Summary of GAO Work on Housing Program Consolidation Issues

The federal government has played a major role in supporting housing since the 1930s. Federal programs subsidize housing construction and rehabilitation, assist homebuyers and renters, and provide housing assistance to state and local governments through a variety of spending and loan programs, tax expenditures, regulatory requirements, and other activities. The goals of these efforts include encouraging homeownership and providing affordable rental housing for low-income families.

Affordable Rents and Homeownership Remain Significant Policy Challenges

While the federal government subsidizes rents for around 4.4 million households per year, housing assistance is not an entitlement, and more households qualify for assistance than receive it. As GAO reported in 2020, rent burden was most common and most severe among lower-income households, with most of the poorest households paying over half of their income to rent. Affordability has declined for a variety of reasons, including that the supply of low-cost rental units has not kept up with demand.[1] In addition, low-income and rent-burdened households in 2017 were more likely to have to rent units with issues like water leaks, rodents, or heating problems.

In 2020, GAO also examined homeownership trends from 2010–2018 in nine U.S. cities.[2] GAO found that the homeownership rate declined or was flat in all cities, and that owners and recent borrowers were increasingly higher-income, older, and more diverse. None of the nine cities saw a statistically significant increase in the percentage of Black homeowners over the period of GAO's analysis. Finally, the economic disruption resulting from the COVID-19 pandemic will continue to challenge many renters and homeowners in paying for their homes.

Housing Program Fragmentation and Overlap

GAO reports on fragmentation and overlap in federal housing programs and activities found the following:[3]

Federal housing assistance is fragmented. In fiscal year 2010, 20 different federal entities administered 160 programs, tax expenditures, and other tools that supported homeownership and rental housing (see figure 1 on page 6).[4]

Some programs have overlap between assistance offered and populations or geographic areas served. GAO's work assessed the extent of overlap among certain single-family mortgage guarantee programs and among multifamily housing programs.

- ***Single-family mortgage guarantees.*** In a 2012 report, GAO found evidence of overlap among HUD, USDA, and VA programs in the products offered and geographic areas

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[1]GAO, *Rental Housing: As More Households Rent, the Poorest Face Affordability and Housing Quality Challenges*, GAO-20-427 (Washington, D.C.: May 27, 2020).

[2]GAO, *Housing: Preliminary Analysis of Homeownership Trends for Nine Cities*, GAO-20-544R (Washington, D.C.: June 25, 2020).

[3]Fragmentation refers to circumstances in which more than one federal agency (or more than one organization in an agency) is involved in the same broad area of national interest. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. In some instances, it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort.

[4]GAO, *Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation,* GAO-12-554 (Washington, D.C.: Aug. 16, 2012).

served.[5] For example, 74 percent of HUD-Federal Housing Administration (FHA) borrowers who received loan guarantees in fiscal year 2009 were very low- to moderate-income and therefore met the income eligibility requirement for the USDA-Rural Housing Service (RHS) guarantee program. FHA's program also served a larger number of low- and moderate-income households in nonmetropolitan counties than served by RHS, including areas considered rural or completely rural by USDA. These findings echo findings from a report GAO issued in 2000.[6]

A 2016 GAO report found both FHA and RHS guaranteed large numbers of home purchase mortgages to borrowers in RHS-eligible areas (about 1.5 million mortgages in total) in fiscal years 2010–2014.[7] But FHA served over 35 percent more borrowers than RHS in RHS-eligible areas, while RHS reached a greater number of borrowers in the more rural parts of those areas.

A significant portion of RHS and FHA borrowers also could have met criteria for the other program. For example, 70 percent of RHS borrowers could have met FHA's criteria for credit score, payment and debt ratios, and loan amount (see figure 2 on page 6). However, the percentage fell to 36 percent when considering RHS borrowers who also could have met FHA's 3.5 percent down-payment requirement.

- ***Multifamily housing development.*** In 2012, GAO reported that HUD, USDA, and Treasury all provide financing for development and rehabilitation of multifamily housing for low- and moderate-income households, but differed to varying degrees in products offered, areas served, and delivery methods for programs.[8] For instance, GAO's analysis of data for selected HUD and USDA multifamily financing programs and Treasury's Low Income Housing Tax Credit (LIHTC) program found that 71 percent of the USDA properties were in rural zip codes and 25 percent of properties financed with HUD and LIHTC programs were in rural zip codes.[9]

Potential Consolidation of Agencies, Functions, and Programs

GAO's work has identified opportunities to consider consolidating existing agencies and program activities to potentially reduce program costs, increase efficiency, and increase access to affordable housing. GAO also identified potential data limitations that make a complete assessment of these opportunities difficult and potential tradeoffs that may arise from those efforts. Examples include the following:

Consolidation of agencies and administrative functions. The consolidation of agencies or administrative functions could yield a more efficient oversight and administrative structure for and cost savings in certain housing programs.

