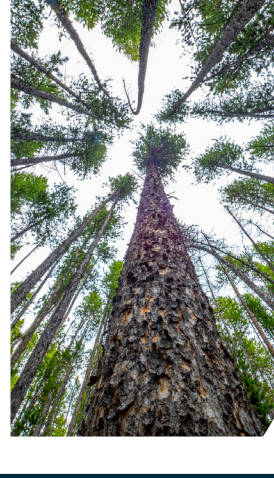




U.S. Department of Agriculture  
Office of Inspector General



# Rural Housing Service Multi-Family Housing Site Evaluation – Midwest Region

## Evaluation Report 04801-0001-21

We determined that the Rural Housing Service did not consistently perform timely servicing of multi-family housing projects we reviewed in the Midwest Region, which is essential to ensure that borrowers provided rental residents with safe and sanitary housing.

### OBJECTIVE

Our objective was to review RHS' MFH projects to determine if the agency initiated timely servicing actions to ensure that borrowers provided rental residents with safe and sanitary housing.

### BACKGROUND

The RHS' MFH Rural Rental Housing Direct Loan Program provides financing to support the development of rental units in rural areas that need affordable housing. As of June 30, 2025, there were 12,150 active housing projects. RHS servicing officials are responsible for providing consistent, effective oversight of projects financed by the agency to ensure they are operated in accordance with applicable regulatory and administrative requirements.

### REVIEWED

We focused our evaluation on active MFH projects in the Midwest Region as of June 30, 2025. We reviewed electronic records for 14 MFH projects in Illinois that RHS determined had physical condition issues during its project inspections.

### WHAT OIG FOUND

We reviewed Rural Housing Service (RHS) servicing documentation for 14 Midwest Region multi-family housing (MFH) projects in Illinois and determined that RHS did not always perform servicing actions to ensure that borrowers maintained the physical condition of their housing projects in accordance with program standards. Specifically, we identified deficiencies in the performance of the actions in the following areas: (1) notification of inspection results; (2) follow-up to ensure timely correction of inspection deficiencies; and (3) maintenance of MFH documentation to support servicing actions performed. This occurred because RHS lacked adequate oversight controls to monitor the timely implementation of servicing actions. Additionally, RHS officials lacked alternative servicing procedures for when the agency determined it had insufficient resources to timely fulfill all servicing requirements. As a result, there was an increased risk that MFH borrowers did not address physical condition deficiencies, which could compromise the safe and sanitary housing conditions for rural rental residents.

### WHAT OIG RECOMMENDS

We recommend that RHS: (1) develop a time-phased plan to implement a process to monitor servicing timeframes and alert officials of upcoming deadlines; (2) develop and implement a time-phased plan to establish alternate procedures based on current resources; (3) implement interim procedures to follow-up with borrowers on unresolved deficiencies; and (4) develop and implement a procedure to oversee that relevant servicing documentation is uploaded to a project's electronic customer file.

RHS officials agreed with our finding and recommendations, and we accepted management decision for all four recommendations.



## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** May 22, 2026

**EVALUATION**

**NUMBER:** 04801-0001-21

**TO:** George Kelly  
Administrator  
Rural Housing Service

**ATTN:** CB Alonso  
Acting Chief Risk Officer  
Rural Housing Service

**FROM:** Tiffany Hooper, Acting Deputy Assistant Inspector General for Audit  
for Yarisis Rivera-Rojas, Acting Assistant Inspector General for Audit

**SUBJECT:** Rural Housing Service Multi-Family Housing Site Evaluation – Midwest Region  
This report presents the results of our evaluation of the Rural Housing Service Multi-Family Housing Site Evaluation – Midwest Region. Your written response to the official draft is included in its entirety at the end of the report. Based on your written response, we are accepting management decision for all four recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of the date of each management decision. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>) in the near future.

