United States Government Accountability Office

# GAO

Report to Congressional Requesters

February 2005

# ELDERLY HOUSING

## Federal Housing Programs That Offer Assistance for the Elderly

GAO

Accountability ★ Integrity ★ Reliability

GAO-05-174

February 2005

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## Federal Housing Programs That Offer Assistance for the Elderly

GAO Accountability·Integrity·Reliability

Highlights

Highlights of GAO-05-174, a report to congressional requesters

### Why GAO Did This Study

According to the 2003 American Housing Survey sponsored by the U.S. Department of Housing and Urban Development (HUD), nearly one-third of elderly households—those whose head was age 62 or older—were experiencing housing affordability problems. Further, a congressional commission reported in 2002 that investment in affordable housing is decreasing, although the elderly population is expected to increase.

A number of federal housing programs provide assistance, including rent subsidies, mortgage insurance, and loans and grants for the purchase or repair of homes, to low-income renters and homeowners. These programs are administered primarily by HUD or the U.S. Department of Agriculture (USDA). GAO was asked to determine the extent to which federal housing programs provide benefits to elderly households, summarize information on the programs' effectiveness in assisting the elderly and supportive services, and determine how HUD and USDA avoid overlap and duplication in their programs.

www.gao.gov/cgi-bin/getrpt?GAO-05-174.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or woodd@gao.gov.

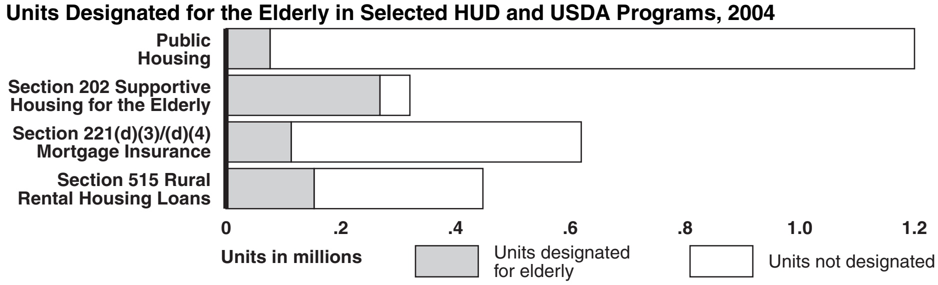
### What GAO Found

A total of 23 federal housing programs 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. The 13 programs for which data were available provide about 943,000 housing units designated for occupancy by the elderly. However, many programs also serve the elderly in undesignated units. Available occupancy data show that the elderly occupied at least 1.3 million units under rental assistance, public, and multifamily housing programs as of spring 2004. Information on the effectiveness of housing programs that assist the elderly is limited. HUD has an overall goal related to elderly housing, but not all individual programs that assist the elderly are explicitly linked to this goal. USDA does not have specific goals related to elderly housing.

Most of the 23 housing assistance programs we reviewed are not designed to provide supportive services for the elderly. Four programs require the owners of program properties to ensure that services such as meals or transportation are available to their residents. In addition, HUD administers four programs—for example, the Service Coordinator Program—that can be used in conjunction with various housing programs to help the elderly obtain supportive services. Supportive services are also available to elderly residents of subsidized housing through partnerships between individual properties and local organizations.

To avoid overlap and duplication in the development of rural housing for the elderly, HUD and USDA have established policies and procedures that require field offices from both agencies to notify their counterparts of applications to build new housing and consider each other's input on local market conditions. GAO visits to selected HUD field offices and state USDA offices revealed that staff were not consistently following these policies and procedures but were analyzing markets to ensure the need for proposed housing. Overall, however, funding and geographic constraints limit the potential for overlap and duplication in the construction of rural housing for the elderly.

**Units Designated for the Elderly in Selected HUD and USDA Programs, 2004**




Source: GAO analysis of HUD and USDA data.

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## Abbreviations

| | |
|---|---|
| ALCP | Assisted Living Conversion Program |
| HCBS | Home and Community-Based Services |
| HECM | Home Equity Conversion Mortgage |
| HHS | Department of Health and Human Services |
| HUD | Department of Housing and Urban Development |
| IRS | Internal Revenue Service |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| PACE | Program of All-Inclusive Care for the Elderly |
| PART | Program Assessment Rating Tool |
| RHS | Rural Housing Service |
| ROSS | Resident Opportunities and Self Sufficiency |
| USDA | Department of Agriculture |
| VA | Department of Veterans Affairs |

**United States Government Accountability Office**
**Washington, D.C. 20548**

February 14, 2005

The Honorable Gordon H. Smith
Chairman
The Honorable Herb Kohl
Ranking Minority Member
Special Committee on Aging
United States Senate

The Honorable Larry E. Craig
United States Senate

According to the 2003 American Housing Survey sponsored by the U.S. Department of Housing and Urban Development (HUD), nearly one-third of elderly households—generally those whose head is aged 62 or older—were experiencing housing affordability problems. Whether homeowners or renters, these households were spending more than 30 percent of their incomes on housing. Further, according to a Congressionally-established bipartisan commission, decreased investment in affordable housing and a burgeoning elderly population that is projected to grow from about 12 percent of the population in 2002 to 20 percent by 2030 are likely to increase the number of elderly who must spend large portions of their incomes on housing.[1]

Housing affordability is an even greater problem for low-income elderly households—those with incomes of less than 80 percent of area median income. The 2003 American Housing Survey estimated that 66 percent of low-income elderly renters spent more than 30 percent of their income on housing. Like these renters, low-income elderly homeowners also have affordability problems. While approximately 80 percent of the elderly own their homes, about two-thirds of these households are considered low income. In 2003, about 40 percent of these low-income homeowners were spending more than 30 percent of their income on housing.

Since the 1930s, a number of federal housing programs have provided assistance to low-income renters and homeowners, including rent subsidies, mortgage insurance, and loans and grants for the purchase or

[1]Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century, *A Quiet Crisis in America* (Washington, D.C.: June 30, 2002). Available at http://www.seniorscommission.gov.

repair of homes. These programs are administered primarily by HUD or the U.S. Department of Agriculture (USDA). However, these programs do not reach all needy households, and waiting lists for many types of subsidized housing, including housing for the elderly, are often long.

You requested that we review federal housing assistance programs that can benefit the elderly. This report discusses (1) the extent to which federal housing assistance programs provide benefits to elderly households and what is known about the effectiveness of these programs in assisting the elderly, (2) the types of supportive services that these programs provide for the elderly, and (3) how HUD and USDA avoid overlap and duplication in programs that offer similar types of housing assistance to the elderly. As requested, we also obtained information on the status of HUD's efforts to implement GAO's earlier recommendations to improve the timeliness and oversight of the Section 202 Supportive Housing for the Elderly (Section 202) program, which subsidizes the development of rental housing and provides rental assistance for elderly households with very low incomes.[2] This information is included in Appendix II.

To address these objectives, we consulted with HUD and USDA officials to identify housing assistance programs that benefit the elderly. We reviewed laws and regulations to categorize the programs as either targeted exclusively to the elderly, targeted at the elderly and disabled, or not targeted but with special features for the elderly. We included housing assistance programs that (1) subsidize mortgage interest rates, rent, or housing repair or rehabilitation; (2) provide mortgage insurance, loan guarantees, or direct loans for single-family or multifamily housing; or (3) support the construction, rehabilitation, or purchase of multifamily housing or assisted living facilities. Appendix III summarizes each of the programs we include, and Appendix IV describes other housing-related programs that can benefit the elderly but do not fit our three categories.

We also analyzed data from HUD and USDA databases to determine the number of units designated for or occupied by the elderly in federally subsidized or insured housing. We reviewed studies and reports by federal agencies, including the HUD and USDA Offices of Inspector General; research institutions; and others for information on the effectiveness of these programs. These reports included the HUD and USDA fiscal year

[2]GAO, *Elderly Housing: Project Funding and Other Factors Delay Assistance to Needy Households* (GAO-03-512, May 30, 2003), 1.

2003 Performance and Accountability Reports.[3] We obtained information about supportive services from program descriptions and agency officials. We also reviewed agreements, policies, and procedures HUD and USDA have established to coordinate the development of subsidized housing in rural areas and visited selected HUD and USDA field offices to determine whether and how they coordinated with one another. Finally, we interviewed HUD officials and reviewed related documentation to obtain information on the status of GAO's earlier recommendations for the Section 202 program. Appendix I provides more detailed information on our scope and methodology.

We conducted our work in Baltimore, Maryland; Greensboro and Raleigh, North Carolina; Columbus, Ohio; Oklahoma City and Stillwater, Oklahoma, and Washington, D.C., between December 2003 and December 2004, in accordance with generally accepted government auditing standards.

## Results in Brief

A variety of housing programs provide assistance for the elderly, but information on these programs' effectiveness is limited. Specifically, one HUD and one USDA program target the elderly exclusively, and three HUD programs target the elderly and disabled. Eighteen other HUD and USDA programs that do not target the elderly have special features for them, such as income adjustments that reduce the amount of rent they must pay for a subsidized unit. While comprehensive data on each of these 23 programs are not available, we found that 13 of the programs provide approximately 943,000 housing units designated for occupancy by the elderly. However, many programs also serve the elderly in undesignated units; available occupancy data show that the elderly occupied at least 1.3 million units under rental assistance, public, and multifamily housing programs as of spring 2004. Further, at least 69,650 elderly households have received loans or grants under USDA single-family programs since fiscal year 1996. Information on the effectiveness of these housing programs in assisting the elderly is limited. While HUD has established an overall goal related to elderly housing, not all individual programs that assist the elderly are explicitly linked to this goal, and USDA does not have goals specifically targeting housing for the elderly.

[3]Federal agencies are required under the Government Performance and Results Act of 1993 to submit Annual Performance and Accountability Reports to Congress.

Most of the housing assistance programs we reviewed were not required to provide supportive services to the elderly. Of the 23 programs, 4 require the owners of properties developed under these programs to ensure that services such as meals or transportation are available to their residents. For example, property owners who receive funding through HUD's Assisted Living Conversion Program (ALCP) are required to provide supportive services, including meals. In addition, HUD administers four programs that can be used in conjunction with various housing programs to assist the elderly in obtaining supportive services. HUD's Service Coordinator Program, for instance, funds on-site coordinators who help elderly residents access services such as transportation and healthcare. Supportive services are also available to elderly residents of subsidized housing through partnerships between individual properties and local organizations.

HUD and USDA have established policies and procedures to avoid overlap and duplication in the development of rural housing assistance for the elderly. These procedures require HUD field offices and USDA state offices to notify each other when they receive applications for construction of new housing units, and to consider each other's input on the markets in which new construction is proposed. In addition, both HUD and USDA independently analyze the market conditions in locations where new developments are proposed. GAO site visits to selected HUD field offices and state USDA offices revealed that these offices were not consistently following coordination policies and procedures. However, each office was analyzing the markets where new construction was proposed to ensure that the housing was needed. Finally, program funding levels and certain geographic restrictions limit the potential for overlap and duplication among HUD and USDA rural rental housing.

## Background

The federal government has helped provide affordable housing to low-income households since the 1930s. Since then, a number of federal housing programs have subsidized the construction of housing for the poor, provided rental assistance to tenants in existing privately owned housing, and insured mortgages for both single- and multifamily properties. Today, HUD administers the majority of federal housing assistance programs in urban areas, and USDA's Rural Housing Service (RHS) implements housing programs in rural areas.

In general, both HUD and USDA programs target families at lower income levels. HUD programs target families with incomes that are: extremely low (no more than 30 percent of an area's median), very low (no more than 50 percent of an area's median), and low (no more than 80 percent of an area's median). USDA programs also target families with incomes that are very low and low. In addition, some USDA programs target families with moderate incomes (no more than 115 percent of an area's median).

HUD and USDA provide many types of housing assistance programs, including single-family programs, multifamily programs, rental assistance programs, and public housing. Housing developments can be assisted by multiple programs. For example, a loan or mortgage on a multifamily property may be insured through a HUD or USDA program, and the property may have tenants that receive rental assistance from these agencies. Federal housing assistance can generally be categorized as follows:

- Single-family programs that provide mortgage insurance, loan guarantees, or direct loans for homeowners and grants or loans for home repairs or modifications;
- Multifamily programs that provide loans, subsidies, mortgage insurance or loan guarantees, or a combination of these to support the development and rehabilitation of rental properties, including:
    - Production programs that provide federal funds to construct or substantially rehabilitate units for households with extremely low to moderate incomes; and
    - Mortgage insurance/loan guarantee programs that provide incentives for lenders to finance rental housing by reducing risk;[4]
- Rental assistance programs, which can be used for multifamily and some single-family housing and generally pay property owners the difference between 30 percent of a household's adjusted income and its rent, including:
    - Tenant-based rental assistance that provides vouchers for eligible tenants to rent privately owned apartments or single-family homes and that tenants can use in new residences if they move; and

[4]Not all mortgage insurance programs are targeted exclusively to housing for lower-income households.

- Project-based rental assistance that is attached to specific properties and is available to tenants only when they are living in units at these properties; and

- Public housing, which is provided through HUD and offers units for eligible tenants in properties administered by public housing authorities.

The RHS implements all of the USDA programs we reviewed. Two offices administer the HUD programs covered in this report:

- The Office of Housing, which administers multifamily subsidy and mortgage insurance programs, multifamily production programs, and a variety of single-family programs; and

- The Office of Public and Indian Housing, which administers the Public Housing, Housing Choice Voucher, and Section 8 Moderate Rehabilitation Programs.

HUD has specific goals for increasing housing opportunities for the elderly. As outlined in its fiscal year 2004 Annual Performance Plan, these goals include (1) increasing the availability of affordable housing for the elderly, (2) increasing the number of assisted-living units, (3) increasing the number of elderly households living in privately owned, federally assisted multifamily housing served by a service coordinator, and (4) increasing elderly families' satisfaction with their Section 202 units.

USDA does not have specific goals related to the elderly in its fiscal year 2004 Annual Performance Plan. However, USDA does have the broad objective of improving the quality of life of rural families by financing, among other things, quality housing. To reach this objective, USDA has established two housing-related goals: (1) to increase financial assistance to rural households to buy a home, and (2) to increase the number of minority homeowners.

## Many Housing Programs Offer Assistance for the Elderly, but Information on Their Effectiveness Is Limited

We identified a total of 23 federal housing programs that are targeted at or have special features for the elderly: 2 that are intended for the elderly only, 3 that are targeted to the elderly and disabled, and another 18 that have special features, such as properties designated for elderly occupants and income adjustments that lower elderly households' rental payments. Some or all units in many multifamily and public housing properties are designated for the elderly. Data on the number of elderly served are not available for each program; however, analysis of available data shows that the elderly occupied at least 1.3 million units provided through several of these programs. Limited information is available about the effectiveness of most housing programs in assisting elderly households.

### A Variety of Programs Target the Elderly or Have Special Features for Them

HUD and USDA offer 23 housing programs that either target or have special features for the elderly. Two programs—HUD's multifamily Section 202 program and USDA's single-family Section 504 Rural Housing Repair and Rehabilitation Grants program—are currently intended for elderly beneficiaries only.[5] Three multifamily programs target the elderly and the disabled: HUD's ALCP and two mortgage insurance programs (Section 231 and Section 232). Although not targeted to the elderly, another 18 programs have special features for them. For example, public housing and some multifamily programs allow properties to be wholly or partially designated for occupancy by the elderly. Also, rental assistance programs and USDA single-family programs make adjustments to elderly households' incomes when determining program eligibility or calculating benefits. These programs are briefly described in Figure 1, and in more detail in Appendix III. Although most of the 23 programs are intended for households with low, very low, or extremely low incomes, 7 of the multifamily insurance programs may provide benefits for households of all income levels (that is, there are no income restrictions or limits).[6]

[5]Prior to fiscal year 1992, the Section 202 program produced housing for the elderly and disabled. The Cranston-Gonzalez Affordable Housing Act (PL 101-625), enacted in 1990, changed the Section 202 program so that it targeted only the elderly beginning in fiscal year 1992. That act also created a separate HUD program, Section 811, to produce housing for people with disabilities.

[6]Because these mortgage insurance programs have statutory limitations on the insurable mortgage amount per unit, higher cost properties intended for more affluent households would be unlikely to qualify for mortgage insurance under these programs.

