United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Housing and Community Development, Committee on Banking, Finance and Urban Affairs, House of Representatives

September 1992

RESOLUTION TRUST CORPORATION

More Actions Needed to Improve Single-Family Affordable Housing Program

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-249714

September 29, 1992

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on Housing
and Community Development
Committee on Banking,
Finance and Urban Affairs
House of Representatives

Dear Mr. Chairman:

Following our April 17, 1991, discussion with the Subcommittee, we reviewed the Resolution Trust Corporation's (RTC) efforts to preserve affordable housing for very low- to moderate-income families. Our objectives were to (1) assess RTC's progress in selling single-family houses under its Affordable Housing Disposition Program and (2) determine whether RTC controls were adequate to assure that qualified purchasers buy and occupy the homes. As agreed with the Subcommittee, we are reporting on RTC's efforts to sell and preserve multifamily affordable housing in a separate report (GAO/GGD-92-137, Sept. 29, 1992).

Results in Brief

Since the affordable housing program began, the policies and procedures governing its operations have been evolving. Procedures have now been developed that address most of the weaknesses we observed during the audit, although there is still room for improvement. RTC reported selling considerable numbers of single-family homes to eligible buyers since the program began, yet it lacked adequate internal controls to ensure that purchasers were eligible to buy program properties or that they complied with the program's occupancy requirements. Without such controls, RTC was vulnerable to program violations.

On June 22, 1992, RTC issued a new directive establishing procedures and mechanisms to assure itself that buyers are eligible to participate in the program. While steps have been taken to monitor the occupancy requirements, we believe controls could be further strengthened to ensure that buyers comply fully with these requirements. In both areas, RTC must effectively monitor the field implementation of policies and procedures to assure itself that they are implemented properly and consistently throughout RTC.

Due to system limitations and data integrity problems, RTC's real estate management information system has had only limited ability to support asset management and real estate sales activities. As a result, RTC offices developed their own reporting systems. The resulting data were often incomplete and unreliable, which hindered RTC's ability to evaluate the program's effectiveness and accurately report on its status to Congress. Program officials were aware of these problems and were taking steps to improve the accuracy and reliability of data used to report the program status.

Background

RTC's Affordable Housing Disposition Program was mandated by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This was a new program that had to be fully developed by the new corporation created by FIRREA to manage and sell the assets of failed thrifts. The requirement to preserve affordable housing added a goal to RTC's mandate that competes with another major mandated goal—to maximize the net present value return on the sale or other disposition of the assets of failed thrifts. In dealing with the tension set up by these two goals, RTC was in uncharted waters. Neither the Federal Savings and Loan Insurance Corporation nor the Federal Deposit Insurance Corporation had an affordable housing disposition program for RTC to use as a model to get its own program off to a quick and smooth start.

FIRREA added section 21A(c) of the Federal Home Loan Bank Act (FHLBA),[1] charging RTC with preserving affordable housing for moderate- to very low-income families. In FHLBA and the accompanying affordable housing program regulations, moderate income is defined as income that exceeds 80 percent and does not exceed 115 percent of the area median income; lower income is defined as income than does not exceed 80 percent of the area median income; and very low income is defined as income that does not exceed 50 percent of the area's median income. RTC defines area as the locality in which the property is located. For example, the median income for a family of four in Abilene, Texas, is $30,600; in Denver, Colorado, it is $43,200. In each area, qualifying income is adjusted for family size.

Under the single-family part of the program, RTC provides homeownership opportunities for very low-, lower, and moderate-income families. As originally enacted in FIRREA, public agencies, nonprofit organizations, and qualifying households had an exclusive opportunity to make offers on eligible single-family residences for 3 months. Eligible properties were

[1]Section 21A(c) of FHLBA was also amended by the Resolution Trust Corporation Funding Act of 1991, Public Law 102-18, 105 Stat. 58 (Mar. 23, 1991). It was further amended by the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (The RTC Improvement Act), Public Law 102-233, 105 Stat. 1761 (Dec. 12, 1991).

identified among the assets of thrifts in receivership and included condominiums, mobile homes, and other one- to four-family residences with an appraised value ranging from $67,500 for a one-family dwelling to $107,000 for a four-family dwelling. FIRREA directed RTC to "actively market [these] eligible single-family properties for sale to lower income families." In addition, the program required that buyers' income not exceed 115 percent of the median income of the area and that they intended to occupy the property as a principal residence.

