DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The mission of the Department of Housing and Urban Development (HUD) "is to create strong, sustainable, inclusive communities and quality affordable homes for all."[1] No one in America should be homeless, especially when the federal government is spending billions of dollars every year to provide housing for those in need. Yet, homelessness in the United States remains a significant problem.

The factors contributing to homelessness can be complicated and far ranging, from societal issues such as the recent housing crisis and economic recession, to more personal factors like unemployment, mental illness, and substance abuse. Poor management, misspending, fraud, and neglect of federal funds also contribute to our inability to better address the issue.

Improving Management of Funds and Resources

From paying rent subsidies to the dead to dramatic losses on the resale of foreclosed homes to excess travel costs, mismanagement at HUD is costing taxpayers billions of dollars. Reforming our nation's housing agency will require improving financial management and eliminating unnecessary administrative costs.

Congress appropriated $46.06 billion to HUD in fiscal year 2010. "Regular appropriations for HUD (not including emergency supplemental funding) have increased by 57% in the nine years prior to fiscal year 2011. This increase in the HUD budget has been partly attributable to increased funding for HUD programs, particularly the Section 8 programs, which have had a 70% increase in funding over this period and have grown to account for well over half of HUD's total budget," according to the Congressional Research Service.[2] Of these amounts, billions of dollars were wasted or misspent.

For example, according to HUD's Office of the Inspector General (OIG), in 2010 alone, HUD could have put over $813 million to better use and paid over $155 million in questionable costs.[3] This represents nearly $1 billion in public funds that could have been better spent providing housing aid to those in need or not spent at all.

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[1] "About HUD; Mission," HUD website, accessed June 10, 2011; http://portal.hud.gov/hudportal/HUD?src=/about/mission .

[2] Maggie McCarty, "The Department of Housing and Urban Development (HUD): fiscal year2011 Appropriations," Congressional Research Service, April 29, 2011.

[3] "Semi-annual Report to Congress; April 1, 2010, through September 30, 2010," U.S. Department of Housing and Urban Development Office of Inspector General; http://www.hudoig.gov/pdf/sar/sar64.pdf .

Profile of Performance

Audit profile of performance
for the period April 1, 2010, through September 30, 2010

Results	This reporting period	FY 10 totals
Recommendations that funds be put to better use[1]	$225,136,232	$813,264,347
Recommended questioned costs[1]	$109,919,327	$155,188,440

HUD's Inspector General says the Department could have better spent nearly $1 billion last year.[4]

As of March 2011, half-way through fiscal year 2011, approximately $900 million in HUD rental assistance payments made were improper,[5] including paying rent for 652 deceased people.[6]

In recent years, HUD has also spent approximately $12.2 billion acquiring over 110,000 foreclosed houses, but has been able to recover only $5.5 billion upon resale. This resulted in HUD losing 39 cents on the dollar for every home it resold (by comparison, the Department of Veterans Affairs lost 13 cents for each home it acquired and resold).[7]

Vehicle costs have likewise risen without adequate explanation. The $2.1 million annual cost of HUD's automobile fleet has increased 70 percent since 2004, yet Department officials cannot determine the cause. "Where that spike in overall costs came from, I have no idea," said HUD's director of facilities management division and the department's spokesman conceded "[w]e can't explain it."[8]

HUD spent $22 million on travel in 2008, including rental cars, hotels and airline tickets.[9]

HUD could save tens of millions of dollars every year by reducing improper payments, controlling unnecessary costs including travel and vehicle purchases, and improving management of resources.

HUD wastes another $1 billion every year on utilities in poorly insulated housing units with inefficient appliances. "[T]he federal government wastes taxpayers' money, needlessly spends

[4] "Semi-annual Report to Congress; April 1, 2010, through September 30, 2010," U.S. Department of Housing and Urban Development Office of Inspector General; http://www.hudoig.gov/pdf/sar/sar64.pdf .
[5] "High-Error Programs » Rental Housing Assistance Programs," Payment Accuracy website, accessed June 14, 2011; http://www.paymentaccuracy.gov/programs/rental-housing-assistance .
[6] "High-Error Programs » Rental Housing Assistance Programs » Deceased Singe Households," Payment Accuracy website, accessed June 14, 2011; http://www.paymentaccuracy.gov/programs/rental-housing-assistance .
[7] Brad Heath, "Gov't losses big in home market," USA Today, May 15, 2009; http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm .
[8] Jennifer Kerr, "AP IMPACT: Govt loves its cars, all 642,233 of 'em," Associated Press, July 31, 2008, http://www.usatoday.com/news/topstories/2008-07-31-185747507_x.htm.
[9] Alyssa Rosenberg, "FEATURES Catch as Catch Can," Government Executive, August 15, 2009; http://www.govexec.com/features/0809-15/0809-15s6.htm .

scarce housing funding on energy and utility bills," according to the National Consumer Law Center (NCLC).[10]

HUD's largest affordable housing block grant program has squandered $400 million on nearly 700 projects that have been abandoned or are in limbo[11] with another $250 million tied up in 600 stalled projects.[12]

HUD has even spent money where it was not wanted or needed. The department awarded a $578,661 grant to Town of Union, New York, for homelessness prevention though the town never applied for the money and claims it does not have a homeless problem. "Union did not request the money and does not currently have homeless programs in place in the town to administer such funds," according to town Supervisor John Bernardo, who said he isn't aware of any homeless issue in the largely suburban town.[13]

The Department ends every year with billions of dollars of funds. HUD is expected to end fiscal year 2011 with nearly $18 billion in unobligated funds. This unobligated amount is projected to increase to almost $24 billion at the end of fiscal year 2012.[14]

Better management and accountability is needed at the Department to meet its mission and to ensure taxpayer dollars are not being squandered. Consolidating duplicative programs, eliminating wasteful and unnecessary spending and focusing HUD resources where they are truly needed can improve the outcomes; ensuring those in need of stable housing are better served.

Directing More Resources to Housing Assistance by Consolidating Duplicative Programs

Federal housing assistance programs do not seem to be working as intended, owing in part to poor program management and confusion from countless overlapping and duplicative efforts. The latest "Annual Homeless Assessment Report to Congress" prepared by HUD found 643,000 persons living in the U.S. were homeless on a given night in 2009 while roughly 1.56 million people, or one in every 200 Americans, spent at least one night in a shelter during 2009.[15] That same year, at least seven federal agencies spent $2.9 billion on over 20 programs intended to assist the homeless, according to the Government Accountability Office (GAO).[16] These programs are administered by at least four executive departments including the Department of

[10] Wendy Koch, "Report: HUD wastes money on energy-guzzling homes," USA Today, August 27, 2010; http://content.usatoday.com/communities/greenhouse/post/2010/08/report-hud-wastes-taxpayer-money-on-inefficient-housing/1 .

[11] Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," Washington Post, May 14, 2011; http://www.washingtonpost.com/investigations/a-pattern-of-hud-projects-stalled-or-abandoned/2011/03/14/AFWelh3G_story.html?wprss=rss_homepage .

[12] "Delayed dollars, defunct deals," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/funding/ .

[13] Nancy Dooling, "$578,661 for Union homeless questioned; Money leaves town officials puzzled," Binghamton Press & Sun-Bulletin (New York), March 5, 2009, http://littlegreenfootballs.com/page/146080_$578661_for_Union_homeless_qu.

[14] "Balances of Budget Authority Fiscal Year 2012," Budget of the U.S. Government, Office of Management and Budget, page 8, accessed June 16, 2011; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf .

[15] "HUD ISSUES 2009 ANNUAL HOMELESS ASSESSMENT REPORT TO CONGRESS; Individual homelessness down; Family homelessness up for second straight year," U.S. Department of Housing and Urban Development, June 16, 2010; http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2010/HUDNo.10-124 .

[16] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue (GAO-11-318SP)," Government Accountability Office, March 2011; http://www.gao.gov/new.items/d11318sp.pdf .