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# Background and Objective

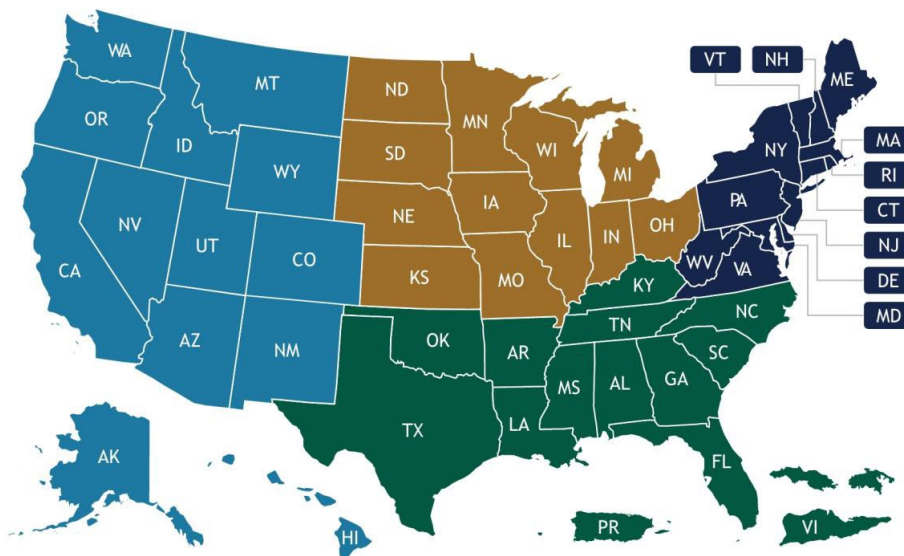
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## Background

Rural Development (RD) serves a leading role in facilitating rural prosperity and economic development by financing investments in rural utilities, housing, and businesses. The Rural Housing Service (RHS), an agency within RD, provides assistance for home ownership, multi-family housing (MFH), and essential community facilities for sectors such as healthcare, education, and public safety. RHS' MFH programs help low-income individuals and families access affordable rental housing in rural areas.

The RHS' Section 515 MFH Rural Rental Housing Direct Loan Program<sup>1</sup> provides financing to develop rental units in rural areas where affordable housing is needed for very low-, low-, and moderate-income households. The program's loans can be used to build, acquire and rehabilitate, or improve dwellings in rural communities. The loan terms are linked to the expected useful life of the property, and borrowers can receive interest credit to reduce the effective interest rate. In exchange for this below-market financing, borrowers must agree to lease projects'<sup>2</sup> rental units to income-eligible households at rent payments approved by RHS. As of June 30, 2025, there were 12,150 active Section 515 Program projects.<sup>3</sup>

RHS is organized into servicing teams within four regions: West, Midwest, South, and Northeast. See Figure 1 below.



**Figure 1: Map of RHS' MFH Regions. Figure by RHS.**

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<sup>1</sup> Established under the Housing Act of 1949, Pub. L. No. 171-338, 63 Stat. (1949).

<sup>2</sup> According to 7 Code of Federal Regulations (C.F.R.) Part 3560, §3560.11, a housing project is a property with two or more affordable, decent, safe, and sanitary rental units and related facilities operated under one management plan and financed with funds appropriated under the authority of the Housing Act of 1949.

<sup>3</sup> According to an RHS official, there have been no new loans for construction since 2011, and the average age for an existing project is 37 years.

RHS officials must perform consistent, effective servicing of projects to ensure compliance with regulatory and administrative requirements.<sup>4</sup>

### **Inspections of Housing Projects**

As a part of their servicing responsibilities, RHS conducts inspections of most<sup>5</sup> housing projects every 3 years (triennial) to verify that the units, grounds, exteriors, and common areas meet standards of decency, safety, and sanitation.<sup>6</sup> Beginning in December 2022, RHS outsourced these inspections to a contractor. Contractor inspectors document their findings, provide photographs of any deficiencies they identify, and submit their inspection reports to RHS' MFH Asset Management Division. The Asset Management Division then provides the reports to the responsible regional team to facilitate the borrower's resolution of any noted issues.<sup>7</sup>

### **Borrower Notifications and Enforcement Actions**

At the conclusion of an inspection, RHS notifies the borrower of the inspection results and outlines the borrower's responsibilities for addressing any identified deficiencies. If the borrower does not communicate its resolution of the deficiencies, RHS can issue up to three servicing letters to the borrower to prompt a resolution. See Figure 2.