Since 1989, there have been several amendments to the affordable housing provisions. In March 1991, the RTC Funding Act of 1991 authorized RTC to sell eligible single-family property to qualifying households, nonprofit organizations, and public agencies without regard to any minimum price. It also expanded the criteria for eligible single-family properties to include those in conservatorship as well as receivership. This allowed properties to be placed in the program as soon as they came under RTC control. However, these provisions were only in effect until September 30, 1991. In December 1991, the RTC Improvement Act permanently expanded the definition of eligible single-family properties to include those held by thrifts in conservatorship. The act specifically required that buyers of properties purchased through the affordable housing program reside in the house as their principal residence for 12 months and permitted RTC to recapture 75 percent of the profits from the sale if the property is resold prior to 1 year. The act also required RTC to provide Congress a semi-annual report on affordable housing sales.

RTC issued a final rule on August 21, 1990, establishing a broad framework for operating the program. Since then, it has issued directives and memoranda addressing various program aspects, such as buyer income eligibility, marketing, and seller financing. In May 1992, it issued a new interim final rule to clarify certain policies of the program and to implement changes necessary as a result of the December 1991 RTC Improvement Act.

Briefly, the program works as follows. After some preliminary work to establish the current value and condition of the eligible single-family property identified in the inventory, RTC lists it for sale with clearinghouses and real estate brokers. Once the property has been listed, eligible qualifying households, nonprofit organizations, and public agencies have an exclusive 3 months and 1 week period to make offers to buy the property.[2] If the property remains unsold at the end of this period, RTC may offer it for sale to the general public.

Scope and Methodology

To obtain information on RTC's program compliance, verification and sales procedures, data collection and analysis methods and capabilities, and efforts to improve data accuracy, we interviewed program officials at headquarters and at RTC's four regional offices and consolidated offices in Dallas, TX; Denver, CO; Atlanta, GA; and Overland Park, KS. We concentrated our work in the Dallas and Denver offices on the basis of diversity of program management and volume of single-family affordable houses. We also interviewed officials of one nonprofit agency and one receivership, two technical assistance advisors,[3] three real estate agents, one banking official, and two asset management and disposal contractors. These officials were selected based on their proximity to Dallas and Denver and their experience with the affordable housing program.

The San Antonio consolidated office was the first to start a pilot compliance program. Therefore, we discussed this program with officials in San Antonio. In addition, we contacted staff of RTC's Office of the Inspector General (IG) in all four regional offices to determine what work they had ongoing in the affordable housing area.

To assess RTC's progress in selling affordable homes, we interviewed program officials and reviewed sales information at RTC headquarters in Washington, D.C. While RTC officials were aware that some program sales data were inaccurate and incomplete, these were the only data available. We did not attempt to independently verify them.

Although public agencies and nonprofit organizations are also eligible to participate in this program, as of December 1991, RTC had sold 93 percent of its single-family properties to individuals. For this reason, we concentrated our review on properties sold to individuals.

We did our work between November 1991 and May 1992 in accordance with generally accepted government auditing standards.

