



G A O

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United States Government Accountability Office
Washington, DC 20548

December 6, 2010

The Honorable Christopher J. Dodd
Chairman
The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman
The Honorable Spencer Bachus
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *The Housing Assistance Council's Use of Appropriated Funds*

The Food, Conservation, and Energy Act of 2008 authorized appropriations of \$10 million annually for the Housing Assistance Council (HAC) from fiscal years 2009 through 2011.¹ Established in 1971, HAC is a nonprofit rural housing organization that aims to improve housing conditions for low-income rural residents, especially in high-need areas such as Indian country and Appalachia and among groups such as farmworkers. As part of its mission, HAC also offers technical assistance in developing affordable rural housing and capacity building to a variety of groups involved in rural housing. HAC signs agreements each year with the Department of Housing and Urban Development (HUD) detailing how it will use its appropriations. The 2008 act required GAO to report on HAC's use of appropriated funds over the last 7 years, from 2003 to 2009—a period when HAC received more than \$20 million in appropriations.

To respond to this mandate, our work had four objectives: to (1) describe HAC programs and activities, (2) identify the sources of HAC's funding and its use of the funds it receives, (3) discuss the results of HAC's programs and activities, and (4) determine what is known about HAC's effectiveness in assisting rural communities. On October 28,

¹P.L. 110-246.

2010, we briefed your offices on our preliminary findings. Enclosure I updates the briefing material and our findings. To conduct our work, we reviewed HAC's independent audit reports for 2003-2009; annual audited financial statements, which we reconciled with supplemental HAC information to ensure their reliability; annual reports; and stakeholder and other surveys. We also reviewed the Office of Management and Budget's 2006 evaluation of the Self-Help Ownership Opportunity Program (SHOP). Finally, we visited six rural community housing developers to learn how they used HAC funding and to obtain their views on HAC. We also sought HUD's views on HAC's performance. We conducted this performance audit from March through November 2010 in accordance with generally accepted government auditing standards.

Summary

HAC has three primary programs that it uses to meet its goals of serving low-income rural areas: loan funds, technical assistance and training, and research and information. HAC has several types of loan funds. The Rural Housing Loan Fund helps rural organizations finance activities that are key to developing new housing but are often difficult to fund, such as surveying and appraising properties. The Preservation Revolving Loan Fund works to preserve affordable rental housing in rural areas before it is sold and becomes unaffordable to low-income renters. After receiving funds through a HUD competition, HAC awards loans to rural housing developers that are acquiring and preparing sites and developing infrastructure for affordable housing projects. The developers in turn use the funds to leverage other financing, and potential homebuyers put "sweat equity" into their new homes. HAC also has a Green Building/Healthy Home Initiative that works across these programs to promote the use of "green" building technologies and that helps the rural housing that is developed meet certain SHOP program requirements.

HAC used the funding it received in 2003 to 2009—\$86.4 million, 94 percent of it from federal agencies—for its three programs and attracted additional funding from private sources and local governments. Although the bulk of HAC's funds go to its loan programs, most of its appropriated funding supported the technical assistance and training and research and information programs. HAC receives annual independent audits, and from 2003 to 2009 received unqualified opinions on its financial statements. The independent auditors found one instance of noncompliance in 2008. HAC auditors found that HAC conducted very few site visits and instead reviewed quarterly status reports and held periodic telephone conversations. In 2009, HAC's auditors reported the issue as resolved and stated that HAC had conducted adequate site visits.

The funded programs and activities appear to have helped create affordable housing and expand homeownership in low-income rural areas and increased the capacity of local rural development groups. For example, according to HAC, the SHOP program created more than 2,700 new homeowners from 2003 to 2009 and helped local organizations leverage additional funds at a ratio of 11 to 1 during the time period. Also, since 2004, HAC green loans and grants, primarily through the SHOP program, have helped to develop more than 3,100 units of energy-efficient housing. HAC has also provided one-on-one technical assistance, held numerous regional training workshops, and provided capacity-building grants, as well as conducting research and advising HUD.

Stakeholders commented favorably on HAC's programs and assistance, but we found that HAC had not yet fully developed appropriate performance measures and did not track long-term outcomes. The six developers we visited said that HAC had played a vital role in funding and guiding their efforts to improve rural housing, and stakeholders said that HAC was often responsive to their concerns. An assessment by the Office of Management and Budget (OMB) found that HAC had made substantial contributions to the SHOP program. HUD itself said that it relied on HAC for information on rural housing. But HAC does not have effective measures of long-term outcomes of its activities. While it conducts some surveys of stakeholder satisfaction, it does not require loan recipients to track outcomes, limiting the information available for assessing program results. For example, HAC told us that one Ohio program that received SHOP loans reported that around 80 percent of families remained in their homes, but HAC did not require SHOP recipients to report such outcomes. Further, methodological shortcomings with HAC's 2008 stakeholder survey prevented the results from being generalized to the universe of HAC stakeholders. For example, not all of the respondents that answered a question about HAC loans had actually received a loan. Such issues compromise the reliability of the data collected. HAC officials said that the organization was working to improve its tracking of outcomes from its programs and would work to improve the response rate to future surveys and ensure data reliability. Without effective measures of HAC's impact on rural housing needs, HUD and Congress cannot fully assess HAC's impact.

