
Housing Policy in the New Millennium Conference Proceedings

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Introduction

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On October 2 and 3, 2000, the U.S. Department of Housing and Urban Development's (HUD's) Offices of Policy Development and Research and Housing convened "Housing Policy in the New Millennium," a conference called to assess the present and future state of national housing policy and HUD's continuing role in those policies (see *Conference Overview*). Respected policy analysts engaged with practitioners and advocates during the course of 2 days to consider the future direction of national housing policy.

The 19 articles in this *Proceedings* all derive from presentations made at the Housing Policy in the New Millennium Conference.

The Role of Government in Housing Policy

The *Proceedings* volume begins with an article co-authored with Michael H. Schill. We suggest that national economic growth, declining unemployment, a large Federal budget surplus, and a HUD that is more able to function in responsible ways make this an ideal time to think about and experiment with new approaches to providing affordable housing. We articulate seven principles that should be incorporated into a forward-looking national housing policy, which we believe summarizes the broad experience of housing practitioners and researchers. These principles follow:

- Housing policy must be linked to other social policies.
- Housing policy must fix the mistakes of the past and "do no harm" in the future.
- To the greatest extent possible, housing programs should work with the market rather than against it.
- Incremental vouchers are critical elements of any housing policy.
- The Federal Government needs to improve the ability of existing supply-oriented programs to serve the lowest income households.
- Housing policy cannot adopt a "one size fits all" model.
- Regional solutions are necessary and require that States and localities become responsible partners in low-income housing efforts.

The second article in this volume is by Peter Dreier. In this article, "Putting Housing Back on the Political Agenda," Dreier discusses why "housing is a marginal issue in the Nation's housing debate" and recommends a variety of actions to increase interest in Federal housing policy and support for Federal housing programs. Dreier describes the revitalization of HUD during the Clinton-Gore Administration and details the shortfall between what is provided through HUD's housing programs and what is needed.

Dreier argues that the benefits of Federal housing programs are narrow both geographically and socially and offers a number of recommendations for expanding their scope and support, with special emphasis on working class families, organized labor, and major employers. He offers a six-point housing policy agenda for the 21st century: (1) Expand affordable homeownership for working families; (2) Expand housing choices by establishing a universal housing allowance; (3) Promote development of mixed-income housing; (4) Reinvent existing housing projects; (5) Strengthen neighborhoods through community-based self-help; and (6) Implement programs on a metropolitan basis. In conclusion, Dreier urges that "progressive housers" of the past be looked to for inspiration and direction for housing policy in the future.

Homeownership

In the following section, the first of three articles dealing with homeownership, Frederick J. Eggers looks at the numbers, and the policies behind the numbers, that have resulted in the Nation's record-high homeownership rate. His article documents recent increases in homeownership rates and how these national changes have affected various segments of the population. The article analyzes the relative roles that have been played by the strong economy, demographic shifts, and specific Federal housing policies that have encouraged homeownership. Eggers concludes that each of these factors, including specific Federal policies regarding the use of Federal Housing Administration insurance, the presence of the Community Reinvestment Act, and the setting of strong housing goals for Fannie Mae and Freddie Mac, were significant factors in the Nation's setting of a new homeownership rate record.

Continuing on the theme of homeownership, the fourth article in this *Proceedings* is by Stuart A. Gabriel, who examines the demography of homeownership and what populations must have their homeownership rates increased if HUD is to

fulfill its stated goal of having a 70-percent national homeownership rate. The article reviews factors that have led to recent expansions in the national homeownership rate as well as factors that might constrain further homeownership rate increases. Gabriel examines publicly pursued housing policies that have spurred homeownership increases and demographic, economic, and educational attainment factors that are also behind the recent homeownership rate increases.

The fifth article in this volume, by Richard K. Green, examines the role and importance of homeownership in America and the Federal policies that have promoted homeownership. The article, "Homeowning, Social Outcomes, Tenure Choice, and U.S. Housing Policy," examines what is known about the social value of homeownership, in particular regard to owner-occupant housing maintenance, civic participation and awareness, and the educational attainment of children living in housing owned by their parents. Green's survey of the housing literature concludes that researchers generally have found that homeownership is good social policy. Researchers also recognize the need for a strong base of rental housing stock as this housing provides increased mobility options due to the lower transaction costs associated with renting rather than buying and selling a home.