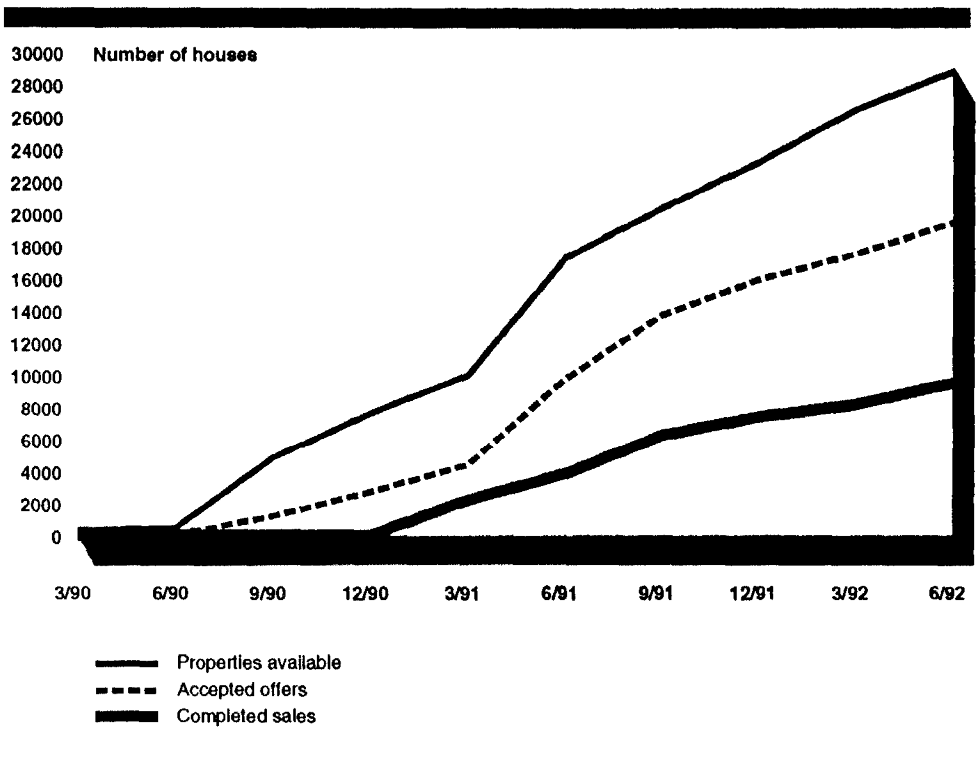
[2]The 3-month exclusive listing period in FIRREA was extended to 3 months and 1 week by the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriation Act of 1992, Public Law 102-139, 105 Stat. 736 (Oct. 28, 1991).

[3]Technical assistance advisors are nonprofit organizations or public agencies designated by RTC to provide assistance to potential buyers of affordable residential housing.

Progress in Disposing of Affordable Housing Property

The affordable housing program has grown substantially since its inception on March 1, 1990. As of December 31, 1990, RTC had made available 7,626 single-family affordable houses and had closed or accepted offers on 2,728 of these properties. As of June 30, 1992, RTC reported that it had made available 28,819 single-family affordable housing properties for sale. Of these, it had completed sales on 9,529 (33 percent), accepted offers on another 9,943 (35 percent), and 5,235 (18 percent) were still available for sale. The remaining 4,112 (14 percent) of the properties have reportedly passed through the program's exclusive listing period without being sold to an eligible buyer. Figure 1 shows the number of properties offered for sale, the offers accepted, and the sales closed through June 1992, according to RTC reports.

Figure 1: Affordable Housing Disposition Program Single-Family Cumulative Inventory Status (Mar. 1, 1990, through June 30, 1992)



Note 1: Completed sales data not available until January 1991.

Note 2: In its April 24, 1992, report to Congress, RTC removed about 400 sales from its reported data but did not adjust the monthly reports to reflect that change.

Sources: RTC, AHDP Monthly Report.

Controls to Ensure That Program Objectives Are Met Have Been Strengthened

During the period of our review, RTC's internal controls were weak, and as a result, some properties may have been bought by ineligible purchasers and the program's objectives may not have been fully realized—that is, that very low- to moderate-income families buy and reside in properties purchased through the program. On June 22, 1992, RTC issued a directive on certification of eligibility that should, if properly implemented, strengthen the internal controls over program participation. The directive also addresses postsale monitoring of occupancy; however, RTC did not issue guidance clearly telling field offices that this was a required procedure until August 7, 1992. We believe RTC will need to monitor the field offices' compliance with the program and provide additional oversight if the program is to be effective. Unless RTC verifies occupancy after the sale, the potential for program abuse, such as eligible buyers purchasing a property and subsequently renting it, still exists.