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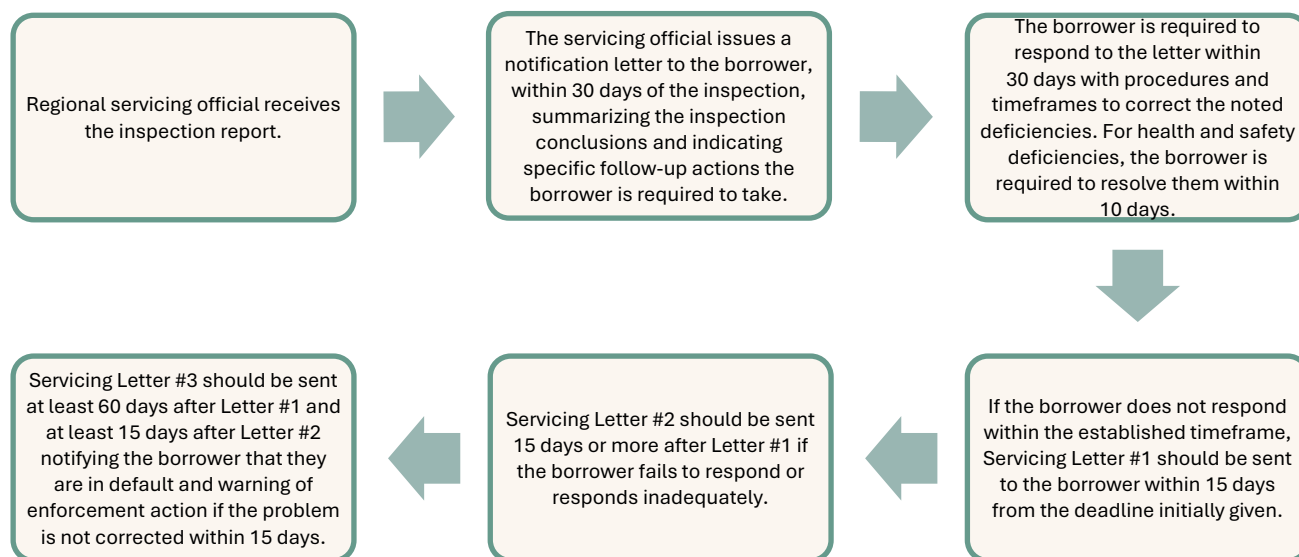
<sup>4</sup> According to USDA RD, *Handbook (HB)-3-3560, MFH Project Servicing Handbook*, Chapter 1, section 1.3 (Aug. 2024), a servicing official refers to agency staff with responsibility for ensuring that MFH borrowers comply with program requirements and for servicing loan accounts.

<sup>5</sup> RHS officials explained situations where there would not be an inspection every 3 years. For example, RHS may skip performing a triennial inspection if the loan for a project will be paid off within the next year and exit the program.

<sup>6</sup> USDA RD, *HB-2-3560 MFH Asset Management Handbook*, Chapter 9, section 9.10.A-B (July 2024).

<sup>7</sup> The Asset Management Division performs a preliminary quality control review of the inspection report.

## Inspection Report and Servicing Letter Flowchart



**Figure 2: Inspection Report Process and Servicing Letter Sequence for Nonmonetary Deficiencies.**  
 This figure was created by the Office of Inspector General (OIG).

RHS can place the borrower’s loan in default status if they do not resolve the deficiencies at the end of the 60-day period.<sup>8</sup> Resolution may take the form of work-out agreements detailing the action proposed by the borrower and approved by RHS to address inspection deficiencies.<sup>9</sup> Additionally, RHS may take enforcement actions when the borrower fails to respond or responds inadequately to servicing letters.<sup>10</sup> When enforcement actions have been unsuccessful or if it is in the Government’s or the tenants’ best interest, RHS will initiate voluntary liquidation or foreclosure of the housing project.

To focus servicing actions on projects with the most risk, RHS developed a classification system—Class A through D—that describes the servicing status of each operational housing project.<sup>11</sup> Class A projects have no unresolved deficiencies, while Class B projects are on schedule with correcting deficiencies. Class C projects have unresolved deficiencies for which borrowers have not submitted approved plans for correction, and the first servicing letters have been issued but 60 days have not passed.<sup>12</sup> Class D projects are in default status, and borrowers

<sup>8</sup> USDA RD *HB-3-3560, MFH Project Servicing Handbook*, Chapter 10, section 10.10 (Aug. 2024).

