



OFFICE of  
**INSPECTOR GENERAL**

UNITED STATES DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

# Opportunities Exist To Improve HUD's FHA Resource Center's Routing of Housing Discrimination Inquiries

Audit Report Number: 2024-BO-0001

December 18, 2023

To: Sarah J. Edelman  
Deputy Assistant Secretary for Single Family Housing, HU

**//signed//**

From: Kilah S. White  
Assistant Inspector General for Audit, GA

Subject: Opportunities Exist To Improve HUD's FHA Resource Center's Routing of Housing  
Discrimination Inquiries

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of the HUD's Federal Housing Administration (FHA) Resource Center's handling of housing discrimination inquiries.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Ronald J. Lloyd, Audit Director, at (617) 994-8345.

## Highlights

### Opportunities Exist To Improve HUD's FHA Resource Center's Routing of Housing Discrimination Inquiries | Report Number 2024-BO-0001

#### What We Audited and Why

We audited the U.S. Department of Housing and Urban Development (HUD), Office of Single Family Housing's Federal Housing Administration (FHA) Resource Center's handling of housing discrimination inquiries. We initiated the audit to assist HUD with ensuring that the FHA Resource Center (1) provided accurate and complete information on potential housing discrimination to its customers and (2) ensured that instances of potential housing discrimination were routed through the proper channels.

Our objective was to assess whether the FHA Resource Center appropriately rerouted inquiries related to housing discrimination, including discrimination in appraisals, to HUD's Office of Fair Housing and Equal Opportunity (FHEO) in accordance with its standard operating procedures.

#### What We Found

The FHA Resource Center did not consistently reroute housing discrimination inquiries to FHEO in accordance with its standard operating procedures. Specifically, it did not reroute 14 of 68 reviewed housing discrimination inquiries to FHEO as required. In addition, it did not reroute 3 of 10 test calls that we placed relating to housing appraisal discrimination. These inconsistencies occurred because the FHA Resource Center lacked clear guidance on how to handle discrimination inquiries when the inquiries included multiple concerns, such as a customer alleging discrimination while also complaining about living conditions in public housing. The FHA Resource Center also did not consistently provide refresher training on how to handle discrimination inquiries. As a result of these inconsistencies, customers with discrimination concerns were at higher risk of FHEO not addressing their concerns, living in unfavorable conditions, or losing their homes.

#### What We Recommend

We recommended that the Deputy Assistant Secretary for Single Family Housing update policies and procedures regarding discrimination complaints to ensure consistency among customer service representatives in rerouting these complaints to FHEO. Also, we recommend that the Deputy Assistant Secretary ensure that the FHA Resource Center updates its training program so that refresher training on housing discrimination is regularly provided to staff (such as monthly, quarterly, semiannually, etc.). HUD took actions during the audit to implement these recommendations.

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## Background and Objective

The Fair Housing Act,<sup>1</sup> as amended, prohibits discrimination because of race, color, religion, national origin, sex, disability, and familial status. Covered activities include the sale, rental, advertising, or financing of housing; the provision of brokerage services; and other activities related to residential real estate transactions. With some exceptions, the Act covers all “dwellings,” which are defined generally as buildings designed to be used in whole or part for a residence, as well as vacant land offered for sale and lease for constructing or locating a building. The U.S. Department of Housing and Urban Development (HUD) has the authority and responsibility to administer the Act. HUD’s Office of Fair Housing and Equal Opportunity (FHEO) is responsible for investigating allegations of housing discrimination, as well as developing, administering, and enforcing Federal fair housing policies and laws. It also ensures that the public understands Federal fair housing policies and laws.

In May 2006, HUD created the Federal Housing Administration (FHA) Resource Center to receive and respond to FHA-related inquiries from borrowers, industry partners, and the public. According to HUD, the FHA Resource Center is the first line of response providing prompt, accurate, and consistent responses to inquiries regarding FHA and acting as a valuable tool for customers with questions or concerns on a variety of topics, including housing discrimination. The FHA Resource Center has a frequently asked questions page on HUD’s website and accepts inquiries via telephone or email. The frequently asked questions website covers topics directed at home buyers, homeowners, appraisers, brokers, and more. For each inquiry received via emails or phone calls, the FHA Resource Center customer service representatives follow an inquiry response process to systematically process and escalate inquiries. The inquiry response process includes rerouting inquiries on housing discrimination to FHEO for investigation. HUD’s Office of Single Family Housing is the responsible office for monitoring FHA Resource Center operations to ensure that all inquiries receive appropriate responses.

