Department of Housing and Urban Development

Timeline of Growth

by Tad DeHaven

- 1892: Congress appropriates $20,000 for the Secretary of Labor to study slums in American cities.1
- 1918: The federal government finances the construction of housing for workers in industries that are supporting the First World War.2
- 1922: Secretary of Commerce Herbert Hoover launches an "Own Your Own Home" campaign, which seeks to increase homeownership. The program backfires during the depression as mortgage payments become unaffordable and foreclosures skyrocket.3
- 1932: Congress establishes the Federal Home Loan Bank System based on a recommendation by President Hoover’s Presidential Conference on Home Building and Home Ownership.4
- 1932: President Hoover signs the Emergency Relief and Construction Act, which authorizes the Reconstruction Finance Corporation to make loans to companies for low-income homebuilding and slum clearance.5
- 1933: President Franklin Roosevelt takes office. The Home Owners Loan Corporation is established to refinance the mortgages of distressed home buyers.6
- 1933: Congress creates the Public Works Administration, which is given the power to make loans and grants for low-income housing and slum-clearance projects.7
- 1933: The Public Works Emergency Housing Corporation is created to allow the federal government to directly engage in the construction of low-income housing and slum clearance. Opponent Rep. Hamilton Fish (R-NY) calls it a "concrete example of the socialistic tendencies of the New Deal."8
- 1934: Time reports: "Of all the fronts along which the president has attacked depression, the housing sector has been the scene of fewest victories and most defeats. Impressive headlines have heralded impressive programs which have quickly petered out in obscure failure."9
- 1934: The National Housing Act of 1934 creates the Federal Housing Administration (FHA) to reduce the cost of mortgages and spur home building by offering federal mortgage insurance.10
- 1937: The Housing Act of 1937 creates the United States Public Housing Authority to authorize loans and subsidies to local housing agencies for construction and maintenance of public housing projects.11
- 1938: The Federal National Mortgage Association (Fannie Mae) is created as a subsidiary of the Reconstruction Finance Corporation to provide a secondary market for mortgage loans. It is originally authorized to purchase only those loans insured by the FHA.12
- 1940: The Lanham Act authorizes the spending of federal funds on public housing for defense industry workers.13
- 1942: The Emergency Price Control Act allows for federal price controls on rents as a protection against war-induced inflation.14
- 1944: The Servicemen’s Readjustment Act—the G.I. Bill—provides government mortgage loan guarantees for home purchases by World War Two veterans, even allowing for loans with no down payment.15
- 1946: The Veterans Emergency Housing Act allows the federal government to maintain and expand war-time controls over the production and pricing of housing. These market interventions become such an obvious failure that they are gradually repealed over time.16
- 1947: HUD’s predecessor, the Housing and Home Finance Agency, is created to oversee most federal housing programs.17
- 1949: The Housing Act of this year calls for “a decent home and suitable living environment for every American family.”18 It authorizes a wide range of public housing activities, including the construction of 810,000 public housing units, although considerably fewer are actually built under this particular legislation.
- 1954: The Charter Act restructures Fannie Mae as a quasi-private organization, setting the stage for its transition to full private ownership in 1968.19
- 1954: The Housing Act of this year authorizes funding for the demolition, construction, and rehabilitation of structures in areas designated as blighted.20
- 1954: Major scandals strike the FHA—known as the "windfall scandals"—leading to investigations and congressional hearings. Due to sloppy management at the FHA, "many builders pocketed millions of dollars of unearned profit from mortgage loans that exceeded the cost of construction."21 Looking back on this episode in the midst of further FHA problems in 1971, Time noted that "whenever the government writes a blank check to the housing industry, some sort of scandal is likely to result."22
- 1956: The Housing Act of this year expands eligibility for public housing to single elderly persons. It also authorizes public housing agencies to spend relatively more on elderly housing units, and it funds the relocation of people displaced by urban renewal programs.23
- 1959: The Housing Act of this year authorizes the Section 202 program to provide direct loans to non-profit groups to develop low-income elderly housing.24
- 1961: The Housing Act of this year authorizes a monthly rental subsidy to elderly families in public housing, and it provides for the first FHA-insured low-income rental housing.25
- 1961: The Death and Life of Great American Cities by Jane Jacobs provides an early counterattack against the top-down “urban renewal” and high-rise public housing projects promoted by governments across the nation.26
- 1963: President Lyndon Johnson takes office and ushers in an era of massive federal intervention into state, local, and private affairs known as the “Great Society.” Hundreds of new federal programs, including housing programs, create a culture of welfare
dependency that proves to be very costly and damaging to society.

- **1965:** Congress establishes the Department of Housing and Urban Development as a cabinet-level agency. It is intended to spur low-income homeownership through private housing construction and rehabilitation. The program proves to be poorly designed and fraud-ridden, leaving the FHA stuck with abandoned properties costing taxpayers billions of dollars.