Green then turns to matters of policy and discusses ways in which the Federal Government promotes homeownership. He notes that Federal policies have made homeownership less expensive and more accessible to more households. Thinking in terms of future policy directions, Green suggests that whereas current policy has focused on making homeownership financially attractive and overcoming capital constraints (but usually not at the same time), the next generation of public homeownership policy could look to combine these two approaches, perhaps through a refundable mortgage credit.

International Perspectives

In the first of two articles on international perspectives on housing policy, Stephen Malpezzi's "Tales from the Real Side: The Implications of Urban Research for Real Estate Finance in Developing and Transition Economies" distinguishes between what he terms real assets (tangible capital such as equipment and machinery) and financial assets. Malpezzi goes on to discuss the role of well-developed financial systems, pointing out that the real estate and housing market, a key component of any economy, also has a direct and important relation-

ship with the broader financial systems in developing and transitional economies as well as in industrialized nations. Malpezzi enumerates a range of research areas that can be illuminating from both home and abroad on the “real side” of housing/real estate markets, as well as their impacts on financial markets. These include the impacts of low-income housing, real estate’s role in economic development, the importance of real estate rehabilitation to financial markets, real estate as a part of the business cycle, and informal financial institutions.

In “Process, Policy, and Public-Private Partnerships in Housing in Developing Countries: What Can the United States Learn?”, the second article that looks at comparative international housing, Bruce Ferguson begins with the point that “housing” is a verb in developing countries, whereas it is a noun in the United States and other industrialized nations. He explains that developing nations go about the creation of housing in an incremental process, whereas in the United States housing is a completed product to be bought and sold as an entity. Ferguson explains this incremental process while pointing out the need for reform in a number of key housing policy areas in developing nations, such as residential infrastructure, property rights, and housing finance.

More specifically, Ferguson discusses three components of what he views as a successful, broad-based housing program: direct-demand subsidy programs, microfinance of housing, and low-income land development. He describes examples of successful programs in developing countries, such as Costa Rica’s direct-demand subsidy program and India’s microfinancing program. Ferguson concludes by indicating areas in which the United States can learn from the developing world, including a move toward the incremental or expandable housing programs that are used throughout the developing world, which would apply to a broader range of low-income households.

Smart Growth

The article “Smart Growth and Housing Policy,” co-authored with Arthur C. Nelson, discusses smart growth and what it means for housing policy. This issue clearly is an important one to those who work in housing policy, as the conference session on dealing with sprawl was so well attended that the session roundtable participants spilled out into the hallway (ironically so.) In this article, we lay out what we see as the general goals of smart growth, from the preserva-

tion of public goods, the minimization of adverse land use and public fiscal costs, and the maximization of job access, housing access, and quality of life.

We go on to discuss the promise of smart growth to increase housing options beyond the traditional single-family model, to promote diversity of land use, and to support good design. The Federal role, we argue, should be expanded to ensure not only economic and environmental concerns, but equity concerns, as well. To this end, we identify a number of discrete steps the Federal Government could take to initiate a program of inclusionary housing rewards. We conclude by advocating increased Federal efforts to level the playing field between the urban core and suburban areas.

Deconcentration and Public Housing

In addressing the relationship of deconcentration to desired policy outcomes, Jill Khadduri examines the way poverty neighborhoods and mixed-income projects are defined, noting that these issues impact both voucher programs and HUD's HOPE VI production program. Khadduri indicates that poverty indicators have generally been used as a proxy for neighborhood quality but that significant gradations in poverty rates exist within these definitions. These gradations, as well as other noneconomic measures, may provide more precise ways of assessing neighborhood viability.

Khadduri also analyzes how the concept of mixed income is incorporated into various housing programs, noting that public housing assists those with incomes below 30 percent of the area median but can now market units to those with incomes as high as 80 percent of the area median. Many units developed via the HOPE VI program are explicitly marketed to those with higher household incomes in an effort to spur the creation of mixed-income communities. The low-income housing tax credit (LIHTC) is also used as a tool for income mixing. LIHTC units are able to assist households with incomes as high as 60 percent of the area median income but tend to focus on households earning less than 50 percent of the area median income. However, some project sponsors develop projects in which only some of the units receive LIHTC assistance, with the balance of the housing developed being available to higher income populations.