<sup>9</sup> According to USDA RD, *HB-3-3560, MFH Project Servicing Handbook*, Chapter 10, section 10.16 (Aug. 2024), a work-out agreement can include changes in project operations, additional time to restore compliance, or other special servicing actions to assist in correcting identified deficiencies.

<sup>10</sup> According to section USDA RD *HB-3-3560, MFH Project Servicing Handbook*, Chapter 10, section 10.15, enforcement actions could include termination of the management agreement or civil penalties.

<sup>11</sup> USDA RD, *HB-3-3560, MFH Project Servicing Handbook*, Chapter 10, section 10.6 (Aug. 2024).

<sup>12</sup> USDA RD, *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, section 9.7 (July 2024).

have not addressed deficiencies within 60 days of the first servicing letter.<sup>13</sup> Overall, there were 9,617 Class C and 293 Class D projects, with the Midwest Region having 2,927 Class C and 118 Class D as of June 30, 2025.

## **Objective**

Our objective was to review RHS' MFH projects to determine if the agency initiated timely servicing actions to ensure that borrowers provided rental residents with safe and sanitary housing.

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<sup>13</sup> Defaults can be monetary or non-monetary. A project in monetary default has been delinquent for more than 60 days. A project can be in non-monetary default for issues such as failing to maintain project reserves and failing to adequately maintain the physical condition of the property.

## Finding 1: RHS Did Not Ensure That Borrowers Maintained MFH Projects in a Safe and Sanitary Condition

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We reviewed RHS servicing documentation for 14 Midwest Region MFH projects in Illinois and determined that RHS did not always perform servicing actions to ensure that borrowers maintained the physical condition of their housing projects in accordance with program standards. Specifically, we identified deficiencies in the performance of the actions in the following areas: (1) notification of inspection results; (2) follow-up to ensure timely correction of inspection deficiencies; and (3) maintenance of MFH documentation to support servicing actions performed. This occurred because RHS lacked adequate oversight controls to monitor the timely implementation of servicing actions. Additionally, RHS officials lacked alternative servicing procedures for when the agency determined it had insufficient resources to timely fulfill all servicing requirements. As a result, there was an increased risk that MFH borrowers did not address physical condition deficiencies, which could compromise the safe and sanitary housing conditions for rural rental residents.



RHS is required to ensure that housing projects are maintained in accordance with agency requirements for affordable, decent, safe, and sanitary housing.<sup>14</sup> Federal regulations require RHS to conduct periodic on-site monitoring reviews of housing projects to ensure they are managed in accordance with the goals and objectives of the agency's MFH programs.<sup>15</sup> According to RHS' guidance, periodic monitoring is carried out through various reviews such as triennial supervisory visits.<sup>16</sup>

These deficiencies are described below:

### Notification of Inspection Results

RHS officials did not notify borrowers of the results of their triennial inspections within 30 days for 5 of the 14 projects we reviewed. For these 5 projects RHS took an average of 101 days to notify borrowers of the inspection results.<sup>17</sup> According to agency procedures, RHS is required to send a notification letter to the borrower within 30 days of the inspection.<sup>18</sup> The purpose of this letter is to notify the borrower of the deficiencies, provide a 30-day period for the borrower to respond with a correction plan, and detail the requirement to address health and safety issues within 10 days.

We discussed these delays with agency officials. One official expressed uncertainty about the reasons for the prolonged time taken by servicing officials to send the letters but speculated that staffing issues and procedural challenges might have contributed to the delays. Additionally, an RHS official acknowledged that the agency did not have automated controls or a system to monitor compliance with servicing procedures. We

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<sup>14</sup> USDA RD *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, section 2.A (July 2024).

<sup>15</sup> 7 C.F.R. § 3560.352 (a), (b)(1).

<sup>16</sup> USDA RD *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, sections 9.4, 9.9, and 9.10 (July 2024).

<sup>17</sup> RHS took between 52 and 127 days to send the notification letters to the borrowers for these 5 projects.

<sup>18</sup> USDA RD *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, section, 9.10.I (July 2024).

concluded that RHS could consider establishing controls such as a process to monitor servicing timeframes and alert officials of upcoming deadlines.

