

GAO

Report to the Chairman, Committee on  
Governmental Affairs, U.S. Senate

September 1993

# HOMELESSNESS

## Information on and Barriers to Assistance Programs Providing Foreclosed Property



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United States  
General Accounting Office  
Washington, D.C. 20548

**Resources, Community, and  
Economic Development Division**

B-253699

September 30, 1993

The Honorable John Glenn  
Chairman, Committee on  
Governmental Affairs  
United States Senate

Dear Mr. Chairman:

This report responds to your request that we review programs that make federally held real estate properties available to nonprofit organizations that assist the homeless. The report discusses programs administered by the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs, the Farmers Home Administration, and the Resolution Trust Corporation. The report (1) identifies options by which the Congress could help reduce nonprofit organizations' financial barriers to acquiring such property, (2) recommends that the agencies better disseminate key information about the programs and available properties, and (3) recommends that the Secretary of HUD decide whether to make multifamily properties available.

As arranged with your office, unless you publicly announce its contents earlier, we will make no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies of the report to the heads of affected agencies and to other interested parties. We will make copies available to others upon request.

This work was performed under the direction of Judy A. England-Joseph, Director, Housing and Community Development Issues, who can be reached on (202) 512-7631 if you or your staff have any questions. Major contributors to this report are listed in appendix IV.

Sincerely yours,

J. Dexter Peach  
Assistant Comptroller General

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# Executive Summary

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## Purpose

Each year, the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs (VA), the Farmers Home Administration (FmHA), and the Resolution Trust Corporation (RTC) dispose of thousands of real estate properties acquired through mortgage foreclosures or takeovers of failed savings and loan institutions. The Chairman, Senate Committee on Governmental Affairs, asked GAO to review programs through which the four agencies make such properties available to nonprofit organizations that assist the homeless. As agreed with the Chairman's office, GAO determined (1) the procedures each agency follows, the number of properties the agencies have provided, and the number and geographic distribution of the properties in their inventories; (2) how well the agencies publicize and promote their programs (outreach); and (3) any obstacles to acquiring property that nonprofit homelessness assistance organizations have encountered.

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## Background

HUD and VA insure private lenders against losses on home mortgages to low-income households and veterans, while FmHA makes home mortgage loans directly to qualified, low-income rural Americans. HUD also administers programs for insuring financial institutions against losses on mortgages to developers who construct or rehabilitate multifamily rental housing projects (those having more than four dwelling units). When a borrower does not make scheduled mortgage payments, the lender may acquire the property through a legal process known as foreclosure. When this occurs, these federal agencies usually pay the mortgage, get title to the property, and then become responsible for disposing of it. Similarly, RTC manages and disposes of real estate and other assets taken over from failed federally insured savings and loan institutions. In disposing of its properties, each agency has as an objective to minimize its financial loss by obtaining the fastest and largest return possible. However, each agency also has programs through which nonprofit organizations assisting the homeless can purchase certain properties at reduced prices or lease properties at nominal fees. The FmHA, HUD, and VA programs are specifically designed to assist the homeless. RTC's program is designed to assist the larger population of very low to moderate income people, of which the homeless are a part.

To identify any obstacles to participation in the programs that nonprofit organizations may have encountered and to assess the effectiveness of the agencies' outreach efforts, GAO conducted two random sample surveys of nonprofit homelessness assistance organizations during the last half of 1992. One survey represents about 6,600 organizations throughout the

United States that were interested in providing shelter and other services to the homeless but had not participated in any of the four programs. The other survey represents 328 of the 427 organizations that had participated in HUD's homelessness assistance disposition program (the only program with significant participation).

## Results in Brief

Each agency has developed procedures for selecting eligible properties from its inventory for sale or lease to nonprofit organizations on terms more favorable than offered to the general public. The types of properties and costs the agencies expect nonprofits to incur reflect an attempt to balance assisting the homeless with minimizing the agencies' financial losses. Through fiscal year 1992, the agencies had sold about 560 single family properties (defined by HUD and RTC as those with four or fewer dwelling units) and leased almost 2,000 to homelessness assistance organizations. More than 90 percent of this activity occurred through HUD's program. While inventories change constantly, at that time there were about 41,000 other single family properties available for purchase and 4,000 available for lease, about 80 percent of which were in HUD's program. Although about three-fourths of the properties available for sale were located in 14 states, there were some properties in every state.

Homelessness assistance organizations see a great need for, and are interested in acquiring, federal foreclosed properties, but only about 5 percent of those in GAO's national survey had done so. GAO found lack of information to be the major barrier for organizations that had not participated in the agencies' programs. Many of the nonparticipant organizations were totally unaware of the programs, and those that were aware cited lack of information about procedures and about the specific properties available locally as their major barriers—evidence that the agencies' outreach had not been effective. The organizations rated the agencies' outreach efforts as less than satisfactory, but when asked how these efforts could be improved, the organizations for the most part suggested actions already called for in the agencies' outreach policies—an indication that outreach efforts at the local level may need to be intensified or better targeted to interested organizations.

Organizations face additional barriers once they obtain sufficient information and decide to participate. Those that had participated in HUD's program overwhelmingly cited the costs they were expected to pay and the difficulty they had experienced in getting funding assistance from federal and nonfederal sources as their major barriers to acquiring

additional property. Although these organizations find multifamily properties useful, they have obtained almost none through the four programs. With better targeted outreach, RTC could be a more useful source of multifamily properties to organizations assisting the homeless. HUD is the only other agency holding significant numbers of multifamily properties, but HUD does not include these properties in its program for the homeless.

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## Principal Findings

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### Program Procedures Limit Inventory Available to Organizations

At the time GAO surveyed homelessness assistance organizations, the four agencies limited, in some way, the number and/or quality of properties eligible for their programs. For example, HUD both sold and leased property, but each year leased no more than 10 percent of the inventory in any of its 10 regions. VA was not authorized to lease and offered for sale only "hard to sell" properties that the general public had not purchased after 6 months. Each agency also offered program participants various price discounts or other advantages over the general public. For example, HUD and FmHA charged no more than \$1 per year for leased property and sold property at 10-percent discounts, while VA discounted 50 percent. FmHA and RTC provided purchasers favorable financing, but HUD and VA did not. HUD accounted for more than 90 percent of the properties leased and sold and nearly 80 percent of those available for purchase through the programs. About 31 percent of the properties available for purchase were in Colorado, Florida, and Texas; another 19 percent were in California, Georgia, and Virginia.

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### More Effective Outreach Is Needed to Reduce Informational Barriers

About 95 percent of the homelessness assistance organizations had never participated in any of the four programs even though a majority said properties were needed in their area and that they were interested in acquiring properties. About 65 percent of the nonparticipant organizations identified lack of information about what properties were available in their service area and lack of staff knowledgeable about acquisition procedures as barriers to their participation. A large portion of the organizations were not even aware of the agencies' programs, and at least two-thirds of the organizations that were aware of any program rated the agency's outreach as less than satisfactory. The specific actions these organizations suggested to improve outreach (such as advertising in newspapers, mailing

out information, and providing toll free telephone information) were for the most part already called for in the agencies' outreach policies or were activities undertaken by the federal coordination entity known as the Interagency Council on the Homeless (IAC).

**Other Barriers Face Organizations Once Information Is Obtained**

Nonprofit organizations that had participated in HUD's program obviously had overcome informational barriers, but they cited other barriers that made acquiring more property difficult. (Because of the low level of activity, GAO did not specifically survey participants in the other agencies' programs.) The costs of purchasing, rehabilitating, and continuing operations were seen as barriers by 44 to 61 percent of the participant organizations. Purchase prices averaged \$34,877, while rehabilitation costs averaged \$18,825 for purchasers and \$4,249 for leasers. Annual mortgage payments averaged about \$5,650 for purchasers, and average costs for most other operating expense items were higher for purchased property than for leased.

The low chance of getting federal funds to help pay their costs was another significant barrier, cited by 68 percent of the HUD program participants. Only 22 percent of all participating organizations had used one or more of the seven other available HUD programs to help defray their foreclosed property costs. About one-half said that funds from the HUD programs, when available, were not accessible in a timely manner—an indication that the application and processing time, or the funding cycles, for the other programs did not fit the organizations' needs. A similar barrier, "too little funding assistance from nonfederal sources," was a barrier for 68 percent of the organizations.

**Programs Have Not Been a Useful Source of Multifamily Property**

Both participant and nonparticipant organizations indicated an unmet need for multifamily property. Only 1 percent of participants in HUD's program (which has been limited to single family property) had actually obtained multifamily property from any of the four programs even though 22 percent said that this would be their single most useful type of property. Multifamily property would be useful to 47 percent of the approximately 6,600 nonparticipant organizations represented by our national survey and most useful to about 20 percent.

Only RTC and VA have made multifamily property eligible for inclusion in their programs for the homeless thus far. As of November 1992, RTC said it had sold 161 multifamily properties to public agencies and nonprofit

organizations but, because its program is designed to serve the larger population of very low to moderate income people, had not tracked how many went to homelessness assistance organizations. In September 1992, VA had about 8,500 properties in its inventory but believed none were multifamily. HUD is the only other agency holding a substantial number of multifamily properties: 187 residential properties (as of January 1993) with more than 31,500 living units (most of which are usually occupied) and an unknown number of vacant properties, such as nursing homes and mobile home parks. HUD has not included these properties in its program to assist the homeless, although HUD program staff have proposed ways of doing so.

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## Matters for Congressional Consideration

If the Congress wants to use federal foreclosed property more extensively to assist the homeless, it will likely have to provide more federal financial assistance to nonprofit homelessness assistance organizations to help offset their acquisition, rehabilitation, and operating costs. Deciding whether and to what extent to provide this additional assistance is a difficult policy and budgetary decision that the Congress should make on the basis of the balance it desires among the goals of assisting the homeless, minimizing the government's insurance losses through the sale of properties, and accommodating other demands for the limited supply of federal dollars.

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## Recommendations

GAO recommends that the Executive Director of the IAC, as head of the organization responsible for overseeing and coordinating executive branch homelessness assistance activities, initiate and coordinate a joint effort with appropriate representatives of FmHA, HUD, RTC, VA, and advocacy groups to develop an outreach strategy that more effectively disseminates essential information on the property disposition programs. To help meet nonprofit homelessness assistance organizations' needs, GAO recommends the Secretary of HUD establish a policy that specifies appropriate circumstances and conditions under which HUD-owned multifamily property can be made available to the organizations.

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## Agency Comments

GAO discussed its findings and conclusions with the officials in charge of managing the four agencies' programs. FmHA, HUD, and RTC officials agreed with GAO's findings and conclusions. VA officials, however, believed organizations had been provided ample information about VA's program and properties through outreach by VA and IAC. GAO represented VA officials' position in chapter 3 but believes its survey of assistance



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organizations shows that outreach has been ineffective. As requested, GAO did not obtain written agency comments on a draft of this report.

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**Abbreviations**

FHA	Federal Housing Administration
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act
FmHA	Farmers Home Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
IAC	Interagency Council on the Homeless
IRS	Internal Revenue Service
RTC	Resolution Trust Corporation
VA	Department of Veterans Affairs



# Introduction

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Although homelessness is not new, it evolved during the 1980s into a more complex problem affecting a wider segment of the population. Once mostly transient adult males concentrated in the core of decaying cities, the homeless now are found in suburban and rural areas and include women, families with children, the mentally ill, and individuals who are employed but not earning enough to pay for housing.

No one knows with certainty how many homeless people there are in the United States. Estimates made during the 1980s vary substantially, but to our knowledge are the best available. For example, the Department of Housing and Urban Development (HUD) reported that on any given night during December 1983 and January 1984 between 250,000 and 350,000 persons were homeless.<sup>1</sup> Several years later, the Urban Institute estimated that about 600,000 individuals were homeless on any night in 1987.<sup>2</sup> More recently, the 1990 census gathered information on the number and characteristics of selected components of the homeless population but, by design, did not provide a complete count of the nation's homeless population.

Funded by a variety of government and private sources, services directly assisting the homeless are typically provided at the local level by some combination of local government agencies, nonprofit organizations, and religious groups. Some organizations provide only limited emergency services, such as a meal or a bed for the night. Others provide longer-term housing and/or supportive services to help homeless people overcome social problems, such as substance abuse or mental illness, that often prevent them from living independently.

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## Federal Response to Homelessness

The primary federal response to homelessness has been the Stewart B. McKinney Homeless Assistance Act, first enacted in 1987 (P.L. 100-77) and later reauthorized in 1988 (P.L. 100-628), 1990 (P.L. 101-625 and P.L. 101-645), and 1992 (P.L. 102-550).

Although there have been some changes in specific programs over its existence, the McKinney Act, through funds to state and local governments and nonprofit organizations, has provided the homeless with emergency food and shelter, transitional and permanent housing, primary health care

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<sup>1</sup>U.S. Department of Housing and Urban Development, A Report to the Secretary on Homeless and Emergency Shelters, Washington, D.C.: Office of Policy Development and Research (1984).

<sup>2</sup>Martha R. Burt and Barbara S. Cohen, America's Homeless: Numbers, Characteristics, and Programs That Serve Them, Washington, D.C.: The Urban Institute (1989).

services, mental health care, alcohol and drug abuse treatment, education, and job training. The act also created the Interagency Council on the Homeless to coordinate federal homelessness assistance programs and authorized federal agencies to turn over unneeded real and personal property to assist the homeless.

During fiscal year 1992, there were 19 McKinney Act direct assistance programs administered by six federal departments and agencies.<sup>3</sup> Through fiscal year 1992, the Congress authorized about \$4.5 billion and appropriated about \$3.2 billion in total for McKinney Act activities. About \$778 million of this amount was appropriated for fiscal year 1992.

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### Federally Held Property Is an Additional Source of Assistance

To supplement the McKinney Act programs in a time of budget constraints, the Congress and federal agencies have turned to using other assets already in the government's possession as a means of providing additional assistance to the homeless. Homes and other real estate acquired through mortgage foreclosures or the takeover of failed savings and loan institutions are one category of federally held assets that has been used in this manner.

