A History of HUD
By Lawrence L. Thompson
INTRODUCTION

HUD has a rich and absorbing history, but too little of the story has been told. Researchers and scholars have underreported the efforts of HUD’s leaders and employees to improve the lives of ordinary Americans over the years. Work has been done on slices of the story, mostly on FHA and HUD-assisted rental housing, but very little has been written about HUD as a whole. This publication attempts to fill that gap.

In addition to the more familiar housing topics, A History of HUD covers the department’s community development, fair housing, and homeless assistance functions, as well as its organization, its place in the overall policy process, and its major turning-point events from 1934 to the present.

It is by no means a scholarly, detailed history with copious references and numerous footnotes. Hopefully, some day that full account will be written. This is more in the nature of a primer: as factual, objective, and accessible as possible, and presented without needless jargon or technical terms.

In this spirit, A History of HUD is offered to a readership that includes both those with a professional background in HUD matters, as well as those with a more general interest in the subject. It is dedicated first and foremost to those young professionals just starting out in careers related to housing and community development, who want to learn about HUD’s past and are eager to engage their energies to make a better future.

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I wish to acknowledge the many individuals who contributed to making *A History of HUD* possible. Numerous former HUD colleagues provided essential facts and offered comments on sections of the document. In particular, I want to mention the assistance of Bob Etchison, Bob Gray, David Hardiman, Mimi Kolesar, Ken Leventhal, Chris Lord, Marge Martin, Kevin Neary, Larry Pearl, Ron Sepanik, Ed Szymanoski, Kurt Usowski, and Bob Wilden. All of them, and others, gave willingly of their time and knowledge.

Major assistance on key points of HUD history and its accurate exposition came from Bob Kenison, learned Associate General Counsel at HUD, and from John Weicher, former HUD Assistant Secretary now at the Hudson Institute. They provided both their wisdom and steady encouragement.

I made significant use of HUD publications, reports of presidential and other major housing commissions, and the HUD web site, www.hud.gov, which contains an abundance of useful information. However, none of the foregoing is meant to imply in any way that *A History of HUD* was approved by the department or is an official HUD publication.

Jane Edwards provided skilled assistance on the layout and appearance of the document, Jerry Levine helped me surmount some tricky administrative hurdles, and Michael Hunter designed the cover.

Because much of the story derives from my own experience over 25 years with HUD, it is appropriate to acknowledge key individuals who helped shape my career. John Weicher, mentioned above, Assistant Secretary of HUD’s Policy Development and Research Office from 1989–1993, and Michael Stegman, who held the same position from 1993–1997, were exceptional leaders of a research and policy team of which I was a part. I am very grateful to both of them for their strong support and guidance during those years.

In memoriam, I also wish to remember Richard Van Dusen, Under Secretary of HUD from 1969–1973, and my first boss at the
department. He was an extraordinary leader and manager who taught me much, advanced my career, and exemplified all that is good in public service.

I extend my deepest thanks to all these individuals. But of course, any errors of fact or interpretation are strictly my responsibility.

Lawrence L. Thompson
Washington, D.C.
October 2006
This is a short history of the U.S. Department of Housing and Urban Development and its predecessor agencies since 1934. It is the story of HUD’s purposes, organization, major events, and top leaders divided into three chapters. Chapter 1 presents HUD’s core missions and traces major policy shifts over the years. Chapter 2 covers other significant events and influences that have shaped the department’s history. Chapter 3 recounts the history of HUD’s organizational structure and describes its resource base. The study closes with brief biographical and personal sketches of the 13 men and women who have served as Secretary of HUD.

**CHAPTER 1: HUD’S MISSIONS AND MAJOR POLICY SHIFTS**

**FIVE CORE MISSIONS AND THEIR DATES OF ORIGIN**

At the outset it is important to identify what HUD has stood for. What are the major, enduring missions that capture the broad purposes of the department and shape the daily efforts of its workforce? When did these missions originate? Figure 1.1 presents HUD’s five core missions, the earliest dating back to 1934. They encompass most of the programs and activities of HUD to the present day. This chapter will explore the missions through two major periods—the Early Era and the Modern Era—spanning 72 years of history, and will highlight the major policy shifts during each era.

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1 The agency was not named “HUD” until 1965. But for ease of presentation, “HUD” will often be used when referring to the prior period as well. Chapter 3 describes the predecessor agencies and how they became HUD.
The Early Era, 1934–1973: Birth, Development, and Expansion of Programs and Missions

During the long period starting in the Great Depression and ending at the peak of the Nixon Presidency, that is from 1934 to 1973, the history of HUD was one of new programs, new missions, and the molding of the organization and its ways of doing business. A progressive optimism, coupled with growth of budget and staff resources, often prevailed during this period, and yet a sense that perhaps HUD was overreaching motivated top policymakers by the end of the era. Let’s take a closer look at these first 39 years—the Early Era.

Homeownership

The earliest core mission of HUD, and the most consistent over the years, is to increase homeownership—to help families realize the American dream. For the typical family, homeownership instills a sense of pride, is often a vehicle for upward mobility in our society, and is an important means of asset accumulation.

And so our story begins with the creation of the Federal Housing Administration (FHA) by the National Housing Act of 1934 signed by President Franklin Roosevelt as part of his New Deal. High unemployment and bank failures during the early 1930s had thrown housing markets into disarray. Homebuilding was down and mortgage foreclosures were up. The FHA home mortgage insurance program, a key section of the 1934 Act, was designed to restore stability to the nation’s housing markets, boost homebuilding, provide jobs, and increase home purchases by easing mortgage credit. Truly pioneering and farsighted, the
program firmly established the concepts of low downpayments and long-term mortgages to make homeownership affordable to many more American families. Over the period 1934–1973, FHA helped 11 million families become homebuyers—and in the process “FHA” became a household word.

FHA does not lend money to homeowners; rather it insures private mortgage loans against the risk of default by the homeowner, thereby making banks more willing to extend credit. For this insurance FHA charges homeowners a small premium. All premium income is paid into a fund to cover the costs of loan defaults. In this way the program is designed to be self-sustaining.

Under the original FHA program, no subsidies were provided to the homeowner who paid the insurance premium and market interest. In a major policy shift, the Housing and Urban Development Act of 1968 authorized subsidies for low-income homebuyers for the first time. The Section 235 program reduced the effective interest rate for homebuyers, depending on their income, to as low as one percent with HUD paying the remaining interest directly to the bank. The program was part of President Lyndon Johnson’s Great Society, and aimed to expand homeownership farther down the income scale.

For its many successes, the FHA program was not without controversies and problems in the Early Era. Into the 1940s, FHA allowed racially restrictive property deeds of the type that were ruled unenforceable by the U.S. Supreme Court in 1948. In the late 1960s, lax lending practices in the FHA and Section 235 programs resulted in high defaults, foreclosures, and boarded-up FHA homes in entire blocks of some cities such as Chicago and Detroit.

But the state of homeownership in America during the Early Era was one of great progress for which FHA can share the credit. As shown in Figure 1.2, the national homeownership rate jumped from about 44 percent in 1940 to nearly 63 percent in 1970. However, while the rate among African Americans nearly doubled over this period, it lagged more than 20 percentage points behind the national rate, a phenomenon that has continued, as we shall see.
Assisting Low-Income Renters

The second core mission of HUD is to assist low-income renters by helping them obtain decent, safe, and affordable housing. HUD carries out this mission by providing subsidies to make rent charges affordable at below-market levels for low-income persons. Over the years, the department has utilized a wide variety of programmatic approaches to pursue this objective, and it has become today the most resource intensive—budget and staff time—of the five missions.

