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## HUD Secretary Unveils Plan to Respond to Housing Crisis

Donovan wants HUD to institute new standards for home loan modifications and initiate targeted bankruptcy reform to help families avoid foreclosure.

By:

[John Caulfield](#)

Just three weeks after being confirmed as the new secretary of Housing and Urban Development, Shaun Donovan today outlined plans for how the department will respond to the housing crisis.

Speaking at "A Crisis Is a Terrible Thing to Waste: Transforming America's Housing Policy," a conference hosted by New York University's Furman Center for Real Estate and Urban Policy and co-sponsored by the Rockefeller and MacArthur foundations, Donovan broke his strategy down into short and long term goals.

Within the first 100 days of the Obama administration, Donovan intends for HUD to start accelerating loan modifications and institute industry-wide standards for those modifications. He also plans to initiate targeted bankruptcy reform that will serve as a safety net that keeps as few homeowners as possible from going into foreclosure in the first place. HUD will take measures to minimize the impact of foreclosures on families and on communities and will work to ensure the continued availability of private capital for mortgages for home purchases and refinancing.

Donovan's long term plans for HUD are far more ambitious. He outlined a series of five strategic goals designed to not only remediate the current crisis but also deal with future housing needs.

The first involves remaking the mortgage system. With bank and mortgage company lending standards currently untenably stringent, Fannie Mae, Freddie Mac, and FHA are financing 95% of all home loans. To break this logjam, HUD will need to take steps to ensure liquidity and leadership in the private sector and make the loan process simpler and more transparent for buyers.

Next on the list is the necessity of addressing the severe shortage of rental units. "HUD's programs are a generation behind where they should be," Donovan said, "and are sometimes a barrier" to developing rental housing. President Obama has agreed to fund the National Housing Trust Fund, a program established to build, rehabilitate, and preserve housing for the lowest income families. In addition, to combat the rising tide of homelessness, HUD will build on programs already in place for individuals by utilizing them to assist families.

The department will begin to focus on sustainability, an area new to HUD. Donovan noted that, through its programs and subsidiaries, HUD touches one out of every 10 households in the United States, and can use that reach to strongly promote energy efficiency and sustainable construction. "We can catalyze how housing is built and renovated," he asserted. HUD will create an Office of Sustainability, to be headed by Seattle area urban visionary and proposed HUD deputy secretary Ron Sims. The Department of Energy and

the Environmental Protection Agency will partner with HUD in this effort.

Fair housing will be a large part of HUD's mission. Donovan stated that the department will make sure that there are "neighborhoods of choice" and "geographies of opportunity." Fair housing must exist in order for people to buy it, he said, and HUD must rethink how to introduce affordable housing into all communities. The Fair Housing program will seek to eliminate the predatory aspects of subprime mortgages, which Donovan called "a targeted scourge on minorities." He said that in the past few years, for example, 65% of mortgages issued in Jamaica, Queens, an area with a heavy minority population, were subprime. He added, "We can never have that kind of targeting again."

Finally, HUD will institute a process of research and evaluation of its own programs. The department has had difficulty in the past measuring its success. "We must begin to count, but that's not enough," the secretary said. The MacArthur Foundation has given \$50 million to elevate this analysis, but, Donovan said, "we must invest at an unprecedented level to make ourselves accountable." The secretary added that this will help alleviate HUD's main problem—a crisis in confidence that the federal government can actually make a difference in housing.

"We do have an enormous opportunity," he said in closing, "but it will not come again and if we waste it we will have no one to blame but ourselves."

*John Caulfield is senior editor at BUILDER magazine.*

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