

**Statement of Mr. Shaun Donovan**  
**Nominee for Secretary of the U.S. Department of Housing and Urban**  
**Development**  
**Tuesday, January 13, 2009**

Mr. Chairman, Senator Shelby, and distinguished Members of the Committee, thank you for the opportunity to appear before you today. I would also like to thank Senator Schumer for that kind introduction.

Before I go any further, I would like to introduce my family: my wife, Liza, and my two children, Milo and Lucas. Without them, and their constant and steadfast support, I would not be here.

I am honored and humbled by President-elect Obama's decision to nominate me as Secretary of Housing and Urban Development – an agency with a critical role to play as government partners with the American people to overcome the greatest economic crisis we have faced in many decades.

I want to thank the Committee for the speed with which you scheduled today's hearing, and the time you have made in your busy schedules to visit with me, and share your thoughts and views regarding housing in the United States.

Throughout my career, I have been committed to affordable housing policy and development. In my line of work we often talk in terms of numbers of units and dollars spent. That is our common language. But it does little to convey the reason I am in this field. America's homes are the foundation for family, safe neighborhoods, good schools and solid businesses. A home represents and confers stability: a base from which to raise our children. These things have not changed – but the world has. I am here before you today because I hope -- should you confirm my nomination as HUD Secretary – that I can contribute to restoring this vital sector to health and making quality housing a possibility for every American.

My first job after graduate school was at the Community Preservation Corporation, a non-profit lender and developer of multifamily housing. While there, I saw firsthand the difference that effective public-private partnerships can make in developing decent, safe and high-quality housing. In this, the federal government was often a valued and an essential partner. But I also experienced the headache of trying to navigate regulatory barriers or having deals fail because of inflexible programs.

Later, in my work at the Department of Housing and Urban Development I saw how government can work to catalyze effective community development. While I gained an appreciation for the benefits of well-crafted and responsive government programs, I also saw a need to untangle and streamline policy and programs that too often led to missed opportunities.

Because of these experiences, I believe that the best way to ensure access to safe, decent, and affordable housing is through strong partnerships among the government, private and non-profit sectors. Government can play a unique role in incentivizing the other sectors and removing barriers to the development of quality housing.

That is why when I became Commissioner of New York City's Department of Housing Preservation and Development in early 2004, I engaged the agency in a top-to-bottom strategic planning process. This resulted in new and innovative policy and programmatic solutions, a more appropriate alignment of staff with mission, and better measurement of results.

Let me give you two examples: with contributions from our non-profit and for-profit partners, New York City created an Acquisition Fund that leveraged significant philanthropic support. In one of the most competitive real estate markets in the world, this pool of funds enables housing developers to acquire land and create affordable housing for hard-working families.

We also changed land use policy to respond to the challenges posed by the New York City market. In order to incentivize the creation of more housing for low-income families, the City undertook a series of rezonings that will allow the development of up to 500,000 units of housing and crafted an inclusionary zoning program that will generate 6,000 affordable units.

I believe that together we can create programs that will spur the development of affordable housing in our cities and towns across America.

In the past, owning a home was emblematic of financial success. Sadly, we know that the landscape has changed. Clearly the most important public policy decision facing Congress and the new Administration is how to best ease the economic pain that millions of American families are feeling right now because of our unsteady housing markets.

As President-elect Obama has said, "the housing crisis has shaken not only the foundation of our economy, but the foundation of the American Dream."

It is estimated that approximately 2.2 million homes went into foreclosure in 2008. One in ten American families who owns a home is in financial trouble.

Housing is at the root of the market crisis we are now experiencing, and HUD must be part of the solution. President-elect Obama is committed to working with you and your colleagues on an economic recovery plan that helps strengthen our housing and mortgage markets.

We must ease our foreclosure crisis by helping Americans stay in their homes. How we structure this assistance is important. We certainly do not want to pursue policies that encourage irresponsible behavior from lenders or homeowners.