This mission story starts with the birth of the Public Housing program under the U.S. Housing Act of 1937, another New Deal initiative. From our present-day vantage point, it is hard to realize just how inadequate the nation’s housing stock was in those times. As reported in the 1940 Census, for example, nearly 50 percent of all housing units in the nation lacked adequate plumbing and almost 20 percent were dilapidated or in need of major repairs.

The Public Housing program was designed to help relieve these conditions and to create jobs and business opportunities through expanded housing construction. HUD would defray the costs of construction, but completed projects would be owned and operated by local public housing authorities. Income limits governed the eligibility of individual applicants, and rents were initially intended to cover all operating costs.

Public Housing got off to a slow start, as the program was new and somewhat cumbersome to administer. During World War II the program’s emphasis shifted to building housing for defense industry workers. By 1950, only about 150,000 public housing units had been built nationally, though the next two decades would see a
rapid expansion. But as the Public Housing program grew, emerging issues led to policy shifts.

As their operating expenses increased, local housing authorities found it difficult to raise rents correspondingly, especially for the poorer tenants. So in the 1960s, HUD began providing limited subsidies for operating costs. Then in 1969, to ensure that rents remained affordable to all tenants, Congress passed the “Brooke Amendment.” This measure limited the amount of rent a public housing tenant would pay to a percentage of income (25 percent initially, later raised to 30 percent). But this approach also resulted in the need for HUD to pay additional operating subsidies, an account that would grow substantially in the Modern Era to over $3 billion per year today.

Another major policy shift occurred in the late 1950s and accelerated throughout the 1960s. The new policy engaged the private sector heavily in all aspects of HUD’s rental housing assistance programs—including ownership, project financing, and ongoing management. The belief was that, compared to public housing, private-sector involvement would be a faster and more flexible way to provide rental housing for low-income persons. Supported by HUD subsidies and program administration, both for-profit and non-profit private entities were encouraged to participate.

Congress approved a series of new private-owner rental programs for low-income households starting in 1959 with the Section 202 elderly housing program. There followed in rapid order several programs known by their numerical legislative names: the Section 221(d)(3) Below Market Interest Rate program in 1961, and Section 23 and Rent Supplements in 1965. Section 236, the largest of the new private-owner programs, was created by the 1968 Housing and Urban Development Act that for the first time set numerical housing production goals based on the recommendations of a presidential commission.

With the impetus of these new programs, production of subsidized rental housing boomed in the 1960s and early 1970s. By 1973, the total number of HUD-subsidized rental units, public and private

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2 Participation by the private sector was not entirely new to HUD’s rental housing programs. Starting in 1934 and continuing to the present day, HUD, through a number of programs, has insured mortgage loans to private owners of apartment buildings with unsubsidized, market rents.
combined, was nearly 10 times higher than in 1950 (Figure 1.3). But these successes were accompanied by a growing list of concerns: 1) rising subsidy costs were straining current and future HUD budgets; 2) projects were too often sited in poor locations; and 3) there existed overlap and confusion among the array of similar programs. These problems led to a sharp policy shift post-1973, as we shall see.

**Figure 1.3**

**HUD-Assisted Rental Housing 1941–1973**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number Of HUD-Assisted Rental Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>24,000</td>
</tr>
<tr>
<td>1950</td>
<td>147,000</td>
</tr>
<tr>
<td>1960</td>
<td>426,000</td>
</tr>
<tr>
<td>1970</td>
<td>891,000</td>
</tr>
<tr>
<td>1973</td>
<td>1,389,000</td>
</tr>
</tbody>
</table>

Note: Numbers prior to 1970 reflect public housing only. Private-owner programs began in the early 1960s (see text p. 5)

Sources: HUD and Prof. Ed Olsen, University of Virginia

**Health of Cities**

The FHA homeownership and Public Housing programs had important, but somewhat distinct social purposes. Each dealt with a slice of the housing problems of the American population. The Housing Act of 1949 signed by President Harry Truman took a major step in a broader direction, namely to address the multiple problems of people living in the nation’s burgeoning cities that had grown rapidly and haphazardly in the first half of the 20th Century. In a ringing phrase, Congress proclaimed the “goal of a decent home and suitable living environment for every American family, thus contributing to the development and redevelopment of communities....” With this declaration, HUD gained a third core mission—to improve the physical, social, and economic health of cities.3

3 Although we discuss this mission mainly in terms of central cities, it should be recalled that HUD has played an important role for many other communities including suburbs, smaller towns, rural areas, and Native American reservations through a variety of programs in both the Early and Modern Eras.
At first, the means of doing so were quite limited. The “slum clearance” program, the centerpiece of the 1949 Act, authorized HUD grants to local public agencies for the acquisition and demolition of slum properties in a designated “blighted” area of a city, and the subsequent “redevelopment” of such areas with new, modern housing. In many cities the conditions in these slum areas were so bad they were deemed a threat to public health and safety.

The slum clearance program set in motion two significant new ways of doing business for HUD. It established a direct relationship between HUD and mayors and other local government officials, ties that have endured over the years. It also allowed HUD to provide funds to local agencies to acquire private property in slum areas by eminent domain. This policy was contested, but upheld by the U.S. Supreme Court in 1954. (The Court’s controversial 2005 decision—Kelo v. City of New London—expanded the permitted uses of eminent domain by local agencies undertaking economic development programs.)

An important part of HUD’s history in the 1950s and 1960s was the successive broadening of its health of cities mission through the Urban Renewal and Model Cities programs. In 1954, drawing on the recommendations of an advisory committee to President Dwight Eisenhower, Congress enacted the Urban Renewal program. Far broader than its slum clearance predecessor, the Urban Renewal program promoted urban planning, rehabilitation of buildings that could be saved, provision of modern city infrastructure, and commercial as well as housing redevelopment in the designated areas. The program grew rapidly during these decades.

HUD became a Cabinet-level agency in 1965 after President Johnson signed the Department of Housing and Urban Development Act. This measure gave further recognition and impetus to HUD’s health of cities mission (see also Chapter 3).

In 1966, Congress passed the Model Cities program to help address the problems of inner cities exposed by the urban unrest and riots of the time. The Model Cities program went even further than Urban Renewal in expanding HUD’s role with cities. It required local citizen participation in the preparation and implementation of five-year comprehensive plans for each designated city; it stressed the need for social services as well as physical improvements; and it sought to involve many other federal domestic agencies in a government-wide, coordinated effort. The
Model Cities program was well funded in the late 1960s and early 1970s.

Though there were many successful cases, the Urban Renewal and Model Cities programs were not without their detractors. One prominent critic was Martin Anderson, who as a professor at Columbia University in 1964, wrote the widely read book, *The Federal Bulldozer*, a scathing critique of the Urban Renewal program. He pointed to excessive demolition, inadequate help for families displaced from poor and working class neighborhoods, large inventories of vacant land awaiting redevelopment, and cumbersome HUD rules. A growing chorus of urban renewal opponents joined the debate including neighborhood groups, academics, and political figures. By the early 1970s, some observers had also become skeptical of the Model Cities program for what they considered a lack of tangible results.

The health of cities is not easy to quantify, and there is no single measure to tell the story. Although comparable statistics are not available for most of the Early Era, data for 1970 reveal that many cities were behind their more rapidly growing suburban counterparts when judged by poverty, unemployment, and homeownership rates.

**Fighting Discrimination**

On April 4, 1968, Dr. Martin Luther King, Jr. was assassinated in Memphis, Tennessee. One week later Congress, having had the measure under consideration for some time, passed the Civil Rights Act of 1968. Title VIII, known as the Fair Housing Act, established HUD’s fourth core mission—to fight discrimination in housing markets. It prohibited discrimination in sales, rentals, brokerage services, and lending on the basis of race, religion, or national origin throughout the nation’s housing markets. The 1968 Act was a sweeping expansion of federal authority over housing discrimination, first exerted in the early 1960s by order of President John F. Kennedy, and then broadened by Title VI of the Civil Rights Act of 1964. But these earlier anti-discrimination measures applied only to situations where federal assistance was provided.

