

Prepared Remarks of Secretary Shaun Donovan at the Housing and Community Development Network of New Jersey

**Trenton, New Jersey
Wednesday, June 13, 2012**

Thank you, Diane, for that kind introduction and for your leadership of the Housing and Community Development Network.

This organization, and all its member groups, has been a force for meeting the needs of New Jersey's families and communities -- particularly in the wake of a crisis that devastated both.

So, thank you all for your tremendous work -- as well as HUD's terrific Acting Regional Administrator for New York and New Jersey, Mirza Orriols, and Field Office Director Diane Johnson.

Finally, I'd like to thank Lopa Kolluri -- who many of you know from her years of leadership here in New Jersey, where she did such great work to grow this state's communities and economy before I stole her away to Washington to be my Deputy Chief of Staff.

She reminds me how so much of what New Jersey has gone through during this crisis is happening in communities around the country -- whether it's negative equity, concentrated foreclosures, or the need for communities to band together and plan as a region.

But with your partnership and the leadership of champions like my good friend, Senator Bob Menendez--who is a great leader as the Chairman of the Housing Subcommittee--and Frank Lautenberg--who's been a remarkable supporter of all our efforts--the Obama Administration has pushed back -- and we've made real progress.

And that's what I'd like to talk to you about today. I want to discuss the work we've already done to help struggling homeowners not just avoid foreclosure, but rebuild equity -- as well as the critical work that still lies ahead to ensure that every family gets the help they need.

I want to talk about how, in a tough budget environment, this Administration is providing communities the tools they need to spur regional growth.

And I want to talk about how we're using these tools, and these partnerships, to help New Jersey create an economy built to last.

The Progress We've Made

Certainly, this is a very different environment than the one we faced when President Obama took office.

Then, America's economy was shedding 750,000 jobs per month. Housing prices had fallen for thirty straight months. And foreclosures were surging to record levels month after month after month.

And New Jersey bore more than its share of the pain.

Indeed, in hard-hit places like Newark's Essex County the delinquency rate was higher than the county that is home to Flint, Michigan -- often thought of as "Ground Zero" for the economic collapse.

But today, while more work remains to be done, we meet at a far more encouraging moment.

Foreclosure notices are half what they were in early 2009.

Because we helped communities struggling with concentrated foreclosures, places with targeted neighborhood stabilization investments have seen vacancies fall -- and home prices rise.

Most importantly, while the recent jobs report reminds us that we have more work to do, our economy has added private sector jobs for 27 straight months, totaling 4.3 million jobs.

As a result, we've seen the best winter and spring since before the housing crisis began. Home prices are bouncing back -- posting the first annual increase in 5 years.

Put simply, our housing market has momentum we haven't seen since before the crisis.

And with the recent \$25 billion mortgage servicing settlement, we have the tools we need to continue that momentum -- as we launch the most ambitious mortgage relief effort in history, and provide billions of dollars states can use for housing counseling and other anti-foreclosure efforts.

In New Jersey alone, the settlement provides more than \$800 million in relief for homeowners -- and will help over 26,000 families.

Now, I know that there's been plenty of discussion here in New Jersey over how the state might best use the more than \$72 million in direct state aid it's receiving from the settlement.

This is obviously a decision that will be made by the state, but let me say this:

You know that housing counseling has a proven track record of stopping foreclosures -- helping 8 million families over the last three years alone.

That's why I've joined Attorney Generals from *both* parties--from Democrats like Lisa Madigan of Illinois to Republicans like John Suthers of Colorado--who have committed to using these funds for counseling and other tools that help homeowners.

That's why we need you to make your voices heard here in New Jersey -- to encourage leaders in Trenton to do the right thing and use these funds to help struggling families.

Reducing Foreclosures, Rebuilding Equity

But for all the progress we've made, we need to do more for struggling families. And there's no bigger opportunity than to help more homeowners refinance.