Our audit objective was to determine whether the FHA Resource Center appropriately rerouted inquiries related to housing discrimination, including discrimination in appraisals, to FHEO in accordance with its standard operating procedures.

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<sup>1</sup> The Act is also referred to as Title VIII of the Civil Rights Act of 1968. Complaints may be referred to as “Title VIII complaints” or “Title VIII fair housing complaints.”

## Results of Audit

### Opportunities Exist To Improve HUD's FHA Resource Center's Routing of Housing Discrimination Inquiries

The FHA Resource Center did not consistently reroute inquiries on housing discrimination to FHEO in accordance with its standard operating procedures. Specifically, it did not reroute to FHEO 14 of 68 reviewed inquiries related to housing discrimination as required. It also did not reroute 3 of 10 test calls we placed relating to appraisal discrimination. These inconsistencies occurred because the FHA Resource Center lacked clear guidance on how to handle discrimination inquiries when the inquiries included multiple concerns, such as a customer alleging discrimination while also complaining about living conditions in public housing. The FHA Resource Center also did not consistently provide refresher training on how to handle discrimination inquiries. As a result of these inconsistencies, customers with discrimination concerns were at higher risk of their concerns not being addressed, living in unfavorable conditions, or losing their homes.

### Housing Discrimination Inquiries Were Not Consistently Rerouted to FHEO

The FHA Resource Center did not consistently reroute inquiries on housing discrimination to FHEO. Of 68 inquiries reviewed, the FHA Resource Center did not reroute 14 to FHEO as required by its standard operating procedures. For example, a customer contacted the FHA Resource Center via email to request assistance in finding a new home, alleging that the customer's current apartment was not safe. The customer also reported being discriminated against and harassed by the property manager. The FHA Resource Center customer service representative responded to the inquiry by providing information on public housing and how to obtain rental assistance. However, the representative did not provide information on filing a discrimination complaint with FHEO. The standard operating procedures required the FHA Resource Center to use available knowledge-based articles to address all housing discrimination.<sup>2</sup> The article for discrimination stated that customers who felt they had been discriminated against could file a fair housing complaint with FHEO and shared FHEO's contact information. Although some customer service representatives rerouted discrimination inquiries to FHEO, these inquiries were not consistently rerouted as required. Projecting the results of the sample to the universe of 1,076 inquiries, at least 135 inquiries were not rerouted to FHEO in accordance with its standard operating procedures.

We also placed 10 test calls to the FHA Resource Center to assess its responses to inquiries related to potential appraisal discrimination in a natural environment. The FHA Resource Center did not appropriately reroute 3 of our 10 calls in which we posed as someone from one of the protected classes noted in the Fair Housing Act. One of the three calls that were not appropriately rerouted to FHEO was conducted in Spanish, and the remaining two were conducted in English. In one instance, we identified as a black single mother who felt that her appraisal was unfairly stated, especially since another home in the

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<sup>2</sup> The FHA knowledge base is a secure management system used to store and organize comprehensive information needed to respond to inquiries from the public and the housing industry relevant to HUD programs. The knowledge base is public facing and includes more than 2,000 preformatted articles. Each article consists of a frequently asked question, an answer to the question, and reference sources if applicable. <https://answers.hud.gov>

area, the owner of which was not black, received a higher appraisal value. In the other two instances, we represented ourselves as Hispanic males who felt that they were discriminated against in the appraisal process. In these three instances, the FHA Resource Center customer service representatives provided information regarding the lender's responsibility for obtaining a quality FHA appraisal or information on how to request a reconsideration of value of an FHA appraisal. However, the representatives did not reroute these inquiries to FHEO to address our discrimination inquiries as required. Although 7 of our 10 test calls were properly rerouted to FHEO, opportunities exist to improve the consistency of FHA's operations.

The FHA Resource Center's customer service representatives did not consistently reroute housing and appraisal discrimination inquiries to FHEO because they lacked clear guidance on how to handle discrimination inquiries. Specifically, the standard operating procedures governing the representatives' inquiry responses did not provide guidance on how to address an inquiry that contained multiple concerns, including discrimination. For example, if the customer service representative received an inquiry regarding an unsafe home and discrimination or excessive rents and discrimination, it was not clear where to reroute the customer. These concerns, beyond discrimination, relate to certain program areas, such as the Offices of Public and Indian Housing or Multifamily Housing Programs, which resulted in the representative's referring the person to those program offices and not to FHEO. Also, the FHA Resource Center did not provide regular refresher training on discrimination to reinforce previous training. Customer service representatives stated that the team lead provided refresher training only if the team lead detected a performance deficiency. However, this training was done after the customer service representative responded to the inquiry. As a result, customers were at risk of not getting their issues resolved.

