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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

SEP 5 1975

B-118718



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The Honorable
The Secretary of Housing and
Urban Development

Dear Madame Secretary:

Enclosed is a copy of our testimony presented on July 18, 1975, before the Subcommittee on Manpower and Housing, House Committee on Government Operations, on the results of our review of the effectiveness of the Department of Housing and Urban Development's oversight of Federal subsidies paid under the section 235 homeownership assistance program. Our review showed the following weaknesses in the procedures and practices that HUD and mortgagees followed in administering the requirements for determining the amount of subsidies due under the program.

- Contrary to HUD requirements, homeowners did not report to the mortgagees increases in their incomes resulting from changes in employment when such changes occurred.
- Mortgagees did not notify HUD when they became aware of unreported job changes and did not make retroactive adjustments to correct subsidy overpayments.
- Homeowners' income recertifications were performed late or not at all by the mortgagees.
- Mortgagees included ineligible insurance costs in the computations for determining the assistance payments.
- Income reported by homeowners to mortgagees differed from income reported to Internal Revenue Service. Although HUD has a procedure whereby homeowners authorize HUD to obtain tax returns from IRS, HUD has not implemented this procedure.

On the basis of a statistical sample of homeowners participating in the program, we estimated that these weaknesses resulted in Federal overpayments of \$24.6 million annually on behalf of some 110,000 homeowners.

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We recommend that you:

- Implement an effective program under which your field offices would periodically visit mortgagees to evaluate practices for obtaining homeowners' income recertifications and for recomputing their assistance payments. The field offices should be provided with a detailed review program for use during mortgage visits and with adequate staffing to carry out mortgage visits and evaluations. The detailed review program should include requirements to insure that mortgagees are (1) properly adjusting assistance payments when a previously unreported change in employment results in increased income, (2) obtaining timely recertifications, and (3) adjusting assistance payments to exclude ineligible insurance costs.
- Revise HUD guidelines to require that mortgagees, at the time of recertification, identify previously unreported changes in employment which have resulted in overpaid assistance and make the appropriate retroactive adjustments.
- Reemphasize to homeowners their responsibilities to report changes in employment to mortgagees at the time the changes occur.
- Develop a program to periodically, on a sample basis, compare incomes reported to mortgagees with those reported to the Internal Revenue Service. If differences are noted, HUD should try to resolve discrepancies and require the mortgagees to adjust the homeowners' assistance payments when necessary. Mortgagees should be required to advise homeowners of this program as a deterrent to improper reporting and should report to HUD all cases in which homeowners are suspected of misstating their incomes.
- Explore further courses of action that can be taken to insure that mortgagees comply with HUD procedures and guidelines, including possible suspension or termination of mortgagees' participation in HUD insurance programs for noncompliance with HUD rules and regulations.

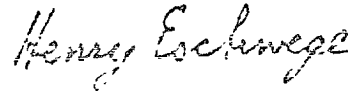
We would be pleased to discuss any of the above matters with you or members of your staff and would appreciate receiving your comments on any action taken or planned.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the four committees mentioned above and to the Secretary of the Treasury; the Commissioner, Internal Revenue Service; and the Director, Office of Management and Budget. We are also sending copies to your Acting Inspector General, Assistant Secretary for Housing Management, and Assistant Secretary for Housing Production and Mortgage Credit.

Sincerely yours,



Henry Eschwege
Director

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M. EDT
FRIDAY, JULY 18, 1975

STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
RESOURCES AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE
SUBCOMMITTEE ON MANPOWER AND HOUSING
COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

ON

EFFECTIVENESS OF HUD'S OVERSIGHT OF FEDERAL
SUBSIDIES PAID UNDER THE SECTION 235 HOMEOWNERSHIP
ASSISTANCE PROGRAM

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY AT THE REQUEST OF THE SUBCOMMITTEE TO DISCUSS THE RESULTS OF OUR REVIEW OF THE EFFECTIVENESS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S (HUD'S) OVERSIGHT OF FEDERAL SUBSIDIES PAID UNDER THE SECTION 235 HOMEOWNERSHIP ASSISTANCE PROGRAM. WITH ME TODAY ARE MESSRS. WILFUR D. CAMPBELL, ASSOCIATE DIRECTOR, AND CLARENCE P. SQUELLATI, ASSISTANT DIRECTOR, OF OUR RESOURCES AND ECONOMIC DEVELOPMENT DIVISION, AS WELL AS REPRESENTATIVES OF OUR WASHINGTON AND FIELD STAFFS WHO ALSO PARTICIPATED IN THE REVIEW.