**Figure 1: Housing Programs Targeted to or with Special Features for the Elderly**

| | Agency | Program | Type | | | |
|---|---|---|---|---|---|---|
| **Targeted to the elderly** | USDA | Section 504 Rural Housing Repair and Rehabilitation Grants | S | | | |
| | HUD | Section 202 Supportive Housing for the Elderly | | M | | R |
| **Targeted to the elderly and disabled** | HUD | Assisted Living Conversion Program | | M | | |
| | | Section 231 Mortgage Insurance for the Elderly | | M | | |
| | | Section 232 Mortgage Insurance for Nursing Homes, Intermediate Care, Board and Care, and Assisted Living Facilities | | M | | |
| **With special features for the elderly** | USDA | Section 502 Rural Housing Loans (Direct) | S | | | |
| | | Section 502 Direct Housing Natural Disaster Loans | S | | | |
| | | Section 502 Guaranteed Rural Housing Loans | S | | | |
| | | Section 504 Rural Housing Repair and Rehabilitation Loans | S | | | |
| | | Section 515 Rural Rental Housing Loans | | M | | |
| | | Section 521 Rural Rental Assistance | | | | R |
| | | Section 538 Guaranteed Rural Rental Housing Loans | | M | | |
| | HUD | Housing Choice Vouchers | | | | R |
| | | Project-based Rental Assistance (Section 8 and Rent Supplement) (inactive)[c] | | M | | R |
| | | Public Housing | | | P | |
| | | Section 8 Moderate Rehabilitation (inactive)[c] | | | | R |
| | | Section 207 Mortgage Insurance for Manufactured Home Parks | | M | | |
| | | Section 207/223(f) Mortgage Insurance for Existing Multifamily Properties | | M | | |
| | | Section 213 Mortgage Insurance for Cooperatives | | M | | |
| | | Section 221(d)(3) Below-Market Interest Rate (inactive)[c] | | M | | |
| | | Section 221(d)(3)/(d)(4) Mortgage Insurance | | M | | |
| | | Section 236 Mortgage Insurance and Interest Reduction Payments (inactive)[c] | | M | | |
| | | Section 542(b)/(c) Risk Sharing | | M | | |

**S** Single family

**M** Multifamily

**P** Public housing

**R** Rental assistance

The elderly are the only benefciaries

Assisted living facilities and properties make supportive services available

Properties can be designated for occupancy by the elderly

The elderly receive income adjustments when determining program eligibility or rent

Sources: GAO analysis of authorizing legislation, program regulations, program handbooks, and other HUD and USDA documents.

| Description | Features specific to elderly | | | |
|---|---|---|---|---|
| Provides grants to elderly rural homeowners with very low incomes for home repair or rehabilitation | ○ | | | ● |
| Subsidizes development and operating costs of multifamily properties for elderly households with very low incomes | ○[a] | ◔ | ◑ | |
| Subsidizes conversion of HUD-subsidized multifamily properties to assisted living facilities | | ◔ | | |
| Insures mortgages for multifamily properties for the elderly and disabled; no income limits | | | ◑ | |
| Insures mortgages for licensed facilities that provide varying levels of skilled care and services; no income limits | | ◔ | ◑ | |
| Makes loans to households with low incomes for the purchase of rural single-family homes | | | | ● |
| Makes loans to households with very low and low incomes for single-family homes in rural disaster areas | | | | ● |
| Guarantees mortgages for households with low and moderate incomes to purchase rural single-family homes | | | | ● |
| Makes loans to rural homeowners with very low incomes for home repair or rehabilitation | | | | ● |
| Makes loans for the construction and rehabilitation of rural multifamily properties for households with very low to moderate incomes[b] | | | ◑ | ● |
| Provides rental assistance to tenants with very low and low incomes in Section 515 and other USDA-financed multifamily properties | | | | ● |
| Guarantees mortgages for rural multifamily properties for households with low and moderate incomes | | | ◑ | |
| Provides tenant-based rental assistance for households with extremely low to low incomes | | | | ● |
| Provides project-based rental assistance in multifamily properties for households with extremely low to low incomes | | | ◑ | ● |
| Provides subsidized housing operated by public housing authorities for households with extremely low to low incomes | | | ◑ | ● |
| Provides project-based rental assistance for households with extremely low to low incomes in properties that required moderate rehabilitation | | | | ● |
| Insures mortgages for manufactured home parks; no income limits | | | ◑ | |
| Insures mortgages to purchase or refinance existing multifamily properties; no income limits | | | ◑ | |
| Insures mortgages for multifamily cooperatives; no income limits | | | ◑ | |
| Insured below-market interest rate mortgages for multifamily properties for households with incomes below 95 percent of the area median | | | ◑ | |
| Insures mortgages for multifamily properties; no income limits | | | ◑ | |
| Insures and subsidizes the interest rate of mortgages for multifamily properties for households with low incomes | | | ◑ | ● |
| Partially insures mortgages for affordable multifamily properties, sharing risk with lenders; no income limits | | | ◑ | |

[a]Before fiscal year 1992, the Section 202 program also supported the development of housing for the disabled.

[b]Inactive programs no longer provide assistance or insurance to new properties, but existing properties continue to operate under the programs.

[c]The Section 515 program's Congregate Housing subprogram requires properties to provide supportive services.

Among these 23 programs, 13 have approximately 943,000 units designated for the elderly, based on available data (fig. 2). Some public and multifamily housing programs may designate properties wholly or partially for the elderly, but the number of units set aside varies across programs.[7] As figure 2 shows, the Section 202 and Section 231 programs have designated most of their units for the elderly (84 percent and 90 percent, respectively), consistent with these programs' targeting of the elderly or the elderly and disabled.[8] The Section 202 program designates the most units for the elderly—about 268,000 units.

[7]Designating housing units for the elderly is not a feature of single-family programs. Data on single-family programs' loan and grant recipients are presented in figure 4.

[8]Although the Section 202 program currently targets the elderly only, not all of its units are designated for the elderly because prior to 1992 the program also produced housing for the disabled.

**Figure 2: Number of Units Designated for the Elderly in HUD and USDA Public and Multifamily Housing Programs, 2004**

| | Program | Number of units: Total | Number of units: Designated for the elderly | Percent of units designated for the elderly |
|---|---|---|---|---|
| Targeted to the elderly | Section 202 Supportive Housing for the Elderly | 320,481 | 268,251 | 84%[a] |
| Targeted to the elderly and disabled | Section 231 Mortgage Insurance for the Elderly | 15,345 | 13,738 | 90 |
| | Section 232 Mortgage for Nursing Homes, Intermediate Care, Board and Care, and Assisted Living Facilities | NA[b] | 16,972 | NA |
| With special features for the elderly | Section 515 Rural Rental Housing Loans | 447,938 | 153,615[f] | 34 |
| | Section 538 Guaranteed Rural Rental Housing Loans | 1,421 | 197 | 14 |
| | Project-Based Rental Assistance (Section 8 and Rent Supplement in properties not included elsewhere in table) (inactive)[c] | 527,207 | 200,455 | 38 |
| | Public Housing | 1,200,000[d] | 76,638[e] | 6[d] |
| | Section 207 Mortgage Insurance for Manufactured Home Parks | NA[b] | NA | NA |
| | Section 207/223(f) Mortgage Insurance for Existing Multifamily Properties | 258,450 | 18,854 | 7 |
| | Section 213 Mortgage Insurance for Cooperatives | 19,160 | 3,077 | 16 |
| | Section 221(d)(3) Below-Market Interest Rate (inactive) | 66,827 | 1,154 | 2 |
| | Section 221(d)(3)/(d)(4) Mortgage Insurance | 619,285 | 113,612 | 18 |
| | Section 236 Mortgage Insurance and Interest Reduction Payments (inactive) | 283,829 | 65,877 | 23 |
| | Section 542(b)/(c) Risk Sharing | NA[b] | 10,897 | NA |
| | | **3,759,943**[g] | **943,337**[g] | |

Source: GAO analysis of HUD and USDA data.

Notes: For the HUD programs, except public housing, the total unit counts are from HUD's Multifamily Portfolio Reporting Database as of April 1, 2004. In 32 cases, HUD provided corrected unit counts in August 2004. We reported the number of units designated for the elderly for HUD programs except public housing from HUD's Multifamily Housing Inventory Survey completed in January 2003; we also included units in properties that were not included in the Multifamily Housing Inventory Survey but that HUD's Multifamily Portfolio Reporting Database identified as serving the elderly or as assisted living facilities. These two sources did not include data on the number of Section 207 Manufactured Home Park spaces for the elderly. The data on the Section 515 program are from USDA's Multi-Family Integrated System as of April 30, 2004. The data on the Section 538 program are from USDA's Guaranteed Loan System and a USDA internal report as of June 2004. "NA" means data were not available.

[a]Although the Section 202 program currently targets the elderly only, not all of its units are designated for the elderly because the program also produced housing for the disabled until fiscal year 1992.

[b]Unit counts were not available for 42 percent of the Section 207 Manufactured Home Parks properties, 57 percent of Section 232 properties, and 23 percent of Section 542(b) and (c) properties, so we could not produce a reliable count of the total number of units. For each of the other HUD multifamily programs, fewer than 5 percent of the properties were missing unit counts, so we considered the data sufficient for our purposes.

[c]The unit counts for HUD multifamily insurance programs and Section 515 include units in properties receiving Section 8 or Rent Supplement project-based rental assistance. To avoid double-counting units, the row for project-based rental assistance counts only units not included in other program counts.

[d]The total number of public housing units is an estimate from HUD's 2003 Performance and Accountability Report; an exact count was unavailable. Because the total number of public housing units is an estimate, the percentage of units designated for the elderly is also an estimate.

[e]The number of public housing units designated for the elderly is the number of units that HUD had approved under designated housing plans as of July 14, 2004. An additional 6,004 units were designated for occupancy by a mixed population of the elderly and the disabled.

[f]Units designated for the elderly under the Section 515 program may also be occupied by nonelderly disabled households.

[g]The total number of units and units designated for the elderly represents a minimum number because data on total units were not available for three programs, and data on units designated for the elderly were not available for one program.

HUD, USDA, and other agencies also administer other housing programs for which the elderly are eligible, but which do not have special features for the elderly. For example, under the Low-Income Housing Tax Credit program, the largest active multifamily housing production program, states receive annual allocations of tax credits and distribute them at their discretion. In their guidelines for the distribution of tax credits, some states have established preferences for properties intended for the elderly, but the federal government does not require such preferences. Similarly, HUD's single-family mortgage insurance program does not have features that apply only to elderly borrowers. HUD's Home Equity Conversion Mortgage program, which targets only elderly homeowners, did not meet our definition of housing assistance for this review. This program allows elderly homeowners to borrow against the equity in their homes and defer repayment for as long as they occupy their homes, but the money can be used for any purpose, not just housing. Appendix I explains our methodology for determining which programs to include, and Appendix IV provides brief descriptions of some programs that were excluded from this review.

## The Elderly Occupied At Least 1.3 Million Units Provided under Federal Housing Programs, but Complete Data on Elderly Occupancy Are Lacking

Elderly households occupied at least 1.3 million units provided through HUD and USDA rental assistance, public, and multifamily housing programs for which data on occupancy were available between April and June 2004 (fig. 3). The household counts by program do not match the unit counts presented in figure 2 and Appendix III, because some units may have been vacant or current data on tenants may have been incomplete.[9] The data include households in units designated for the elderly as well as other elderly households receiving assistance through the programs.[10] Overall, elderly households comprised approximately 30 percent of the households participating in programs for which data were available.[11]

[9]For example, for HUD's Section 202 and multifamily mortgage insurance programs (Sections 207/223(f), 221(d)(3) Below-Market Interest Rate, 221(d)(3)/(d)(4), 231, 236, and 542(b)/(c)), occupancy data were available only for households receiving project-based rental assistance. Not all households under these programs receive such assistance.

[10]Elderly households include those in which the head of household, co-head, or spouse was elderly as of the most recent reporting date.

[11]Occupancy data were not available for single-family programs. Data on single-family programs' loan and grant recipients are presented in figure 4.

Figure 3: Occupancy in HUD and USDA Public and Multifamily Housing Programs, 2004

| | Program | Households Total | Households Elderly[a] | Percent of households that were elderly |
|---|---|---|---|---|
| **Targeted to the elderly** | Section 202 Supportive Housing for the Elderly[b] | 260,873 | 221,753 | 85% |
| **Targeted to the elderly and disabled** | Assisted Living Conversion Program[c] | NA | NA | NA |
| | Section 231 Mortgage Insurance for the Elderly[b] | 9,781 | 8,145 | 83 |
| | Section 232 Mortgage for Nursing Homes, Intermediate Care, Board and Care, and Assisted Living Facilities | NA | NA | NA |
| **With special features for the elderly** | Section 515 Rural Rental Housing Loans (includes Section 521 Rural Rental Assistance) | 412,648 | 152,439 | 37 |
| | Section 538 Guaranteed Rural Rental Housing Loans | NA | NA | NA |
| | Housing Choice Vouchers | 2,070,397 | 330,475 | 16 |
| | Project-Based Rental Assistance (Section 8 and Rent Supplement in properties not included elsewhere in table) (inactive)[d] | 374,308 | 181,073 | 48 |
| | Public Housing | 926,213 | 288,094 | 31 |
| | Section 8 Moderate Rehabilitation (inactive) | 51,361 | 8,063 | 16 |
| | Section 207 Mortgage Insurance for Manufactured Home Parks | NA | NA | NA |
| | Section 207/223(f) Mortgage Insurance for Existing Multifamily Properties[b] | 32,297 | 14,171 | 44 |
| | Section 213 Mortgage Insurance for Cooperatives | NA | NA | NA |
| | Section 221(d)(3) Below-Market Interest Rate (inactive)[b] | 19,950 | 4,363 | 22 |
| | Section 221(d)(3)/(d)(4) Mortgage Insurance[b] | 248,799 | 87,588 | 35 |
| | Section 236 Mortgage Insurance and Interest Reduction Payments (inactive)[b] | 166,180 | 60,524 | 36 |
| | Section 542(b)/(c) Risk Sharing[b] | 12,610 | 5,504 | 44 |
| | | **4,585,417**[e] | **1,362,192**[e] | **30** |

Source: GAO analysis of HUD and USDA data.

Notes: The data for Housing Choice Vouchers, Public Housing, and Section 8 Moderate Rehabilitation are from HUD's Public and Indian Housing Information Center as of June 3, 2004. The data for Section 515 are from USDA's Multi-Family Integrated System as of April 30, 2004. The data for the remaining programs (Section 202 and HUD multifamily insurance and project-based rental assistance programs) are from HUD's Tenant Rental Assistance Certification System as of May 25, 2004, and Multifamily Portfolio Reporting Database as of April 1, 2004. Submission dates for occupancy data vary, so the available data do not provide a precise count of households on a particular date. “NA” means data were not available.

[a]Elderly households include those in which the head of household, co-head, or spouse was elderly as of the most recent reporting date. Housing assistance programs can also benefit households that have other members age 62 and older.

[b]The household counts for HUD’s multifamily insurance programs include only units receiving project-based rental assistance.

[c]HUD does not maintain data on occupants of properties funded through ALCP. However, because only multifamily properties subsidized by HUD are eligible for this program, a household count for ALCP would likely overlap with the counts for other programs.

[d]The household counts for HUD’s multifamily insurance programs and Section 515 include households receiving Section 8, Rent Supplement, or Section 521 project-based rental assistance. To avoid double-counting households, the row for project-based rental assistance counts only households not included in other program counts. Appendix III provides additional data on the number of households receiving project-based rental assistance.

[e]The total number of households and elderly households represents a minimum number because data on households were not available for five programs and were only available for units receiving project-based rental assistance for seven programs.

In addition to the elderly households in public and multifamily housing programs, at least 69,650 elderly households received loans or grants through 4 USDA single-family programs from October 1995 through April 2004, the time period for which we were able to obtain data (fig. 4). Specifically, USDA’s Section 504 grants program, which provides home repair grants to elderly homeowners, made at least 40,697 grants to elderly recipients during that period.[12] Also, the Section 502 Rural Housing Loans (Direct), Section 502 Direct Housing Natural Disaster Loans, and Section 504 Rural Housing Repair and Rehabilitation Loans programs, which offer loans for home purchase or repair, had at least 28,953 elderly borrowers. USDA generally did not have data on the age of borrowers in its Section 502 guaranteed loan program, which had more than 167,500 active loans as of April 2004.

[12]USDA did not have data on the age of another 8,704 Section 504 grant recipients. However, based on program requirements, nearly all of these recipients were probably elderly. Specifically, the RHS Administrator has the authority to allow Section 504 grants for nonelderly households in exceptional circumstances. A senior RHS official said that the agency has rarely exercised that authority and that USDA does not maintain statistics on the number of exceptions granted.

Figure 4: Active Loans or Grants to Elderly Recipients in USDA's Single-Family Programs, October 1995 through April 2004

| | | Loans or grants | | | |
|---|---|---|---|---|---|
| | **Program** | Total | Records with recipient age | Elderly recipients | **Percent of recipients with age who were elderly**[a] |
| **Targeted to the elderly** | Section 504 Rural Housing Repair and Rehabilitation Grants | 49,551 | 40,847 | 40,697[b] | 99.6 |
| **With special features for the elderly** | Section 502 Rural Housing Loans (Direct) | 118,737 | 96,929 | 6,047 | 6.2 |
| | Section 502 Direct Housing Natural Disaster Loans | 948 | 890 | 98 | 11.0 |
| | Section 502 Guaranteed Rural Housing Loans | 167,567 | NA | NA | NA |
| | Section 504 Rural Housing Repair and Rehabilitation Loans | 43,385 | 34,438 | 22,808 | 66.2 |
| | | | | **69,650** | |

Source: GAO analysis of USDA data.

Notes: We used data from USDA's Dedicated Loan Origination and Servicing System and Guaranteed Loan System as of April 30, 2004. USDA has not always required staff to record the age of the primary and secondary borrowers or grantees in these systems, so data on age were incomplete. The Guaranteed Loan System only had the primary or secondary borrower age for about 2 percent of the 502 Guaranteed Loans, which was insufficient for our purposes. We considered a loan or grant to have an elderly recipient if the primary or secondary borrower or grantee was elderly at the time of the loan or grant application. "NA" means data were not available.

[a]The percent of elderly recipients is derived only from those recipients whose age was available.

[b]The RHS Administrator has the authority to allow Section 504 grants for nonelderly households, but we could not determine whether the 150 Section 504 grants that the USDA data showed as having nonelderly recipients were exceptions or data errors.

## Limited Information Is Available About the Effectiveness of Housing Programs in Assisting the Elderly

Program effectiveness can be assessed in a number of ways—for example, by evaluating the extent to which programs reach or serve intended beneficiaries or examining the efficiency with which they serve those that they do reach. In evaluation research, "effectiveness" is often defined in terms of the achievement of program goals or outcomes. While HUD and USDA have not established specific goals for each housing program that offers assistance for the elderly in their annual Performance and Accountability Reports, these reports contain limited information on some programs' performance—that is, the extent to which a program met specific goals and objectives or contributed to the attainment of larger overarching goals. The Office of Management and Budget (OMB), has used its standardized Program Assessment Rating Tool (PART) to assess five of the programs, finding that three had not demonstrated results, one was ineffective, and one was moderately effective.

While we also identified academic studies of some programs we reviewed, they generally did not evaluate the effectiveness of a program in terms of the extent to which it reached its goals. For example, some academic studies analyzed the impact of the public housing and housing choice voucher programs upon property values. However, affecting property values is not a goal of these programs. Finally, we also identified information on how effectively some of the housing programs are implemented.

## Information on the Effectiveness of Programs Targeted to the Elderly

Of the two programs that are targeted to the elderly, only HUD's Section 202 program is included in the agencies' fiscal year 2003 Performance and Accountability Reports. HUD addresses this program under its overall goal of improving housing options for the elderly. According to HUD's Performance and Accountability Report, HUD exceeded its goal of approving 250 Section 202 and Section 811 projects to start construction during fiscal year 2003, approving 334 projects.[13] While HUD exceeded this goal, the number of projects approved for construction is a limited measure of the effectiveness of the Section 202 program. USDA's fiscal year 2003 Performance and Accountability Report did not address the effectiveness of the Section 504 program.

