HFSC Panel Conducts Oversight of Housing Agencies

Executive Summary

On June 26, the House Financial Services (HFSC) Subcommittee on Housing and Insurance held an oversight hearing with officials from the Offices of Inspectors General (OIG) at the Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA) to promote efficiency and accountability for programs operated under these agencies.

During the discussion, lawmakers from both parties expressed support for the OIGs' efforts to improve HUD's implementation and enforcement of federal law. However, there were schisms between Republican and Democratic members as to which HUD and FHFA policies require reforms. Committee Republicans emphasized recent FHFA rulemaking processes relating to the agency's conservatorship of the government-sponsored enterprises (GSE) Fannie Mae and Freddie Mac — as well as the proposed transition from a tri-merge to bi-merge credit reporting requirement — as issues that the OIGs should review. Meanwhile, Democratic lawmakers requested that the inspectors general examine HUD grant programs and other housing assistance opportunities for inefficiencies and fraud prevention, in addition to enhanced monitoring for lead and other hazards within public housing units.

Opening Statements

Chair Warren Davidson (R-OH) (statement) highlighted the critical role of inspectors general in investigating "waste, fraud, and abuse" in federal agency operations. The Chair discussed his proposed HUD Evaluation and Optimization Commission Act (H.R.8302), which would establish a bipartisan commission to review HUD programs and propose policy reforms. Chair Davidson also criticized HUD and FHFA policies impacting the housing market, specifically citing a recent FHFA rule requiring additional approval for new GSE products and a proposed Freddie Mac pilot to purchase second mortgages.

Ranking Member Emanuel Cleaver (D-MO) expressed support for FHFA's financing programs to support low-income renters and homebuyers as well as the agency's conservatorship of the GSEs. The Ranking Member noted that FHFA recently released its final rule on Fair Lending, Fair Housing, and Equitable Housing Finance Plans, which he argued would increase housing accessibility for marginalized communities.

Full Committee Ranking Member Maxine Waters (D-CA) (statement) urged the panel to pass her Housing Crisis Response Act (H.R.4233), which would increase federal investments in public housing

vouchers and other rental assistance programs; and the Downpayment Toward Equity Act (H.R.4231), which would provide downpayment assistance to first-generation homebuyers.

WITNESS TESTIMONY

The Honorable Rae Oliver Davis (testimony), HUD Inspector General, emphasized the limited supply of affordable housing in the U.S. and noted that many existing housing units require renovations. Ms. Oliver Davis explained that her role is to "maximize the outcomes" of HUD's programs and shared several recommended reforms, including more efficient health and safety reviews of public housing properties, additional whistleblower protections for HUD contractors, and implementing actions to mitigate fraud risks in housing assistance programs.

The Honorable Brian M. Tomney (testimony), FHFA Inspector General, discussed his office's work in monitoring housing finance issues including GSE conservatorship and cybersecurity capabilities. Mr. Tomney also highlighted FHFA's previous investigations into mortgage fraud, Paycheck Protection Program (PPP) loan fraud, and other similar financial crimes.

DISCUSSION AND QUESTIONS

- Chair Davidson questioned whether HUD would collaborate with Congress to implement the HUD Evaluation and Optimization Commission Act if enacted. Ms. Oliver Davis committed to working with the commission to reform the department.
- Chair Davidson and Mr. Tomney also discussed oversight of the FHFA's conservatorship. Mr. Tomney confirmed that the agency is properly disclosing its actions regarding GSEs to his office.
- Ranking Member Cleaver asked if HUD's OIG requires additional funding to address the current backlog of policy recommendations. Ms. Oliver Davis stated that the office needs to expand its capacity for more efficient operations.
- In response to another question from Ranking Member Cleaver, Ms. Oliver Davis explained that HUD OIG conducts tenant outreach to better understand issues facing tenants.
- **Rep. Ralph Norman (R-SC)** inquired about the need for potential congressional action to streamline HUD's internal oversight process. Ms. Oliver Davis noted that the OIG does not currently have the explicit authority to determine whether HUD programs are complying with her office's recommendations. Mr. Tomney added that his office and FHFA at large collaborate well to implement recommendations.
- **Reps. Scott Fitzgerald (R-WI)** and **Mike Flood (R-NE)** asked whether the FHFA OIG plans to investigate the agency's proposed implementation of the bi-merge credit reporting requirement as well as the prior approval rule for new GSE products. Mr. Tomney shared that his office has not acted on these proposed reforms at this point in time.
- Rep. Fitzgerald also questioned how HUD could reform the distribution process for Community Development Block Grant Disaster Recovery (CDBG-DR) funds, to which Ms.

Oliver Davis responded that the grant program's lack of permanent authorization complicates the appropriations process.

- **Rep. Rashida Tlaib (D-MI)** inquired about the HUD OIG's efforts to implement lead hazard-reduction policies in public housing units. Ms. Oliver Davis shared that HUD works closely with the Department of Justice (DOJ) to enforce hazard-reduction and other environmental justice regulations.
- Rep. Tlaib and Mr. Tomney also discussed climate-related risks to the housing finance market. Mr. Tomney noted that his office is examining flood insurance needs in cooperation with the GSEs.
- Rep. Flood expressed concerns with reprisal against whistleblowers among HUD contractors and grantees.
- **Rep. Sylvia Garcia (D-TX)** asked about HUD's work to expand homeownership opportunities for first-generation homebuyers. Ms. Oliver Davis commented on FHFA's loan programs which seek to encourage homeownership, adding that her office actively monitors performance of these programs.
- **Rep. Monica De La Cruz (R-TX)** discussed her proposed HUD Transparency Act (H.R.7280), which would require the HUD Inspector General to testify to Congress annually. In response to a related question from Rep. De La Cruz, Mr. Tomney and Ms. Oliver Davis agreed that their offices' work to improve transparency and efficiency within their agencies.
- **Rep. Steven Horsford (D-NV)** applauded the OIGs' tenant protection efforts and discussed his recently introduced Housing Market Transparency Act (press release), which intends to expand data availability on recipients of the Low Income Housing Tax Credit (LIHTC) program. Ms. Oliver Davis expressed support for this proposed legislation and added that collecting more data on lead and other health hazards would improve housing assistance and renovations.
- **Rep. Mike Lawler (R-NY)** and Ms. Oliver Davis discussed the HUD OIG's audits of state and local public housing authorities (PHAs) and the potential benefits of the National Standards for the Physical Inspection of Real Estate (NSPIRE) program recently launched by HUD to improve the property inspection process.
- **Rep. William Timmons (R-SC)** raised concerns with FHFA's process to select vendors for its title acceptance pilot program and asked if the FHFA OIG is investigating the program. Mr. Tomney declined to comment, given that any potential investigation would currently be open.