MY TESTIMONY TODAY WILL SUMMARIZE THE RESULTS OF OUR RECENTLY COMPLETED REVIEW. WE WERE IN THE PROCESS OF DRAFTING

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A REPORT TO THE CONGRESS WHEN WE LEARNED OF YOUR INTEREST TO HAVE US DISCUSS OUR OBSERVATIONS AT THESE HEARINGS. ACCORDINGLY HUD HAS NOT BEEN GIVING AN OPPORTUNITY TO FORMALLY COMMENT ON OUR TENTATIVE CONCLUSIONS AND PROPOSALS FOR IMPROVEMENT.

AS YOU KNOW, APPROXIMATELY 2-1/2 YEARS AGO THE PRESIDENT IMPOSED A MORATORIUM ON ADDITIONAL COMMITMENTS FOR SECTION 235 HOUSING. DESPITE THE MORATORIUM CONSIDERABLE ACTIVITY AND EXPENDITURES UNDER THE PROGRAM WILL CONTINUE FOR MANY YEARS BECAUSE OF THE LARGE NUMBER OF UNITS ALREADY INSURED-- 392,000 AS OF DECEMBER 31, 1974--AND HUD'S ESTIMATE THAT SUBSIDY PAYMENTS COULD AMOUNT TO ABOUT \$3.45 BILLION OVER THE LIFE OF THE MORTGAGES. IT SEEMED APPROPRIATE, THEREFORE, THAT WE EXAMINE THE PROCEDURES FOLLOWED BY HUD AND THE MORTGAGEES IN ADMINISTERING THE SUBSIDY PAYMENTS.

AT THIS POINT A BRIEF DESCRIPTION OF THE PROGRAM MAY BE HELPFUL. SECTION 235 WAS AUTHORIZED IN 1968 TO ASSIST LOW- AND MODERATE-INCOME FAMILIES TO BECOME HOMEOWNERS. THIS ASSISTANCE WAS MADE AVAILABLE IN THE FORM OF MORTGAGE INSURANCE AND INTEREST SUBSIDIES WHICH COULD BE USED TO PURCHASE EITHER NEW OR EXISTING HOMES.

THE HOMEOWNER IS REQUIRED TO PAY AT LEAST 20 PERCENT OF HIS ADJUSTED GROSS INCOME TOWARD THE MONTHLY PAYMENT DUE UNDER THE MORTGAGE. FOR PRINCIPAL, INTEREST, TAXES, INSURANCE, AND MORTGAGE INSURANCE PREMIUM. HUD PAYS THE BALANCE OF THE MONTHLY PAYMENT NOT TO EXCEED, HOWEVER, THE DIFFERENCE

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BETWEEN THE PRINCIPAL PAYMENT AT THE MARKET INTEREST RATE PLUS MORTGAGE INSURANCE AND WHAT THE PAYMENT WOULD BE AT A 1-PERCENT INTEREST RATE BUT EXCLUSIVE OF MORTGAGE INSURANCE.

SINCE THE FEDERAL SUBSIDY IS AFFECTED BY THE AMOUNT OF THE HOMEOWNERS' INCOME, HUD HAS PURSUANT TO LAW REQUIRED THAT EACH PARTICIPATING FAMILY SUBMIT ANNUALLY AN INCOME RECERTIFICATION STATEMENT TO THE MORTGAGEE. THIS STATEMENT IS TO BE VERIFIED BY THE MORTGAGEE WITH THE PARTICIPANT'S EMPLOYER AND BECOMES THE BASIS FOR ANY RECOMPUTATIONS OF THE AMOUNT OF FEDERAL SUBSIDY.

