

## Why GAO Did This Study

Congress created the Neighborhood Stabilization Program (NSP) to help reduce the number of foreclosed and abandoned properties and restore depressed local housing markets. The Housing and Economic Recovery Act of 2008 (HERA) authorized the program's first round (NSP 1), providing \$3.92 billion in grant funds to states and local governments. The Department of Housing and Urban Development (HUD) administers the program. HERA mandated that GAO report on whether grantees were using NSP 1 funds in accordance with the act's criteria. For this mandate, GAO examined (1) grantees' progress and challenges in meeting NSP 1 obligation and income-targeting requirements, (2) HUD's actions to mitigate program risks and ensure grantees' compliance with key NSP 1 requirements, and (3) HUD's efforts to collect program data and assess program performance. To address these objectives, GAO analyzed HUD data and the information system used for NSP 1; interviewed HUD officials and representatives of NSP 1 grantees; analyzed HUD's internal control processes; and conducted limited tests of 8 grantees' compliance with key NSP 1 requirements.

## What GAO Recommends

GAO recommends that HUD provide additional guidance to NSP grantees and HUD field staff to help ensure that information on output measures is collected in HUD's data system in a more consistent manner. HUD agreed with the report's recommendations.

View [GAO-11-48](#) or key components. For more information, contact Mathew Scire` at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov).

# NEIGHBORHOOD STABILIZATION PROGRAM

## HUD and Grantees Are Taking Actions to Ensure Program Compliance but Data on Program Outputs Could Be Improved

### What GAO Found

According to HUD data, the vast majority of the 309 NSP 1 grantees obligated their funds within the required 18-month time frame. As a result, over 99 percent of NSP 1 funds were obligated as of early October 2010. Also, consistent with HERA criteria, most grantees obligated at least 25 percent of their funds for housing for low-income households. Some grantees with whom GAO spoke modified their NSP 1 strategies to meet obligation deadlines and overcome other challenges such as competition from private investors in acquiring foreclosed and abandoned homes. For instance, with HUD approval, some grantees expanded the geographic areas they were targeting. Grantees also participated in banks' "first look" programs, which give grantees the chance to bid on bank-owned properties before other potential buyers.

HUD provided training, guidance, and technical assistance to grantees to address new requirements and risks posed by NSP 1. Although the grantees GAO spoke with were generally satisfied with HUD's guidance and program support, some said these efforts would have been more useful if provided earlier. HUD officials said that some of the assistance grantees found useful was delivered using funds that HUD received well after the start of NSP 1. HUD also established various internal control processes for NSP 1 and hired additional staff to help oversee the program. HUD field office staff conducted remote monitoring of all grantees and on-site monitoring for 176 grantees that HUD considered to be higher risk. Although HUD is still aggregating the results of its on-site monitoring, available results from the four field offices GAO contacted generally showed compliance with key NSP 1 requirements but also found some financial management deficiencies. HUD is requiring grantees to take corrective actions, where appropriate. GAO's review of records for 32 properties at 8 grantees found no instances of significant noncompliance with key NSP 1 requirements.

To collect information on NSP 1, HUD adapted an existing financial and information system—the Disaster Recovery Grant Reporting (DRGR) system—and provided training and guidance on its use. HUD has used the system to monitor NSP 1 grantees' obligations and summarize program outputs for specific types of activities (rehabilitation and construction, demolition, and homeownership assistance). However, variation in the way grantees entered information into DRGR makes it difficult to summarize outputs for each activity (e.g., housing units acquired) without undercounting, and overall outputs (e.g., total benefiting households) without overcounting. HUD has developed a method for addressing the overcounting problem, but insufficient guidance to grantees and HUD field staff may be contributing to variation in data entry that limits the usefulness of DRGR output information. For example, HUD has not provided grantees with specific written guidance on selecting output measures, which can lead to inconsistency among grantees. HUD is planning an assessment of NSP outcomes that will focus primarily on the program's second round (NSP 2) but will also include NSP 1 in geographic areas where the two phases of the program overlap.