Thus, the Fair Housing Act gave HUD a new regulatory role in the entire housing market—public and private—and established the new position of Assistant Secretary for Fair Housing and Equal Opportunity. It assigned HUD responsibility for investigation and conciliation of discrimination complaints, but enforcement
authority resided with the Justice Department. From the outset, HUD pursued its new role in fighting housing discrimination with vigor and determination.

**The Events of 1973**

The year 1973 was pivotal in the history of HUD. Growing skepticism among some observers and top policymakers about the costs, effectiveness, and manageability of HUD’s major programs led to President Richard Nixon’s decision early in 1973 to halt additional funding for many of them.

Especially in the 1960s and early 1970s, HUD’s mission and program count had expanded rapidly. Over a decade at least 15 new programs were launched, budget outlays more than quadrupled, and the number of staff increased markedly (Figures 1.4 and 1.5).

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**Figure 1.4**

**Major HUD Program Expansions of the 1960s**

- **Homeownership**
  - Section 235

- **Rental Assistance**
  - Section 221(d)(3)
  - Section 23
  - Section 236
  - Rent Supplements

- **Health of Cities**
  - Water and Sewer
  - Open Space
  - Neighborhood Facilities
  - Model Cities
  - Code Enforcement
  - Rehabilitation Loans
  - Urban Beautification
  - Historic Preservation

- **Fighting Discrimination**
  - Title VI
  - Title VIII
Concerns were raised not only about the costs, but also about how well the department was digesting and managing this growth and complexity. Some observers went further, doubting the basic effectiveness of the overall enterprise.

In 1970, following Martin Anderson’s critique in *The Federal Bulldozer*, Edward Banfield, then a professor at Harvard University, published a book entitled, *The Unheavenly City*. His thesis was that the federal government’s programs had little effect—neither positive nor negative—on life’s realities in the inner cities, and that changes in expectations, culture, and behavior were the keys to improvement. Professor Banfield’s book was read and discussed at the White House in the early 1970s.

On January 8, 1973, just before the beginning of his second term, President Nixon announced a funding moratorium affecting a large number of HUD programs—the Section 235 homeownership program, Public Housing and all the private rental assistance programs, and the major health of cities programs, including Urban Renewal and Model Cities. Previously funded projects and activities could proceed, but there would be no new commitments. At the same time, he called for a study to recommend ways to fundamentally restructure and improve the targeted programs.

President Nixon’s moratorium came without warning and was met with vocal opposition. It was the most dramatic and far-reaching executive action in HUD’s history. It marked the end of HUD’s Early Era.
(Note: Since HUD’s fifth core mission—assisting homeless persons—was not established until 1987, discussion of these activities is addressed below in the history of the Modern Era.)

THE MODERN ERA, 1974–2006: PROGRAM RESTRUCTURING, CONSOLIDATION, AND DEVOLUTION TO STATE AND LOCAL GOVERNMENTS

As 1973 marked the end of the Early Era, the following year ushered in HUD’s Modern Era with the passage of the Housing and Community Development Act of 1974. In putting forth a major HUD legislative proposal early that year, President Nixon notified Congress that funding for the frozen HUD programs would not resume, pending action on the measure. In August, Congress passed the 1974 Act and President Gerald Ford, who had just taken office, signed it into law.  

By way of overview, the 1974 Act articulated three fundamental policy shifts. It:

- Halted new activity under the array of private rental housing assistance programs and reduced emphasis on Public Housing construction in favor of the new Section 8 “project-based” rental assistance program.
- Introduced a fundamentally new approach to rental housing assistance—namely the “tenant-based” Section 8 program.  
- Rolled seven health of cities programs into the Community Development Block Grant (CDBG) program that distributes funds annually, and largely by formula, to local governments to use with considerable discretion.

The unifying theme was to move in the direction of program restructuring, consolidation, and devolution of authority from HUD to state and local government officials. Let’s see how the 1974 Act, energetically implemented by Secretary Carla Hills starting in 1975, affected HUD’s core missions during the Modern Era up to the present time.

4 That same year Congress approved legislation that restricted the powers of future presidents to unilaterally impound funds that had been appropriated by law, as President Nixon had done.

5 The 1974 Act named tenant-based assistance the “Certificate” program, but changes in law and usage since then have made “Voucher” program the common term.
Homeownership

The 1974 Act did not fundamentally alter HUD’s homeownership mission, nor restructure FHA programs. Over the next 32 years the basic FHA home mortgage insurance program has been improved and refined, and continues to be self-sustaining. FHA has remained an important avenue to mortgage credit for first-time and minority homebuyers.

FHA continued its role in introducing innovations to the mortgage market. In 1987, FHA pioneered the “reverse mortgage” program which allows “cash poor” senior citizens to borrow on their home equity to pay for other essential expenses while remaining in their own homes. Based on the FHA model, private lenders are now offering reverse mortgages to elderly homeowners with a variety of loan options.

The 1990 Cranston-Gonzalez National Affordable Housing Act (NAHA), signed by President George H. W. Bush, greatly strengthened FHA’s financial condition. In the late 1980s, a series of market set-backs and high default rates threatened the soundness of the FHA insurance fund. In response, and at the urging of Secretary Jack Kemp, the 1990 Act included reforms to restore the fund’s soundness by increasing downpayment requirements and establishing a minimum reserve to weather any sudden losses in the future.

Recently, the number of FHA-insured mortgages as a percentage of all home purchase mortgages has declined sharply, owing apparently to the rapid growth of so-called “sub-prime” loans by private lenders to homebuyers with marginal credit records. But overall since 1974, FHA has provided mortgage insurance for the purchase of 18 million homes, with first-time homebuyers accounting for an overwhelming share.

After the Section 235 homeownership subsidy program was fully phased-out in the 1980s, HUD developed several new tools to promote low-income homeownership. The 1990 Act mentioned above created the HOME Investment Partnerships program, a block grant to local governments for affordable housing activities, including downpayment and rehabilitation assistance for homeowners.\(^6\) Since its creation, HOME has helped over 300,000

\(^6\)The HOME program supports multiple HUD missions—homeownership, assisting low-income renters, and health of cities. A fuller discussion of HOME appears under the Health of Cities section of the Modern Era subchapter.
families become homeowners. The year 2003 saw the enactment of President George W. Bush’s American Dream Downpayment Initiative that provides local governments with additional funding for downpayment assistance.

In recent years HUD has modified the Section 8 Voucher program to allow those funds, traditionally used to assist renters only, to be used by low-income persons to support a home purchase. After a slow start, the Section 8 homeownership program has now enabled more than 5,000 assisted renters to become homeowners.

HUD also actively promotes homeownership through its regulation of Fannie Mae and Freddie Mac, the two large, privately owned, but government-sponsored mortgage finance companies. Under a 1992 statute, HUD sets and monitors goals for the two companies to increase their mortgage activity for low- and moderate-income homebuyers and for under-served geographical areas. In recent years, HUD has been more aggressive on this front, and the companies have upped their commitments to these goals.

In 1994, Secretary Henry Cisneros introduced a policy shift that placed greater attention on tracking and increasing homeownership rates among minority households. Successive administrations have sponsored a wide variety of programmatic and outreach activities to boost minority homeownership rates. In 2002, President Bush challenged the nation to create 5.5 million new minority homeowners by 2010.

