Nationwide, the HUD mortgages on 2,328 properties—21 percent of the 11,267 subsidized properties with HUD mortgages—are scheduled to mature in the next 10 years, but among states this percentage varies significantly: from 7 percent in Alabama, to 53 percent in South Dakota. About three-quarters of these mortgages are scheduled to mature in the last 3 years of the 10-year period. A CD-ROM (GAO-04-210SP) that accompanies this report provides property-level data for subsidized properties with mortgages scheduled to mature.

Impacts on tenants depend on tenant protections available under program statutes and regulations, as well as on property owners’ decisions about their properties. While about 134,000, or 57 percent, of the rental units in the 2,328 properties are protected by rental assistance contracts, tenants in over 101,000 units without rental assistance are at risk of paying higher rents after mortgage maturity because no requirement exists to protect tenants when HUD mortgages mature. Absent specific requirements, property owners’ decisions on whether to continue serving low-income tenants after their HUD mortgages mature depend on many factors, including neighborhood incomes, property conditions, and owners’ missions. Of the 32 properties with HUD mortgages that matured during the past 10 years, 16 have rental assistance contracts that continue to subsidize at least some units, and 10 of the remaining 16 that GAO was able to contact offer rents that are affordable to tenants with incomes below 50 percent of area median income.

HUD does not offer incentives to owners to keep properties affordable upon mortgage maturity. While many state and local agencies GAO surveyed offer incentives to preserve affordable housing, they have not directed them specifically at properties where HUD mortgages mature. Most of the agencies do not track HUD mortgage maturity dates for subsidized properties. In addition, although HUD’s Web site contains detailed property-level data, some state and local agencies perceive that the information is not readily available.

Why GAO Did This Study
The Department of Housing and Urban Development (HUD) has subsidized the development of over 23,000 properties by offering owners favorable long-term mortgage financing or rental assistance payments in exchange for owners’ commitment to house low-income tenants. When owners pay off mortgages—the mortgages “mature”—the subsidized financing ends, raising the possibility of rent increases. GAO was asked to determine the number of HUD mortgages that are scheduled to mature in the next 10 years, the potential impact on tenants, and what HUD and others can do to keep these properties affordable.

What GAO Found
Nationwide, the HUD mortgages on 2,328 properties—21 percent of the 11,267 subsidized properties with HUD mortgages—are scheduled to mature in the next 10 years, but among states this percentage varies significantly: from 7 percent in Alabama, to 53 percent in South Dakota. About three-quarters of these mortgages are scheduled to mature in the last 3 years of the 10-year period. A CD-ROM (GAO-04-210SP) that accompanies this report provides property-level data for subsidized properties with mortgages scheduled to mature.

Impacts on tenants depend on tenant protections available under program statutes and regulations, as well as on property owners’ decisions about their properties. While about 134,000, or 57 percent, of the rental units in the 2,328 properties are protected by rental assistance contracts, tenants in over 101,000 units without rental assistance are at risk of paying higher rents after mortgage maturity because no requirement exists to protect tenants when HUD mortgages mature. Absent specific requirements, property owners’ decisions on whether to continue serving low-income tenants after their HUD mortgages mature depend on many factors, including neighborhood incomes, property conditions, and owners’ missions. Of the 32 properties with HUD mortgages that matured during the past 10 years, 16 have rental assistance contracts that continue to subsidize at least some units, and 10 of the remaining 16 that GAO was able to contact offer rents that are affordable to tenants with incomes below 50 percent of area median income.

HUD does not offer incentives to owners to keep properties affordable upon mortgage maturity. While many state and local agencies GAO surveyed offer incentives to preserve affordable housing, they have not directed them specifically at properties where HUD mortgages mature. Most of the agencies do not track HUD mortgage maturity dates for subsidized properties. In addition, although HUD’s Web site contains detailed property-level data, some state and local agencies perceive that the information is not readily available.

What GAO Recommends
To help state and local housing agencies track properties with maturing mortgages, we recommend that the Secretary of HUD solicit the views of state and local housing agencies to determine what information on HUD-subsidized properties is needed and the most effective format to convey this information.

GAO provided a draft of this report to HUD for comment. HUD agreed with the report’s conclusions and recommendations.

To view the full product, including the scope and methodology, click on the link above.

To view the survey results (GAO-04-211SP), click on the following link www.gao.gov/cgi-bin/getrpt?GAO-04-211SP. To place an order for a copy of the CD-ROM (GAO-04-210SP) with property-level data, click on the following link www.gao.gov/cgi-bin/ordtab.pl.
For more information, contact David G. Wood at (202) 512-8678 or WoodD@gao.gov.

State and Local Agencies’ Efforts to Identify and Track Properties that May Leave HUD Programs

Does your agency identify and track when properties are eligible to leave HUD’s housing programs?

For which circumstances does your agency track when properties are eligible to leave HUD’s housing programs?

Prepayment 48%
Extended use expiration 53%
Mortgage maturity 55%
Opt out 80%

Source: GAO.