OMB rated the Section 202 program in its fiscal year 2004 PART assessment. PART is designed to assess the effectiveness of federal programs through a series of diagnostic questions intended to provide a consistent approach to rating federal programs. Drawing on available performance and evaluation information, the questionnaire attempts to determine the strengths and weaknesses of federal programs with a particular focus on individual program results. According to this assessment, the results of the Section 202 program had not been demonstrated, and:

- The program lacked evidence showing the overall level of impact that the program had on poor elderly individuals;
- HUD had not established quantifiable long-term performance goals with outcomes for this program, so progress could not be measured;

[13]In HUD's fiscal year 2003 Performance and Accountability Report, data on the number of Section 202 projects approved to start construction was not available separately from data on the Section 811 program, which provides housing assistance to the disabled.

- The program had produced about 6,000 units per year, yet there is a need for over a million units for the elderly.

We also have reported specifically on how effectively the Section 202 program has been managed. Our 2003 report on the Section 202 program outlined several factors that prevented efficient and effective implementation.[14] Appendix II contains an update on HUD's efforts to improve these deficiencies.

## Information on the Effectiveness of Programs Targeted to the Elderly and Disabled

HUD's fiscal year 2003 Performance and Accountability Report also provides information on two of the three HUD programs targeted to the elderly and disabled—the Assisted Living Conversion Program and the Section 232 mortgage insurance program. According to this report, HUD:

- Met its goal for increasing the number of assisted living units for the elderly by adding 2,618 units or beds to the estimated 18,000 already in place in 325 properties insured by the Section 232 mortgage insurance program;

- Exceeded its goal of converting 10 properties through the ALCP by converting 13 properties, adding an additional 407 assisted living units.

## Information on the Effectiveness of Programs That Have Special Features for the Elderly

While performance and accountability information does not directly address the extent to which programs that have special features for the elderly—such as HUD's public housing, project-based rental assistance, and housing choice voucher programs—are effective in assisting the elderly, it does provide additional context. For example, HUD's fiscal year 2003 Performance and Accountability Report has an indicator to track the share of units receiving assistance through these programs that are occupied by the elderly, but HUD has not established goals for this indicator because housing providers have discretion regarding admissions policies.[15]

[14]GAO, *Elderly Housing: Project Funding and Other Factors Delay Assistance to Needy Households*, GAO-03-512, (Washington, D.C.: May 30, 2003).

[15]Public housing authorities can establish tenant selection preferences for public housing and housing choice vouchers. Public housing authorities and property owners can establish tenant selection preferences for project-based rental assistance. For example, preferences for the elderly can be established to ensure that they are given priority for assistance.

USDA's Office of Inspector General (OIG) has reported on how effectively USDA's multifamily housing programs are implemented. For example:

- In 2004, the OIG reported that USDA's Rural Housing Service missed by three projects its target of having no more than 140 multifamily housing projects with accounts more than 180 days past due. According to the report, this indicator is a measure of how effectively and efficiently the multifamily housing loan portfolio is being managed.[16]

- Also in 2004, the OIG reported that RHS had not implemented all of the policy changes that it had agreed to implement to better monitor the owners of Section 515 developments. As a result, according to the OIG, rural rental housing funds remained vulnerable to theft and abuse.[17]

In addition, we identified two studies that provided information related to the effectiveness of housing choice vouchers in assisting the elderly and the effectiveness of the Section 502 Rural Housing Loans (Direct) Program in helping the elderly become homeowners and obtain better quality housing:

- A 2001 study on the Housing Choice Voucher Program showed that the elderly had less success finding and leasing a unit than other household types, possibly because elderly renters may have difficulty looking at multiple units.[18]

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[16]U.S. Department of Agriculture, Office of Inspector General, Financial and IT Operations, *Audit Report: Rural Development's Financial Statements for Fiscal Years 2004 and 2003*, 85401-11-FM (Washington, D.C.: Nov. 5, 2004), 9.

[17]U.S. Department of Agriculture, Office of Inspector General, Midwest Region, *Audit Report: Rural Housing Service Rural Rental Housing Project Management* (Washington, D.C.: Sept. 30, 2004), 3.

[18]Meryl Finkel and Larry Buron, *Study on Section 8 Voucher Success Rates*, vol. 1, *"Quantitative Study of Success Rates in Metropolitan Areas,"* report prepared for the U.S. Department of Housing and Urban Development (Cambridge, Mass.: Abt Associates, Inc., 2001), 3-7.

- A 1999 study of USDA's Section 502 Rural Housing Loans (Direct) Program, which provides loans to very-low and low-income rural residents for the purchase or repair of single-family homes, reported the results of a 1998 survey and found that of respondents with at least one elderly person on the mortgage, 30 percent were first-time homebuyers, and almost 90 percent reported that their current home was of better quality than their previous home.[19]

Finally, OMB's fiscal year 2004 PART assessments included information about the effectiveness of 4 of the 18 programs that provide special features for the elderly—the Housing Choice Voucher Program, project-based rental assistance, and the Sections 515 and 521 programs (table 1).

**Table 1: OMB PART Assessment Ratings on Selected Housing Programs**

| Agency | Program | PART rating | OMB comments on effectiveness evaluations |
|---|---|---|---|
| USDA | Section 515 Rural Rental Housing Loans/Section 521 Rural Rental Assistance | Results not demonstrated | While reviews are not regularly scheduled, USDA's Office of Inspector General routinely reviews the program's performance. |
| HUD | Housing Choice Vouchers | Moderately effective | A variety of work shows vouchers to be a cost-effective means of delivering housing. A number of studies of this program are underway that will provide useful information on the program's effectiveness. |
| HUD | Project-Based Rental Assistance | Ineffective | No comprehensive evaluation of the effects of this program on low-income residents has ever been conducted. |

Source: OMB's fiscal year 2004 PART Assessments of HUD and USDA Programs.

## Limitations of Available Information on Effectiveness

While Performance and Accountability Reports can be helpful in assessing program effectiveness, their usefulness is limited. For example, USDA's fiscal year 2003 report provides little useful information on the effectiveness of USDA's housing programs in assisting the elderly because of the lack of specific goals and objectives related to improving housing options for the elderly. Similarly, HUD's fiscal year 2003 report identifies such goals for only 3 of the 23 programs we reviewed. Further, HUD's goals are not necessarily specific; for example, although information was

[19]James J. Mikesell and others, *Meeting the Housing Needs of Rural Residents: Results of the 1998 Survey of USDA's Single Family Direct Loan Housing Program*, Rural Development Research Report 91, Economic Research Service, U.S. Department of Agriculture (Washington, D.C.: 1999), 47.

available on HUD's Section 232 program, targeted goals were not established for this program, such as increasing the number of assisted-living units through Section 232 insurance by a specific percentage. Without such specific criteria, HUD management and outside evaluators lack the essential information needed to assess this aspect of the program's effectiveness.

In addition, GAO has previously reported that the usefulness of PART assessments is limited, for the following reasons:

- Many PART questions contained subjective terms that were open to interpretation. We noted that such subjective terminology could influence program ratings by permitting OMB staff's views about a program's purpose to affect assessments.
- OMB assigned overall program ratings and individual section scores. Overall ratings encourage a determination of the effectiveness of a program even when performance data are unavailable, the quality of those data is uneven, or they convey a mixed message on performance.
- OMB inconsistently defined appropriate measures—outcomes versus outputs—for programs.[20]

Most other studies we identified on various aspects of the programs we reviewed did not evaluate either the programs' overall effectiveness, or their specific effect on the elderly. We also found some academic studies that provided information related to effectiveness but that were based on a prohibitively small sample of elderly program participants or did not use reasonably current data.

The overall lack of information on the effectiveness of the programs we reviewed in assisting the elderly may be due to the fact that, as GAO has previously reported, many agencies lack the capacity to undertake program

[20]GAO, *Performance Budgeting: Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget*, GAO-04-174 (Washington, D.C.: Jan. 30, 2004), 17, 20, 21.

evaluations to assess a federal program's contributions to results. Agencies' capability to gather and use performance information has posed a persistent challenge.[21]

Finally, we did not evaluate the extent to which the programs we reviewed addressed the needs of eligible elderly households because (1) complete data on the number of elderly households occupying units provided by federal housing programs were not available, and (2) eligibility criteria for each program varied, making it difficult to establish the number of eligible elderly households.

## Most Federal Housing Assistance Programs Are Not Required To Provide Supportive Services for the Elderly

Generally, HUD and USDA's housing assistance programs are not required to provide supportive services to the elderly. Of the 23 housing assistance programs that we reviewed, 4 required the owners of properties developed under the programs to ensure that supportive services were available. HUD has programs that link the elderly to or provide them with supportive services. Two of these programs, the Service Coordinator and the Resident Opportunities and Self Sufficiency (ROSS) programs, link residents with appropriate supportive services that are available in the community. In addition, the Congregate Housing Services Program funds meals and other needed services in public and multifamily housing properties, and the Neighborhood Networks program provides resources for establishing computer centers at such sites. Owners of public and multifamily housing may also provide supportive services by establishing partnerships with public and private organizations in the community.

### Four Housing Assistance Programs Require That Supportive Services Be Made Available to Elderly Residents

HUD's Section 202 program, the ALCP, and Section 232 Mortgage Insurance, and USDA's Section 515 Congregate Housing Program, which is a sub-program of the Section 515 program (see Appendix III) require property owners to make supportive services available to their residents.

[21]GAO, *Program Evaluation: Studies Helped Agencies Measure or Explain Program Performance*, GAO/GGD-00-204 (Washington, D.C.: Sept. 29, 2000), 18.

Generally, HUD and USDA do not provide funding for these services.[22] The property owners typically obtain other funds to provide supportive services or must ensure that appropriate services are available in the community (see table 2).

**Table 2: Housing Assistance Programs That Require Supportive Services**

| Agency | Program | Supportive service requirements |
|---|---|---|
| USDA | Section 515 Rural Rental Housing Loans (Congregate Housing subprogram) | Properties must include central dining facilities and provide meals, transportation, housekeeping, personal services, and recreational and social activities. |
| HUD | Assisted Living Conversion Program | Assisted living facilities must provide personal care, transportation, meals, housekeeping, and laundry services. |
| HUD | Section 202 Supportive Housing for the Elderly | Applicants for Section 202 funding must demonstrate that services will be available at the development or in the community where new construction is proposed. |
| HUD | Section 232 Mortgage Insurance | All insured facilities must provide supportive services that vary according to the type of facility. |

Source: GAO analysis of program requirements.

## HUD Has Other Programs that Assist the Elderly in Obtaining Supportive Services

While USDA does not generally provide funding for supportive services for residents of federally assisted housing, HUD has two programs that link residents of public and multifamily properties developed under HUD programs to supportive services, and two that provide supportive services. None of these four programs is just for the elderly, but they either can be used in properties designated for the elderly or have funding specifically for the elderly. The Service Coordinator Program, for example, provides funding for managers of multifamily properties designated for the elderly and disabled to hire coordinators to assist residents in obtaining supportive services from community agencies. These services, which may include personal assistance, transportation, counseling, meal delivery, and healthcare, are intended to help the elderly live independently and to prevent premature and inappropriate institutionalization. Service coordinators can be funded through competitive grant funds, residual

[22]Under the Section 202 capital advance program, if a sponsor indicates that at least 25 percent of tenants are expected to be frail elderly, HUD allows the sponsor to use funds from the project rental assistance contract to pay for a service coordinator. A portion of the funds (up to $15 per month per unit) may also be used to cover some of the cost of supportive services.

receipts (excess income from a property), or rent increases. According to HUD's fiscal year 2003 Performance and Accountability Report, service coordinators were serving more than 111,000 units in elderly properties.

Similarly, HUD's ROSS grant program links residents with appropriate services. This program differs from the Service Coordinator Program in that it is designed specifically for public housing residents. The ROSS program has five funding categories, including the Resident Service Delivery Models for the Elderly and Persons with Disabilities (Resident Services) and the Elderly/Disabled Service Coordinator Program. Resident Services funds can be used to hire a project coordinator; assess residents' needs for supportive services and link residents to federal, state, and local assistance programs; provide wellness programs; and coordinate and set up meal and transportation services. The Elderly/Disabled Service Coordinator Program has not provided new grants since 1995 but still services existing grants.[23]

The Congregate Housing Services Program provides grants for the delivery of meals and nonmedical supportive services to elderly and disabled residents of public and multifamily housing, including USDA's Section 515 housing. While HUD provides up to 40 percent of the cost of supportive services, grantees must pay at least 50 percent of the costs, and program participants pay fees to cover at least 10 percent.[24] Like the Elderly/Disabled Services Coordinator Program under ROSS, the Congregate Housing Services Program has provided no new grants since 1995, but Congress has provided funds to extend expiring grants on an annual basis.

In addition, the Neighborhood Networks program encourages property owners, managers, and residents of HUD-insured and -assisted housing to develop computer centers. Although computer accessibility is not a traditional supportive service for the elderly, a senior HUD official told us that having computers available enhances elderly residents' quality of life. HUD does not fund each center's planned costs, but encourages property owners to seek cash grants, in-kind support, and donations from sources

[23]In fiscal year 2004, new grants for the program were funded through the Public Housing Operating Fund.

[24]Fees cannot exceed 20 percent of an individual's adjusted income.

such as state and local governments, educational institutions, private foundations, and corporations.[25]

## Private Partnerships and Federal Health Care Programs May Provide Some Supportive Services

Elderly residents of public and federally subsidized multifamily housing can also receive supportive services through partnerships between property owners and local organizations and through programs provided by the Department of Health and Human Services (HHS). For example, property owners can establish relationships with local nonprofit organizations, including churches, to ensure that residents have access to the services that they need. At their discretion, property owners may establish relationships that give the elderly access to meals, transportation, and housekeeping and personal care services. In site visits to HUD and USDA multifamily properties, we found several examples of such partnerships:

- In Greensboro, North Carolina, Dolan Manor, a Section 202 housing development, has established a relationship with a volunteer group from a local church. The volunteer group provides a variety of services for the residents, such as transportation.

- In Plain City, Ohio, residents of Pleasant Valley Garden, a Section 515 property, receive meals five times a week in the community's senior center (a $2 donation is suggested). A local hospital donates the food and a nursing home facility prepares it. Volunteers, including residents, serve the meals. The senior center uses the funds collected from the lunch for its activities. In addition, local grocery stores donate bread products to the senior center daily. The United Way provides most of the funding for the senior center.

- In Guthrie, Oklahoma, Guthrie Properties, a Section 515 property, has established a relationship with the local Area Agency on Aging. The agency assists residents of Guthrie Properties in obtaining a variety of services, including meals and transportation to a senior center.

Some elderly residents of public and federally subsidized housing may also obtain health-related services through programs run by HHS. For example, HHS's Public Housing Primary Care Program provides public housing

[25]Grant funding for Neighborhood Networks centers can also be provided to public housing authorities through HUD's Office of Public and Indian Housing.

residents with access to affordable comprehensive primary and preventive health care through clinics that are located either within public housing properties or in immediately accessible locations. The program awards grants to public and nonprofit private entities to establish the clinics. The organizations must work with public housing authorities to obtain the physical space for the clinics and to establish relationships with residents. Currently, there are 35 grantees, 3 of which are in rural areas. According to a program administrator, although clinics are not specifically geared toward elderly-designated public housing, they can be established at such properties.

Elderly residents of federally subsidized housing may also be eligible for the Medicaid Home and Community-Based Services (HCBS) Waiver Program, which is administered by HHS's Centers for Medicare and Medicaid Services. Through this waiver program, individuals eligible for Medicaid can receive needed health care without having to live in an institutional setting.[26] HUD has identified the use of these waivers as an innovative model for assisting the frail elderly in public housing.

In addition, eligible elderly residents of federally subsidized housing may also receive health care through the Program of All-Inclusive Care for the Elderly (PACE), which is also administered by the Centers for Medicare and Medicaid Services.[27] Like the HCBS waiver program, this program enables eligible elderly individuals to obtain needed services without having to live in an institutional setting. The program integrates Medicare and Medicaid financing to provide comprehensive, coordinated care to older adults eligible for nursing homes. Figure 5 provides information on the housing assistance programs that can use federally funded supportive services programs that assist the elderly.

[26]In order to be eligible for health care services through the HCBS waiver program, individuals must meet a "level of care" requirement that varies by state but that typically is measured by standards of care for either hospitals, nursing facilities or intermediate care facilities for persons with mental retardation.

[27]PACE participants must be at least 55 years old, live in the service area, and be certified as eligible for nursing home care by the appropriate state agency.

**Figure 5: Housing Assistance Programs That Can Use Federally Funded Supportive Services Programs**

| | Agency | Programs | Congregate Housing Services Program | Neighborhood Networks | Public Housing Primary Care Program | Resident Opportunities and Self Sufficiency | Service coordinator |
|---|---|---|---|---|---|---|---|
| **Targeted to the elderly** | USDA | Section 504 Rural Housing Repair and Rehabilitation Grants | | | | | |
| | HUD | Section 202 Supportive Housing for the Elderly | ● | ● | | | ● |
| **Targeted to the elderly and the disabled** | HUD | Assisted Living Conversion Program | | | | | ● |
| | | Section 231 Mortgage Insurance for the Elderly | | | | | |
| | | Section 232 Mortgage Insurance for Nursing Homes, Intermediate Care, Board and Care, and Assisted Living Facilities | | | | | |
| **With special features for the elderly** | USDA | Section 502 Rural Housing Loans (Direct) | | | | | |
| | | Section 502 Direct Housing Natural Disaster Loans | | | | | |
| | | Section 502 Guaranteed Rural Housing Loans | | | | | |
| | | Section 504 Rural Housing Repair and Rehabilitation Loans | | | | | |
| | | Section 515 Rural Rental Housing Loans | ● | | | | |
| | | Section 521 Rural Rental Assistance | | | | | |
| | | Section 538 Guaranteed Rural Rental Housing Loans | | | | | |
| | HUD | Housing Choice Vouchers | | | | | |
| | | Project-based Rental Assistance (Section 8 and Rent Supplement) (inactive) | ● | ● | | | ● |
| | | Public Housing | ● | ● | ● | ● | ● |
| | | Section 8 Moderate Rehabilitation (inactive) | | ● | | | ● |
| | | Section 207 Mortgage Insurance for Manufactured Home Parks | | | | | |
| | | Section 207/223(f) Mortgage Insurance for Existing Multifamily Properties | | | | | |
| | | Section 213 Mortgage Insurance for Cooperatives | | | | | |
| | | Section 221(d)(3) Below-Market Interest Rate (inactive) | | ● | | | ● |
| | | Section 221(d)(3)/(d)(4) Mortgage Insurance | ● | ● | | | |
| | | Section 236 Mortgage Insurance and Interest Reduction Payments (inactive) | ● | ● | | | ● |
| | | Section 542(b)/(c) Risk Sharing | | | | | |

Source: GAO analysis of housing assistance programs and supportive services requirements.