Homeownership in America continues to climb. As shown in Figure 1.6, the number of homeowners has risen in the Modern Era, as has the overall homeownership rate—now edging toward 70 percent. Minority homeownership rates have also increased gradually to nearly 50 percent, but remain below the national rate by about 20 percentage points, underscoring the need to meet President Bush’s challenge.

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7 Fannie Mae and Freddie Mac and their HUD counterpart, Ginnie Mae, purchase home mortgages from lenders and pool many of them into "mortgage-backed securities" for sale to private investors. These "secondary mortgage market" activities help provide a steady flow of funds to lenders, allowing them in turn to make mortgage loans to more individual borrowers, and thereby supporting homeownership. Fannie and Freddie purchases of mortgages on apartment buildings further support their overall HUD-set housing goals.
Figure 1.6
Homeownership in America
1974–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner Occupied Units</th>
<th>Homeownership Rate</th>
<th>Black H/O Rate</th>
<th>Hispanic H/O Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>45.8 million</td>
<td>64.6%</td>
<td>43.9%</td>
<td>41.7%</td>
</tr>
<tr>
<td>1980</td>
<td>52.5 million</td>
<td>65.6%</td>
<td>43.9%</td>
<td>42.4%</td>
</tr>
<tr>
<td>1990</td>
<td>59.0 million</td>
<td>64.1%</td>
<td>42.6%</td>
<td>41.2%</td>
</tr>
<tr>
<td>2000</td>
<td>71.3 million</td>
<td>67.4%</td>
<td>47.6%</td>
<td>46.3%</td>
</tr>
<tr>
<td>2005</td>
<td>74.6 million</td>
<td>68.9%</td>
<td>48.8%</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

Source: HUD and U.S. Census Bureau

Assisting Low-Income Renters

The 1974 Act did fundamentally restructure HUD’s rental housing subsidy programs. The private-owner programs of the 1960s listed in Figure 1.4 were repealed and a wholly new rental subsidy program with two branches—Section 8—was introduced. The Public Housing program was retained, but new approvals were scaled back sharply from prior levels.

Under the Section 8 “project-based” housing development program, eligible low-income tenants pay 30 percent of their income for rent and HUD pays the remainder directly to the property owner up to a limit. Unlike most of the prior private-owner programs, the Section 8 subsidy formula allows tenants with very low incomes to participate. The Section 8 project-based program expanded quickly and was very robust into the early 1980s. As an example of devolution, HUD strongly encouraged state housing agencies to participate in the program, primarily by providing project financing.

An even more dramatic policy shift was the introduction of the Section 8 “tenant-based” or Voucher program (as it came to be called) to operate alongside the new project-based program. Preceded by vigorous policy debates and nationwide experiments, the Voucher program works by attaching the subsidy to the person rather than to the project. This allows a voucher holder to locate and occupy a private apartment if the landlord is willing to participate, the subsidy payment is within a HUD-approved schedule, and the housing meets basic quality standards.
Voucher tenants similarly are required to pay 30 percent of their income for rent, but they are allowed to pay a higher percentage if they choose a more expensive apartment. The program is administered by local housing authorities with annual funding from HUD.

The Voucher program was a radical new way to provide and administer HUD rental assistance. The early debates were heated. Advocates argued that vouchers would expand personal choice, avoid concentrating low-income families in housing projects, and be faster and less costly to administer. Opponents argued that because the Voucher program would not increase supply (unlike project-based development programs), voucher holders might be shut out, particularly in tight rental markets. Echoes of those arguments can still be heard today when policy analysts debate the right mix of tenant-based and project-based approaches.

In 1981, President Ronald Reagan appointed a commission to review the state of housing in the nation, and to make recommendations about the federal role. In its 1982 report, his Commission on Housing noted with concern the escalating, long-term costs of the Section 8 project-based program and their impact on future HUD budgets. The commissioners went on to champion the Section 8 Voucher program, in their view the more effective way to meet the needs of low-income renters.

Drawing on the Commission’s findings, in 1983 Congress voted to halt funding for most new Section 8 project-based housing, while increasing support for the voucher approach, a policy advocated by Secretary Samuel Pierce. Since then, the Section 8 Voucher program has been the predominant means of adding to the number of housing units receiving HUD rental assistance. The program, with over 2 million households enrolled, is now the largest single HUD budget category, and the tenant-based approach accounts for a rising share of all rental assistance (Figure 1.7).
Though HUD approved only a limited number of new public housing projects after 1974, during the Modern Era the program underwent some important policy changes. As the stock of public housing aged, the need for major repairs and renovations became apparent. So in the early 1970s, HUD began providing funds to local housing authorities for project “modernization” activities. In 1993, following the report of a national commission, Congress approved the HOPE VI program to fund the complete revitalization of very severely deteriorated projects. Later under Secretary Cisneros, HUD went a step further by approving the actual demolition of the worst public housing projects and replacing them with modern, often mixed-income, housing.

Figure 1.7 also shows the growth of all types of HUD-assisted rental housing in the Modern Era. It is a monumental challenge for HUD to administer an inventory of 5.3 million units of assisted rental housing—public and private, project-based and tenant-based. Together, these programs command more than 75 percent of HUD’s budget and account for a sizeable portion of staff time in headquarters and in the field. The department has employed a wide array of program and organizational changes, especially over the past 15 years, to oversee these large and highly complex programs, and to assess the physical and financial condition of thousands of individual projects. These great challenges will undoubtedly persist.

Source: HUD and Prof. Ed Olsen, University of Virginia

Figure 1.7
HUD-Assisted Rental Housing
1980–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of HUD-Assisted Rental Housing Units</th>
<th>Tenant-Based Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>2.9 million</td>
<td>21%</td>
</tr>
<tr>
<td>1990</td>
<td>4.3 million</td>
<td>26%</td>
</tr>
<tr>
<td>2000</td>
<td>5.1 million</td>
<td>37%</td>
</tr>
<tr>
<td>2005</td>
<td>5.3 million</td>
<td>42%</td>
</tr>
</tbody>
</table>

Note: Numbers include public and privately owned housing, both project-based and tenant-based, and for 2000 and 2005 include units assisted through the HOME program.
Health of Cities

The 1974 Act also ushered in a fundamentally new way of providing HUD assistance under the health of cities mission. Rather than vying for grants for specific (or categorical) purposes through an often uncertain and irregular competitive process, under the Community Development Block Grant program cities receive annual amounts determined by formula, and local officials have far broader discretion in the use of the funds. Monies may be used according to a local plan for physical improvements, social services, or economic development. HUD requires that a set portion of each city’s program benefits low- and moderate-income persons. The CDBG program is now over 30 years old with a current budget of about $4 billion. It has been HUD’s signature health of cities program in the Modern Era.

Besides the CDBG program, HUD has used several other tools seeking to fulfill the health of cities mission in the Modern Era. Mention was made earlier of the HOME block grant program enacted in 1990. A kind of housing counterpart to the CDBG program, HOME supports the health of cities mission in several ways: 1) it provides funds annually by formula for a wide range of neighborhood-strengthening housing activities; 2) like CDBG it requires cities to prepare comprehensive plans of action; and 3) it strongly encourages the use of community-based organizations to carry them out. HOME funds a wide range of local housing activities: construction, rehabilitation, loans, grants, and ongoing rental assistance payments—all are permitted. The current appropriation for the HOME program is just under $2 billion, about one-half the size of the CDBG program.

The Section 108 program, another feature of the 1974 Act, provides HUD guarantees of mostly private loans for larger-scale urban development projects, both housing and commercial, with the local government pledging its future CDBG monies in the event of a loan default. Section 108 continues to be an active program.