OUR REVIEW SHOWED WEAKNESSES IN THE PROCEDURES AND PRACTICES FOLLOWED BY HUD AND MORTGAGEES IN ADMINISTERING THE REQUIREMENTS FOR DETERMINING THE AMOUNT OF SUBSIDIES DUE UNDER THE PROGRAM. WE DREW A STATISTICAL SAMPLE OF HOMEOWNERS PARTICIPATING IN THE PROGRAM AND ESTIMATED THAT THESE WEAKNESSES HAVE RESULTED IN FEDERAL OVERPAYMENTS OF \$24.6 MILLION ANNUALLY ON BEHALF OF SOME 116,000 HOMEOWNERS. AS I WILL POINT OUT LATER WE ALSO NOTED INSTANCES OF SOME FEDERAL UNDERPAYMENTS ON BEHALF OF HOMEOWNERS.

TO DETERMINE IF THE MORTGAGEES WERE ADEQUATELY DISCHARGING THEIR RESPONSIBILITIES AND IF HUD WAS EFFECTIVELY MONITORING THEIR PERFORMANCE, WE SELECTED FROM HUD'S COMPUTER A NATION-WIDE STATISTICAL SAMPLE OF 496 MORTGAGES FROM THE 32,527 SECTION 235 MORTGAGES FOR WHICH ANNUAL MORTGAGE INSURANCE PREMIUMS WERE BILLED IN APRIL 1974. AT THAT TIME THE TOTAL

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UNIVERSE CONSISTED OF 402,500 SECTION 235 MORTGAGES OUTSTANDING--ABOUT 1/12 OF THIS UNIVERSE IS BILLED EACH MONTH FOR THEIR ANNUAL PREMIUMS.

WE THEN SENT A QUESTIONNAIRE TO THE 251 MORTGAGES SERVICING THE 496 MORTGAGES SELECTED IN OUR STATISTICAL SAMPLE. WE VALIDATED THE QUESTIONNAIRE RESPONSES BY VISITING 42 OF THE MORTGAGEES POLLED WHO WERE LOCATED IN THE JURISDICTION OF 18 HUD FIELD OFFICES ACROSS THE COUNTRY. AT EACH MORTGAGEE VISITED WE ALSO EVALUATED THE RECERTIFICATION PROCEDURES FOR ADDITIONAL MORTGAGES WHICH WERE SELECTED AT RANDOM. THEREFORE, OUR CONCLUSIONS ARE BASED ON A NATIONWIDE STATISTICAL SAMPLE PLUS A FOLLOW-UP VISIT WHICH INCLUDED TESTING THE MORTGAGEES' PROCEDURES FOR AN ADDITIONAL 1,200 MORTGAGES.

THE RESULTS OF OUR STATISTICAL SAMPLE CAN BE PROJECTED WITH A 95 PERCENT CONFIDENCE LEVEL TO THOSE 32,527 MORTGAGES MAKING UP THE UNIVERSE FROM WHICH WE DREW OUR SAMPLE--THOSE MORTGAGES FOR WHICH ANNUAL MORTGAGE INSURANCE PREMIUMS WERE BILLED IN APRIL 1974. IN ADDITION, WE HAVE PROJECTED OUR FINDINGS TO THE 402,500 MORTGAGES OUTSTANDING AT THE TIME OUR SAMPLE WAS SELECTED BECAUSE WE BELIEVE THAT OUR SAMPLE IS REPRESENTATIVE OF THE TOTAL UNIVERSE FOR THE FOLLOWING REASONS.

--THE 32,527 MORTGAGORS FROM WHICH OUR SAMPLE OF 49⁴ WAS DRAWN REPRESENTS ABOUT 8 PERCENT--OR ROUGHLY 1/12--OF THE TOTAL UNIVERSE.

--THE MORTGAGEES' PROCEDURES WERE THE SAME FOR THE ADDITIONAL CASES SELECTED FOR REVIEW AT EACH MORTGAGEE VISITED AS THEY WERE FOR THE MORTGAGES SELECTED IN OUR SAMPLE.

--THE FILES FOR THE TOTAL OF 1,200 ADDITIONAL MORTGAGES SELECTED SHOWED THAT MORTGAGE INSURANCE PREMIUMS WERE BILLED DURING VARIOUS MONTHS THROUGHOUT THE YEAR.