Four federal agencies are involved in the disposition of such property: HUD, the Department of Veterans Affairs (VA), the Department of Agriculture's Farmers Home Administration (FmHA), and the Resolution Trust Corporation (RTC). Together these agencies hold and dispose of thousands of properties each year.

One objective of each agency in disposing of properties is to minimize its financial losses by obtaining the fastest and largest return possible. By selling foreclosed properties, agencies attempt to recoup the costs they incur in paying claims associated with failed mortgages or financial institutions that they insure or otherwise guarantee.

As directed by legislation or internal agreements, each agency also has programs or procedures under which nonprofit organizations providing assistance to the homeless can purchase certain properties at reduced prices, or in some cases temporarily lease properties for a nominal fee. Putting properties in these programs in some instances can reduce the financial return the agencies might otherwise obtain. This has been a particular concern for VA program officials because the agency's loan

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<sup>3</sup>The Departments of Housing and Urban Development, Health and Human Services, Labor, Education, and Veterans Affairs and the Federal Emergency Management Agency.

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guarantee program has been operating at a loss since 1981, and VA must annually obtain appropriations to cover its deficits. On the other hand, leasing property through the programs can financially benefit the government in some instances, particularly when sales markets are slow. Lessees may pay certain costs (renovations, property taxes, etc.) that the government would otherwise have to pay. Also, having property occupied rather than vacant can reduce costs associated with vandalism.

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## How the Federal Agencies Acquire Property

HUD insures private lenders against losses on mortgages for single family homes made to low- and moderate-income households. (Single family homes are defined as those having up to four dwelling units.) HUD also administers several programs through which it insures financial institutions against losses on mortgages to developers and builders who construct or rehabilitate multifamily rental housing projects (those having more than four dwelling units). In some cases, HUD also subsidizes the rents for eligible low-income households living in insured multifamily projects through Section 8 and other rent assistance programs.

VA guarantees to repay private lenders part of the mortgage loan if qualifying military veteran home buyers do not repay their loans in full. Property consisting of up to eight dwelling units is eligible for VA mortgage insurance. FmHA makes mortgage loans for single and multifamily properties directly to qualified, low-income rural Americans.

When a borrower does not repay a mortgage loan as agreed, the lender may acquire the property through a legal process known as foreclosure (or occasionally through other means, such as a borrower's voluntary conveyance of title). For government-insured or guaranteed mortgages, the private lender forecloses and files a claim with the federal agency for its losses (unpaid mortgage balance and interest, along with the costs of foreclosure and other expenses). After the government agency pays the claim, the lender usually transfers title to the government.<sup>4</sup> HUD can also take legal action to acquire ownership of insured multifamily property. In the case of FmHA direct loans, FmHA itself forecloses or accepts title through voluntary conveyance. Regardless of the process used, the government agency becomes responsible for managing and disposing of the property once it acquires title.

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<sup>4</sup>VA does not always acquire title to a foreclosed property. In some cases, VA pays the lender the guarantee amount and leaves title to the property with the lender if doing so results in a lower loss to VA.



RTC acquires property under somewhat different circumstances than the three federal mortgage agencies, but its responsibility for managing and selling the property is basically the same. Created in 1989 by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) (P.L. 101-73), RTC manages and sells the assets of failed, federally insured savings and loan institutions. RTC acquires some properties among the assets of failed institutions and others through foreclosure or similar means after it takes over an institution.

### Authorities for Agencies' Programs to Assist the Homeless

Each of the four agencies involved in property disposition has programs or procedures under which state and/or local government agencies and nonprofit organizations can obtain properties for use in assisting the homeless.<sup>5</sup> FmHA, HUD, and VA have programs designed specifically to assist the homeless. RTC's program is designed to assist the larger population of very low to moderate income persons, of which the homeless are a part.

HUD established its program, known as the Single Family Property Disposition Homeless Initiative, in 1983 under the Secretary's broad legislative authority to dispose of single family properties. As the name implies, the program does not include multifamily properties, and HUD has no similar program for multifamily properties. Under this program, HUD may sell or lease foreclosed single family properties to nonprofit organizations (or state and local governments) for the purpose of providing temporary shelter and supportive services to homeless persons to help them move toward independent living.

The VA program, known as Shelter for Homeless Veterans Through Acquired Property Sales, was authorized by section 9 of the Veterans' Home Loan Program Improvements and Property Rehabilitation Act of 1987 (P.L. 100-198) and first implemented in March 1988. Through this program, VA is authorized to sell foreclosed properties (consisting of up to eight dwelling units) to nonprofit organizations (or to state and local governments) assisting homeless veterans.

FmHA's Homes for the Homeless Program was created in 1984 by a memorandum of understanding between FmHA and the Department of Health and Human Services (HHS). Under the program, FmHA properties not otherwise targeted for immediate disposition may be sold or leased to

<sup>5</sup>This report addresses only nonprofit organizations' use of federally held foreclosed properties to assist the homeless. Public housing agencies' use of RTC properties to house low-income persons is addressed in our report entitled Acquiring Public Housing from RTC (GAO/RCED-93-46R, Mar. 17, 1993).

nonprofit (or public) organizations to provide transitional housing for the homeless. The 1984 agreement envisioned that HHS would act as liaison between FmHA and recipient organizations, but in practice FmHA field staff have dealt with the organizations directly.

RTC's Affordable Housing Disposition Program was required by the 1989 legislation that established RTC—FIRREA. Under this program, RTC gives nonprofit organizations, public agencies, and qualified families first opportunity to purchase "affordable" (relatively low-priced) single and multifamily properties. The properties are to be used to provide home ownership and rental housing opportunities for very low to moderate income families (including, but not limited to, homeless families).

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## Nonprofit Organizations That Serve the Homeless

While state and local government agencies often play an important role in assisting the homeless, nonprofit organizations typically deliver a major part of direct assistance services. While some organizations provide only meals or food, many provide shelter on an emergency or longer-term basis. Still others may provide supportive services, often in conjunction with shelter, to help the homeless overcome social problems, such as substance abuse or mental illness, that prevent them from living independently.

The vast majority of the nonprofit organizations we surveyed that had not participated in any of the four property disposition programs provide shelter. About 80 percent reported that they provide some type of housing for the homeless—either emergency shelter, transitional housing, or long-term housing. The remainder of these organizations did not provide shelter but assisted homeless persons by providing prepared meals or groceries or by providing supportive services such as substance abuse counseling and treatment, mental health counseling, and job and life skills training. About 74 percent of the organizations providing shelter also provided food and/or supportive services.

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## Objectives, Scope, and Methodology

The Chairman of the Senate Committee on Governmental Affairs asked us to review the programs under which FmHA, HUD, RTC, and VA make available federally held foreclosed properties to assist the homeless. As agreed with the Chairman's office, we determined (1) the procedures each agency follows, the number of properties agencies have provided, and the number and geographic distribution of properties in their inventories; (2) how well the agencies publicize and promote their programs (outreach); and (3) any

obstacles to acquiring property that nonprofit homelessness assistance organizations have encountered.

To accomplish objectives 1 and 2, we conducted detailed audit work at the agencies' headquarters offices in Washington, D.C., and at offices responsible for Phoenix, Arizona; Los Angeles, California; and Chicago, Illinois. We selected these cities because of their relatively high level of foreclosed properties and to achieve coverage of diverse geographic locations and local agency offices. At the agency offices visited, we obtained opinions on the homelessness assistance property programs from appropriate agency program management officials. We also obtained and reviewed pertinent laws, agency regulations, other internal guidance, statistical reports, and program files. We did not, however, attempt to verify the accuracy of the agencies' statistical data. At the field offices responsible for Chicago, Los Angeles, and Phoenix, we also reviewed the agencies' files on local nonprofit organizations participating in the foreclosed property programs, and we visited up to five participating organizations in each city to discuss their experiences with the agencies' programs. For objective 2, we also relied on data generated by random sample surveys of nonprofit homelessness assistance organizations, as described in the following section.

To accomplish objective 3 (identifying any obstacles that nonprofit organizations may have encountered) and to assess the effectiveness of the agencies' outreach efforts, we conducted two random sample surveys of nonprofit homelessness assistance organizations. One survey represents about 6,900 nonprofit homelessness assistance organizations in the United States with an interest in providing shelter and other services to the homeless. We identified these organizations by combining the two most comprehensive lists of direct service providers we could find. One list was comprised of the organizations that obtained grants during fiscal year 1991 from the Federal Emergency Management Agency (FEMA) to provide emergency shelter and other services for the homeless. The other list was obtained from the Hope Foundation, a Texas-based nonprofit organization that maintains a nationwide address bank of organizations providing shelter to the homeless. The Hope Foundation updates its address bank twice annually using information provided by 800 advisors located throughout the country. To the best of our knowledge, we compiled the most inclusive list of nonprofit homelessness assistance organizations available to date. We mailed questionnaires to a randomly selected sample of this population on August 21, 1992, and collected information through December 1, 1992.

Our other sample survey represents 328 of the 427 nonprofit organizations that had participated in HUD's homelessness assistance disposition program. We relied on HUD to identify these organizations for us. We asked HUD to include in this population all organizations that purchased property under the HUD program during the period January 1989 to April 1992 and those that were leasing property from HUD as of April 1992. We mailed out questionnaires to a random sample of this population on June 24, 1992, and collected data through November 1, 1992. Because information provided by agency officials indicated that a very small number of homelessness assistance organizations had participated in the FmHA, RTC, and VA programs, we did not send a specially designed questionnaire to known participants in these programs. (Additional information on our methodology for identifying both survey populations and selecting the samples is presented in app. I.)

Because we used samples (called probability samples) of 600 and 290 to develop our estimates, each estimate has a measurable precision or sampling error, which may be expressed as a plus/minus figure. A sampling error indicates how closely we can reproduce from a sample the results we would obtain if we were to take a complete count of the universe using the same measurement methods. By adding the sampling error to and subtracting it from the estimate, we can develop upper and lower bounds for each estimate. This range is called a confidence interval. Sampling errors and confidence intervals are stated at a certain confidence level—in this case, 95 percent. For example, a confidence interval, at the 95-percent confidence level, means that in 95 out of 100 instances, the sampling procedure we used would produce a confidence interval containing the universe value we are estimating. (Sampling errors associated with our statistical estimates are shown in app. II.)

We also reviewed reports addressing the agencies' programs prepared by their respective Offices of the Inspector General and relevant past GAO reports. Our audit work was performed between November 1991 and April 1993 in accordance with generally accepted government auditing standards. As requested, we did not obtain written agency comments on a draft of this report. However, we discussed our findings and potential conclusions with agency officials in charge of managing the property disposition programs in each agency and incorporated their comments into our final report where appropriate.

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Chapter 2 of this report discusses the four agencies' procedures for making properties available to homelessness assistance organizations and also provides information on the number of properties sold and leased to the organizations and the geographic distribution of available properties in inventory. (More detailed information on the geographic distribution of properties is presented in app. III.) Chapter 3 focuses on major informational obstacles faced by the assistance organizations that have not yet participated in the programs, and it assesses the agencies' outreach efforts. Chapter 4 discusses other barriers homelessness assistance organizations face after overcoming informational barriers.

# Procedures and Results of Programs Providing Foreclosed Property to Homelessness Assistance Organizations

FmHA, HUD, RTC, and VA make properties available for homelessness assistance within the context of other competing objectives—protecting the government's financial interests and assisting other target populations they were established to serve. The agencies have developed various procedures for determining the number or type of properties made available and the price charged that officials believe strike an appropriate balance between assisting the homeless and accomplishing their other objectives. Virtually all of the properties sold or leased through fiscal year 1992 were single family properties. Together the agencies had sold 559 single family properties to homelessness assistance organizations as of September 30, 1992, all but 54 of which were sold by HUD. Almost 2,000 single family properties were under lease to assistance organizations at that time, all but 20 of which were HUD properties.

While the number of properties in inventory changes frequently, as of September 30, 1992, there were about 41,300 other single family properties available for purchase and about 4,100 available for lease through the four agencies' programs. These properties were concentrated in relatively few states. About 73 percent were in the 14 states that had 1,000 or more properties each. However, in every state there were at least a few properties available.

## Program Procedures

Each of the four agencies has developed its own program and procedures under which nonprofit homelessness assistance organizations may obtain property. The procedures in effect for each agency at the time we surveyed homelessness assistance organizations (June to Dec. 1992) are summarized in table 2.1. Each agency placed some limits on the number and/or quality of properties eligible for the programs. Further changes to the procedures had been made, or were in the process of being made, as of June 1993. These changes and their likely effects are discussed later in this chapter.

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**Table 2.1: Key Features of Programs in Effect at the Time of Our Survey of Nonprofit Homelessness Assistance Organizations**

<b>Program features</b>	<b>HUD</b>	<b>VA</b>	<b>FmHA</b>	<b>RTC</b>
Methods of conveyance	Sale and lease	Sale only	Sale and lease	Sale and donation
Discounts to sales prices	10% off of appraised value.	50% off of listed price.	10% off of listed price.	Accepts best offer among qualified purchasers.
Financing terms offered	None.	None.	30-year mortgage for entire purchase price at the prevailing rate for FmHA's rural housing loan program.	Market rate mortgages: 30-year term for single family property; 15-year term for multifamily property. (Below market rate available but is penalized in determining cash value of purchase offer.) Down payment of 3% of purchase price required for nonprofit organizations for single family property; 5% for multifamily property.
Lease rate	\$1 per year for up to 5 years.	Not Applicable.	Usually \$1 for term of lease (up to 10 years).	Not applicable.
Types of property eligible	Single family <sup>a</sup> only.	Single <sup>a</sup> and multifamily. <sup>b</sup>	Single family <sup>a</sup> only.	Single <sup>a</sup> and multifamily. <sup>b</sup>
Limits on numbers of properties offered	10% of total properties in inventory at start of fiscal year in each HUD region. Applies to leased property only.	"Hard to sell" properties, defined as those unsold to the general public after 6 months.	Properties not meeting quality standards for FmHA home loan program. Applied to leased property only.	Properties valued below established amounts, which vary depending on the number of housing units in a property.

