

GAO Highlights

Highlights of [GAO-23-105370](#), a report to congressional requesters

Why GAO Did This Study

The U.S. faces a widespread shortage of affordable rental housing. Congress authorized HTF in 2008 to increase and preserve the supply of housing for people with the lowest incomes. HTF is funded by set-asides from Fannie Mae and Freddie Mac that began in fiscal year 2016. HUD administers HTF and allocates funding to state grantees.

GAO was asked to examine the use and oversight of HTF funds. This report examines (1) the number and production rate of HTF units; (2) how selected grantees have used HTF and other funding sources, and the development costs of their projects; and (3) HUD's HTF oversight and reporting.

GAO analyzed data from HUD and a nongeneralizable sample of 12 grantees (selected for diversity in location and project characteristics and accounting for about 42 percent of HTF funding in 2021) on HTF-assisted projects completed by March 1, 2022. GAO also reviewed program documents and interviewed HUD and grantee officials.

What GAO Recommends

GAO is making five recommendations, including that HUD centrally monitor HTF grantees' compliance with project completion timelines and data requirements, communicate the cost certification requirement to grantees, schedule and conduct a fraud risk assessment, and disclose limitations in external reports. HUD agreed with the recommendations and outlined planned actions to address them.

View [GAO-23-105370](#). For more information, contact Jill Naamane at (202) 512-8678 or naamanej@gao.gov.

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AFFORDABLE HOUSING

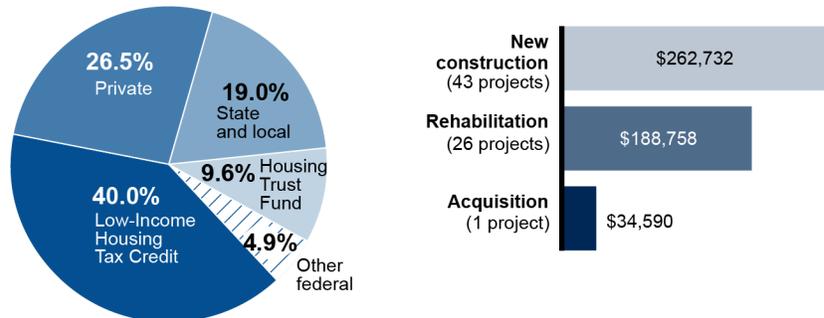
Improvements Needed in HUD's Oversight of the Housing Trust Fund Program

What GAO Found

As of March 1, 2022, Housing Trust Fund (HTF) grantees had developed 2,186 rental units (in 263 projects) for households with extremely low incomes (not exceeding 30 percent of the area median). Grantees had also committed HTF funds to another 519 projects with an estimated 6,646 units designated for extremely low-income households. Once grantees began receiving HTF funds in late 2016, production of completed units averaged about seven units per quarter from the fourth quarter of 2017 through 2018, but grew to almost 300 units per quarter in 2021.

For the 12 selected grantees GAO reviewed, HTF accounted for about 10 percent of the total funds for 70 completed projects. Equity from investors in Low-Income Housing Tax Credits was the largest funding source. The average development cost for these 70 projects was about \$232,000 per unit but varied by project type and location. For example, new construction projects were more expensive per unit than rehabilitation projects (see figure).

Funding Sources and Average Per-Unit Development Costs for Housing Trust Fund Projects Completed by 12 Selected Grantees, as of March 1, 2022



Source: GAO analysis of data from selected grantees. | GAO-23-105370

The Department of Housing and Urban Development (HUD) monitors compliance with HTF funding commitment and expenditure deadlines, but weaknesses exist in its oversight and reporting. Specifically, HUD has not

- monitored grantee compliance with requirements for reporting project completion dates or data on total project units in HUD's information system;
- effectively communicated requirements for grantees to obtain cost certifications for completed HTF projects;
- conducted or scheduled a comprehensive assessment of fraud risks; and
- disclosed limitations in its external HTF reports that could lead to misinterpretation of project cost and funding data.

HUD officials said they are drafting procedures for field monitoring of HTF grantees that is expected to begin in fiscal year 2024. While this monitoring could help address some of the weaknesses GAO identified, HUD could take additional steps in the near term to help ensure that HTF funds are used efficiently and effectively and that Congress understands the program's performance.