Notes: Congregate Housing Services Program grants cannot be awarded to Section 221(d)(4) housing. Information on the extent to which elderly residents actually utilized these supportive services was generally not available at the federal level.

## HUD and USDA Have Policies in Place to Avoid Duplicating Programs

Although the potential for duplication exists, HUD and USDA have established policies and procedures to guide the development of multifamily housing for the elderly in rural areas. A 1991 agreement between the agencies and subsequent guidance to HUD and USDA field offices established a framework for coordinating efforts to provide housing assistance to low-income rural households. As noted, HUD develops rental housing for the elderly in rural areas through its Section 202 program, and USDA can develop such housing through its Section 515 program. In addition to obtaining one another's input on proposed developments, HUD field office and state USDA office staffs assess the markets in areas where a new development is proposed. Site visits to HUD and USDA field offices in three states revealed that while staff did not consistently follow coordination procedures, each office did analyze market conditions in the proposed locations. In addition, the potential for unnecessary overlap and duplication between these programs has been limited by funding levels and the geographic areas in which HUD and USDA develop new housing.

### Policies are in Place to Guide the Coordination of Rural Housing Development

Policies and procedures designed to coordinate HUD and USDA efforts to develop rental housing in rural areas have been in place since the early 1990s.[28] In 1991 HUD and USDA signed a Memorandum of Understanding and agreed to maintain an on-going working relationship to address issues related to providing housing assistance to rural areas in a cooperative, cost effective, and nonduplicative manner. As a result of this agreement, HUD and USDA issued guidance, in 1991 and 1992 respectively, specifying how the agencies should coordinate. Specifically, the guidance outlined coordination procedures that each agency should follow when reviewing applications for funds to develop rental units. For HUD, this policy applied to several programs, including the Section 202 program. For USDA, this policy applied specifically to the Section 515 program, which can be used to develop properties for families or the elderly. Among the programs we

[28]A 2000 GAO study on duplication between HUD and USDA rural housing programs found that while some of USDA's housing programs are similar to programs offered by other federal agencies, other USDA housing programs and terms have no counterparts elsewhere. GAO, *Rural Housing: Options for Optimizing the Federal Role in Rural Housing Development*, GAO/RCED-00-241(Washington, D.C.: Sept. 15, 2000), 5-6.

included, HUD's Section 202 program and USDA's Section 515 program are the only two that actively produce rental units for the elderly in rural areas.[29]

While neither the original agreement between HUD and USDA nor the resulting guidance has been updated since the early 1990s, the Section 515 program instructions and the Section 202 program's annual Notice of Funding Availability, which announces the availability of funding as well as program requirements, describe current procedures. According to the Section 515 program instructions, the purpose of the coordination effort is to (1) foster better communication, (2) obtain additional documentation to determine market feasibility, (3) prevent overdevelopment of subsidized housing, and (4) prevent adverse effects on proposed or existing units that provide similar types of rental housing. The program instructions also state that state USDA offices will forward basic loan information on Section 515 loan applications that are selected for further processing to the applicable HUD field office. HUD field office staff will identify any pending, authorized, or existing units in the market area and provide comments, positive or negative, on the proposed market area to USDA within 2 weeks. When HUD staff have concerns about market feasibility or the impact of a proposed project on existing or authorized HUD units, they also provide documentation to support their concerns. HUD has established a similar process for notifying USDA of proposed developments. HUD's fiscal year 2004 Notice of Funding Availability for the Section 202 program requires HUD to seek USDA's input on Section 202 applications, giving USDA the opportunity to respond if it has concerns about the demand for additional assisted housing or possible harm to existing housing in the same market area.

In addition to seeking input from one another on the markets in which new rural rental housing is proposed, both HUD and USDA assess market conditions when they evaluate applications for Section 202 and Section 515 funds. For example, HUD's guidance instructs HUD's economists to evaluate the markets in which all Section 202 applications propose development to determine if sufficient demand for the units exists and to assure that any new units will not have a long-term adverse impact on existing assisted housing for the elderly. If this analysis shows that

[29]Section 202 housing can be developed in metropolitan and nonmetropolitan areas, which may or may not include rural areas. Section 515 housing can be developed only in rural areas.

sufficient demand for the units proposed in an application does not exist, then the application cannot be funded. Similarly, according to USDA officials, USDA state office staffs analyze market data to determine need and demand for the units proposed in Section 515 applications. Applications are not approved if:

- another rural rental housing loan has already been selected for further processing in the same market;
- a previously authorized USDA, HUD, Low-Income Housing Tax Credit, or similar type of project in the same market area has not been completed, has not reached its projected occupancy level, or is experiencing high vacancies; or
- the need in the market area is for additional rental assistance and not for additional housing units.

We visited HUD field offices and USDA state offices in North Carolina, Ohio, and Oklahoma to determine whether and how these offices were following these policies and procedures. We chose these states because they had the largest numbers of approved Section 202 grants in rural areas and Section 515 loan awards in fiscal years 2002 and 2003 (see Appendix I). Our observations from the site visits are not necessarily representative of all field offices.

Overall, the HUD and USDA field offices in the three states we visited did not consistently follow the policies and procedures designed to facilitate coordination in fiscal years 2002 or 2003. For example, while local USDA officials in North Carolina and Oklahoma obtained input from HUD on Section 515 loan applications in fiscal years 2002 and 2003, USDA officials in Ohio did not. According to a senior official from USDA's Ohio state office, the agency did not seek HUD's input on the sites funded in fiscal years 2002 or 2003 because USDA determined that market demand existed for the units. Moreover, this official stated that they had sought HUD's input on Ohio's list of "designated places"—cities, towns, and communities for which USDA could approve new Section 515 development.[30] Based on input from HUD and USDA field offices, USDA state offices can remove places from the list if a market for additional rental housing does not exist.

[30]USDA officials in Oklahoma also sought input from a HUD field office on that state's list of designated places.

Since HUD officials had not raised concerns about the two places on Ohio's list for which Section 515 housing was proposed in fiscal years 2002 and 2003 and funds were ultimately allocated, USDA officials did not think that it was necessary to request their input again.

Only one of the HUD offices visited sought USDA's input on Section 202 grant applications in fiscal year 2002, and none sought USDA's input in fiscal year 2003. According to HUD officials in the field offices we visited, HUD offices did not seek input for various reasons. For example, in North Carolina and Oklahoma there were staffing changes. In Ohio, funds were awarded to a site that had been funded in fiscal year 2002. Since contact was made with USDA officials in fiscal year 2002 regarding this site, HUD officials did not see a need to contact them again in fiscal year 2003.

Although coordination between the HUD and USDA offices we visited was inconsistent in fiscal years 2002 and 2003, we found that these offices based their funding decisions on market analyses. For example, HUD economists evaluated the markets in which all Section 202 applications proposed development. If the economists determined that a sufficient market for development did not exist, the application was not funded. Similarly, in each state USDA office we visited, officials explained that if they determined that the market for Section 515 development was insufficient in a place where development was proposed, they would not fund the application. Possibly as a result of these market analyses, we did not identify any examples of HUD and USDA providing unnecessarily duplicative housing assistance for the elderly.

## The Potential for Unnecessary Overlap and Duplication between Section 515 and Section 202 Developments Is Limited

Several factors limit the potential for unnecessarily duplicative Section 202 and Section 515 housing for the elderly in rural areas: funding constraints, geographic restrictions, and, in some areas, demand for additional rental units. First, the way that Section 202 funding is allocated and the amount of Section 515 funding limit the number of units these programs produce in rural areas. HUD generally allocates only a portion of Section 202 funds to nonmetropolitan areas, which are more likely than metropolitan areas to be considered rural and thus eligible for USDA funds.[31] In fiscal years 2002

[31]GAO conducted a study of USDA's definition of rural, which explored how changing the definition of rural could improve eligibility determinations. GAO, *Rural Housing: Changing the Definition of Rural Could Improve Eligibility Determinations*, GAO-05-110 (Washington, D.C.: December 3, 2004).

through 2004, for example, HUD set aside enough funds for each of its local offices to fund a minimum of five units in nonmetropolitan areas and allocated 15 percent of all funds appropriated for the Section 202 program to these areas. And although the Section 515 program provides funding exclusively in rural areas, funding for this program has fallen sharply since its peak in 1979. During the peak funding years, the program produced more than 20,000 new units annually. Since 2000, fewer than 2,000 new units have been produced annually. Also, not all new Section 515 units are for the elderly, further reducing the potential for overdevelopment of elderly housing in rural areas.

Second, geographic restrictions on areas where Section 515 funds can be used limit the extent to which the Section 515 and Section 202 programs can overlap. Section 202 properties can be developed anywhere in the United States. In contrast, not only must Section 515 properties be in rural areas, but also new development can occur only in designated places. State USDA offices develop lists of places with a need for multifamily rental housing, and invite Section 515 applications for these places. According to the USDA officials we interviewed, this list can be refined through input from HUD and USDA field offices. As a result, new Section 515 properties could potentially be developed and overlap with new Section 202 development only in a small number of areas.

Finally, officials at the HUD field offices and state USDA offices we visited told us that oversaturating a market with both HUD and USDA units for the elderly was not a concern for several reasons, including a high demand for such units. In some cases, they said, existing elderly properties had waiting lists, and new properties generally rented quickly. According to other officials, given the limited number of elderly units that could be constructed with available funding, overlap and duplication between HUD and USDA housing for the elderly was not a concern.

## Agency Comments

We provided a draft of this report to USDA and HUD for their review and comment. USDA had no comments on the report. HUD provided comments in a letter from the Assistant Secretary for Housing – Federal Housing Commissioner (see Appendix V).

The letter stated that the report does not give HUD's programs full credit for their contributions in assisting the elderly. HUD's specific comments in this regard, and our responses, are as follows:

- HUD commented that the report should include more detail on partnership arrangements and overall supportive services provided to the elderly. We believe that the report covers these issues at a level of detail appropriate to our objective. The report includes information on the four federal housing assistance programs that require that supportive services be made available to elderly residents, and four programs that can be used to either link residents to supportive services or provide services directly. In addition, it includes examples of private partnerships and health care programs to convey a broader sense of the supportive services that can be available to the elderly.

- HUD noted that the draft did not include data on units designated for a mixed population of the elderly and disabled. We initially determined that the 6,004 units that fall into this category were not significant enough to merit inclusion. However, in response to HUD's comment, we have included this data as a note to Figure 2.

- HUD stated that the report fails to give Home Equity Conversion Mortgages (HECM) sufficient credit. As detailed in the Objectives, Scope, and Methodology (see Appendix I), this report focuses upon programs that met our definition of housing assistance. While the HECM program did not meet this definition, both the body of the report and Appendix IV acknowledge HECM as a program that assists elderly families.

- HUD agreed that GAO used the appropriate definition of elderly households, but stated that the report should acknowledge that other households may have members aged 62 or older (that are not the head, co-head, or spouse). While we did not initially provide data on such households because they are not, by definition, elderly households, we did add a note to Figure 3 to acknowledge that housing assistance programs can also benefit this group.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the report date. At that time, we will send copies to the Secretaries of Agriculture and Housing and Urban Development. We will make copies available to others upon request. This report will also be available at no charge on GAO's Web site at http://www.gao.gov.

Please call me at (202) 512-8678 if you or your staff have any questions about this report. Key contributors to this report are listed in Appendix VI.

David G. Wood

David G. Wood
Director, Financial Markets
and Community Investment

# Objectives, Scope, and Methodology

To determine the extent to which federal housing assistance programs provide benefits to elderly households, we first identified the relevant programs through a literature search, review of the *Catalog of Federal Domestic Assistance*, and consultation with Department of Housing and Urban Development (HUD) and Department of Agriculture (USDA) officials.[1] As used in this report, housing assistance programs are those that:

- subsidize mortgage interest rates, rent, or housing repair or rehabilitation;
- provide mortgage insurance, loan guarantees, or direct loans for single-family or multifamily housing; and
- support the construction, rehabilitation, or purchase of multifamily housing or assisted living facilities.

We excluded programs that are administered by government-sponsored enterprises such as Fannie Mae, Freddie Mac, and Federal Home Loan Banks; are used exclusively to fund nursing homes or supportive housing for the homeless; are not used exclusively to provide housing assistance; or lack special features that apply to the elderly.

We then reviewed laws and regulations to determine which housing assistance programs were (1) targeted to the elderly as the only beneficiaries, (2) targeted to the elderly and disabled only, and (3) were not targeted to the elderly but had special features for them. Appendix III describes the programs we included, and Appendix IV describes some programs we excluded, even though they can benefit elderly households. For each of the programs we included, we interviewed agency officials and reviewed laws, regulations, handbooks, and other documentation to describe the programs and how they benefit the elderly.

We used various HUD and USDA databases to analyze the extent to which the programs within our scope either designated units for the elderly or were occupied by elderly households. Specifically:

[1] U.S. General Services Administration, *Catalog of Federal Domestic Assistance* (Washington, D.C.: August 2004).

- To determine the number of units under HUD's multifamily programs, we used data from HUD's Multifamily Portfolio Reporting Database as of April 1, 2004. HUD provided corrected unit counts for 32 properties in August 2004. Unit counts were not available for 42 percent of the Section 207 Manufactured Home Parks properties, 57 percent of Section 232 properties, and 23 percent of Section 542(b) and (c) properties, so we could not produce a reliable count of the total number of units for these programs. For the other HUD multifamily programs, fewer than 2 percent of the properties were missing unit counts (except that 4.5 percent of Section 207/223(f) properties were missing unit counts), so we considered the data sufficient for our purposes. We combined these data with the results of HUD's Multifamily Housing Inventory Survey, conducted between June 2002 and January 2003, to determine the number of multifamily units designated for the elderly under each program.[2]

- To determine the number of elderly households living in properties under HUD's multifamily programs, we used data from HUD's Tenant Rental Assistance Certification System as of May 25, 2004. However, we were only able to determine the number of households receiving project-based rental assistance. Not all units under HUD's multifamily program receive project-based rental assistance, and occupancy data on these unassisted units were not available. As a result, the numbers that we report for these programs do not reflect the total number of elderly households in these programs but only the number of elderly households receiving project-based rental assistance.[3]

- To determine the number of elderly households living in public housing or receiving rental assistance through the Housing Choice Voucher or Section 8 Moderate Rehabilitation programs, we used data from HUD's

[2]HUD field office staff completed the Multifamily Housing Inventory Survey, reporting the number of units designated for the elderly or the disabled in insured or subsidized multifamily properties, excluding unassisted hospitals, nursing homes, intermediate care facilities, board and care facilities, and assisted living facilities. For properties that were not included in the Multifamily Housing Inventory Survey, if the Multifamily Portfolio Reporting Database indicated that the property was wholly for the elderly or was an assisted living facility, we included the property's units in our count of elderly-designated units.

[3]The HUD multifamily programs for which occupancy data were available only on households receiving project-based rental assistance were Section 202, Section 207/223(f), Section 221(d)(3) Below-Market Interest Rate, Section 221(d)(3)/(d)(4), Section 231, Section 236, and Section 542(b)/(c).

Public and Indian Housing Information Center as of June 3, 2004. We excluded outdated data (29 percent of the records) by including in our analysis only households whose records had been updated within the last 15 months.[4] To determine the number of public housing units designated for the elderly, we used a July 14, 2004, Designated Housing Plan Status Report—a spreadsheet that HUD uses to track public housing authorities that have requested or been approved to formally designate units for the elderly.

- For USDA's Section 515 program, we used data from USDA's Multi-Family Integrated System as of April 30, 2004, and July 13, 2004, to determine the number of units, units designated for the elderly, and units occupied by elderly households (including households receiving Section 521 rental assistance).[5]

- To determine the number of Section 538 units, we used (1) a report from USDA's Guaranteed Loan System as of June 3, 2004, covering Section 538 properties guaranteed beginning in fiscal year 2000 and (2) a June 16, 2004, report listing data on Section 538 properties guaranteed through fiscal year 1999 but not maintained in USDA's central data systems. Data on the occupants of Section 538 properties were not available.

- For USDA's Section 502 and 504 single-family programs, we used data from USDA's Dedicated Loan Origination and Servicing System and Guaranteed Loan System as of April 30, 2004, to determine the total number of loans and grants and the number of borrowers or grantees who were elderly at the time they applied for a loan or grant. However, the Guaranteed Loan System only had the primary or secondary borrower age for about 2 percent of the Section 502 Guaranteed Loans, a percentage that was insufficient for our purposes.

In order to assess the reliability of the program data described above, we reviewed related documentation and interviewed agency officials and

[4]Public housing authorities are supposed to certify data on tenants at least annually and submit the data to HUD. Allowing for the time it may take for public housing authorities to process and submit data to HUD, we considered data submitted within 15 months of the data extract to be current.

[5]Combined, the data include Section 515 properties that had active loans as of April 30, 2004, that had not been paid off as of July 13, 2004.

contractors who worked with these databases. In addition, we performed internal checks to determine the extent to which the data fields were populated and the reasonableness of the values contained in the data fields. During our internal checks, for household counts based on the age of household members, we identified 0.01 percent of cases where the age appeared to be erroneous due to unreasonably high values. We concluded that the data we used were reliable for purposes of this report.

To provide information on the effectiveness of the programs within our scope in assisting the elderly, we reviewed studies and reports by federal agencies, research institutions, and the HUD and USDA Offices of Inspector General. We reviewed the methodologies used in relevant studies to ensure that the results reported were reasonable. We excluded studies that did not focus on the effectiveness of a program in assisting the elderly, were more than 15 years old, or were not focused upon the goals of the program. We also reviewed the Office of Management and Budget's Program Assessment Rating Tool assessments for programs within our scope. In addition, we used HUD and USDA fiscal year 2003 Performance and Accountability Reports to determine if program goals or performance measures specific to the elderly had been established for these programs. For those programs with such goals, we provided information on whether the goal was reached. For those programs that did not have these goals, we summarized available information related to the effectiveness of the programs in assisting the elderly.