(continued)

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<b>Program features</b>	<b>HUD</b>	<b>VA</b>	<b>FmHA</b>	<b>RTC</b>
Eligible organizations	Any nonprofit organization or government entity.	Any nonprofit organization or state or local government agency that assists homeless. The organization or agency must agree to use the property principally to assist veterans.	Nonprofit organizations or public bodies that provide transitional housing for the homeless in rural areas.	Households with adjusted incomes below 115% of area median (for single family property). Nonprofit organizations and public agencies that agree to rent or resell single family property to households with adjusted incomes below 80% of area median or that agree to make at least 35% of the units in multifamily property available to such families.
Organizations given preference	None.	Certain organizations that provide assistance to veterans, such as the American National Red Cross and the American Legion.	None.	On multifamily property and bulk sales of single family property, organizations that dedicate the most units for low-income families.
Official goal for amount of property to be provided via program	None.	None.	5% of single family property not meeting standards for home loan program.	None.
Agency screens applicant organizations before providing property?	Yes.	Yes.	Yes.	Yes.
Agency monitors organizations that lease property?	Yes.	Not applicable.	At the discretion of responsible FmHA county office.	Not applicable.

<sup>a</sup>Single family properties are defined as those with one dwelling unit by FmHA, one to three units by VA, and one to four units by HUD and RTC.

<sup>b</sup>Multifamily properties are defined as those with two or more dwelling units by FmHA, four to eight units by VA, and five or more units by HUD and RTC.

**HUD Program Procedures**

HUD both sells and leases property through its program. HUD offers single family property (defined as four or fewer dwelling units) but not multifamily property (those with more than four dwelling units). Property is sold at a 10-percent discount (at 90 percent of appraised value) and is



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leased for \$1 per year for periods of up to 5 years. HUD does not provide financing assistance to purchasing organizations.

HUD limits the number of properties it leases but not the number it sells. Each year HUD determines the maximum number of properties that can be under lease within each of its 10 regional offices by calculating 10 percent of each regional office's inventory at the beginning of the fiscal year. While some HUD officials we spoke with characterized the 10 percent as a target or goal for the number of properties each region strives to provide through the program, HUD has not officially established this percentage as a program goal.

Any nonprofit organization or government entity is eligible to participate in HUD's program, but it must first be approved by HUD. To be approved, such an organization must have nonprofit status under section 501(c)3 of the Internal Revenue Service (IRS) code and possess what HUD judges to be sufficient managerial and financial capacity. Once approved for HUD's program, nonprofit organizations were at the time of our surveys offered the exclusive right to lease or purchase any available single family property for a period of 10 days before it was put on the market to the general public.

HUD is required to monitor each organization leasing property (but not necessarily each property) at least annually. HUD must actually visit organizations suspected of having problems but may monitor other organizations via telephone calls and information the organizations submit. In a site visit, HUD staff must review the lessee's files to ensure that the organization understands and is meeting the program requirements and to verify information that HUD has in its files. The HUD staff must also interview residents during a site visit. Through its monitoring, HUD should verify that appropriate supportive services are being provided, that operating costs are reasonable and documented, that rents are within the levels allowed, and that the leasing organization is not allowing ineligible people to live in the properties. Through discussions with officials and review of files, we found the field offices we visited were generally complying with these monitoring requirements.

HUD officials said that careful screening and monitoring of organizations is needed to avoid the type of program abuses that occurred in the early stages of its leasing program. For example, in 1990 the news media disclosed that a Texas nonprofit organization was using some of the 97 homes it was leasing from HUD as residences for nonhomeless tenants and

relatives of organization officials. In 1990, HUD's Los Angeles field office also discovered instances of organizations' noncompliance with basic requirements of the leasing program. These included organizations leaving leased property vacant, housing ineligible tenants, not paying property taxes, and not keeping required records. HUD headquarters officials responsible for the leasing program acknowledged that inappropriate use of leased property was once a rather widespread problem. However, headquarters and field officials believe that the problem has been largely corrected through better HUD screening and monitoring of organizations applying for and leasing property.

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## VA Program Procedures

At the time of our surveys, VA sold but did not lease property through its program. Both single and multifamily property comprised of up to 8 dwelling units were eligible for sale through VA's program. However, VA officials could not recall having a multifamily property in the agency's disposal inventory. VA began by selling property at up to a 32-percent discount off the listed price, but in 1990 increased the discount to 50 percent. (As discussed later in this chapter, VA changed its discount policy again in September 1992, about the time organizations were completing our general population survey.) VA did not offer purchasing organizations mortgage financing at the time of our survey, but procedures for doing so were in the final stages of approval within the agency as of July 1993.

VA did not set numerical limits for its program but, consistent with the authorizing legislation, limited the program to properties that VA had little chance of selling at a price sufficient to reduce the liability of the Department or the veteran who defaulted on the loan. (Under the VA home loan program, the veteran may be indebted to VA if the property sells for less than the veteran's indebtedness.) Originally VA defined these so-called "hard to sell" properties as those that did not sell to the general public within 1 year. In February 1990, VA reduced the criterion to properties unsold after 6 months because of a decline in the number of properties unsold after 1 year. As with the discount, this criterion remained in effect until September 1992, near the end of our survey period. Like HUD, VA has no officially established goal for the number of properties it would like to provide through its program.

Any nonprofit homelessness assistance organization that meets certain criteria is eligible to participate in VA's program, but preference is given to certain organizations approved by the Secretary, such as the American

Legion. To be eligible for VA's program, an organization must either provide VA with evidence that it has been approved as an applicant for HUD's Supportive Housing Demonstration Program<sup>1</sup> or evidence of adherence to the following criteria: (1) it has been approved as a nonprofit organization by the IRS; (2) it has a voluntary board of directors; (3) its net earnings do not benefit any member, founder, contributor, or individual; (4) it has an ability to provide assistance to the homeless and is currently providing such assistance; and (5) it follows certain required accounting standards. An organization purchasing property through VA's program must also agree to use it principally to assist veterans for a period of at least 3 years.

Although VA offices had to maintain a record of sales, VA policy at the time of our survey did not specifically require monitoring or follow up of properties sold through the homeless assistance program. However, according to a VA official in Chicago, VA headquarters verbally instructed field offices to periodically monitor whether a home was still being used for homeless veterans. VA subsequently developed monitoring procedures for leased properties in March 1993 in connection with a test leasing program. (This and other changes to VA's program are discussed later in this chapter.) VA plans by the end of August 1993 to require field offices to monitor or follow up on sold property at least annually for 3 years to ensure it is being used principally for veterans.

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## **FmHA Program Procedures**

FmHA both sells and leases property through its program. The agency offers single family, but not multifamily, property. Property is sold at a discount of 10 percent off the listed price and leased for the minimum amount required for legality of the lease (usually \$1), which covers the entire lease period. The lease period can be as long as 10 years. FmHA offered organizations that purchased property financing at its prevailing rate for the entire purchase price.

Like VA, FmHA does not place numerical limits on its program but does limit the type of property included in it. FmHA includes only so called nonprogram properties. These are the properties that do not meet the quality standards required for property in its loan program for low-income housing. FmHA, however, has officially established a goal of providing

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<sup>1</sup>The Supportive Housing Demonstration Program makes funds available to state and local governments and nonprofit organizations through two components: (1) transitional housing to facilitate the movement of the homeless to independent living and (2) permanent housing for handicapped homeless persons.

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homelessness assistance organizations with 5 percent of its nonprogram property.

Any nonprofit organization or public body that provides transitional housing to the homeless in rural areas is eligible to participate in the FmHA program. However, FmHA requires that there be a documented need in the community for the proposed use of leased property. Organizations either purchasing or leasing a property must demonstrate their ability to pay proposed housing costs and agree not to discriminate in employment and housing assistance.

FmHA has no formal monitoring procedures, relying instead on the organizations that fund the nonprofit organizations and on discretionary monitoring by the local FmHA county supervisor. Occasionally, a county with a property leased or sold under this program might be included in a broader FmHA review or assessment, and the property would be examined as part of this review. FmHA officials also rely on local residents in rural communities to notify them of problems, such as lack of upkeep or use of the property other than for the homeless.

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## RTC Program Procedures

Unlike the other agencies, RTC's program is not specifically designed to assist the homeless, although nonprofit homelessness assistance organizations are eligible to participate. Consistent with its legislative mandate, RTC's program is designed to provide home ownership and rental opportunities to lower- and moderate-income families (which includes the homeless).

RTC sells, but does not lease, property through its program. The agency also donates (conveys) property with little or no value (generally those valued at \$5,000 or less). Both single and multifamily properties are offered.

Households not exceeding the federally established criteria for "moderate" income, as well as public agencies or nonprofit organizations providing housing to "lower-income" and "very-low-income" families, are eligible to purchase single family property through RTC's program. Organizations may purchase multifamily property if they agree to set aside at least 35 percent of the dwelling units as affordable rental housing for "lower-income" and "very-low-income" tenants. "Very-low-income" households are defined as those having incomes not exceeding 50 percent of median area income, adjusted for family size; "lower-income" as those not exceeding 80 percent;

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and "moderate income" as those not exceeding 115 percent. In the Chicago area, for example, a family of four could earn up to \$55,600 annually and be eligible to purchase a home under the program. RTC estimated that as of November 1992, the average home buyer in its affordable housing program had an annual income slightly under \$23,000.

RTC property is normally sold to the first qualified offerer submitting an acceptable price. RTC requires no minimum price on single family properties sold under this program, but attempts to obtain net realizable market value on multifamily properties. On sales of individual multifamily property and bulk sales of single family property, RTC gives preference to purchasers that agree to reserve the largest number of affordable units for lower-income and very-low-income families for the longest period of time.

RTC offers market rate financing to purchasers of both single and multifamily properties. The agency also will provide below market financing on multifamily property but takes into account the value of the financing discount when determining the net cash value of the bid on a property. When using RTC financing on single family properties, lower-income families, nonprofit organizations, and public agencies must make a minimum down payment of 3 percent of the purchase price. For moderate-income families, the minimum down payment is 5 percent of the purchase price. On multifamily properties, nonprofit organizations and public agencies must pay a minimum down payment of 5 percent.

RTC does not set numerical limits but places only its lower-priced properties in the program. Through the Financial Institutions Reform, Recovery, and Enforcement Act, the Congress established values that properties of various sizes cannot exceed. The maximum values for single family properties range from \$67,500 for property with one dwelling unit to \$107,000 for property with four dwelling units. Maximum allowable values for multifamily property range from \$29,500 each for efficiency dwelling units to \$58,352 each for units with four or more bedrooms. Because these maximum values apply nationwide, the number or quality of properties offered in areas with exceptionally high real estate prices may be limited.

Before allowing a household to purchase a single family property, RTC requires it to certify that its income complies with program eligibility requirements and that it intends to occupy the property as a principal residence for at least 12 months. The buyer must also submit a recent pay stub, most recent federal income tax return, and other information

documenting assets. Public agencies and nonprofit organizations purchasing single family property must certify that they will make the property available for occupancy by and affordable to qualified households, or that they will resell the property to a qualified household. Public agencies and nonprofit organizations purchasing multifamily property under the program must make a written commitment that they are eligible for the program and will comply with the lower-income occupancy requirements.

RTC offices must establish monitoring systems to ensure that an appropriate number of sales are independently reviewed within 120 days of closing. This review is to verify income information and owner occupancy.

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## **Number of Properties Obtained by and Available to Homelessness Assistance Organizations at the Time of Our Surveys**

As noted previously, chapters 3 and 4 of this report discuss the barriers faced by nonprofit homelessness assistance organizations in acquiring property under the programs. To put our survey results in perspective, we are presenting data on the number of single family properties the four agencies made available through their programs at the approximate time of our surveys and the number of these properties the homelessness assistance organizations had leased and purchased as of that time. (Only a handful of multifamily properties had been made available to, or acquired by, nonprofit homelessness assistance organizations through the programs at that time. This information is discussed further in ch. 4.)

As shown in table 2.2, the vast majority of property used by homelessness assistance organizations as of September 30, 1992, was leased or purchased through the HUD program. At that time, there were over 41,000 properties available for sale through the programs and almost 4,100 available for lease, again mostly through the HUD program.

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**Table 2.2: Federal Foreclosed Single Family Property Obtained by and Available to Nonprofit Homelessness Assistance Organizations as of September 30, 1992<sup>a</sup>**

Agency	Properties obtained by homelessness assistance organizations		Inventory data		
	Purchased	Under lease	Total agency properties	Properties available for sale in program	Properties available for lease in program
HUD	505	1,977	32,590	32,590	3,259
VA	11	<sup>b</sup>	8,459	4,049	<sup>b</sup>
FmHA	8 <sup>c</sup>	20	4,676	817	817
RTC	35 <sup>d</sup>	<sup>b</sup>	10,416	3,846	<sup>b</sup>
<b>Total</b>	<b>559</b>	<b>1,997</b>	<b>56,141</b>	<b>41,302</b>	<b>4,076</b>

<sup>a</sup>Data reflects the agencies' slightly different definitions of single family property. HUD and RTC define as 1-4 dwelling units; VA as 1-3 dwelling units, and FmHA as one dwelling unit.

<sup>b</sup>Agency did not lease property at this time.

<sup>c</sup>FmHA did not track the number of sales under its program. This reflects an estimate by FmHA program officials.