- **1966:** The Housing and Urban Development Act creates a homeownership subsidy program (Section 235) intended to spur low-income homeownership through private housing construction and rehabilitation. The program is replaced by the Community Development Block Grant program in 1974.

- **1968:** The Housing and Urban Development Act creates a homeownership subsidy program (Section 235) intended to spur low-income homeownership through private housing construction and rehabilitation. The program proves to be poorly designed and fraud-ridden, leaving the FHA stuck with abandoned properties costing taxpayers billions of dollars. A 1971 House committee lambastes FHA management of the program, and President Richard Nixon places a moratorium on its activities in 1973.

- **1968:** The Government National Mortgage Association (Ginnie Mae) replaces Fannie Mae as the government guarantor of federally insured mortgages. Fannie is privatized to become a government-sponsored enterprise (GSE). Although privately owned by shareholders, Fannie receives preferential treatment from the government and its debt is implicitly backed by the U.S. Treasury.

- **1968:** The Fair Housing Act—part of the Civil Rights Act of this year—outlaws most forms of housing discrimination. Ironically, federal housing policy is partly responsible for the proliferation of concentrated minority ghettos in many major cities.

- **1969:** The Brooke Amendment limits the rent paid by public housing tenants to a certain percentage of their incomes. The limit is set initially at 25 percent and later raised to 30 percent. One effect of this rule is for the federal government to increase annual subsidies to public housing authorities by billions of dollars per year because local authority revenues are reduced.

- **1970:** The Emergency Home Finance Act creates a second housing GSE, the Federal Home Loan Mortgage Corporation (Freddie Mac), which is designed to compete with Fannie Mae in the secondary mortgage market.

- **1970:** The Housing and Urban Development Act authorizes the Experimental Housing Allowance Program to demonstrate the feasibility of subsidizing the rents of low-income tenants in privately owned buildings. It is a predecessor to Section 8 rental subsidies.

- **1972:** Considered an "architectural masterpiece" when it was built in St. Louis in the 1950s, the federally funded Pruitt-Igoe public housing project is demolished after vandalism and crime render it uninhabitable.

- **1974:** The Housing and Community Development Act consolidates various HUD grants programs for local governments into the Community Development Block Grant (CDBG) program. The CDBG program becomes notorious for its wasteful spending and for subsidizing developers in the building of shopping malls, parking lots, and other projects that should be funded by the private sector.

- **1974:** The Housing and Community Development Act creates the Section 8 program, which subsidizes the rents of low-income tenants in privately owned housing. The program also subsidizes the construction and rehabilitation of low-income housing. This is supposed to be a more market-oriented method of aiding low-income families, but Section 8 generates many of the same problems as public housing.

- **1977:** Urban Development Action Grants are created to revitalize distressed neighborhoods through the encouragement of private sector investment. However, UDAGs are often politically awarded, which invites corruption, and relatively little is achieved given the program's substantial cost. The program is terminated a decade later.

- **1977:** The Community Reinvestment Act requires commercial banks to report their lending practices in neighborhoods where they gather deposits. A strengthening of CRA regulations in 1995 invites activists to pressure lenders into issuing mortgages to non-creditworthy applicants. This becomes a contributing factor to the housing meltdown in 2007 and 2008.

- **1983:** The Housing and Urban-Rural Recovery Act introduces the Section 8 voucher program, which provides tenants with rental subsidies that are more flexible and portable than the original Section 8 certificates.

- **1986:** The Low Income Housing Tax Credit is created to spur the construction and rehabilitation of low-income housing. The program acts as a subsidy for developers because they pocket the $5 billion or so in annual tax credits, but rents in the buildings they construct are generally no lower than they would have been in the absence of the program.

- **1987:** The Stewart B. McKinney Homeless Assistance Act establishes several programs to provide housing and other services to homeless persons. Assistance is delivered through a remarkably complex web of related programs, and the money is often mismanaged and misused at the local level.

- **1989:** An official review of the scandal-plagued tenure of Secretary Samuel Pierce uncovers problems of fraud, theft, mismanagement, and influence-peddling in 94 percent of HUD's budget. Taxpayer losses from the fraud and theft are estimated to be between $2 and $6 billion.

- **1990:** The National Affordable Housing Act creates the HOME Investment Partnership Program. HOME grants are used by state and local governments to develop "affordable" housing, but official audits provide numerous examples of the money being misused by local governments and developers. The Act also creates the Housing Opportunities for Persons with AIDS Program, which misallocates and wastes funds in various ways.

- **1992:** The Housing and Community Development Act creates the Office of Federal Housing Enterprise Oversight within HUD to supervise Fannie Mae and Freddie Mac. HUD's failure in this oversight role prompts Congress to create a new independent regulatory agency in 2008.

- **1992:** HUD begins pressuring Fannie Mae and Freddie Mac to increase their purchases of mortgage securities from mortgage originators lending to low-income and less credit-worthy borrowers. HUD repeatedly raises the target for loans to more risky borrowers during the decade, which ultimately contributes to the financial collapse of Fannie and Freddie in 2008.