Khadduri concludes that much still needs to be learned about what constitutes a viable neighborhood and the effectiveness of public policies that encourage in-

come mixing as a strategy for maintaining or achieving neighborhood viability. For example, Khadduri suggests that other factors, such as the level of social interaction that takes place between higher and lower income households, may be more important than simply the presence of higher income households in diminishing antisocial behaviors.

Mark Shroder reviews HUD's Moving to Opportunity (MTO) demonstration program. MTO is an experiment in social and geographic mobility. The article summarizes the history of the experiment, which is embedded in the Gautreaux order to desegregate public housing in Chicago and Federal legislation calling for HUD to enable families to move out of areas of high poverty concentration and into areas with low concentrations. In response, HUD selected five cities to participate in MTO demonstration programs. Shroder explains how families were randomly selected from among households that volunteered to participate in this demonstration to provide statistically rigorous evidence regarding the effectiveness of mobility counseling and the long-term impacts on families who move to low-poverty communities. The article discusses the differences in how each of the five cities implemented the program. The article concludes by reporting preliminary findings from four independent, HUD-funded research projects that are examining the social and economic effects upon participating families.

David C. Schwartz addresses the needs of the elderly in public and assisted housing in his paper, "Helping Elders To Age in Place Successfully via Onsite and Near-Site Housing-Based Healthcare Programs." Schwartz's research demonstrates the important role that public and assisted housing play in making it possible for the elderly to age in place with dignity. From a series of interviews, surveys, and focus groups with residents of low- and moderate-income housing and assisted housing carried out in the past year, Schwartz finds that the elderly urgently want on-site healthcare, fall prevention and safety programs, and home-based healthcare programs. Additionally, Schwartz finds that hospitals and physicians are very interested in providing these services and that there are a wide range of strategies available to public housing authorities (PHAs) to provide these services. He points out, however, that PHAs may require technical assistance to achieve success, an area in which the Federal Government can play an important role.

Subprime Markets and Predatory Lending

The first of three articles on subprime and predatory lending is Dan Immergluck's article, "Stark Differences: Explosion of the Subprime Industry and Racial Hypersegmentation in Home Equity Lending." His article begins by discussing in detail the rapid growth in the 1990s of the subprime lending market in the United States, citing four important reasons why this growth is significant. First, it is a welcome expansion in lending to segments of the population who have traditionally had limited access to mortgage credit. Second, there is an unwelcome reality that minorities may be steered toward high-cost products. Third, there is a similar unpleasant reality that foreclosures are highly linked with subprime lending. Fourth, predatory lending has increased with the increase in subprime lending.

Immergluck then moves on to the causes for the increase in subprime lending, citing the rise in low-income homeowners, the increase in supply, and the 1986 tax reform act. In his analysis of the Home Mortgage Disclosure Act data in Chicago between 1993 and 1998, Immergluck points out that the subprime market has increased predominantly in minority markets, more so than along income lines, and concludes with a look at the performance of specific subprime lenders.

The second article on the subject is "Subprime Foreclosures: Smoking Gun of Predatory Practices?" by Harold L. Bunce, Debbie Gruenstein, Christopher E. Herbert, and Randall M. Scheessele. The authors look at trends in mortgage originations by subprime lenders and trends in foreclosures for four specific metropolitan statistical areas (MSAs): Atlanta, Baltimore, Boston, and Chicago. The research on these trends, carried out by Abt Associates Inc. and HUD, was modeled on research done in Chicago by the National Training and Information Center. The authors conclude that the number of subprime refinance mortgage originations increased dramatically in Baltimore and Chicago between 1993 and 1998 and also significantly in Atlanta and Boston over the same time period. In these four MSAs, in 1998, African-American neighborhoods outpaced low-income neighborhoods in subprime refinance mortgage originations.

