



**Oral Testimony of Secretary Julián Castro
U.S. House Committee on Financial Services
Hearing on “HUD Accountability” — Distressed Asset Stabilization Program
U.S. Department of Housing and Urban Development
Wednesday, July 13, 2016**

As prepared for delivery.

Chairman Hensarling, Ranking Member Waters, members of the Committee — thank you for allowing me this opportunity to discuss an initiative that is making an important, positive difference for American homeowners and their neighborhoods — HUD’s Distressed Asset Stabilization Program, also known as “DASP”.

I look forward to a good conversation this morning, but first I’d like to express my condolences to the members whose constituents were most affected by the tragedies our nation endured last week in Baton Rouge, Louisiana, in Falcon Heights, Minnesota and, most recently, in Dallas in my home state of Texas. The HUD team and I join with you in mourning the lives — both civilian and law enforcement — that were lost.

My colleague, Attorney General Loretta Lynch, recently remarked that the response to these tragedies must be “calm, peaceful, collaborative, and determined action.” And the Obama Administration is eager to work with you to help make our communities safer for every citizen, including for police officers, while also ensuring that every American’s civil rights are protected.

We come together this morning to discuss an altogether different yet essential public mandate — strengthening the nation’s housing market in ways that protect homeowners, improve neighborhoods, and boost the U.S. economy.

Without question, our nation’s housing market has made remarkable progress since the Great Recession. Real residential investment — which includes new housing construction and home improvements — has grown by more than 8 percent for six straight quarters, and continues to far outpace overall GDP growth. Sales of existing homes have climbed to their highest level in more than nine years. And homeowners’ equity continues to show sharp gains and is now nearly \$7 trillion higher than when President Obama took office. And I’m proud that HUD has helped lead this

turnaround. Our agency has taken a number of steps to ensure that the housing market remains a bright spot in our economy.

One important step has been creating DASP. It's innovative. It helps homeowners avoid foreclosure, helps preserve strong neighborhoods, and boosts the health of the Mutual Mortgage Insurance (MMI) Fund. Since its launch in 2012, DASP has helped more than 10,000 families who were on their way to foreclosure remain in their homes. And it's helped another 15,000 homeowners avoid foreclosure altogether. That has had a major stabilizing effect for some of the communities that were hardest hit by the Great Recession. And it's a direct result of our efforts over the last four years to continually improve DASP's effectiveness.

Since the program's launch, HUD has modified DASP many times. We've implemented a 12-month moratorium on foreclosures, strengthened DASP's neighborhood stabilization requirements, and made the program more transparent and more competitive. In fact, no DASP note sale has been the same. And all of the program's changes have helped ensure it continues to meet the needs of our growing housing market.

The same is true of the improvements we announced last week — including those aimed at encouraging more non-profit investors to join DASP. Some have tried to single out these changes as being politically motivated. They were not. Many non-profit groups have decades of experience in stabilizing neighborhoods. And HUD wants to put that expertise to work on behalf of the homeowners and communities that need it most while also maintaining the rigorous standards that have made DASP a success for the MMI Fund.

All of the program changes we will discuss today were designed with input from a broad range of stakeholders, all were assessed for how well they would fulfill our goal of strengthening neighborhoods, and all have been implemented with this Committee's counsel in mind — including your direction, Chairman Hensarling, that any changes to DASP further protect the health of the MMI Fund. I'm proud of these changes. I'm also proud that the FHA has constructed a very sound program. In the last fiscal year, DASP recoveries were 16 percent higher than recoveries on assets conveyed through the traditional foreclosure action, or real estate owned (REO), process. And when you consider that DASP has contributed more than \$2 billion to the MMI Fund above what would've otherwise been collected, it's clear this innovative program is a significant reason why the Fund's capital reserve ratio is now above its 2 percent requirement.

DASP was created during a period of economic turmoil that was unprecedented in our lifetimes. Since its launch, the program has helped preserve the dream of homeownership for thousands of families who had exhausted every other tool at the Federal Housing Administration's disposal while also strengthening neighborhoods all across our nation and protecting taxpayers. Ladies and gentlemen, this is an outstanding example of how public-private partnerships can and should work.

Thank you, and I would be happy to answer any questions.

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