- **1993:** Congress creates empowerment zones to stimulate development in distressed areas through tax incentives and direct funding. An audit suggests that political manipulation helps determine which cities receive the program's special breaks.

- **1993:** HUD starts bringing legal action against mortgage lenders that decline higher percentages of minorities for loans than whites. As a result, lenders begin lowering their lending standards, which is another contributing factor to the housing meltdown of 2007 and 2008.

- **1993:** Congress authorizes the Urban Revitalization Demonstration Program, or HOPE VI, to provide public housing revitalization grants to local governments. The program seeks to replace failed high-rise public housing projects with low-rise, mixed-income housing.

- **1994:** Deborah Dean, executive assistant to former HUD Secretary Samuel Pierce, is sentenced to 21 months in prison on 12 counts of corruption, bribery, and perjury. An independent counsel investigation into HUD activities under Pierce yields 16 convictions, including those of three former HUD assistant secretaries.
• 1995: The “Blueprint for Reinvention” proposes reforms to HUD, but several years later HUD is forced to make $60 billion in “adjustments” to its mismanaged books in order to reconcile them with Treasury data. HUD’s inspector general notes a “lack of audit trails” at the department. 50

• 1997: HUD Secretary Henry Cisneros resigns after allegations that he lied to the FBI about payments he made to a mistress. Cisneros moves to the private sector and builds a sizable personal fortune in the housing industry, partly based on his government contacts and inside knowledge of HUD. For the taxpayer, the real scandal is that the policies of Cisneros and the Clinton administration helped sow the seeds for the housing bubble and then collapse in 2007 and 2008.

• 1997: HUD Secretary Andrew Cuomo wagers a smear campaign against the department’s inspector general because of her reports that are critical of HUD’s management. 51 Also, Cuomo continues, and expands on, efforts to subsidizing home purchases by people who cannot afford homes, which contributes to the later housing bubble and bust.

• 1998: The Quality Housing and Work Responsibility Act consolidates the Section 8 voucher and certificate programs. 52

• 1999: In response to HUD pressure, Fannie Mae and Freddie Mac ease credit standards to facilitate more lending to low-income and more risky borrowers. A New York Times story presciently warns that this policy change could prompt a government bailout if the economy turns down. 53

• 2002: The Government Accountability Office finds that over just two years (2000 and 2001) HUD made $3.9 billion in improper housing assistance payments. 54

• 2003: President George W. Bush signs the American Dream Downpayment Act, which subsidizes low-income home buyers’ down payment and closing costs. Reminiscent of the failed Section 235 program, even the Obama administration would later dismiss it as “duplicative.” 55

• 2007: Years of special interest-driven policies to subsidize increased home ownership backfire in a profound way as the American housing bubble bursts, dragging down major financial institutions and the overall U.S. economy. 56

• 2008: HUD Secretary Alphonso Jackson resigns in the midst of allegations that he used his official power to benefit friends and Republican Party loyalists. 57 Jackson’s continuation of Clinton era housing policies helped fuel the rise and crash of housing markets on his watch. 58

• 2008: The Housing and Economic Recovery Act creates an independent regulator—the Federal Housing Finance Agency—to oversee Fannie Mae and Freddie Mac. FHFA places the financially beleaguered entities under federal conservatorship and a multi-billion dollar bailout by taxpayers begins. 59

• 2008: The Housing and Economic Recovery Act authorizes a Neighborhood Stabilization Program to issue $3.9 billion in grants to state and local governments for the purchase and redevelopment of foreclosed properties and related activities.

• 2009: The American Recovery and Reinvestment Act authorizes an additional $1.9 billion for neighborhood stabilization. Taxpayers are footing the bill for programs to clean up after the government-caused housing market bubble and collapse.


3 Steven Malanga, “Obsessive Housing Disorder,” City Journal, Manhattan Institute, Spring 2009.

4 B. W. Patch, ”Federal Home Loans and Housing,” CQ Researcher, November 20, 1933.

5 B. Putney, ”Low Cost Housing in the United States,” CQ Researcher, January 24, 1935.

6 ”The Unsolved Housing Problem,” CQ Researcher, November 18, 1936.

7 B. W. Patch, ”Federal Home Loans and Housing,” CQ Researcher, November 20, 1933.

8 B. W. Patch, ”Federal Home Loans and Housing,” CQ Researcher, November 20, 1933.

9 B. Putney, ”Low Cost Housing in the United States,” CQ Researcher, January 24, 1935.

10 B. Putney, ”Low Cost Housing in the United States,” CQ Researcher, January 24, 1935.


See HUD’s official history at [www.hud.gov/offices/adm/about/admguide/history.cfm](http://www.hud.gov/offices/adm/about/admguide/history.cfm).


See HUD official history at [www.hud.gov/offices/adm/about/admguide/history.cfm](http://www.hud.gov/offices/adm/about/admguide/history.cfm).


U.S. Department of Housing and Urban Development, "Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years," March 2000, pp. 4-5.