But as President-elect Obama stated: "if my neighbor's house is on fire, even if they were smoking in the bedroom or leaving the stove on, right now my main incentive is to put out the fire so that it doesn't spread to my house."

That is why helping a family avoid foreclosure not only keeps a roof over their heads, but also protects the value of surrounding homes and prevents the deterioration of our neighborhoods. Keeping families in their homes means keeping our communities safe, healthy and strong.

These are very complex undertakings that will require a cross-agency, broad-based approach. HUD needs to work with the Treasury, the Federal Housing Finance Agency, and the Federal Deposit Insurance Corporation to help stabilize our housing markets.

At the same time, we need to make sure our mortgage markets, and other financial markets are transparent, open and fair. We need to work together to reach a bipartisan consensus on how to reform the outdated and often overlapping regulatory system that failed our citizens in the run-up to the current crisis.

If I am confirmed, I look forward to working with the Committee as it examines how to proceed, not only in my capacity as HUD Secretary, but in my oversight roles with regard to the TARP and the Government-Sponsored Enterprises.

If HUD is to help fix the cracks in our economic foundation, we also will need to implement reforms within the department itself. As you well know, there are challenges and persistent management issues facing HUD, including modernizing IT systems, overhauling sluggish human resource systems and strengthening contract oversight. If confirmed, I will be open and honest about such challenges and will work with you in effectively addressing them.

There are three particular issues I would like to highlight today.

The Federal Housing Administration has capacity issues that require immediate attention. FHA's share of the single family mortgage market has grown from 4 percent in 2005 to 21 percent today. For new home purchases, FHA now has a 35 percent share according to the most recent, albeit, preliminary data.

Second, there have been significant budgetary issues regarding the renewal of expiring Section 8 rental subsidies, for both the tenant- and project-based programs.

Approximately three million American families are served by these programs. It is HUD's responsibility to make sure that it is delivering rental subsidies in the most cost-effective and efficient manner possible. I look forward to working with Congress – this Committee and the Committee on Appropriations – toward that goal.

Third, there are a series of steps that could strengthen the department overall. We must foster a culture of excellence and innovation. I have had the opportunity to work with some very talented professionals at HUD and they deserve the tools to succeed. It is

critical that we restore HUD as a respected research institution. Both you and I need to know “what works,” based on objective analysis and reliable data, so that taxpayer dollars can be spent wisely and effectively.

I pledge to make management reform a high priority. Only in this way can we meet the enormous housing challenges facing our country.

Through HUD we can catalyze the creation of a market for energy efficient homes, lower the utility bills of families, and decrease the subsidy costs of the government. Here, the Department can lead by example by making efforts to green its own portfolio of public and assisted housing.

HUD can help develop communities that are livable, walkable and sustainable. By joining up transportation and housing, HUD can give families the choice to live closer to where they work and, in the process, cut transportation costs.

HUD can help low-income families gain greater access to security and opportunity by expanding fair housing efforts, extending resident choice, and using housing programs to help families become self-sufficient.

I also pledge to you to make HUD a model of evidence-driven government. As I have in New York City, I would set goals and metrics for each of our priorities, so that we can clearly and openly show what we have done well and where we can do better.

We can leverage the agency’s vast national network of state and local governments, along with non-profit and for-profit real estate partners, to stimulate the production of workforce and mixed-income housing, and to help preserve our existing affordable housing stock. HUD does not build homes; our partners do. They share our passion, and have the talent and capacity to do this work.

I would like to conclude by saying again how honored and humbled I am to be before this committee.

I have worked with HUD’s programs from both the inside and the outside and am intimately aware of the challenges facing the Department. I have also witnessed the positive impact that HUD’s programs have on neighborhoods and people’s lives and, if confirmed by the Senate, I look forward to working with you to build a HUD that exists to do the people’s business; that is responsive to current market challenges; and that ensures decent affordable housing for millions of American families across the nation.

Thank you and I look forward to your questions.