

**STATEMENT OF THOMAS T. DEMERY  
BEFORE THE  
HOUSE GOVERNMENT OPERATIONS SUBCOMMITTEE  
ON EMPLOYMENT AND HOUSING**

**May 23, 1990**

Mr. Chairman, today marks my third voluntary appearance before your Subcommittee over the last thirteen months to answer questions concerning matters during my tenure as Assistant Secretary for Housing - FHA Commissioner from October 21, 1986 to January 21, 1989. As in the past, my cooperation and assistance are direct, immediate, and totally forthcoming; offered willingly without the threat or action of a subpoena.

In the time I've had to reflect on these proceedings, I have attempted to put into perspective what I knew concerning the management of the Moderate Rehabilitation Program while at HUD, and what I have learned since leaving HUD by following the testimony before your Subcommittee.

These hearings have been revealing not only for this Subcommittee, the press, and the American public, but for me as well. Testimony by Mr. Gilliam and others has shown how HUD was managed by very few people. Only a small coterie was in charge.

Testimony and documents have revealed how, prior to my October 1986 appointment, during the two years my position was vacant, authority of the Assistant Secretary for Housing was usurped and redirected by and to Hunter Cushing, Deputy Assistant Secretary for Multifamily Housing Programs, and Deborah Gore Dean, Executive Assistant to the Secretary. Mr. Gilliam described how the political machine at HUD was rolling long before I got to HUD in late 1986 and kept rolling with the same small group even after my arrival. Mr. Gilliam, along with others questioned by the Subcommittee as to their political connections at HUD, have stated that I was not part of HUD's political trough. Even inside the Administration, political requests were directed to Mr. Cushing, Ms. Dean, or the Secretary. Discussions with me centered solely on the merits of PHA requests, not political considerations. Even some of those discussions proved to be false as Mr. Gilliam testified that he lied to me about the merits of his request for certificates for Omaha.

How could this political activity have gone on without my knowledge, or if I knew about it why didn't I try to stop it? I hope to answer these questions today. I knew that Mr. Cushing was Deborah Dean's operative. I did not know until last week's hearing, of Mr. Gilliam's close relationship and control of Mr. Cushing. I tried to suspend and fire Hunter Cushing for his overt political actions, poor job performance, and disregard for housing

needs. Both Ms. Dean and Secretary Pierce denied me the necessary authority to do so.

During my first two months as Assistant Secretary for Housing, documentation for Mod Rehab funding decisions consisted of scraps of paper, listing various PHAs, which Ms. Dean would hand me and tell me "the Secretary wants these requests funded." Whenever I challenged her directives, Ms. Dean would question my loyalty to the Secretary. Finally, after only three months on the job, on January 12, 1987, I insisted on a face to face meeting with Secretary Pierce to discuss Mod Rehab Program authority. The meeting was set for January 13, 1987. The agenda included: how the Mod Rehab program was supposed to run, and who, either Demery or Dean, was to direct my Deputy, Hunter Cushing. At that meeting, when reviewing specific Mod Rehab Program funding recommendations, Secretary Pierce wanted to know "who was behind" each Mod Rehab request. At that time, I realized that political considerations were to be a factor in the award of Mod Rehab units as viewed by Secretary Pierce. His responses concerning the question of my program authority centered on the following: 1) the Mod Rehab Program was his to run as he wanted, 2) program authority had not been delegated to me as the Assistant Secretary for Housing, 3) a selection committee comprised of the Undersecretary, (vacant - General Counsel Dorsey would serve as a substitute), Assistant Secretary for Housing, (Demery), and Pierce's executive assistant (Dean), would meet to review future Mod Rehab requests, 4) Pierce would speak through Ms. Dean to this committee, and 5) he wanted me to try and "work it out" with Cushing. Those were my instructions from this six-year sitting Cabinet Secretary. These instructions were reiterated in a January 13, 1987 Dean memo to Secretary Pierce which stated, "You have all the power authorized to the Department. And even when you delegate authority, you still have concurrent authority with the Assistant Secretaries. In other words, it is so much yours - you can't even give it away...OGC can find no document that says you have ever delegated authority over Mod Rehab to anyone. You have sole responsibility for that program." By the Secretary's inclusion of HUD's General Counsel on this committee, I had no reason whatsoever to doubt the legitimacy of those directives.

While assuming the process Secretary Pierce outlined to be proper, I remained unhappy with the meeting's outcome and worked to reform the subjective nature of Mod Rehab selections. It took one year. My reforms were presented to and approved by Secretary Pierce in February, 1988 and became effective with the issuance of my March 25, 1988 memo, totally restructuring the Mod Rehab selection process. Every funding decision and example of political influence which has been discussed during these many months of hearings originated prior to that reform memo and date back to two years before my arrival at HUD. To the best of my knowledge, none of the eighty-eight funding decisions made since March 25, 1988, have been deemed subjective or politically motivated. These actions

represent over 5,000 units funded. As a result of my reforms, I believed then, as I do now, that when I left in January 1989, the Mod Rehab Program was better than I found it.

In 1987, I worked diligently to apply objective criteria to the Mod Rehab Program. Initially, my recommendations to the Selection Committee were based on requests of urban vs. rural PHAs, PHA experience with Section 8 programs, geographic distribution, need and condition of housing stock, area vacancy rates and length of PHA waiting lists. Each of my presentations to the Selection Committee addressed these points. During the fall of 1987, I began to require an administrative record from field offices which included: 1) PHA administrative capability, 2) previous underfunding of assisted housing in relation to other localities, and 3) special purposes as delineated in Section 213 (d)(4) of the regulations. This information assisted in the Mod Rehab selection process and was another attempt at program reform.

Seventy-five percent of the funding decisions contained in the April, 1989 Mod Rehab IG report occurred prior to my tenure at HUD. I did not have the advantage of an IG report, flawed or not, to guide me in overseeing this program. The reins of control for this program were out of my hands. Unlike others who have testified before this Subcommittee or spoken publicly, I was never directed by Secretary Pierce to fund a specific PHA request. He did ask me to give "careful consideration" to a couple of requests which first needed to be reviewed by the Office of Housing prior to funding consideration. He was, however, the final authority for approving all Mod Rehab recommendations. While Ms. Dean was at HUD, for purposes of the Selection Committee, she was directed by Secretary Pierce to represent him and secure his approval on Selection Committee recommendations.

Your hearings have shown how HUD was enmeshed in a classic byzantine management structure which included shifting alliances, manipulation, and subterfuge; all of which was well ensconced long before my arrival as Assistant Secretary for Housing. Because of this, I could only accomplish reform incrementally. First, developing objective criteria, then requiring an administrative record, and finally, wholesale restructuring of the selection process.

Thank you for the opportunity to share my thoughts. I am ready once again to answer any questions you may have.