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Prepared Remarks of Secretary Shaun Donovan Before the NAACP's 104th Annual Convention

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Orlando, Florida

As prepared for delivery

Thank you, Hilary (Shelton), for that kind introduction, and for your great work as Director of the Washington Bureau.

Please allow me to also thank your President and CEO, Ben Jealous; your Chairwoman, Roslyn Brock; your Vice Chairman, Leon Russell; and all of the NAACP leadership for their distinguished service.

I also want to thank the organizers who decided to have me speak before Secretary Sebelius and Attorney General Holder. Both of them are dynamic and tough acts to follow. It is a pleasure to work with them to advance President Obama's agenda. And I am proud to call them both friends and colleagues.

Finally, I want to thank all of you here at the NAACP's 104th Annual Convention for all your work to shape a fairer and stronger America. For more than a century, this organization has been a champion of change, fighting to bring our nation closer to the ideals that it preached.

All of us at HUD have been proud to work with you during President Obama's first term. And I appreciate this chance to talk about what we can do in this second term to build on this progress.

Building Ladders of Opportunity

We come together today at an important moment in our nation's history. Under the President's leadership, our economy is continuing to recover from the worst economic crisis since the Great Depression.

We have had 40 consecutive months of private sector

growth, resulting in 7.2 million new jobs. And families across the country are turning the page on this incredibly painful chapter in their lives.

But let me be clear – all of us in the Administration are not content. We don't just want to recover and go back to the way things were in 2005 and 2006.

That's because, even in those so-called good times, the American Dream wasn't within equal reach of all communities. Those occupying the executive suites and boardrooms didn't reflect the diversity of America.

Neither did the entrepreneurs able to access capital for their businesses. Neither did the young people who were able to study in the best schools. Neither did the families who had access to healthcare. And neither did those living in the strongest neighborhoods.

In other words, rebuilding America back to the way things were simply isn't good enough. Instead, we have got to shape a future where ladders of opportunity are available for all Americans.

As you know better than anyone, for African Americans, this is critically important. Historically, for this community, the rungs on these ladders have been too far apart – making it harder to reach the middle class.

And all of us are here today to say no more. As part of this effort, HUD has put forth an ambitious agenda to put an end to these disparities.

Specifically, we are adding rungs on the ladder of opportunity by:

- stepping up fair housing enforcement;
- ensuring that all Americans have access to homeownership and can keep it; and
- helping the hardest hit communities rebuild stronger than ever before.

The First Rung: Fair Housing Enforcement

All of this work has long been a part of HUD's mission. In the area of enforcement – we administer the Fair Housing Act. Passed in 1968—shortly after the assassination of Dr. Martin Luther King—the bill was an important

milestone in our nation's history.

It boldly declared that every person has the right to live wherever he or she chooses. And all of us at HUD work tirelessly to ensure that this law in our books is a reality in our communities by fighting housing discrimination – whenever and wherever it exists.

During my tenure, I've pushed HUD to be more engaged and proactive. For example, in 2011 alone, HUD charged more cases than it had in the previous decade – and with 25% fewer fair housing staff.

And in total, over the past three years, HUD's investigative efforts have resulted in more than \$65 million in compensation for more than 25,000 individuals that were allegedly subjected to housing discrimination.

And let me be clear: we are not satisfied. That's why I want to send a message to all those outside these doors. There are no stones we won't turn. There are no places we won't go.

And there are no complaints we won't explore in order to eliminate housing discrimination.

Period.

And part of the reason we've been active like never before is because the nature of discrimination has changed over the years. While blatant, "in your face", discrimination is still very real today – a quieter form of discrimination has emerged that is just as harmful to our country.

This was a key finding of a HUD report released on June 11th on Housing Discrimination Against Racial and Ethnic Minorities. It found that after an initial showing – real estate agents and rental housing providers recommend and show fewer available homes to minority families than equally qualified whites.

In the rental market, for example, African Americans learned about 11% fewer available units.

And when it came to purchases, Black homebuyers learned about 17% fewer homes.

Bottom line: people are being denied their freedom of

choice and the benefits of full citizenship.

Yet because of the subtle nature of this discrimination, often times, they don't even know they have been subjected to this abuse.

That's why HUD is enhancing its enforcement techniques by initiating investigations on our own without waiting for individuals to file complaints. We have more than tripled the number of Secretary-initiated complaints that we have filed since 2008. And in the larger picture—recognizing that discrimination is changing—we are changing our approach to Fair Housing by bringing it into the 21st century.

Today, it's about more than just addressing outright discrimination and access to the housing itself. It's also about giving every community access to important neighborhood amenities that can make a tremendous difference in a person's life outcome.