The Urban Development Action Grant (UDAG) program, enacted in 1977 at the urging of President Jimmy Carter and Secretary Patricia Harris, was another tool used by HUD to allow local governments to make loans at favorable rates to private developers working to improve cities. The program fell into disfavor and was stopped in the 1980s because of unresolved disputes in Congress over the geographical distribution of funds, and the belief of top
policymakers that many UDAG projects might well have been undertaken successfully without public assistance.

HUD has a role in two programs Congress enacted to provide incentives to private development in defined geographical areas of cities. Starting in the early 1990s with the backing of President Bill Clinton, the Empowerment Zone/Enterprise Communities (EZ/EC) program offered a combination of grants and tax incentives to spur private development in poor urban areas or “zones.” A HUD evaluation of the program completed in 2001 concluded that the results of the EZ/EC program were uneven. The Renewal Communities program enacted in 2001 relies entirely on tax incentives and a loosening of regulatory restrictions to trigger private development in the inner cities. It is too early to know the results of this approach.

The health of cities mission is a daunting one. Though existing tools continue to be applied, and new ones continue to be fashioned, the problems of cities, including education and crime, are beyond the reach of any one federal agency or policy. As Figure 1.8 shows, disparities exist on a number of yardsticks that measure the health of cities compared to their surrounding suburbs, indicating that many challenges remain.

![Figure 1.8](image)

**Figure 1.8**

**State of Cities vs. Suburbs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Citites Poverty Rate</th>
<th>Suburbs Poverty Rate</th>
<th>Cities Unemployment Rate</th>
<th>Suburbs Unemployment Rate</th>
<th>Cities Homeownership Rate</th>
<th>Suburbs Homeownership Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>17.0%</td>
<td>9.3%</td>
<td>5.5%</td>
<td>4.7%</td>
<td>54.2%</td>
<td>76.4%</td>
</tr>
</tbody>
</table>


**Fighting Discrimination**

HUD’s mission of fighting housing discrimination, which was just getting underway in the Early Era, has expanded greatly in the Modern Era. Legal protection under the Fair Housing Act has been extended to more groups: discrimination based on gender, disability, or family status is now prohibited, in addition to race, religion, or national origin. As another example of devolution, state governments have become major partners in the fight under a provision allowing those with laws “substantially equivalent” to the
Fair Housing Act to accept Title VIII discrimination complaints and pursue remedies under the equivalent state statute. A growing percentage of Title VIII cases are handled this way. HUD also administers the Fair Housing Assistance and the Fair Housing Initiatives programs, providing funds to states and local agencies and groups to advance fair housing goals.

In 1988 Congress passed major amendments to the Fair Housing Act that greatly strengthened HUD’s role. The revisions granted the department the authority to make “reasonable cause” findings in discrimination cases and argue the case before an Administrative Law Judge on the side of the aggrieved party.

HUD has conducted major tests in metropolitan areas to determine the extent of discrimination in the nation’s largest housing markets, both sales and rentals. Figure 1.9 compares the results of two such studies done in 1989 and 2000. It shows that although housing discrimination overall is decreasing for African Americans and Hispanics, such unlawful activity remains at unacceptable levels. HUD and its state agency partners still receive over 9,000 Title VIII housing discrimination complaints a year.

<table>
<thead>
<tr>
<th></th>
<th>Buyers</th>
<th></th>
<th>Renters</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>African Americans</td>
<td>29%</td>
<td>17%</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Hispanics</td>
<td>27%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: HUD

More recently, HUD also performed more limited studies to measure housing discrimination against Asian Americans, Native Americans, and persons with disabilities. The studies indicate that discrimination against these groups is as high or higher than for African Americans and Hispanics.

It is clear that the fight against housing discrimination in America is a continuing struggle.
Assisting Homeless Persons

In the early 1980s, a new and troubling social problem emerged in many American cities as the number of homeless street persons rose visibly. Researchers believe that the growth of homelessness was caused by a lack of preparedness for deinstitutionalization of mentally ill persons, coupled with an increase in substance abuse, persistent poverty, and limited affordable housing options. The federal government’s response resulted in HUD’s fifth core mission—to assist homeless persons with housing and support services.

After a modest start in 1986, Congress gave full expression to this mission in 1987 with the passage of the Stewart B. McKinney Homeless Assistance Act (later renamed the McKinney-Vento Act) signed by President Reagan. This law and its subsequent amendments established four major HUD homeless assistance programs that fund a wide range of housing and social services. Working through local governments and non-profit providers, the programs offer assistance to homeless persons, depending on their need, for emergency shelter, transitional housing to help them move to a more stable life, or more permanent housing for those who are chronically homeless. The programs also may fund case management, housing counseling, substance abuse treatment, and other support services.

As portrayed in Figure 1.10, HUD funding for the homeless assistance mission grew very rapidly in the early 1990s. At the same time, expansion of the number and type of assistance providers in many communities led policymakers to call for improved coordination of local efforts. To address this issue, in the mid-1990s HUD initiated a “Continuum of Care” approach to streamline the planning and delivery of homeless housing and support services in each community. Under this policy, devised and implemented by Assistant Secretary (later Secretary) Andrew Cuomo, applications for HUD funding for three competitive homeless assistance grant programs are prepared through community-wide consultations involving non-profit providers, local governments, and other interested groups.
In 2002, President Bush announced a goal of ending chronic homelessness. A chronically homeless person is one who suffers from a disabling condition and has a repeated or extended history of homelessness. Though only about 10 percent of homeless persons fall into this category, their care consumes over 50 percent of emergency homeless resources. HUD and several other federal agencies are working collaboratively with state and local officials to address the problem of chronic homelessness with increased energy and funding. Total HUD funding for homeless assistance has continued to rise gradually since the mid-1990s to over $1.3 billion in 2006 (see again Figure 1.10).

**REFLECTIONS**

The historian or the interested observer cannot help but be impressed with the level of effort and accomplishments of HUD over the 72 years spanning the Early and Modern Eras. Though the means have changed, as HUD in the Modern Era has shared the stage with more and different types of partners, the five core missions have endured.

Highlights of HUD’s accomplishments include:

- Providing mortgage insurance to enable over 29 million families to become homeowners and helping boost the national homeownership rate.

- Currently assisting 5.3 million low-income renter households.

- Providing funding and new tools to improve the health of cities.

- Leading the fight to lessen the incidence of unlawful housing discrimination.
Mitigating the suffering of homeless persons though programs that offer shelter and support services.

As HUD moves forward in the 21st Century, perhaps the means will again change, but the core missions are very likely to continue, and the record of accomplishments will undoubtedly grow.
CHAPTER 2: MAJOR EVENTS AND INFLUENCES THAT SHAPE HUD

HUD does not operate in a vacuum, but exists in a larger social and political setting. Major events and influences, often external to the department, shape HUD policy and affect its history in significant ways. This chapter will identify and discuss four such types of events and influences. (Some of these were mentioned in a different context in Chapter 1, but are collected here, along with others, to highlight their specific impact on HUD’s history). The four categories are:

- Blue Ribbon Reports
- Shocks to the System
- Scandals
- Constituencies and Power Centers

BLUE RIBBON REPORTS

Throughout much of HUD’s history, the “big report,” usually prepared by an outside panel of distinguished leaders and experts, often has exerted a major influence on the subsequent direction of the department in a particular policy area. High profile (or “blue ribbon”) reports of this nature allow for a long-range, searching examination of issues and policies, and they build audience and constituency for change. Among the most important are these:

- 1953: The report of President Eisenhower’s Advisory Committee on Government Housing Policies and Programs led to the 1954 Housing Act that inaugurated the Urban Renewal program as the replacement for slum clearance, greatly strengthening HUD’s health of cities mission. It also introduced the concept of urban planning to HUD’s programs.

