

{As prepared for delivery}

Remarks by
Thomas C. Dorr
Under Secretary for Rural Development
90th Annual Convention of the Mortgage Bankers Association
“What’s Going on with Government Housing Programs?”
Monday, October 20, 2003
2:00 p.m.

- **Good afternoon and thank you Steve (O’Connor) for the opportunity to participate in today’s panel discussion on Federal government housing programs. This is our fourth year to participate.**

- **We appreciate the strong support the Mortgage Bankers Association has offered for our rural housing programs, particularly the House Financial Services subcommittee testimony delivered by Jack Jones of Chase Manhattan Mortgage Corporation last summer on behalf of MBA. It is through this shared interest and public education effort, that more rural families will be able to realize their dream of homeownership.**

- **Your director of government affairs, Tim Doyle can attest – who I might add, worked for USDA Rural Development in New York state before joining MBA, and did an outstanding job – that many see USDA as the caretaker for commodity programs but don't realize the significant role we play through venture capital investments in rural housing, business, and community infrastructure.**

- **As I travel it is becoming more and more apparent that although traditional rural policy was driven by Agricultural policy, Title I and II of the Farm Bill – that is not necessary the case today. In fact I believe there are actually two policies emerging which affect rural America:**
 - 1. Traditional Ag Policy,**

 - 2. A new perhaps yet named rural policy.**

- **Ag impacts directly 2.5 million, rural – 65 million.**

- **USDA Rural Development is a sizable development bank. We have an \$86 billion dollar portfolio of loans and we will administer nearly \$16 billion in program loans, loan guarantees, and grants through our 3 primary mission areas of RHS, RUS, and RBS.**

- **We are really a Venture Capital firm for rural America....and we have two goals.**
 - **Increase Economic Opportunity**

 - **Improve Quality of Life for all rural Americans.**

- **As a primary example of this commitment, USDA Rural Development has invested over \$10.2 billion in the last three years to assist 120,000 families realize their dream of homeownership. And over the life of our mortgage financing programs; we have assisted over two million rural families.**

- **Our rural housing programs form one of the bedrocks of this Administration's commitment to rural America. We know that a safe secure home is the foundation for the family unit. This is why the President has proposed a 32 percent increase for single-family housing direct loans in his 2004 budget.**
- **Owning a home is the oldest and best form of building equity. We must encourage more families to invest in their future. As you know, this investment will help families build wealth, lead to job growth and create a generation of new economic activity in rural communities and regions.**
- **A key effort to assist rural families was accomplished by Congress agreeing to allow us to use \$11 million in carryover self-help funds to provide \$900 million in 502 guarantee program funds. These efforts are important to rural families and resulted in assisting roughly 12,000 more families with homeownership opportunities.**

- **While rural America has the highest percentage of homeownership, we must do more. We must be aggressive in meeting the President's goal of increasing by 5.5 million, the number of minority families owning their own home by 2010.**
- **But we don't do this alone.**
- **Two critical partners of Rural Development are sharing the dais with me today.**

Government Partnerships

- **I had the privilege last year to join Dr. Weicher and Mr. Pedigo on a similar MBA panel discussion during your Chicago conference. I will be quick to add, that meeting served as a springboard for the working partnership we have created.**
- **The first thing Dr. Weicher did when we arrived at the dais was to introduce himself to me and then to pull me and Mr. Pedigo of VA aside and stated that we need to get together when we get back to Washington.**

- **He stated that our collective programs will play a big role in helping to attain the President’s goal of increasing minority homeownership over the next decade. We should work together to make sure this happens. He opened the door to cooperation and collaboration and let me tell you I walked right in.**
- **His experience in public housing programs and the policy surrounding them – along with his willingness to share his wisdom and provide counsel is an outstanding example of public service.**
- **His introduction to me of the Technology Open To All Lenders or TOTAL scorecard has become a critical element in Rural Development’s effort to develop an automated system for underwriting our single-family guaranteed housing loans, and we appreciate the cooperation and support Dr. Weicher and his staff has provided Rural Development in this effort.**
- **Through this automated underwriting system, private sector lenders will save a great deal of time and money and as a result achieve greater efficiencies.**

