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Resources, Community, and Economic
Development Division

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Housing and Community
Development Issue Area
Plan

Fiscal Years 1999-2001



Foreword

As the investigative arm of the Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose fraud, waste, abuse, and mismanagement in federal programs; help the Congress target budget reductions; assess financial information management; and alert the Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases or creates its own to compile and analyze information.

To ensure that GAO's resources are directed toward the most important issues facing the Congress, each of GAO's 32 issue areas develops a strategic plan that describes its key issues and their significance; the objectives and focus of its work; and the planned major job starts. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

The Housing and Community Development Issue Area is responsible for auditing billions of dollars worth of federal services—including \$575 billion in mortgage insurance and direct housing loans, \$530 billion in guarantees of mortgage-backed securities, and \$31 billion in small business loan guarantees—and whose benefits reach virtually every community in the nation. The federal government operates more than 300 programs, scattered among 28 agencies, that are aimed at providing decent, affordable housing and healthy, vibrant communities. Created in 1965, the Department of Housing and Urban Development (HUD) is the principal federal agency responsible for about 240 of the programs and activities dealing with housing, community development, and fair housing opportunities. Through its programs, HUD provides rental assistance for 4.5 million lower-income tenants; helps to revitalize over 4,000 communities; and, through the Federal Housing Administration (FHA), has insured mortgages for over 23 million homeowners. Other key agencies with housing or community development programs include the Department of Veterans Affairs (VA), the Rural Housing Service (RHS), the Small Business Administration (SBA), and the Federal Emergency Management Agency (FEMA). The Housing and Community Development Issue Area's reviews encompass each of these programs and agencies.

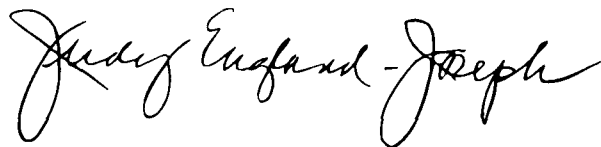
GAO's work in the Housing and Community Development Issue Area assists the Congress and federal agencies by assessing proposals to restructure

agencies and programs, analyzing options to reduce costs, and evaluating the impact of those options on the delivery of services. Principal issues include

- improving HUD's actions to correct its long-standing Department-wide management deficiencies and other housing and community development agencies' efforts to improve the delivery of services, eliminate duplication, and produce long-term cost savings through the restructuring of agencies or programs;
- reducing the federal government's financial risk in its programs that provide mortgage assistance;
- improving the efficiency and management of federal low-income housing to effectively serve those in need while meeting budgetary constraints;
- promoting the economic and social development of communities; and
- improving federal programs that assist the homeless or those at risk of becoming homeless.

In other issue area work, we will identify ways to reduce federal disaster assistance costs, improve the cost-effectiveness of programs that promote small and minority-owned business development, and assess the Federal Communications Commission's (FCC) efforts to implement key provisions of the Telecommunications Act of 1996.

In the pages that follow, we describe our key planned work on these important issues during our 3-year planning period (fiscal years 1999 through 2001). Because unanticipated events may significantly affect even the best of plans, our planning process allows for updating this plan to respond quickly to emerging issues. If you have any questions or suggestions about this plan, please call Stanley J. Czerwinski, Associate Director, or me at (202) 512-7631.