- ***Consolidation of local housing agencies.*** A 2008 HUD study found that HUD expends considerable oversight resources overseeing small public housing agencies, which administer just a fraction of assisted units. As GAO reported in 2012, consolidating smaller agencies to reduce the overall number of agencies may reduce HUD's oversight responsibilities and administrative costs.[10] Additionally, GAO

[5] GAO-12-554.

[6] GAO, *Rural Housing: Options for Optimizing the Federal Role in Rural Housing Development*, GAO/RCED-00-241 (Washington, D.C.: Sept. 15, 2000).

[7] GAO, *Home Mortgage Guarantees: Issues to Consider in Evaluating Opportunities to Consolidate Two Overlapping Single-Family Programs,* GAO-16-801 (Washington, D.C.: Sept. 29, 2016).

[8] GAO-12-554.

[9] GAO used data on HUD and USDA program portfolios as of February and May 2012 (respectively). Data on the LIHTC programs are for projects placed in service from 1998 to 2007.

[10] GAO, *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies,* GAO-12-300 (Washington, D.C.: Mar. 19, 2012). For example, in the voucher program, HUD pays a higher administrative fee to housing agencies for the first 600

reported that some of the benefits of administrative consolidation could be achieved through changes to HUD's consortium rule, which governs how housing agencies may collaborate in the provision of affordable housing. GAO did not determine what cost savings, if any, may result from these actions.

- ***Consolidation and simplification of administrative functions.*** In 2012, GAO also found that consolidating wait lists and simplified portability rules could improve access to affordable housing for qualified households and potentially reduce overall administrative costs.[11] However, GAO noted there were no data available to assess the extent to which cost savings may arise from consolidated wait lists or portability.

Consolidation of programs. Opportunities may exist to consolidate certain programs. For example, as GAO reported in 2016, RHS and FHA single-family loan guarantee programs overlap in terms of income, location, and borrower qualifications.[12] And as noted above, Significant percentages of RHS and FHA borrowers could have met criteria for the other program.

However, consolidating the programs into a single program would pose trade-offs because of differences in the borrower costs and financial risks of RHS and FHA loans. The higher loan-to-value ratios (loan amount divided by home value) and lower guarantee fees of RHS loans help make them more affordable than FHA loans.[13] But these features also may elevate financial risks to the federal government from increased loan defaults and less revenue to cover unanticipated costs.[14]

GAO currently has several open recommendations or matters for congressional consideration aimed at reducing fragmentation and overlap or improving efficiencies in housing programs. GAO maintains that continued examination of the benefits and costs of merging housing programs that serve similar markets and provide similar products could help mitigate fragmentation and overlap and possibly decrease costs.[15]

Questions to Consider in Evaluating Potential Program Consolidation

GAO's work has identified potential benefits and challenges from housing program consolidation. In particular, consolidation may lead to ***improved service delivery*** (especially when programs with similar objectives and markets are brought together and conflicting requirements and overlap are reduced) and ***cost savings*** (to the extent that agency overhead and, potentially, staffing are reduced). However, consolidation introduces potential challenges, such as the need to ***assess the products to be offered; establish effective delivery structures; align resources, policies, and requirements***; and ***ensure continuing oversight and performance of existing commitments.***

In a 2015 evaluation and management guide, GAO found that fragmentation and overlap among federal programs can have positive and negative effects on program outcomes, implementation, and cost-effectiveness.[16] Additionally, GAO noted that

vouchers an agency has under lease and a lower rate for all additional vouchers.

[11]GAO-12-300.

[12]GAO-16-801.

[13]RHS loans generally have higher loan-to-value ratios than FHA loans because RHS has no down-payment requirement, while FHA has a statutory 3.5 percent down-payment requirement. Additionally in setting guarantee fees, RHS does not have to raise sufficient revenue to maintain a capital reserve as FHA does.

[14]GAO found that RHS loans would be expected to perform worse than FHA loans, due partly to their higher loan-to-value ratios.