Education (ED), the Department of Homeland Security (DHS), the Department of Health and Human Services (HHS), and HUD.[17]

GAO also found there are a large number of other programs doing much of the same work, including "a total of 23 federal housing programs that target or have special features for the elderly. Specifically, one HUD and one USDA program target the elderly exclusively, while three HUD programs target the elderly and disabled. The remaining 18 programs serve a variety of household types but have special features for elderly households, such as income adjustments that reduce their rents."[18]

In addition to housing initiatives, HUD's economic development programs duplicate other existing federal programs. The Community Development Block Grant (CDBG) at HUD duplicates, in large part, the Economic Development Administration at the Department of Commerce. The Department of Health and Human Services also administers three programs focused on community development, including the community economic development program, the Social Services Block Grant, and the Community Services Block Grant. HUD's *Rural Innovation Fund Program*, which addresses economic development activities in rural areas, for example, should be eliminated with any of its essential functions consolidated into the Department of Agriculture's Rural Development program.

The fragmentation caused by duplicative housing programs "can create difficulties for people in accessing services as well as administrative burdens for providers who must navigate various application requirements, selection criteria, and reporting requirements," according to GAO. Furthermore, "the lack of federal coordination was still viewed by some local service providers as an important barrier to the effective delivery of services to those experiencing homelessness."[19]

By consolidating these programs, reducing excessive overhead, and eliminating redundant paperwork, increased amounts can be spent on housing aid while spending less overall.

Ending Federal Housing Payments to Slum Lords

Over the past several years, there have been far too many examples of slum lords receiving hundreds of millions of federal dollars. In some cases, those without stable housing and who sought help were put at health and safety risks by those entrusted to care from them with taxpayer funds.

A recent *ABC News' Nightline* investigation found that the government's low-income housing programs "are plagued by theft, mismanagement and corruption at local levels, including millions spent on housing for sex offenders and dead people, and all too often fail the 3 million

[17] Libby Perl, "Homelessness: Targeted Federal Programs and Recent Legislation," (RL30442), Congressional Research Service, March 8, 2011.
[18] "ELDERLY HOUSING; Federal Housing Programs That Offer Assistance for the Elderly," (GAO-05-174) Government Accountability Office, February 2005; http://www.gao.gov/new.items/d05174.pdf .
[19] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," (GAO-11-318SP), Government Accountability Office, March 2011; http://www.gao.gov/new.items/d11318sp.pdf .

families who rely on them for a clean, safe place to live."[20] Specifically, the report found the Philadelphia Housing Authority, spent housing funds on lavish gifts for its executives, $500,000 to settle sexual harassment claims against its director, and $17,000 of housing funds to throw an extravagant party with belly dancers. Illustrating all too well the problems with the program, the same month belly dancers were entertaining Philadelphia housing officials, a 12 year old girl living in federally-subsidized housing suffered a near-fatal asthma attack that has left her under to speak or walk that may be linked to dangerous mold in her home.[21]

The Philadelphia Housing Authority spent $17,000 of housing funds to throw an extravagant party for its executives, including $1,200 for a troupe of belly dancers.[22]

The federal government provided as much as $300 million to more than 60 housing agencies "that have been repeatedly faulted by auditors for mishandling government aid," according to a review conducted by *USA Today*.[23]

The New York Daily News found similar evidence of money being misused on "some of the city's worst landlords" who received $81 million in federal housing funds "even though their buildings are riddled with housing code violations." The report stated "millions of dollars have

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[21] Avni Patel, Brian Ross, and John Solomon, "Housing Agency Spent Thousands of Dollars on Belly Dancers, Luxury Bags; Lavish Spending at Philadelphia Housing Authority Raises Oversight Concerns," ABC News, January 27, 2011; http://abcnews.go.com/Blotter/philadelphia-housing-authority-spent-thousands-belly-dancers-bags/story?id=12771932 .

[22] "Partying With Belly Dancers While Residents Complain; Phila. Housing Authority Threw Extravagant Parties While Ignoring Complaints," ABC News, January 27, 2011; http://abcnews.go.com/Blotter/slideshow/partying-belly-dancers-residents-complain-12333807 .

[23] Brad Heath, "Housing agencies faulted in audits to get $300M of stimulus, USA Today, April 8, 2009; http://www.usatoday.com/news/washington/2009-04-07-Stimulus-Housing_N.htm .

been doled out to buildings where tenants have repeatedly complained of rats, roaches, faulty elevators, lack of heat and flaking lead paint."[24]

In Washington, D.C., as well, more than $1 million in federal housing assistance for those living with HIV/AIDS was steered to an organization that left its residents, the intended beneficiaries of the funds, without electricity, gas or food. Within walking distance of the U.S. Capitol and the Department of Housing and Urban Development, this money flowed for years to slum lords even though city monitors cited "deteriorating building conditions, double-billing for salaries and questionable expenses on invoices for jewelry, suede gloves, flowers and a fish tank" and ghost employees, according to a recent expose by *The Washington Post*.[25]

A firm chosen by HUD to construct homes for Tampa, Florida, residents receiving federal housing assistance used toxic drywall, which caused respiratory problems, nose bleeds, rashes, and other health problems. *The Tampa Tribune* reports "homeowner's insurance doesn't cover defective drywall, and the county property appraiser says the homes are close to worthless. The builder is out of business and the housing authority and developer say they're not liable. The homes, purchased for $165,000, are now worth about $5,229, according to the Hillsborough County Property Appraiser's Office, due to the bad drywall and replacing the drywall would cost about $100,000 per home. As a result, tens of thousands of federal housing dollars have been lost for each of the toxic homes and many families are worse off now than before they received the assistance.[26]

In Indiana, investigators found the poor being "forced to live in substandard housing" that local authorities knew was unsafe, yet did not fix. In Indianapolis alone, more than $5.2 million a year has been spent on housing residents in unsafe conditions, according to *The Fort Wayne Journal Gazette*.[27]

About $2.2 million of the federal funds intended to support low-income housing on Navajo Nation Indian lands in Arizona and New Mexico was instead misspent on gambling, furs and jewelry, and racehorse training, according *The Las Vegas Sun*.[28]

These are just a few of the many examples illustrating how housing funds have been misdirected to slum lords, often right under the nose of HUD overseers. To ensure federal housing aid benefits the needy - rather than the greedy - and to prevent slumlords from abusing taxpayers and

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[24] Tina Moore, "Slumlords get share of $81M stimulus, despite code violations on buildings," New York Daily News, August 16, 2009;
http://www.nydailynews.com/real_estate/2009/08/16/2009-08-16_slumlords_get_to_share_stimulus_pot_worth_81m_they_own_some_of_citys_most_hazard.html

[25] Debbie Cenziper, "Staggering need, striking neglect; The nation's worst-hit city awards millions for care and shelter without ensuring it gets to those it's meant to help," The Washington Post
October 18, 2009
http://www.washingtonpost.com/wp-dyn/content/article/2009/10/17/AR2009101701984.html .

[26] Shannon Behnken, "Taxpayer money tied up in homes with tainted drywall," The Tampa Tribune (Florida), March 8, 2011;
http://www2.tbo.com/content/2011/mar/08/081458/taxpayer-money-tied-up-in-homes-with-tainted-drywa/news-breaking/ .

[27] Dan Stockman, "Public-housing troubles spread statewide; Living conditions unsafe and finances unkempt," Fort Wayne Journal Gazette (Indiana), May 25, 2008;
http://www.journalgazette.net/apps/pbcs.dll/article?AID=/20080525/LOCAL10/805250436 .

[28] Mary Manning, "Men charged with embezzling money from Indian housing grants," The Las Vegas Sun (Nevada), May 27, 2009; http://www.lasvegassun.com/news/2009/may/27/men-charged-embezzling-money-indian-housing-grants/ .

the disadvantaged, landlords and developers with histories of violating housing standards or failing safety inspections should be barred from receiving federal funds. Simple background checks on grant applicants would protect hundreds of millions of dollars of federal housing assistance from slum lords. This is a significant amount of money that could make a great impact on the lives of those who are in need.

Prohibiting the Repayment of HUD Loans with HUD Grants

In a highly unusual lending scheme, HUD allows those who have HUD-guaranteed loans to pay them down with HUD grants. This allows borrowers to avoid paying back their HUD loans by applying for HUD grants, increasing costs for taxpayers.