To describe the types of supportive services that federal housing assistance programs provide for the elderly, we first reviewed laws and regulations to determine which of the programs within our scope were required to ensure that supportive services were available. Next, we identified supportive services programs that could be used with various housing assistance programs, whether or not the housing assistance program required such services. For example, while public housing authorities that manage public housing are not required to provide supportive services, housing authorities may implement such services voluntarily. We identified supportive services programs by reviewing literature and descriptions of housing assistance programs and interviewing administrators of the housing assistance programs within our scope, as well as representatives of advocacy organizations and professional associations interested in elderly housing issues and supportive services. We obtained descriptions of these supportive services programs by interviewing officials from HUD, USDA, and the Department of Health and Human Services. We also reviewed program descriptions, notices of funding availability, and other documentation to develop descriptions of these supportive service programs.

To determine how HUD and USDA avoid overlap and duplication in programs that offer similar types of housing assistance to the elderly, we first determined which programs were actively producing new units in the same areas. We found that both HUD and USDA were actively producing new multifamily rental units in rural areas through the Section 202 and Section 515 programs, respectively. While Section 202 units can be constructed in metropolitan areas, Section 515 units cannot. As a result, we focused our analysis upon rural areas. We reviewed agreements, policies, and procedures established by HUD and USDA to coordinate the development of subsidized housing in rural areas and interviewed HUD and USDA officials responsible for administering these programs. We also visited HUD and USDA field offices in Greensboro and Raleigh, North Carolina; Columbus, Ohio; and Oklahoma City and Stillwater, Oklahoma to determine whether and how the policies and procedures for coordinating were being followed. We identified these states as having received, when both programs are considered together, the most Section 202 grants in rural areas and the most Section 515 new construction loans made in fiscal years 2002 and 2003.

To determine the status of HUD's efforts to improve administration of the Section 202 program (Appendix II), we interviewed HUD officials and reviewed related documentation to identify steps HUD had taken to implement the recommendations we made in our 2003 report on the Section 202 program. We also obtained a HUD report on the number of delayed Section 202 properties as of November 10, 2004, and compared this report with data we presented in our 2003 report.

We conducted our work primarily in Baltimore, Maryland; Greensboro and Raleigh, North Carolina; Columbus, Ohio; Oklahoma City and Stillwater, Oklahoma, and Washington, D.C., between December 2003 and December 2004, in accordance with generally accepted government auditing standards.

# Status of HUD's Efforts to Improve Administration of the Section 202 Program

Our May 2003 report to the Senate Special Committee on Aging noted the significance of the Department of Housing and Urban Development's (HUD) Section 202 Supportive Housing for the Elderly (Section 202) Program, which subsidizes the development of rental housing and provides rental assistance for elderly households with very low incomes.[1] Among other things, the report found that many Section 202 properties encountered delays before beginning construction, and we made several recommendations to improve the program's timeliness and oversight. Specifically, we recommended that HUD:

- Evaluate the effectiveness of the current methods for calculating the capital advances that project sponsors receive and make any necessary changes to these methods, based on this evaluation, so that capital advances adequately cover the development costs of Section 202 projects consistent with HUD's project design and cost standards;

- Provide regular training to ensure that all field office staff are knowledgeable of and held accountable for following current processing procedures required to approve projects to begin construction;

- Update the Section 202 program handbook to reflect current processing procedures; and

- Improve the accuracy and completeness of information that field staff enter in the program's database system and expand the system's capabilities to track key project processing stages.

At the time we completed our work, HUD had made some progress but had not fully implemented these four recommendations. First, in our 2003 report, we found that construction of Section 202 properties was sometimes delayed, in part because HUD awarded inadequate capital advance amounts.[2] As a result, sponsors had to put off construction while they sought additional funding. We recommended that HUD evaluate the effectiveness of its methods for calculating capital advances and make any

[1]GAO, *Elderly Housing: Project Funding and Other Factors Delay Assistance to Needy Households* (GAO-03-512, May 30, 2003), 1.

[2]We considered a property to be delayed in beginning construction if it had not met HUD's guideline that projects should be approved to begin construction within 18 months of receiving a capital advance award.

changes necessary to cover the development costs of Section 202 projects. HUD commissioned a study to examine how the development cost limits used to calculate capital advance amounts compared with indicators of local construction costs and to recommend any needed changes in limits for high-cost areas. A HUD official said that the agency received the results of the study in the fall of 2004, but had not determined whether to make any changes in its methods for calculating capital advances.

In addition, HUD had not implemented the two recommendations related to training field staff and updating the Section 202 program handbook. We concluded in our 2003 report that providing adequate formal training for field office staff responsible for reviewing Section 202 properties before approving them to begin construction and issuing an updated program handbook could reduce delays in approving projects for construction by ensuring that staff were accountable for applying and interpreting HUD policies and procedures consistently. HUD agreed with these recommendations. According to senior agency officials, HUD's goal at the time we completed our work was to provide formal training to field staff in fiscal year 2005 in the technical implementation of the agency's new rules for using Low-Income Housing Tax Credits or other mixed financing to help fund Section 202 properties. These officials also said that HUD's goal was to update its program handbooks in fiscal year 2005 to reflect these new rules and other updates to policies and procedures.

Although HUD had not fully implemented our recommendations for improving the timeliness of the Section 202 program, the number of delayed Section 202 properties had declined. In our 2003 report, we found that construction on 169 properties that had received Section 202 capital advance awards had been delayed as of the end of fiscal year 2002. By November 2004, all but 18 of these properties had been approved for construction, according to our analysis of a report prepared by HUD. These 18 properties had been awarded capital advances in fiscal years 1998 through 2000. An additional 108 projects funded in fiscal years 2001 and 2002 had been delayed, for a total of 126 delayed projects as of November 10, 2004.[3] Senior HUD officials said that management staff in headquarters were monitoring the progress of these delayed projects by meeting

[3]As of the end of fiscal year 2002, less than 18 months had elapsed since HUD awarded capital advances to projects funded in fiscal year 2001, so none of these projects were considered delayed at that time.

quarterly with field office managers to discuss steps that could be taken to help the projects proceed to construction.

Finally, HUD had identified needed enhancements to its program database but had not implemented the improvements, as we suggested. To improve HUD's oversight of the Section 202 program, we recommended that HUD improve the accuracy and completeness of information entered into its program database and expand the system's capabilities to track key stages of the development process. Senior HUD officials said that the agency had hired a new contractor in the summer of 2004 to work on the program database and had developed a list of needed enhancements that would address our recommendation. The list included improving the system's ability to track properties' progress, correcting data errors, and automating reports. However, the officials did not have a timeline for when they expected the enhancements to be complete.

# Summaries of Federal Housing Programs That Serve the Elderly

This appendix presents information on 23 federal programs we identified that provide housing assistance to the elderly. The programs, which are administered by the departments of Agriculture (USDA) and Housing and Urban Development (HUD), are organized alphabetically by agency into three categories. The first category includes programs that are targeted to the elderly, the second programs that are targeted to the elderly and disabled, and the third programs that are not targeted to the elderly or disabled but have special features for the elderly.[1] This appendix includes active programs as well as programs that no longer actively produce or subsidize new units yet still fund existing units.

In general, both HUD and USDA programs target families at lower income levels. HUD programs target families with incomes that are: extremely low (no more than 30 percent of an area's median), very low (no more than 50 percent of an area's median), and low (no more than 80 percent of an area's median). USDA programs also target families with incomes that are very low and low. In addition, some USDA programs target families with moderate incomes (no more than 115 percent of an area's median).

According to HUD and USDA officials, the terms "family" and "household" are generally used interchangeably. HUD's definition of family specifically includes elderly families, which are families whose head, spouse, or sole member is a person who is at least 62 years of age. It may include two or more persons who are at least 62 years of age living together or one or more persons who are at least 62 years of age living with one or more live-in aides. In general, USDA's definition of an elderly household also includes the disabled—that is, the head, spouse, or sole member is at least 62 years old or is a disabled person of any age. However, for the Section 504 grants and Section 538 programs, nonelderly disabled households are not included in the definition of elderly.

Project-based rental assistance provides subsidies for tenants in specific properties so that the subsidy is not portable if a tenant moves. Tenant-based rental assistance provides vouchers for eligible tenants to rent single or multifamily units. Through both project-based and tenant-based forms of rental assistance, the renter generally pays 30 percent of adjusted income towards rent.

[1] Generally, the income adjustments for the elderly are also available to the disabled.

Service coordinators are individuals that can generally be hired to work in public or other federally subsidized multifamily housing to assist residents in obtaining supportive services.

For each program, we identify the federal agency responsible for administering the program, the type of assistance provided, and the type of housing. We also provide brief descriptions of (1) the program's purpose and objectives; (2) how the program is administered; (3) eligibility requirements; (4) special features for the elderly; (5) supportive services provided; and (6) available data on the extent to which the program targets or serves the elderly.

We obtained the information for the summaries from the *Catalog of Federal Domestic Assistance*, program fact sheets, program handbooks, various HUD and USDA databases, and agency officials.[2]

[2]U.S. General Services Administration, *Catalog of Federal Domestic Assistance* (Washington, D.C.: August 2004).

# Programs Targeted to the Elderly

**Figure 6: Section 504 Rural Housing Repair and Rehabilitation Grants Description**

## Section 504 Rural Housing Repair and Rehabilitation Grants

**Administering agency:** USDA

**Type of assistance:** Rehabilitation grants

**Type of housing:** Single family

### Program statistics

- USDA awarded 49,551 grants between October 1995 and April 2004, at least 40,697 of which were for elderly households.
- USDA did not have data on the age of 8,704 recipients. Another 150 grant recipients were not elderly, according to USDA data. It was uncertain whether these were exceptions authorized by USDA or data errors.

### Overview

Authorized by the Housing Act of 1949 as amended, the Section 504 grant program makes home repair and improvement grants available to rural elderly homeowners that have very low incomes. Repairs and improvements must remove health and safety hazards or provide disabled access. Grants may not exceed a lifetime amount of $7,500.

### Program administration and funding

States receive Section 504 grant assistance according to a formula that takes into account each state's percentages of the national number of rural occupied units, the national number of rural households with very low incomes, and the national rural population of the elderly. Homeowners apply for program funds through local USDA offices, where staff determine eligibility and repayment ability. If USDA determines that an applicant cannot repay a loan, then grant funds may be awarded (see Section 504 Rural Housing Repair and Rehabilitation Loans).

Applicants must generally obtain at least three bids from contractors for the work that needs to be done. USDA pays for repairs only after they are completed and have been inspected. USDA may also make site visits before and after repairs are completed.

### Beneficiary eligibility

Elderly families with very low incomes that own and occupy a home in a rural area and are unable to repay a Section 504 loan.

### Special features for the elderly

Section 504 grants are targeted to the elderly.

### Supportive services

Not required.

Source: GAO analysis of program information and USDA data.

**Figure 7: Section 202 Supportive Housing for the Elderly Description**

## Section 202 Supportive Housing for the Elderly

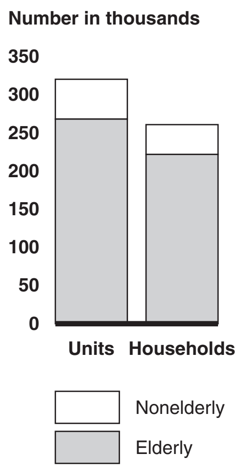
**Administering agency:** HUD

**Type of assistance:** Capital advance
Project-based rental assistance

**Type of housing:** Multifamily

**Program statistics**

**Section 202 Units and Households, as of May 2004[a]**




### Overview

Since fiscal year 1992, the Section 202 program has provided capital advances (essentially grants) to nonprofit organizations and nonprofit consumer cooperatives to fund the construction and rehabilitation of multifamily rental housing for very low-income elderly people. The capital advance need not be repaid as long as the property remains available for at least 40 years to elderly households with very low incomes. Capital advances are subject to per-unit development cost limits, which can be adjusted to reflect higher costs in certain areas. Property sponsors also receive project-based rental assistance under the Section 202 program to defray some of the operating expenses. The combination of a debt-free project and rental assistance payments enables sponsors to offer units at rents that are generally equal to 30 percent of a tenant's adjusted income.

Prior to fiscal year 1992, the Section 202 program provided direct loans to facilitate the construction of multifamily rental housing for elderly and disabled people. Existing properties financed with Section 202 direct loans continue to operate. Income limitations for tenants varied over the life of the direct loan program. Although the direct loan program did not include project-based rental assistance, some remaining properties also receive subsidies that reduce tenants' rents under HUD's separate project-based rental assistance programs.

### Program administration and funding

HUD national and field office staff administer the programs. HUD is responsible for awarding capital advances to sponsors and monitoring and approving properties through development, construction, and occupancy. Sponsors develop and operate the properties, select tenants, and calculate rents.

HUD announces the availability of Section 202 funds and the selection criteria for proposals through an annual Notice of Funding Availability. HUD allocates Section 202 funds among its field office jurisdictions using a formula that considers the size and income of the elderly population and that sets aside 15 percent of the funds for nonmetropolitan areas.

### Beneficiary eligibility

Elderly families that have very low incomes are eligible to rent units financed with capital advances.

Elderly and disabled families are eligible to rent units funded with direct loans. Generally, only households with very low or low incomes may rent units that receive project-based rental assistance. Income eligibility requirements for other units in direct loan properties vary depending on the year the property was financed.

### Special features for the elderly

Capital advance properties are intended exclusively for the elderly. Direct loan properties are intended exclusively for the elderly and disabled.

### Supportive services

When applying for a capital advance, sponsors must demonstrate how they will address tenants' needs for supportive services, either by providing them on-site or by providing access to off-site services. Capital advance properties that principally serve frail elderly residents may use project-based rental assistance funds to hire service coordinators. Direct loan properties can apply for HUD's Service Coordinator grants program. In addition, property owners can establish computer centers through the Neighborhood Networks program.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households was less than the number of units because HUD only had occupancy data on households receiving project-based rental assistance.

# Programs Targeted to the Elderly and Disabled

**Figure 8: Assisted Living Conversion Program Description**

## Assisted Living Conversion Program (ALCP)

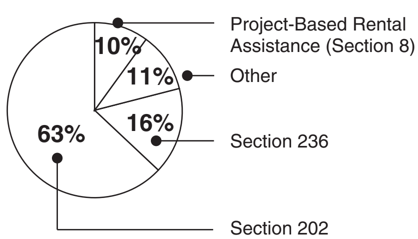
**Administering agency:** HUD

**Type of assistance:** Conversion grant

**Type of housing:** Multifamily

**Program statistics**

**Units Approved for Conversion to Assisted Living by Property Type, Fiscal Years 2000-2003**




Number of units: 1,891

**Overview**

The ALCP, authorized by Section 202(b) of the Housing Act of 1959 as amended, provides private nonprofit owners of eligible properties with a grant for the conversion of some or all of their units into assisted living facilities for the frail elderly.[a] The properties must have been designated for the elderly and occupied for at least 5 years and must be funded with at least one of the following housing programs: Section 202, Section 515 properties receiving Section 8 rental assistance, other properties receiving Section 8 project-based rental assistance, Section 221(d)(3) Below-Market Interest Rate, and Section 236. In addition, unused and underutilized commercial properties owned by private nonprofits are also eligible.

Grant funds are used to cover the physical costs of configuring units, creating common areas and space for supportive services, and making other changes that are consistent with HUD or the state's regulations for assisted living facilities. The reconfigured facilities must include enough community space to accommodate a central kitchen or dining area, lounges, recreation and other multiple use areas, as well as offices or staff spaces.

**Program administration and funding**

HUD's Office of Housing Assistance and Grant Administration is responsible for administering the program. Applicants compete for program funds through an annual Notice of Funding Availability. HUD will rate the applications that successfully complete technical processing using specific rating criteria. Funds are allocated to HUD's eighteen Hub Offices, and the staff there review applications and make funding decisions.

**Beneficiary eligibility**

Elderly or disabled persons that meet the admissions and discharge requirements for assisted-living in accordance with state and local requirements or HUD frailty requirements, whichever are more stringent. Residents must be able to live independently but may need assistance with activities of daily living (e.g., eating, bathing, grooming, dressing, and home management).

Residents must meet income eligibility requirements that apply to the property. These requirements vary according to the program under which the property was financed.

**Special features for the elderly**

This program creates assisted living units, which provide supportive services to the frail elderly.

**Supportive services**

While HUD funds only the physical costs of conversion, property owners must provide supportive services either directly or through a third party. All ALCP sites must link low-income residents to supportive services.

Source: GAO analysis of program information and HUD data.

[a]Assisted living facilities are designed to accommodate the frail elderly and persons with disabilities who can live independently but need assistance with activities of daily living. These facilities must provide supportive services such as personal care, transportation, meals, housekeeping, and laundry.

**Figure 9: Section 231 Mortgage Insurance Description**

## Section 231 Mortgage Insurance for Rental Housing for the Elderly

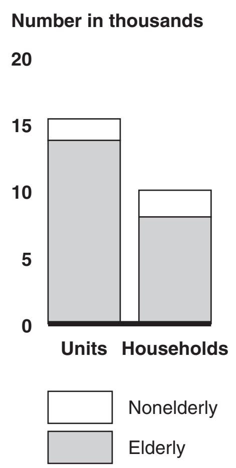
**Administering agency:** HUD

**Type of assistance:** Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**

**Section 231 Units and Households, as of May 2004[a]**




**Overview**

The Section 231 program insures mortgage loans to facilitate the construction or substantial rehabilitation of multifamily rental housing for the elderly and disabled. First authorized in 1959, the program is rarely used today. HUD's Section 221(d)(3) and (d)(4) programs are more commonly used to provide mortgage insurance for these properties.

The size of the mortgages the program insures is limited by law and depends on the number and size of the units and the type of structure. The limits can be adjusted to reflect higher costs in some areas. Within these limits, HUD insures up to 100 percent of the project's estimated replacement cost for public and nonprofit borrowers and up to 90 percent for for-profit borrowers. In the event of default, HUD pays the lender the unpaid principal amount plus other charges.