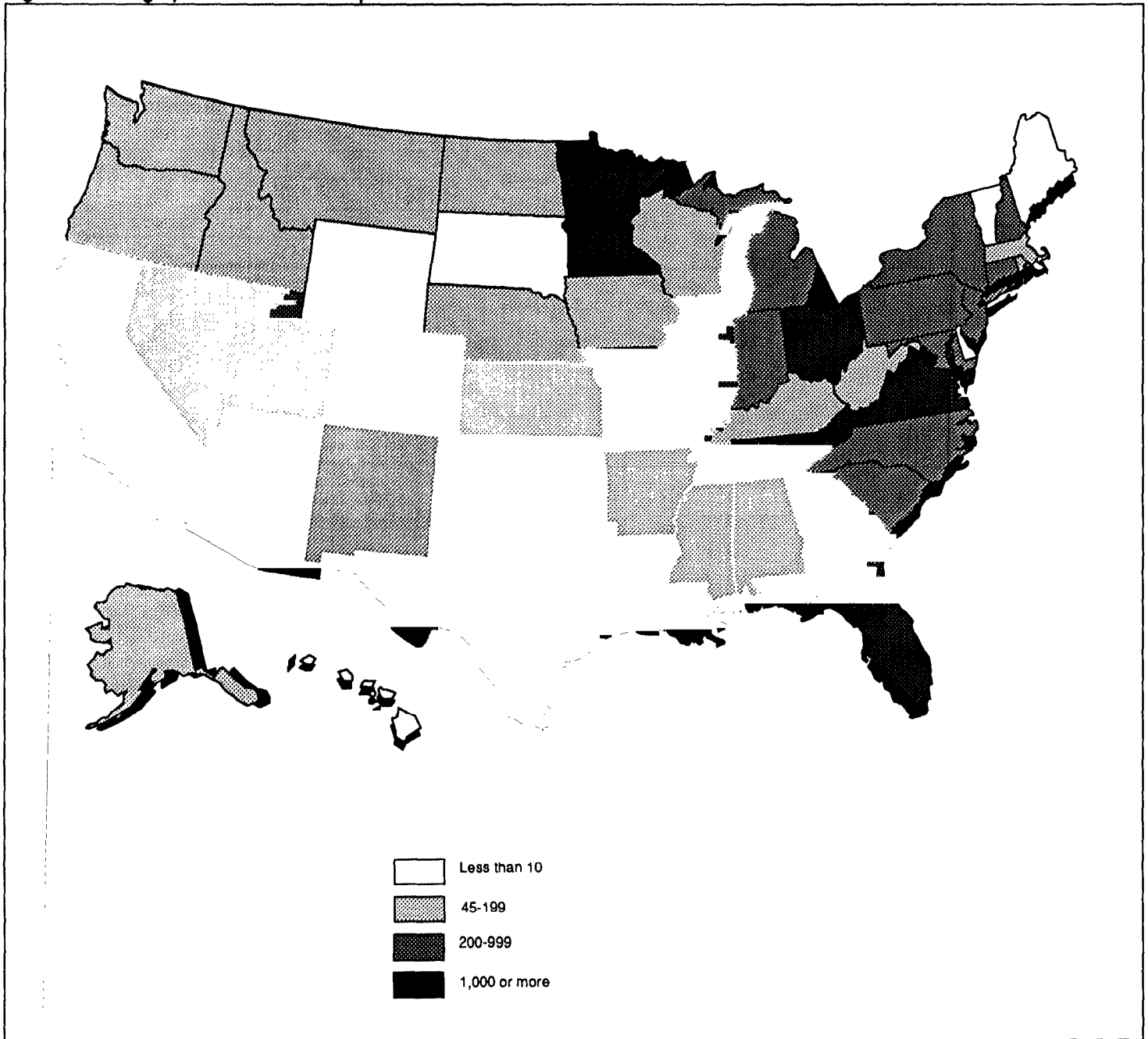
<sup>d</sup>RTC reported that as of June 1992 it had sold 400 single family properties, 23 multifamily properties and donated 702 properties to nonprofit organizations and public agencies under its Affordable Housing Disposition Program. RTC, however, did not track how many of these went to homelessness assistance organizations. This is our estimate based on the number of properties reported purchased from RTC in response to our questionnaire.

**Geographic  
Distribution of  
Properties**

Single family properties available through the four agencies' programs as of September 30, 1992, were located in every state, but about 73 percent of those available for sale at a discount were located in 14 states with 1,000 or more properties each. (See fig. 2.1.) The total number of such properties per state ranged from 6,925 in Texas to 2 each in Hawaii and Delaware. Six states (Delaware, Hawaii, Maine, South Dakota, Vermont, and Wyoming) had fewer than 10 available properties each. (See app. III for data on each state.)

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**Figure 2.1: Geographic Distribution Properties Available for Sale at a Discount at the End of Fiscal Year 1992**



Source: Inventory Data Supplied by FmHA, HUD, RTC, and VA.



When viewed separately, property in each of the four programs was concentrated in relatively few, but not always the same, states. More than one-third of HUD's properties were located in four states (California, Colorado, Florida, and Texas). About 30 percent of VA's property was in Texas and Virginia, with about another 30 percent in Arizona, Colorado, Florida, and Georgia. About 30 percent of FmHA property was located in Michigan, Mississippi, Oklahoma, and Texas. Half of RTC's single-family properties were located in Florida, Louisiana, and Texas, with another 17 percent in Alabama, Georgia, and Oklahoma. (See app. III for data on each state.)

There were some homelessness assistance organizations in almost every state that said they were interested in obtaining federal foreclosed property in response to our national survey. However, we were unable to confidently estimate the total number of such organizations in each state because some states had few respondents.

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## **Changes to the Programs Since Our Surveys**

There have been several changes to the programs since the time of our surveys. In September 1992, VA implemented an administrative change that more than doubled the number of properties available for purchase through its program (from 4,049 to 8,459 properties). At that time, VA began making all property in inventory available for sale, rather than just property that had not sold to the general public after 6 months. However, lesser price discounts are given on property newly placed on the market. Whereas VA previously gave a 50-percent discount on property in the program, the agency now gives variable discounts. Discounts start at 5 percent of listed price for property on the market for 1 month or less and increase in monthly increments to a maximum of 50 percent after the property has been on the market for more than 3 months.

In February 1993, RTC implemented an administrative policy change authorized by its oversight board that is designed to make it easier for eligible program participants to purchase properties in high-cost areas, such as California, Massachusetts, and New Jersey, where there are few properties valued low enough to qualify for the RTC program. The change allows RTC to provide qualified participants a greater amount of financing so that they can purchase other RTC properties priced too high to be included in the program. For example, qualified purchasers now can get up to \$151,725 in financing from RTC to purchase a detached single family home, whereas they previously could get a maximum of \$67,500.

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There also were several changes to FmHA, HUD, and VA programs directed or authorized by legislation enacted in 1992. Implementation of some of these changes began in March 1993, but others may not be fully implemented for several years.

FmHA's change was directed by the Housing and Community Development Act of 1992 (P.L. 102-550), which among other things, eliminated FmHA's practice of leasing only those properties unsuited to its loan program for low-income families (the so-called nonprogram properties). As a result, all single family properties not sold through FmHA's loan program after a period of 195 days will also be made available for leasing. In April 1993, FmHA authorized implementation of the new policy in nine states, which have more than half of FmHA's inventory. FmHA officials planned to implement the change nationwide by September 1993.

Similarly, the Homeless Veterans Comprehensive Service Programs Act of 1992 (P.L.102-590) authorized VA to establish a leasing component to its program. In March 1993, VA began a 3-year test of the leasing concept using 50 properties nationwide. The properties were selected based on input from regional offices, the availability and suitability of properties in inventory, and the adequacy of VA staff to monitor the property and activities of the leasing organization.

While the legislative changes in the VA and FmHA programs should eventually work to the advantage of homelessness assistance organizations seeking property by providing additional leasing opportunities, a legislative change to HUD's program took away an advantage the organizations previously enjoyed. The Housing and Community Development Act of 1992 eliminated the 10-day period in which HUD-approved nonprofit organizations had an exclusive right to purchase or lease single family property before it was offered for sale to the general public. This practice had given the organizations the advantage of first choice on new properties added to HUD's inventory. The act essentially reversed the advantage by requiring HUD to offer properties for sale to the general public for 30 days before making them available for lease to homelessness assistance organizations. However, the act also authorized HUD discretion to waive this change in procedure in locations where there would not be an adequate supply of housing remaining for homelessness assistance. HUD issued proposed rules for implementing this change for public comment on August 11, 1993. Comments are due by October 12, 1993.

## Conclusions

FmHA, HUD, RTC, and VA make properties available for homelessness assistance within the context of other competing objectives related to their primary missions. The agencies have developed various procedures in response to legislative or administrative objectives for determining what properties are made available and the price charged so as to strike what they believe is an appropriate balance between the competing objectives of assisting the homeless, assisting other target populations, and minimizing the financial losses incurred in guaranteeing mortgages or insuring savings and loan institutions.

During the time of our survey, the number of properties put into the FmHA, RTC, and VA sales programs was small in comparison to that in HUD's program. Unlike HUD, the other three agencies offered homelessness assistance organizations few, if any, opportunities to lease property. VA and FmHA programs for homelessness assistance tended to include the agencies' less desirable properties, while RTC made available only its less expensive properties.

Administrative changes to VA procedures since our survey have made several thousand more, and probably higher-quality, properties available for sale to homelessness assistance organizations. Administrative changes by RTC have made it easier for organizations in high-cost areas to purchase property by increasing the amount of financing RTC can provide. Other legislative changes to the VA and FmHA programs should substantially increase leasing opportunities, but these changes have yet to be fully implemented.

FmHA plans to have changes to its leasing program fully implemented by September 1993, which should make several thousand more properties available. VA, however, will be testing a leasing program on a very limited basis for several more years and thus will be leasing only 50 of its thousands of properties in the immediate future. We believe both agencies should be able to benefit from HUD's experiences when formulating procedures for screening and monitoring lessees. By doing so they likely will lessen the chances of program abuses that occurred during the early stages of the HUD program.

A 1992 legislative change to HUD's program, however, may work against homelessness assistance organizations seeking federal foreclosed property. The change eliminates the preference homelessness assistance organizations now have to lease or purchase property before it is offered

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for sale to the general public. Public comments on HUD's implementing regulations are due October 12, 1993.

The extent to which any of these changes will translate into additional or fewer properties in the hands of homelessness assistance organizations remains to be seen. Experience to date has shown that many properties in the agencies' programs were not leased or purchased by homelessness assistance organizations. Barriers such organizations have experienced in acquiring and using available properties are the topics of chapters 3 and 4.

# Lack of Information Is the Initial Barrier for Organizations That Have Not Yet Obtained Property

Our national survey found that most nonprofit organizations assisting the homeless see a great need for federally held properties and are interested in acquiring them. However, these organizations face barriers that make it difficult for them to do so. The barriers are quite different for organizations that have not yet participated in the disposition agencies' programs for homeless and low-income people and those organizations that have.

This chapter discusses the initial barrier for organizations that have not participated in the programs: lack of information about the programs and about the specific properties that are available in their local areas. Although each agency has outreach guidelines for its field offices to disseminate such information, the level of activity undertaken at the offices we visited varied substantially. Most organizations that were aware of an agency's program believed the agency was doing a less than satisfactory job of making information known about the program and should do more.

In contrast, organizations that had already participated in HUD's program identified other barriers, such as costs associated with participation and the poor quality of the inventory, that made it difficult for them to obtain additional properties. These are discussed in chapter 4.

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## Assistance Organizations See a Great Need for and Have a Great Interest in Federal Property

As discussed in chapter 1, our national survey represents a general population of about 6,900 nonprofit organizations nationwide with an interest in providing housing or other services to the homeless. We found that about 95 percent (+/-2 percent) of these organizations (about 6,600) had not participated in any of the four federal property disposition programs for homeless or low-income persons. The vast majority of these nonparticipant organizations were providing shelter to the homeless at the time of our survey and said that more properties were needed in their service area to house or otherwise assist the homeless. About 69 percent of the organizations said that this need was "large" or "very large," while about 21 percent of the organizations characterized the need in their service area as "medium." About 70 percent of the organizations saying the need was large or very large said they were interested in acquiring federal foreclosed properties at the time of our survey.

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## **Lack of Information Is the Initial Barrier to Program Participation**

Most of the approximately 6,600 nonparticipant organizations represented by our survey were either unaware of the four agencies' programs or cited lack of certain key information as their biggest barriers to program participation. Even those organizations aware of a program often did not know about the favorable terms under which they could lease or purchase property.

Our questionnaire to the general population of homelessness assistance organizations asked respondents to indicate whether or not 13 specific items had been a barrier to their acquisition of federal foreclosed property. Organizations were also asked to select the one item they considered to be the single most important barrier.

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### **List of Possible Barriers to Acquiring Federal Foreclosed Property Included in Our Questionnaires**

1. Not enough information about what properties are available in your service area.
2. Too few available foreclosed properties in your service area.
3. Foreclosed property in your service area is in poor condition.
4. Types of foreclosed property in your service area do not meet your needs.
5. Neighborhood opposition to homelessness assistance facilities in your service area.
6. High cost of buying foreclosed property.
7. High cost of rehabilitating foreclosed property.
8. High cost of monthly maintenance, insurance, and utilities.
9. Low chance of getting federal funds to help pay the costs of purchasing and/or operating foreclosed properties.
10. Federal funds, when available, are not accessible in timely manner.
11. Too little funding assistance from nonfederal sources.

12. Not enough personnel in your organization to manage foreclosed property once it is purchased or leased.

13. No one in your organization who is sufficiently knowledgeable about foreclosed property acquisition procedures.

Organizations that had never participated in the agencies' programs cited two barriers more frequently than any others. These were (1) "not enough information about what properties are available" (about 68 percent of the nonparticipants) and (2) "no one in the organization sufficiently knowledgeable about the procedures for acquiring the federal foreclosed property" (about 64 percent of the nonparticipants). These same two barriers were also selected as the single most important barrier by a total of 35 percent of nonparticipant organizations.

Nonparticipant organizations' lack of knowledge about the properties available in their area was reflected in the high incidence of "don't know" responses to questions dealing with this topic. More than one-half of the nonparticipants answered don't know when asked whether there were any federal foreclosed properties in their service area. There also was a high incidence of don't know responses to items in our list of potential barriers that dealt with individual properties. More than 70 percent responded don't know to the potential barriers of (1) foreclosed property in their area being in poor condition and (2) the property not being the type that meets their needs. Similarly, about 63 percent responded don't know to the possible barrier of too few properties available in the local service area.

A general lack of awareness about the programs and how they work was evident in the nonparticipants' responses to other survey questions. As shown in table 3.1, the vast majority of nonparticipants were not even aware of the FmHA, RTC, and VA programs.