[15]GAO issues an annual report on opportunities to reduce fragmentation, overlap, and duplication in the federal government. This report has included such opportunities for housing assistance program and activities since 2012. See GAO's Duplication & Cost Savings Action Tracker for additional information.

[16]GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015). For additional GAO resources on assessing program consolidation, see GAO, *Grant Program Consolidations: Lessons Learned and*

program consolidation is beneficial in some situations and not in others. As a result, a case-by-case analysis is needed to evaluate the goals of the consolidation against realistic expectations of whether and how it can be achieved and at what cost.

GAO identified the following types of questions to consider in evaluating potential program consolidation:

Outcome and impact questions

- What is the agency's (or agencies') capacity for and commitment to change?
- Will there be significant changes to program benefits, services, or products?
- How will other program be affected?
- Who are the consolidation stakeholders and other participants, how will they be affected, and how have their views been considered?
- Will beneficiaries know where and how to obtain benefits, services, or products?

Implementation questions

- What is the investment required to implement the change?
- What are the likely savings or efficiencies resulting from the change?
- What data exist to support a sufficiently reliable business-case or cost-benefit analysis?

Cost-effectiveness questions

- What are the goals of the consolidation?
- What problems will be solved through the consolidation?
- What, if any, problems will be created?
- Will any benefits be lost or diminished or would any necessary (or protective) redundancies be eliminated?
- What is the likely effect of change on performance measurement, accountability, and the consistency of implementation?

Other Actions to Address Program Fragmentation and Overlap

GAO's work has identified opportunities besides consolidation to potentially address program fragmentation and overlap and to reduce program costs, improve efficiencies, or better assist homebuyers and renters. These include the following:

Facilitate interagency collaboration to reduce inefficiencies. Inefficiencies can arise when a multifamily housing project has multiple layers of assistance (such as subsidies, tax expenditures, or mortgage insurance) from one or more federal agencies. For example, GAO reported in 2012 that implementing different physical inspection, tenant income reporting, and financial reporting requirements for the same property can create regulatory burdens.[17] Interagency efforts to harmonize those requirements across programs may reduce duplicative administrative actions and reduce costs for agencies and program participants.

Evaluate program costs to identify cost-effective approaches. Understanding program costs could help agencies identify the most cost-effective approaches to providing housing assistance and improve program efficiency. For example, research has found that housing vouchers generally have been more cost-effective in providing housing assistance than federal housing development programs designed to add to or rehabilitate the low-income housing stock, but development programs may be more effective in providing affordable housing in certain markets—for

Implications for Congressional Oversight, GAO-15-125 (Washington, D.C.: Dec. 12, 2014); and *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions,* GAO-12-542 (Washington, D.C.: May 23, 2012).

[17] GAO-12-554.

example, those that lack affordable supply.[18] Additionally, in 2018, GAO found that improved data collection and analysis in the LIHTC program could improve program evaluation efforts and help identify opportunities for cost savings.[19]

Streamline administrative requirements. As GAO has reported, the Moving to Work program has offered and may continue to offer some insights into how to simplify voucher and public housing administrative requirements and cut program costs.[20] Following early experiences with the Moving to Work program, HUD implemented streamlining measures in the voucher program in 2016, including to biennial inspections.

Align program responsibilities with expertise and mission to increase efficiency. Not all agencies that administer housing programs have housing expertise or missions. For example, the IRS-administered LIHTC program is the largest source of federal assistance for developing affordable rental housing. However, GAO's 2015 report found that LIHTC is a peripheral program for IRS in terms of resources and mission and IRS's oversight of the program had been minimal.[21] Leveraging the experience and expertise of another agency with a housing mission, such as HUD, by making it a joint program administrator with responsibility for program oversight could enhance the LIHTC program's effectiveness. However, placing program oversight under HUD may require additional staff and other resources.

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[18]GAO-12-300. Other GAO work also has described the importance of using information about program costs to inform oversight and potential program changes. See GAO, *Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management*, GAO-18-637 (Washington, D.C.: Sept. 18, 2018); and *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, GAO-02-76 (Washington, D.C.: Jan. 31, 2002).

[19]GAO-18-637. In this report, GAO suggests that Congress consider designating an agency to regularly collect and maintain cost data and report on project development costs and recommends that IRS collaborate with program stakeholders on the development of more standardized program cost data to aid program evaluations. As of September 2020, the matter and recommendation remain open.

