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Shaun Donovan, the new secretary of Housing and Urban Development, wants to simplify the home-loan process.

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New HUD chief: simpler loans, more private lending

By Ron Scherer | 02.17.09

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Is there opportunity in the housing crisis?

Yes, is if your name is Shaun Donovan, the new Secretary of the Department Housing and Urban Development (HUD).

Mr. Donovan who confesses to being an "eternal optimist" came to New York on Friday to keynote a conference at New York University entitled "A Crisis is a Terrible Thing to Waste: Transforming America's Housing Policy."

HUD and Mr. Donovan are likely to have a significant role in the Obama administration's new housing policy, which is expected to be rolled out relatively soon. And Congress, in the new fiscal stimulus bill, piled on new funding, some \$13.6 billion, for HUD to do everything from making public housing more energy efficient to new funding for emergency shelter grants to try to prevent homelessness.

A personal agenda

Donovan, who formerly ran New York City's housing efforts, has his own agenda as well. One of those goals is to try to get the private sector back into the mortgage market. Only a few years ago,

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Laurent Belsie

In his 28-year Monitor career, Laurent Belsie has built his expertise in traditional journalistic fashion: eclectically. He's fed hogs in Iowa, searched the Internet before there was a World Wide Web, and roamed Haiti in a helicopter with US Special Forces (and a Humvee dangling from a chain). After stints as personal-finance editor and assistant national news editor, he now runs the Monitor's newest Web section: "Rebuilding the Economy" and blogs about the economic changes now under way.

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the Federal Housing Administration, which is part of HUD, insured 2 percent of the mortgage market. Today, the FHA backs about a third of all new mortgages.

The FHA, in a way, is returning to its roots. It was created during the Great Depression. In the 1960s, during President Johnson's Great Society efforts, HUD grew up around it. Then, in the housing boom of the past decade, the FHA steadily lost market share. As one former HUD employee explained it, it was viewed as a dinosaur since it actually checked income and wanted people to be able to afford their mortgages.

But Donovan says he also wants to make the system "fairer and simpler" for the average consumer. Anyone who has ever signed the 100 pages of documents at a closing knows what he's talking about. Maybe he will have better luck than the Bush administration, which tried to do the same thing but, according to a former HUD staffer, "was crushed like a bug" by entrenched industry interests and Congress.

A current HUD staffer points out that Congress did ultimately pass some simplifying legislation, which is being phased in starting last month.

A 'rental crisis'

Donovan also wants to spend more money on what he terms the "rental crisis." Each year HUD does a big survey to see how many people need affordable housing. One of the latest surveys found there was a need for 6 million low-income units but only 4 million have been built. It's not unusual for cities to have a waiting list five or 10 years long.

As new public housing is built, Donovan wants to make it as "green" or energy efficient as possible. According to HUD, there is now a \$32 billion backlog in capital needs, especially energy efficiency in aging buildings. The stimulus package gives HUD \$4 billion for that purpose.

But Donovan wants to go further. He has already announced an office of sustainability in HUD, led by Washington State's Ron Sims, who was the King County executive. King County has become a national model for how local governments can reduce greenhouse-gas emissions.

Donovan who has a sense of humor referred to his speech as an example of a "Crisis in Transition." How so? He still has no speech writer and no assistant secretary. "There is a little risk in doing this today," he joked to a full auditorium at New York University Law School. Then he talked for an hour without a written draft or teleprompter.

"We do have this enormous opportunity," he said. "But if we waste it, we will have no one to blame but ourselves."

— Staff writer Ron Scherer contributed this report from New York.

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