Conclusions

According to a variety of sources, including HAC developers, survey participants, and rural housing organizations, HAC appears to have successfully used its federal funding, including its annual appropriations, to fund programs that helped provide needed housing for low-income rural residents. Although neither HAC nor its partners systematically track the long-term outcomes of these housing programs, limited evidence suggests that some housing programs have had positive long-term outcomes and that some developers have successfully leveraged HAC grants to attract other funding from local governments and private sources. Further, HAC's technical support and research programs helped promote important initiatives such as green building practices that reduce homeowners' monthly costs and thus help them to stay in their homes.

However, neither HAC nor the organizations it works with consistently collect information on long-term outcomes, so that—among other things—retention rates for homeowners moving into SHOP housing cannot be tracked relative to the general population of low-income first-time homeowners. HAC has taken some steps to begin assessing responses to its technical assistance and training programs and to measure the effects, but implementing additional measures to track long-term outcomes would allow HUD and Congress to better judge HAC's performance.

As we have seen, although we received generally positive responses about HAC from developers and community organizations, consistent and reliable data were not available on HAC's impact on rural housing needs. The results of the stakeholder surveys that HAC administered could not be generalized to the universe of those that had received HAC funding because of methodological shortcomings. Without generalizable and reliable

data on stakeholder satisfaction, HAC is limited in its ability to determine whether its programs are effectively meeting its stakeholders' needs.

Recommendations

We recommend that the Executive Director of the Housing Assistance Council

- Take steps to develop techniques that would more reliably measure its performance by working to increase response rates to its surveys and designing the surveys to track stakeholders by category. For example, HAC should ensure that only loan product users respond to questions about the use of loan products.
- Consider ways to better track long-term outcomes of its activities—for example, adding requirements to its program guidelines to track SHOP recipients and adding questions to its customer surveys that would provide information on long-term outcomes.

In commenting on a draft of this report, HAC's Executive Director said that HAC recognized the need to measure its performance more reliably and added that HAC had set up a task force to investigate how to better measure outcomes (encl. 2). He also said that HAC would incorporate GAO's recommendation on making its stakeholder surveys generalizable and reliable and examine ways to incorporate requirements in its program guidelines for tracking recipients of HAC services and loans in order to obtain information on long-term outcomes.

We are sending copies of this report to interested congressional committees. We are also sending copies to the Executive Director of the Housing Assistance Council and the Secretary of the Department of Housing and Urban Development. This report will also be available at no charge on our Web site at <http://www.gao.gov>. Should you or your staff have questions concerning this report, please contact me at (202) 512-8678 or sciremj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Andy Finkel, Assistant Director; Emily Chalmers; Cathy Hurley; Shamiah Kerney; May Lee; John Lord; and Luann Moy.



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Enclosures



The Housing Assistance Council's Use of Appropriated Funds

Briefing to Congressional Committees

Overview

- Introduction
- Objectives, Scope, and Methodology
- Summary
- Findings

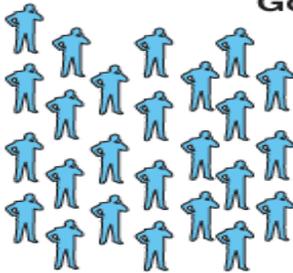
Introduction: Food, Conservation, and Energy Act of 2008 (P.L. 110-246)

- The act authorized appropriations of \$10 million per year for the Housing Assistance Council (HAC) for fiscal years 2009-2011.
- The act also mandated that GAO report on the use of any funds appropriated to HAC over the past 7 years.

Introduction: HAC Signs Annual Cooperative Agreements with HUD

- From 2003 to 2009 HAC received over \$20 million in earmarked appropriations.
- HAC signs a cooperative agreement with HUD each year specifying how the appropriations will be used.

Introduction: About HAC

<p>Mission</p> <ul style="list-style-type: none"> • Improve housing conditions for rural poor • Offer technical assistance to rural public, nonprofit, and private organizations • Focus on high-need groups and regions: Indian country, the Mississippi Delta, farmworkers, Southwest border colonias, and Appalachia 	<p>Governance</p>  <p>Board of Directors (25)</p> <p>Representatives from industry, government, public and nonprofit housing agencies at all levels</p>
<p>Location</p> <ul style="list-style-type: none"> • HQ-Washington, D.C. • Four regional offices: <ul style="list-style-type: none"> ◦ Western (Sacramento) ◦ Southeast (Atlanta) ◦ Midwest (Kansas City) ◦ Southwest (Albuquerque) 	

Sources: *Housing Assistance Council Annual Report, 2009* (data); Art Explosion (images).

Introduction: About HAC (cont'd.)

