



Highlights of [GAO-08-199T](#), a testimony to the Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives

Why GAO Did This Study

The Department of Housing and Urban Development (HUD) provides subsidies, known as housing assistance payments, under contracts with privately owned, multifamily projects so that they are affordable to low-income households. Project owners have expressed concern that HUD has chronically made late housing assistance payments in recent years, potentially compromising owners' ability to pay operating expenses, make mortgage payments, or set aside funds for repairs. This testimony, based primarily on a report issued in 2005, discusses the timeliness of HUD's monthly housing assistance payments, the factors that affected payment timeliness, and the effects of delayed payments on project owners.

What GAO Recommends

In the 2005 report discussed in this testimony, GAO made recommendations to the Secretary of HUD to improve the timeliness of housing assistance payments and mitigate the effects of delayed payments. Specifically, GAO recommended that HUD streamline and automate the contract renewal process, better estimate and monitor contract funding levels, and notify owners about late payments.

HUD agreed with our conclusions and recommendations but has not fully implemented them.

To view the full product, including the scope and methodology, click on [GAO-08-199T](#). For more information, contact David G. Wood at (202) 512-8678 or woodd@gao.gov.

PROJECT-BASED RENTAL ASSISTANCE

HUD Should Streamline Its Processes to Ensure Timely Housing Assistance Payments

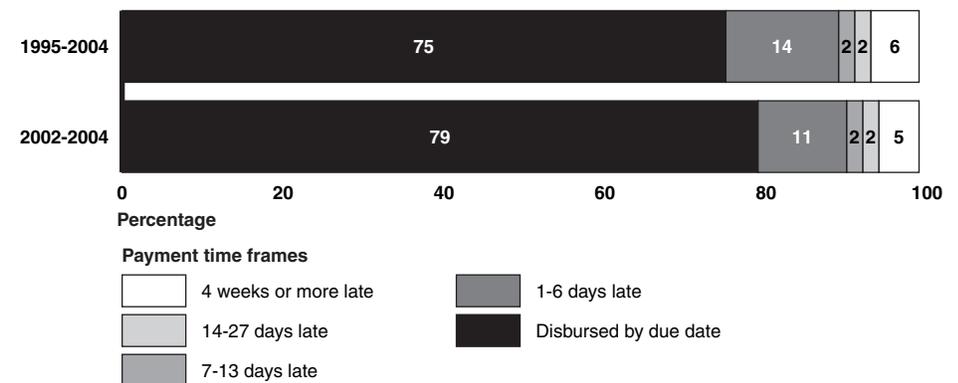
What GAO Found

From fiscal years 1995 through 2004, HUD disbursed three-fourths of its monthly housing assistance payments on time, but thousands of payments were late each year, affecting many property owners. Over the 10-year period, 8 percent of payments were delayed by 2 weeks or more. Payments were somewhat more likely to be timely in more recent years (see figure).

The process for renewing HUD's subsidy contracts with owners can affect the timeliness of housing assistance payments, according to many owners, HUD officials, and contract administrators that HUD hires to work with owners. HUD's renewal process is largely a manual, hard-copy paper process that requires multiple staff to complete. Problems with this cumbersome, paper-intensive process may delay contract renewals and cause late payments. Also, a lack of systematic internal processes for HUD staff to better estimate the amounts that HUD needed to obligate to contracts each year and monitor contract funding levels on an ongoing basis can contribute to delays in housing assistance payments.

Although HUD allows owners to borrow from reserve accounts to lessen the effect of delayed housing assistance payments, 3 of 16 project owners told GAO that they had to make late payments on their mortgages or other bills—such as utilities, telephone service, or pest control—as a result of HUD's payment delays. Owners who are heavily reliant on HUD's subsidy to operate their properties are likely to be more severely affected by payment delays than other, more financially independent, owners. Owners reported receiving no warning from HUD when payments would be delayed, and several told GAO that such notification would allow them to mitigate a delay. Nonetheless, project owners, industry group officials, and HUD officials generally agreed that late housing assistance payments by themselves would be unlikely to cause an owner to leave HUD's housing assistance programs, because such a decision is generally driven primarily by local market factors.

Timeliness of Housing Assistance Payments (Fiscal Years 1995-2004 versus 2002-2004)
Fiscal year



Source: GAO analysis of HUD data.

Note: Percentages do not add to 100 percent due to rounding.