Some properties receive subsidies under HUD's project-based rental assistance programs.

**Program administration and funding**

HUD national and field office staff administer the program. HUD approves and monitors the lenders that underwrite and service the loans. The lenders submit project sponsors' applications to HUD field office staff, who review the applications for compliance with HUD guidelines and standards.

**Beneficiary eligibility**

Elderly or physically disabled families. Generally only households with very low or low incomes may live in units subsidized with project-based rental assistance. There are no income requirements for other units.

**Special features for the elderly**

Between 50 and 100 percent of the units in each property must be designated for occupancy only by elderly persons or elderly families. Typically, the units are designated for occupancy by the elderly only.

**Supportive services**

Not required, but Section 231 properties receiving project-based rental assistance are eligible to apply to HUD's Service Coordinator grants program and to establish computer centers through the Neighborhood Networks program.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households was less than the number of units because HUD only had occupancy data on households receiving project-based rental assistance.

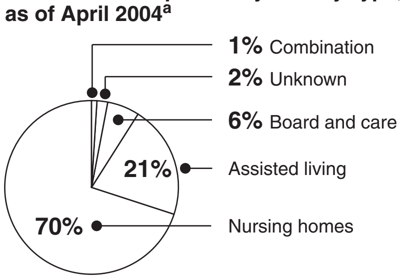
**Figure 10: Section 232 and 232/223(f) Mortgage Insurance Description**

## Section 232 and 232/223(f) Mortgage Insurance for Nursing Homes, Intermediate Care Facilities, Board and Care Homes, and Assisted Living Facilities

| | |
|---|---|
| **Administering agency:** | HUD |
| **Type of assistance:** | Mortgage insurance |
| **Type of housing:** | Nursing homes, intermediate care facilities, board and care homes, and assisted living facilities |

**Program statistics**

**Section 232 Properties by Facility Type, as of April 2004[a]**




Number of properties: 1,807

**Overview**

The Section 232 program provides mortgage insurance for the construction or substantial rehabilitation of:

- Nursing homes—facilities that provide skilled nursing care and have 20 or more beds,
- Intermediate care facilities—facilities that provide minimum but continuous care and have 20 or more beds,
- Board and care homes—facilities that provide room, board, and continuous protective oversight and have at least 5 accommodations (bedrooms with a maximum of 4 people each), and
- Assisted living facilities—facilities with 5 or more units designed for frail elderly persons who need assistance with at least 3 activities of daily living.

The Section 232/223(f) program insures the refinancing or purchase of similar facilities that do not require substantial rehabilitation. Under both programs, the facilities must be licensed by appropriate state or local agencies. A responsible state agency must certify that nursing homes and intermediate care facilities are needed, generally by providing a "certificate of need."

Under the Section 232 program, HUD insures up to 90 percent of a facility's appraised value (95 percent for nonprofit borrowers) for new construction or substantial rehabilitation. Under Section 232/223(f), HUD insures up to 85 percent of the value (90 percent for nonprofit borrowers). In the event of default, HUD pays the lender the unpaid principal amount and related charges.

**Program administration and funding**

HUD national and field office staff administer the programs. HUD approves and monitors lenders that underwrite and service the loans. The lenders submit project sponsors' applications to HUD field office staff, who review the applications for compliance with HUD guidelines and standards.

**Beneficiary eligibility**

This program is intended for elderly and disabled residents. There are no income requirements.

**Special features for the elderly**

Assisted living facilities are intended for frail elderly residents.

**Supportive services**

The level of services varies according to the type of facility, but all facilities insured under this program provide supportive services to residents, ranging from meal services to protective oversight and skilled care.

Source: GAO analysis of program information and HUD data.

[a]Combination refers to properties that featured multiple facility types. Unknown refers to properties where data on facility type were unavailable. HUD did not have sufficient data to determine the total number of beds or units in all properties. Approximately 16,972 units were designated for the elderly.

# Programs with Special Features for the Elderly

**Figure 11: Section 502 Rural Housing Loan (Direct) Description**

**Section 502 Rural Housing Loan (Direct)**

**Administering agency:** USDA

**Type of assistance:** Direct loan

**Type of housing:** Single family

**Program statistics**

- USDA made 118,737 direct loans between October 1995 and April 2004, at least 6,047 of which were for elderly households. Nonelderly households received another 90,882 loans, and the ages of another 21,808 direct loan recipients were not available.
- Elderly households received 6 percent of the 96,929 loans for which the age of the recipient was known.

**Overview**

The Housing Act of 1949 as amended authorized Section 502 direct loans to help households that have very low or low incomes purchase homes in rural areas. Applicants may obtain 100-percent financing directly from USDA to build, repair, renovate, or relocate a home or purchase and prepare sites, including providing water and sewage facilities. Loans may also be used to refinance homes under very limited circumstances.

Section 502 direct loans have terms of up to 33 years (38 for those with incomes below 60 percent of area median income and who cannot afford 33-year terms). The interest rate and amount of subsidy are determined by family income as percentage of area median income, so that a family pays from 22 to 26 percent of their income for principal, interest, taxes, and insurance up to an amount not exceeding the promissory note rate.

**Program administration and funding**

Funds are allocated to states by a basic formula that takes into account the states' percentages of the national: rural population, rural population in places with less than 2500 people, occupied rural substandard housing, and eligible households. Individuals apply for direct loans at local Rural Development offices serving the county where the dwelling is or will be located. Officials in these offices have the authority to approve most loan applications. If funds are not available, applicants are placed on a waiting list and may receive assistance as funds become available.

The USDA can recapture payment subsidies when the borrower no longer occupies the property.

**Beneficiary eligibility**

Families with very low or low incomes that lack adequate housing. Families must demonstrate that they cannot obtain credit elsewhere, but must also have an acceptable credit history and the ability to repay a loan.

**Special features for the elderly**

In determining eligibility, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

**Supportive services**

Not required.

Source: GAO analysis of program information and USDA data.

**Figure 12: Section 502 Direct Housing Natural Disaster Loan Description**

**Section 502 Direct Housing Natural Disaster Loan**

**Administering agency:** USDA

**Type of assistance:** Direct loan

**Type of housing:** Single family

**Program statistics**

- USDA made 948 natural disaster loans between October 1995 and April 2004, at least 98 of which were for elderly households. Nonelderly households received 792 loans, and USDA did not have data on the age of the remaining 58 recipients.
- Elderly households received 11 percent of the 890 loans for which the age of the recipient was known.

**Overview**

The purpose of the Section 502 natural disaster loan program is to assist rural families with very low or low incomes that have been affected by a natural disaster to buy, build, rehabilitate, or improve housing in rural areas. Funds are available only when the Federal Emergency Management Agency does not provide assistance.

To reduce the loan payment, applicants may receive a payment subsidy, which can be either payment assistance or an interest credit. A payment subsidy reduces the borrower's scheduled payment to an amount equal to what it would be if the note were amortized at a rate as low as 1 percent.

**Program administration and funding**

Assistance is restricted to areas identified in a presidential disaster declaration, with Congress determining the total amount of emergency funds that will be available. Applications must be submitted to the Rural Development field office serving the county where the dwelling is located, and an official from the office will make the funding decisions.

The government can recapture payment subsidies when the borrower transfers title or no longer occupies the property.

**Beneficiary eligibility**

Rural families with very low or low incomes that have emergency housing assistance needs as a result of a natural disaster. Families must demonstrate that they cannot obtain credit elsewhere.

**Special features for the elderly**

In determining eligibility, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

**Supportive services**

Not required.

Source: GAO analysis of program information and USDA data.

## Figure 13: Section 502 Guaranteed Rural Housing Loan Description

| Section 502 Guaranteed Rural Housing Loan | |
|---|---|
| **Administering agency:** | USDA |
| **Type of assistance:** | Guaranteed loan |
| **Type of housing:** | Single family |

**Program statistics**

- As of April 2004, USDA had 167,567 active guaranteed loans that had been made since October 1995.
- USDA did not have sufficient data to determine the number of elderly and nonelderly recipients.

**Overview**

The Section 502 guaranteed loan program guarantees home loans for families with low or moderate incomes in eligible rural areas. Funds can be used for new and existing homes, including for providing water and sewage facilities. In the event of default, USDA pays the lender up to 90 percent of the principal amount of the loan.

The program guarantees 30-year fixed-rate loans at market interest rates. The loans, which do not require a down payment, are made for the lesser of up to 100 percent of the appraised value of a home or for the acquisition costs.

**Program administration and funding**

USDA's Rural Housing Service administers the program through state and local offices. The state and national offices approve and oversee the lenders that are responsible for underwriting and servicing.

Lenders submit applications for loan guarantees to the Rural Housing Service, which considers applications in the order received. First-time homebuyers, veterans and their spouses, and children of deceased veterans receive preference.

**Beneficiary eligibility**

Families with low or moderate incomes that are unable to secure conventional credit without a loan guarantee. Families must have adequate and dependable income, an acceptable credit history, and the ability to repay a loan.

**Special features for the elderly**

In determining eligibility, elderly families receive deductions of $400 and certain medical expenses from their annual incomes.

**Supportive services**

Not required.

Source: GAO analysis of program information and USDA data.

**Figure 14: Section 504 Rural Housing Repair and Rehabilitation Loan Description**

**Section 504 Rural Housing Repair and Rehabilitation Loan**

| | |
|---|---|
| **Administering agency:** | USDA |
| **Type of assistance:** | Direct loans |
| **Type of housing:** | Single family |

**Program statistics**

- USDA made 43,385 repair and rehabilitation loans between October 1995 and April 2004, 22,808 of which were for elderly households. Nonelderly households received 11,630 loans, and USDA did not have data on the age of 8,947 recipients.
- Elderly households received 66 percent of the 34,438 loans for which the age of the recipient was known.

**Overview**

The Section 504 loan program, authorized by the Housing Act of 1949 as amended, provides loans to rural homeowners with very low incomes to repair, improve, or modernize their homes or to remove health and safety hazards.

**Program administration and funding**

Section 504 loan assistance is allocated to states according to a formula that takes into account each state's percentages of the national number of rural occupied units and the national number of rural households with very low income. USDA field offices accept and review loan applications, determine eligibility and repayment ability, and approve loan requests.

In order to be eligible for a loan, applicants must be unable to obtain affordable credit elsewhere and have a very low income. Applicants who cannot repay a loan to cover the entire amount needed may be eligible for a grant for part of the funds (see Section 504 Rural Housing Repair and Rehabilitation Grants).

The outstanding loan balance cannot exceed $20,000, but loans and grants can be combined for up to $27,500 in assistance. Loan terms are up to 20 years at a 1 percent interest rate.

**Beneficiary eligibility**

Families with very low incomes that own and occupy a home in a rural area.

**Special features for the elderly**

In determining eligibility, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

**Supportive services**

Not required.

Source: GAO analysis of program information and USDA data.

**Figure 15: Section 515 Rural Rental Housing Loan Description**

## Section 515 Rural Rental Housing Loan

**Administering agency:** USDA

**Type of assistance:** Direct loans

**Type of housing:** Multifamily

**Program statistics**

**Section 515 Units and Households, as of May 2004[a]**


**Overview**

The Section 515 loan program, authorized by the Housing Act of 1949 as amended, was first implemented in 1962. Section 515 loans are made directly to individuals or organizations to construct, or to purchase and substantially rehabilitate, multifamily rental or cooperative housing and recreational facilities in rural communities. Section 515 loans also fund independent living facilities, such as congregate housing and group homes for elderly or disabled families.

Tenants eligible to live in properties built with these loans may also receive rental assistance through HUD's Project-Based Section 8 program or USDA's Section 521 program.

**Program administration and funding**

Originally, Section 515 funding was distributed to each state based on the state's percentages of the national: rural population, number of rural occupied substandard units, and number of rural families with incomes below poverty level. This system was replaced by a national competition, which is announced through a Notice of Funding Availability. Applicants apply to build developments in designated areas. State USDA offices accept, review, score, and rank loan applications, and USDA's national office makes final decisions on requests and distributes funds. Developments cannot be granted more than $1 million each, and states cannot receive a total of more than $2.5 million each year. Loans have a maximum repayment period of 30 years, with a 50-year amortization.

**Beneficiary eligibility**

Families with very low, low, or moderate incomes.

**Special features for the elderly**

In determining eligibility, adjusted income, and rent, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

Owners can designate developments for the elderly.

**Supportive services**

Not required except for congregate housing, which must provide meals, transportation, housekeeping, personal services, and recreational and social activities. Section 515 loan funds cannot be used to pay for supportive services. Owners of congregate housing properties must seek other funding sources, such as HUD's Congregate Housing Services grant program.

Source: GAO analysis of program information and USDA data.

[a]Elderly units are designated for occupancy by the elderly or disabled. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly.

**Figure 16: Section 521 Rural Rental Assistance Description**

**Section 521 Rural Rental Assistance**

**Administering agency:** USDA

**Type of assistance:** Direct payments for specified use

**Type of housing:** Multifamily

**Program statistics**

- Approximately 96,000 of the 238,000 households (40 percent) receiving Section 521 rental assistance were elderly as of April 2004.
- All of these households lived in Section 515 properties, so the number of Section 515 and Section 521 households presented in this appendix should not be aggregated.
- The number of households receiving Section 521 rental assistance excludes those who lived in properties financed through USDA's Section 514 or Section 516 program.

**Overview**

Authorized by the Housing Act of 1949 as amended and started in 1978, the Section 521 program was designed to reduce rental payments for families with very low or low incomes in multifamily housing financed by the USDA's Section 515 program (see Section 515 Rural Rental Housing Loans).[a] In these units, residents pay no more than 30 percent of their adjusted income in rent, and the property owner receives a government subsidy to cover the difference between that amount and the actual rental cost. The subsidy is attached to the unit, not to the resident, and is available to the next tenant when a resident moves.

**Program administration and funding**

Owners of properties financed through USDA's Section 515 program can apply for Section 521 rental assistance at USDA's state offices. State USDA offices determine the number of units that will receive rental assistance from the total number of units that were allocated to the state. USDA allocates rental subsidies through 5-year contracts with property owners; 20-year contracts were also issued to units in newly constructed properties from 1978 through 1982. In fiscal year 2004, contracts were issued for a term of 4 years. USDA provides the subsidies directly to the property owners.

When the national office establishes no specific guidance, priority for rental assistance can be given to Section 515 developments that have the greatest percentage of prospective tenants needing it and to the areas of greatest housing need within states.

**Beneficiary eligibility**

Families with very low or low incomes that are unable to pay the full rent of an eligible unit within 30 percent of their adjusted monthly income and whose adjusted income does not exceed the limit established for the state.

**Special features for the elderly**

In determining eligibility, adjusted income, and rent, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

**Supportive services**

Not required.

Source: GAO analysis of program information and USDA data.

[a]Section 521 rental assistance can also be used in units financed by the Section 514 and 516 Farm Labor Housing Loan and Grant Program (see Appendix IV).

## Figure 17: Section 538 Guaranteed Rural Rental Housing Description

### Section 538 Guaranteed Rural Rental Housing

**Administering agency:** USDA

**Type of assistance:** Guaranteed loan; Interest credit

**Type of housing:** Multifamily

**Program statistics**

- As of June 2004, 197 of the 1,421 Section 538 units (14 percent) were in "senior" properties, which may include properties intended for occupancy primarily by people age 55 and older.
- Occupancy data were not available to determine the number of elderly and nonelderly households in Section 538 properties.

**Overview**

The Section 538 program guarantees loans for the construction, rehabilitation, or acquisition of multifamily projects in rural areas. The program is designed to provide affordable housing for families with low or moderate incomes. Rents are restricted, so that the monthly rent for a unit may not exceed 30 percent of the moderate-income limit, adjusted for family size. Some of the units must also have low enough rents so that the average rent for a property does not exceed 30 percent of the area median income, adjusted for family size.

The program guarantees multifamily loans made by private and public lenders and covers up to 90 percent of the loan amount for defaulted loans. It also provides financial assistance for 20 percent of the guaranteed loans by providing an interest credit that generally reduces the interest rate by 1 to 2 percentage points.

**Program administration and funding**

USDA's Rural Housing Service national and state offices jointly administer the program. The national office approves and oversees qualified lenders and approves guaranteed loans. The state offices are involved in reviewing loan applications and monitoring loans. Lenders are responsible for underwriting loans and for servicing them to ensure repayment and compliance with program requirements.

USDA announces the availability of Section 538 guarantees and interest credits and the selection criteria for proposals through an annual Notice of Funding Availability.

**Beneficiary eligibility**

Families with low or moderate incomes.

**Special features for the elderly**

The program can guarantee loans for "senior" properties that are intended either for the elderly only or for at least 80 percent of the households to have at least one member 55 years of age or older.

**Supportive services**

Not required.

Source: GAO analysis of program information and USDA data.

**Figure 18: Housing Choice Voucher Description**

| Housing Choice Voucher | |
|---|---|
| **Administering agency:** | HUD |
| **Type of assistance:** | Tenant-based rental assistance |
| **Type of housing:** | Multifamily |

**Program statistics**

- Approximately 330,000 of the 2,070,000 households (16 percent) receiving housing choice vouchers as of June 2004 had an elderly head, cohead, or spouse.

**Overview**

The Housing Choice Voucher Program is HUD's largest assisted housing program. Authorized by the Housing and Community Development Act of 1974 as the Rental Certificate Program, it assists extremely low to low-income families, including the elderly and disabled, in obtaining decent, safe, and sanitary rental housing.

Through this program, eligible families are able to rent privately owned units that they would otherwise not be able to afford. Families pay a portion of the rent, and the local housing authority pays the remainder directly to property owners.

**Program administration and funding**

HUD announces the availability of housing choice vouchers through Notices of Funding Availability. Local public housing authorities apply to HUD for the vouchers and then provide them to eligible families.

HUD is responsible for developing policies, regulations, and guidance for the program, allocating funds, providing technical assistance, and monitoring housing authorities' compliance with program requirements. Housing authorities are responsible for determining eligibility, maintaining waiting lists, selecting families for admission, inspecting program units for compliance with housing quality standards, and making housing assistance payments to property owners. Property owners are responsible for screening and selecting tenants, collecting tenants' share of the rent, and maintaining the property.