In Buffalo, New York, huge amounts of HUD grant money are going for just this purpose. "Nearly 20 percent of block grant funds, totaling $38.5 million, have been spent over the past decade repaying risky loans to developers who defaulted, as well as money the city lent itself through the Section 108 loan program backed by block grants."[29]

In Massillon, Ohio, the city has spent $1,416,985 of Community Development Block Grant (CDBG) funds—provided by HUD—to repay a $2.25 million Section 108 loan—also provided by HUD—to the city to help finance a loan for a developer. Moreover, the developer owes the money not for a housing project, but for a Hampton Inn that was built over a decade ago. The HUD loan and grant can be used for a vast array of projects including economic development, housing rehabilitation, construction, and in this case, bailing out a developer who could not repay an old debt.[30]

In Newburgh, New York, where the city is said to have "squandered more than $2 million" in federal funds on two failed projects financed by HUD Section 108 loans, the loans were later repaid with HUD CDBG grants. [31] The two projects were "a still non-existent industrial park" and a marina near "trendy waterfront nightspots and restaurants." When the marina developer was delinquent in making payments, the city tapped Community Development Block Grants from HUD to repay the loans. The industrial park project was initiated with a $2.13 million federal loan in 1999. But no developer was found for the project and "the city has no plans to finish the project." The city spent $900,000 of the $2.13 million federal loan and the remainder sat in the bank while the city used $1.7 million of CDBG funds to make repayments for the loan.[32]

In just these three cities, over $42 million worth of HUD loans were or are being repaid with HUD grants. This is little more than a financial shell game that bills taxpayers twice for failed

[29] James Heaney, "The Half-Billion-Dollar Bust," Buffalo News, November 14, 2004; http://buffalonews.typepad.com/outrages_insights/files/the_halfbillion_dollar_bust.pdf .

[30] Matthew Rink, "Hampton Inn becomes political football in mayor's race, Massillon Independent (Ohio), April 21, 2011; http://www.indeonline.com/news/x396828604/Hampton-Inn-becomes-political-football-in-mayors-race .

[31] Doyle Murphy, "City of Newburgh used grants for poor to pay delinquent developer, federal audit says; HUD slaps officials for poor oversight of loans; industrial park never built," Times Herald-Record (New York), December 29, 2008; http://www.recordonline.com/apps/pbcs.dll/article?AID=/20081229/NEWS/812290328 .

[32] Doyle Murphy, "City of Newburgh used grants for poor to pay delinquent developer, federal audit says; HUD slaps officials for poor oversight of loans; industrial park never built," Times Herald-Record (New York), December 29, 2008; http://www.recordonline.com/apps/pbcs.dll/article?AID=/20081229/NEWS/812290328 .

risky government projects. Federal funds, from HUD or any other department or agency, should no longer be allowed to be spent to repay HUD loans.

The Hampton Inn in Massillon, built in 1998,
is being financed with a HUD loan which is being paid off with a HUD grant.[33]

Preventing Bailouts of Risky Government-backed Mortgages

HUD's largest mortgage program, the Federal Housing Agency (FHA), is at risk of losing billions because of its prior investments in high-risk home loans. Reforming this program should require tightening standards to prevent loans with a low probability of repayment from being issued.

The bailouts of Fannie Mae and Freddie Mac are estimated to cost taxpayers $317 billion, according to the non-partisan Congressional Budget Office (CBO). "[Fannie Mae and Freddie Mac] reported a fair-value deficit of approximately $187 billion. Adding to that, the $130 billion in net payments already received from the Treasury implies a fair-value cost to the government of about $317 billion in obligations incurred through March 2011. The increase in that total compared with CBO's 2009 estimate reflects continued deterioration in the condition of the housing market that is increasing default rates on distressed mortgages and depressing the amounts that can be recovered following defaults," according to testimony from CBO before Congress.[34]

And now the Federal Housing Administration (FHA) "is filling a void left after mortgage-finance agency Fannie Mae tightened its condo lending standards last year."[35] FHA claims it "is the only government agency that operates entirely from its self-generated income and costs the taxpayers nothing."[36] But FHA's unrealistic risk assumptions may be setting up the agency for a taxpayer bailout, according to Dr. Andrew Caplin, a professor of economics at New York

[33] Photos by Glenn B. Dettman, Massillon Independent (Ohio), April 21, 2011; http://www.indeonline.com/news/x396828604/Hampton-Inn-becomes-political-football-in-mayors-race .

[34] Testimony of Deborah Lucas , Congressional Budget Office Assistant Director for Financial Analysis," The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market, before the U.S. House of Representatives Committee on the Budget, June 2, 2011; http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs_Testimony.pdf .

[35] Oshrat Carmiel, "Manhattan Luxury Condos Try FHA Backing in 'Game Changer'," Bloomberg, August 13, 2010; http://www.bloomberg.com/news/2010-08-13/manhattan-luxury-condos-embrace-federal-help-in-game-changer-for-sales.html .

[36] "The Federal Housing Administration (FHA)," HUD website, accessed June 13, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/fhahistory .

University.[37] Others also "fear a billion-dollar taxpayer rescue" of the agency because the "tens of thousands of bad loans that the FHA approved from 2006 through 2008 are resulting in record numbers of insurance claims."[38]

The FHA insures mortgages that a private lender would not otherwise make, and as such the agency had previously not required a minimum credit score for a borrower to qualify.[39] An analysis by *USA TODAY* has found "weak enforcement of its [FHA's] own rules put thousands of home buyers in danger of getting loans based on fraudulent records or sloppy work at a time when lending companies were pushing high-risk loans." The report found "hundreds of companies violated the FHA's safe-lending standards but continued to receive its blessing to lend money in the past three years."[40]

Unfortunately, FHA did little to stop any of this, and in fact stepped aside and allowed it to continue. "A total of 821 violations of FHA standards have gone unpunished since late 2007, while the agency has taken action in 222 instances of violations, according to *USA TODAY's* analysis." Furthermore, "The FHA also has been unaware of lenders' legal problems. The agency has no system to learn when federal prosecutors charge or convict FHA lenders, spokesman Brian Sullivan said. The mortgage companies themselves are supposed to tell the FHA when they are charged. But, Sullivan noted, 'many lenders fail to report.'"[41]

Additionally, while the FHA was "created in 1934 to make homeownership attainable for low- to moderate-income Americans, [it] is now providing a lifeline to new Manhattan luxury condominiums after sales stalled. Buildings featuring pet spas, concierges and rooftop lounges are applying for agency backing to unlock bank financing for purchasers. The FHA guarantees that if a homebuyer defaults on his mortgage, the agency will pay it."[42]

To avoid putting taxpayers on the hook for another multi-billion dollar bailout, FHA must follow its minimum credit scores requirements, then return to its previous set limit of insuring no more than 30 percent of mortgages in a single building, reduce the amount of a loan the FHA will insure from $729,750 to $500,000, and checking the records of mortgage companies to end coverage of mortgages provided by shady companies with legal problems, including prior convictions.

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[37] Testimony of Dr. Andrew Caplin, Professor of Economics and Co-Director Center for Experimental Social Science, New York University, before the House Committee on Financial Services' Subcommittee on Housing and Community Opportunity, for the Hearing On "The FHA Reform Act of 2010," March 11, 2010; http://cess.nyu.edu/caplin/wp-content/uploads/2010/02/Testimony-on-FHA3.pdf .

[38] Thomas Frank, "FHA slow to flag problem lenders, stop them," USA Today, March 28, 2011, Page B1; http://www.usatoday.com/money/economy/housing/2011-03-25-fha-problem-lenders-enforcement.htm .

[39] Oshrat Carmiel, "Manhattan Luxury Condos Try FHA Backing in 'Game Changer'," Bloomberg, August 13, 2010; http://www.bloomberg.com/news/2010-08-13/manhattan-luxury-condos-embrace-federal-help-in-game-changer-for-sales.html . Since the story ran, it appears the credit scores policy for FHAhave changed, see http://www.fha.com/fha_requirements_mortgage_insurance.cfm.

[40] Thomas Frank, "FHA slow to flag problem lenders, stop them," USA Today, March 28, 2011, Page B1; http://www.usatoday.com/money/economy/housing/2011-03-25-fha-problem-lenders-enforcement.htm .

[41] Thomas Frank, "FHA slow to flag problem lenders, stop them," USA Today, March 28, 2011, Page B1; http://www.usatoday.com/money/economy/housing/2011-03-25-fha-problem-lenders-enforcement.htm .

[42] Oshrat Carmiel, "Manhattan Luxury Condos Try FHA Backing in 'Game Changer'," Bloomberg, August 13, 2010; http://www.bloomberg.com/news/2010-08-13/manhattan-luxury-condos-embrace-federal-help-in-game-changer-for-sales.html .