- 1968: The reports of two groups appointed by President Johnson—the National Commission on Urban Problems (Douglas Commission) and the President’s Committee on Urban Housing (Kaiser Commission)—strongly influenced the 1968 Act that established the Section 235 (homeownership) and Section 236 (rental assistance) programs, giving new impetus to these two HUD missions.
1974: At the direction of President Nixon, Secretary James Lynn established an in-house HUD task force that produced a major study, “Housing in the Seventies.” The report shaped the pivotal 1974 Act that created the Section 8 program, both the project-based and the new tenant-based variants, fundamentally changing HUD’s approach to the rental assistance mission.

1982: The report of President Reagan’s Commission on Housing led to the 1983 Act that repealed most of the Section 8 project-based program and championed the tenant-based Voucher program, another turning point in the history of the rental assistance mission.

1988: “A Decent Place to Live: The Report of the National Housing Task Force” was issued by a private commission chaired by leading housing experts James Rouse and David Maxwell. The report advocated the creation of a federal block grant program to support local housing efforts. The proposal was enacted as the HOME program in the 1990 National Affordable Housing Act. HOME supports multiple HUD missions.

1991: In a report to President Bush and Secretary Kemp entitled, “Not in My Back Yard,” the Advisory Commission on Regulatory Barriers to Affordable Housing catalogued the many federal, state, and local regulations that can drive up the cost of housing and reduce affordability. This “NIMBY” report continues to be a reference for HUD and other levels of government for its suggestions of ways to reduce such barriers.

1992: The National Commission on Severely Distressed Public Housing, established by the HUD Reform Act of 1989, issued a report that led to the creation of the HOPE VI program. This program funded the total reconstruction of the most deteriorated public housing projects while offering social services to the low-income residents.

2002: The Millennial Housing Commission, appointed by Congress, issued its report, “Meeting Our Nation’s Housing Challenges,” calling for a limited resumption of project-based rental subsidy programs. Though widely followed and anticipated, this most recent blue ribbon report has not been acted upon by Congress or embraced by HUD. But it contains a wealth of information and statistics on HUD’s many housing programs.
SHOCKS TO THE SYSTEM

Unlike the issuance of blue ribbon reports that are planned and anticipated, there have been instances when major surprise events have delivered a “shock” to the HUD system. Usually such shocks are generated by external forces far removed from HUD’s control, but they can trigger significant actions or reactions by policymakers. For example:

► **Mid-1960s:** riots, urban unrest, and the conditions they exposed led to enactment of the Model Cities program in 1966 and the new housing programs of the 1968 Act.

► **1968:** The assassination of Dr. Martin Luther King, Jr. jolted the nation. Congress responded by finally passing the Civil Rights Act, including the Fair Housing Act outlawing discrimination in housing markets and assigning HUD a new core mission.

► **1973:** Following President Nixon’s dramatic moratorium on funding HUD’s housing assistance and major urban development programs, Congress passed the 1974 Act, a seminal event that changed the way HUD does business in the rental assistance and health of cities missions.

► **1994:** The Government Accountability Office (GAO), an arm of Congress, issued a report placing HUD on its “high risk” list for perceived material weaknesses in its internal financial controls. This “high risk” designation, though partially lifted in 2000, was ammunition for HUD’s critics. It also resulted in HUD management officials devoting extraordinary time defending the department and investing major resources in new control systems.

► **1995:** After the 1994 Congressional elections, suggestions were floated, primarily in the U.S. House of Representatives, but even from the White House, that HUD be abolished and its programs assigned elsewhere in the government. Secretary Cisneros responded by presenting a bold “Reinvention Blueprint” that called for a fundamental restructuring of HUD programs and sharp reductions in staff. The blueprint proposal, though not approved by Congress, was nevertheless successful in heading off the challenge to HUD’s existence. But significant staff reductions were ordered at HUD.

► **2005:** The devastation caused by Hurricane Katrina thrust HUD into an emergency response mode captained by Secretary
Alfonso Jackson that resulted in programmatic innovations across several of the missions. For homeowners with FHA mortgages whose houses were damaged or destroyed, HUD worked with banks to allow several months’ forbearance on their mortgage payments, and in some cases gave the owners direct financial assistance to make those payments. Also, HUD provided funding to local housing authorities to offer certain disaster victims temporary rental vouchers with no requirement for a tenant rent payment and no geographical restriction on their use. In addition, to assist in the recovery of New Orleans and other high damage coastal areas, Congress approved special CDBG funding totaling $16.7 billion for HUD to award to states to rebuild housing and communities based on statewide action plans. The effectiveness of these measures will help guide HUD’s response to future natural disasters, and could provide lessons for the administration of the underlying programs.

The lesson here is to know that future shocks will inevitably occur—and without warning. HUD must stand ready to react and adapt as it has so often in the past.

**SCANDALS**

Unfortunately, in several instances in its history the department has been rocked by scandals wherein HUD officials and local program participants have abused the public trust. These too are shocks to the system, but of a different kind. Scandals not only involve bad behavior, usually by only a few, but they also embarrass and besmirch the entire department when negative headlines and editorial cartoons appear. They can also traumatize HUD managers and rank-and-file employees by ushering in a reactive culture of excessive caution and risk-averse behavior. Here are the major examples:

- **1950:** A scandal erupted over the misuse of FHA’s Section 608 program that insured financing for private apartments built for World War II defense workers and veterans. With lax FHA oversight, unscrupulous builders were obtaining loans that exceeded their costs and pocketing the difference. The program was terminated in 1954, though years later the “608 scandal” was still part of HUD’s lore.

- **1970:** Improper behavior by participants in the FHA home mortgage insurance and Section 235 homeownership subsidy
programs afflicted neighborhoods in several cities. Such practices as inflated appraisals, faulty repair work, and rushed approvals resulted in large-scale mortgage defaults, foreclosures, and blocks of vacant, boarded-up FHA-owned homes. Some critics charged that “FHA destroyed neighborhoods,” and though reforms were instituted, even today watchdog groups monitoring FHA point to these misdeeds of the past.

► 1972: A large, troubled high-rise public housing project in St. Louis named Pruitt-Igoe, once considered a model development, was dynamited to the ground on the decision of St. Louis and HUD officials. The event was captured in photos and on television. Though no malfeasance was involved, critics viewed this “scandal” as an example of wasteful spending and HUD programs gone wrong. Some opponents of the Public Housing program cite Pruitt-Igoe to this day.

► 1988: A major scandal broke out over political favoritism in awarding contracts under the Moderate Rehabilitation program, a smaller variant of the Section 8 project-based program. This led to Congressional probes, an investigation by a special counsel, and several indictments and convictions of HUD officials. The “Mod Rehab” scandal precipitated passage of the HUD Reform Act of 1989, a measure that tightened the awarding of subsidy contracts and remains in effect today. Secretary Kemp proposed and implemented the Reform Act, the goal to make HUD, in his words, “squeaky clean.”

Fortunately, there have been no major scandals since 1989. However, the negative image of HUD, created especially by the scandal of the late 1980s, still lingers in the minds of many, including journalists who repeatedly use phrases like “trouble-ridden HUD” in their news stories.

**CONSTITUENCIES AND POWER CENTERS**

Blue ribbon reports, shocks to the system, and scandals are all singular events that shape HUD’s future policies, often in a fundamental way. But numerous organizations and entities exist—inside and outside the government—that influence HUD’s direction on a continuing basis, year-in and year-out.

Because of the impact of HUD activities (and the billions of dollars involved), hundreds of associations, groups, and industries of all
types have organized to represent their interests before the department and the Congress when budgets, regulations, and policies are being fashioned. Though usually headquartered in Washington, D.C., these “constituencies” often have local branches, affiliates, or members all over the country down to the grass roots, often their main source of influence.

