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June 2, 2004

ROBERT U. FOSTER III
STAFF DIRECTOR

The Honorable David M. Walker
Comptroller General
General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

We are writing to request that the General Accounting Office (GAO) study an issue brought to our attention by owners and management agents who operate federally subsidized affordable housing. According to these affordable housing operators, the U.S. Department of Housing and Urban Development (HUD) regularly fails to make timely rental subsidy payments to operators of privately owned subsidized housing. The rental subsidies at issue are known as Housing Assistance Payments (HAP).

We have been advised that late HAP payments occur frequently when the HAP contract is due for renewal with HUD. However, late payments are not limited to contract renewals. For instance, some owners and agents have reported that they are not receiving the full amount of gross rent increases on time. Others experience gaps in payment in the middle of a contract, which sometimes last for several months; still others suddenly stop receiving payments near the end of one federal fiscal year and the start of another. Reports of late HAP payments also surface during periods when HUD is operating under multiple continuing resolutions.

Owners and agents report several reasons for the late payments. Common explanations affordable housing providers have received from local HUD staff and Performance Based Contract Administrators (PBCA) are that money has not been received from Washington, funds are insufficient, documentation has been misplaced, paperwork must be reviewed, and staff are in training. Also, affordable housing providers believe that HUD's failure to process contract extensions or rent adjustments in a timely fashion have contributed to this problem.

According to affordable housing operators, the most frequent explanation for late HAP payments is "lack of funding" from Washington. Owners and agents believe this situation arises primarily because of the time it takes for appropriated funds to be processed by the Administration and released into the field. If the process between HUD and OMB for requesting and releasing appropriated funds breaks down or drags out, affordable housing operators believe the likelihood of receiving late HAP payments increases.

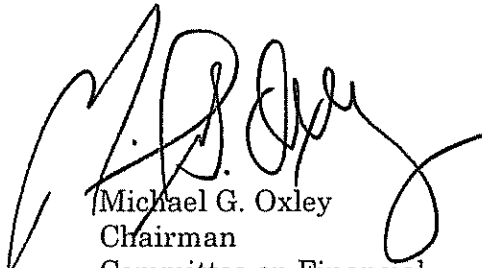
Many low-income families and senior citizens are struggling to find quality affordable housing. As policymakers seek to increase the availability of housing opportunities for these families, it is important to preserve the current stock of affordable housing. We are concerned that if HUD is having problems making the proper amount of HAP payments in a timely manner, responsible owners and agents will be more likely to opt out of HUD programs, and needy families will have even fewer housing options.

Additionally, we believe an objective examination of the timeliness of HAP payments and the factors that affect timeliness could be helpful in ensuring the continuing availability of affordable housing. We therefore request that the GAO:

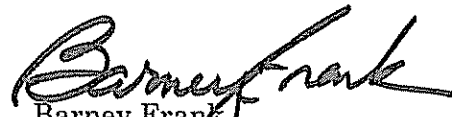
- determine the extent to which HUD makes HAP payments in a timely and predictable manner;
- identify the factors that affect the timely provision of HAP payments;
- assess the impact that the timing of HAP payments might have on the availability of affordable housing; and
- to the extent warranted, describe options for ensuring timely HAP payments.

Should you or your staff have any questions or need additional information concerning this issue, please call Clinton Jones at (202) 225-7502.


Yours truly,




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Committee on Financial
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Committee on Financial
Services



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Subcommittee on Housing and
Community Opportunity



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BN/cc