--THERE IS NO REASON THAT WE ARE AWARE OF THAT WOULD MAKE HOMEOWNERS WITH MORTGAGE ANNIVERSARY DATES IN ONE MONTH DIFFERENT THAN HOMEOWNERS WITH ANNIVERSARY DATES IN OTHER MONTHS.

OUR ESTIMATE OF OVERPAYMENTS OF FEDERAL SUBSIDIES OF \$24.6 MILLION¹ IS ATTRIBUTABLE TO TWO FACTORS.

1. WEAKNESSES IN THE MORTGAGEES' RECERTIFICATION PROCESS--\$10 MILLION OF OVERPAYMENTS.
2. MISSTATEMENT OF HOMEOWNERS' INCOME REPORTED TO MORTGAGEES AS COMPARED TO THAT REPORTED TO THE INTERNAL REVENUE SERVICE--\$15.4 MILLION OF OVERPAYMENTS.

¹THE DOLLAR AMOUNTS ATTRIBUTED TO THESE TWO FACTORS ADD TO MORE THAN THE TOTAL OF \$24.6 MILLION OVERPAYMENTS BECAUSE SOME OVERPAYMENTS IN ONE CATEGORY TENDED TO PARTIALLY OVERLAP OVERPAYMENTS IN THE OTHER CATEGORY.

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WEAKNESSES IN THE RECERTIFICATION PROCESS

THREE SPECIFIC REASONS WERE IDENTIFIED FOR THESE OVERPAYMENTS. FIRST OF ALL, CONTRARY TO HUD REQUIREMENTS, HOMEOWNERS DID NOT REPORT TO THE MORTGAGEES INCREASES IN THEIR INCOME RESULTING FROM CHANGES IN EMPLOYMENT WHEN SUCH CHANGES OCCURRED. ALSO, CONTRARY TO HUD REQUIREMENTS, MORTGAGEES DID NOT NOTIFY HUD WHEN THEY BECAME AWARE OF UNREPORTED JOB CHANGES AND DID NOT MAKE RETROACTIVE ADJUSTMENTS TO CORRECT THE SUBSIDY OVERPAYMENT. OF THE HOMEOWNERS IN OUR SAMPLE, 4.6 PERCENT WERE IN THIS CATEGORY. WE ESTIMATE THAT, WHEN PROJECTED TO THE TOTAL UNIVERSE, OVERPAYMENTS IN THIS CATEGORY AMOUNTED TO \$5.4 MILLION ON BEHALF OF 18,700 HOMEOWNERS.

SECOND, HOMEOWNERS' INCOME RECERTIFICATIONS WERE PERFORMED LATE OR NOT AT ALL BY THE MORTGAGEES. IF RECERTIFICATIONS ARE NOT RECEIVED BY THE MORTGAGEE WITHIN 30 DAYS AFTER THE MORTGAGE ANNIVERSARY DATE, HUD REQUIRES THAT ASSISTANCE PAYMENTS BE SUSPENDED. PAYMENTS MAY BE RESTARTED FOLLOWING RECEIPT OF THE RECERTIFICATION. TWENTY OF THE 251 MORTGAGEES IN OUR SAMPLE HAD NOT PERFORMED THE REQUIRED RECERTIFICATION AT ALL AND 14 MORTGAGEES HAD NOT PERFORMED RECERTIFICATIONS IN A TIMELY MANNER.

THESE MORTGAGEES WERE SERVICING A TOTAL OF 41,524 SECTION 235 MORTGAGES. BASED ON OUR PROJECTION, WE ESTIMATE THAT BECAUSE OF MORTGAGEES' FAILURE TO OBTAIN INCOME

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RECERTIFICATIONS OR TO OBTAIN THEM WITHIN THE TIME FRAME REQUIRED, HUD OVERPAID ASSISTANCE BY ABOUT \$4 MILLION ON BEHALF OF ABOUT 23,500 HOMEOWNERS.