Judy A. England-Joseph
Director
Housing and Community Development Issues

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Table I: Key Issues

Issue	Significance
Housing and community development agency management: How can federal housing and community development agencies better achieve intended goals, improve delivery of services, eliminate duplication, and produce long-term cost savings?	In 1994, GAO designated HUD as a high-risk area because of long-standing deficiencies in management, accounting, and information systems. As a result of continuing congressional concern and GAO's high-risk designation, HUD is implementing a management reform plan to, among other things, address identified management weaknesses and continue downsizing the Department from 10,500 staff to 7,500 by 2002. In addition, HUD and other agencies involved in housing and community development are developing strategies for measuring their performance and options to improve the delivery of federal services with significant cost savings.
Mortgage financing: How can the federal government minimize financial risks in mortgage assistance programs while meeting affordable housing needs?	FHA, VA, and RHS underwrite mortgage credit to purchase residential and rental properties that are riskier than purchases made in the conventional market. These programs support nearly \$575 billion in outstanding mortgage loans. In addition, HUD's Government National Mortgage Association guarantees timely payment to investors on \$530 billion of securities backed by these mortgages. These four agencies need to continue to limit their losses, improve delivery of home mortgage and rental housing assistance, and improve oversight.
Low-income housing: How can federal low-income housing programs meet budgetary constraints while effectively serving low-income people and promoting self-sufficiency?	Although real outlays for federal low-income housing assistance have tripled since 1977, only one-third of eligible households receive such assistance. Because of budget constraints, funds for low-income housing assistance are not likely to increase substantially. Therefore, policymakers must find more cost-effective methods to house low-income people, and agencies must make optimum use of the funding provided for them.
Community development: What roles do HUD and other federal agencies play in promoting the economic and social viability of communities and their residents, and what types of performance measures do these agencies use?	Over a dozen federal agencies provide community development assistance. The Congress continues to debate whether to consolidate some of these programs into performance-based funds or block grants to improve their effectiveness and efficiency. Consolidation must also factor in safeguards against duplicate federal programs, the capability of states and localities to meet communities' needs, and performance measures that ensure appropriate and effective use of funds.

Table I: Key Issues

Objectives

- Monitor and assess HUD's actions to correct long-standing Department-wide management deficiencies.
- Identify and recommend spending reductions.
- Monitor and assess agencies' efforts to clarify missions, set goals, and measure performance toward those goals.

Focus of work

- HUD's initiatives to correct long-term management deficiencies
- Potential savings in HUD's budget
- Agencies' actions to implement the Government Performance and Results Act

• Analyze changes to mortgage financing, asset management, and related programs to reduce the federal government's exposure to losses.

• Evaluate ways to improve controls over insured single-family mortgage loans, home improvement, and rehabilitation loans.

• Assess the benefits of multifamily insurance programs.

• Recommend ways to strengthen programs aimed at approving and monitoring mortgage lenders and appraisers.

• Identify options to better manage and maintain urban and rural federally assisted public housing and multifamily properties.

• Evaluate ways to improve the efficiency and management of public and assisted housing and strengthen delivery mechanisms.

• Reducing losses and exposure through better management and reserve requirements

• Reducing losses and improving controls over mortgage and home improvement and rehabilitation loans

• Improved targeting of FHA's multifamily insurance programs

• Reducing losses through improved lender and appraiser approval and oversight procedures

• Improvements in federal oversight of assisted and public housing

• Improved efficiency and management of and controls over housing assistance funds

• Identify options to integrate social, economic, and housing programs to maximize delivery of services.

• Evaluate the performance of community and economic development programs and recommend ways to improve oversight of these programs.

• Integration of social, economic, and housing programs

• Performance indicators used to assess implementation and results of local, state, and/or federal community and economic development programs

(continued)

Table I: Key Issues

Issue	Significance
Homelessness: How can the federal government better provide assistance for the homeless and those at risk of becoming homeless?	Despite a decade of federal funding through the McKinney Homeless Act programs, and a healthy economy, homelessness remains a national problem. Although many estimates exist, according to the Urban Institute up to 600,000 people are homeless on any given night. Concerns are being raised that federal homelessness programs may be treating the symptoms of homelessness but not addressing the root causes, and that the programs may not be well coordinated and may overlap with each other. Many experts believe that changes to the current safety net of mainstream social programs (e.g., Medicaid, Supplemental Security Income, and Food Stamps) must be made to reduce and prevent homelessness.
Other issue area work/unanticipated congressional-request work: What are the most cost-effective ways to provide disaster assistance and deliver services for small businesses, and is the Federal Communication Commission effectively implementing the Telecommunications Act of 1996?	The federal government provided over a \$100 billion in assistance for an average of 37 disasters or emergencies annually from fiscal year 1977 through fiscal year 1997. With the growth in the number of disasters and disaster assistance costs, approaches to lowering these costs must be evaluated. In the small business area, federal purchasing requirements annually direct billions of dollars to support small business development. Cost-effective ways to assist small businesses must also be evaluated. In the area of telecommunications, the Telecommunications Act of 1996 made fundamental changes in the nation's telecommunications policies, establishing a "pro-competitive, de-regulatory framework." However, many of the potential benefits of the act are heavily dependent on FCC's success in implementing the act's key provisions. Also, there are concerns as to whether some segments of the telecommunications industry have become less rather than more competitive in the 2 years since the Act became law.