Right now, millions of responsible homeowners still can't take advantage of record-low interest rates by refinancing -- preventing homeowners from saving thousands of dollars per year, and preventing our economy from receiving the lift that low interest rates typically provide.

Indeed, as we speak more than 17 percent of all homes in New Jersey alone are underwater -- and places like Trenton, it's nearly 1-in-5.

That is why last fall the President called for us to take more aggressive steps. Within six weeks, we had identified barriers that were holding people with loans backed by Fannie Mae and Freddie Mac from refinancing -- and as a result, another 750,000 people have applied and stand to save on average \$2,500 per year.

Indeed, nationwide, refinancings are up more than 50 percent since these changes were first put into place -- and up to nearly 58 percent here in New Jersey.

And as a result of our decision to dramatically cut fees for FHA financing which went into effect just this week, we expect refinancings to rise still further.

But that is still not enough. That's why President Obama is pushing Congress to act on a "To-Do List" of legislative proposals -- which will help ensure every responsible borrower has the opportunity to refinance and rebuild equity.

At the center of these "universal refinance" efforts is Senator Menendez's Responsible Homeowner Refinancing Act, which will build on the work I've just described by allowing us to clear the remaining barriers to refinancing for homeowners with loans backed by Fannie and Freddie.

Senator Menendez has been a champion for struggling homeowners in this state -- and by creating competition between lenders, his Responsible Homeowner Refinancing Act will ensure more New Jersey families can refinance with a better deal.

Complemented by legislation that would provide homeowners whose loans are not guaranteed by the government access to simple, low-cost refinancing--as well as the opportunity to rebuild equity by refinancing into a shorter-term loan--these efforts will help responsible homeowners begin rebuilding what they lost during this crisis and to get their heads above water in less than 5 years.

And with savings in our homes the single biggest source of how we send our kids to college, get capital to start a small business and save for their retirements, that helps not only homeowners...

It also helps our economy.

Another proposal on the "to-do" list is the Project Rebuild Act, which would create 200,000 jobs and further stabilize places where prices have dropped the most.

This audience knows that the second a single foreclosure sign goes up on your block, your home value drops by as much as \$10,000. Well, homeowners in hardest-hit places like Newark, Trenton, and Paterson often live near as many as a dozen homes with those signs.

But as so many of you have proven using the Neighborhood Stabilization Program, we can push back.

In Newark, for example, just last month Diane Johnson joined advocates and leaders from across the state at the ribbon-cutting for Clinton Hill Apartments, which is using NSP

dollars and Low-Income Housing Tax Credits to provide quality, affordable rental housing for homeless veterans and low-income families.

But turning foreclosures into green, affordable housing for veterans isn't all Neighborhood Stabilization builds in our communities.

It also rebuilds battered home prices. Indeed, recent data shows that three-quarters of neighborhoods that received targeted investments through the first two rounds of NSP showed increased home prices.

That's the kind of success Project Rebuild would build on -- and it's why I believe Project Rebuild is not only an investment in jobs to rebuild vacant or abandoned homes, but also in the families who live next door.

Planning for Regional Growth

As NSP and Project Rebuild remind us, this crisis hasn't only impacted families, but neighborhoods, communities and whole regions -- many of which were facing serious challenges long before the crisis hit.

New Jersey families know all too well what I'm talking about. Despite being in close proximity to two of America's most dynamic urban economies, for years families here have faced brutal commutes -- and too many communities have been cut off opportunity entirely.

To help build strong, healthy mixed-income communities where neighborhoods of concentrated poverty have stood for too long, with the help of Senator Menendez we launched the Choice Neighborhoods program, which builds on the extraordinary bipartisan success of the HOPE VI public housing revitalization program.

HOPE VI created 90,000 homes in healthy, mixed-income communities that were once troubled by distressed public housing -- leveraging twice the federal investment in additional private development capital and raising the average income of residents by 75 percent or more.

With Choice Neighborhoods, we're taking this approach beyond just public housing alone, and aligning it with school reform.