WE ALSO FOUND SEVEN CASES IN OUR SAMPLE WHERE THE HOMEOWNERS' INCOME DECREASED AND WHERE THE MORTGAGEES' FAILURE TO COMPLY WITH HUD'S REQUIREMENTS RESULTED IN UNDERPAYMENTS OF ASSISTANCE ON BEHALF OF THESE HOMEOWNERS. ACCORDINGLY THE HOMEOWNERS OVERPAID THEIR PORTION OF THE MONTHLY PAYMENTS. THE NUMBER OF UNDERPAYMENTS FOUND WAS TOO SMALL IN RELATION TO THE SIZE OF OUR SAMPLE TO PROVIDE A RELIABLE BASIS FOR PROJECTING.

FINALLY, MORTGAGEES WERE INCLUDING INELIGIBLE INSURANCE COSTS IN THE COMPUTATION FOR DETERMINING THE ASSISTANCE PAYMENTS. HUD HAS INTERPRETED SECTION 235 OF THE NATIONAL HOUSING ACT AS REQUIRING THAT SUBSIDIZATION OF INSURANCE PREMIUMS BE LIMITED TO THE COST FOR STANDARD FIRE AND EXTENDED COVERAGE. THE HOMEOWNER MAY OBTAIN A HOMEOWNER'S INSURANCE POLICY WHICH IN MANY CASES IS MORE COSTLY BECAUSE IT INCLUDES COVERAGE FOR SUCH ITEMS AS LIABILITY AND VANDALISM. THE MORTGAGEE, HOWEVER, MUST INCLUDE IN THE SUBSIDY COMPUTATION ONLY THAT PORTION OF THE PREMIUM WHICH REFLECTS THE COST OF A STANDARD FIRE AND EXTENDED COVERAGE POLICY. THE SUBSIDY COMPUTATIONS FOR 35 OR 7 PERCENT OF THE MORTGAGES IN OUR SAMPLE INCLUDED INELIGIBLE INSURANCE COSTS.

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PROJECTED TO THE TOTAL UNIVERSE, WE ESTIMATE OVERPAYMENTS OF \$600,000 ON BEHALF OF 28,400 HOMEOWNERS.

ALTHOUGH HUD FIELD OFFICES ARE REQUIRED TO VISIT THE MORTGAGEES AT LEAST ONCE A YEAR TO REVIEW A REPRESENTATIVE SAMPLE OF RECERTIFICATIONS COMPLETED BY THE MORTGAGEES, WE FOUND THAT GENERALLY THE 18 FIELD OFFICES INCLUDED IN OUR REVIEW WERE NOT MAKING SUCH VISITS. HUD HEADQUARTERS AND FIELD OFFICIALS ADVISED US THAT THEY DO NOT HAVE THE NECESSARY STAFF TO MAKE REQUIRED MORTGAGEE VISITS.

MISSTATEMENT OF INCOME REPORTED TO MORTGAGEES

TO FURTHER EVALUATE THE EFFECTIVENESS OF HUD AND MORTGAGEE PROCEDURES FOR DETERMINING THE APPROPRIATE AMOUNT OF ASSISTANCE PAYMENTS TO HOMEOWNERS, WE OBTAINED CALENDAR YEAR 1972 AND 1973 FEDERAL INCOME TAX RETURNS FROM THE INTERNAL REVENUE SERVICE (IRS) FOR THE HOMEOWNERS IN OUR NATIONAL SAMPLE. WE THEN COMPARED THE INCOME REPORTED TO IRS WITH THE INCOME WHICH WAS REPORTED TO THE MORTGAGEES AND WAS USED TO COMPUTE ASSISTANCE PAYMENTS FOR THOSE INCOME RECERTIFICATIONS DUE IN APRIL, MAY, AND JUNE 1973.

ON THE BASIS OF THIS COMPARISON WE ESTIMATED THAT 60,000 OF THE 402,500 HOMEOWNERS IN THE SECTION 235 PROGRAM REPORTED HIGHER INCOMES TO THE IRS THAN THEY REPORTED TO THE MORTGAGEES. ON THIS BASIS, WE PROJECTED A TOTAL OVERPAYMENT OF \$15.4 MILLION. FURTHERMORE, ON THE BASIS OF THE INCOMES REPORTED TO IRS, WE ESTIMATED THAT 13,800 OF THESE HOMEOWNERS HAD INCOMES

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SO HIGH THAT THEY WERE INELIGIBLE TO RECEIVE ANY ASSISTANCE UNDER THE SECTION 235 PROGRAM.

