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Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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STAFF DIRECTOR

December 5, 2011

The Honorable Shaun Donovan
Secretary of Housing and Urban Development
451 7th Street S.W.
Washington, D.C. 20410

Dear Mr. Secretary:

A recently released report by the Inspector General for the Department of Housing and Urban Development (HUD) revealed a troubling abuse of taxpayer dollars by the National Community Reinvestment Coalition (the Coalition).¹ Considering the significant amount of money involved and the Coalition's disregard for the terms of its grant, we hope that HUD will take immediate action to bar this organization from wasting more taxpayer money.

The Inspector General's audit uncovered a serious conflict of interest involving the Coalition's work for HUD. Since 2007 the Coalition has received over \$2 million in Fair Housing Initiatives Program (FHIP) funds from HUD.² The Inspector General's audit examined the Coalition's 2008 Private Enforcement Initiative grant (part of FHIP) for \$230,000. According to the audit, Private Enforcement Initiative grants provide "funds to nonprofit fair housing organizations to carry out testing and enforcement activities to prevent or eliminate discriminatory housing practices."³ The grant included specific prohibitions to prevent conflicts of interest between a grantee and the organizations that it was testing.⁴

However, the Coalition violated these prohibitions and took millions of dollars in donations from the same banks that it had been given a HUD grant to test.⁵ The audit revealed that the Coalition received donations totaling around \$2.4 million from 10 different banks that it was testing for discriminatory practices as part of its grant.⁶ The Coalition solicited the donations in several cases.⁷ The Inspector General's audit determined that over a quarter of the grant money that had been spent (close to \$60,000) was "ineligible" because of these conflicts of interest.⁸

¹ "The National Community Reinvestment Coalition, Washington, DC, Did Not Comply With Conflict-of-Interest Provisions in Its Fair Housing Initiative Program Agreement With HUD," Office of the Inspector General, Department of Housing and Urban Development, November 14, 2011. Available at: <http://www.hudoint.gov/pdf/auditreports/DC/ig1231002.pdf>.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

The Coalition had a clear disregard for the terms of its grant which were intended to prevent taxpayer funds from being wasted or used fraudulently. The Coalition pocketed tens of thousands of taxpayer dollars while clearly violating the terms of its grant. In addition, this clear conflict of interest raises questions about whether the Coalition may have used its position as a HUD-endorsed housing discrimination testing organization to solicit millions in funds from banks.

The Inspector General's audit demonstrates that the Coalition should not be receiving taxpayer funds now or in the future. To prevent the waste of additional taxpayer money, will you commit to:

- (1) Requiring that the Coalition repay the \$59,800 in grant money that the Coalition spent that the Inspector General's audit identified as "ineligible"?
- (2) Requiring that the Coalition return any HUD funds that have been awarded to the Coalition but has yet to be spent?;
- (3) Excluding the Coalition from receiving FHIP grants, HUD funds, or other federal government funds in the future by taking necessary steps to place the Coalition on the Excluded Parties List?; and
- (4) Improving the safeguards in the FHIP grant program to prevent future conflicts of interests involving grantees from occurring?

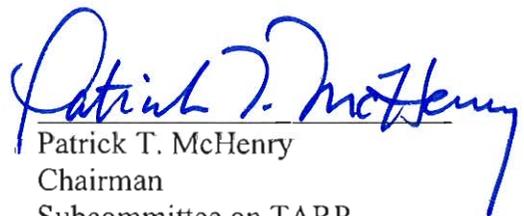
The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and may at "any time" investigate "any matter" as set forth in House Rule X. Please respond to these questions as soon as possible, but no later than 5:00 pm on December 19, 2011.

Please contact Mike Whatley with the Committee staff at (202) 225-5074 with any questions about this request. Thank you for your attention to this matter.

Sincerely,



Darrell E. Issa
Chairman



Patrick T. McHenry
Chairman
Subcommittee on TARP,
Financial Services and
Bailouts of Public and
Private Programs

cc: The Honorable Elijah E. Cummings, Ranking Minority Member