**Table 3.1: Nonparticipant Organizations' Awareness of the Four Agencies' Property Disposition Programs**

Numbers in Percent <sup>a</sup>				
Level of awareness	HUD	VA	FmHA	RTC
Not aware	46	84	79	68
Only vaguely aware	33	8	12	17
Somewhat familiar	16	3	3	8
Very familiar	1	<sup>b</sup>	<sup>b</sup>	2

<sup>a</sup>Percents do not total 100 because some applicable organizations did not answer this question.

<sup>b</sup>The number of respondents was too small to get reliable estimates.

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Between 45 and 80 percent of the organizations that were aware of the programs did not know about one or more of the preferential terms that the agencies offered to nonprofit organizations. Knowledge of preferential terms available under HUD's program was a little better than that for the other agencies. (See table 3.2.)

**Table 3.2: Knowledge of Agencies' Preferential Terms Among Nonparticipant Organizations That Were Aware of the Programs**

Numbers in Percent <sup>a</sup>		
Preferential terms <sup>b</sup>	How many did not know	How many knew
HUD sells property at 10% less than appraised value	61	39
HUD leases property for \$1 a year	45	54
VA sells property at 50% of the listed price after it's on the market for 6 months	79	21
FmHA provides financing to organizations purchasing property	71	29
FmHA leases properties for \$1 per year for periods up to 10 years	75	25
RTC gives nonprofits exclusive right to purchase qualified properties for a period of 90 days	61	39
RTC has a financing program to help pay the costs of purchasing property	80	20

<sup>a</sup>Percents do not total 100 for some questions because some applicable organizations did not answer these questions.

<sup>b</sup>Reflects terms in effect when we mailed out our survey near the end of August 1992.

**Agency Outreach Efforts Could Be Improved**

Each of the four agencies have established policies specifying actions that field offices should take to inform eligible organizations about their programs and properties, but the level of outreach attained by the agencies varies considerably. The programs are also publicized by the Interagency Council on the Homeless, an independent group within the executive branch established by the McKinney Act to carry out various activities related to federal homelessness assistance, including overseeing federal homelessness programs, coordinating the delivery of funds and services to those in need, and publishing information on available federal resources.

The general lack of knowledge about the programs and available properties our survey found among organizations that had never participated (about 6,600) indicates that all of the agencies could do a better job of disseminating basic information organizations need to make



informed decisions about participation. This view was reinforced by those organizations that were aware of the programs. Two-thirds or more of these organizations rated the agencies' outreach efforts as less than satisfactory, and an overwhelming majority supported the need for improvement.

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## HUD's Outreach Efforts

HUD had more extensive or better targeted outreach than the other agencies. HUD program guidance directs the staffs in field offices with available single family properties to develop contact lists of nonprofit homelessness assistance organizations; assess the organizations' demand for property; and provide workshops, speeches, and articles to promote the program. HUD also operates a nationwide toll-free number through which nonprofit organizations can obtain information regarding the program.

Outreach at the HUD offices we reviewed in Chicago, Los Angeles, and Phoenix consisted primarily of providing information through technical assistance workshops, conferences, and other meetings with the nonprofit community; mailing out information on properties available in their area; and answering telephone inquiries. For example, the HUD official responsible for homelessness assistance programs in Chicago said that their primary outreach effort has been to routinely mention the program at monthly HUD-sponsored training sessions on homelessness assistance programs and at other public meetings they attend. In addition, the Chicago office mails a weekly list of available properties to eligible assistance organizations in Illinois that either already lease HUD properties or that have indicated their interest in the program within the past year.

HUD's Los Angeles office sends out notices to organizations approved to participate in the program whenever a nearby property becomes available. Officials also discuss the program at their annual Transitional Housing Workshop, and they distribute program information at other conferences they attend that deal with homelessness or housing. Los Angeles officials also indicated that a primary method of outreach is answering telephone inquiries about the program from nonprofit organizations.

HUD's Phoenix field office engages in similar outreach activities but also attends monthly meetings of the Phoenix Homeless Coalition, which consists of nonprofit and government organizations concerned with homelessness issues. However, Phoenix officials were in the process of reducing their outreach efforts at the time of our visit (June 1992) because

their property inventory had declined and they had reached their 10-percent limit for properties that could be leased through the program.

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## FmHA and VA Program Outreach

While both agencies have issued outreach guidance to their field offices, FmHA and VA have used a more reactive approach to providing information on their programs than HUD. For example, FmHA headquarters officials said that FmHA does not actively recruit organizations that may be interested in its program. Rather, homelessness assistance organizations must initiate contact with FmHA to obtain information on or assistance with its homelessness program. According to VA's Assistant Director for Property Management, outreach to homelessness assistance organizations in connection with the property disposition program is encouraged, but has a lower priority than outreach to individual veterans in connection with VA's direct service programs. The actual priority assigned to property disposition outreach is left up to VA field offices. The Assistant Director and other headquarters officials involved with the VA program believe that homelessness assistance organizations have been provided ample information about VA's program and properties through VA's outreach efforts and publicity by the Interagency Council on the Homeless. They believe the low level of participation in VA's program means organizations are not interested in VA's properties, mainly because of the costs involved.

FmHA's guidance to the field on outreach instructs state, district, and county offices with inventories of single family "non-program" property (i.e., property not meeting the quality standards for its home loan program for low-income rural families) to distribute a prepared fact sheet on the homelessness program to organizations in the community that might qualify. The guidance also instructs FmHA officials to publicize the program in local minority and general news media, on FmHA county office bulletin boards, and verbally to representatives of organizations that may be interested.

Actual outreach activities were limited at the FmHA field offices we visited. The FmHA official responsible for the homelessness property program in Illinois said outreach there had consisted primarily of an estimated 10 to 12 presentations on the program that he had made during the past 5 years. He said that FmHA's outreach philosophy is that properties are available if assistance organizations want them and that FmHA will respond to inquiries that are made. Outreach at FmHA's Phoenix office has consisted of the FmHA Chief of Housing for Arizona attending a Governor's conference on the homeless and two state-sponsored open meetings on the homeless chaired

by the State Coordinator for the Homeless. The Chief of Housing also said that information about the FmHA program (but not about available properties) is disseminated in the Interagency Council on the Homeless Newsletter. (Because it is not rural, no FmHA office covers the Los Angeles area.)

The VA outreach guidance directs regional offices to designate a contact person to handle questions from homelessness assistance organizations; to develop a contact list of eligible purchasers; to mail information to interested organizations; and to meet at least once with local organizations to discuss general procedures and requirements for the program. The offices may conduct a separate meeting with sales brokers, invite the brokers to attend the meeting with nonprofit organizations, or both. VA offices with jurisdiction over more than one major real estate market area with substantial numbers of eligible properties will conduct meetings for homelessness assistance organizations in these areas.<sup>1</sup>

As with FmHA, the VA offices we visited had taken limited actions in response to the outreach directive. Outreach activities at VA's Los Angeles office have consisted of mailing updated circulars describing its program to nonprofit veteran's organizations (but not to other nonprofit organizations that might be providing assistance to homeless veterans). At VA's Phoenix office the Loan Guaranty officer had attended several monthly homelessness coalition meetings in 1989 but stopped attending the meetings because of nonprofit organizations' lack of interest in the VA program. In October 1992, the VA Phoenix office invited nonprofit organizations that had been approved to participate in the HUD program to a meeting to discuss VA program changes. A similar meeting will be held in the future to discuss program changes that have occurred since that time. Chicago regional VA officials had discussed the program during quarterly visits to service organizations, such as the Red Cross and the Disabled American Veterans, and at regional homelessness conferences, such as the biennial regional conference sponsored by the Interagency Council on the Homeless. In addition to these actions, the VA Chicago and Los Angeles offices routinely include references to the homelessness program in advertisements placed in major metropolitan newspapers announcing other disposition property that VA has for sale.

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<sup>1</sup>VA established a national toll free telephone number in October 1992 (about the time organizations were answering our surveys) to provide general assistance on all VA programs. VA headquarters officials said that interested organizations can get information on property disposition program procedures and available properties by calling this number.

**RTC's Outreach Is Not Specifically Designed to Reach the Homelessness Assistance Community**

Consistent with its legislatively mandated target population, outreach for RTC's Affordable Housing Disposition Program has been directed at low- and moderate-income families and organizations that provide them housing assistance, not specifically at nonprofit organizations that assist the homeless. As a result, RTC's outreach program is not directly comparable to the other agencies' in terms of reaching homelessness assistance organizations.

Outreach for RTC single family property involves outside clearinghouses and technical assistance advisor groups designated by RTC.<sup>2</sup> RTC regulations encourage, but do not require, clearinghouses to notify nonprofit organizations, including those serving the homeless, of available properties and to publicize the availability of these properties. Outreach activities conducted by technical assistance advisors have included marketing to nonprofit groups and to women and minorities through workshops and follow-up assistance; advertising in newspapers and on community radio stations that serve low-income neighborhoods; conducting seminars to explain and facilitate the RTC auction process; pre-screening families for program eligibility; and guiding prospective buyers through the purchase process and helping them obtain mortgage financing.

RTC field office staff also typically perform outreach activities in connection with single family property. Such activities include maintaining contacts with the nonprofit community; conducting workshops; maintaining property lists; conducting property auctions; and placing advertisements promoting the program in local newspapers.

RTC's outreach procedures for multifamily properties were the same as for single family property until May 1992, when RTC made multifamily property a direct sales program. Since that time RTC staff has been directly responsible for outreach and marketing related to multifamily properties.

Under the direct sales program, RTC first markets multifamily properties exclusively to public agencies and then to nonprofits before offering the properties to other eligible buyers in the program, such as individual low to moderate income families. At the RTC offices we visited, RTC staff

<sup>2</sup>A clearinghouse may be a federal or state agency or any national nonprofit organization that RTC determines has the capacity to give potential buyers information about its residential properties. RTC is required to designate at least one clearinghouse in each state. Technical assistance advisors are public agencies or nonprofit organizations designated by RTC to help guide applicants through the process of purchasing RTC property and to disseminate program information and conduct promotional activities.

prepared and mailed property lists to potential buyers, met with nonprofit organizations to discuss potential bulk sales, and participated in workshops on how to acquire property. The Phoenix Technical Assistance Advisor also worked closely with representatives from HUD and local government to structure financing for nonprofit organizations' purchases of RTC multifamily property.

Because the RTC office responsible for selling a property is determined by the location of the failed financial institution rather than by the location of the property, properties are often in different cities than the office responsible for selling them.<sup>3</sup> As with all RTC properties, information on these properties is provided by the clearing house responsible for the area in which the property is located.

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### Outreach Conducted by the Interagency Council on the Homeless

In July 1991 the Interagency Council on the Homeless issued a special edition of its Council Communique which was entirely dedicated to the topic of obtaining federal property for use in assisting the homeless. This publication, mailed to all homelessness assistance organizations on the Council's mailing list, included a description of the HUD, VA, FmHA, and RTC foreclosed property programs. The descriptions outlined the key features of each program, such as whether property could be leased or purchased, discounts given on purchased property, and the nominal cost leases offered by HUD and FmHA. Also provided were the names and phone numbers of state or regional officials in each agency that organizations could contact for additional information on the programs or available properties. The four programs are also briefly described in the Council's catalogue of federal programs to help homeless people, the latest edition of which was published in March 1993.

The HUD, RTC, and FmHA programs were also mentioned individually in other Council publications during the period September 1991 to February 1993. The HUD and RTC programs were mentioned twice each in separate editions of the Council's Program Alert, a publication that includes information on funding opportunities, conferences, and other news of interest to the homelessness assistance community. An article about the FmHA program appeared in January/February 1993 edition of the Council Communique.

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<sup>3</sup>Inefficiencies of this situation are discussed in our report entitled Resolution Trust Corporation: Asset Pooling and Marketing Practices Add Millions to Contract Costs (GAO/GGD-93-2, Oct. 7, 1992).

According to a Senior Advisor, the Council's only other publicity of the foreclosed property programs has been to discuss them at homelessness assistance workshops and conferences. He said the programs are routinely discussed at the five regional workshops that the Council sponsors each year and are usually mentioned by Council personnel in presentations on federal homelessness assistance programs that they make at conferences or workshops sponsored by other groups.

**Organizations Rate Agencies' Outreach as Less Than Satisfactory**

As discussed earlier in this chapter, 68 percent or more of our general survey population of nonparticipant homelessness assistance organizations were not aware of the FmHA, RTC, or VA programs, and 46 percent were unaware of HUD's program. We asked those with any familiarity, however, to rate the agencies' outreach efforts. As shown in table 3.3, HUD was rated somewhat higher than the other agencies, but the vast majority rated the agencies' efforts as less than satisfactory.

**Table 3.3: Ratings of Agency Outreach by Nonprofit Organizations Aware of the Property Disposition Programs**

Numbers in Percent <sup>a</sup>				
Ratings	HUD	VA	FmHA	RTC
Satisfactory or better <sup>b</sup>	31	21	14	33
Less than satisfactory <sup>c</sup>	69	79	85	66

<sup>a</sup>Percents for some agencies do not total 100 because some applicable organizations did not answer this question.

<sup>b</sup>Includes ratings of "Excellent," "Good," and "Satisfactory."

<sup>c</sup>Includes ratings of "Fair" and "Poor."

**Organizations Believe Agencies Could Do Better Outreach**

Our questionnaire to the general population of homelessness assistance organizations asked those with awareness of a property disposition program whether or not the administering agency should take any of seven specific actions to increase the organization's awareness of and participation in the program. In most instances, the seven actions were things already called for by the agencies' outreach policies and/or were things the agency offices we visited said they were doing. As shown in table 3.4, an overwhelming majority of organizations with awareness believed each of the four agencies should do more in almost all of the seven items.