Operations	Key Statistics
<p data-bbox="224 625 535 829">  Executive Director + 48 staff (36 headquarters/ 12 regional) </p> 	<ul data-bbox="649 630 1453 1018" style="list-style-type: none"> • Established in 1971 • Works with local organizations in rural communities in 49 states, the Virgin Islands, and Puerto Rico • 2003-2009: <ul style="list-style-type: none"> • Altogether, \$122 million in HAC loans and grants supported the development of 9,975 units of affordable housing. • HUD's Self-Help Homeownership Opportunity Program (SHOP) accounted for the largest portion (\$64 million, 5,049 units).

Sources: *Housing Assistance Council Annual Report, 2009* (data); Art Explosion (images).

Objectives

- To meet the Food, Conservation, and Energy Act of 2008 mandate, our objectives were to
 - describe HAC programs and activities,
 - describe the sources of HAC's funding and how HAC has used the funds,
 - describe the results of the programs and activities, and
 - determine what is known about HAC's effectiveness in assisting rural communities.

Scope and Methodology

- To describe HAC programs and activities, the sources of HAC's funding, and how HAC used the funds, we reviewed HAC's independent audit reports for fiscal years 2003-2009 and HAC's annual audited financial statements. We obtained additional supplemental information from HAC and reconciled it with HAC's audited financial reports to ensure its reliability. We also visited six community housing developers in California and Florida, two states where HAC has made a large number of loan commitments. We selected developers that either had high loan volumes or had received different types of HAC loans to obtain information about how they used HAC funding and leveraged it to attract additional funding.

Scope and Methodology (cont'd.)

- To describe the results of HAC's programs and activities and to determine what is known about HAC's effectiveness, we reviewed HAC's annual reports and the Office of Management and Budget's 2006 Performance Assessment Rating Tool (PART) evaluation of SHOP.
- We asked the six community housing developers about the loans and services that they received and sought HUD's views of HAC's performance. We reviewed the results of HAC's 2008 Stakeholders and 2010 Green surveys, tested them electronically for obvious errors in accuracy and completeness, reviewed related documentation, and worked with HAC officials to identify and correct any data problems. The 2008 Stakeholders survey results were not generalizable to all HAC grantees because of a low response rate and are presented for illustrative purposes only. Our review of the six community housing developers is also not generalizable. The Green survey results are generalizable to its population.

Scope and Methodology (cont'd.)

- We received technical comments from HAC on these briefing slides and made changes where appropriate.
- We conducted this performance audit from March through November 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary: HAC Programs and Activities

HAC Carries Out Its Mission through Three Primary Programs

Loan funds

- Rural Housing Loan Fund (RHLF)
- Preservation Housing Loan Fund (PRLF)
- Self-Help Homeownership Opportunity Program (SHOP)

Technical assistance and training

- Provides one-on-one technical assistance and funding to nonprofit housing organizations and public housing agencies to help build local capacity in rural communities
- Sponsors a National Rural Housing Conference and comprehensive regional training workshops

Research and information

- Produces reports on rural housing needs, federal programs, and related topics
- Publishes a biweekly newsletter and quarterly magazine on regulatory, programmatic, and funding issues that affect rural housing development

Summary: Sources and Uses of HAC Funding

- In 2003-2009, federal and private sources provided \$86.4 million of funding to HAC. HUD programs provided 90 percent of these funds, private foundations provided 6 percent, and the U.S. Department of Agriculture (USDA) another 2 percent. HAC uses its funds to attract additional funding from private sources and local governments. For example, rural nonprofit housing developers estimated that from 2003 to 2009, they attracted an additional \$1.2 billion in local government and private funding to supplement HAC loan commitments of \$122 million.
 - In 2003-2009, HAC spent \$74.2 million on three primary programs: loan administration, research and information, and technical assistance and training.
 - HAC is independently audited. From 2003 to 2009, it received unqualified opinions on its financial statements. Its auditors found one instance (in its 2008 audit) of noncompliance that HAC has since corrected.

Summary: Results of Programs and Activities

- HAC's programs and activities have helped to promote homeownership in low-income rural communities and expand the capacity of local rural development organizations. For example, according to HAC,
 - In 2003-2009, HAC's SHOP loan program helped over 2,700 low-income households become first-time homeowners.
 - Since 2004, HAC has committed almost \$44 million in "green" loans and grants, primarily through SHOP, to develop over 3,100 units of energy-efficient rural housing.
 - In 2009, HAC delivered one-on-one technical assistance to 112 organizations, convened 25 regional training workshops, and provided 128 capacity-building grants to help rural development organizations improve service delivery.

Summary: What Is Known about HAC's Effectiveness

- The six rural community housing developers that we visited said that HAC had played a vital role in providing funding, guidance, and research to help improve rural housing. In 2006, OMB cited HAC for having contributed to the effectiveness of SHOP.
- HUD said that it looked to HAC for applied research on rural housing issues and noted that HAC's understanding of these issues made it the best source of such information.
- A 2008 HAC survey found similar positive results, but methodological issues limit their reliability.