The authors go on to demonstrate that foreclosures have increased dramatically in recent years for these four MSAs. Similarly, African-American neighborhoods have a higher incidence of foreclosures than was to be expected. The authors ar-

gue that these foreclosures may be an indication of where we should look for predatory lending.

The third and final article on subprime and predatory lending is an overview article by Allen Fishbein and Harold L. Bunce. This article was written specifically for the session on the topic at the housing conference, and the article outlines several key questions that were to be addressed in that roundtable discussion:

- Why is there such a low level of prime lenders in minority neighborhoods?
- How do we increase the prevalence of prime lenders in minority neighborhoods?
- How big is the phenomenon of predatory lending, and what can we do about it?

In this overview of the subject matter, Fishbein and Bunce first discuss the growth of subprime lending, looking at both income and racial disparities and foreclosures, as described both by researchers from Woodstock Institute and HUD research through the Presidential Task Force (with HUD and the Department of the Treasury) on Predatory Lending. They then move on to discuss predatory lending, describing the Task Force's four-point plan to combat predatory lending: improve consumer literacy, prohibit harmful sales practices in the mortgage market, restrict abusive terms and conditions on high-cost loans, and improve market structure. The authors conclude by making the point that it is hard to define predatory practices, although they identify likely activities concerned parties should be vigilant for, including loan flipping and excessive fees.

Housing Vouchers and Affordability

In Barbara Sard's article on the future of housing vouchers, Sard states that housing vouchers are the best forms of housing assistance because vouchers can meet the affordability needs of very-low-income households while maintaining the flexibility to meet the changing needs of poor families. Of particular importance is the ability of vouchers to provide mobility for poor households so that they can exit impoverished neighborhoods or move to places with greater economic opportunity. However, Sard points out that this is only true if voucher holders can truly access housing in better locations. Sard calls for continuing reform of the voucher program to fully maximize the potential of vouchers as a

poverty alleviation strategy. Specifically, Sard calls for strategies to overcome the following:

- Landlord reluctance to participate in the program.
- The lack of adequate quality housing.
- The lack of housing that meets HUD's fair market rent requirements.
- PHA administrative practices that diminish the ability of participating households to find suitable housing.
- Problems inherent in the families participating in the program that result in families not being able to find a suitable unit.

Cushing N. Dolbeare, founder of the National Low Income Housing Coalition, begins her article "Housing Affordability: Challenge and Context" by discussing the lack of political attention given to housing needs. She points out that if concerted efforts to either produce or support the production of affordable units at the rates advocated for (and legislated, in the Housing Act of 1968) in the past, many of today's housing needs would not exist. Public perceptions continue to plague efforts to address the affordability challenge, as housing programs have a negative public image. Dolbeare moves then to the worst-case housing needs statistics and the extent of 1999 housing problems, pointing out that programs to address the cost of housing will also address many problems of housing quality and overcrowding concerns. She concludes by discussing three programs—the earned income tax credit, supplemental security income, and food stamps—that can be expanded broadly along income lines to assist in the affordability challenge.

Jeff Lubell's background article, "Recent Improvements to the Section 8 Tenant-Based Program," highlights the changes that have been made recently to the Section 8 program in an effort to increase the effectiveness of this tenant-based approach to providing affordable rental housing. For 25 years the Section 8 tenant-based program, now known as the Housing Choice Voucher program, has helped millions of families afford decent quality rental housing. Housing choice vouchers continue to be the largest and most rapidly growing form of aid to those low-income households seeking affordable housing. Though a mainstay of Federal housing policy, during the past 2 years HUD has initiated 9 important program reforms to simplify the management of the program, give program administrators greater flexibility in setting maximum allowable rent rates, and to

expand available housing choice for voucher holders. The article identifies each specific reform and notes how that reform is working to make the Housing Choice Voucher program more effective.

Building Homes in America's Cities

In "Building Homes in America's Cities: A Progress Report," Douglas R. Porter presents information on the partnership initiative of HUD, the National Association of Home Builders, and the U.S. Conference of Mayors to promote construction of 1 million market-rate homes in urban areas throughout the Nation over the next 10 years. Porter presents information on new permits for housing, showing that during the last 2 years increases in new housing in cities have exceeded the targets of the initiative. Porter presents an overview of the programs and activities of 12 of the initiative's pilot cities in which there is a commitment to expanding the supply of market-rate housing. In these cities, reports Porter, the approaches used are intended to lower costs, provide better information and promotion, deliver more efficient government regulation, and achieve broader neighborhood conservation. The results include promising "best practices" lessons for other cities.