[20]GAO-12-300; and GAO, *Rental Housing: Improvements Needed to Better Monitor Moving to Work Demonstration, Including Effects on Tenants*, GAO-18-150 (Washington, D.C.: Jan. 25, 2018). Our 2018 report contains 11 recommendations, several of which are designed to improved data collection and program evaluation. As of September 2020, all 11 recommendations remain open.

[21]GAO*, Low-Income Housing Tax Credit: Joint IRS-HUD Administration Could Help Address Weaknesses in Oversight,* GAO-15-330 (Washington, D.C.: July 15, 2015). In this report, GAO suggests that Congress consider designating HUD as a joint administrator of the LIHTC program to improve program administration and oversight. As of September 2020, this matter remains open.

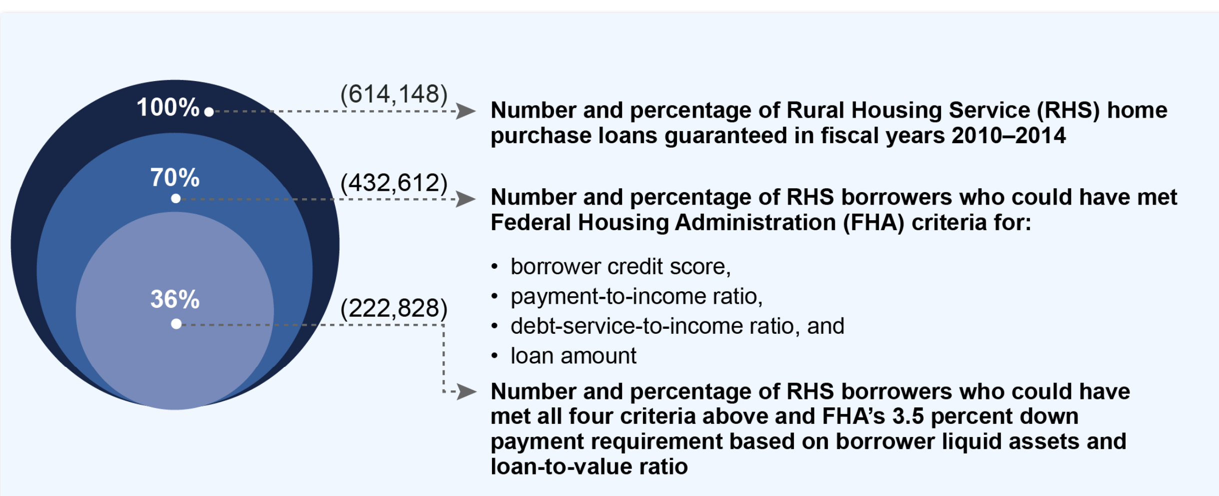
Figure 1: Housing Activities and Programs, by Purpose and Agency, fiscal year 2010

Primary purpose of activity	Number of activities/programs	HUD	Treasury/IRS	USDA	Federal Home Loan Banks	VA	Regulators	Neighborhood Reinvestment Corporation	FFIEC	CFPB	Farm Credit System	Fannie Mae	Freddie Mac	Farmer Mac	Interior	Labor	FHFA	Farm Credit Administration
Assistance for buying, selling, or financing a home	39	●	●	●		●												
Supports housing and other activities	30	●	●	●	●			●										
Assistance for financing rental housing	25	●	●	●	●													
Emergency assistance to housing market or current homeowner	16	●	●				●											
Regulatory requirements	10	●					●		●	●								
Increase availability of mortgage loans	9	●	●		●						●	●	●	●				
Assistance for homeowners	9		●	●		●									●			
Assistance for rental property owners	8	●	●	●														
Rental assistance for tenants	6	●		●												●		
Operation/management of rental housing	6	●		●														
Regulator of government-sponsored enterprises	2																●	●

Source: GAO analysis of agency documentation.

Note: GAO identified 20 federal agencies or entities, including the 16 entities listed separately in this figure and the four financial regulators (the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, and Office of the Comptroller of the Currency) grouped together under the column heading "regulators."

Figure 2: Estimated Number and Percentage of RHS Borrowers Who Could Have Met Key Criteria for FHA-Guaranteed Home Purchase Loans, fiscal years 2010–2014



Source: GAO analysis of RHS and FHA data.

Note: The analysis focuses on 30-year, fixed-rate loans guaranteed by RHS (excluding loans for units in condominium and cooperative developments).