I'm talking about good schools, safe streets, jobs, grocery stores, healthcare and a host of other important factors. To help families gain this access – HUD is working to strengthen our stewardship of federal dollars to maximize the impact they have on communities in advancing fair housing goals.

As all of you know, HUD's programs provide funding to partners at the state and local level. As part of the Fair Housing Act—for members of the protected classes—these partners have an obligation to affirmatively further fair housing opportunities – otherwise known as AFFH.

But as you and many others, including the Government Accountability Office, have noted, this has proven largely to be a meaningless paper exercise without any teeth. The process has long been broken and we're determined to fix it and help it reach its full promise.

That's why I am proud to announce that this week we will publish a new rule to bring affirmatively further fair housing into the 21st century. This rule focuses on the traditional tenets of discrimination – and also gets at the essential issues of access to opportunity so imperative to 21st century equity.

Specifically, this new rule will:

- provide a clear definition of what it means to affirmatively further fair housing;
- outline a standard framework with well-defined parameters; and
- offer targeted guidance and assistance to help grantees complete this assessment.

Perhaps most important—for the first time ever—HUD is providing data for every neighborhood in the nation, detailing what access African American families, and other members of protected classes, have to the community assets I talked about earlier – including jobs, schools and transit.

With this data and the improved AFFH process, we can expand access to high opportunity neighborhoods and draw attention to investment possibilities in underserved communities.

Make no mistake: this is a big deal. With the HUD budget alone, we are talking about billions of dollars. And as you know, decades ago, these funds were used to support discrimination. Now, they will be used to expand opportunity and bring communities closer to the American Dream.

This rule change is something the NAACP has long called for. And when you've spoken, we've listened. We have been proud to work with stakeholders like you every step of the way. And we will continue to in order to strengthen this work in the months and years ahead to bring Fair Housing into the 21st century.

The Second Rung: Access and Protection of Homeownership.

And to complement this work, we are also working to ensure that families have access to homeownership – and can keep it. This is a key rung in the ladder to opportunity. After all, a home purchase often represents a family's biggest economic investment, serving as a foundation for wealth-building.

It can help a child go to college, a family to start a business or an elderly person to retire in comfort and with dignity. So homeownership has long been part of the American Dream. Unfortunately, for many families

during the crisis – that Dream turned into a nightmare.

A study from Pew found that from 2005-2009, the median household wealth of African Americans fell 53%. Think about that: more than half of African American wealth wiped out in just the four years before President Obama took office.

We cannot have a healthy America if communities of color are hurting. That's why HUD has been working to repair the damage to protect homeownership and help families rebuild their wealth.

In 2009, we launched the Making Home Affordable Program to provide relief to those at risk of foreclosure – helping nearly 1.1 million homeowners receive a permanent modification to their mortgages.

In addition, over the last four years, HUD-approved housing counselors have helped more than nine-million families deal with the financial crisis.

And as part of the National Mortgage Servicing Settlement the Obama administration negotiated with a bi-partisan group of 49 State Attorneys General –more than \$50 billion in direct relief has been sent to over 620,000 homeowners as of the end of March.

This relief includes more than 310,000 trial or completed principal reductions – meaning that families have seen their outstanding loan balance permanently reduced to make monthly payments affordable, helping struggling homeowners get back above water.

This work has helped so many turn the page on this painful period in their lives. And it is making a difference. Since the beginning of 2012, almost two and a half trillion dollars in home equity has been restored.

But repairing the damage isn't enough. We are also working to ensure that a crisis of this magnitude never happens again by holding the banks accountable for what they did. We all know that a lot of lenders acted recklessly when issuing loans before the housing collapse. And even after the loans were issued, many continued to turn their backs on responsible families.

That's why as part of the Mortgage Settlement, we set out a series of reforms to ensure that our nation's five largest banks don't continue to wreak havoc in our neighborhoods. Recently, the Settlement's Independent Monitor, Joe Smith, released a compliance report showing that they have made some progress – including the end of robo-signing – a practice where banks sign off on foreclosures with little or no review.

Unfortunately, other abuses shamefully endure. Most notably, these financial institutions consistently fail to send notices and communicate decisions to stakeholders in a timely manner. And any delay in providing help can not only cost a family their home – but also their hopes and dreams for the future.

This is unacceptable. So last month, we put the five financial institutions officially on notice. They must correct these problems or the Obama administration, along with the bipartisan group of 49 state attorneys general, will fine them up to \$5 million for each failure or haul them back into court.

As the NAACP knows better than anyone, progress requires activism from the courts to the streets to the boardrooms. And I assure you that when it comes to pushing for progress in reforming banks – we will stay in the fight for as long as it takes to ensure that this crisis doesn't happen again so families can stay in their homes.