David Listokin discusses housing rehabilitation, a subject area which does not get high visibility, yet is important to housing policy, in his article, "Housing Rehabilitation and America's Cities." Listokin discusses research Rutgers University and the Enterprise Foundation have done to enumerate the amount of rehabilitation, in absolute terms, needed in the United States, and what that rehab would mean for the affordability of housing units. When looking at the impacts of rehab on affordability, Listokin writes, central-city units bear a bigger burden (in comparison to suburban units), as well as a bigger burden in terms of barriers to rehabilitation in general. Listokin then discusses these various factors, including financial, development, construction, and historic preservation barriers. He concludes by summarizing what steps have been made to overcome some of these barriers—highlighting such HUD programs as the Community Development Block Grant program and the LIHTC—and identifying what future efforts and research would be most productive.

Conclusion

As we move into the next century, the Nation can clearly take pride in its rising homeownership rate and the benefits that homeownership is conferring upon more and more families. However, at the same time, we must recognize that, by measures of worst-case needs, national housing problems are increasing and that more and more very-low-income households are having an increasingly difficult time in accessing decent, safe, and affordable housing.

As we consider the policies of the future we must be mindful of ways in which homeownership policies might be reconfigured so that tax subsidies that encourage homeownership can provide greater benefit to those whose incomes are insufficient to take advantage of current policies. We also see a continuing need to expand the use of vouchers and/or develop new policies that would identify populations who could receive tax or income subsidies as an entitlement. Pursuing those policy paths and others suggested by the articles in this volume will bring us closer to fulfilling the pledge of decent, safe, and affordable housing for all.

Conference Overview

You have a political consensus that you have not had in decades....Yes, you need vouchers. Yes, you also need a production program. Yes, you need the State entities, and the Feds, and the community-based non-profits and intermediaries....You put that consensus together with the strongest economy in the history of the Nation....You have an investment to make. The consensus, the investment, the need, and then the competence of HUD. All the elements are there....You feel that you just need a spark and you'd have ignition.

—Andrew M. Cuomo, Secretary of Housing and Urban Development
Housing Policy in the New Millennium, Washington, D.C.
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The circumstances surrounding the conference on Housing Policy in the New Millennium in October 2000 contrasted dramatically with the situation 3 years ago faced by participants of the housing policy retreat of 1997. U.S. Department of Housing and Urban Development (HUD) Secretary Cuomo had called the retreat to assess the future of HUD and Federal housing programs. At that time some members of Congress were calling for HUD's elimination, and a cover story in the *New York Times Magazine* a few months earlier bore the pessimistic title, "The Year That Housing Died."

In the past 3 years, however, Secretary Cuomo's restructuring efforts; reforms of the Federal Housing Administration (FHA), public housing, and other areas of HUD; and other policy initiatives have turned the Department around. Restored confidence in the Department is reflected in congressional approval in 2000 of the largest HUD budget in two decades.

Furthermore, the Nation's strong economy has helped lift homeownership rates to historic highs, with strong gains among minorities and urban dwellers.

In this environment of positive change, the 300 policymakers, practitioners, and scholars at the conference turned their attention to assessing, in the words of Secretary Cuomo, "where we are and what more must be done to achieve our national housing goal of safe, decent, affordable, and accessible housing for all our citizens." Given the booming economy and the boost it has given to most com-

munities, noted Secretary Cuomo, “[i]t is a cruel irony that...the shortage of affordable housing [is] becoming more acute.”

At the conference, analysts, advocates, and policymakers offered their views on housing policy for the new millennium in both plenary sessions and roundtable discussions.

Plenary Sessions

The conference plenary sessions were:

- The Role of the Government in Housing Policy.
- Increasing Access to Homeownership.
- Building Homes in America’s Cities.

