

Highlights of [GAO-12-15](#), a report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

### Why GAO Did This Study

The Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA) has helped millions purchase homes by insuring private lenders against losses from defaults on FHA-insured single-family mortgages. In recent years, FHA has experienced a dramatic increase in its market role due, in part, to the contraction of other mortgage market segments. The increased reliance on FHA mortgage insurance highlights the need for FHA to ensure that it has the proper controls in place to minimize financial risks while meeting the housing needs of borrowers. In addition to providing data on FHA's single-family workload, GAO was asked to evaluate (1) FHA's risk assessment strategy, including the extent to which it is consistent with HUD and GAO internal control standards, and (2) steps FHA has taken to manage the risks in its single-family programs. To address these objectives, GAO analyzed data from fiscal years 2006–2010 on single-family business volume and workload, reviewed FHA documents on risk assessment and changes made to manage risks (such as those to human capital), and interviewed FHA officials.

### What GAO Recommends

FHA should develop an integrated risk assessment strategy, conduct annual risk assessments, establish ongoing mechanisms to anticipate emerging risks, and develop workforce and succession plans. HUD agreed with the recommendations, stating that it was either currently working toward achieving the recommendations or had plans to do so in the very near future.

View [GAO-12-15](#). For more information, contact Mathew J. Scire` at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov).

## FEDERAL HOUSING ADMINISTRATION

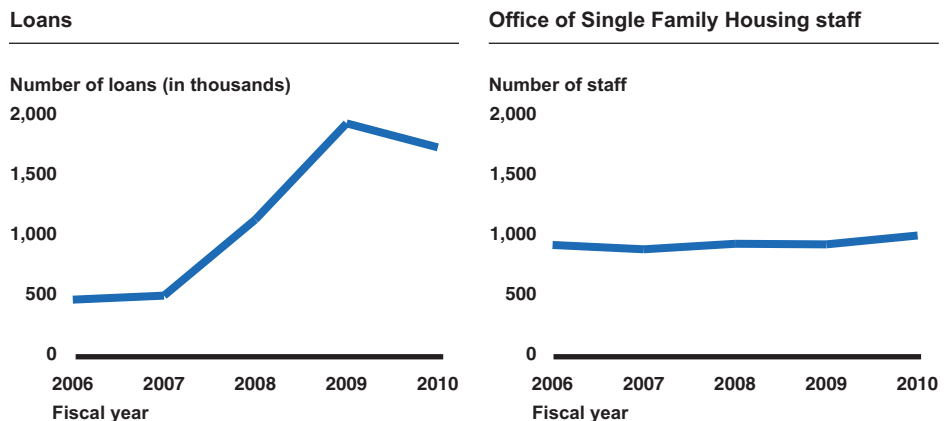
### Improvements Needed in Risk Assessment and Human Capital Management

### What GAO Found

While FHA has taken steps to identify risks in its single-family programs, it has not combined these risk assessment efforts and lacks annual assessments and tools to anticipate risks from changing conditions. To improve its risk assessment strategy, FHA created a risk office in 2010 and hired a consultant to recommend best practices for its operation. It also began a quality control initiative in the Office of Single Family Housing (SFH), in which program and field offices assess risks and report on efforts to mitigate them. Internal control standards require agencies to have an integrated risk assessment plan. While FHA's consultant recommended integrating risk assessment, SFH's quality control initiative and the risk office's activities remain separate efforts. Although HUD's guidance requires annual risk assessments, SFH has not updated its assessments since 2009. Finally, FHA has not yet acted on the consultant's recommendation to report on emerging risks. Delays in defining the risk office's authority, staff shortages, and changes in FHA leadership have slowed implementation of the new approach. Without integrated and updated risk assessments that identify emerging risks, FHA lacks assurance that it has identified all its risks.

FHA has enhanced efforts to manage risks in its single-family programs, but human capital still presents challenges. To address risk associated with lenders and appraisers, FHA reduced the number of lenders directly participating in the program and revised its oversight. FHA addressed some risks related to staffing but lacks strategic workforce and succession plans. HUD and GAO standards require workforce planning that identifies critical skills needed to meet future needs, defines skill gaps, and considers succession planning. Although it has determined that SFH needs more staff, FHA has not created a workforce plan that systematically identifies critical skills and gaps in skills. Also, 63 percent of homeownership center staff (who conduct most day-to-day functions) are eligible to retire in the next 3 years, but FHA has not developed a plan to manage retirements or hire staff with needed skills. Without a workforce planning process that includes succession planning, FHA's ability to systematically identify workforce needs is limited.

Number of FHA Loans and Single-Family Staff, 2006–2010



Source: GAO analysis of FHA data.