Of course, keeping a family in their home is only meaningful if they can gain access to credit to buy it in the first place. And that means strengthening our housing finance system and the Federal Housing Administration.

Over the next few months, Congress will decide if access to credit will be limited to the few ... or be available to the many. And as it considers the future of housing finance – we've got to make our voices heard about the need to keep FHA as a cornerstone of homeownership.

That's because, as you all know, despite the FHA's legacy of discrimination, in recent times, it has been critical to opening doors for low- and moderate income families. And during the housing crisis, it helped keep the dream

of homeownership alive for families by providing much needed liquidity to the nation's mortgage finance markets.

In fact, economist Mark Zandi has said that if not for the FHA, "the housing market would have completely shut down." And, FHA mortgages have been essential to the African American community, accounting for 50 percent of home purchases in 2012.

Of course, like nearly all mortgage market institutions, FHA sustained significant losses due to the distress in the housing market. But the Obama administration recognized this early on, and took swift and effective action to protect the FHA and the American taxpayer alike.

As a result, FHA is currently insuring the strongest loans in its history. So again, I ask you to make your voices heard about the importance of this program, and the work we've done to secure its health far into the future so that it can continue to open the doors of homeownership to a wide-variety of qualified buyers.

Too many Americans had their dreams stolen by the housing crisis. Don't let Congress blame the victim and take away a rung on the ladder to opportunity.

The Third Rung: Building the Hardest-Hit Neighborhoods

Of course, as we look to the future, I know that housing is just one of the essential elements of a healthy community. Indeed, as I said earlier, there are many factors that go into building stronger neighborhoods from the quality of their schools to the health of their local economies.

Unfortunately, in too many of our hardest hit communities—no matter how hard a child or her parents work—the life chances of that child, even her lifespan, is determined by the zip code she grows up in.

This is simply wrong. That's why President Obama has put forth his ladders of opportunity agenda so that every person, regardless of their zip code, can have a fair chance to succeed.

That means equipping a community with quality housing. It also means implementing economic, educational and other important building blocks.

Recognizing this, President Obama has laid out an initiative called Promise Zones. Under this effort, the Administration will partner with communities most impacted by the economic crisis.

Together, we will work with them to create jobs, leverage private investment, increase economic activity, improve educational opportunities and reduce violent crime. And to do this effectively and efficiently, this is going to be a coordinated effort across the Administration.

Obviously, HUD will play a significant role in the housing piece through our Choice Neighborhoods redevelopment program, which provides local leaders with tools to turn HUD-subsidized housing from one kind of “anchor”—the kind that drags down a community—into a another kind that serves as a centerpiece of a thriving, vibrant neighborhood.

Secretary Sebelius and The Department of Health and Human Services will be ensuring that every resident has the quality healthcare they need. Attorney General Holder and The Department of Justice will work to keep communities safe, because nobody can parent, and no child can achieve, when they live in a combat zone.

The Department of Education will be making sure that local school districts are providing the elementary and secondary education public school students deserve. Across the Administration, we are all pitching in to make this happen.

And we do so because we know that by strengthening these communities, we will strengthen cities. By strengthening cities, we are strengthening states and entire regions. And all of this leads to a stronger America.

That’s why President Obama has made Promise Zones a key part of his 2014 budget. It’s why he has committed himself to providing ladders of opportunity for all Americans. And it’s why all of us at HUD are following his lead. So I ask you to support the President’s and the

Senate Appropriations Committee budget for HUD.

I also ask you to raise your voice and reject the House Republican Appropriations Bill that was recently unveiled which devastates HUD's ability to serve the most vulnerable communities.

The bill would cut \$3 billion from the President's request from public housing and our other rental assistance programs – meaning 125,000 fewer housing vouchers would be available and 86,000 people who once faced homelessness could be back on the street – among other outcomes.

In short, it's an attack on poor, working class and middle-class Americans.

So I ask all of you to say "no." No, we will not balance budgets on the backs of middle class and vulnerable Americans. No, we will not withdraw our support of those who need it most. And no we will not deny so many families their fair chance to get back on their feet and better their lives if they work hard.

NAACP – you know better than most how far we've come. You know we can't turn back now. Instead, we've got to look forward and move forward working together.

Know that HUD is with you every step of the way, working to build ladders of opportunity by:

- stepping up fair housing enforcement;
- ensuring all Americans have access to homeownership and can keep it; and
- helping the hardest hit communities rebuild stronger than ever before.

And as long as I'm Secretary, know that you have a friend. You have a champion for – and admirer of your efforts and advocacy.

And you have a partner in the work to build ladders of opportunity for all Americans to shape a stronger and fairer nation.

Thank you.

