

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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July 25, 2018

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street N.W., Room 7000
Washington, D.C. 20548

Dear Comptroller General Dodaro:

Although nearly a decade has passed since the onset of the housing and financial crisis of 2008 and the tide of home foreclosures has receded, many communities throughout the country still face a challenge of neglected properties. These homes, which may be in foreclosure or real estate owned (REO), are vacated by their occupants but left without proper and timely maintenance. This neglect creates a serious problem for the surrounding neighborhoods, both for the risks to health and safety as well as for the drag on local economic development, including the diminished attractiveness of the neighborhoods to new residents and homebuyers.

We are concerned that existing approaches to government oversight of the various stakeholders in the housing industry are not as effective as they need to be to prevent the neglect of property before it occurs, and to protect neighborhoods from the harmful impacts that this neglect generates. We write to request that the Government Accountability Office (GAO) conduct a study to review the practices for the maintenance of properties in foreclosure and REO and how property conditions are monitored by the private and governmental entities involved, as well as to identify any gaps that could explain why the process of maintenance and successful resale of homes following foreclosure is clearly failing in certain communities. The need for such a study is further underscored by recent lawsuits and formal complaints that have charged mortgage-servicing institutions with racial discrimination through selective neglect of REO properties in neighborhoods of color. A better understanding of the specific failures in existing policies and practices would be an important first step in addressing any such inequality or unfair treatment.

The GAO has previously studied aspects of this topic. In its 2011 report, "Vacant Properties: Growing Number Increases Communities' Costs and Challenges," the GAO provided examples of municipal and state policies to address the negative impacts of vacant properties and the challenges localities face in implementing these policies. In its 2013 report, "Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales," the GAO reviewed the Federal Housing Administration's (FHA) oversight of the contractors that maintain and market REO properties and recommended

actions to increase FHA's oversight of the disposition of REO properties. However, the GAO has not analyzed the specific maintenance practices that FHA and others follow to protect and preserve properties in foreclosure and REO.

We believe that the problem of property neglect requires an updated and more targeted review, in part because the problem is clearly a continuing concern, even many years after the housing crisis. In particular, we request a new study to cover the following questions:

- 1) What entities or agencies are responsible for maintenance of properties in foreclosure and REO and how do these entities monitor the conditions of these properties?
- 2) How do property maintenance practices compare across entities for properties in foreclosure and REO?
- 3) How does spending on property maintenance during foreclosure and REO vary by neighborhood characteristics, and what are some reasons for any differences?
- 4) To what extent do property maintenance practices incorporate compliance with local requirements?
- 5) What approaches have selected local governments taken to address property conditions and what challenges do they experience in implementing these approaches?

We appreciate your attention to this request. Should you have any questions or need additional information, please contact Lucinda Lessley with the Committee on Oversight and Government Reform at lucinda.lessley@mail.house.gov or 202-225-5051, or Andrew Perlstein with Congressman Mark DeSaulnier's office at andrew.perlstein@mail.house.gov, or 202-225-2095.

Sincerely,



Elijah E. Cummings
Ranking Member
Committee on Oversight and
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Mark DeSaulnier
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