

Last updated: February 16, 2009 09:01pm

New HUD Chief Calls for Transparency

By Cody Lyon

NEW YORK CITY--The economic crisis provides enormous opportunity for change and transformation in federal housing policy, the new Secretary of Housing and Urban Development said here on Friday. "If we waste it, we won't have anyone to blame but ourselves," said HUD Secretary Shaun Donovan, the keynote speaker at a conference sponsored by New York University's Furman Center for Real Estate and Urban Policy.

New York City's housing commissioner--until his appointment by the Obama administration--Donovan told his NYU audience that 95% of housing liquidity must come from GSEs or FHA. Among other things, Donovan spoke to the need for broad industry-wide loan modifications, targeted bankruptcy reforms, greater synergies between municipalities to fight blighted areas and the insurance of capital availability for purchasing mortgages as well as opening up HUD's programs to private capital.

"HUD's programs are a generation behind where they should be," Donovan told the audience. He added that the mortgage system was also due for a makeover and that the process should be transparent, fair and simple to the average consumer.

Donovan assured the group that President Obama would keep his pledge to fund a National Housing Trust Fund, setting off applause throughout large sections of the room. He told the crowd that "through all its programs, HUD impacts one in 10 homes in the country."

More particular to change within HUD and interrelated agencies, Donovan said government must build on resources and tools that not only seek immediate gratification measures, but also exercise flexibility and build long-term collaborations that could transform the country's housing policy. Yet, in order to move forward, he said, HUD would have to address fundamental doubts in the minds of Americans.

"This is not a crisis of confidence in HUD," Donovan said. "This is a crisis of confidence in whether or not the federal government can make a difference in housing."

To remedy that, Donovan called for greater evaluation and measurement of HUD programs. He said it was essential for the agency to invest in research and accountability of its programs, adding that HUD's relationship with Congress was crucial, and that transparency was key to changing minds about the government's abilities. "We must hold ourselves to higher standards that are transparent and measured."

He called for partnerships with foundations and universities that develop new research measures and possibly serve as sources of funding that "revolutionize the way we measure and evaluate housing programs." For example, Donovan asked, "Do investments in housing lead to better education opportunities for children and eventual job outcomes?"

He added that it was generally not a positive act when a family takes a voucher, then uses it to leave an impoverished neighborhood for a "neighborhood of opportunity." The challenge, Donovan said, is "how we think about making impoverished neighborhoods into neighborhoods of opportunity." Of private and public relationships under HUD's umbrella, rooted in what he compared to the Hippocratic oath, Donovan said "we should be fostering relationships for innovation."

The conference, "A Crisis is a Terrible Thing to Waste: Transforming America's Housing Policy," was co-sponsored by the Rockefeller Foundation and the John D. and Catherine T. MacArthur Foundation. Also speaking were NYU president John Sexton and Rockefeller Foundation president Judith Rodin. Later, Furman Center co-director Ingrid Gould Ellen moderated an audience Q&A session with Donovan.

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