A list of some of the more influential national groups, arrayed by the five core missions, is shown in Figure 2.1. Regularly and closely, they monitor what HUD is doing. They write letters, comment on proposed actions, seek meetings at HUD, appear before Congressional committees, and sometimes organize public campaigns to press their agendas. It is not uncommon for them to disagree with one another on any given policy, so it can be a complex process for HUD officials to sort out all the voices.

**Figure 2.1**
**Influential National Organizations**

**Homeownership**
- National Association of Home Builders
- Mortgage Bankers Association
- National Association of Realtors

**Rental Assistance**
- National Association of Housing and Redevelopment Officials
- Council of Large Public Housing Authorities
- National Leased Housing Association

**Health of Cities**
- U.S. Conference of Mayors
- National League of Cities
- National Community Development Association

**Fighting Discrimination in Housing Markets**
- National Fair Housing Alliance
- Leadership Conference on Civil Rights
- NAACP Legal Defense Fund

**Assisting Homeless Persons**
- National Alliance to End Homelessness
- National Coalition for the Homeless
- National Law Center on Homelessness and Poverty
Within the federal government itself there are significant power centers (in addition, of course, to the president and Congress) that regularly direct or influence the activities of HUD. These include:

- **Office of Management and Budget in the Executive Office of the President.** On behalf of the president, OMB reviews and approves HUD’s annual budget request, as well as all legislation and regulations proposed by HUD. These authorities make OMB very powerful, though the agency operates largely outside the public eye. Both the appointed officials and the career staff at OMB are highly influential.

- **Government Accountability Office, an arm of Congress.** GAO has broad audit and investigative authority over all Executive Branch agencies. It continually conducts reviews and issues reports, often critical, on HUD’s program and financial performance. Some, such as the “high risk” report of 1994, have a very high profile. But because HUD must respond to every GAO report with a plan for corrective actions, they all can affect policy in large or small ways.

- **Committees of Congress.** Congress works largely through its standing committees and subcommittees. Four such committees of Congress, two in the House and two in the Senate, have jurisdiction over HUD programs, budgets, and some regulations. In recent years the Senate and House Appropriations Subcommittees have been especially influential, using the power of the purse to shape both HUD’s budget and policies. The chairperson of each of the four committees (representing the majority party) and the ranking member of the minority party are often very powerful. Their key professional staff members may also have great influence.

- **Congressional Budget Office.** Established in 1974, CBO serves both houses of Congress with program and budget analyses and projections. CBO can also be very important to Executive Branch agencies, including HUD, when asked to estimate the budget impact of new or revised program proposals, a procedure known as “scoring.” Though a seemingly technical activity, CBO scoring can save or sink such proposals.

The influence of the many constituencies and power centers varies by issue, and by changes within the organizations or even within HUD itself. The wise participant keeps track of these ups and downs and stays abreast of who’s who and their roles.
CHAPTER 3: HUD’S ORGANIZATION, RESOURCES, AND LEADERS

This chapter will explain how HUD and its predecessor agencies have been organized and reorganized. A series of organization charts will show how the parts have connected to the whole and illustrate the different ways headquarters offices have related to the field offices. The changing organization in relation to the five core missions discussed in Chapter 1 will be noted. The chapter will also portray HUD’s resource base—its budget and staff levels. We conclude with a brief description of the backgrounds and styles of all 13 HUD Secretaries.

A caveat is in order. The organization charts concentrate heavily on HUD’s program offices, which most directly carry out the five core missions. This is in no way intended to overlook the vital functions of HUD’s many support offices: administration, budget and finance, legal counsel, research, secondary mortgage market support, audit and investigations, public affairs, Congressional relations, and others that have made sizeable contributions to the department’s record over the years. But given the limitations of space and the focus on the five core missions, the emphasis on program offices seems expedient.

PRE-HUD ORGANIZATION

In the 1930s, Congress established the Federal Housing Administration (FHA) and the Public Housing Administration (PHA) as completely separate entities, each heavily focused on a core mission—homeownership and low-income rental assistance, respectively. Both agency heads, known as Commissioners, reported directly to President Roosevelt (Figure 3.1).
In 1947, President Truman, acting on the notion that federal housing activities had some common purpose and should be coordinated, established an umbrella organization—the Housing and Home Finance Agency—headed by an Administrator who reported to the President. The reorganization gave the HHFA Administrator “general supervision and coordinating” authority over FHA and PHA. Slum clearance, the embryo of the health of cities mission, was essentially a staff function working out of the Administrator’s office (Figure 3.2). HHFA was not a Cabinet-level agency.
Following the passage of the 1949 and 1954 Acts with their new, added mission to improve the health of cities, the Administrator reorganized and enlarged HHFA by establishing two additional components—the Urban Renewal Administration (URA) and the Community Facilities Administration (CFA) both headed by Commissioners (Figure 3.3).

**Figure 3.3**

**Pre-HUD 1954–1965**

During the pre-HUD period, field offices were established, first for FHA and PHA, but then for URA and CFA, too. Field directors for the four component programs reported directly to their respective Commissioners in Washington (Figure 3.4). But to achieve a degree of coordination among different field directors operating in the same geographical area, the HHFA Administrator established the new field position of HHFA Regional Administrator, reporting directly to and responsive to the priorities of the Administrator in Washington. Field directors for the component programs were expected to communicate and coordinate with their Regional Administrator, but did not report to him/her (Figure 3.5). A Regional Administrator was appointed in the major city of each of seven HHFA regions.
**HUD is Created**

As mentioned in Chapter 1, in 1965 President Johnson proposed and Congress enacted a law to create HUD as a Cabinet-level department headed by a Secretary, thereby replacing HHFA. This action reflected the increased importance the nation placed on housing and related functions, especially the health of cities, during this period. For the first time, “urban” was part of the agency’s title.

The law gave the HUD Secretary authority to direct the workings and personnel of the department (and all its component parts) and to unify its missions. President Johnson appointed Dr. Robert Weaver, the incumbent HHFA Administrator, to be the first Secretary of HUD. He was the first African American ever to sit as a member of a President’s Cabinet, and the HUD headquarters building was named for him in 2000.

The 1965 Act authorized several Assistant Secretary positions, and as they were filled in 1966 the old HHFA Commissioner titles were dropped, with one exception: the new position of Assistant Secretary for Mortgage Credit (basically the FHA function) continued to include Commissioner in its full job title, as it does to this day. Figure 3.6 shows the early HUD organization chart.

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**Figure 3.6**

*Early HUD 1966–1968*
The structure of HUD headquarters has evolved in the 41 years since the department was created. Assistant Secretary titles have changed when new programs were enacted or functions rearranged, and some top positions were added, most notably the Assistant Secretary for Fair Housing and Equal Opportunity with passage of the 1968 Fair Housing Act. Today’s headquarters organization for program functions is shown in Figure 3.7. Note the approximate relationship of the Assistant Secretaries to the five core missions.

**Figure 3.7**
**HUD Headquarters 2006**

- President George W. Bush
- HUD Secretary Alphonso Jackson
- Housing/FHA
  - Assistant Secretary
  - Brian Montgomery
- Public & Indian Housing (PIH)
  - Assistant Secretary
  - Orlando Cabrera
- Community Planning & Development (CPD)
  - Assistant Secretary
  - Pamela Patenaude
- Fair Housing & Equal Opportunity (FH&EO)
  - Assistant Secretary
  - Kim Kendrick

**HEADQUARTERS/FIELD ORGANIZATION**

Since 1966, changes in HUD’s field structure and reporting lines to headquarters have been far more fundamental, complex, and controversial than changes within the headquarters organization itself. To simplify the discussion let’s refer to two basic, but different organizational models. Let’s call the first Type A. Using generic position titles (because they have changed so often), Type A field office program directors report to and are supervised by their Assistant Secretary counterparts in headquarters. The Secretary’s regional and field representatives (successors to the HHFA Regional Administrators) have a coordinating function, but no supervisory authority over the field office program directors in their jurisdiction (Figure 3.8).
In the Type B structure, by contrast, field office program directors report to and are supervised by the Secretary’s regional and field representatives who direct all the activities, programmatic and administrative, of a particular field office. Type B Assistant Secretaries set policies and program rules for their field counterparts, but do not supervise them (Figure 3.9).