Eligible families that receive housing choice vouchers from local housing authorities must find the house or apartment that they want to rent. The owner of the property must agree to participate in the program, and the unit must meet certain criteria. Payments to property owners cover the difference between what the family is required to pay and the actual rental cost of the property.

**Beneficiary eligibility**

Families that have extremely low, very low, and, on an exception basis, low incomes.

**Special features for the elderly**

In determining adjusted income and rent, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.Housing authorities can establish priorities when providing housing choice vouchers, including a preference for providing vouchers to the elderly.

**Supportive services**

Not required. However, housing authorities are encouraged to provide transportation assistance and referrals to appropriate counseling and training to help voucher recipients compete for and retain housing.

Source: GAO analysis of program information and HUD data.

## Figure 19: Project-Based Rental Assistance Description

**Project-Based Rental Assistance (Section 8 and Rent Supplement) (inactive)**

**Administering agency:** HUD

**Type of assistance:** Project-based rental assistance

**Type of housing:** Multifamily

**Program statistics**

- Approximately 535,000 of the 1,094,000 households (49 percent) receiving rental assistance through project-based Section 8 or Rent Supplement had an elderly head, cohead, or spouse, as of May 2004.
- The 1,094,000 households receiving Section 8 or rent supplement project-based rental assistance include households in properties insured or subsidized through other multifamily programs profiled in this appendix, such as Section 202 and Section 221(d)(3)/(d)(4). To avoid double counting, the number of households in this figure should not be aggregated with other household counts presented in this appendix. For an unduplicated count of households, see Figure 3.

**Overview**

A variety of project-based Section 8 programs provide rent subsidies in the form of housing assistance payments to public or private landlords on behalf of eligible families. While no new funding is available, families may apply for admission to properties with existing project-based rental assistance contracts. Through the rent subsidy, payments to property owners cover the difference between what the family is required to pay and the actual rental cost of the property. The objective of the program is to provide decent, safe, and sanitary housing to families, including the elderly and disabled, that have extremely low to low incomes.

Project-based Section 8 was preceded by the Rent Supplement Program, which was established by the Housing and Urban Development Act of 1965. This program was suspended under the housing subsidy moratorium in 1973. The Housing and Community Development Act of 1974 amended the U.S. Housing Act of 1937 to create project-based Section 8. Owners of properties with rent supplement contracts were allowed to convert to project-based Section 8 assistance.

Project-based Section 8 subsidies are linked to specific multifamily properties. At these properties, up to 100 percent of the units are subsidized by the program. Since the subsidy is linked to the unit, if tenants move from the property, they lose the subsidy.

The project-based Section 8 rental subsidy can be used in properties subsidized or insured through other multifamily housing programs, such as Sections 221(d)(3) or 221(d)(4), Section 236, Section 202, and USDA's Section 515 program.

**Program administration and funding**

Private owners entered into individual housing assistance payments contracts for each property receiving assistance. HUD has primary responsibility for contract administration but has assigned portions of these responsibilities to project-based contract administrators. The administrators generally consist of state housing finance agencies or local housing authorities.

Congress mandates the amount of project-based Section 8 funding available to HUD each fiscal year. Funding for project-based Section 8 is currently available only as contract renewals for properties that have existing contracts.

**Beneficiary eligibility**

Families that have extremely low, very low, or low incomes.

**Special features for the elderly**

In determining adjusted income and rent, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

Properties receiving project-based rental assistance may have units designated for the elderly.

**Supportive services**

Not required.

Source: GAO analysis of program information and HUD data.

**Figure 20: Public Housing Description**

## Public Housing

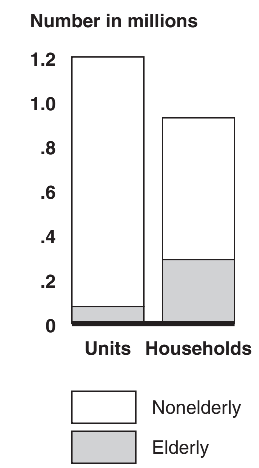
**Administering agency:** HUD

**Type of assistance:** Public housing

**Type of housing:** Public housing (Multifamily and single family)

**Program statistics**

**Public Housing Units and Households, as of June 2004[a]**




### Overview

The public housing program was authorized in 1937 to provide decent, safe, and affordable rental housing for low-income families, including the elderly and disabled, through local public housing authorities.

Through this program, eligible families are able to rent units in single-family or multifamily public housing properties, such as high-rise apartments for the elderly. Families are generally required to pay 30 percent of their adjusted monthly income towards rent.

### Program administration and funding

Public housing is owned and operated by approximately 3,100 public housing authorities nationwide. Each housing authority is responsible for operating and maintaining public housing stock and managing the selection of residents.

HUD provides annual formula-based subsidies to housing authorities to operate and maintain public housing. These subsidies, which consist of operating and capital (formerly modernization) funds, supplement funding received by housing authorities from tenant rent contributions. Housing authorities also receive funds from tenants.

Public housing can be developed through the construction of units on a site owned by a housing authority, development of units on a developer-owned site that is sold to the housing authority after completion, or through units that the housing authority purchases. HUD has not provided new funding for public housing development since fiscal year 1994. However, housing authorities can use capital and HOPE VI funding flexibly for development.

### Beneficiary eligibility

Families that have extremely low to low incomes. Only elderly families are eligible for public housing that is designated for the elderly.

### Special features for the elderly

Housing authorities can apply to HUD for permission to designate developments or portions of developments (buildings, floors, or units) for occupancy by elderly families only or by disabled families only. The elderly do not receive priority for general occupancy public housing unless specified in the housing authority's annual plan.

In determining adjusted income and rent, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

### Supportive services

Not required. However, housing authorities can establish a variety of programs to link residents to services. For example, housing authorities may apply to HUD for Resident Opportunities and Self-Sufficiency grant funds to link the elderly to transportation and meal services.

Public housing authorities can request funds to hire service coordinators who obtain supportive services for the elderly and disabled. Public housing authorities can also work with other federal, state, and local agencies to provide public housing residents with access to supportive services.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are those designated for occupancy by the elderly. The number of nonelderly units, which can be occupied by elderly or nonelderly households, is an estimate by HUD. Elderly households are those in which the head, cohead, or spouse was elderly. The number of households is less than the estimated number of units because some units may be vacant, HUD may not have current data on all households, or the estimated unit count may be inaccurate.

## Figure 21: Section 8 Moderate Rehabilitation Description

**Section 8 Moderate Rehabilitation (inactive)**

| | |
|---|---|
| **Administering agency:** | HUD |
| **Type of assistance:** | Project-based rental assistance |
| **Type of housing:** | Multifamily and single family |

**Program statistics**

- Approximately 8,000 of the 51,000 households (16 percent) living in Section 8 Moderate Rehabilitation properties had an elderly head, cohead, or spouse as of June 2004.

**Overview**

The Section 8 Moderate Rehabilitation Program, created in 1978, was designed to help families with low incomes obtain decent, safe, and sanitary housing. In addition, this program aimed to upgrade the nation's rental housing stock. The program was repealed in 1991, but many rehabilitated properties continue to be eligible for housing assistance payments. Property owners may request 1-year renewals of existing contracts.

The program differs from other project-based Section 8 programs in that it was targeted to properties in need of a moderate level of upgrading. However, like other HUD programs, payments to property owners cover the difference between the family's required rental payment and the actual rental cost of the property.

**Program administration and funding**

Housing authorities solicited proposals from property owners seeking to make properties with fewer than 20 units and needing some rehabilitation available for rent through the Section 8 program. Property owners had to agree to make up to $1,000 per unit in repairs in order to receive rental assistance.

**Beneficiary eligibility**

Families that have extremely low, very low, or low incomes.

**Special features for the elderly**

In determining adjusted income and rent, elderly families receive the following deductions from their annual income: $400 and certain medical expenses.

**Supportive services**

Not required.

Source: GAO analysis of program information and HUD data.

**Figure 22: Section 207 Mortgage Insurance for Manufactured Home Parks Description**

| Section 207 Mortgage Insurance for Manufactured Home Parks | |
|---|---|
| **Administering agency:** | HUD |
| **Type of assistance:** | Mortgage insurance |
| **Type of housing:** | Multifamily |

**Program statistics**

- Nineteen properties had loans insured under the Section 207 Manufactured Home Park program as of April 2004.
- HUD did not have sufficient data for us to determine the number of units in these properties or the number of elderly and nonelderly households.

**Overview**

The Section 207 manufactured home parks program insures mortgage loans to facilitate the construction or rehabilitation of manufactured home parks. Residents may rent or own manufactured homes in the spaces.

The size of the mortgages the program insures is limited by law and depends on the number of spaces that will be created. The limits can be adjusted to reflect higher costs in some areas. Within these limits, HUD insures up to 90 percent of the estimated value of the completed property. In the event of default, HUD pays the lender the unpaid principal amount and related charges.

**Program administration and funding**

HUD national and field office staff administer the program by approving and monitoring the lenders that underwrite and service the loans. The lenders submit project sponsors' applications to HUD field office staff, who review the applications for compliance with HUD guidelines and standards.

**Beneficiary eligibility**

There are no income requirements.

**Special features for the elderly**

Properties may be designed for occupancy by the elderly.

**Supportive services**

Not required.

Source: GAO analysis of program information and HUD data.

**Figure 23: Section 207/223(f) Mortgage Insurance Description**

## Section 207/223(f) Mortgage Insurance for Existing Rental Housing

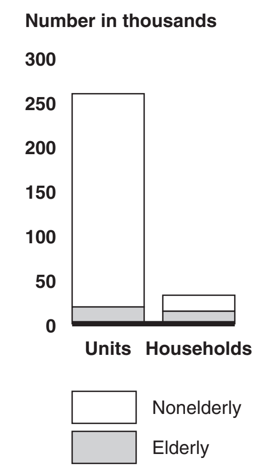
**Administering agency:** HUD

**Type of assistance:** Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**

**Section 207/223(f) Units and Households, as of May 2004[a]**




**Overview**

The Section 207/223(f) program insures mortgage loans to facilitate the purchase or refinancing of existing multifamily rental housing with at least five units. Manufactured home parks, properties that were completed or substantially rehabilitated within the last 3 years, and properties that require substantial rehabilitation are not eligible for this program.

In general, HUD insures mortgage amounts up to 85 percent of the property's value. In the event of default, HUD pays the lender the unpaid principal amount and related charges.

Some properties receive subsidies under HUD's project-based rental assistance programs.

**Program administration and funding**

HUD national and field office staff administer the program. HUD approves and monitors the lenders that underwrite and service the loans. The lenders submit project sponsors' applications to HUD field office staff, who review applications for compliance with HUD guidelines and standards.

**Beneficiary eligibility**

There are no income requirements.

Generally only families that have very low or low incomes are eligible to rent units that receive project-based rental assistance.

**Special features for the elderly**

The program may be used to help finance existing properties that were designed for occupancy by the elderly.

**Supportive services**

Not required, but properties may offer optional meals or services to residents.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households was less than the number of units because HUD only had occupancy data on households receiving project-based rental assistance.

## Figure 24: Section 213 Mortgage Insurance Description

**Section 213 Mortgage Insurance for Cooperative Housing**

**Administering agency:** HUD

**Type of assistance:** Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**

- Approximately 16 percent of Section 213 units (3,077 of 19,160 units) were designated for occupancy by the elderly as of April 2004.
- Occupancy data were not available to determine the number of elderly and nonelderly households in Section 213 properties.

**Overview**

The Section 213 program insures mortgage loans to finance the construction, rehabilitation, acquisition, or improvement of cooperative housing projects with five or more units. A cooperative is a housing project owned by a nonprofit cooperative corporation or nonprofit trust. Residents own membership stocks that give them the right to live in a unit.

The size of the mortgages the program insures is limited by law and depends on the number and size of the units and the type of structure. These limits can be adjusted to reflect higher costs in some areas. Within these limits, HUD insures mortgage amounts up to 98 percent of the cost of the property. In the event of default, HUD pays the lender the unpaid principal amount and related charges.

**Program administration and funding**

HUD national and field office staff administer the program by approving and monitoring the lenders that underwrite and service the loans. The lenders submit project sponsors' applications to HUD field office staff, who review applications for compliance with HUD guidelines and standards.

**Beneficiary eligibility**

There are no income requirements.

**Special features for the elderly**

Properties may be designed for occupancy by the elderly.

**Supportive services**

Not required.

Source: GAO analysis of program information and HUD data.

**Figure 25: Section 221(d)(3) Below-Market Interest Rate Description**

## Section 221(d)(3) Below Market Interest Rate Program (inactive)

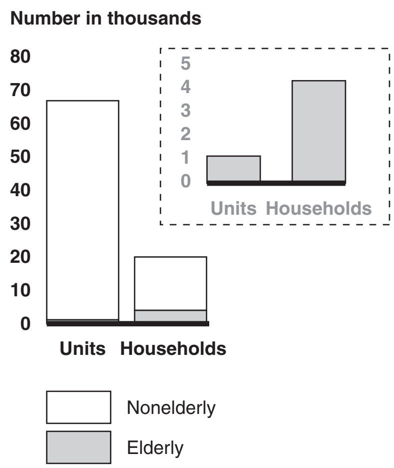
**Administering agency:** HUD

**Type of assistance:** Mortgage subsidy
Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**

**Section 221(d)(3) Below Market Interest Rate Units and Households, as of May 2004[a]**




### Overview

The Section 221(d)(3) Below-Market Interest Rate Program insured and subsidized mortgage loans to facilitate the construction or substantial rehabilitation of multifamily rental or cooperative housing. The program no longer provides subsidies for new mortgage loans, but existing properties continue to operate under the program.

Properties received reduced mortgage interest rates, usually from 1 percent to 3 percent, lowering the operating costs for these projects and therefore reducing rents. In the event of default, HUD pays the lender the unpaid principal amount and related charges.

Some remaining properties also receive subsidies under HUD's project-based rental assistance programs.

### Program administration and funding

When a loan insured under this program originated, HUD made a one-time payment to the lender to reduce the interest rate on the loan. Because the program no longer insures new mortgages, there are no current costs for the program related to interest reduction.

HUD national and field office staff administer the program for the remaining properties. HUD is responsible for monitoring property owners' compliance with program requirements and processing any insurance claims.

### Beneficiary eligibility

In general, families whose incomes do not exceed 95 percent of area median income, adjusted for family size. Only families that have very low or low incomes are eligible to rent units that receive project-based rental assistance.

### Special features for the elderly

The program permitted properties to be designed for occupancy by the elderly.

### Supportive services

Not required. Remaining properties are eligible to apply to HUD's Service Coordinator grants program and to establish computer centers through the Neighborhood Networks program.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households was less than the number of units because HUD only had occupancy data on households receiving project-based rental assistance.

**Figure 26: Section 221(d)(3) and (d)(4) Mortgage Insurance Description**

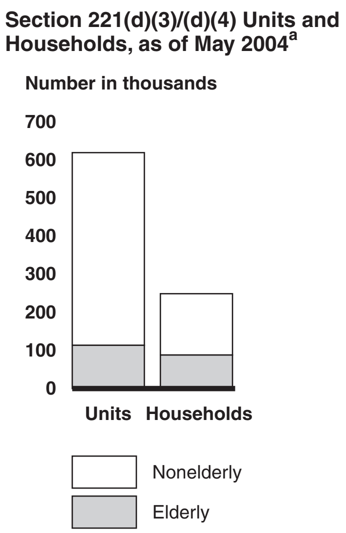
## Section 221(d)(3) and (d)(4) Mortgage Insurance for Rental and Cooperative Housing

**Administering agency:** HUD

**Type of assistance:** Mortgage subsidy
Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**




**Overview**

The Section 221(d)(3) and 221(d)(4) programs insure mortgage loans to facilitate the construction or substantial rehabilitation of multifamily rental or cooperative housing.

The two programs generally have similar features but insure properties for different types of property owners and at different levels. Under Section 221(d)(3), nonprofit sponsors and cooperatives may receive an insured mortgage of up to 100 percent of the estimated replacement cost of the project. Under Section 221(d)(4), for-profit and other sponsors may receive a maximum insured mortgage of 90 percent of the replacement cost. The size of the mortgages the programs will insure is limited by law and depends on the number and size of the units and the type of structure. These limits can be adjusted to reflect higher costs in some areas. In the event of default, HUD pays the lender the unpaid principal amount and related charges.

Some properties receive subsidies under HUD's project-based rental assistance programs.

**Program administration and funding**

HUD national and field office staff administer the programs. HUD approves and monitors the lenders that underwrite and service the loans. The lenders submit project sponsors' applications to HUD field office staff, who review applications for compliance with HUD guidelines and standards.

**Beneficiary eligibility**

There are no income requirements. Generally, only families that have very low or low incomes are eligible to rent units that receive project-based rental assistance.

**Special features for the elderly**

Properties may be designed for occupancy by the elderly.

**Supportive services**

Not required.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households was less than the number of units because HUD only had occupancy data on households receiving project-based rental assistance.

**Figure 27: Section 236 Rental and Cooperative Housing Description**

**Section 236 Rental and Cooperative Housing for Lower Income Families (inactive)**

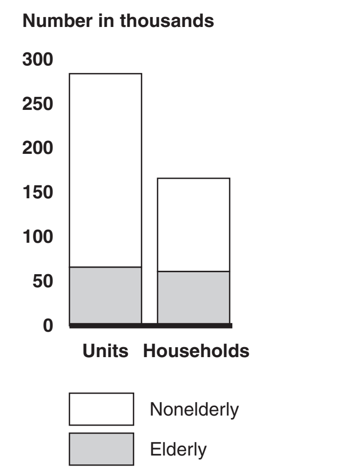
**Administering agency:** HUD

**Type of assistance:** Mortgage subsidy
Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**

**Section 236 Units and Households, as of May 2004**[a]




**Overview**

The Section 236 program provided mortgage insurance and interest reduction payments to support the production of multifamily housing for low-income households. Active from 1968 through 1973, the program no longer provides insurance or subsidies for new mortgage loans, but existing properties insured under the program continue to operate.

HUD provided interest subsidies that reduced a project's mortgage interest rate to as low as 1 percent. The interest reduction payments resulted in lower operating costs, reducing the rent charged to tenants. In the event of default, HUD agreed to pay the lender the unpaid principal amount and related charges.