OF THE ESTIMATED 60,000 HOMEOWNERS WHOSE INCOME REPORTED TO MORTGAGEES WAS LESS THAN THAT REPORTED TO IRS, WE ESTIMATE THAT 29,000 FAILED TO REPORT TO THE MORTGAGEES ALL SOURCES OF INCOME, SUCH AS INCOME FROM PART-TIME EMPLOYMENT OR FROM EMPLOYMENT OF THE HOMEOWNER'S SPOUSE. THE REMAINING 31,000 WHO REPORTED ALL SOURCES OF INCOME SIMPLY UNDERSTATED THE AMOUNT OF THEIR INCOME.

OUR ANALYSIS OF THE IRS DATA ALSO REVEALED INSTANCES OF UNDERPAYMENTS OF ASSISTANCE. THESE CASES OCCURRED FREQUENTLY ENOUGH, INVOLVING 2.2 PERCENT OF THE HOMEOWNERS IN OUR SAMPLE, TO ENABLE US TO PROJECT WITH REASONABLE RELIABILITY TO OUR UNIVERSE THAT HUD UNDERPAID \$2.0 MILLION ON BEHALF OF 8,900 HOMEOWNERS. ACCORDINGLY, THESE 8,900 HOMEOWNERS OVERPAID THEIR PORTION OF THE MONTHLY PAYMENTS.

ALTHOUGH HUD ESTABLISHED A PROCEDURE IN 1977 WHEREBY THE HOMEOWNERS SIGN A CONSENT AGREEMENT AUTHORIZING HUD TO OBTAIN THEIR TAX RETURNS FROM IRS, HUD HAS NOT YET SOUGHT ANY TAX RETURNS FROM IRS FOR THE PURPOSE OF VERIFYING OR TESTING INCOME RECERTIFICATION. HUD OFFICIALS ADVISED US THAT THEY HAVE NOT FELT THE NEED TO IMPLEMENT THIS PROCEDURE.

IN SUMMARY, MR. CHAIRMAN, WE BELIEVE THAT A NUMBER OF STEPS CAN BE TAKEN BY HUD TO CORRECT THE WEAKNESSES NOTED IN THE RECERTIFICATION PROCESS INCLUDING:

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- REEMPHASIZING TO MORTGAGEES HUD'S REQUIREMENTS THAT
(1) HUD BE NOTIFIED PROMPTLY OF PREVIOUSLY UNREPORTED
CHANGES IN HOMEOWNERS' EMPLOYMENT, (2) RECERTIFICATIONS
BE PERFORMED IN A TIMELY MANNER, AND (3) ASSISTANCE
COMPUTATIONS BE ADJUSTED TO EXCLUDE INFLIGIBLE INSURANCE
COSTS;
- REEMPHASIZING TO HOMEOWNERS HUD'S REQUIREMENT THAT THEY
REPORT CHANGES IN EMPLOYMENT TO MORTGAGEES AT THE TIME
THE CHANGES OCCUR;
- IMPLEMENTATION OF AN EFFECTIVE PROGRAM, INCLUDING
EMPLOYMENT OF SUFFICIENT STAFF, TO PERIODICALLY VISIT
MORTGAGEES TO EVALUATE THEIR PRACTICES FOR OBTAINING
HOMEOWNERS' INCOME RECERTIFICATIONS AND TO INSURE THAT
ASSISTANCE PAYMENTS ARE PROPERLY COMPUTED; AND
- EXPLORING A FURTHER COURSE OF ACTION THAT CAN BE TAKEN
TO INSURE THAT MORTGAGEES COMPLY WITH HUD PROCEDURES
AND GUIDELINES.

IN ADDITION, TO AVOID IMPROPER REPORTING OF INCOME, PARTICULARLY
WHERE A SECOND JOB IS INVOLVED. SOME VERIFICATION TO INCOME
TAX RETURN DATA WOULD SEEM TO BE NECESSARY.

MR. CHAIRMAN, THIS COMPLETES MY PREPARED STATEMENT; WE
WILL BE GLAD TO RESPOND TO YOUR QUESTIONS.