

GAO@100 Highlights

Highlights of [GAO-21-219](#), a report to congressional requesters

Why GAO Did This Study

Poor maintenance of foreclosed properties can negatively affect communities and threaten neighborhood stability. FHA, VA, RHS, and Freddie Mac are among the federal entities owning foreclosed properties through REO programs.

GAO was asked to review how these federal entities monitor REO property conditions. The objectives this report examines include trends in the number of REO properties; oversight of maintenance contractors; and whether metrics used to assess REO program performance align with entities' missions.

GAO reviewed and analyzed reports and data on the number of REO properties and documentation on FHA, Freddie Mac, VA, and RHS oversight of REO property maintenance from 2017 to 2020. GAO also analyzed data on REO reimbursements to contractors for maintenance activities.

What GAO Recommends

GAO recommends that FHA, VA, and RHS consider additional REO program metrics that measure how the programs support their respective missions of strengthening communities and serving veterans and rural homeowners. The entities generally agreed with the recommendation.

View [GAO-21-219](#). For more information, contact John H. Pendleton at (202) 512-8678 or pendletonj@gao.gov.

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HOME FORECLOSURE SALES

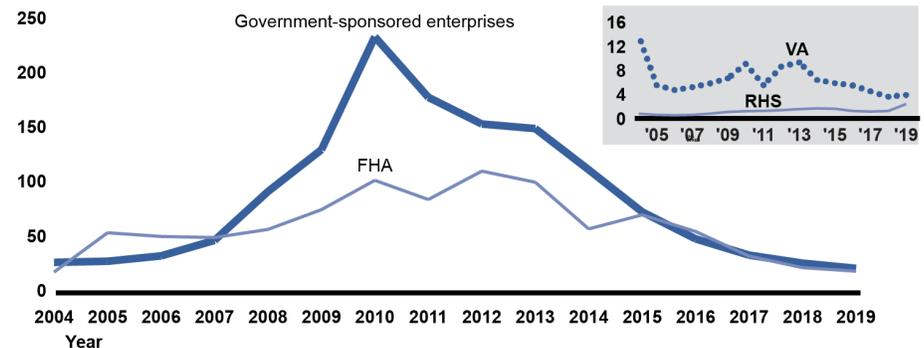
FHA, Rural Housing Service, and VA Could Better Align Program Metrics with Their Missions

What GAO Found

By 2019, the number of foreclosed properties—known as real estate-owned (REO) properties—that federal entities owned declined to historically low levels because of the housing market recovery and the sale of many of the properties (see figure).

Real Estate-Owned Properties of Selected Federal Entities, 2004–2019

Real estate-owned properties (in thousands)



Source: GAO analysis of Federal Housing Administration (FHA), Department of Veterans Affairs (VA), Rural Housing Service (RHS), Freddie Mac, and Fannie Mae data. | GAO-21-219

Note: Fannie Mae and Freddie Mac are the government-sponsored enterprises shown here. Data for the enterprises and FHA are calendar year; for VA and RHS, fiscal year ending September 30.

The entities GAO reviewed each have processes to oversee their REO maintenance contractors' activities and performance, including internal and external performance reviews and on-site inspections. Entities generally have standardized maintenance policies for REO properties across the country, such as emergency repairs for broken windows and routine maintenance requirements for the frequency of cutting grass. GAO found that the performance of contractors whose documentation GAO reviewed generally met entities' standards and requirements. However, entities' oversight of contractors identified instances of underperformance in maintenance. For instance, the Federal Housing Administration (FHA) recouped almost \$3 million from seven property maintenance contractors for work below quality standards from 2017 to 2020.

The REO program metrics of FHA, the Department of Veterans Affairs (VA), and the Rural Housing Service (RHS) focus on required financial goals, such as minimizing losses, but do not always align fully with other program goals or agency missions. For example, FHA does not collect comprehensive information on REO property sales to public-sector homeowners or local nonprofits—missing an opportunity to measure the extent to which its REO program supports its goal to strengthen neighborhoods and communities. Similarly, VA and RHS lack metrics that would show whether their REO programs align with their broader agency missions to serve veterans and rural homebuyers, respectively. Incorporating additional metrics could help FHA, VA, and RHS ensure that their REO programs assist in meeting their agencies' missions.