Objective 1: HAC Loan Funds

Rural Housing Loan Fund

- Using private debt financing from financial institutions and private foundation funds, it helps rural organizations finance predevelopment activities such as surveying and appraisal costs—critical activities that are often difficult to fund.

Preservation Revolving Loan Fund

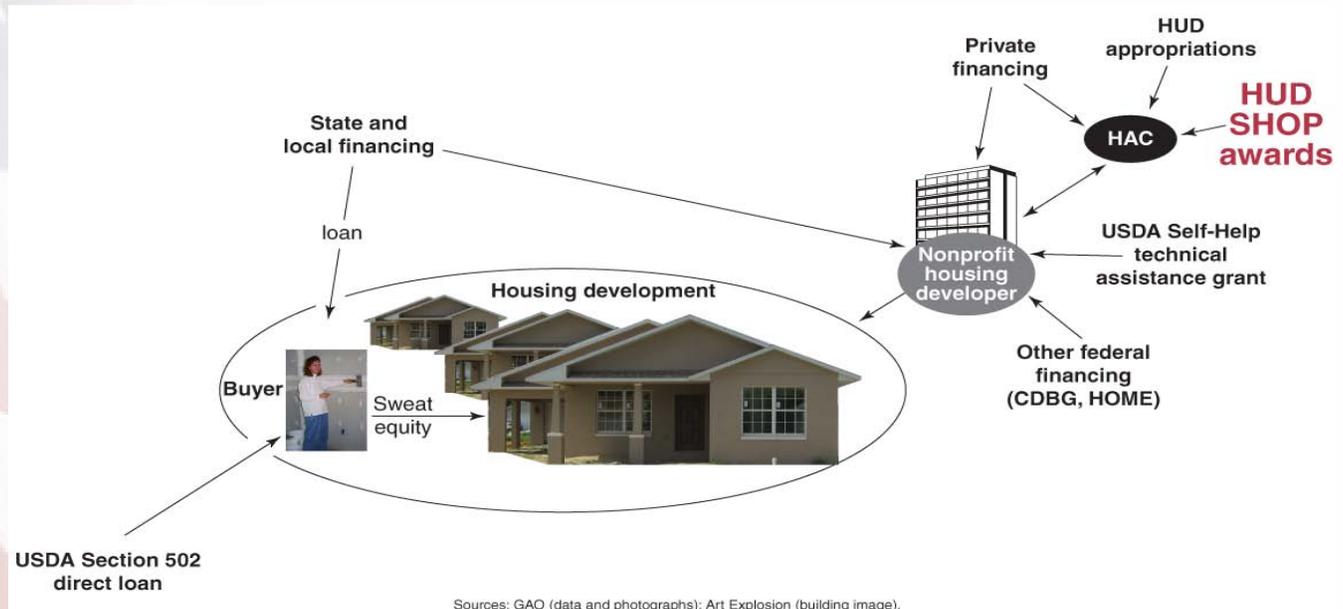
- Combining funding from USDA's rural rental housing loan program and private foundations, it helps preserve rural rental housing that is in danger of being sold and becoming unaffordable to low-income individuals.

Objective 1: HAC Loan Funds (cont'd.)

Self-Help Homeownership Opportunity Program

- After receiving the funds through a HUD competition, HAC awards loans on a competitive basis to help nonprofit rural housing developers acquire and prepare sites and develop infrastructure for affordable housing projects.
- These organizations leverage SHOP loans with local government financing and USDA Section 502 direct loans for homebuyers, who are required to contribute sweat equity.
- Although HAC makes SHOP funds available to nonprofit rural housing developers under formal loan agreements, HAC's policy is that up to 90 percent of each SHOP loan is forgiven.

Objective 1: SHOP Program Funding Flow



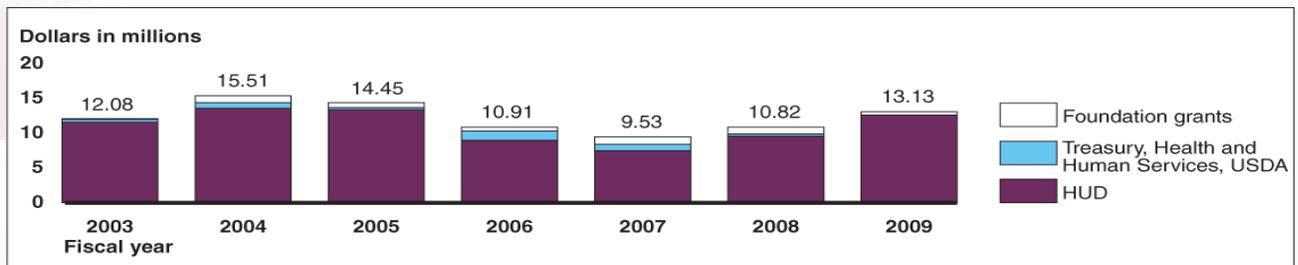
Sources: GAO (data and photographs); Art Explosion (building image).

