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Highlights

Highlights of GAO-11-329, a report to congressional committees

March 2011

RURAL HOUSING SERVICE

Opportunities Exist to Strengthen Farm Labor Housing Program Management and Oversight

Why GAO Did This Study

Congress created the Farm Labor Housing (FLH) Loan and Grant Program in the early 1960s to support the development of affordable housing for farm workers. In 2010, Congress appropriated $19.7 million for this program, which is administered by the Rural Housing Service (RHS) in the U.S. Department of Agriculture (USDA). GAO was asked to examine (1) demand for the FLH program; (2) RHS's processes for ensuring that the program is providing decent housing for eligible farmworkers; and (3) the financial status and financial management of FLH properties. To do this work, GAO analyzed agency data, regulations, and FLH program documentation; convened a group of experts with assistance of The National Academies; selected and inspected 20 properties in five states; and interviewed RHS staff and various stakeholders.

What GAO Recommends

GAO recommends that the Secretary of Agriculture take steps to strengthen oversight and management of the FLH program by, among other things, improving performance and financial information, increasing borrower compliance, and ensuring the efficient use of resources for the FLH program. The agency generally agreed with GAO's recommendations.

View GAO-11-329 or key components.
For more information, contact A. Nicole Clowers at (202) 512-8678 or clowersa@gao.gov.

What GAO Found

Available RHS occupancy data indicate that overall demand for FLH units has remained stable in recent years—with the vacancy rate ranging from 12 to 16 percent from 2007 through 2010. But the data showed, and stakeholders GAO interviewed and other experts agreed, that rates varied significantly across states. For example, RHS occupancy data show that the vacancy rates ranged from 0 percent in South Carolina to 64 percent in Wisconsin in 2010. However, stakeholders and experts offered divergent perspectives on trends in the demand for FLH units, with some citing instances of declining demand and others suggesting that demand was still high. The experts frequently cited housing costs and eligibility requirements among the factors having the greatest impact on demand.

RHS management processes have hindered the agency's ability to assure farmworkers access to decent and safe housing and compliance with program requirements. For example, RHS cannot readily determine the severity of occurrences of noncompliance among FLH borrowers because the program information it uses to track borrower performance lacks specificity. Moreover, the enforcement mechanisms RHS uses may not be effective in bringing borrowers back into compliance in a timely manner, because some are too mild (servicing letters), and others too severe (acceleration of the loan payments) to have the intended effect. Additionally, the processes RHS has used for verifying tenant eligibility were inconsistent among states. For example, some states used third-party income and residency verification systems, while other states did not have access to or were unaware of these verification tools. Further, RHS has not analyzed all available program data to best target program funds to areas of greatest need. For example, information from program applicants has not been summarized to assess demand in a local area or state.

Most FLH program borrowers were able to make timely loan payments; however, more could be done to ensure that FLH funds are used efficiently. For example, according to GAO's analysis, RHS overestimated its credit subsidy costs for fiscal year 2010 by $3 million, and another $11.8 million in low-interest financing could have been available to loan applicants. An investigation of unusual fluctuations in the credit subsidy cost components and a greater degree of coordination by budget and program staff could have helped ensure that key assumptions, namely the predicted default rates, used in the credit subsidy model more closely reflected portfolio performance and would have allowed RHS to optimize funding use. In addition, more than $184 million in loans and grant obligations were unliquidated, or unpaid, as of September 2010 and the balance of unliquidated obligations has not changed significantly over the past 6 years. However, RHS had no guidelines in place on when to recapture these funds, making it difficult to ensure that limited program funds are used effectively by being made available to other projects in a timely manner.