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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

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December 5, 2014

Biniam Gebre
Acting Assistant Secretary and
Federal Housing Administration Commissioner
U.S. Department of Housing and Urban Development
451 7th St. S.W.
Washington DC 20410

Dear Mr. Gebre:

I am writing regarding to my July 7, 2014, information request regarding the Federal Housing Administration's (FHA) Real Estate-Owned (REO) properties program. I thank you for your August 7, 2014 response and the subsequent briefing your office provided to my staff.¹

As you recall, the Government Accountability Office (GAO) reported that the FHA's divided property custody approach between mortgage services and REO contractors has jeopardized billions of dollars in potential savings, and criticized that its management of its Field Service and Asset Managers was inadequate.²

I was glad to learn that FHA is now addressing many of the deficiencies in contract management and oversight identified by GAO. For example, I look forward to FHA's expected completion of a draft handbook of current and complete REO disposition policies and procedures by the end of this year.³ I also welcome FHA's recent implementation of monthly scorecards to measure Asset and Field Service Managers' performance in according with FHA's Managing

¹ Briefing by Genger Charles, Chief of Staff, Federal Housing Administration to Senate Subcommittee on Financial and Contracting Oversight Staff (Sept. 10, 2014); Letter from Dominique M. McCoy, General Deputy Assistant Secretary for Congressional and Intergovernmental Relations, U.S. Department of Housing and Urban Development to Chairman Claire McCaskill (Aug. 7, 2014), pp. 2-5.

² Government Accountability Office, *Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales* (June 2013) (GAO-13-542).

³ Briefing by Federal Housing Administration Staff to Senate Subcommittee on Financial and Contracting Oversight Staff (Sept. 10, 2014); Letter from Dominique M. McCoy, General Deputy Assistant Secretary for Congressional and Intergovernmental Relations, U.S. Department of Housing and Urban Development to Chairman Claire McCaskill (Aug. 7, 2014), p. 8.

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and Marketing Program.⁴ In addition, I understand that FHA is currently undertaking a recruiting program to bring aboard one thousand new employees to provide additional inspections of property.⁵ I encourage FHA to ensure that adequate travel funds are available to conduct oversight of all properties, not just ones that are proximate to FHA offices. These new oversight resources should allow FHA to use all the tools it has available to ensure its contractors are performing satisfactorily.⁶

The jurisdiction of the Subcommittee on Financial and Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 64 (113th Congress).

As FHA works to improve its oversight of the REO disposition process, I ask that you continue to keep my staff informed of your progress. Please contact Jackson Eaton with the Subcommittee at (202) 224-6579 with any questions. Please send any official correspondence relating to this letter to Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Financial and Contracting
Oversight

cc: Ron Johnson
Ranking Member
Subcommittee on Financial and Contracting Oversight

⁴ Letter from Dominique M. McCoy, General Deputy Assistant Secretary for Congressional and Intergovernmental Relations, U.S. Department of Housing and Urban Development to Chairman Claire McCaskill (Aug. 7, 2014), p. 7.

⁵ Briefing by Federal Housing Administration Staff to Senate Subcommittee on Financial and Contracting Oversight Staff (Sept. 10, 2014).

⁶ Government Accountability Office, *Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales* (June 2013) (GAO-13-542), p. 61.