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Highlights

Highlights of [GAO-03-911T](#), a testimony before the Subcommittee on Housing and Community Opportunity, Committee on Financial Services, U.S. House of Representatives

Why GAO Did This Study

Federal housing assistance in rural America dates back to the 1930s, when most rural residents worked on farms. Without electricity, telephone service, or good roads connecting residents to population centers, residents were comparatively isolated and their access to credit was generally poor. These conditions led Congress to authorize separate housing assistance for rural residents, to be administered by USDA.

Over time, the quality of the housing stock has improved and credit has become more readily available in rural areas. Also, advances in transportation, computer technology, and telecommunications have diminished many of the distinctions between rural and urban areas.

These changes call into question whether rural housing programs still need to be maintained separately from urban housing programs, and whether RHS is adapting to change and managing its resources as efficiently as possible.

What GAO Found

Our testimony is based on two reports addressed to this subcommittee—the September 2000 report on rural housing options and May 2002 report on multifamily project prepayment and rehabilitation issues. GAO found that while RHS has helped many rural Americans achieve homeownership and has improved the rural rental housing stock, it has been slow to adapt to changes in the rural housing environment. Also, RHS has failed to adopt the tools that could help it manage its housing portfolio more efficiently. Specifically:

- Dramatic changes in the rural housing environment since rural housing programs were first created raise questions as to whether separately operated rural housing programs are still the best way to ensure the availability of decent, affordable rural housing. Overlap in products and services offered by RHS, HUD, and other agencies has created opportunities for merging the best features of each. Even without merging RHS's programs with HUD's or those of other agencies, RHS could increase its productivity and lower its overall costs by centralizing its rural delivery structure.
- RHS does not have a mechanism to prioritize the long-term rehabilitation needs of its multifamily housing portfolio. As a result, RHS cannot be sure it is spending limited rehabilitation funds as effectively as possible and cannot tell Congress how much funding it will need in the future.



Source: GAO.

A distressed house in Mississippi where a homeowner lived for 46 years until his new home, financed with an RHS single-family loan and additional funding sources, was finished in February, 2000.

www.gao.gov/cgi-bin/getrpt?GAO-03-911T.

To view the full product, click on the link above. For more information, contact William B. Shear at (202) 512-4325 or shearw@gao.gov.