Certifications of Buyer Eligibility and Intent to Occupy as Principal Residence

The objective of the program is to offer and sell affordable housing to very low- to moderate-income families. RTC initially established a self-certification process where buyers signed a statement that their projected incomes met RTC income guidelines and that they intended to reside in the house after purchase. The statement indicated that those providing false or incomplete information could be subject to a $250,000 fine and 5-year imprisonment. However, until the June 22 directive was issued, RTC had not established corporationwide procedures for verifying buyers' income or their compliance with the program's home occupancy requirements.

Buyer Eligibility

In the absence of corporationwide procedures for verifying a purchaser's income eligibility, RTC's four regional offices developed their own practices resulting in inconsistence between offices. Two regional offices reported that they were requiring documentation of buyers' income. Consequently, they were able to test the reasonableness of the buyers' eligibility self-certification. The other two regions—Southwest and Western—which accounted for 58 percent of the program's single-family property sales through 1991, relied on third parties—contractors, real estate brokers, technical assistance advisors, and mortgage loan processors—to provide services to ensure that buyers met income eligibility standards.[4]

While not necessarily representative of practices throughout RTC, we found that some people providing these income verification services were not

[4]According to program officials, technical assistance advisors frequently request documentation of income, although RTC does not require that they do so.

requiring or reviewing income documentation and, therefore, were not serving as effective controls for RTC to verify income eligibility. For example, one real estate agent told us that he tried to help buyers find ways to get around the income requirements. Two other agents said they did not review income documentation from prospective buyers. Also, a loan officer told us that if a buyer was not eligible for a low-income loan they would use another type of financing program. This individual also told us that the bank would not notify RTC that the buyer was ineligible for low-income financing.

In the Southwest and Western Regions, buyers were not consistently requested to provide supporting documentation and Headquarters program officials acknowledged that there were income verification problems in these two regions. However, they believed that checks on buyer eligibility through the seller financing and mortgage assistance bond programs were sufficient assurance that buyers were eligible. While we agree that these programs provide some level of assurance for about 35 percent of the purchasers that used the programs in these two regions (1,899 of 5,388 closed sales as of June 30, 1992, according to RTC figures), we do not believe RTC can delegate to third parties the responsibility for ensuring the eligibility of most of the other 65 percent of the program buyers without providing the necessary directives and management oversight to ensure that appropriate verification occurs in all sales. We have stated in both testimonies and reports that RTC has not been adequately overseeing contractor performance. Without adequate oversight of the contractor's performance, RTC has no assurances that services being acquired were actually provided.

In response to concerns we raised on income verification in our February 1992 testimony before the House Committee on Banking, Finance and Urban Affairs, Subcommittee on Financial Institution Supervision, Regulation and Insurance, the affordable housing Program Director issued a memorandum to all field offices stating that buyers must provide evidence of their income eligibility, such as copies of income tax returns and a recent pay stub, for all sales contracts processed after February 1992. This requirement was subsequently included in the new program directive issued on June 22, 1992.

We reviewed the new directive to determine whether it addressed our concerns on RTC verification of buyer income levels. The new procedures stated that potential buyers are required to provide appropriate backup documentation to support their certifications of income eligibility.

Moreover, RTC representatives, including contractor personnel, must (1) reconfirm income eligibility when the specific property to be purchased is selected, if the buyer was prequalified for the program; (2) ascertain from buyers whether their income has changed since initial qualification; and (3) certify that the required information provided by the buyers has been reviewed and that satisfactory written evidence of income and assets has been provided.

We believe these procedures, if properly implemented, will provide the necessary controls. However, it will be essential that RTC establish procedures to continually monitor the implementation of these procedures to assure itself that the controls are functioning as intended and to identify areas where improvements can make the program more effective. This would include providing RTC contractors and others qualifying buyers for the program with detailed guidance on implementing the procedures to ensure that they have a clear understanding of what they are required to do.

Occupancy Requirements

In addition to meeting income requirements, FHLBA, as revised, required that buyers intend to reside in the property as their principal residence after purchase. In an attempt to further tighten residency requirements and curb possible abuses, Congress amended affordable housing provisions in December 1991 to require that buyers reside in the houses as their principal residences for at least 1 year and allow RTC to recover 75 percent of a seller's profits if the residence is resold within 12 months of the original purchase. This provision is being enforced through a deed restriction accompanying the title transfer, beginning with purchase offers RTC accepted after May 6, 1992.