- **Lenders will be able to have much faster loan decisions,**
- **They will experience fewer requirements of documentation for qualified borrowers,**
- **It will increase the efficiency of our field staff,**
- **There will be greater consistency in the loan decision process,**
- **The system will also result in better quality loans, lower delinquencies, and**
- **Simultaneously fulfill requirements of the Government Paperwork Elimination Act and Freedom to E-File Act.**
- **Ultimately it should also assist us in identifying the educational needs necessary to foster enhanced success in homeownership in rural areas.**

- **Through utilization of this automated system provided by FHA, Rural Development, and ultimately the American taxpayer, will avoid the added expense of having to build a Rural Development specific scorecard or the need to purchase and modify a commercial scorecard.**
- **In December we will test a pilot of the system with several major lenders. The pilot will assess a portion of the rules-based core Automated Underwriting System, as we continue development of a scorecard.**
- **All of RD and I are committed to developing better ways to make Government work for the people, including tearing down old barriers that existed across agencies and departments.**
- **In addition to the scorecard, we are working in other ways to support the President's effort to increase minority homeownership, which include:**

- **The signing of a Memorandum of Understanding between HUD Secretary Mel Martinez and Agriculture Secretary Ann Veneman to support collaborative efforts to improve housing and economic conditions in the Southwest border region of the United States, and**
- **Utilization of a joint reporting system by FHA, VA and Rural Development on minority lending activity.**
- **In addition to these collaborative efforts, USDA Rural Development is working in other ways to increase opportunities for minority families to become homeowners.**

Five-Star Commitment

- **You may recall during your Chicago conference last October I unveiled a Five-Star commitment by USDA Rural Development to further the President's minority homeownership initiative. Today, I would like to provide a brief update on what we have accomplished in the last year.**

- 1. Lowering fees to reduce barriers to minority homeownership:**

- **Last year, I announced that we reduced the guarantee fee charged by Rural Development from 2% to 1.5% for purchase transactions and from 2% to .5% for refinance transactions. The impact of the fee reduction was enormous. Purchase loan volume increased 11.3% while refinance loans increased 200.4%. In fact, the program guaranteed a total of \$3.09 Billion in loans in fiscal year 2003, a record for the program.**

2. Doubling the number of Self-Help participants by 2010:

- **More than 54 percent of the families building their own homes through this community-creating program are minorities. From the previous year, the grants and contracts to our Self-Help partners increased by more than 50 percent – to nearly \$40 million. We expect this to result in a great increase in minority families building their homes as the grantees do their work over the next two years. Last year, we helped 1,470 families build their own home, a half percent increase.**

3. Increasing participation by minority lenders through outreach:

- **Rural Development offices across the country have developed a marketing outreach plan to increase participation in the guaranteed loan program by lenders serving rural minorities. We are looking at ways to expand that initiative as we speak.**

4. Promoting credit counseling and homeownership education:

- **I signed last June a Memorandum of Understanding with FDIC Chairman Donald Powell to support utilization of the FDIC “Money Smart” training course that will teach housing applicants outside the financial mainstream on how to enhance their skills in handling money, create positive banking relationships, and ultimately achieve homeownership.**
- **We provided more than \$1 million in direct support to rural groups providing comprehensive homebuyer training, including groups on Indian reservations and in the Colonias, areas that desperately need an extra hand.**

5. Monitoring lending activities to ensure a 10% increase in minority homeownership:

- **For our single-family housing program, we have developed an internal tracking system to measure the success of each of the 53 states and territories we serve. In the first year, 81 percent of the states served minorities at a rate exceeding the minority portion of their rural population – an increase of more than 11 percent -- this translates into 8,445 loans or a two percent increase in our overall minority lending.**
- **These are aggressive goals, and we are working vigorously to meet the challenge presented by President Bush. But to fully succeed in this endeavor, we need your support and participation.**

Closing

- **Let me close by saying that USDA is working on many fronts to increase the opportunity for rural families to build equity in their future through homeownership.**

- **As we continue to develop partnerships and streamline our program delivery mechanism, we hope that you will see that USDA Rural Development housing programs offer a product that helps you meet your customers' needs, is cost effective, and efficient.**

- **Thank you for the opportunity to join this panel discussion and I will be happy to answer any questions you may have.**

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