### **Follow-up to Ensure Timely Correction of Inspection Deficiencies**

RHS officials did not issue servicing letters to non-responsive borrowers in 12 of the 14 projects reviewed.<sup>19</sup> Specifically:

- (1) In 11 of the 12 projects, borrowers did not notify RHS whether they corrected more serious health and safety issues within 10 days of notification.
- (2) In all 12 projects, borrowers did not respond within 30 days to describe how they plan to address the deficiencies identified.

According to agency procedures, if a borrower does not respond within the specified timeframes, RHS officials are required to send a servicing letter to the borrower within 15 days of the missed deadline.<sup>20</sup>

As of December 31, 2025, 10 of the 12 sampled projects remained unresolved for a duration of 294 to 831 days after RHS initially notified the borrower of the physical deficiencies.<sup>21</sup> Additionally, an RHS official stated that they had not conducted any annual follow-up inspections of the housing projects in more than 3 years to ensure that the deficiencies were corrected. According to agency guidance, RHS is required to perform annual inspections of all properties with outstanding physical deficiencies to ensure they are corrected.<sup>22</sup>

The photographs below illustrate examples of reported health and safety deficiencies that required resolution within 10 days of notification for 3 of the 12 projects that were inadequately serviced by RHS.

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<sup>19</sup> USDA RD *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, section 9.10.I (July 2024) requires the borrower to respond within 30 days of the notification letter to describe procedures and timeframes for correcting noted deficiencies, and to resolve health and safety deficiencies within 10 days of the notification.

<sup>20</sup> USDA RD *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, section 9.10.J (July 2024).

<sup>21</sup> One project had health and safety deficiencies that RHS identified in a March 29, 2024, inspection that were resolved in November 2024, but were not recorded as resolved in the MFH information system until after September 2025. For the other project, an RHS official informed us that the borrower paid off the loan in July 2025, and the project exited the program.

<sup>22</sup> USDA RD *HB-2-3560, MFH Asset Management Handbook*, Chapter 9, sections 9.9 (July 2024).



**Figures 3 and 4: Photographs from RHS' records of an inspection performed at a sample project. The first photograph (left) is of a building's mechanical room showing an electrical panel with a missing cover and exposed wires. The second photograph (right) shows mold growth on a unit's ceiling. As of December 31, 2025, both issues remained unresolved for 512 days after RHS notified the borrower.**



**Figure 5: Photograph from RHS' records of an inspection performed at a sample project. The photograph shows the laundry area which has missing walls and a non-ground fault circuit interrupter outlet installed near a water source. As of December 31, 2025, these issues remained unresolved for 294 days after RHS notified the borrower.**



**Figure 6: Photograph from RHS’ records of an inspection performed at a sample project. The photograph shows mold growth underneath a unit’s leaking kitchen sink. As of December 31, 2025, this issue has remained unresolved for 321 days after RHS notified the borrower.**

We asked RHS officials why they had not issued servicing letters and conducted annual inspections of the housing projects to ensure the physical deficiencies were corrected. One official stated that, due to staffing constraints, RHS prioritized servicing efforts on projects designated as troubled assets,<sup>23</sup> rather than issuing servicing letters for a lack of borrower response or performing annual inspections. However, without initiating servicing actions with borrowers who are non-responsive and performing inspections to ensure that deficiencies are addressed, the MFH projects continued to have unsafe and unsanitary conditions. While we reviewed only 14 MFH projects, RHS’ staffing constraints impacted the entire MFH program. As a result, prioritizing servicing efforts in this manner was consistent throughout the entire MFH program. RHS officials stated that they are reviewing existing procedures to identify what changes are needed given their current staffing levels. Based on the lack of follow-up actions by RHS and the unresolved deficiencies with the MFH projects, we determined that RHS needs to establish alternate procedures when they experience resource challenges.

### **Maintenance of MFH Servicing Documentation**

RHS officials did not maintain documentation in their electronic customer file (ECF) to support the servicing actions that were performed for 3 of the 14 project files we reviewed.<sup>24</sup> In these instances, RHS did not maintain documentation to support: (1) transmitting the inspection report to the borrower; and (2) verifying that deficiencies, including health and safety, were corrected using evidence such as photographs or receipts.

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<sup>23</sup> An RHS official explained that troubled assets are properties that are in foreclosure proceedings and require contract management, or properties with significant physical or financial issues. Another RHS official explained that the servicing official will assess the severity of the deficiency and then determine whether to issue a servicing letter.