However, at the time of our field work, RTC had not established corporationwide procedures for verifying that eligible buyers resided in the homes once they purchased them. According to program officials, 4 of RTC's 15 field offices recently began testing whether buyers who purchased homes occupied them. The audits involved reviewing all cash sales, plus a sample of other sale transactions. These reviews are in various stages of completion and some sales have already been referred to RTC's IG for further investigation. For example, one office reviewed a sample of 299 sales, referred 14 of those to the IG, and was still reviewing the residency of the owners in another 40 sales. Another office reviewed 212 of its affordable housing sales and referred 6 cases to the IG for follow-up.

The June 22, 1992, directive also addresses occupancy requirements. However, we believe the procedures and guidelines could be further strengthened in two ways to provide greater assurance that buyers are complying with the occupancy requirements. First, the directive states: "(6) Post Closing Monitoring System. RTC offices should establish monitoring systems to ensure that an appropriate number of sales to Qualifying Households be independently reviewed within 120 days of closing." This statement is very permissive and does not require that a postclosing monitoring system be set up at each office. We believe the requirement for such a system is very important and the directive should be clarified to require each field office to establish a postclosing monitoring system.

Our second concern with the directive is the lack of focus on the end of the required 12-month occupancy period. The suggestion in the directive that field offices send a standard format letter within 120 days of closing, that this letter be marked for addressee only, and that it be returned to sender if undeliverable as addressed would provide a practical way of verifying occupancy. However, the same or similar procedures should also be repeated, possibly on a random sample, as the first anniversary of the sale approaches, to verify that the property has not been sold or rented during the first year of the ownership in violation of the occupancy requirement. Such a monitoring procedure would mean that RTC would not be totally dependent upon deed restrictions and informants to identify this type of program violation.

As a result of our discussions with RTC officials, on August 7, 1992, the program director sent a memo to the field offices stating that the new directive required them to establish a postmonitoring program and requesting a status report on their implementation of such a program. The responses from 12 field offices indicate that 4 offices have a program implemented, 6 offices have a program in development, 1 office will rely on the Inspector General to investigate certain sales, and 1 office uses an informal system of checking complaints to monitor sales.[5]

Resolution of Alleged Program Violations

RTC's program field staff had the perception that RTC did not have an effective way to deal with buyers who violated program requirements. The income certification form that buyers sign states that giving false information can result in a $250,000 fine or imprisonment of up to 5 years. Yet, field officials believed that RTC's recourse was limited because they

[5] Two of RTC's 14 field offices did not respond.

felt that U.S. attorneys' offices would not prosecute alleged violations. They said litigation was typically pursued only when a pattern or practice of abuse could be established, such as the real estate broker in Phoenix indicted for attempting to buy nine properties through the program. RTC officials told us that it was their perception that U.S. attorneys are generally not interested in pursuing these cases due to the low dollar value of the properties and the high litigation costs. However, the Executive Office for United States Attorneys told us that agencies should refer all cases that they think should be pursued. The merits of the case will then be evaluated by the U.S. Attorneys' staff and a decision made on whether to pursue it.

The program director told us that cases of program violations are pursued through the IG and the Legal Division. He reported working with RTC counsel on this issue. For example, RTC's Division of Legal Services issued a memorandum to field attorneys on May 5, 1992, requiring that the field office attorneys notify both its Litigation Section in Washington and the IG when any allegations arise regarding an improper affordable housing sale for a determination of whether civil action should be taken. As of August 1992, the Legal Division reported investigating at least two cases for potential civil action.

While RTC reports having the mechanisms in place to address program violations, our ongoing concern is to find a meaningful and efficient means to resolve cases of alleged program violations and ensure that field staff and the public are aware of RTC's intention to pursue program violations. One alternative to litigation pursued by field offices is to repurchase properties from buyers who obtained them in violation of program requirements. For example, the staff at one office reported that an eligible buyer purchased a property for an ineligible person. Private citizens subsequently reported the transaction to RTC officials, who then negotiated to buy the house back for its original sales price. Before repurchasing the house, however, program staff sought the approval of RTC's IG, the U.S. Attorney, and appropriate field office officials to assure that such a repurchase would be authorized.