Objective 1: HAC's Green Building/Healthy Homes Initiative Spans All Program Activities

- The initiative began in 2004 with the mission of promoting the effective use of green building technologies in affordable rural housing by emphasizing green building in all HAC program activities.
- It leverages private and HUD funding for a comprehensive program of training, loans, research and publications, and grants to provide rural developers with the tools to create and sustain green building programs.
- It helps nonprofit rural housing developers meet the SHOP program requirement of producing certified Home Energy Rating System (HERS) homes.

Objective 2: HAC Receives Funding from Federal and Private Sources

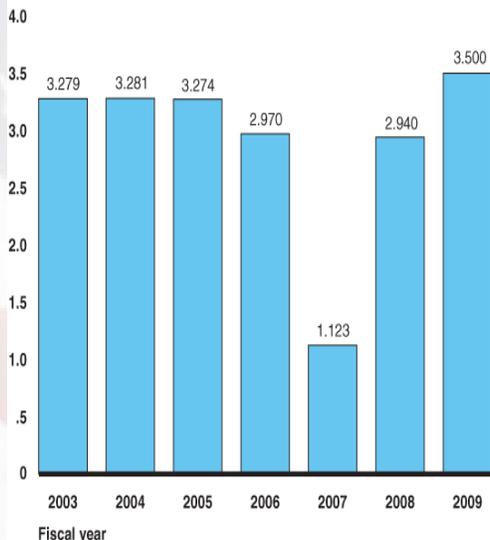
- According to data provided by HAC, from 2003 to 2009, HAC received \$86.4 million in federal and other funding, most of it through HUD SHOP program competitive awards.
- Private foundations provide a relatively small proportion of funds.
- For the purposes of preparing its financial statements, HAC does not consider funds as received until it incurs expenses or passes the money on to other organizations as loans or grants.



Source: GAO analysis of HAC data.

Objective 2: HAC Annual Appropriations Have Totaled around \$3 Million Most Years

HUD appropriations (dollars in millions)



Source: GAO analysis of HAC data.

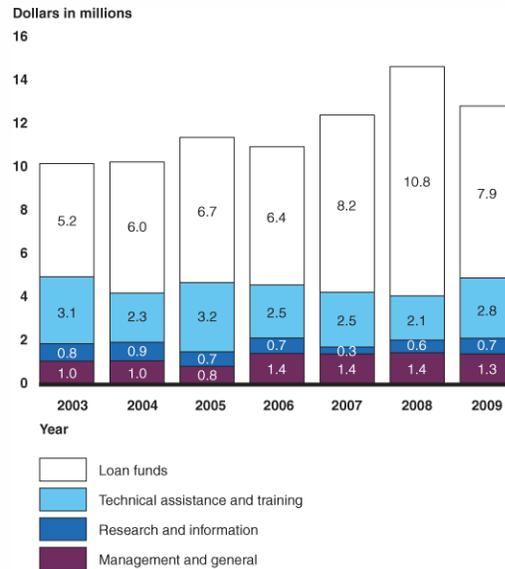
- HAC’s appropriations ran out in February 2007 when HAC was not included in the continuing resolution that funded federal operations for the remainder of fiscal year 2007.
- Appropriations are generally available for obligation for 2 to 3 years following enactment.

Objective 2: HAC Funding Is Used to Leverage Other Funding Sources

- About 6 percent of HAC funding comes from nonfederal sources.
- Local rural organizations may leverage HAC-provided loan and grant funds with funding from federal, local government, and private sources to finance rural housing development.
- In fiscal years 2003-2009, HAC committed over \$122 million in loans and grants that rural organizations estimated would attract almost \$1.2 billion from federal and private sources and local governments, an almost 10-to-1 ratio.
- According to HAC, on the basis of leveraging data reported in grant financial closeout reports for fiscal years 2003 to 2009, the SHOP portions of those loans have leveraged funds at a ratio of 11 to 1 during the time period, above the targeted leveraging ratio of 8.5 to 1 agreed to by HUD and OMB in connection with the 2006 Program Assessment Rating Tool evaluation of SHOP.

Objective 2: Loan Costs Are the Largest of HAC's Expenses

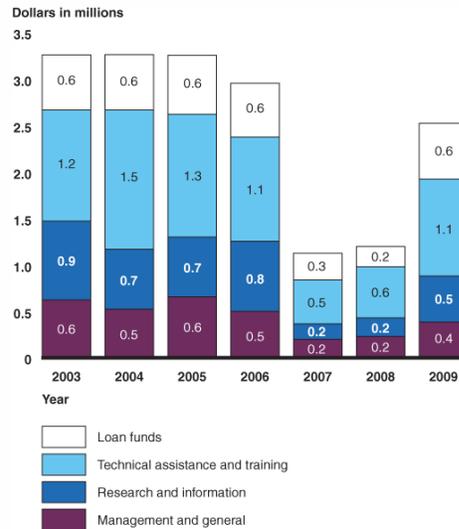
- From 2003 through 2009, HAC incurred expenses of \$82.6 million. About 90 percent of these expenses, or \$74.2 million, was directly related to its three primary programs: loan funds, technical assistance and training, and research and information. Most of the loan fund expenses (90 percent) are forgiven by HAC under the SHOP program.
- Management and general expenses totaled about \$8.4 million, or about 10 percent of total costs.