Susan M. Wachter, HUD Assistant Secretary for Policy Development and Research (PD&R), opened the *Examining the Role of Government in Housing Policy* session echoing Secretary Cuomo. “Unprecedented economic prosperity,” she said, “has stimulated the resurgence of cities and formed the basis of a new housing economy.” Prosperity, however, has fueled housing price increases and, ironically, precipitated an affordable housing crisis, making the need for programs to provide access to safe, decent, and affordable housing even more critical.

In his keynote address, Michael H. Schill, New York University, said that a remarkable consensus exists today on once-divisive housing issues. He identified seven principles to guide future Federal housing policy: (1) link housing to programs that strengthen families and communities; (2) avoid the types of scandals that have checkered the history of housing policy; (3) work with the market rather than against it; (4) continue the use of vouchers; (5) use low-income tax credits and other subsidies to stimulate the production of affordable housing; (6) make Federal policies flexible to address local needs; and (7) encourage regional solutions.

Panelist Phillip Clay, Massachusetts Institute of Technology, recommended a balance in housing policy, including tools to stimulate production, housing vouchers, and tax and regulatory approaches. He cautioned that the current economic prosperity is a “thin veneer” for many households in need of affordable

housing. He urged the policy community to more clearly articulate the issues of sprawl and smart growth as well as fair housing issues so that government can take new action.

Peter Dreier, Occidental College, argued that housing is nearly invisible in the Nation's current political debate. "Housing programs," he said, "reach few poor people and even fewer of the working poor." As a consequence, the constituency for housing is narrow, fragmented, and weak and is missing two of the major interests that in the past played major roles in American housing policy—organized labor and major employers. He pointed out that the HUD budget, in inflation-adjusted terms, is still lower than it was 20 years ago, as are homeownership rates for householders younger than 55, and that even large increases in the voucher supply will meet only a fraction of the need. Dreier recommended expanding homeownership for working-class families; instituting a universal housing allowance; administering a broader-based housing production program; developing incentives and disincentives for metropolitan implementation; and applying the lessons from the past 20 years of community development, community organizing, and community empowerment.

Hattie Dorsey, Atlanta Neighborhood Development Partnership, Inc., agreed that housing and poverty issues have not figured in the current national political campaigns. She urged that housing policies be linked with other policy areas such as welfare policy, job creation, the minimum wage, transportation, and air quality. "Race and class matter," said Dorsey. Housing policies must be proactively inclusive, with incentives tied to national entitlements such as Community Development Block Grants and HOME funds.

The *Increasing Access to Homeownership* session focused on ways to close the gap in homeownership for minority households. Moderator William C. Apgar, HUD Assistant Secretary for Housing and Federal Housing Administration Commissioner, opened the session detailing today's historic high levels of homeownership. Apgar credited the strength of the economy and the efforts of the reinvigorated FHA and HUD. As of the second quarter of 2000, 67.2 percent of all U.S. households owned their own homes, and homeownership rates for minorities and across income levels reached record highs. Over the past several years minorities, who comprise approximately 24 percent of the population, have accounted for as much as 40 percent of the growth in homeownership rates. Nev-

ertheless, despite these encouraging statistics, the gap between minority and White homeownership rates remains at approximately 26 to 27 percentage points.

Stuart A. Gabriel, University of Southern California, stressed that government-sponsored enterprises, especially Freddie Mac, must play an important role in closing this gap. Richard K. Green, University of Wisconsin, reviewed research on the social benefits of homeownership on housing stock, homeowners, their families, and their communities. James Carr, Fannie Mae Foundation, warned that the “fringe financial lending institutions” that typically operate in lower- and moderate-income communities—such as check-cashing services, pawnshops, and paycheck lenders—have a wealth-stripping rather than a wealth-building effect. Margery Turner, the Urban Institute, summarized her recent research on the role of two types of mortgage discrimination—differential treatment and disparate impact. She discussed discrimination in the areas of mortgage lending, including advertising and outreach, the application process, and loan approvals and denials.