For existing properties, the program restricts the rent tenants pay, depending on their income, to an amount between the basic rent needed to operate the property with the mortgage interest subsidy and the market rent that would be needed without the subsidy. In addition, some remaining properties receive subsidies under HUD's project-based rental assistance programs.

**Program administration and funding**

Although the program no longer insures new mortgages under the Section 236 program, HUD makes interest reduction payments to lenders for Section 236 properties with outstanding mortgage loans.

HUD national and field office staff administer the program for the remaining properties. HUD is responsible for monitoring property owners' compliance with program requirements and processing any insurance claims.

**Beneficiary eligibility**

Families that have low incomes.

**Special features for the elderly**

The program permitted properties to be designed for occupancy by the elderly.

In determining adjusted income and rent, elderly families receive deductions from their annual incomes of $400 and certain medical expenses.

**Supportive services**

Not required. Remaining Section 236 projects are eligible to apply to HUD's Service Coordinator grants program and to establish computer centers through the Neighborhood Networks program.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. Elderly or nonelderly households may occupy nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households was less than the number of units because HUD only had occupancy data on households receiving project-based rental assistance.

**Figure 28: Section 542(b) and 542(c) Risk Sharing Programs Description**

## Section 542(b) and 542(c) Risk Sharing Programs

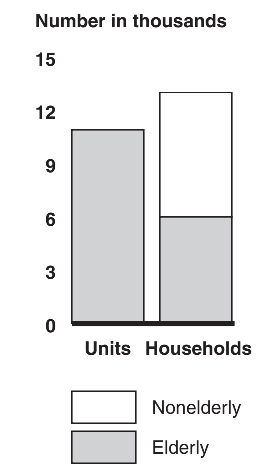
**Administering agency:** HUD

**Type of assistance:** Mortgage insurance

**Type of housing:** Multifamily

**Program statistics**

**Section 542(b)/(c) Units and Households, as of May 2004[a]**




**Overview**

The Section 542(b) and Section 542(c) programs offer incentives to facilitate the financing of multifamily housing. The risk-sharing programs differ from HUD's traditional mortgage insurance programs in that HUD assumes only a portion of the risk of loss and delegates loan-processing and asset-management functions to the financial institutions and housing finance agencies that underwrite the loans.

Under the Section 542(b) program, qualified financial institutions or their approved lenders underwrite loans, and HUD reimburses the institutions for 50 percent of their losses on defaulted loans. Under the Section 542(c) program, participating state and local housing finance agencies underwrite loans and elect to share from 10 to 90 percent of the loss on defaulted loans with HUD.

The programs can be used with mortgage loans for new construction, substantial rehabilitation, acquisition, or refinancing of affordable multifamily projects. In order for properties to qualify as "affordable," either (1) at least 20 percent of the units must be rent restricted and occupied by households that have very low incomes, or (2) at least 40 percent (25 percent in New York City) of the units must be rent restricted and occupied by households whose adjusted incomes do not exceed 60 percent of the area's median income.

**Program administration and funding**

HUD selects qualified financial institutions and housing finance agencies and monitors their participation in the program. In general, the participating institutions and agencies apply their own underwriting standards and loan terms and conditions. HUD monitors program participants' compliance with their own standards and with HUD regulations and guidelines.

**Beneficiary eligibility**

There are no income requirements.

**Special features for the elderly**

Properties may be designed for occupancy by the elderly. Assisted living facilities, which are designed to serve the frail elderly, are also eligible for the programs.

**Supportive services**

Assisted living facilities must offer supportive services to elderly residents.

Source: GAO analysis of program information and HUD data.

[a]Elderly units are designated for occupancy by the elderly. We did not have sufficient data to determine the number of nonelderly units. Elderly households had an elderly head, cohead, or spouse, regardless of whether the unit was designated for the elderly. The number of households includes only those receiving project-based rental assistance.

# Additional Housing Programs

This appendix describes some additional housing programs that can benefit the elderly but that either did not meet our definition of housing assistance or were not considered by agency officials to be "key" in assisting the elderly. The appendix does not include all of the housing assistance programs that serve the elderly.

A variety of federal agencies are responsible for these programs, including the departments of Agriculture (USDA), Health and Human Services (HHS), Housing and Urban Development (HUD), and Veterans Affairs (VA). The programs are organized in alphabetical order according to their administering agency.

## Department of Agriculture

### Community Facilities Direct Loan, Guaranteed Loan, and Grant Programs

These programs provide a direct loan, guaranteed loan, or project grant assistance to construct, enlarge, extend, or otherwise improve community facilities, such as medical clinics, schools, fire and rescue stations, and child care centers for public use in rural areas. These programs finance a range of service centers for the elderly, including nursing homes, boarding care, assisted care facilities, adult day care, and intergenerational care facilities.

To be eligible, applicants must be entities such as city, county, and state agencies; private nonprofit corporations; or federally recognized tribal governments. Priority is given to projects that will enhance public safety or provide health care facilities.

### Section 514/516 Farm Labor Housing Loans and Grants

This program provides loans or project grants to provide decent, safe, and sanitary low-rent housing for domestic farm laborers. Loans are available to farmers, family farm partnerships, family farm corporations, or associations of farmers. Loans and grants are available to states, public or private nonprofit organizations, federally recognized Indian Tribes, and nonprofit corporations of farm workers. Grants are available to eligible applicants only when there is a pressing need and when such facilities cannot be obtained without grant assistance. Loans are usually for 33 years at 1 percent interest, and grants may cover up to 90 percent of development costs.

### Section 533 Rural Housing Preservation Grants

This program provides grants to sponsoring organizations for the repair or rehabilitation of housing for very low- and low-income rural residents. To be eligible, an applicant must be a state or political subdivision, public nonprofit corporation, Indian tribal corporation authorized to receive and administer housing preservation grants, private nonprofit corporation, or a consortium of such entities. Organizations may use less than 20 percent of the Housing Preservation Grant funds for program administration purposes, such as to hire personnel and pay necessary and reasonable administrative expenses. Eighty percent or more of the funds must be used for loans, grants, or other assistance on individual homes, homeowners, rental properties, or cooperatives to pay any part of the cost for repair or rehabilitation of structures.

## Department of Health and Human Services

### Low-Income Home Energy Assistance Program

This federally funded program helps low-income households meet their home heating and cooling needs. The program provides funding to states, federally- or state- recognized Indian tribes and tribal organizations, and insular areas, such as Puerto Rico and Guam, in the form of block grants for home energy assistance, energy crisis intervention or assistance, and low-cost residential weatherization and other energy-related home repair. The program targets (1) households with a high energy burden (those households with the lowest incomes and highest home energy costs), and (2) vulnerable households, including those with frail older individuals, individuals with disabilities, and very young children.

# Department of Housing and Urban Development

## Community Development Block Grant Program

According to the Congressional Research Service, this program is the largest source of federal financial assistance for state and local governments' community development and neighborhood revitalization activities. The program's objective is to develop viable urban communities by providing housing and expanding economic opportunities, principally for individuals with low to moderate incomes. For example, Community Development Block Grant funds have been used to rehabilitate affordable senior housing, construct senior centers, and provide services such as congregate meals and transportation.

## Home Equity Conversion Mortgages

This program enables elderly homeowners to withdraw some of the equity in their home in the form of monthly payments for life or a fixed term, or in a lump sum, or through a line of credit. This reverse mortgage program allows families to stay in their home while using some of its equity. The total income that an owner can receive through the program is the maximum claim amount, which is calculated with a formula including the age of the owner, the interest rate, and the value of the home. The borrower remains the owner of the home and may sell it and move at any time, keeping the sales proceeds that exceed the mortgage balance. No repayment is required until the borrower moves, sells, or dies.

## HOME Investment Partnerships Program

This program is a federal formula block grant to state and local governments designed to create affordable housing for low-income households. The program provides funds to states and localities to build, buy, and rehabilitate affordable housing for rent or homeownership. Also, funds can be used to provide direct rental assistance to low-income people. For rental housing, at least 90 percent of HOME funds must benefit low- and very low-income families at 60 percent of the area median income; the remaining ten percent must benefit families below 80 percent of the area median income. Assistance to homeowners and homebuyers must go to families below 80 percent of the area median. HOME gives grantees the flexibility to use a variety of mechanisms to fund housing projects that meet local priorities, and is routinely combined with other public and private financing for affordable housing such as Housing Choice Vouchers and the Low-Income Housing Tax Credit.

## Housing Counseling Assistance Program

This program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Housing Counseling Assistance Program enables individuals wanting to rent or own housing—whether through a HUD program, a Veterans Affairs program, other Federal programs, a State or local program, or the regular private market—to get the counseling needed to make their rent or mortgage payments and to be a responsible tenant or owner in other ways. The counseling is provided by HUD-approved housing counseling agencies.

There are three strategic goals for the program: (1) to improve the quality of renter and homeowner education, (2) to develop a reliable stream of funding and resources for counseling agencies, and (3) to enhance coordination among local housing providers.

## Section 203(b) Mortgage Insurance

This program promotes homeownership among families with low to moderate incomes by providing mortgage insurance for the purchase or refinancing of a principal residence. This program provides mortgage insurance to protect lenders, such as mortgage companies, banks and savings and loan associations, against the risk of default on loans to qualified buyers. Insured loans may be used to purchase new or existing one- to four- family homes, as well as to refinance debt. The insurance allows homebuyers to finance up to 97 percent of the home's cost through their mortgage.

## Section 203(k) Rehabilitation Mortgage Insurance

This program enables homebuyers and homeowners to finance the purchase (or refinancing) of a house that is at least a year old and the cost of its rehabilitation through a single mortgage. The cost of rehabilitation must be at least $5000, but the total value of the property must still fall within the mortgage limit for the area.

## Section 220 Mortgage Insurance (Urban Renewal Mortgage Insurance)

This program provides federal insurance for mortgage loans on multifamily rental projects located in urban renewal areas and areas where local governments have undertaken designated revitalization activities. The purpose of Section 220 is to encourage the development of quality rental housing in urban areas targeted for overall revitalization, and to insure lenders against loss on mortgage defaults. The maximum amount of the mortgage loan may not exceed 90 percent of the estimated replacement cost for new construction or 90 percent of the estimated cost of the repair and the estimated value of the property before the repair for substantial rehabilitation.

## Section 234(c) Mortgage Insurance–Purchase of Units in Condominiums

This program insures loans for terms of up to 30 years for the purchase of a unit in a condominium building. The building must contain at least four dwelling units and can be detached or semidetached, a rowhouse or walk-up, or an elevator structure. The insurance covers loans made by lending institutions such as mortgage companies, banks, and savings and loan associations.

## Section 811 Supportive Housing for Persons with Disabilities

This program is designed to allow very low-income adults with disabilities to live independently in the community by funding the development of rental housing with appropriate supportive services. HUD provides interest-free capital advances to nonprofit sponsors to help finance the development of supportive housing. The advance does not have to be repaid as long as the housing remains available for very low-income persons with disabilities for at least 40 years. The program also provides project rental assistance, which covers the difference between the operating costs of the development as approved by HUD and the tenants' contribution toward rent (usually 30 percent of adjusted income). Each project must have a supportive services plan. The services offered may vary with the target population but could include case management, training in independent living skills, and assistance in obtaining employment.

### Title I (Property Improvement Loan Insurance for Improving All Existing Structures and Building of New Nonresidential Structures)

This program facilitates the financing of improvements to homes and other existing structures and the building of new nonresidential structures. The maximum loan amount is $25,000 for improving a single family home or for improving or building a nonresidential structure. For improving a multifamily structure, the maximum loan amount is $12,000 per family unit, not to exceed a total of $60,000 for the structure. HUD insures private lenders against losses of up to 90 percent of any single loan.

## Department of Veterans Affairs

### VA Homeless Providers Grant and Per Diem Program

This program provides funding to community agencies providing services to homeless veterans. The program's purpose is to help homeless veterans achieve residential stability, increase their skill levels and income, and obtain greater self-determination by promoting the development of housing with supportive services. Only programs with supportive housing or service centers are eligible for the two levels of funding: grants and per diem.

### VA Home Loans

This program helps veterans, certain service personnel, and certain unmarried surviving spouses of veterans obtain credit for the purchase, construction, or improvement of homes on more liberal terms than are generally available to nonveterans. Lenders, such as mortgage companies, savings and loan associations, or banks, make the loans and VA provides the guarantee. The amount guaranteed varies with the amount of the loan and previous use of the program. With the current maximum guarantee, a veteran who has not previously used the benefit may be able to obtain a loan up to $240,000, depending on the borrower's income level and the appraised value of the property.

## Federal Home Loan Banks

### Affordable Housing Program

This program subsidizes the purchase, construction, rehabilitation, or refinancing of (1) owner-occupied housing for very low- to moderate-income households, and (2) rental housing in which very-low-income households can afford and will occupy at least 20 percent of the units. The Federal Home Loan Banks offer both grants and loans with below-cost interest rates.

### Community Investment Program

This program provides a favorably priced source of wholesale funds for any member involved in lending for community and economic development. The funds can be used for development of commercial projects, infrastructure improvements, or business that creates jobs. The funds are available to finance home purchases by families whose income does not exceed moderate-income levels, for purchase or rehabilitation of housing for occupancy by families whose income does not exceed moderate-income levels, or for commercial and economic development activities that benefit low- and moderate-income families or neighborhoods.

## Internal Revenue Service (IRS)

### Low-Income Housing Tax Credit

This tax credit program, which IRS and the states administer jointly, is the principal federal program designed to support the development and rehabilitation of housing for low-income households. Under this program, states are authorized to allocate federal tax credits as an incentive to the private sector to develop low-income rental housing. In their guidelines for the distribution of tax credits, some states have established preferences for properties intended for the elderly, but such a preference is not a federal requirement. Annually, IRS allocates tax credits to each state. For 2005, the credit is equal to $1.85 per state resident. Investors that provided financing may take the tax credits annually for 10 years to offset federal taxes. At a minimum, the owner must agree to make (1) 20 percent of the property units affordable to households with incomes at or below 50 percent of the area median income or (2) 40 percent of the units affordable to households with incomes at or below 60 percent of the area median.

# Comments from the Department of Housing and Urban Development

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

JAN 13 2005

Mr. David G. Wood, Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Wood:

Thank you for the opportunity to provide comments on the Government Accountability Office (GAO) draft report: ELDERLY HOUSING: Federal Housing Programs That Offer Assistance for the Elderly (GAO-PUB No. 05-174).

The Department of Housing and Urban Development's (HUD) housing programs address the special needs of elderly households with strategies for maximizing independence both by promoting community-based living opportunities, and by making supporting services available to residents of rental housing. The draft report falls somewhat short of giving the Department's programs full credit for their contributions to assisting the elderly through these nuanced strategies.

On page 5, the draft report states that "Generally, the housing assistance programs we reviewed are not designed to provide supportive services to the elderly." However, the concept of supportive services deals with how HUD projects generally, and public housing authorities (PHAs) in particular, can enrich and improve residents' physical, mental and social lives. Many PHAs as a general practice partner with local service agencies to provide on-site health services, transportation, day care, education, personal care assistance, meals, outreach, recreation and other supportive services. While supportive services may not be required under certain programs, overall HUD housing assistance programs and funding mechanisms are designed to encourage partnerships between individual properties and local organizations. Although its capital fund may not be used to pay for supportive services, a PHA is permitted to use capital funds to provide community space in existing public housing developments that may be used for elderly related programs. Furthermore 100 percent of capital funding in PHAs of 250 units or less, and 20 percent of such funding in larger PHAs, can be used for permitted operating fund uses including elderly supportive services. The operating fund may be used for appropriate supportive services as well as operating fund reserves. Housing Choice Vouchers may be used in assisted living facilities. Overall, the report should go into more detail on partnership arrangements and overall supportive services provided to the elderly.

Figure 2, page 12 – This table's identification of 76,638 Public Housing units as designated for the elderly is based on the number of units that as of July 14, 2004, were designated for occupancy by elderly households under PHAs' designated housing plans. However, the draft does not appear to take into account units occupied by elderly that are not in a designated "elderly only" development. In particular, the report does not seem to incorporate units that are for a "mixed" population of both elderly and disabled households.

2

On page 13, the draft indicates that HUD's Home Equity Conversion Mortgage program (HECM) does not meet the definition of housing assistance for the purpose of this review. The HECM program enables elderly homeowners to borrow against the equity in their homes and defer repayment for as long as they occupy their homes. However, because the elderly homeowner can use the equity for any purpose, not just for housing-related expenses, the program did not meet our definition of housing assistance." This formulation fails to give HECM mortgages sufficient credit as a source of housing affordability. The HECM program of the Department's Federal Housing Administration (FHA), commonly referred to by consumers as a reverse mortgage program, is designed to enable elderly homeowners to convert the equity in their homes into income that can be used to pay for home improvements, medical costs, living expenses, or other expenses. Clearly there will be many instances where this dynamic provides the elderly homeowner with the financial means for remaining in his or her home, thus occupying more desirable housing than would be the case otherwise. The utility of HECM financing in this regard is demonstrated by FHA's accounting for about 95 percent of the reverse mortgage market.

Figure 3, page 15 – These occupancy data for elderly in HUD insured/assisted projects are based on defining elderly households as including those in which "the head of household, co-head, or spouse was elderly as of the most recent reporting date." This is reasonably consistent with the provisions of 24 C.F.R. 5.403, which apply to the public housing and Section 8 programs and define "elderly family" as "a family whose head, spouse, or sole member is a person who is at least 62 years of age.' (such definition) 'may include two or more persons who are at least 62 years of age living together, or one or more persons who are at least 62 years of age living with one or more live-in aides." Nevertheless, it also should be noted that there are additional households which have members aged 62 or older that are not the head, co-head, or spouse.

We hope the above comments will be helpful in finalizing the draft report, and assist your study's efforts toward determining the extent and effectiveness of federal assistance for housing the elderly and services supporting this population. If you have any questions regarding our comments, please contact Michael Wells of my staff at 202-401-0450, extension 2423.

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner

# GAO Contacts and Staff Acknowledgments

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## Staff Acknowledgments

In addition to those named above, Emily Chalmers, Natasha Ewing, Alison Martin, John McGrail, Marc Molino, Lisa Moore, John Mingus, and Julianne Stephens made key contributions to this report.

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