## **HUD Took Proactive Steps To Address the Inconsistencies**

In response to our audit results, the Office of Single Family Housing updated the FHA Resource Center's standard operating procedures to include additional guidance on responding to housing discrimination inquiries. The previous standard operating procedures were limited to instructing customer service representatives to use the discrimination knowledge-based article for complaints related to all housing discrimination, such as discrimination based on race, color, national origin, religion, sex, and family status. In contrast, the updated standard operating procedures explicitly require that information from the housing discrimination knowledge-based article be provided to all customers with potential housing discrimination concerns, as well as providing additional knowledge-based articles, as applicable, for a complete response to inquiries with multiple concerns. By providing this information, customers receive the necessary contact information to reroute their inquiries to FHEO.

The FHA Resource Center also developed a new training module on housing discrimination and provided this training to its employees. The training manager and six customer service representatives confirmed that they received the new training on housing discrimination. The FHA Resource Center stated that it would incorporate the new training module into its new hire training as well.

## **Conclusion**

The FHA Resource Center was inconsistent with routing housing discrimination inquiries to FHEO in accordance with its standard operating procedures. These inconsistencies occurred because it lacked clear guidance on how to handle discrimination inquiries when the inquiries included multiple concerns. Also, it did not consistently provide refresher training on how to handle discrimination inquiries. As a

result, FHA Resource Center's customers are at higher risk of their concerns not being fully addressed, living in unfavorable conditions, or losing their homes. Additionally, without refresher training, there is no assurance that representatives will provide appropriate and adequate information in addressing the customers' inquiries. Therefore, there are opportunities for the FHA Resource Center to improve its routing of housing discrimination inquiries to FHEO.

## Recommendations

We recommend that HUD's Deputy Assistant Secretary for Single Family Housing

- 1A. Update policies and procedures regarding discrimination complaints to ensure consistency among customer service representatives in rerouting these complaints to FHEO.

HUD implemented the recommendation by updating its procedures on housing discrimination as of March 2023. Therefore, no further action is required by the Office of Single Family Housing. At the issuance of this audit report, we will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with the updated procedures and correspondences between HUD and the FHA Resource Center regarding the updated procedures, to show that final action was completed.

- 1B. Ensure that the FHA Resource Center updates its training program to ensure that refresher training on housing discrimination is regularly provided to staff (such as monthly, quarterly, semiannually, etc.).

HUD implemented the recommendation by requiring the FHA Resource Center to develop a new training program on housing discrimination. The training was developed and provided to FHA Resource Center employees in April and November 2023. Therefore, no further action is required by the Office of Single Family Housing. At issuance of this audit report, we will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with a letter from a contracting officer representative requiring employees to receive refresher training on housing discrimination twice a year, training materials, and a monthly status report, to show that final action was completed.



## Scope and Methodology

We performed our audit work from November 2022 to June 2023. We did not conduct onsite fieldwork for this assignment. The audit generally covered the period March 31, 2021, through April 30, 2022. To review HUD's latest changes to its training and policies because of our audit, we expanded our audit period to April 2023.


To accomplish our objective, we

- Reviewed applicable Federal regulations, such as the Fair Housing Act of 1968.
- Reviewed the FHA Resource Center's policies and procedures on how it responds to inquiries related to discrimination.
- Reviewed the FHA Resource Center's training manuals and standard operating procedures.
- Interviewed appropriate management and staff from the Philadelphia Homeownership Center (HOC) and the FHA Resource Center. HUD HOCs insure single-family FHA mortgages, assure FHA mortgage quality, and oversee the selling of HUD homes. We interviewed the Philadelphia HOC because it oversees the FHA Resource Center.

We relied in part on data provided by HUD from its Microsoft Dynamics Client Management Relationship (CRM) system to achieve our audit objective. Specifically, we relied on the system to identify "misrouted contacts" from March 31, 2021, to April 30, 2022. Misrouted contacts were inquiries made to the wrong division; in this case, discrimination inquiries made through the FHA resource center. Although we did not perform a detailed assessment of the reliability of the data, we performed minimal testing, which included comparing information from this system to HUD's records, and found the data to be adequate for our purposes.