Unreliable Data Hinder Program Reporting and Evaluation Efforts

We have reported on the inadequacies of RTC's real estate information systems on numerous occasions in testimonies and reports. Because of the data integrity problems, field offices developed their own local systems which were used to manually generate the program's status reports. RTC officials readily acknowledged that some of the data they used in status reports were incomplete and unreliable. To deal with this problem, they undertook an effort to clean up the Real Estate Owned Management System (REOMS) data and use it for future reporting. REOMS is RTC's primary real estate information system.

In its reports, RTC's reported sales results were the combined total of accepted offers and completed sales, rather than completed sales alone.[6] This presentation of the data tended to overstate the program's sales success and gave the impression that more sales had been closed than actually had been. For example, on February 25, 1992, the RTC's Chief Executive Officer testified to Congress that RTC had accepted offers on 15,957 single-family houses and that 69 percent of the buyers were from low-income families. However, only 7,425 (or 48 percent) of the reported 15,957 were actually closed sales.

RTC officials told us that they did not maintain records on the number of accepted offers that ultimately failed to close and were subsequently remarketed. While accepted offers may be an initial indicator of possible program achievement, closed sales represent a more concrete benchmark of program success.

These officials also told us that they believed they had clearly reported accepted offers and closed sales separately since May 1991. However, our review of the reports indicated RTC had only modified its report to list the cumulative number of closed sales; all other information in the narrative and accompanying schedule on monthly activity, sales price, appraised value, average income, and average sales price was based on accepted offer information. We believe that RTC's reporting emphasis needs to be on closed sales to ensure that interested persons can get the full status of marketing and sales activities.

Also, because RTC did not gather complete buyer income information, as discussed earlier, RTC's reports emphasizing sales to very low- and lower income families were based on estimates, and not complete, actual sales data. For example, RTC's December 1991 monthly report said that 69 percent of the program's cumulative sales were to very low- or lower income buyers. Our review of the supporting data showed that RTC based this estimate on buyer income data it had at the time for about 6,800 (or about 42 percent) of the approximately 16,000 accepted offers. About 4,700 (or 69 percent) of the 6,800 buyers reported income in the very low-

[6]An accepted offer is when RTC holds a written sales contract, but the transaction has not yet been completed or closed.

to lower income range. We question RTC's methodology in making this estimate.

RTC assumed that the 6,800 buyers were representative of the entire 16,000 universe of accepted offers and projected that 69 percent of the 16,000 offers were from very low- and lower income buyers. Because of the amount of data that were missing, there was no way to know whether the income characteristics of buyers in the database differed from those not included. Since RTC projections were not based on a representative sample, it was impossible to reasonably project the findings to the universe of home buyers. RTC also assumed that all 16,000 accepted offers would culminate in a closed sale. However, many of these offers will not result in a sale because buyers are unable to obtain financing or for other reasons; the lower and very low-income buyers have the highest risk of not being able to get financing. Further, given the previously discussed weaknesses in RTC's controls over buyer income eligibility, the reliability of data on sales to lower and very low-income buyers was questionable. Although RTC reported that it sold between 60 and 70 percent of its houses to lower and very low-income buyers, it did not gather sufficient buyer income data to support this statement.

The reliability of RTC's projections was further diminished by inconsistent data collection in its field offices. According to a December 1991 RTC memorandum, the completeness of buyer income data in the program database varied from one field office to another. One field office was reportedly missing 94 percent of buyer income information; five other offices were missing as much as 70 percent. Only one office was missing less than 10 percent of buyer income data.

RTC Efforts to Correct Database Problems

RTC initiated a database cleanup to prepare for anticipated congressional reporting requirements mandated in the 1991 RTC Improvement Act. In November 1991, RTC began reviewing and correcting information in the affordable housing program module of the REOMS database. The objective of this effort was to have accurate information in the program's critical data fields, such as buyer's income, by January 31, 1992.