Source: GAO analysis of HAC data.

Objective 2: HAC's Federal Appropriations Mostly Support the Technical Assistance and Training, and Research and Information Programs

- From 2003 to 2009, HAC was appropriated \$20.4 million, and expended \$17.6 million as of the end of fiscal year 2009.
- Most appropriated funds have been expended on HAC's technical assistance, and research and information programs. However, HUD's cooperative agreements with HAC also allow appropriations to be spent on loan programs and management and general expenses.
- The drop in appropriations funding in fiscal years 2007 and 2008 reflects the funding gap from February 2007 through April 2008 when HAC did not have a cooperative agreement with HUD.



Objective 2: Seven Years of Audits Identified One Instance of Noncompliance That Was Corrected

- HAC receives annual independent audits, as required by the Single Audit Act.¹ From 2003 to 2009, it received unqualified opinions on its financial statements. These audits found one instance of noncompliance in 2008 with SHOP program requirements.
 - HUD requires HAC to monitor organizations that receive SHOP awards. In 2008, HAC’s auditors found that HAC conducted very few site visits and instead reviewed quarterly status reports and held periodic telephone conversations.
 - HAC instituted corrective actions, including establishing clear and achievable timelines for conducting a specific number of monitoring visits. In 2009, HAC’s independent auditors reported the issues as resolved and stated that HAC had conducted adequate site visits.
- Five of the six rural organizations that we visited had received a SHOP loan from HAC, and four stated that they had received a site visit from HAC personnel.

¹The Single Audit Act of 1984, as amended (31 U.S.C. § 7501-7507), requires that each state, local government, and nonprofit organization that expends at least a certain amount per year in federal awards—currently OMB sets the amount at \$500,000—must have a Single Audit conducted for that year.

Objective 2: HAC Restated Its 2008 Statement of Expenditure of Federal Awards

- During our review of HAC's audit and financial reports, HAC said that it had identified a misstatement in its 2008 Schedule of Expenditures of Federal Awards that the independent auditors had not identified.
- Specifically, HAC reported expenditures of \$1,077,763 under its HUD appropriation. As a result of inquiries we made in connection with our review, HAC identified the misstatement and determined that the correct amount was \$1,193,481.
- HAC discussed this matter with its auditors and decided to restate its Schedule of Expenditures of Federal Awards for 2008. The restatement was issued in August 2010.

Objective 3: HAC Loan Funds Promote Affordable Housing in Low-Income Rural Communities

- Under its cooperative agreements with HUD, HAC is to administer various loan funds, including the RHLF and PRLF.
- From 2003 to 2009, HAC committed over \$122 million in loans and grants to local nonprofit developers, contributing to the development of almost 10,000 units.
- According to HAC, over 2,700 of the units went to new SHOP homeowners, just over half of which were low-income (50-80 percent of average median income) and just under half were very low- or extremely low-income (below 50 percent of average median income).
- Some of the nonprofit rural housing developers that we visited stated that they used these loan funds to develop vital infrastructure. These developers told us that HAC funds reduced the cost of homes to low-income SHOP participants and allowed the developers to create their own revolving loan funds targeted to low-income individuals in specific rural communities.

SHOP house, Ukiah, Calif.



Source: GAO.

Objective 3: HAC Provides Technical Assistance and Capacity Building

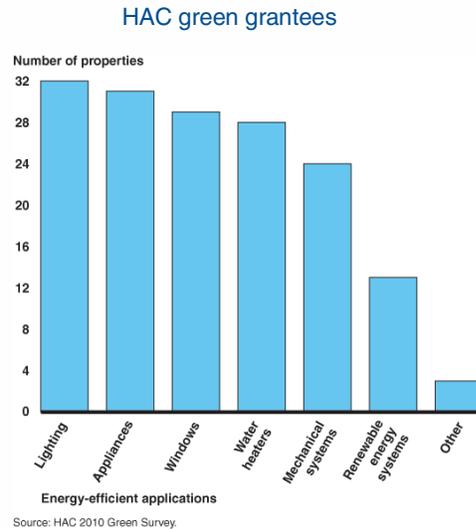
- Also, under its cooperative agreements with HUD, from 2003 to 2009, HAC spent about \$7.3 million in appropriated funds on technical assistance to nonprofit rural housing developers and federal, state, and local government entities to help build organizational capacity.
- For example, HAC provided technical assistance and training with project feasibility studies, financing plans, grant preparation, and preliminary cost determinations.
- HAC also holds workshops on housing development, financing, green building, and nonprofit management and hosts conferences such as its biannual National Rural Housing Conference.