Using data from the Microsoft Dynamics CRM system, we identified a universe of 1,076 inquiries classified as misrouted contacts, which were processed by the FHA Resource Center between March 31, 2021, and April 30, 2022. To project the results of our audit to the universe of inquiries, we selected a statistical sample of 68 inquiries. This sample included 51 inquiries that the FHA Resource Center received by email and 17 received by telephone. For each inquiry, we requested documentation from HUD, including documentation to support the nature of the inquiry and the FHA Resource Center's response to the inquiry. We evaluated the information to assess whether the FHA Resource Center appropriately rerouted inquiries related to housing discrimination to FHEO in accordance with its standard operating procedures. We determined that 14 of the 68 inquiries reviewed were not appropriately rerouted to FHEO. This amounts to a weighted average of 20.56 percent of the audit sample. Deducting for a statistical margin of error, we determined that at least 12.5 percent of the inquiries in the universe were not rerouted to FHEO. Therefore, by extending this percentage to the universe of 1,076 inquiries, at least 135 inquiries met this condition.

We also performed test calls to the FHA Resource Center to observe how inquiries related to discrimination in appraisals were handled in a natural environment. We developed scripts and conducted test calls to the FHA Resource Center to assess its responses to inquiries related to potential appraisal discrimination. We conducted 10 test calls during the period February 6-13, 2023, to help get more variation. Specifically, we made no more than three test calls per day during the period February 6-13, 2023. Of the 10 test calls, 8 were conducted in English and 2 were conducted in Spanish.



We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Appendixes

## Appendix A – Auditee Comments and OIG’s Evaluation

### Ref to OIG Evaluation – Auditee Comments

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING 11/17/2023

MEMORANDUM TO: Kilah S. White, Assistant Inspector General for Audit, GA

FROM: Sarah J. Edelman, Associate Deputy Assistant Secretary for Single Family Housing, HU

SUBJECT: Discussion and Comments on Draft Audit: Opportunities Exist to Improve HUD’s FHA Resource Center’s Routing of Housing Discrimination Inquiries *OIG Audit Report Number: 2023-BO-XXXX*

DocuSigned by:  
*Sarah J. Edelman*  
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Thank you for the opportunity to provide comments and feedback on the Office of Inspector General (OIG) draft audit report on the Federal Housing Administration (FHA) Resource Center’s handling of housing discrimination complaints. The audit objective was to assess whether the FHA Resource Center appropriately rerouted inquiries related to housing discrimination, including discrimination in appraisals, to the Department of Housing and Urban Development’s (HUD) Office of Fair Housing and Equal Opportunity (FHEO) in accordance with its standard operating procedures.

We take housing discrimination very seriously and appreciate the OIG’s analysis of FHA’s processes and the recommendations included in the report. The Office of Single Family Housing (Single Family) has already begun to use the information included in this audit to strengthen its internal processes and training so that all consumers who contact the FHA Resource Center with concerns about housing discrimination are properly routed directly to FHEO.

Single Family concurs with the report’s findings and recommendations. As noted in the report, with regard to recommendation 1A, Single Family updated its procedures and protocols for handling of housing discrimination inquiries in March 2023, prior to completion of the audit. FHA proactively implemented these procedures well before the OIG audit engagement was completed and acknowledges that this recommendation will be closed by OIG upon issuance of this report.

In relation to recommendation 1B, Single Family implemented mandatory training protocols for customer service representatives in April 2023. Specified staff are now required to complete twice a year on housing discrimination.

 **Comment 1 >**

 **Comment 2 >**

## OIG Evaluation of Auditee Comments

- Comment 1            HUD’s Office of Single Family concurred with recommendation 1A. We acknowledge that HUD proactively updated its procedures for the management of inquiries on housing discrimination. During the audit, HUD provided the updated procedures and correspondence between HUD and the FHA Resource Center regarding the updated procedures to show that the final action was completed. We reviewed the updated procedures and confirmed that HUD’s actions sufficiently addressed the intent of our recommendation. We will close this recommendation concurrent with the issuance of the report.
- Comment 2            HUD’s Office of Single Family concurred with recommendation 1B. We acknowledge that HUD required the FHA Resource Center to develop a new training program on housing discrimination. We reviewed the new training, along with support that employees received the training in April and November 2023 and confirmed that HUD’s actions sufficiently addressed the intent of our recommendation. We will close this recommendation concurrent with the issuance of the report.