Eliminating Unnecessary, Inefficient, and Wasteful Programs
HUD spends hundreds of millions of dollars every year on duplicative programs, many of which have high administrative costs, are inefficient and wasteful, or are simply not essential or needed. These should be eliminated.

The Brownfields Economic Development Initiative (BEDI) is a HUD grant program "to assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by *real or potential* environmental contamination."[43] Funds from BEDI grants may be used for a variety of purposes including "any eligible activity under the Section 108 program [such as] property acquisition, economic development, public facilities and related activities."[44] President Obama has called for eliminating this program, with the Office of Management and Budget noting that "existing larger programs to address the same needs are more efficient and require a lower administrative burden on the Department of Housing and Urban Development (HUD). Local governments have access to other public and private funds that can address the same purposes." OMB also argues that "by terminating this program, HUD is also able to reduce the administrative workload associated with managing a small and duplicative program," thereby "focusing staff on higher-impact and higher-return activities." Eliminating this duplicative program would save $18 million a year.[45]

The Capacity Building for Community Development and Affordable Housing Grants program is in many regards an earmark for four organizations handpicked by Congress. Current law excludes any other than these groups from being eligible for applying for the grants. Funds may be spent on a wide range of activities relating to "capacity building for affordable housing and community development" to the undefined, such as "other activities as may be determined by the grantees in consultation with the Secretary or his designee."[46] While the five groups that receive funds may disseminate them to other subgrantees, they are given sole discretion over how the funds are used. The five organizations eligible for the $49.5 million provided by this program are Living Cities/The National Community Development Initiative (NCDI), Enterprise Community Partners, Inc., Local Initiatives Support Corporation (LISC), and Habitat for Humanity International.[47] While all of the groups are prominent in their field, a dedicated program for them is unnecessary because they are also eligible for funds provided by other housing and community development programs administered by HUD and other federal agencies. Habitat for Humanity, for example, received $20.9 million in federal grants from a number of federal sources, including the U.S. Corporation for National and Community Service, and the U.S. Agency for International Development last year. Additionally, "$256 million in

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[43] "Brownfields Economic Development Initiative (BEDI)," HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/economicdevelopment/programs/bedi/index.cfm .
[44] "Financing Brownfields Redevelopment," HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/economicdevelopment/programs/bedi/bfieldfinance.cfm .
[45] "TERMINATION: BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 11; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[46] "Section 4 Capacity Building for Community Development and Affordable Housing," Catalogue of Federal Domestic Assistance website, accessed June 24, 2011; https://www.cfda.gov/?s=program&mode=form&tab=step1&id=fc3c47b836f4e22647740446a7c8f8f1 .
[47] "Capacity Building for Community Development and Affordable Housing Grants, HUD website, accessed June 24, 2011; http://www.hud.gov/offices/cpd/about/capacitybuilding.cfm .

U.S. federal funds was on its way to habitat affiliates in more than 30 states through neighborhood stabilization programs," according to Habitat for Humanity's 2010 annual report.[48] This program should be eliminated and any essential activities it conducts should be consolidate with existing programs and open to competitive bidding, rather than earmarked to a handful of groups.

The Doctoral Dissertation Research Grant program provides financial support to doctoral students to prepare dissertations on housing and urban development issues.[49] HUD will spend $400,000 to award $25,000 to each doctoral candidate selected.[50] This program is unnecessary as grants and loans are available to needy students through the Department of Education, and therefore, the program should be ended.

The HOME Investment Partnerships Program "is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. Each year it allocates approximately $2 billion among the States and hundreds of localities nationwide." The funds may be spent on a broad range of activities from purchasing to rehabilitating homes.[51] This program has squandered $400 million on nearly 700 projects that have stalled or been abandoned.[52] Another "600 projects have not drawn any of the money allocated, tying up $250 million."[53] A nationwide investigation of the program by *The Washington Post* "uncovered a dysfunctional system that delivers billions of dollars to local housing agencies with few rules, safeguards or even a reliable way to track projects. The lapses have led to widespread misspending and delays in a two-decade-old program meant to deliver decent housing to the working poor. *The Post* found breakdowns at every level:

- "Local housing agencies have doled out millions to troubled developers, including novice builders, fledgling nonprofits and groups accused of fraud or delivering shoddy work.
- "Checks were cut even when projects were still on the drawing boards, without land, financing or permits to move forward. In at least 55 cases, developers drew HUD money but left behind only barren lots.
- "Overall, nearly one in seven projects shows signs of significant delay. Time and again, housing agencies failed to cancel bad deals or alert HUD when projects foundered.

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[48] "What we build," Habitat for Humanity International fiscal year 2010 annual report, Habitat for Humanity9k, http://www.habitat.org/support/report/2010/annual_report_2010.pdf .
[49] "Doctoral Dissertation Research Grant Program," HUD website, accessed June 23, 2011; www.hud.gov/hudportal/HUD?src=/programdescription/ddrg .
[50] "Doctoral Dissertation Research Grant Program," Grants.gov, posted May 19, 2011; http://www.grants.gov/search/search.do?mode=VIEW&oppId=95554 .
[51] HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/affordablehousing/programs/home/ .
[52] Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," Washington Post, May 14, 2011; http://www.washingtonpost.com/investigations/a-pattern-of-hud-projects-stalled-or-abandoned/2011/03/14/AFWelh3G_story.html?wprss=rss_homepage .
[53] "Delayed dollars, defunct deals," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/funding/ .

- "HUD has known about the problems for years but still imposes few requirements on local housing agencies and relies on a data system that makes it difficult to determine which developments are stalled.

- "Even when HUD learns of a botched deal, federal law does not give the agency the authority to demand repayment. HUD can ask local authorities to voluntarily repay, but the agency was unable to say how much money has been returned."[54]

President Obama has proposed cutting the HOME Investment Partnerships by 9.5 percent, or $175 million from current funding levels.[55] Due to the program's excessive waste, mismanagement, and duplication, the entire program should be ended. This would save $1.82 billion a year. Any essential services it provides that do not duplicate assistance provided by any of HUD's other assistance programs should be consolidated into the appropriate remaining programs. Furthermore, HUD should cancel any projects, and collect whatever funds remain available, for which little or no money has been spent for over a year, construction has not yet begun or has been stalled for longer than two years, or the project has been abandoned. HUD should also seek to recollect any federal funds from developers, contractors, and grant recipients from failed or incomplete projects.

A developer received $5.5 million in HUD funds since 2006 to build houses on this lot in Anaheim, California, but no construction has occurred.[56]

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[54] Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," Washington Post, May 14, 2011; http://www.washingtonpost.com/investigations/a-pattern-of-hud-projects-stalled-or-abandoned/2011/03/14/AFWelh3G_story.html?wprss=rss_homepage .

[55] fiscal year 2012 Budget Summary, U.S. Department of Housing and Urban Development, February 2011, page 13; http://portal.hud.gov/hudportal/documents/huddoc?id=2012BudgetFinal_03_07_Web.pdf .

[56] Wilson Andrews and Debbie Cenziper, "Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .

A housing agency spent $1.7 million of federal funds to purchase land, build roads, and install utilities as part of a project to build 40 low-income homes in Nashville, Tennessee. No money remains to construct the houses, however, so the project is "essentially kind of moth-balled […] for the moment," according to the director of development.[57]

A non-profit received $350,000 of HUD funds in 2005 to build condominiums on this lot in Prince George's County, Maryland. The lot remains empty today.[58]

[57] Wilson Andrews and Debbie Cenziper, "Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .
[58] Wilson Andrews and Debbie Cenziper, "Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .

A developer was given $700,000 in 2003 to build low-income housing on this property in Newark, New Jersey. The project was recently terminated but the funds have not yet been recouped.[59]

NeighborWorks America is a congressionally-chartered nonprofit group, officially known as the Neighborhood Reinvestment Corporation, providing technical and financial aid for housing, "neighborhood revitalization," and "community building" as well as "grants, training and education, and publications."[60] The training includes courses in public speaking, time management, marketing, creating a social media plan, and "The Art of Schmoozing."[61] Programs run by NeighborWorks duplicate and overlap other HUD initiatives. According to CBO, "Neighbor-Works America is unnecessary. It is a relatively minor source of funding for NeighborWorks Organizations; its grants in 2008 made up 22 percent of their government funding and 5.5 percent of their total funding. Larger shares came from private lenders, foundations, corporations, and HUD. Moreover, other federal programs— particularly those in HUD—also support efforts to rehabilitate low-income housing and promote home ownership and community development. Similarly, if the Congress wished to continue to fund mortgage and financial counseling services for people facing foreclosure, it could do so without channeling the money through NeighborWorks America." CBO estimates elimination of federal funding for NeighborWorks America would save $185 million in 2012 and $1.9 billion over ten years.[62]

The Self-Help Homeowner Opportunity Program (SHOP) provides funding to organizations "to purchase home sites and develop or improve the infrastructure needed to set the stage for sweat equity and volunteer-based homeownership programs." Up to 20 percent of the grants may be

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[59] Wilson Andrews and Debbie Cenziper, Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .
[60] "Eliminate NeighborWorks America," Budget Options, Volume 2, Congressional Budget Office, August 2009, page 103; http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf .
[61] "Course Catalog," NeighborWorks America website, accessed June 15, 2011; http://www.nw.org/network/training/courses/default.asp .
[62] "Eliminate NeighborWorks America," Budget Options, Volume 2, Congressional Budget Office, August 2009, page 103; http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf .

spent on administrative costs, rather than direct housing assistance.[63] The Obama Administration has called for terminating this program because "existing larger programs to address the same needs are more efficient and place a lower administrative burden" on HUD. Eliminating this duplicative program with high administrative costs would save $27 million a year and nearly $300 million over ten years.[64]

The University Community Fund was created to "allow funding opportunities for colleges and universities interested in forming consortia" with other institutions "to jointly address the community/economic development needs of local communities."[65] The Obama Administration requested the creation of this "new University Community Fund as a set-aside from the larger CDBG program" in fiscal year 2010.[66] For fiscal year 2012, however, "no funding is requested for the University Community Fund" by the Administration[67] because the program is duplicative and has no metrics to demonstrate its effectiveness. President Obama's 2012 budget proposal notes "programs within the Department of Education serve similar populations, and activities currently funded by the University Community Fund are eligible activities of the Community Development Block Grant program. In addition, there are no comprehensive and independent evaluations of the program, indicating the program lacks clear indicators of effectiveness and impact."[68]

HUD administers a number of overlapping, duplicative and unnecessary research programs.

The General Research and Technology Activity program provides federal assistance "to carry out research, demonstration and program evaluation and monitoring projects of high priority and pre-selected by the Department."[69] The program costs approximately $41 million per year.

The Transformation Initiative: Natural Experiments Grant Program provides $600,000 a year to think tanks, foundations, and other organizations for "scientific research that makes use of natural experiments to evaluate the impacts of local, state, and federal policies" related to housing and urban development.[70]

The Transformation Initiative Research Grants: Demonstration and Related Small Grants, which spends $150,000 a year, "focuses on [h]omeless [f]amilies by providing a vehicle for

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[63] "Self-help Homeownership Opportunity Program (SHOP)," HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/affordablehousing/programs/shop/ .

[64] "TERMINATION: SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM (SHOP)," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 65; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[65] "Building Inclusive and Sustainable Communities Free from Discrimination," HUD Fiscal Year 2011 budget request, page 24; http://www.hud.gov/budgetsummary2011/free-from-discrimination.pdf .

[66] HUD Fiscal Year 2010 budget request summary, page 19; http://www.hud.gov/budgetsummary2010/fy10budget.pdf .

[67] " POLICY DEVELOPMENT AND RESEARCH," HUD Fiscal Year 2012 budget request, HUD website, accessed June 21, 2011; http://portal.hud.gov/hudportal/documents/huddoc?id=Research_Tech_2012.pdf .

[68] "TERMINATION: UNIVERSITY COMMUNITY FUND," Fiscal Year 2012 Terminations, Reductions, and Savings: Budget of the U.S. Government, Office of Management and Budget, page 80, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[69] "General Research and Technology Activity," Catalog of Federal Domestic Assistance website, accessed June 23, 2011; https://www.cfda.gov/?s=program&mode=form&tab=step1&id=591557f7744a9f5445353d133094cb92 .

[70] "Transformation Initiative: Natural Experiments Grant Program," Grants.gov, posted January 20, 2011; http://www.grants.gov/search/search.do?mode=VIEW&oppId=65873 .

conducting a number of small research projects aimed at collecting additional/supplemental information and analyses."[71]

Transformation Initiative Research Grants: Sustainable Community Research Grant Program, with a budget of $2.5 million a year, also provides grants to think tanks, foundations, and other organizations for policy research. Think tanks and foundations are already conducting research on these topics. Numerous other federal agencies also provide funding for scientific research, including the far more prestigious National Science Foundation and the National Institutes of Health. These relatively insignificant programs, therefore, should be ended.

Targeting Aid to Truly Needy Communities

The Community Development Block Grant (CDBG) Program provides grants to states and local governments "to address a wide range of unique community development needs."[72] The total CDBG budget in 2010 was $3.98 billion.[73] HUD "determines the amount of each grant by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas."[74]

President Obama's fiscal year 2012 budget recommended cutting $299 million from CDBG's budget, noting: "The current formula for CDBG was established in statute over 30 years ago" and "the distribution of funds is not targeted to the most economically distressed communities, and communities in similar distress do not receive similar allocations. While flexibility may be one strength of the CDBG program, the use of funds and how States and communities distribute their funds lead to resources spread across many activities, diverse constituencies, and geographies without clear or focused impact. This makes the demonstration of outcomes difficult to measure and evaluate."[75]

Because CDBG funds are awarded with little ensuing accountability, these dollars have too frequently been spent on projects that have little to do with community development. For example, Summit County, Ohio spent $100,000 of CDBG funds to create a "doggie day care" and kennel last year[76] and Nyack, New York directed $10,000 of CDBG funds to Amazing Grace Circus Inc. in 2009 to put on "A Day in the Circus."[77] CDBG funds are being spent

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[71] "Homeless Families Demonstration Small Grant Research Program," Grants.gov, posted January 3, 2011; http://www.grants.gov/search/search.do?mode=VIEW&oppId=61814 .

[72] "Community Development Block Grant Program – CDBG," HUD website, accessed June 21, 2011; http://www.hud.gov/offices/cpd/communitydevelopment/programs/ .

[73] "REDUCTION: COMMUNITY DEVELOPMENT BLOCK GRANT," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 100; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[74] "Community Development Block Grant Program – CDBG," HUD website, accessed June 21, 2011; http://www.hud.gov/offices/cpd/communitydevelopment/programs/ .

[75] "REDUCTION: COMMUNITY DEVELOPMENT BLOCK GRANT," Fiscal Year 2012 Terminations, Reductions, and Savings: Budget of the U.S. Government, Office of Management and Budget, page 100, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[76] Rick Armon, "11 Summit projects receive federal funds," Akron Beacon Journal (Ohio), November 3, 2009; http://www.ohio.com/news/68829942.html .

[77] "More than $3.4 million in HUD grants awarded to not-for-profits, municipalities," Mid-Hudson News (New York), March 25, 2009; http://www.midhudsonnews.com/News/2009/March09/25/RC_HUD_grants-25Mar09.html.

creating a hip atmosphere for employees of an LA architecture firm, providing decorative sidewalks in a wealthy Virginia community, and upgrading Victorian cottages in Alabama. It has also been used to purchase property that has remained vacant and unused for 15 years. In some cases, cities are receiving millions of dollars of CDBG funds for which they have no use, leaving CDBG funds unspent for decades. A survey of cities nationwide shows that money is frequently used for purposes other than which the program is billed.