HAC outputs in 2009

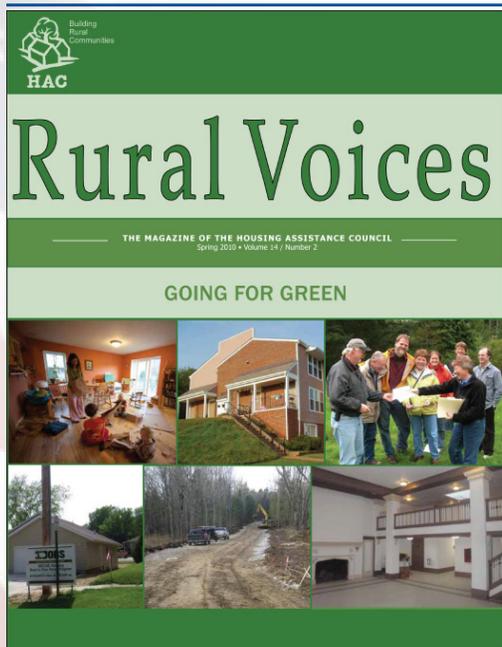
- Delivered one-on-one technical assistance to 112 rural organizations
- Convened 25 regional training workshops
- Trained 507 people in HAC workshops
- Provided 128 capacity-building grants to help rural organizations improve service delivery

Objective 3: HAC Technical Assistance Helps Promote the Use of Rural Green Building Technologies

- Since 2004, HAC has committed almost \$44 million in green loans and grants, primarily through the SHOP program, to develop over 3,100 units of energy-efficient rural housing.
- According to HAC’s 2010 survey of 32 green grantees,
 - Almost all are using energy-efficient lighting and Energy Star appliances.
 - Nearly 90 percent have installed energy-efficient windows and water heaters.
 - Seventy-five percent have installed energy-efficient mechanical systems.
 - Over 40 percent have installed renewable energy systems, primarily solar.



Objective 3: HAC Offers a Wide Array of Research and Information on Rural Housing Issues Online and in Print



Source: HAC.

HAC outputs in 2009

- HAC received 12 million annual Web site hits and 12,000 monthly visits to its housing data portal.
- Nearly 8,000 recipients received HAC's biweekly newsletter.
- HAC's quarterly magazine focused on issues such as the role of public housing authorities, strategies for nonprofit sustainability in the economic downturn, and green building techniques.

Objective 4: Six Nonprofit Housing Developers Told Us HAC Activities Are Vital to Improving Rural Housing

- Six nonprofit rural community housing developers we visited said that HAC played a vital role in providing funding, guidance, and research that helped improve the availability and condition of housing for rural low-income communities.
- All six entities we visited had received a loan or grant from HAC that they said was critical to the success of rehabbing or developing rural housing units.

SHOP homes, Apopka, Fla.



Source: GAO.

Objective 4: Stakeholders Said HAC Was Often Responsive to Their Concerns

- All six entities commented that HAC was very responsive to inquiries. One stated, “Getting back with a timely, accurate response permeates HAC’s organizational culture.”
- For example, some respondents to a HAC 2008 stakeholders survey raised a concern that HAC took longer to approve loans than other lending institutions.
 - HAC told us that its Loan Committee did not meet as frequently as similar entities at banks.
 - HAC’s Loan Committee adopted the practice of conducting “emergency” meetings to consider applications with tight time frames that needed more immediate feedback on approval and funding.

Objective 4: HAC Has Been a Key Funding Source for Some Critical Activities

- One nonprofit rural housing developer told us that HAC was the only organization willing to make a loan to cover the predevelopment costs of a low-income multifamily acquisition and rehab project. He said that without the HAC funds, the property likely would have been sold to a private investor and turned into market-rate housing.

Low-income multifamily property, St. Augustine, Fla.



Source: GAO.

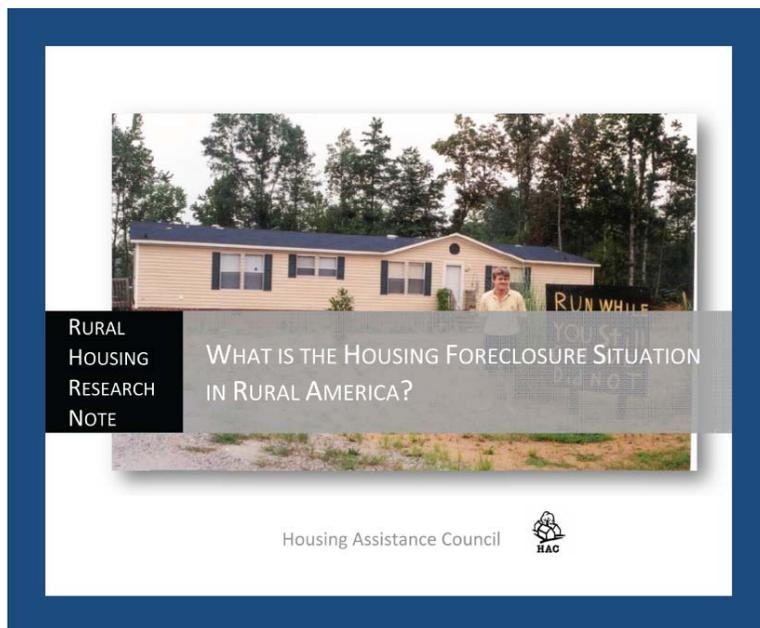
- Another nonprofit rural housing developer told us that a small HAC capacity-building grant was instrumental in letting him grow his organization, leverage state funding, and construct more than 60 new SHOP units.