<sup>24</sup> The ECF is a secure repository for RD electronic records that was developed to provide robust document storage and retrieval for all RD program areas. Records pertaining to each MFH borrower are maintained in the ECF.

RHS officials agreed that the documentation should have been maintained in the ECF. According to RD instructions, the responsible program or office supervisor shall ensure that the official case folder contains all information concerning a borrower.<sup>25</sup> RHS officials stated that the agency had not developed and implemented procedures for a team leader or supervisor to review a project's ECF to ensure that all relevant servicing documentation is maintained. As a result, we concluded that RHS needs to establish controls to verify that a project's ECF contains the relevant documents needed to support servicing conclusions.

We discussed our results of the 14 sampled MFH projects with RHS officials. RHS officials generally agreed with our finding and recommendations and informed us that they have begun an internal review to improve their servicing procedures.

## **Recommendation 1**

Develop a time-phased plan to implement a process to monitor servicing timeframes and alert officials of upcoming deadlines.

### **Agency Response**

RHS agreed with the recommendation and is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. RHS will develop a plan, with milestones to establish a process to monitor servicing timeframes.

RHS provided an estimated completion date of May 13, 2027.

### **OIG Position**

We accept management decision for this recommendation. For Final Action, provide to the Office of the Chief Financial Officer: (1) RHS's results from its evaluation of policies and procedures to advance servicing techniques, as described in its response; and (2) the plan with milestones to establish a process to monitor servicing timeframes.

## **Recommendation 2**

Develop and implement a time-phased plan to establish procedures that can be accomplished with current resource levels. These procedures need to include follow-up actions for when: (1) borrowers do not respond to physical inspection results, and (2) projects have unresolved physical deficiencies.

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<sup>25</sup> RD Instruction-2033-A, § 2033.5, (a)(3)(i)(C)(1)(iii) (Nov. 2023).

### **Agency Response**

RHS agreed with the recommendation and is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. RHS will develop a plan, with milestones to establish a process to monitor servicing timeframes.

RHS provided an estimated completion date of May 13, 2027.

### **OIG Position**

We accept management decision for this recommendation. For Final Action, provide to the Office of the Chief Financial Officer the plan with milestones to establish a process to follow-up when: (1) borrowers do not respond to physical inspection results, and (2) projects have unresolved physical deficiencies.

## **Recommendation 3**

Implement interim procedures to follow-up with any borrowers that have not responded to inspection results or addressed unresolved deficiencies.

### **Agency Response**

RHS agreed with the recommendation and is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. In the interim, RHS will implement current procedures and track progress regarding follow up with borrowers in receipt of a physical inspection or that have unresolved deficiencies.

RHS provided an estimated completion date of May 13, 2027.

### **OIG Position**

We accept management decision for this recommendation. For Final Action, provide to the Office of the Chief Financial Officer evidence that RHS implemented procedures to follow-up with any borrowers that have not responded to inspection results or had unresolved deficiencies.

## **Recommendation 4**

Develop and implement a process to oversee that relevant servicing documentation is uploaded to a project's electronic customer file.

## **Agency Response**

RHS agreed with the recommendation and is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. In the interim, RHS will develop and implement a process to oversee the relevant documents are uploaded to ECF.

RHS provided an estimated completion date of May 13, 2027.

## **OIG Position**

We accept management decision for this recommendation. For Final Action, provide to the Office of the Chief Financial Officer a copy of the implemented process to oversee the relevant documents are uploaded to ECF.

## Scope and Methodology

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We conducted an evaluation to review RHS' MFH projects to determine if the agency initiated timely servicing actions to ensure that borrowers provided rental residents with safe and sanitary housing. We performed our evaluation fieldwork from June 2025 to March 2026.

The scope of our evaluation was active Section 515 program MFH projects in the Midwest Region as of June 30, 2025. We identified and confirmed 12,150 active MFH projects nationally with 3,862 of these active projects in the Midwest Region.<sup>26</sup> We selected a non-statistical sample of 14 of the 469 active MFH projects in Illinois to evaluate RHS servicing actions. Our sample included 5 Class D and 9 Class C projects with unresolved deficiencies.<sup>27</sup> We focused on MFH projects in Illinois because it was the only Midwest Region State to rank in the top three for total number of MFH projects, Class C projects, and Class D projects among all States in the region.<sup>28</sup>

To accomplish our evaluation objective, we:



Reviewed applicable C.F.R. sections and handbooks related to the MFH program.