In Jersey City's McGinley Square-Montgomery Corridor neighborhood, you will be able to see this approach in action.

With these funds, local partners are working to create a Transformation Plan that will improve the Montgomery Gardens public housing development and increase its access to supportive services.

In addition, this grant builds on current plans for two new charter schools so that children can get the quality education they need. And as part of a wider effort to transform the neighborhood's quality of life, the plan will support efforts to build a new entertainment complex, creating jobs and opportunity for residents.

Jersey City represents just one powerful example of how this Administration is helping government invest smarter and more effectively -- so we do more of what works and stop doing what doesn't.

But with Senator Menendez's leadership, we're not just bringing these innovative planning tools to neighborhoods -- but whole regions.

And while every state can benefit from smart planning, few have as much to gain as New Jersey.

For instance, while families across the country spend more than 52 cents of every dollar they earn on housing and transportation costs -- for New Jersey families in newer suburbs with less access to public transit, they spend even more.

Reducing those costs isn't just about improving the quality of life for New Jersey's families -- at a time when moving products on our roads costs five times as much wasted fuel and time as it did 25 years ago, it's essential to generating the economic growth we need to compete in the 21st century.

To help communities and regions tackle those challenges, HUD forged the historic Partnership for Sustainable Communities with the Department of Transportation and Environmental Protection Agency.

Over the last two years, the Partnership has awarded \$270 million to support communities in working to ensure that all Americans can afford to live in communities with access to good jobs, schools, and transportation options.

From the very beginning, this effort has been informed by Senator Menendez's Livable Communities Act. And last fall, I was proud to join him in New Brunswick to announce a \$5 million grant that would bring these innovative planning tools to northern and central New Jersey

With this grant, creative local leaders--from the Bloustein School at Rutgers University to the state Office of Planning--have the planning resources they need to ensure the "smart growth" strategies of 13 different counties are working together with precision to drive growth and create jobs in the region.

And I want to thank this Network, and Jon Carnegie in particular, for your work to coordinate this effort.

By connecting public transportation with population and job centers, this coalition will bring down commuting costs for families and ensure families in distressed cities like Newark and Paterson have access to jobs and economic opportunity.

Not only that. But by targeting workforce and economic development initiatives to places like Bayonne, Elizabeth, and the Jersey City waterfront, the grant makes sure the families and businesses of North Jersey can take advantage of this region's proximity to New York City and the second-largest seaport in the country.

And with this investment building on our \$2.2 million award to Jersey City two years ago to create more affordable housing and transportation options, local leaders will finally have the tools they need to unlock the economic potential of this region once and for all.

Unfortunately, despite the extraordinary demand for our Sustainability grants--and the bipartisan support for these tools we have seen across the country--Congress refused to fund the grant program this year.

That's why we need to fight. We need you to make your voices heard.

At a time when the federal budget environment has forced us to essentially "flat-fund" our block grant programs, we need to let leaders in Washington know that catalytic, job-creating investments like Sustainable Communities--that get private capital off the sidelines and into our communities and our economy--are too important to your economic future.

We need to let them know that small investments can yield big results for our economy -- and that this debate isn't about government that's big or small.

It's about government that's smart.

An Economy Built to Last

For me, for you--for all of us--each of these efforts comes down to a very simple belief:

That when you choose a home, you don't just choose a home. You also choose schools for your children, transportation to work, and public safety.

You choose a community and the choices available in that community.

And by pushing back against foreclosures and giving families the opportunity rebuild what they've lost...by planning our neighborhoods and communities for the future...and by stretching every community development dollar as far as it can go...these efforts are about creating an economy that isn't built on a house of cards, on phantom profits or on shady mortgage practices.

But rather an economy that's built to last.

That is why lifting up our families matters.

That's why investing in our communities matters.

That is why the work you do is so important -- and why I'm so proud to call each and every one of you a partner.

Thank you again for all you do for New Jersey families -- and will continue to do in the months ahead.