This effort culminated in RTC providing the required semi-annual report on closed sales to Congress on April 24, 1992. Although RTC reported an overall error rate of 24 percent as of April 11, it resolved the income information issue by deciding not to claim sales for which RTC lacked buyer income information. As a result, the total number of sales that RTC reported as sold to eligible affordable housing buyers dropped from 7,148 as of November 30, 1991, to 6,697 as of December 12, 1991.

While the data cleanup effort was designed to correct income information on closed sales and included an error tracking report to identify errors, we remain concerned that the changes may not adequately address future reporting issues. That is, that RTC has a means to ensure that the responsible entities enter accurate data into the system in a timely manner. Until both data integrity and reporting issues are addressed, RTC's affordable housing program reports may not be any more reliable in the future.

Conclusions

While the affordable housing program reported increasing sales in its first 2 years, RTC lacked a consistent corporationwide verification program to ensure that it sold homes only to eligible buyers. As a result, RTC could not ensure that the program was meeting its goal of providing affordable housing to families with very low, lower, and moderate incomes. Because RTC lacked controls to verify the eligibility of persons acquiring property, it could not reasonably assume that the information contained within its database was valid. Without reliable data, RTC's reports that it is selling two-thirds of its property to very low- and lower income buyers are not reliable. The lack of complete, reliable data prevents RTC, Congress, and others from evaluating the program's results and its efforts to reach the very low- and lower income families.

RTC has recently made progress in ensuring that it is providing home ownership opportunities to eligible buyers. These include issuing a directive requiring buyers to prove that they are eligible to purchase the properties and issuing regulations to implement the requirement that a buyer own the property for at least 1 year or forfeit a substantial amount of the profits from the property's early resale.

However, more needs to be done. Now that operating procedures have been issued, RTC must focus on the other major element of an effective internal control system—that of monitoring and overseeing the implementation of the procedures to ensure that they are being implemented properly and consistently throughout RTC. This is an area where we have reported that RTC has been weak, especially in monitoring contractor performance. Since much of the income verification, marketing, and sales activities are done by contractors, this program also needs to improve its contract oversight.

RTC will need to monitor its field offices' planning and implementation of mechanisms for postclosing monitoring of sales to assure itself that buyers reside in the homes after purchase. Without such systems or processes to verify buyer occupancy after sale, some buyers may abuse the program by acquiring the homes and subsequently renting them to others. Several RTC offices have begun identifying buyers who may have been ineligible to buy program houses or failed to reside in them after purchase. However, RTC needs to communicate to its affordable housing staff in the field offices its policies, procedures, and remedies to resolve program violations when they are discovered.

Recognizing the problems it had in its affordable housing sales data, RTC took steps to improve the accuracy of data on prior sales. However, without procedures to ensure that consistent and accurate data are entered into the database, RTC has no assurance that these actions will eliminate future reporting problems.

Recommendations

To further improve the effectiveness of the affordable housing program, we recommend that RTC's Chief Executive Officer

- implement corporationwide procedures and systems to monitor and oversee the implementation of the program directives and the performance of contractors providing services under the program, particularly the verification of documentary evidence submitted by buyers to support their eligibility to participate in the affordable housing program;
- implement a corporationwide postpurchase monitoring of sales to verify that buyers actually reside in the properties acquired;
- further develop policies, procedures, and remedies for resolving program violations; and
- implement data collection controls to ensure data consistency and accurate reporting of sales data, especially for information necessary to evaluate RTC's progress in achieving the program goals.

Agency Comments

In August 1992, we met with RTC's Program Director and his staff to discuss a draft of this report. During this meeting, they provided us with comments and documentation on program changes that had occurred after we completed our field work in May 1992. This information was used to update the body of the report and revise our conclusions and recommendations based on corrective actions already taken. The RTC staff agreed to consider the revised recommendations and also provided other comments that have been incorporated in the report where appropriate.

We are sending copies of this report to other interested congressional committees and members, the President and Chief Executive Officer of RTC, and the President of the Thrift Depositor Protection Oversight Board. We will also provide copies to others upon request.

Major contributors to this report are listed in the appendix. Please contact me on (202) 736-0479 if you or your staff have any questions concerning this report.

Sincerely yours,

Gaston L. Gianni

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