Interviewed RHS officials to obtain an understanding of MFH projects, physical inspections, and servicing actions.



Worked with RHS officials to obtain and reconcile a universe of active MFH projects as of June 30, 2025.



Reviewed ECF records, including the most recent physical inspection report, for each of the selected MFH projects to assess servicing actions.



Discussed sample MFH projects with National and Midwest Region officials to obtain explanations for our observations.

We did not independently review or assess the agency's information systems; therefore, we make no representation regarding the adequacy of the agency's computer systems, or the information generated from it.

The evaluation was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

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<sup>26</sup> We selected the Midwest Region because it had the most Class D projects and the second most Class C projects.

<sup>27</sup> We selected projects with the oldest classification dates.

<sup>28</sup> The Midwest Region had 2,927 Class C and 118 Class D projects. Illinois had 34 Class A, 8 Class B, 410 Class C, and 17 Class D projects. Illinois ranked second for total number of projects, second for number of Class C projects, and third for number of Class D projects.

## Abbreviations

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C.F.R.	Code of Federal Regulations
ECF	electronic customer file
HB	Handbook
MFH	multi-family housing
OIG	Office of Inspector General
RD	Rural Development
RHS	Rural Housing Service
USDA	U.S. Department of Agriculture

**Rural Housing Service's  
Response to Evaluation Report**



**DATE:** May 13, 2026

**TO:** Yaris Rivera-Rojas  
Acting Assistant Inspector General for Audit  
USDA Office of Inspector General

**THROUGH:** George Kelly /s/  
Administrator  
Rural Housing Service

**FROM:** Karissa Stiers  
Acting Deputy Administrator  
Multifamily Housing

**SUBJECT:** Response to Recommendations  
Rural Housing Service Multifamily Housing Site Evaluation – Midwest Region  
OIG Engagement No. 04801-0001-21

The Rural Housing Service (RHS), Multifamily Housing (MFH) submits the following responses to recommendations resulting from the Office of Inspector General's (OIG) subject engagement. The recommendations are as presented in the emailed draft report provided to MFH on April 21, 2026, from the Office of the Chief Risk Officer.

**Recommendation 1:** Develop a time-phased plan to implement a process to monitor servicing timeframes and alert officials of upcoming deadlines.

Agree with recommendation: Yes

Agree with monetary results: Not Applicable

**Agency Response:** MFH is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. MFH will develop a plan, with milestones to establish a process to monitor servicing timeframes.

Completion or Estimated Completion Date: May 13, 2027

**Recommendation 2:** Develop and implement a time-phased plan to establish procedures that can be accomplished with current resource levels. These procedures need to include follow-up actions for when: (1) borrowers do not respond to physical inspection results, and (2) projects have unresolved physical deficiencies.

Agree with recommendation: Yes  
Agree with monetary results: Not Applicable

**Agency Response:** MFH is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. MFH will develop a plan, with milestones to establish a process to monitor servicing timeframes.

Completion or Estimated Completion Date: May 13, 2027

**Recommendation 3:** Implement interim procedures to follow-up with any borrowers that have not responded to inspection results or addressed unresolved deficiencies.

Agree with recommendation: Yes  
Agree with monetary results: Not Applicable

**Agency Response:** MFH is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. In the interim, MFH will implement current procedures and track progress regarding follow up with borrowers in receipt of a physical inspection or have unresolved deficiencies.

Completion or Estimated Completion Date: May 13, 2027

**Recommendation 4:** Develop and implement a process to oversee that relevant servicing documentation is uploaded to a project's electronic customer file.

Agree with recommendation: Yes  
Agree with monetary results: Not Applicable

**Agency Response:** MFH is evaluating policies and procedures to advance servicing techniques that evaluate portfolio risk, adhere to statutory and regulatory requirements, and appropriately align accountability. In addition, enterprise-wide technological advances should enable more robust tracking and reporting capabilities for portfolio monitoring. In the interim, MFH will develop and implement a process to oversee the relevant documents are uploaded to ECF.

Completion or Estimated Completion Date: May 13, 2027

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