Los Angeles is steering $1 million in CDBG funds to a wealthy international architecture firm designing a NFL football stadium. The company, Gensler, will spend the money "to create a hip, new atmosphere" for its employees at the "'jewel box,' a three-story building nestled between two skyscrapers at City National Plaza," according to *LA Weekly*. "According to city documents, Gensler has agreed to a modest, and very vague, payback: In return for the $1 million in renovation funds, it will hire an unspecified number of temporary, low- to moderate-income workers to do the job."[78]

A hip atmosphere being created for employees of a wealthy international architecture firm in Los Angeles will be paid for with HUD CDBG funds.[79]

"When the federal government doles out grants to help low- and moderate-income individuals, it has to make an exception for a city like Newport Beach, [Virginia]," noted the local newspaper *The Daily Pilot*. "The majority of households here earn more than $80,000, and there are few pockets with people of even average means. So when the City Council approved its annual Community Development Block Grant funding this week, more than half the funds were able to pay for decorative sidewalks, street furniture, landscaping and other street improvements," which includes one interesting feature: "purple undulating waves [that] span the pavement near the pier."[80]

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78 Martin Berg, "Huge Subsidy for Stadium Architect; Villaraigosa quietly plans to hand Gensler $1 million meant for the poor," LA Weekly (California), April 21, 2011; http://www.laweekly.com/2011-04-21/news/huge-subsidy-for-stadium-architect/ .
79 LA Weekly (California), April 21, 2011; http://www.laweekly.com/photoGallery/index/1253199/0/ .
80 Mike Reicher, "Federal grant going to improvements, not affordable housing; High-income Newport Beach finds other uses for its funds, including decorative sidewalks, landscaping," Daily Pilot (Virginia), April 28, 2011; http://www.dailypilot.com/news/tn-dpt-0429-cdbg-20110428,0,190547.story .

In the mid-1990s, Princeton, Kentucky used a CDBG grant to acquire a piece of property on West Shephardson Street, though the funds were never used. "We've had no use for the property in probably the last 10 to 15 years," the city clerk said. In May, the City Council voted to declare the lot "surplus property."[81]

In Alabama, money is being used to renovate historic Victorian-style homes. "One of the benefits of owning a historic home is the charm and character of the architecture. Unfortunately, that character often comes with a price — high maintenance bills," according to *The Mobile Press-Register*. To alleviate these costs, the city of Mobile, Alabama, is spending CDBG funds to provide "forgivable 'silent mortgages'" for improvements made to Victorian cottages and other historic homes. "Under the program, eligible participants can get up to $15,000 for roof replacement, new paint, window replacement and other repairs to the house's exterior. … Each year the recipient stays in the home, the mortgage will be reduced by 20 percent until, after five years, it's forgiven entirely."[82]

HUD CDBG grants are paying the costs of "forgivable 'silent mortgages'" for homeowners of Victorian cottages and other historic homes in Mobile, Alabama.[83]

San Diego has been sitting on CDBG funds for over 20 years and a local radio station reported earlier this year that "last year the city got more than $16 million – but it didn't spend it."[84]

These are all projects that comply with HUD guidelines and do not include the millions of dollars of CDBG funds that are misspent or lost to fraud. All of these projects listed should be canceled with the funds recouped and returned to the Treasury. The cost of the unused property

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[81] "City council delays veteran van funding", The Times Leader (Kentucky), May 4, 2011.
[82] Robert McClendon, "Mobile creates grant for historic home maintenance," Mobile Press-Register (Alabama), May 16, 2011; http://blog.al.com/live/2011/05/mobile_creates_grant_for_histo.html .
[83] Photo by G.M. Andrews, Mobile Press-Register (Alabama), May 16, 2011; http://blog.al.com/live/2011/05/mobile_creates_grant_for_histo.html .
[84] Joanne Faryon, "An Unlikely Problem For San Diego: Too Much Money, KPBS Public Broadcasting (California), February 2, 2011; http://www.kpbs.org/news/2011/feb/02/unlikely-problem-sd-too-much-money-bank/.

purchased with CDBG funds should be reimbursed to the Treasury and any grant money that has remained unspent for over five years should be returned.

While the program is intended to address poverty, the formula for distributing CDBG is "resulting in grants going to relatively wealthy communities and college towns," according to testimony before the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security.[85] "The poverty rate variable is problematic. Though poverty rate is a good indicator of community need," explained Eileen Norcross from the Government Accountability Project at George Mason University's Mercatus Center, "'the current formula allows for relatively low-need college towns to receive relatively large per capita grants because off-campus college students are recorded as being in poverty, when many are receiving unrecorded support from their families. It is better to measure the poverty rate for the non-college student population.'"[86]

To ensure CDBG funds are prioritized to better address poverty, funds should be provided only to communities with the greatest need and fewest local resources. Full time college students, for example, should be excluded from the calculations of poverty.

Even when CDBG funds do go to needy areas, it is at times difficult to demonstrate the program's effectiveness in improving a community's economic conditions, as illustrated by the example of Buffalo, New York. "Buffalo gets more federal Community Development Block Grant aid per resident than all but one city in the country because of its pervasive poverty. But three decades and $556 million later, there is scant evidence of the federal government's largesse," according to an investigation by the *Buffalo News*. The investigation found "City Hall squandered much of the half-billion dollars in federal aid it received over the past 30 years to revitalize its downtown and neighborhoods and recharge its ailing economy." According to an analysis of the program's expenditures, "more than half went to 'soft costs' that include covering bad loans, paying City Hall salaries and subsidizing an overblown network of neighborhood agencies." As a result, Buffalo "frittered away much of the money through parochial politics and bureaucratic ineptitude, the News found."[87]

Because wealthy neighborhoods would no longer be eligible for these funds, there is little evidence to demonstrate the effectiveness of this program, and the program has a long history of wasteful spending, the overall CDBG budget should be reduced to $1.5 billion annually. This would produce a savings of $2.5 billion in first year. Funds should be better targeted to truly needy neighborhoods and communities and projects with proven success of generating long term economic development. This would achieve a ten-year savings of $27.5 billion.

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[85] Testimony of Eileen Norcross, M.A., Senior Research Fellow for the Government Accountability Project of the Mercatus Center at George Mason University, before the Subcommittee on Federal Financial Management, Government Information and International Security of the Senate Subcommittee on Homeland Security and Government Affairs, June 29, 2006, page 3. http://hsgac.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=88b17714-faf4-4703-9f16-c512ba919094

[86] Testimony of Eileen Norcross, M.A., Senior Research Fellow for the Government Accountability Project of the Mercatus Center at George Mason University, before the Subcommittee on Federal Financial Management, Government Information and International Security of the Senate Subcommittee on Homeland Security and Government Affairs, June 29, 2006, pages 4 and 5. http://hsgac.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=88b17714-faf4-4703-9f16-c512ba919094

[87] James Heaney, "The Half-Billion-Dollar Bust," Buffalo News, November 14, 2004; http://buffalonews.typepad.com/outrages_insights/files/the_halfbillion_dollar_bust.pdf .

Requiring Modest Rent Contributions of Tenants Receiving Housing Assistance
Low income tenants receiving HUD rental assistance "programs usually require that tenants pay 30 percent of their gross monthly household income (after certain adjustments) for rent; the federal government subsidizes the difference between that amount and the maximum allowable rent. In 2010, the Congressional Budget Office estimates, the average combined federal expenditure for all of HUD's rental housing assistance programs was roughly $7,500 per household."[88] CBO recommends a modest and gradual increase in the rent contributions of tenants from 30 percent to 35 percent of adjusted gross income over a five-year period. CBO notes that even with this increase, the tenants' "contribution would still be below the amount that unassisted renters currently spend on rent."[89] CBO projects this reform would save about $25 billion over ten years.[90]

Adopting Spending Reductions Proposed by President Obama
President Obama has requested spending reductions for three other HUD programs. Specifically, the President recommended funding the Fair Housing Activities Program at $61 million (a reduction of $11 million), the Housing for the Elderly Program at $274 million (a $551 million reduction), and the Housing for Persons with Disabilities Program at $90 million (a $210 million reduction).[91] The Administration notes these reductions are necessary "given current fiscal constraints" and even with these reductions, the programs can maintain the current level of services[92] and "lead to more efficient use" of funds by making "future projects more cost-effective and well-targeted."[93] These funding proposals should be adopted.

Reducing Excessive Overhead Costs and Unnecessary Bureaucracy
The more it costs to administer a program, the fewer dollars remain to provide housing to those in need. Recent examinations of HUD spending have found increasing amounts spent on overhead and services other than housing. These trends need to be reversed by requiring HUD to spend a greater proportion of its budget on housing rather than administration.

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[88] "Increase Payments by Tenants in Federally Assisted Housing," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011, Page 122; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf .

[89] "Increase Payments by Tenants in Federally Assisted Housing," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011, Page 122; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[90] "Increase Payments by Tenants in Federally Assisted Housing," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011, Page 122; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf .

[91] "TERMINATIONS, REDUCTIONS, AND SAVINGS," Fiscal Year 2011Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, pages 76 and 86; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf .

[92] "TERMINATIONS, REDUCTIONS, AND SAVINGS," Fiscal Year 2011Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 76; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf .

[93] "TERMINATIONS, REDUCTIONS, AND SAVINGS," Fiscal Year 2011Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 86; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf .

President Obama has proposed cutting $8 million from HUD's administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The Obama Administration has directed each agency to cut unnecessary spending and, according to OMB, "agencies are busy putting in place the processes and policies during 2011 that will enable them to realize these savings in 2012."[94]

In addition to the amounts consumed by the federal and state governments, local governments spend at least 17 percent of Community Development Block Grants (CDBG) on administration and planning activities.[95] But the true cost of overhead and administrative costs of CDBG are disguised. According to an evaluation by GAO, "the expenses subject to the spending limit on administration and planning do not reflect all of the staff and overhead costs being funded with CDBG. CDBG recipients are allowed by regulation to incorporate into individual activity budgets delivery costs such as architectural and engineering expenses, legal expenses, insurance, permit fees, taxes, and similar expenses if such expenses are directly attributable or integral to carrying out an eligible activity. These expenses are not counted toward the 20 percent administrative and planning spending limit."[96]

Sometimes HUD even encourages cities to spend more of its grant money on overhead expenses, as it did in San Diego. HUD officials "are strongly encouraging the city to devote more money, up to the 20 percent cap, toward administration, at least until the city cleans up the program," said the mayor's chief operating officer. Calling the excessive overhead costs "outrageous," Councilwoman Marti Emerald said "these are dollars that should go straight to people who are in need and programs serving them." The City is spending over $2 million to administer about $13 million of CDBG funds.[97]

In Buffalo, New York, "some or all of the salaries and benefits of" hundreds of employees of "a sprawling City Hall bureaucracy" have been paid for with $100 million of HUD CDBG funds.[98]

HUD is spending more and more on counseling with little evidence if it is effective or knowledge of the industry receiving the financial support. "There is limited evidence of the benefits of counseling in making homeownership more sustainable," according to a study

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[94] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[95] "COMMUNITY DEVELOPMENT BLOCK GRANTS: Program Offers Recipients Flexibility but Oversight Can Be Improved," report GAO-06-732, Government Accountability Office, July 2006, Page 13; http://www.gao.gov/new.items/d06732.pdf .

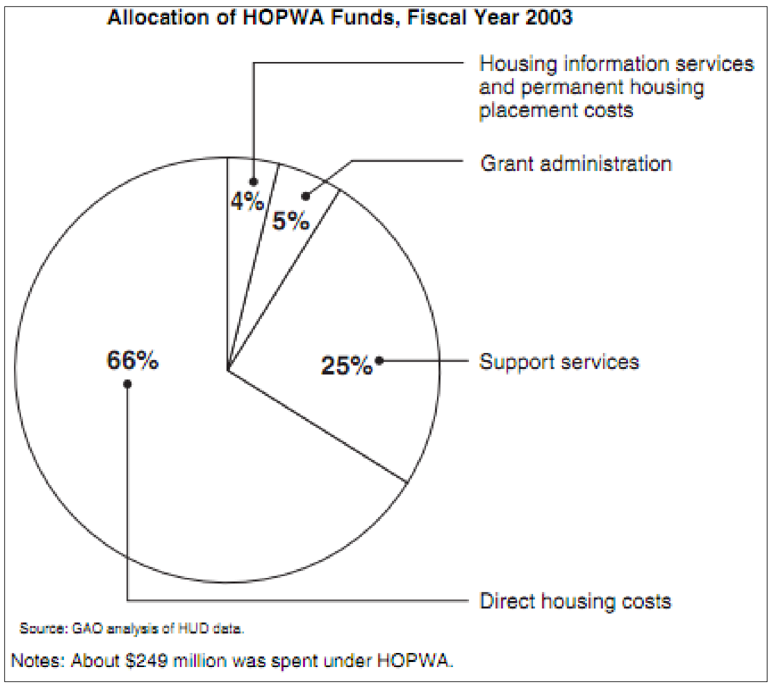
[96] "COMMUNITY DEVELOPMENT BLOCK GRANTS: Program Offers Recipients Flexibility but Oversight Can Be Improved," report GAO-06-732, Government Accountability Office, July 2006, Page 21; http://www.gao.gov/new.items/d06732.pdf .

[97] Helen Gao, "Grant costs challenged; Mayor's plan calls for using 20% of federal funds on overhead," San Diego Union-Tribune, February 25, 2009; http://www.signonsandiego.com/news/2009/feb/25/1m25grant231053-grant-costs-challenged/?zIndex=58076 .

[98] James Heaney, "The Half-Billion-Dollar Bust," Buffalo News, November 14, 2004; http://buffalonews.typepad.com/outrages_insights/files/the_halfbillion_dollar_bust.pdf .

commissioned by HUD's own Office of Policy Development & Research (PDR).[99] Yet, "in fiscal year 2008, HUD's appropriation for counseling increased to $50 million" and "Congress also made two appropriations totaling $360 million to support foreclosure mitigation counseling channeled through NeighborWorks America, of which $336 million will be passed through intermediaries to counseling agencies." The report points out that "there is little systematic information about the industry" despite the increasing funding it is receiving from the federal government.[100]

GAO found administrative costs and other costs not directly related to housing are consuming increasing amounts of funds provided by the Housing Opportunities for Persons with AIDS (HOPWA) program. A GAO analysis found only 66 percent of HOPWA funds were actually being spent on "direct housing costs, such as rental assistance, and housing facility operating costs." Grant administration and other "services," such as "housing information services" and case management collectively consumed one in three dollars appropriated for AIDS housing.[101]



One in three dollars spent by HUD AIDS housing program are consumed by "services" other than housing for persons with HIV/AIDS, such as housing information services" and "grant administration."[102]

These excessive costs spent on overhead, unproven counseling services, administration, and other services not directly related to housing siphon away funding for housing for those in need.

[99] Christopher E. Herbert, Jennifer Turnham, and Christopher N. Rodger, "The State of the Housing Counseling Industry," Abt Associates, Executive Summary page xx, September 2008; http://www.huduser.org/Publications/PDF/hsg_counsel.pdf .
[100] Christopher E. Herbert, Jennifer Turnham, and Christopher N. Rodger, "The State of the Housing Counseling Industry," Abt Associates, Executive Summary pages ix- xi, September 2008; http://www.huduser.org/Publications/PDF/hsg_counsel.pdf .
[101] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-33, Government Accountability Office, February 2006, page 20; http://www.gao.gov/new.items/d06332.pdf .
[102] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-33, Government Accountability Office, February 2006, page 21; http://www.gao.gov/new.items/d06332.pdf .

HUD programs that provide housing aid, therefore, should be required to spend no less than 85 percent of federal funds on direct housing assistance, such as rent and facility costs, with the remainder available for counseling, administrative costs, and other support services that may be necessary. This will ensure the focus of housing programs remains centered on providing housing.

Additionally, the reduced scope of the Department will require a leaner bureaucracy for administering HUD programs. For fiscal year 2011, HUD received about $525 million on salaries and expenses for administration, operations and management, including funds for advertising and promotional activities.[103] This amount should be reduced by 15 percent, which would be a savings of approximately $80 million.

Directing AIDS Housing to Those with the Greatest Need

In addition to the excessive overhead costs detailed above, federal AIDS housing efforts suffer from waste, fraud, abuse, and duplication that, if addressed, could save millions of dollars while improving services for those in need. After all, every dollar lost to waste, fraud, abuse, neglect, and duplication is a dollar stolen from both taxpayers and those living with AIDS without stable housing.

Over the past decade, scandals involving tens of millions of dollars of misspent federal AIDS housing have come to light across the country. Most recently, *The Washington Post* reported Washington, D.C., "ravaged by the highest rate of AIDS cases in the nation," steered millions of dollars to nonprofit groups "that delivered substandard services or failed to account for any work at all, even as sick people searched for care or died waiting." As some AIDS patients went without electricity or food, shady criminals with "a string of convictions for theft, drugs and forgery" collected millions of dollars from the city for AIDS related services that were never provided or completed.[104]

All of this occurred right under the nose of HUD officials, headquartered within walking distance of the victimized AIDS patients living in squalor.