Objective 4: OMB's PART Assessment Cites HAC's Contributions to SHOP Effectiveness

- OMB evaluated SHOP under its Program Assessment Rating Tool in 2006. OMB concluded that SHOP's design was effectively targeted so that resources would develop new housing for very-low-income households. OMB cited HAC and Habitat for Humanity as responsible for 94 percent of the new homeowners that participated in the SHOP program from 1996 to 2006.
- OMB also noted that HAC conferences attended by HUD, USDA, and SHOP grantees helped SHOP collaborate and coordinate effectively with related programs, such as USDA's Section 502 Direct Loan Program, which is the principal SHOP homeowners loan.

Objective 4: HUD Relies on HAC to Provide Rural Research and Information

- According to HUD, HUD and HAC work together to identify rural housing research issues, and HAC signs a cooperative agreement each year to produce a list of reports.
- HUD told us that it relies on HAC to provide research findings on rural housing issues and noted that HAC's breadth of understanding of these issues made it the best source of such research.



Source: HAC.

Objective 4: HAC Is Developing Measures to Track Long-Term Outcomes

- HAC surveys and collects evaluation reports from its technical assistance and training recipients and administers a stakeholders survey every 3 years that includes questions on HAC's technical assistance. HAC also compiles examples of the results of some of its one-on-one technical assistance and capacity-building efforts.
- However, HAC does not require its loan recipients to track long-term outcomes of their activities. HAC told us that one Ohio organization that does track its SHOP program homebuyers reported that around 80 percent of these families remained in their homes, but HAC's program guidelines do not require SHOP recipients to track such outcomes.

Objective 4: HAC Survey Results Indicate Overall Satisfaction but Are Not Conclusive or Generalizable

- HAC's 2008 survey of its rural housing stakeholders was designed to determine how they had used HAC's loan products and measure their satisfaction with these products and other services they received.
- The results of this survey were consistent with our six site visits. Stakeholder respondents had a high opinion of HAC's activities and believed that HAC's funding, technical assistance, training, and research were important resources.
- However, because the survey had a low response rate, and survey respondent types could not always be tracked, the results were not conclusive or generalizable.

Objective 4: Methodological Issues with HAC's Survey Limited the Use of the Data

- HAC distributed the online survey to approximately 700 stakeholders across the country. Because only 253 organizations (36 percent) responded to the survey, the results may not be statistically representative of the universe of HAC's stakeholders.
- HAC told us that only 75 of the survey respondents had actually received loans from HAC, yet nearly 140 respondents answered survey questions measuring participation and satisfaction with HAC loan products. To maintain respondents' anonymity, HAC did not identify respondents to specific questions or limit its analysis of loan product satisfaction to entities that had actually received a HAC loan.
- HAC is planning to conduct another stakeholder survey in 2011. HAC officials told us that they planned to improve the quality of future surveys by working to increase response rates and better track respondent types.

Enclosure II



Housing Assistance Council

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November 23, 2010

Mr. Andrew E. Finkel
Assistant Director
Financial Markets and Community Investment
U. S. Government Accountability Office
Washington, DC 20548

Dear Mr. Finkel:

On behalf of the Housing Assistance Council (HAC) board of directors and staff, I want to thank the GAO team for its review of HAC. The review was useful for us in that it gave us an objective view of our performance and helped us assess the value of our work. The GAO team conducted itself professionally and presented us with questions that will be useful as we look for ways to improve our work and service to local organizations to improve housing conditions for rural low-income people.

The observation that HAC needs to develop techniques to measure its performance more reliably is something we recognize. It has been a challenge to determine long-term outcomes of our work. Our funding sources do not always require it, though we are cognizant of the value of measuring long-term effectiveness. We do collect data, but the collection process can improve to give us better information. We are making efforts to improve; we have a task force that is investigating how to better measure our work's impact and we expect to make progress in this area. GAO's observations have helped us think of ways to do this better. For example, our stakeholders' survey will incorporate the suggestions made by GAO staff during the review to provide us more generalizable and reliable data. We will also examine ways to incorporate requirements to our program guidelines to track recipients of our services and loans to give us information on long-term outcomes.

Again, we are grateful to the GAO team for its observations and recommendations, which we will take to heart and use to better our operation.

Sincerely,

Moises Loza
Executive Director

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