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United States Government Accountability Office  
Washington, DC 20548

September 20, 2010

The Honorable Robert Menendez  
Chairman  
The Honorable David Vitter  
Ranking Member  
Subcommittee on Housing, Transportation and Community Development  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Shelley Moore Capito  
Ranking Member  
Subcommittee on Housing and Community Opportunity  
Committee on Financial Services  
House of Representatives

*Subject: Recovery Act: Survey of State Housing Finance Agencies' Use of the Low-Income Housing Tax Credit Assistance Program (TCAP) and the Section 1602 Program*

In February 2009, Congress created two new programs as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act): (1) the Tax Credit Assistance Program (TCAP) administered by the Department of Housing and Urban Development (HUD) and (2) the Grants to States for Low-Income Housing Projects in Lieu of Low-income Housing Credits Program under Section 1602 of the Recovery Act (Section 1602 Program) administered by the Department of the Treasury (Treasury).

Congress created these new programs to address the lack of private investment capital in Low-Income Housing Tax Credit (LIHTC) projects after the credit market was disrupted in 2008. Both programs were intended to provide gap financing for stalled, "shovel-ready" projects and to offset a drop in tax credit demand and pricing. Under these programs, state Housing Finance Agencies (HFA) administer federal funds in the form of grants and loans from HUD and Treasury to fill financing gaps in planned tax credit projects.

As part of our work examining how federal agencies and HFAs are implementing TCAP and the Section 1602 Program, we developed a Web-based survey for HFA managers in all 50 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands. Our survey asked about the status of program delivery, program design, safeguards and controls, expected results, and challenges to implementation. We distributed our survey in November and early December 2009 and received usable responses from all 54 agencies.

We designed the self-administered questionnaire in consultation with experts, representatives of housing finance stakeholders, and state agency managers. While all state agencies returned questionnaires, and thus our data are not subject to sampling or overall nonresponse error, the practical difficulties of conducting any survey may introduce other errors in our findings. We took steps to minimize errors of measurement, question-specific nonresponse, and data processing. In addition to the design activities described above, we pretested the questionnaire with four state agency officials before the survey, and also

- contacted each agency before the survey to determine whether our originally identified respondent was the most appropriate and knowledgeable person to answer our questions, and made changes to our contact list as necessary;
- resolved respondent difficulties in answering our questions during the survey; and
- recontacted selected respondents to follow up on answers that were missing or that required clarification.

Finally, we independently verified analysis programs and other data analyses.

We conducted our work in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

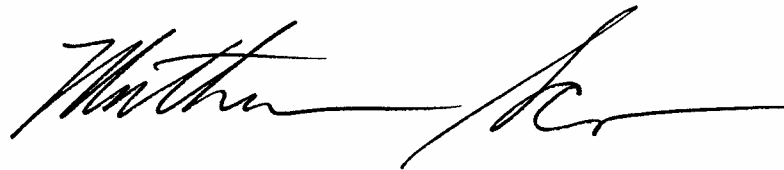
We first reported results of our survey in our May 2010 Recovery Act report, where we described HFA progress and challenges in implementing TCAP and the Section 1602 Program and the programs' impact on the LIHTC market.<sup>1</sup> In our September 2010 Recovery Act report, we describe oversight activities planned by HFAs for TCAP and Section 1602 Program projects ([GAO-10-999](#)). In addition to data on these issues, we collected other information about TCAP and the Section 1602 Program that can inform Congress, HUD and Treasury, HFAs, and industry stakeholders about overseeing the programs. To link to the e-supplement that shows the survey questions and summarizes the responses by question, click on [GAO-10-1023SP](#).

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<sup>1</sup>See GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C.: May 26, 2010), 137-162.

We are sending copies of this report to HUD, Treasury, and other interested parties. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you have any questions or need additional information, please contact me at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov). Key contributors to this report include Andy Finkel (Assistant Director), Roberto Pinero, Jennifer Alpha, Swati Thomas, Heather Chartier, and Carl Ramirez. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report.

A handwritten signature in black ink, appearing to read "Mathew J. Scire". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mathew J. Scire  
Director, Financial Markets and Community Investment

(250562)

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