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**Table 3.4: Actions That Organizations With Program Awareness Believed the Agencies Should Take to Increase Program Awareness and Participation**

Numbers in Percent				
Action agency should take	HUD	VA	FmHA	RTC
Advertise more in newspapers, newsletters, and journals	65	81	72	61
Provide toll free telephone information service	77	85	81	73
Mail information on how to lease and purchase properties to homelessness assistance organizations	95	99	100	94
Make updated lists of properties more readily available	92	99	99	93
Provide individualized technical assistance to help organizations complete applications	91	92	94	89
For first-time participants, provide individualized technical assistance on acquiring properties, rehabilitating them, and keeping them running	94	91	93	88
Provide more workshops on how nonprofit organizations can lease or purchase property	88	84	90	83

## Conclusions

Despite seeing a great need for, and having a great deal of interest in obtaining, federally held properties, hardly any of the nation's nonprofit organizations assisting the homeless have participated in any of the four disposition agencies' programs designed to provide them such property. The main barrier has been that the organizations lacked key information needed to make informed decisions about participation: knowing the programs exist, how they work, and what specific properties were available locally.

Each of the disposition agencies has guidelines calling for outreach to the nonprofits to inform them of the programs and available properties. Similar program information is also sent to homelessness assistance organizations by the federal Interagency Council on the Homeless. While the agencies varied somewhat in approach and the importance placed on outreach, the nonprofit organizations' lack of knowledge about the agencies' programs and the properties that are available locally demonstrate that federal outreach efforts have not been effectively getting key information out to a large portion of those with an interest in the properties. The organizations' somewhat greater knowledge about the HUD program may be due in part to the larger volume and wide geographic

dispersion of HUD properties discussed in chapter 2, but HUD's somewhat more extensive or better targeted outreach has likely been a factor as well.

The assistance organizations that were aware of the programs mostly rated the agencies as less than satisfactory on making information about the programs known, and they overwhelmingly supported the need for improvements to increase awareness of, and participation in, the programs. The specific improvements the organizations endorsed are, for the most part, things already called for in the agencies' outreach guidelines, suggesting that implementation efforts at the local level need to be intensified or better directed. In this regard, we noted that one of the VA offices we visited was sending out information to veterans organizations, but not to other nonprofit organizations that may be helping homeless veterans and thus eligible to participate in VA's program. Providing specialized technical assistance for first-time program participants was one action that agencies other than RTC generally have not taken to date but which nonprofit organizations strongly endorsed.

More effective outreach will become increasingly important for VA and FmHA in the future as they implement the legislative program changes discussed in chapter 2 and begin to offer more and better quality property for lease through their programs. The effect better outreach would have on program participation is difficult to quantify, but nonprofit organizations' somewhat higher level of knowledge about the HUD program to date suggests a positive correlation between the intensity of outreach and potential participants possessing the knowledge needed to make informed decisions. While other factors undoubtedly were involved, HUD's more proactive outreach likely is one reason for organizations' much greater level of participation in HUD's program that was discussed in chapter 2.

## Recommendation

The Executive Director of the Interagency Council on the Homeless, as head of the organization responsible for overseeing and coordinating executive branch homelessness assistance activities, should initiate and coordinate a joint effort with appropriate representatives of FmHA, HUD, RTC, VA and advocacy groups representing nonprofit homelessness assistance organizations at the national, state, and local levels to develop an outreach strategy that more effectively disseminates essential information on the property disposition programs available to nonprofit organizations that assist the homeless. In doing so, priority should be given to ways of achieving much wider knowledge of basic procedures for



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obtaining properties, such as by providing specialized technical assistance for first-time participants and information about VA's program to a wider spectrum of homelessness assistance organizations, not just veterans organizations. Special attention also should be given to finding better ways of providing organizations with up-to-date information on what properties are available in their area.

# Organizations Face Other Barriers Acquiring Property Once Information Is Obtained

Homelessness assistance organizations face additional difficulties once they obtain sufficient information and decide to participate in a property disposition program. Costs associated with participation, and too little assistance from federal and nonfederal sources to pay these costs, were overwhelmingly the most frequently cited and most important categories of barriers to acquisition cited in our survey of HUD program participants. Given the importance of federal funding assistance to organizations' operations, easing these financial barriers would likely involve some additional federal assistance.

Other less important but still significant barriers cited by participants in the HUD program were too few properties available locally, the poor condition of local properties, and organizations' lack of sufficient personnel to manage property once acquired. While not identified specifically by the organizations as a barrier to participation, our surveys also found an unmet need for larger, multifamily properties (those with more than four dwelling units) among program participants and nonparticipants alike.

## Costs Borne by Participant Nonprofit Organizations Differ Among Programs

Even when organizations are able to lease federal foreclosed property for a nominal fee, they are responsible for paying various other costs. Depending on the leasing agency, these costs can include rehabilitation, taxes, insurance, utilities, and other operating expenses. Organizations purchasing property usually face these same costs in addition to the price they pay for the property.

As discussed in chapter 2, HUD and FmHA were leasing properties through their programs at the time of our surveys, but VA and RTC were not. Even though HUD and FmHA charged nonprofit homelessness assistance organizations nominal lease fees (no more than \$1 per year), the organizations were expected to pay other costs associated with the properties.

HUD expected organizations leasing properties to pay for utilities, physical repairs and maintenance, real estate taxes, and general liability insurance. Organizations leasing HUD properties built before 1978 that were to be occupied by children under 7 years of age also were expected to test for and remove any lead-based paint.

Except for insulation, FmHA paid for any repairs needed to bring leased property up to FmHA standards for decent, safe, and sanitary housing. Like

HUD, FmHA expected the leasing organization to pay for utilities, real estate taxes, and assessments. FmHA, however, required leasing organizations to purchase property insurance rather than the general liability insurance required by HUD.

All four agencies were selling property to homelessness assistance organizations at the time of our surveys, but they had somewhat different policies regarding the purchaser's responsibility for repair costs. HUD and FmHA considered any needed repairs to be the responsibility of the purchasing organization, including testing for and abating lead paint hazards. VA and RTC, however, paid for some repair costs.

VA bore the cost of correcting defective paint and identifying any lead paint hazards before offering properties for sale. However, the purchasing organization was expected to pay for abating the lead paint hazards and for any other needed repairs. RTC paid for repairs costing up to 25 percent of a property's value (or \$5,000, if greater) and was authorized to exceed these limits in instances that would further the goals of its program. Of course, once an organization acquired title to a property it became responsible for paying all operating and maintenance costs, taxes, and insurance.

## Covering Property Costs Is the Major Difficulty for HUD Program Participants

Our survey of nonprofit homelessness assistance organizations that had participated in the HUD program asked whether or not they considered certain items to be barriers to the acquisition of federal foreclosed property and to select the one item they considered to be their single most important barrier. These were essentially the same potential barriers included in our survey to the general population of homelessness assistance organizations (see ch. 2). Organizations that had participated in HUD's program indicated that their major barriers to acquiring additional property related to difficulties in paying the costs associated with the properties.<sup>1</sup>

Three specific costs associated with foreclosed properties emerged as significant barriers to the HUD program participants: rehabilitation, purchase price, and routine operating costs (maintenance, insurance, and utilities). Together, these three items were identified as single most important barriers by about 32 percent of the 328 organizations represented by our survey that had leased or purchased property through

<sup>1</sup>Recall from chapter 1 that we did not specifically survey organizations that had participated in the other three programs because of the low number of participants in each.

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HUD's program. Individually, the three items were considered to be barriers by between 44 and 61 percent of these participant organizations. (See table 4.1.)

**Table 4.1: Costs Viewed as Barriers by HUD Program Participants**

Numbers in Percent

<b>Item cited as a barrier to acquiring HUD foreclosed property</b>	<b>Organizations citing the barrier</b>	<b>Organizations selecting as single most important barrier</b>
High cost of rehabilitation	61	12
High cost of buying property	49	11
High cost of maintenance, insurance, and utilities	44	9

Our survey of HUD program participants asked organizations that had leased property to report costs of rehabilitation and a number of annual operating expense items. We also asked organizations to report how much rental income they received from tenants occupying property that the organizations were leasing from HUD.

As shown in table 4.2, the organizations' annual rental income averaged about \$2,450 compared with maximum average annual expenses of about \$5,700—a maximum average net loss of roughly \$3,250 per year that had to be financed from other sources. (In some instances tenants may have paid for utilities or maintenance, which would lower the average net loss to the nonprofit organization.) On each individual item there were some organizations that reported little or no costs. The number of such organizations is also shown in table 4.2.

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**Table 4.2: Average Costs and Offsetting Rental Income Reported by Organizations Leasing Property Under HUD's Program**

<b>Element of cost</b>	<b>Estimated average cost<sup>a</sup></b>	<b>Estimated number of properties reporting little or no cost/income<sup>a</sup></b>
Amount spent to rehabilitate property	\$4,249	53
Annual operating expenses		
Liability insurance	\$356	4
Property taxes	\$692	135
Utilities	\$1,811 <sup>b</sup>	38
Maintenance	\$1,297 <sup>b</sup>	18
Managing property	\$1,555	144
Annual expenses vs. rental income		
Total annual expenses	\$5,711	
Rental income organization received	\$2,454	175
Maximum net loss	\$3,257	

<sup>a</sup>Estimates for average cost are based only on data for those properties that reported cost information for all items, even if the reported cost for a particular item(s) were little or nothing. We also excluded amounts reported for one or two properties that were vastly different from those reported for the other properties because they would have unduly skewed the averages. These estimates of average cost represent an estimated 683 properties.

<sup>b</sup>These may include some amounts paid by the occupant rather than the nonprofit organizations.

Our survey also asked HUD program participants that had purchased property to report purchase prices, rehabilitation costs, and various annual operating expenses. As shown in table 4.3, purchase prices averaged almost \$35,000 and rehabilitation about another \$19,000. Annual mortgage payments averaged about \$5,650, and average costs for most other operating expense items were higher for purchased property than for leased. (We did not ask organizations how much, if any, rental income they received on the purchased property.)

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**Table 4.3: Average Costs Reported by Organizations Purchasing Property Through HUD's Program<sup>a</sup>**

<b>Element of cost</b>	<b>Estimated number of properties reporting a cost</b>	<b>Estimated average for properties incurring a cost</b>	<b>Estimated number of properties reporting no cost</b>
<b>Purchase/rehabilitation costs</b>			
Purchase price	118	\$34,877	0
Rehabilitation	99	\$19,105	12
<b>Annual operating expenses</b>			
Mortgage payment	35	\$5,649	53
Insurance	113	\$936	0
Property taxes	78	\$1,192	19
Utilities	105	\$1,549	7
Maintenance	100	\$1,436	0

<sup>a</sup>We computed average costs differently for purchased properties than for leased properties (see table 4.2). Because there was an insufficient number of such properties, we did not compute these averages using only properties that reported cost information for all items, as we did with the leased properties. Instead, to compute the above estimated average costs for purchased properties, we summed the costs reported by all properties for a given item and divided that sum by the number of properties that reported a cost (other than \$0) for that particular item. We also excluded amounts reported for one or two properties that were vastly different from those reported for the other properties because they would have unduly skewed the average. The total number of properties (those incurring a cost plus those incurring little or no cost) differ for the individual cost items because not all organizations responded to each item.

The low chance of getting federal funds to help pay the costs of purchasing and/or operating properties was one of two barriers most frequently cited by HUD program participants, and it was by far the single most important barrier for these organizations. About 68 percent of the participating organizations cited this as a barrier to acquiring additional property and about 23 percent identified it as their single most important barrier.

The organizations' difficulty in securing federal funds to help with foreclosed property costs was reflected in responses to other survey questions. For example, 51 percent of the organizations said that it was a barrier that federal funds, when available, were not accessible in a timely manner—an indication that the time required to apply for and obtain funds under other federal programs, or the funding cycles for these programs, did not coincide with the organizations' needs. In this regard, our survey found that about 72 percent of the organizations had participated in one or more of seven other federal programs that could have provided funding for

housing the homeless,<sup>2</sup> but only 30 percent of them (22 percent of all organizations represented by our survey) had used these programs to help defray their foreclosed property costs.

Another closely related problem was cited as a barrier as frequently as the “low chance of getting federal funding assistance,” but it was much less likely to be viewed as an organization’s most significant barrier. About 68 percent of the participating organizations cited “too little funding assistance from nonfederal sources” as a barrier to additional acquisitions, but only 5 percent of the organizations identified this as most important.

**Other Important Barriers**

Nonprofit organizations cited three barriers to additional acquisitions that were less important than costs but still significant impediments: the quantity and quality of available properties and an insufficient number of personnel in the organizations to manage properties (see table 4.4).

**Table 4.4: Other Important Barriers for HUD Program Participants**

Numbers in Percent

<b>Item cited as a barrier to acquiring HUD foreclosed property</b>	<b>Organizations citing the barrier</b>	<b>Organizations selecting as single most important barrier</b>
Property in the organization's service area is in poor condition or does not meet its needs.	44	7
Not enough personnel in the organization to manage property once it is purchased or leased.	33	7
Too few properties available in the organization's service area.	32	10

A few respondents provided narrative comments related to these barriers. Comments on the poor condition of properties centered on the magnitude and high cost of needed repairs and cited vandalism and the need to correct lead-based paint hazards as contributing factors. Comments on the usefulness of HUD’s property included “properties that are large enough (which are few) have very poor roofs, not enough amps coming in to support 10 people’s use of electricity, sewer systems too aged to support 10 people.” Comments on lack of management resources included “we are

<sup>2</sup>The Supportive Housing Demonstration Program, Emergency Shelter Grant Program, Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) Program (in 1993 SAFAH became part of the Supportive Housing Demonstration Program), Shelter Plus Care Program, Section 8 for Single Room Occupancy Program, Section 8 Rental Assistance Program, and Federal Surplus Property Program. HUD administers or helps administer each of these programs. With the exception of the Section 8 Rental Assistance Program, all are homelessness assistance programs authorized under the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77, as amended).

severely underfunded and understaffed” and “the available funding to acquire excess federal real estate for homeless programs does not include money to pay administrative costs for staff to do significant foreclosed property acquisition and management.”

## **Organizations Need More Multifamily Property**

While almost all of the properties sold or leased at the time of our surveys were single family dwellings, many organizations said that they could use larger size (multifamily) properties. Homelessness assistance organizations typically use this type of property to provide shelter and usually other supportive services in a group setting to those that require a more controlled environment than can be provided in smaller, often scattered, single family properties.