The *Building Homes in America's Cities* session highlighted the Million Homes Initiatives, a partnership among HUD, the U.S. Conference of Mayors, and the National Association of Home Builders dedicated to producing 1 million additional units of market-rate housing in America's cities in 10 years. Michael Turner, mayor of Dayton, Ohio, described efforts to increase the construction of market-rate housing in Dayton, one of the partnership's pilot cities. Dayton's program, which increased new housing construction in the city by 278 percent between 1997 and 1999, includes rehabilitating existing housing, constructing infill housing, and revitalizing neighborhoods. One of the initial hurdles, said Mayor Turner, was to gain acceptance of market-rate housing construction as a legitimate vehicle for the investment of public funds. Robert Mitchell, president of the National Association of Home Builders, said that although the partnership focuses on producing affordable housing, its overriding purpose is to revitalize cities. David Listokin, Rutgers University, described challenges to housing rehabilitation in cities in the areas of property acquisition, legal restrictions on land use, and financing. Douglas R. Porter, Growth Management Institute, reported on best practices in affordable home production in 12 cities. These best practices include city assistance in site assemblage, financing and tax reductions, reduction

or waivers of infrastructure fees, mayoral summits, government agency reorganization, education and information campaigns, regulatory relief, and neighborhood conservation. Fred Eggers of PD&R described how HUD is monitoring the Million Homes Initiative.

In his luncheon address, Anthony Downs, senior fellow at the Brookings Institution and author of numerous books and articles on urban affairs, began by pointing out the gap between the low incomes of many poor households and the minimal cost of decent housing. Further, many better-off jurisdictions use high housing standards to erect exclusionary barriers to low-income housing. Downs recommended that the Federal Government encourage regional planning and provide incentives for local and State governments to modify regulations that tend to discourage affordable housing. He recommended striking a better balance between aid to homeowners and poor renters by changing current homeowner mortgage interest and property tax deductions to tax credits and shifting the benefits toward less affluent homeowners. He also noted that Federal economic policies that keep interest rates low and labor markets tight will encourage both homebuilding and homebuying. Downs concluded, "I hope we will recognize that future housing policies and future metropolitan growth policies are inextricably intertwined, and cannot be treated separately. If so, we can perhaps use the growing awareness among even middle- and upper-income households that our growth policies must be changed to achieve major improvements in our housing policies in the new millennium."

Roundtable Discussions

The opening round of concurrent roundtable discussions were:

- International Perspectives on Housing Policies.
- Smart Growth and Housing Policy.
- Innovations in Public Housing.

In the past few years Secretary Cuomo has revitalized HUD's international activities, strengthening and initiating country-to-country exchanges on housing finance institutions as well as expanding affordable housing supply, disaster recovery work, fair housing and lending, and other areas of interest. The *International Perspectives on Housing Policies* roundtable discussed the keen interest of China and other countries in developing secondary mortgage markets, identified

institutional obstacles to broadening the private mortgage market in many countries, and described the role of nongovernmental organizations in financing housing for the poor in developing countries. Panelists emphasized the necessity of understanding the law, history, and the formal and informal economies of each country before attempting to establish new financial institutions.

Interest in smart growth is growing nationally as a means of addressing exurban sprawl and revitalizing cities and older suburbs. The *Smart Growth and Housing Policy* roundtable discussed smart growth initiatives in the context of affordable housing goals. The term *smart growth*, panelists said, implies better planned, more environmentally sensitive development patterns and livable communities. Smart growth initiatives, however, must actively address equity issues or risk becoming vehicles for exclusionary practices. The discussion also covered energy savings to be generated by more compact development and public transportation strategies; the effects of smart growth policies on housing prices; the role of State government; and the necessity of regional action. Recommended areas for Federal activity included instituting smart growth incentives for localities, providing information and tools for decisionmaking, managing Federal real estate to promote local smart growth goals, and building partnerships with localities.

During the past 7 years Congress, HUD, local public housing agencies, and private-sector partners have taken new approaches to transforming public housing, reducing concentrations of poverty, and helping recipients of housing assistance improve their lives. The *Innovations in Public Housing* roundtable discussed several tools being applied to reduce concentrations of poverty in public housing: the HOPE VI revitalization program; the use of rental vouchers; having public housing developments serve residents with a mix of incomes; and incorporating employment, health, and other services in public housing programs. Panelists discussed programs combining housing and services such as the Jobs-Plus Demonstration, efforts to create partnerships between hospitals and elderly public housing developments, and the community-building component of the HOPE VI program. To rebuild public housing, public housing agencies are leveraging tax credits to create mixed public and private financing. In addition, HUD's new Real Estate Assessment Center is boosting HUD's ability to locate, track, and monitor the entire public housing inventory.