Embarrassed that much of the more than $25 million of AIDS funds squandered in the city was HUD money and the city may have also violated more than 60 HUD requirements, the Department threatened to cut off all AIDS housing to Washington. "HUD officials said this is the first time in the AIDS housing program's 18-year history that money would be withheld from a city based on poor performance."[105]

Yet, scandals involving millions of dollars of misused AIDS funds have been reported in West Palm Beach, Florida; New York City, New York; Newport News, Virginia; New Orleans, Louisiana; and Washington, DC, have been exposed. AIDS housing funds have been spent on

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[103] "Department of Defense and Full-Year Continuing Appropriations Act, 2011," Public Law 112-10, April 15, 2011, pages 194; http://www.gpo.gov/fdsys/pkg/PLAW-112publ10/pdf/PLAW-112publ10.pdf .

[104] Debbie Cenziper, "Staggering need, striking neglect," The Washington Post, October 18, 2009, page A1; http://www.washingtonpost.com/wp-dyn/content/article/2009/10/17/AR2009101701984.html .

[105] Debbie Cenziper, "HUD threatens to cut off D.C. AIDS funding for 2010," The Washington Post, November 12, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/11/11/AR2009111117109.html .

everything from movie tickets, cigarettes, decorations, and weekly BINGO games[106] to "hefty" six figure salaries for housing executives who oversaw AIDS housing projects that squandered millions of dollars and were never completed.[107]

As AIDS patients were boarded up in shoddy conditions without electricity, mere walking distance from HUD's headquarters in the nation's capital, AIDS housing funds were wasted on BINGO games and cigarettes and steered to ex-cons and drug dealers for projects that were never completed.

Implementing better controls to curtail waste, fraud and abuse within federal AIDS housing programs would ensure more assistance could be provided to those in need while reducing the overall amount spent.

HUD provides housing services for a number of special populations, including those living with HIV/AIDS in select number of communities. HUD's Office of HIV/AIDS Housing administers Housing Opportunities for Persons with HIV/AIDS (HOPWA), which is divided into three specific programs: The HOPWA Competitive Program, the HOPWA Formula Program, and the HOPWA National Technical Assistance Funding.[108] In addition to HOPWA, HUD has a variety of other programs designated to serve persons with a variety of needs that can be used to aid persons living with HIV/AIDS, such as:

- *The Shelter Plus Care Program* (S+C) provides "housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are

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[106] Daniel G. Temme, Regional Inspector General for Audit, Mid-Atlantic, 3AGA, "Safe Haven Outreach Ministry, Incorporated, Washington, DC" audit report, Department of Housing and Urban Development Office of Inspector General, audit case number 2004-PH-1008, issued June 3, 2004; http://archives.hud.gov/offices/oig/reports/files/ig431008.pdf
[107] Gordon Russell "$1.1 million spent, but complex still rots; Politically connected nonprofit fails to deliver on project," The Times-Picayune (New Orleans), May 16, 2004, page 1.
[108] "Housing Opportunities for Persons with AIDS (HOPWA) Program," HUD website, accessed June 23, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/aidshousing/programs .

living in places not intended for human habitation (e.g., streets) or in emergency shelters."[109]

- *The Supportive Housing Program* (SHP) provides "supportive housing and services,"[110] to the homeless, "including permanent housing for persons with disabilities, such as homeless persons who are living with HIV/AIDS."[111]

- *Section 811 Supportive Housing for Persons with Disabilities* "projects may provide assistive services addressing the needs of persons disabled by HIV/AIDS."[112]

- In some communities, preference for *Section 8 Rental Assistance* is given to "persons with terminal illnesses, including HIV/AIDS, or persons with an immunological disorder of a degenerative nature, such as AIDS or HIV disease."[113]

- *The HOME Investments Partnerships Program* (HOME) may also provide "a preference for a specific category of individuals with disabilities (e.g., persons with HIV/AIDS).[114]

Additionally, the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act, administered by the Department of Health and Human Services, provides financial assistance for housing of those living with HIV/AIDS.[115]

As designed, federal funding for AIDS housing and support services provided by HOPWA and Title I of the Ryan White CARE Act are awarded based upon both living cases of AIDS as well of those of the deceased, rather than on severity of current need. "Both the CARE Act and HOPWA use measures of AIDS cases that do not accurately reflect the number of persons living with AIDS. Some CARE Act grants and HOPWA base grant funding are based on case counts that could include deceased cases because the eligibility and allocations are determined using cumulative case counts," according to an analysis by GAO.[116] "Because the HOPWA funding formula includes deceased persons, the distribution of funds does not reflect the current

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[109] "Shelter Plus Care Program (S+C)," HUD website, accessed June 24, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/homeless/programs/splusc .
[110] "Supportive Housing Program," HUD website, accessed June 24, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/homeless/programs/shp .
[111] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[112] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[113] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[114] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[115] "The Use of Ryan White HIV/AIDS Program Funds for Housing Referral Services & Short-term or Emergency Housing Needs," Health Resources and Services Administration, policy notice 08-01, March 19, 2008; http://hab.hrsa.gov/manageyourgrant/pinspals/housing0801.html .
[116] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-332, Government Accountability Office, February 2006, page 15; http://www.gao.gov/new.items/d06332.pdf .

distribution of people living with AIDS," according to GAO.[117] David Vos, Director of HUD's Office of HIV/AIDS Housing, notes that this "cumulative data includes over one half million Americans who have died due to AIDS." He recommends "the HOPWA formula could —if authorized by Congress—be based on CDC's surveillance data on the number of persons currently living with HIV (including persons living with AIDS). This would better target the distribution of HOPWA housing assistance resources to communities based on a more targeted data set reflecting present need."[118]

AIDS housing funding is based, in part, upon over half-a-million deceased AIDS cases. As a result "the distribution of funds does not reflect the current distribution of people living with AIDS," according to GAO. [119]

Deceased AIDS patients should no longer be used as a basis for determining HOPWA funding. Formulas should instead be based upon the number of cases of HIV and AIDS cases living in an area. This better targeting of funding will ensure those in greater need receive more adequate resources.

Additionally, establishing a "funding floor" requiring no less than 80 percent of HOPWA dollars be spent on direct housing costs would ensure more could be spent to shelter AIDS patients at a lower cost. Improved coordination between AIDS service providers and HUD would also allow those living with AIDS without stable housing to take advantage of the numerous other programs for which they might qualify. The appropriation for HOPWA, which was $335 million in fiscal year 2010, [120] should be reduced to $250 million.

[117] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-332, Government Accountability Office, February 2006, page 24; http://www.gao.gov/new.items/d06332.pdf .
[118] David Vos, Director, Office of HIV/AIDS Housing, Office of Community Planning and Development, "Updating the HOPWA Funding Formula," HUD website, posted April 14, 2011; http://blog.hud.gov/2011/04/14/updating-hopwa-funding-formula/ .
[119] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-332, Government Accountability Office, February 2006, page 24; http://www.gao.gov/new.items/d06332.pdf .
[120] David Vos, Director, Office of HIV/AIDS Housing, Office of Community Planning and Development, "Updating the HOPWA Funding Formula," HUD website, posted April 14, 2011; http://blog.hud.gov/2011/04/14/updating-hopwa-funding-formula/ .

$88.7 Billion in Savings over the Next Decade
By enacting these reforms which include eliminating at least 12 programs and reducing the cost of 5 other programs and administration, at least $85.7 billion could be saved over the next decade.

PROGRAMS ELIMINATED
Brownfields Economic Development Initiative
Capacity Building for Community Development and Affordable Housing Grants program
Doctoral Dissertation Research Grant program
General Research and Technology Activity program
HOME Investment Partnerships Program
NeighborWorks America
Self-Help Homeowner Opportunity Program
The University Community Fund
Rural Innovation Fund Program
Transformation Initiative: Natural Experiments Grant Program
Transformation Initiative Research Grants: Demonstration and Related Small Grants
Transformation Initiative Research Grants: Sustainable Community Research Grant Program

ADDITIONAL SAVINGS/PROGRAM REDUCTIONS
Administration, Operations and Management
Community Development Block Grant
Fair Housing Activities Program
Housing for the Elderly Program
Housing Opportunities for Persons with AIDS
Housing for Persons with Disabilities Program
Modest increase in the rent contributions of tenants living in federally assisted housing

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TEN YEAR SAVINGS
Discretionary: $88.73 billion
Total: $88.73 billion