed success. They said that it was costly to implement and that it was difficult to keep property lists up-to-date. They did, however, state that the hotline concept had merit if these implementation issues could be resolved. Some officials said that hotlines are most useful for providing general information about buying properties and that specific property lists should be communicated through other methods. For example, they said that several federal entities are using the Internet to provide property lists to the public.

A third mechanism being used to improve the efficiency of property disposition activities is the clearinghouse concept.⁶ Further, as we reported in 1994, although it was not a governmentwide effort, RTC demonstrated the value of the clearinghouse concept in providing information from a central source to potential buyers.⁷ The RTC clearinghouse maintained a national database and disseminated information to prospective buyers on properties in 14 different special resource categories. The information provided included names and telephone numbers of the asset manager and an RTC official whom interested parties could contact about the property. RTC asset disposition reports show that the clearinghouse facilitated the sale of more than 100 special resource properties to public agencies and nonprofit organizations. On the basis of favorable testimonies during public hearings, RTC's National Advisory Board, made up of private sector representatives, strongly supported the continued use of the clearinghouse by FDIC after RTC ceased operations in December 1995.

Based on the reported results of the above efforts and discussions with disposition program officials during our ongoing work, we identified three steps that may have some potential for promoting cooperation and coordination among federal organizations in the disposition of real property. These are:

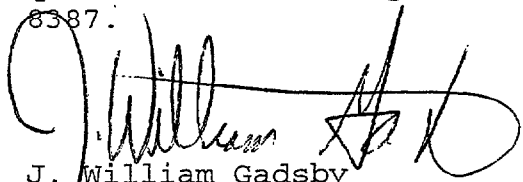
⁶The clearinghouse, as used by RTC, was operated by a contractor to help carry out RTC's special resource property mandate. Using information provided by RTC and other contractors, the clearinghouse maintained a listing of unsold special resource properties for RTC. This listing was mailed monthly to potential buyers of these properties.

⁷Special Resource Properties (GAO/GGD-94-161R, July 1, 1994).

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- First, joint marketing and sale of properties. Agency officials involved in the governmentwide efforts discussed above have reported that joint marketing and sales efforts could improve the effectiveness of the government's property disposition activities by reducing costs and increasing the opportunity to secure higher rates of return on sold properties.
- Second, streamlining of the property disposition practices and procedures of agencies. Uniformity and consistency in disposal procedures and practices among federal entities may decrease the public's confusion over the differing methods currently used by the federal entities involved in real property disposal. It should be noted that some officials we spoke with did not support the concept of mandating uniform disposition procedures. They stated that uniformity could be more successfully achieved voluntarily by allowing federal disposition officials to share practices that have been successful.
- Third, establishment of clearinghouses that maintain central inventories of properties available for sale and assist both agencies responsible for disposing of properties and prospective purchasers of those properties. RTC's experience shows that some clearinghouses have done this. Depending on how a clearinghouse is structured, it could provide such support to agencies as a central source for contracts, resources, sales schedules, and marketing expertise.

We are sending copies of this letter to the Chairman and the Ranking Minority Member of the Senate Banking, Housing, and Urban Affairs Committee; the Secretaries of the Department of the Treasury, HUD, and Agriculture; and FDIC's Chairman. We will also make copies available to others upon request. If you have any questions concerning this letter, please contact me at (202) 512-8387.



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