Type A and Type B are thus fundamentally different in the way they connect key field positions to headquarters—note the reversal of the solid and dashed arrow-tipped lines in Figure 3.8 versus Figure 3.9.
The Type A organization was in place under HHFA (see again Figure 3.5) and continued after HUD was created in 1965, until Secretary George Romney switched to Type B through a major reorganization in 1970.

By strengthening the supervisory authority of the Secretary’s regional and field representatives, the 1970 reorganization sought to unify the missions of the department in the field. It also decentralized most program sign-off authority from headquarters to the Secretary’s regional representatives (increased from seven to 10) and on to a tier of field office representatives in some 70 offices across the country, most of them in today’s locations. Secretary Romney also assigned his regional and field leaders increased responsibility to be the point of contact with key state and local officials whose plans seeking HUD assistance often cut across program lines.

In 1993, Secretary Cisneros changed the organization back to Type A, after becoming convinced that his program Assistant Secretaries needed greater direct control over their functions and counterparts in the field. The Secretary’s regional and field representatives reverted to a pre-1970 coordinating and outreach role, which was emphasized and expanded under Secretary Cuomo’s Community Builder concept in the late 1990s.
Comparison of the two organization types reveals an inherent tension, because the issues deal with the distribution of power in the department and specifically to the question: who supervises and directs the field office program directors—Assistant Secretaries or the Secretary’s regional and field representatives? Put that way, the issue also exposes a tension between the Secretary and the Assistant Secretaries. Is the overall management of the field structure (comprising about 70 percent of all HUD employees) run by the Secretary through his/her representatives in the field, or by the Assistant Secretaries through their counterpart field office program directors? The history of the department is that the pendulum swings on this issue, and it will probably continue to do so.

Today’s field structure established by Secretary Mel Martinez in 2002 is something of a Type A/B hybrid (Figure 3.10). His directive strengthened the role of the Secretary’s regional and field representatives (now called Regional Directors and Field Office Directors) and gave them greater authority over field office program directors and their staffs on administrative matters such as approving travel, vacations, and temporary assignments. They also have some say in annual performance evaluations of the field program directors and in filling supervisory vacancies in their jurisdictions. Further, they have the opportunity for some input to programmatic decisions, but field office program directors and Assistant Secretaries retain the final say. Reflecting this enhanced authority, Regional and Field Office Directors serve as the senior management officials in each jurisdiction. Secretary Jackson has charged them with ensuring that each office functions as a common enterprise.
HUD’S RESOURCES

Core missions and organization charts do not make a functioning, operational department. Real resources are needed. Figure 3.11 presents HUD’s resource base since 1966, showing the department’s total budget and staff levels over the years and their percentage of the government-wide total. Notice that though the budget has increased over the years, staff levels have decreased. With new technology, HUD staff are probably more efficient, and they have more contractor backup than in the past. Overall, HUD is a comparatively small department of the federal government.
To summarize: getting the organization of HUD just right, especially headquarters/field reporting lines, is a constant challenge and there is no perfectly right answer. Assistant Secretaries need to be accountable for their assigned programs, but there also is the need for strong, unified leadership in the field offices, responsive to the Secretary. It is a continuing dilemma. Achieving adequate budgets and staffing levels is also a difficult challenge in times of many competing national priorities and more than a decade of pressures to limit the size of HUD.

**Leaders of HUD**

No history of HUD would be complete without some description of its leaders. Over the years hundreds of leaders from the top of the department down through the appointed and career ranks, both in headquarters and in the field, have served with great ability and dedication. There is no way to mention them all, so our story concludes by offering a capsule description of each of the unique individuals who have proudly served as Secretary of HUD.
Secretaries of HUD


► Appointed by President Johnson
► First Secretary of HUD
► First African American to serve in a President’s Cabinet
► Academic manner, formidable, highly respected
► Deceased

Robert Wood: 1969

► Appointed by President Johnson for a brief period at the end of his administration
► Had been Secretary Weaver’s Under Secretary
► Government scholar/practitioner, well connected in Washington, humorous manner
► Mentor to many
► Deceased

George Romney: 1969–1973

► Appointed by President Nixon
► First elected official (Governor of Michigan) to be Secretary
► Intense, forceful, independent
► Son Mitt is Governor of Massachusetts
► Deceased


► Appointed by President Nixon
► First lawyer to be Secretary
► Brilliant, quick mind, legislative strategist
► Became Director of OMB under President Ford
► Living in Washington

Carla Hills: 1975–1977

► Appointed by President Ford
► First woman to be Secretary
► Formal, assured, a strong leader
► Became U.S. Trade Representative under President George H. W. Bush
► Living in Washington
Patricia Harris: 1977–1979
- Appointed by President Carter
- First African American woman to serve in a President’s Cabinet
- Elegant, commanding manner, comfortable with strong subordinates
- Became Secretary of Health and Human Services under President Carter
- Deceased

- Appointed by President Carter
- First mayor (New Orleans) to be Secretary
- Political personality, fun loving, liked and respected
- Daughter Mary is a U.S. Senator from Louisiana
- Living in New Orleans

- Appointed by President Reagan
- Had served as General Counsel at the U.S. Treasury Department
- Only Secretary to serve eight years
- Reserved, lawyerly approach to issues, trusted subordinates
- Deceased

- Appointed by President H. W. Bush
- First Member of Congress to be Secretary
- Irrepressible, self-described “bleeding heart conservative,” consistent on his HUD priorities
- Ran for Vice President with Senator Dole in 1996
- Living in Washington

- Appointed by President Clinton
- Had been mayor of San Antonio
- First Hispanic to be Secretary
- Stately bearing, eloquent, deeply committed
- Living in Texas
Andrew Cuomo: 1997–2001
► Appointed by President Clinton
► First Assistant Secretary to be promoted to Secretary
► Forceful, demanding, incisive
► Son of former New York Governor Mario Cuomo
► Living in New York

Mel Martinez: 2001–2003
► Appointed by President George W. Bush
► First immigrant (Cuba) to be Secretary
► Respectful of all, “compassionate conservative,” team player
► Elected to U.S. Senate from Florida in 2004
► Living in Washington

Alphonso Jackson: 2004–present
► Appointed by President George W. Bush
► Had been Secretary Martinez’s Deputy Secretary
► First Secretary to have run major public housing authorities
► Direct, decisive, widely experienced
ABOUT THE AUTHOR

Lawrence L. (Larry) Thompson served HUD for 25 years in senior positions, both at the Washington headquarters and in the field. Starting as a Special Assistant to the Under Secretary in 1969, he subsequently was the Director of HUD’s Connecticut Field Office in the 1970s. Returning to headquarters in 1989, he held the position of General Deputy Assistant Secretary for Policy Development and Research up to his retirement in 2002.

He also served on the staff of two presidential housing commissions, worked in local government as Redevelopment Director for the City of Hartford, and taught courses in public administration at the University of Hartford. From these diverse experiences he gained a broad outlook and familiarity with the full range of HUD programs and operations. And along the way, he made the history of HUD something of a personal hobby.

A graduate of Harvard College and Princeton’s Woodrow Wilson School, Mr. Thompson enjoys his retirement residing in Washington, D.C. with his wife, Darcy.