Our surveys asked homelessness assistance organizations to indicate whether or not various types of property would be useful to them for housing or otherwise assisting the homeless and to indicate which would be the single most useful type for them. While organizations that had participated in the HUD program indicated a great need for properties with four or fewer dwelling units (the predominant type made available thus far through the four agencies’ programs), they also indicated a substantial need for larger (multifamily) property. Our general population survey found a similar level of interest in multifamily properties among organizations that had never participated in any of the four programs. (See table 4.5.)

**Table 4.5: Homelessness Assistance Organizations’ Interest in Multifamily Property**

Numbers in Percent		
<b>Program participation</b>	<b>Multifamily property useful</b>	<b>Multifamily property most useful</b>
Organizations that had leased or purchased property from HUD	43	22
Organizations that had not leased or purchased property under any of the four programs	47	20

Our surveys also found that the four agencies’ programs have not been a useful source of multifamily property for nonprofit homelessness assistance organizations. Obviously, the programs were not a useful source for the approximately 6,600 organizations represented by our general population survey that had not obtained property through any of the four programs. However, the programs have been only a slightly more



useful source for the 328 organizations represented by our survey of HUD program participants. Only about 4 of these organizations (1 percent) had leased or purchased a multifamily property under any of the four programs.

While the widespread lack of knowledge about the program procedures and available properties discussed in chapter 3 likely was a factor, the relatively small number of multifamily properties available through the programs is an important reason they have not been a particularly useful source. Because of the way in which FmHA, RTC, and VA track data, the exact number of multifamily properties available to, or actually obtained by, nonprofit homelessness assistance organizations is not known. While the exact number is not known, we know that very few multifamily properties had been made available or acquired at the time of our survey.

RTC has been the principal agency offering multifamily property through its program. As of June 1992 (about the time we began sending out our surveys), RTC had sold a total of 23 multifamily properties (defined by RTC as those with more than 4 dwelling units) to public agencies and nonprofit organizations. Such sales increased shortly after our survey and by November 1992 had grown to a total of 161 properties (including those that were under sales contracts). However, because its program is not targeted specifically to assisting the homeless, RTC did not track how many of these properties went to nonprofit homelessness assistance organizations. As of November 1992, RTC had another 256 multifamily properties that it was marketing exclusively to nonprofits and public agencies.

VA is the only one of the three other agencies in which multifamily property has been eligible for the homelessness assistance programs. VA defines multifamily properties as having four to eight dwelling units, but does not track sales or available inventory by property size. However, VA headquarters officials said that they could not recall ever having any multifamily properties in inventory.

HUD is the only agency other than RTC holding appreciable numbers of multifamily properties. According to officials managing the programs, HUD had 187 multifamily properties with a total of 31,537 living units in inventory as of January 1993, whereas FmHA had a total of only 13 multifamily properties as of March 1993. (HUD defines multifamily as having more than four dwelling units, whereas FmHA defines it as having more than one dwelling unit.) As of June 1993, neither agency had offered

multifamily properties (or individual units in them) through their disposition programs to assist the homeless.

HUD staff have developed proposals to make greater use of HUD-owned multifamily properties to house the homeless. Because most of HUD's multifamily buildings are occupied, staff managing HUD's foreclosed property disposition program to assist the homeless proposed leasing individuals vacant units in the buildings to homelessness assistance organizations. The staff in charge of disposing of HUD's multifamily property, however, proposed to continue the policy of negotiating sales of entire multifamily buildings to nonprofit assistance organizations at nominal prices under its general property disposition authority.

The multifamily staff also proposed to include other vacant HUD properties (such as nursing homes, hospitals, and mobile home parks) that were not previously offered under negotiated sales. According to the multifamily property officials, these latter types of properties frequently need repairs, for which the purchaser would have to pay.

Under its general authority to dispose of multifamily property, HUD may negotiate sales of HUD-owned properties to state or local government or nonprofit entities that shelter the homeless. However, state and local government organizations are given the first right of refusal before such properties are offered to nonprofit organizations. To be eligible for negotiated sale, a HUD-owned multifamily property must be substantially vacant and not be needed in the local area for continued use as rental housing for the elderly or families. HUD's multifamily property staff could not estimate how many properties in HUD's inventory would meet these criteria. However, they said that the vast majority of HUD's multifamily properties are usually substantially occupied. A HUD headquarters official estimated in April 1993 that no more than six multifamily properties had been sold to nonprofit homelessness assistance organizations through negotiated sales.

Neither proposal to sell or lease additional multifamily property had been acted on by top HUD management as of June 1993. Because of the transition to the new Administration, HUD program officials were uncertain when the proposals would be considered or acted upon.

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## Conclusions

Difficulty finding the financial resources necessary to acquire more property in HUD's disposition program has been the major constraint for

nonprofit homelessness assistance organizations once they learned how the program worked and what properties were available in their local area. Organizations considered the costs associated with both leasing and purchasing property to be high and have found it difficult to get the funds they need from either federal or nonfederal sources.

Organizations that have participated in the HUD program have not been particularly successful in using federal funding assistance to help defray foreclosed property costs, although they have used federal assistance programs to a great extent for other purposes. Only 22 percent of the participating organizations had used federal housing assistance funds from Section 8 or various homelessness assistance programs administered by HUD to help defray foreclosed property costs, while about 72 percent had used funds from these programs overall. Too little funding available and difficulty accessing funds from the programs in a timely manner were identified as the major reasons.

Homelessness assistance organizations' reliance on federal assistance suggests that reducing financial barriers to acquiring federal foreclosed property will in all likelihood require additional federal financial help and add to the government's cost. Two options for providing this additional help suggested by our survey are expansion of existing McKinney Act programs or Section 8 rent subsidies, and providing greater flexibility in the timing of grants available through the McKinney programs. Other options include the four agencies providing more low-cost financing or simply absorbing more costs now borne by the homelessness assistance organizations. Deciding whether and to what extent to provide additional federal assistance will require the agencies and the Congress to face the difficult task of seeking the appropriate balance between assisting the homeless, minimizing the government's insurance losses through the sale of properties, and other demands for the limited supply of federal dollars.

HUD program participants identified other lesser, but still important, barriers to acquiring more property over which federal disposition agencies have little control. These were too few properties available locally, the poor condition of properties, and some organization's lack of sufficient personnel to manage property once it is obtained.

The lack of multifamily property has been another constraint to participation in the four agencies' programs. Assistance organizations that have participated in HUD's program, as well as the much larger general population of those that have not participated in any of the programs, find

this type of property useful. Nevertheless, little multifamily property had reached these organizations via the programs at the time of our surveys. Although RTC has sold about 140 more multifamily properties to nonprofit organizations and public agencies since that time, the number purchased by homelessness assistance organizations is unknown.

With better targeted outreach RTC's program potentially could be a more useful source of multifamily property for homelessness assistance organizations. RTC had several hundred of these properties available as of November 1992, but as discussed in chapter 3, a majority of the assistance organizations did not know anything about the RTC program. Our recommendations for improved outreach in chapter 3, if implemented, should make more homelessness assistance organizations' aware of the multifamily properties that are available through RTC.

HUD is the only other agency holding a substantial number of multifamily properties: 187 residential properties with more than 31,500 total dwelling units as of January 31, 1993. While exact data are not available, the vast majority of these properties are probably already occupied, which HUD officials say makes them unsuitable for sale in their entirety to homelessness assistance organizations. The staff managing HUD's property disposition program to assist the homeless made a proposal that HUD lease individual vacant units within these buildings to nonprofit homelessness assistance organizations. However, as of June 1993, HUD multifamily property officials were not receptive to this idea, but they were willing to negotiate sales of entire vacant multifamily residential buildings, nursing homes, and mobile home parks to homelessness assistance organizations for nominal prices. As of that time, HUD's top management had not acted on any proposals for making greater use of the agency's multifamily properties to house the homeless.

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## **Matters for Congressional Consideration**

If the Congress wants to increase the use of federal foreclosed property by the homeless, it should consider providing nonprofit homelessness assistance organizations with additional assistance in financing acquisition, rehabilitation, and operating costs. Options for providing such assistance include direct payments via expansion of existing McKinney Act grants or rent subsidy programs (such as Section 8), greater flexibility in the timing of grants under these programs, more low-cost financing or short-term loans, or the four agencies absorbing costs now borne by the homelessness assistance organizations.

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**Recommendation**

To help meet their needs for multifamily property, we recommend that the Secretary of HUD establish a policy that specifies appropriate circumstances and conditions under which HUD-owned multifamily property can be made available to nonprofit homelessness assistance organizations.

# Sample Selection Methodology

## National Survey of Homelessness Assistance Organizations

To conduct a survey of nonprofit homelessness assistance organizations nationwide, we identified four pertinent mailing lists from the following sources: the Federal Emergency Management Agency (FEMA), the National Alliance to End Homelessness, the Hope Foundation, and the Interagency Council on the Homeless (IAC). We evaluated the information provided by each source and found that the National Alliance list was less inclusive than either the FEMA or Hope lists and the IAC list contained numerous entries that were not nonprofit homelessness assistance organizations. We concluded that a comprehensive nationwide listing could be obtained by combining the FEMA and Hope Foundation lists. The FEMA list contains information on about 10,000 organizations that received funds from the Emergency Food and Shelter National Board Program in fiscal year 1991. This program is designed to get funds quickly into the hands of food and shelter providers to alleviate the most pressing needs of homeless people. According to a FEMA official, this list contains almost all of the most active organizations in most communities. We narrowed the FEMA list to nonprofit organizations that used the funds to provide shelter, food, and assistance with rent, mortgage, and utilities. (We excluded organizations that used the funds for administration, rehabilitation, and supplies and equipment.) We were, however, concerned that this list excluded (1) organizations that did not receive FEMA funds for fiscal year 1991, (2) organizations that provided homelessness assistance but with resources other than those obtained from FEMA in fiscal year 1991, and (3) smaller or less active organizations that were not on FEMA's list. We believe that the list owned and updated every 6 months by the Texas-based Hope Foundation, a nonprofit organization, helped to correct these shortcomings. The Hope list provides information on over 8,000 organizations, of which over 85 percent are nonprofit. The Hope Foundation draws on the assistance of 800 advisors located throughout the country to provide information on organizations that supply direct services to the homeless.

The FEMA and Hope lists were combined, and duplicates were deleted using computer-based methods, leaving a combined list of 14,018 organizations. We knew, however, that some duplicates remained that could not be detected using computer-based methods. We avoided the time and expense of manually deleting these from the combined list by selecting our sample and counting duplications in it.

We drew a simple random sample (without replacement) of 600 organizations. Then we counted the number of times each sampled organization appeared in the combined list. We found that 202 of the 600

sampled organizations appeared more than once (from 2 to 12 times) in the combined list. We also found that five organizations appeared twice in the sample. Due to these duplications, some organizations had a greater chance of being selected into our sample than did other organizations. We adjusted for these unequal probabilities of selection in our analyses of the data using a procedure suggested by Hansen, Hurwitz, and Madow<sup>1</sup>. We estimate that the number of unique nonprofit organizations in our combined list is 11,360 (+/- 300).

We did not obtain data from all of the 600 organizations of the original sample. As noted, five of these organizations appeared twice in the sample. In addition, 88 sampled respondents indicated that they were either not a nonprofit organization (i.e., they were a state or local governmental agency or a for-profit organization) or did not assist homeless persons. Of the remaining 507 organizations (600 minus 88 minus 5), we developed a data set on the basis of 383 questionnaires. We therefore estimate that 6,909 (+/- 481) organizations would have provided a completed questionnaire had we attempted to survey all unique, nonprofit organizations that assist the homeless in our combined list. The estimates based on the total sample we provide in this report are for these 6,909 organizations.

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## Survey of Participants in HUD's Homelessness Assistance Disposition Program

To survey participants in HUD's homelessness assistance disposition program, we asked HUD officials to identify all of the nonprofit organizations that had purchased one or more foreclosed properties through the program during the period January 1989 to April 1992 and those that were leasing property as of April 1992. In response, HUD provided a list of 427 participant organizations. From this list we drew a simple random sample of 290 organizations, of which 223 (about 80 percent) responded to our questionnaire. Thus, the estimates provided in this report based on the total sample of HUD participants are for the 328 (+/- 9) organizations that would have responded had we attempted to survey all of them.

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<sup>1</sup>Morris H. Hansen, William N. Hurwitz, and William G. Madow, Sample Survey Methods and Theory (Volume I: Methods and Applications), New York, N.Y.: John Wiley and Sons, Inc. (1953).

# Statistical Estimates and Sampling Errors

**Table II.1: Assistance to the Homeless Provided by Nonprofit Organizations (Ch. 1)**

Numbers in Percent		
Type of Assistance	Organizations	Sampling Error(+/-)
Housing (emergency shelter, transitional, or long-term)	80	4
Food and other supportive services in addition to shelter	74	5

**Table II.2: Need for More Properties to Assist the Homeless in Areas Served by Nonparticipant Organizations (Ch. 3)**

Numbers in percent		
Degree of need in area	Organizations	Sampling Error (+/-)
Large or very large	69	5
Medium	21	4

**Table II.3: Nonparticipant Organizations' Interest in Acquiring Federal Foreclosed Property (Ch. 3)**

Numbers in percent		
Degree of need in area	Interested Organizations	Sampling Error (+/-)
Large or very large	70	6

**Table II.4: Barriers to Acquiring Federal Foreclosed Property Most Frequently Cited by Nonparticipant Organizations (Ch. 3)**

Numbers in percent		
Item cited as a barrier	Organizations citing the barrier	Organizations selecting as single most important barrier
Not enough information about what properties are available	68(+/-5)	25(+/-5)
No one in the organization sufficiently knowledgeable about the procedures for acquiring federal foreclosed property	64(+/-5)	10(+/-3)

**Table II.5: Questions and Potential Barriers to Acquiring Federal Foreclosed Property Having a High Percent of "Don't Know" Responses From Nonparticipant Organizations (Ch. 3)**

Numbers in percent		
Survey question or potential barrier	Organizations responding "don't know"	Sampling Error (+/-)
Are there federal foreclosed properties in your service area?	53	5
Foreclosed property in your service is in poor condition	73	5
Types of foreclosed property in your service area do not meet your needs	71	5
Too few foreclosed properties are available in your service area	63	5



**Appendix II  
Statistical Estimates and Sampling Errors**

**Table II.6: Nonparticipant Organizations' Awareness of the Four Agencies' Property Disposition Programs (Table 3.1)**

Numbers in percent <sup>a</sup>				
Level of awareness	HUD	VA	FmHA	RTC
Not aware	46(+/-5)	84(+/-4)	79(+/-4)	68(+/-5)
Only vaguely aware	33(+/-5)	8(+/-3)	12(+/-4)	17(+/-4)
Somewhat familiar	16(+/-4)	3(+/-2)	3(+/-2)	8(+/-3)
Very familiar	1(+/-1)	<sup>b</sup>	<sup>b</sup>	2(+/-1)

<sup>a</sup>Percents do not total 100 because some applicable organizations did not answer this question.