The second set of concurrent roundtables were:

- The New Affordable Housing Initiatives.
- Subprime Market Growth and Predatory Lending.
- Developments in Housing Voucher Policy.

Participants in the *New Affordable Housing Initiatives* roundtable learned that one in seven American families either pays more than half of its income for housing or lives in a seriously substandard dwelling. Moreover, tight rental markets in some communities limit the number of families that can use vouchers. Panelists reviewed possible sources of investment including Federal and State funding, union pension funds, and real estate investment trusts. Topics included prospects for a new Federal production program, the use of tax credits to stimulate multifamily housing production, how to balance vouchers and production initiatives, and the challenge of locating low-income housing in neighborhoods that provide employment and education opportunities.

Panelists in the *Subprime Market Growth and Predatory Lending* roundtable probed the recent rapid growth of subprime lenders—institutions that serve mostly urban areas and minority communities. Rising real estate values and increasing homeownership rates have increased the home equity available to consumers. This set of circumstances has fueled a rise in subprime lending, especially among homeowners who are not well-served by prime lenders. Not all subprime lending is predatory, but all predatory lending is subprime. Abusive and predatory mortgage lending can result in equity stripping, and unsophisticated homeowners may become easy prey. HUD and the U.S. Department of the Treasury have investigated and developed a set of recommendations to help curb predatory and abusive mortgage lending practices: educating consumers, providing for better disclosure, reforming legal protections for consumers, and increasing prime lending and responsible lending practices.

Over the past decade the Section 8 Housing Choice Voucher Program, which gives low-income households a subsidy to use in the private rental market, has emerged as a mainstay of the Federal Government's response to the shortage of affordable rental housing. The *Developments in Housing Voucher Policy* roundtable discussed the current state of the housing voucher program, recent improvements, and possible future directions. Issues covered included the use of vouch-

ers for homeownership, raising fair market rent levels to boost landlord acceptance of vouchers, the balance between local management and central oversight, engaging responsibly with property owner needs, vouchers versus housing production, the extent to which private market rental vouchers can substitute for agency-owned public housing, and the efficient implementation of physical standards for voucher housing. Researchers presented early findings from HUD's Moving to Opportunity demonstration, which will follow long-term outcomes for families receiving vouchers. Speakers cited management problems in local voucher programs and urged HUD to provide more technical assistance to public housing authorities.

Participants in the *HUD on the Internet: Uses of Information Technology and GIS for Housing Analysis* roundtable were briefed on HUD's continuing efforts to democratize data by making information widely available. HUD will improve its Community 2020 software, adding greater flexibility, and post it on the Internet, making it a universally accessible tool for geographic-based analysis. Users will be able to take findings from different government agencies and other sources and apply them to specific census tracts, neighborhoods, or metropolitan areas.

Policy Themes

Throughout the conference, HUD officials and others underscored the importance of recognizing that the strong economy has paradoxically worsened housing affordability problems for low- and moderate-income households and accentuated the need for public policies to address affordable housing needs in new and changing circumstances. Conference participants celebrated the gains in homeownership rates, especially for minority households, but also considered ways in which the remaining gaps can be reduced further.

Out of the wide range of specific topics taken up at the conference, a number of important and interrelated policy themes emerged. These crosscutting themes included:

- Balancing voucher and production approaches to increasing the supply of affordable housing.
- Continuing to close the homeownership gap between White and minority families.

- Developing housing programs in the broader context of Federal activities affecting housing.
- Combating discriminatory mortgage and predatory home-equity lending practices.
- Addressing affordable housing needs within the wider setting of metropolitan development and in the context of other policy areas such as transportation, welfare, and job training.
- Understanding the effect of financial institutions and secondary markets on the availability of affordable housing.
- Reducing the concentration of poverty.
- Developing better, more timely, and more accessible data on housing markets and housing problems.