

GAO Highlights

Highlights of [GAO-18-285](#), a report to the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, Committee on Appropriations, U.S. Senate.

Why GAO Did This Study

Under its rural housing program, RHS provides mortgages and rental assistance to support affordable rental units for low-income tenants (see figure). When these mortgages reach the end of their terms (mature), property owners may exit the program; current law does not allow RHS to continue providing rental assistance when such exiting occurs. As a result, tenants in properties with mortgages that are maturing may face rent increases or lose their housing altogether.

GAO was asked to examine how RHS is addressing the risks posed by maturing mortgages. This report examines RHS's efforts to (1) estimate rural housing property exit dates and (2) preserve the affordability of rural rental properties with maturing mortgages. GAO reviewed RHS mortgage loan data and preservation documents, and interviewed RHS officials and industry stakeholders.

What GAO Recommends

Congress should consider granting RHS authority to continue providing rental assistance to tenants in properties with maturing mortgages. GAO is also making five recommendations, including that RHS improve data quality and take steps to comprehensively plan for preserving properties with maturing mortgages. We provided a draft of this report for review and comment to RHS and HUD. RHS agreed with all five of GAO's recommendations.

View [GAO-18-285](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or GarciaDiazD@gao.gov.

May 2018

RURAL HOUSING SERVICE

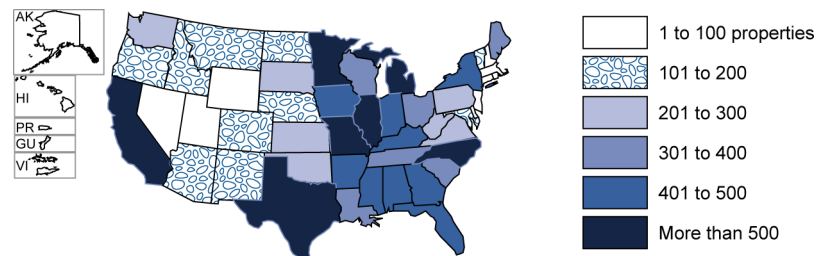
Better Data Controls, Planning, and Additional Options Could Help Preserve Affordable Rental Units

What GAO Found

The U.S. Department of Agriculture's Rural Housing Service (RHS) implemented an automated tool to estimate when properties could exit the rural rental housing program, but RHS lacked sufficient controls to ensure the accuracy, completeness, and timeliness of those estimates. In 2016, RHS developed its Multi-Family Housing Property Preservation Tool to replace a manual process of estimating exit dates. RHS data suggest that a smaller number of properties could exit RHS's program in the near term, but between 2028 and 2050, over 90 percent of RHS's properties and units could exit the program (about 13,000 properties with 407,000 units). However, RHS lacked controls that would better ensure the accuracy and completeness of these estimated exit dates, such as the verification of key data input at mortgage origination. In addition, RHS had not established a regular process to update the preservation tool's underlying data due to staff turnover and data system challenges. Without these controls, RHS may lack assurance that it has reliable data for calculating exit dates and initiating preservation efforts.

While RHS has taken actions to address properties with maturing mortgages, such as offering property owners options designed to prevent property exits, about 60 percent of properties with maturing mortgages exited the program between 2014 through 2017. The agency's planning efforts lacked key steps such as (1) establishing preservation goals, (2) developing metrics for evaluating preservation efforts, and (3) analyzing and responding to risks facing its portfolio such as resource limits and growing capital rehabilitation needs. Without taking these actions, RHS is not well positioned to preserve affordable housing in the near term or when much larger numbers of properties and units could exit the program starting in 2028. Although taking the steps above would help RHS's preservation efforts, some tenants may still be at risk of losing rental assistance when mortgages mature. Accordingly, allowing RHS to renew rental assistance after mortgage maturity could protect assisted low-income tenants from increased rents or displacement from their units. When the Department of Housing and Urban Development (HUD) faced a similar loss of affordable housing subsidies, Congress authorized the department in 2011 to continue providing rental assistance at properties after contracts expired.

Estimated Number of Rural Housing Service Properties, by State and Territory



Source: GAO analysis of Rural Housing Service (RHS) data. | GAO-18-285