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A Homecoming for HUD's New Secretary

By SEWELL CHAN

Doug Mills/The New York Times Shaun Donovan, secretary of the United States Department of Housing and Urban Development.

Shaun Donovan was New York City's commissioner of housing preservation and development, in charge of overseeing the Bloomberg administration's plan to build or preserve 165,000 units of affordable housing, from 2004 until 2008, when he took a leave of absence to work on Barack Obama's presidential campaign. Now he is President Obama's secretary of housing and urban development.

Mr. Donovan, a 43-year-old architect with three Harvard degrees, commutes to and from Washington each week, spending the weekend in New York, where his wife, the architect Liza Gilbert, and their two sons, have stayed. On Friday morning, Mr. Donovan gave a significant policy address at New York University's law school — one of his first as HUD secretary — in which he outlined his plans for the department at a time of severe economic turmoil that was largely brought on by the crisis in the housing market.

John Sexton, president of New York University, and Judith Rodin, president of the Rockefeller Foundation, introduced Mr. Donovan, who was a keynote speaker at a two-day conference, "A Crisis Is a Terrible Thing to Waste: Transforming America's Housing Policy," sponsored by the university's Furman Center for Real Estate and Urban Policy.

"I am the eternal optimist, as you know, and finding opportunity in crisis is exactly what we need to be doing right now," Mr. Donovan began by saying.

Mr. Donovan jokingly admitted "a moment of weakness" that he thought about when finishing his speech in the early hours of Friday morning. "I got home earlier this week for the very first time with take-out food, got into my kitchen, and realized that I had no fork and knife, no plates, no cups in the kitchen, whatsoever." It was an apt metaphor for his experience at HUD, he said to laughter.

Mr. Donovan recited a litany of alarming statistics. There were 2.2 million foreclosures in 2008. Forty-five percent of all home sales in December were distressed sales. In metropolitan areas like Stockton, Riverside and San Bernardino, in California, and Las Vegas, 10 percent of all homes are in foreclosure (not merely delinquency) — "a landscape littered literally with homes sitting vacant, contributing to a decline in housing values unlike any we have ever seen."

The fiscal stimulus package working its way through Congress would create 3.5 million jobs and add \$13.6 billion to HUD's budget, nearly a third of its annual entire budget for the next fiscal year.

Mr. Donovan said that the Obama administration was preparing a comprehensive response to the foreclosure crisis, and said that while the details would await that announcement, the plan would likely embrace several themes:

First, it's become abundantly clear that we must accelerate loan modifications in this country. Second, that there is a desperate need for broad, industry-wide standards for loan

modifications, and we are in a unique position today for the federal government to set and implement and lead with those standards. Third, the president has made clear that we need targeted bankruptcy reform which can help to, not in our view become the model for working out mortgages, but to become a safety net, if you will, with the hope that with all else that we're doing, modifications are accelerated and very few families will end up in bankruptcy.... Fourth, dealing with the family and community impacts of foreclosure.

The stimulus includes \$1.5 billion for HUD's emergency shelter program, as well as \$2 billion for neighborhood stabilization and money to enhance regional efforts, like one in the Chicago area, that

"bring municipalities together to attack the problem of foreclosed homes," Mr. Donovan said.

Looking ahead to the long term, Mr. Donovan outlined "five different areas where I believe HUD and this administration can begin to turn the direction of housing policy of this country":

And those five are remaking our mortgage system; dealing with the persistent rental-housing crisis that far too many low-income Americans face; beginning to use HUD and our housing policy as a force for broader sustainability within our economy and within our country; re-energizing efforts around fair housing; and fifth, allowing HUD to become a leader on research and evaluation.

Mr. Donovan noted that 95 percent of all new residential mortgage originations come from HUD's Federal Housing Administration (which Mr. Donovan temporarily led during the transition from the Clinton administration to the Bush administration), and two government-sponsored entities, Fannie Mae and Freddie Mac.

HUD has long had a reputation for being dysfunctional, a tarnished image that Mr. Donovan addressed head-on.

He said the Obama administration was committed to expanding the housing trust fund, using programs that have helped reduce homelessness among single adults to do the same for homeless families, to improve the department's relationship with Congress; and to create more accountability. HUD, he said, has long had an "inability to accurately report what we are spending, how we are spending it."

Mr. Donovan said he also hoped to use HUD's reach to make metropolitan areas more sustainable, noting that sprawl had created long commutes that contribute to high levels of carbon emissions. Mr. Donovan was greeted with applause when he announced that Ron Sims, the executive of King County, Wash., which includes Seattle, had accepted his offer to become deputy secretary of the department.

In a few instances, Mr. Donovan referred back to his experiences in New York. He said:

When you look at the fact that in Jamaica, Queens, 60 percent of all the mortgages in 2007 were subprime mortgages, that roughly a third of all subprime mortgages and high-cost mortgages in New York City during that year went to people with credit scores that should have qualified them for prime loans, you begin to see a pattern of practices that differentially targeted minority communities — African-American, Latino — and that must become a focus of increased efforts at HUD to ensure that we never again have that kind of targeting of minority communities with products like the subprime products that we saw for a number of years.

Mr. Donovan was unsparing when he said that HUD for too long had been unaccountable.

"I don't think anybody today — whether it's within the agency, on Capitol Hill or within the housing policy more broadly — understands what success for HUD means," he said. "We must begin to count, and count we will."

But there were even deeper problems than a lack of evaluation, he said:

It is not just a crisis of confidence in HUD, it is not just a crisis of confidence in federal government more broadly, but it is, to be frank among friends, among housers in this room, a crisis of confidence in whether federal government can make a difference in housing. ...

We must, as a community, overcome the skepticism, not only about the success of those programs, and the ability of the federal government to make a difference in people's lives more directly, but ... the lack of confidence that when the federal government tries to do something in housing, that it can really make a difference.

Mr. Donovan concluded by saying, "We have an enormous opportunity. It wil not come again, and if we waste it, we will have no one to blame but ourselves."