

reports with respect to this problem in Georgia did not appear to be effective.

In commenting on our finding the Commissioner stated that he had been concerned with the repair problem for some time. The Commissioner stated that he believed it was proper for property management officials to consider the consequences of expending large amounts of money for repairs on properties which had no sales or rental potential in the foreseeable future and which, therefore, might have to be repaired again in some cases. The Commissioner stated, however, that these consequences should be balanced against the public obligation of the agency to avoid, as much as possible, blight and deterioration of neighborhoods by putting the property in presentable condition through necessary exterior repairs.

In October 1965 the agency revised its property management instructions to provide that, without fail, all properties acquired be repaired immediately after acquisition. A partial exception is to be made where there are concentrations of properties which cannot be sold within 6 months. In those cases, exterior repairs are to be made to put the property in presentable condition and to prevent undue deterioration which may result from such problems as roof leaks or broken windows. In addition, steps were taken to increase the effectiveness of follow-up action on internal audit reports.

These specific actions, if effectively implemented, and the increased emphasis now being directed toward solution of the problem should, in our opinion, help to correct the situation discussed in this report.

[Index No. 43—B-118660, June 21, 1966]

REVIEW OF THE PURCHASE OF TITLE INSURANCE ON PROPERTIES ACQUIRED IN THE STATE OF FLORIDA UNDER THE LOAN GUARANTY PROGRAM, VETERANS' ADMINISTRATION

We found that potential savings of about \$255,000 a year could be realized at this one regional office if the practice of obtaining title insurance was discontinued. Our review indicated that the purchase of title insurance could be discontinued because the Veterans' Administration had obtained adequate assurance of good and marketable title from mortgage holders who conveyed the properties to the Veterans' Administration upon default of guaranteed loans.

Our review of over 300 cases showed that title insurance companies reported 15 cases with title defects. These defects appeared to be of a minor nature which, for the most part, were caused by the failure of mortgage holders' attorneys to fulfill their responsibilities in tendering title to the Veterans' Administration. The defects were easily cured by the mortgage holders' attorneys, and, under such circumstances, we believe that it is more economical for the Veterans' Administration to assume the unlikely risk of acquiring property with a significant title defect than to pay private insurers for assuming such risks. In addition, we believe that the practice of purchasing title insurance is a departure from the general policy of the Federal Government to be self-insured by assuming its own risk of loss.

The Veterans' Administration has made substantial reductions in the cost of obtaining title evidence at various regional offices, and the