<sup>b</sup>The number of respondents was too small to get reliable estimates.

**Table II.7: Knowledge of Agencies' Preferential Terms Among Nonparticipant Organizations That Were Aware of the Programs (Table 3.2)**

Numbers in percent <sup>a</sup>		
Preferential terms <sup>b</sup>	How many did not know	How many knew
HUD sells property at 10% less than appraised value	61(+/-7)	39(+/-7)
HUD leases property for \$1 a year	45(+/-8)	54(+/-8)
VA sells property at 50% of the listed price after it's on the market for 6 months	79(+/-12)	21(+/-12)
FmHA provides financing to organizations purchasing property	71(+/-12)	29(+/-12)
FmHA leases properties for \$1 per year for periods up to 10 years	75(+/-12)	25(+/-12)
RTC gives nonprofits exclusive right to purchase qualified properties for a period of 90 days	61(+/-10)	39(+/-10)
RTC has a financing program to help pay the costs of purchasing property	80(+/-8)	20(+/-8)

<sup>a</sup>Percents do not total 100 for some questions because some applicable organizations did not answer these questions.

<sup>b</sup>Reflects terms in effect when we mailed out our survey near the end of August 1992.

**Table II.8: Ratings of Agency Outreach by Nonprofit Organizations Aware of the Property Disposition Programs (Table 3.3)**

Numbers in Percent <sup>a</sup>				
Ratings	HUD	VA	FmHA	RTC
Satisfactory or better <sup>b</sup>	31(+/-7)	21(+/-13)	14(+/-9)	33(+/-10)
Less than satisfactory <sup>c</sup>	69(+/-7)	79(+/-13)	85(+/-9)	66(+/-10)

<sup>a</sup>Percents for some agencies do not total 100 because some applicable organizations did not answer this question.

<sup>b</sup>Includes ratings of "Excellent," "Good," and "Satisfactory."

<sup>c</sup>Includes ratings of "Fair" and "Poor."

**Appendix II  
Statistical Estimates and Sampling Errors**

**Table II.9: Actions That Organizations With Program Awareness Believed the Agencies Should Take to Increase Program Awareness and Participation (Table 3.4)**

Numbers in Percent				
Action agency should take	HUD	VA	FmHA	RTC
Advertise more in newspapers, newsletters, and journals	65(+/-7)	81(+/-12)	72(+/-12)	61(+/-10)
Provide toll free telephone information service	77(+/-6)	85(+/-12)	81(+/-10)	73(+/-9)
Mail information on how to lease and purchase properties to homelessness assistance organizations	95(+/-3)	99(+/-3)	100(+/-0)	94(+/-5)
Make updated lists of properties more readily available	92(+/-4)	99(+/-3)	99(+/-2)	93(+/-5)
Provide individualized technical assistance to help organizations complete applications	91(+/-4)	92(+/-9)	94(+/-6)	89(+/-7)
For first-time participants, provide individualized technical assistance on acquiring properties, rehabilitating them, and keeping them running	94(+/-4)	91(+/-9)	93(+/-7)	88(+/-7)
Provide more workshops on how nonprofit organizations can lease or purchase property	88(+/-5)	84(+/-12)	90(+/-8)	83(+/-8)

**Table II.10: Costs Viewed as Barriers by HUD Program Participants (Table 4.1)**

Numbers in Percent		
Item cited as a barrier to acquiring HUD foreclosed property	Organizations citing the barrier	Organizations selecting as single most important barrier
High cost of rehabilitation	61(+/-4)	12(+/-3)
High cost of buying property	49(+/-4)	11(+/-2)
High cost of maintenance, insurance, and utilities	44(+/-4)	9(+/-2)

**Appendix II  
Statistical Estimates and Sampling Errors**

**Table II.11: Average Costs and Offsetting Rental Income Reported by Organizations Leasing Property Under HUD's Program (Table 4.2)**

<b>Element of cost</b>	<b>Estimated average cost<sup>a</sup></b>	<b>Estimated number of properties reporting little or no cost/income<sup>a</sup></b>
Amount spent to rehabilitate property	\$4,249 (+/- \$758)	53 (+/- 17)
<b>Annual operating expenses</b>		
Liability insurance	\$356 (+/- \$44)	4 (+/- 3)
Property taxes	\$692 (+/- \$58)	135 (+/- 27)
Utilities	\$1,811 (+/- \$108) <sup>b</sup>	38 (+/- 16)
Maintenance	\$1,297 (+/- \$146) <sup>b</sup>	18 (+/- 9)
Managing property	\$1,555 (+/- \$223)	144 (+/- 28)
<b>Annual expenses vs. rental income</b>		
Total annual expenses	\$5,711 (+/- \$366)	
Rental income organization received	\$2,454 (+/- \$356)	175 (+/- 31)
Maximum net loss	\$3,257 (+/- \$472)	

<sup>a</sup>Estimates for average cost are based only on data for those properties that reported cost information for all items, even if the reported cost for a particular item(s) were little or nothing. We also excluded amounts reported for one or two properties that were vastly different from those reported for the other properties because they would have unduly skewed the averages. These estimates of average cost represent an estimated 683 properties (+/- 53).

<sup>b</sup>These may include some amounts paid by the occupant rather than the nonprofit organizations.

**Appendix II  
Statistical Estimates and Sampling Errors**

**Table II.12: Average Costs Reported by Organizations Purchasing Property Through HUD's Program (Table 4.3)<sup>a</sup>**

<b>Element of cost</b>	<b>Estimated number of properties reporting a cost</b>	<b>Estimated average for properties incurring a cost</b>	<b>Estimated number of properties reporting no cost</b>
<b>Purchase/rehabilitation costs</b>			
Purchase price	118(+/-22)	\$34,877(+/- \$3,406)	0
Rehabilitation	99(+/-18)	\$19,105(+/- \$2,518)	12(+/-7)
<b>Annual operating expenses</b>			
Mortgage payment	35(+/-10)	\$5,649(+/- \$1,182)	53(+/-15)
Insurance	113(+/-21)	\$936(+/- \$343)	0
Property taxes	78(+/-17)	\$1,192(+/- \$244)	19(+/-9)
Utilities	105(+/-20)	\$1,549(+/- \$231)	7(+/-7)
Maintenance	100(+/-21)	\$1,436(+/- \$152)	0

<sup>a</sup>We computed average costs differently for purchased properties than for leased properties (see table II.11). Because there was an insufficient number of such properties, we did not compute these averages using only properties that reported cost information for all items, as we did with the leased properties. Instead, to compute the above estimated average costs for purchased properties, we summed the costs reported by all properties for a given item and divided that sum by the number of properties that reported a cost (other than \$0) for that particular item. We also excluded amounts reported for one or two properties that were vastly different from those reported for the other properties because they would have unduly skewed the average. The total number of properties (those incurring a cost plus those incurring little or no cost) differ for the individual cost items because not all organizations responded to each item.

**Table II.13: Other Items Cited as Barriers to Acquiring Properties by HUD Program Participants (Ch. 4 and Table 4.4)**

Numbers in percent

<b>Item cited as a barrier to acquiring HUD-foreclosed property</b>	<b>Organizations citing the barrier</b>	<b>Organizations selecting as single most important barrier</b>
Property in the organization's service area is in poor condition or does not meet its needs.	44(+/-4)	7(+/-2)
Not enough personnel in the organization to manage property once it is purchased or leased.	33(+/-4)	7(+/-2)
Too few properties available in the organization's service area.	32(+/-4)	10(+/-2)
Low chance of getting federal funds to help pay the costs of purchasing and/or operating foreclosed properties.	68(+/-4)	23(+/-3)
Federal funds, when available, are not accessible in a timely manner.	51(+/-4)	4(+/-1)
Too little funding assistance from nonfederal sources.	68(+/-4)	5(+/-2)

**Appendix II**  
**Statistical Estimates and Sampling Errors**

**Table II.14: Participation by HUD Program Participants in One or More of Seven Other Federal Programs That Can Fund Housing for the Homeless<sup>a</sup> (Ch. 4)**

Numbers in Percent

<b>Participation</b>	<b>Organizations</b>	<b>Sampling Error (+/-)</b>
Had participated in one or more of the seven other programs.	72	3
Of organizations that had participated in one or more of the seven other programs, those that had used them to defray foreclosed property costs.	30	3

<sup>a</sup>The Supportive Housing Demonstration Program, Emergency Shelter Grant Program, Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) Program (in 1993 SAFAH became part of the Supportive Housing Demonstration Program), Shelter Plus Care Program, Section 8 for Single Room Occupancy Program, Section 8 Rental Assistance Program, and Federal Surplus Property Program. HUD administers or helps administer each of these programs. With the exception of the Section 8 Rental Assistance Program, all are homelessness assistance programs authorized under the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77, as amended).

**Table II.15: Homelessness Assistance Organizations' Interest in Multifamily Property (Table 4.5)**

Numbers in Percent

<b>Program participation</b>	<b>Multifamily property useful</b>	<b>Multifamily property most useful</b>
Organizations that had leased or purchased property from HUD	43(+/-4)	22(+/-3)
Organizations that had not leased or purchased property under any of the four programs	47(+/-5)	20(+/-4)

# Geographic Distribution of Properties Available for Discounted Sale to Nonprofit Homelessness Assistance Organizations

State	Number of properties as of October 1, 1992				Total
	HUD	VA	FmHA	RTC	
Alaska	71	3	2	0	76
Ala.	357	0	13	183	553
Ark.	515	9	37	38	599
Ariz.	1,353	271	22	174	1,820
Calif.	1,724	192	1	20	1,937
Colo.	2,528	322	7	56	2,913
Conn.	357	0	6	35	398
D.C.	507	133	0	5	645
Del.	0	0	2	0	2
Fla.	2,528	171	24	325	3,048
Ga.	1,545	194	21	190	1,950
Hawaii	2	0	0	0	2
Iowa	114	5	3	26	148
Idaho	63	2	7	1	73
Ill.	1,644	163	22	28	1,857
Ind.	585	59	13	2	659
Kans.	0	89	17	150	256
Ky.	115	54	9	4	182
La.	992	77	32	368	1,469
Mass.	110	0	7	74	191
Md.	280	56	1	25	362
Maine	0	0	4	4	8
Mich.	788	101	57	1	947
Minn.	1,023	72	12	16	1,123
Mo.	865	61	17	104	1,047
Miss.	388	10	59	54	511
Mont.	108	15	0	1	124
N.C.	782	38	24	31	875
N. Dak.	126	0	7	6	139
Nebr.	99	3	2	7	111
N.H.	165	133	4	30	332
N.J.	233	63	15	41	352
N. Mex.	144	24	7	21	196
Nev.	242	0	0	5	247
N.Y.	610	44	42	24	720
Ohio	1,027	324	28	19	1,398
Okla.	947	20	79	282	1,328

(continued)

**Appendix III  
Geographic Distribution of Properties  
Available for Discounted Sale to Nonprofit  
Homelessness Assistance Organizations**

State	Number of properties as of October 1, 1992				Total
	HUD	VA	FmHA	RTC	
Oreg.	37	0	4	6	47
Pa.	600	83	18	48	749
P.R.	77	0	10	0	87
R.I.	49	0	0	11	60
S.C.	784	111	25	31	951
S. Dak.	0	0	6	0	6
Tenn.	1,106	96	1	77	1,280
Tex.	5,030	612	59	1,224	6,925
Utah	311	14	5	14	344
Va.	1,380	386	45	69	1,880
V.I.	0	0	2	0	2
Vt.	0	0	4	0	4
Wash.	111	22	3	1	137
Wis.	134	11	17	1	163
W. Va.	34	6	14	11	65
Wyo.	0	0	1	3	4
<b>Total</b>	<b>32,590</b>	<b>4,049</b>	<b>817</b>	<b>3,846</b>	<b>41,302</b>

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# Related GAO Products

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Acquiring Public Housing from RTC (GAO/RCED-93-46R, Mar. 17, 1993).

Homelessness: McKinney Act Programs and Funding Through Fiscal Year 1991 (GAO/RCED-93-39, Dec. 21, 1992).

Resolution Trust Corporation: Affordable Multifamily Housing Program Has Improved but More Can Be Done (GAO/GGD-92-137, Sept. 29, 1992).

Resolution Trust Corporation: More Actions Needed to Improve Single-Family Affordable Housing Program (GAO/GGD-92-136, Sept. 29, 1992).

Homelessness: Single Room Occupancy Program Achieves Goals, but HUD Can Increase Impact (GAO/RCED-92-215, Aug. 27, 1992).

Homelessness: Transitional Housing Shows Initial Success but Long-term Effects Unknown (GAO/RCED-91-200, Sept. 9, 1991).

Homelessness: Federal Personal Property Donations Provide Limited Benefit to the Homeless (GAO/RCED-91-108, July 15, 1991).

Homelessness: Action Needed to Make Federal Surplus Property Program More Effective (GAO/RCED-91-33, Oct. 9, 1990).

Homelessness: Too Early to Tell What Kinds of Prevention Assistance Work Best (GAO/RCED-90-89, Apr. 24, 1990).

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