Table I: Key Issues

Objectives	Focus of work
<ul style="list-style-type: none">•Identify best practices at all levels of government to coordinate and monitor the performance of their efforts to assist the homeless and those at risk of becoming homeless.•Identify the barriers that may exist for the homeless or those at risk in accessing and using mainstream services.•Evaluate ways to better integrate federal efforts to provide assistance for the homeless.	<ul style="list-style-type: none">•Improvements in coordination and performance monitoring•Improved access to mainstream social services•Integration of federal homelessness assistance
<ul style="list-style-type: none">•Identify and recommend ways to reduce federal disaster assistance costs.•Identify cost-effective ways to assist small and minority-owned businesses, and recommend cost-savings measures.•Assess FCC's actions to achieve the Telecommunications Act's objectives.	<ul style="list-style-type: none">•Reducing disaster assistance costs and improving program management•Cost-effectiveness of current ways to deliver SBA program services•Effectiveness of FCC's efforts to implement the Telecommunications Act and to promote competition in telecommunications markets.

Table II: Planned Major Work

Issue	Planned major job starts
Housing and community development agency management	<ul style="list-style-type: none"> •Assess HUD's High Risk designation. •Analyze HUD's fiscal year 2000 budget request. •Assess HUD's, SBA's, and FEMA's progress in implementing the Government Performance and Results Act.
Mortgage financing	<ul style="list-style-type: none"> •Assess housing price variations and their impact on the current 2-percent reserve that the single-family insurance program requires. •Evaluate the effectiveness of HUD's loss mitigation efforts in reducing single-family losses. •Assess FHA's oversight of the home rehabilitation loan program. •Evaluate the effectiveness of HUD's single- and multifamily loan sales program. •Assess who is being served through FHA's multifamily insurance programs and at what cost. •Assess FHA's oversight of single-family home appraisals.*
Low-income housing	<ul style="list-style-type: none"> •Assess HUD's actions to implement multifamily housing portfolio reengineering legislation. •Evaluate proposals to privatize public housing. •Evaluate HUD's \$2.5 billion Competitive Grant Program to modernize and rehabilitate public housing. •Examine subsidy costs and conditions of Section 8 properties not insured by FHA. •Assess the cost-effectiveness of federal policies and programs that support assisted living facilities for the elderly. •Evaluate program delivery of HUD's Section 8 tenant-based program and whether the program can be improved. •Assess the status of HUD's takeovers and receiverships of troubled public housing agencies. •Evaluate the availability of public and HUD-assisted housing for low-income persons with disabilities.*
Community development	<ul style="list-style-type: none"> •Examine community development-related programs of 28 federal agencies to identify performance measures and potential opportunities for consolidation. •Examine the performance of economic development and social services activities reported by the federal empowerment zones.* •Assess the impact of federal tax incentives on the performance indicators for economic development activities in the empowerment zones and enterprise communities.
Homelessness	<ul style="list-style-type: none"> •Evaluate federal, state, and local efforts to coordinate and monitor the performance of their programs to assist the homeless and the near-homeless. •Evaluate how homeless access and use services through the key mainstream social programs •Determine how federal efforts to assist the homeless and those at risk could be better integrated.
Other issue area work/unanticipated congressional-requested work	<ul style="list-style-type: none"> •Evaluate FEMA's process for determining the cost-effectiveness of mitigation projects receiving federal funds. •Assess SBA's efforts to reduce the costs of its business and disaster loan programs. •Evaluate FCC's oversight of awards made under the 1996 Telecommunications Act's Schools and Libraries program.*

*Ongoing assignment.

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