

**Testimony of the South Suburban Housing Center to the Illinois Advisory
Committee to the U. S. Commission on Civil Rights
Briefing on Fair Housing Issues**

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South Suburban Housing Center (SSHC) is the private not-for-profit fair housing enforcement and comprehensive housing counseling agency that has served the south Chicago metropolitan area for 44 years. SSHC is both a HUD recognized Qualified Fair Housing Agency and an approved Housing Counseling Agency. On February 26, 2019, SSHC was given the 2019 Housing Counseling Agency of the Year Award distinction by the Illinois Housing Development Authority at the Governor's Conference on Affordable Housing.

SSHC's historic fair housing enforcement monitoring experience and the analysis of demographic and mortgage lending data over the last several decades document: 1. south suburban communities where historic patterns of discriminatory housing practices have resulted in racially segregated, predominantly African-American communities; 2. the clustering of high-cost, predatory sub-prime lending and consequent high concentrations of default/foreclosures in these localities; 3. heightened levels of distressed and abandoned homes; 4. the segregation of housing choice voucher families; 5. increasing patterns of racial tensions and hate crime incidents developing in predominantly white communities in close proximity to the south suburbs; and 6. significant levels of discrimination against disabled individuals, including violations of Fair Housing Act's accessible design and construction requirements for multi-family buildings.

Segregated Housing Patterns Display Strong Correlations with the Fair Housing Impediments

The racial, ethnic, and other demographic characteristics of nearly 60 suburban communities that make up SSHC's primary service area, the "South Suburbs" and the

“Southwest Suburbs,” display two distinct living patterns. The 34 communities directly south of Chicago from the Indiana border on the east, to approximately Interstate 57 on the west, and Will County on the south, are generally known as Chicago’s “South Suburbs.” These communities have a collective overall population estimated by the U.S. Census Bureau of 432,932 which is majority African-American at 62.4% and 21.2% White.¹ The percentage of Hispanic residents (any race) is 13.9% and all other racial groups are less than three percent. During the decade of the 1990s, the White population of this area shrank dramatically from a majority of 62.6% in 1990 to 37.6% by 2000. The region lost over 96,000 White residents while increasing its African-American population by over 86,000. When analyzed on a community by community basis, this area contains the widest spectrum of long-term diverse, changing, and segregated housing patterns found anywhere in the Chicago metropolitan region.

The 24 communities directly west of the South Suburbs is an area of suburban Cook County generally known as the “Southwest Suburbs.” These communities have been traditionally perceived to be “closed” to African-Americans who comprise, only 6.1% (28,753) of the 474,719 total municipal inhabitants. The Village of Tinley Park, the second largest community in this area, was the defendant in a recent Fair Housing Act violation complaint alleging race discrimination brought by the U.S. Department of Justice for the Village Board’s action to block the construction of an affordable housing complex after

¹ U.S. Census Bureau, American Community Survey data obtained and analyzed by SSHC on November 26, 2018, through searches at American Fact Finder, <http://factfinder.census.gov>, for this and all subsequent references to the U.S. Census in this section.

initial approval by its Planning Commission.² The Southwest Suburbs' Hispanic population of 60,361 (12.7%) more than doubles the African-American population. Since the 2000 U.S. Census, the minority African-American, Hispanic (any race), and all other race numbers maintained nearly the same percentage of the total population as the most current estimated census data indicates.

The jurisdiction that encompasses most of the proposed project area, Cook County, Illinois, released its last required Analysis of Impediments to Fair Housing Choice in September 2012. Recognized impediments to fair housing cited by the analysis, and directly addressed by this proposed project, include: 1) Highly segregated communities in the county; 2) Members of protected classes denied mortgages at higher rates; and 3) The housing crisis and recession having disproportionately impacted members of the protected classes.³

SSHC's fair housing testing program results have revealed that individuals in the home buying market have been historically steered by race. Statistical data from the program shows that African-Americans seeking to purchase homes in the SSHC service area are likely to be steered or offered options in communities that are already racially diverse or

² *United States v. Village of Tinley Park, Illinois*, 16 CV 10848 (N.D. Ill., 2016). The complaint was resolved through entering of a Settlement Agreement on August 23, 2018, requiring the southwest suburban Village to adopt a Fair Housing Policy, obtain fair housing training, designate a Fair Housing Compliance Officer, comply with record keeping and reporting requirements and pay a civil penalty of \$50,000.

³ Applied Real Estate Analysis, Inc., *Analysis of Impediments to Fair Housing Choice for Cook County, Illinois*, (September 17, 2012), pp. 100-122, (Note: this is the latest AI adopted by Cook County) <http://blog.cookcountyil.gov/economicdevelopment/wp-content/uploads/2013/02/Analysis-of-Impediments-to-Fair-Housing-Choice.pdf>.

that are majority Black. It was in these communities where predatory lending practices were concentrated and later, hardest hit by the foreclosure crisis. By the late 1990s, complaints received by SSHC's fair housing compliance program and studies conducted by the Chicago based National Training and Information Center, indicated a sharp increase in predatory lending practices throughout the Chicago metro region. During the years leading up to the mortgage foreclosure crisis, incidents of subprime mortgage lending were also being concentrated in the South Suburbs and the Chicago area's predominantly African-American neighborhoods.

The resulting mortgage foreclosure crash had devastating effects on the housing markets in many south suburban communities where the correlation between the clustering of high cost subprime lending, high rates of default/foreclosures, and areas of substantial minority populations is extremely dramatic. For a four year period (2009-2012) at the height of crisis, south suburban Cook had the highest rate of foreclosure, significantly higher than the rate in the City of Chicago. This pattern has continued during 2016, where foreclosure filings rates in the south Cook County were the highest in the Chicago metro area, twice the average rate for the City of Chicago and Cook County as a whole.⁴ In 2018, the top 5 municipalities, Country Club Hills, Glenwood, Olympia Fields, Hazel Crest and Dolton (of the 132 total in Cook County), with the highest rates of foreclosure, are all in the South Suburbs.⁵ The average rate of foreclosure in these communities of 1 in every 191 homes is nearly five times the average rate in County Cook of 1 in every 943 homes. While

⁴ DePaul Institute for Housing Studies, (2017), Calculators of Data from Cook County Circuit Courts and Property Insight Record Information Service, <https://www.housingstudies.org/dataportal>

⁵ RealtyTrac, <https://www.realtytrac.com/statsandtrends/foreclosuretrends/il/cook-county> (October, 2018)

foreclosure filings overall in Cook County have been declining in the recent years, foreclosures resulting in vacant, bank owned REO properties, have steadily increased in the south suburban region from 2013-2015.⁶

This increase in foreclosed property volume in south suburban communities of color has contributed significantly to the increase in vacant property inventory, resulting in maintenance and distressed property issues. Vacant and abandoned properties have destabilizing effects, decreasing property values and increasing crime in the surrounding community. Distressed homes, in the most severe cases of disrepair, have been estimated to cost municipalities up to \$20,000-\$34,000 per property. Discriminatory practices by mortgage lenders responsible for marketing and maintaining abandoned foreclosed REO properties in these communities add to this pattern of distress. SSHC's fair housing enforcement program has been investigating these differences for the last several years and is a party to six pending Fair Housing Act complaints filed by the National Fair Housing Alliance against Fannie Mae, and several other national mortgage lenders and their field agents.

SSHC's Efforts to Address Impediments to Fair Housing Through Comprehensive Educational Program Activities Complementing Enforcement Activities

SSHC's programs provide educational outreach, group training, and advocacy to prevent

⁶ South Suburban Mayors and Managers Association (May 2016) analysis of 2013, 2014 and 2015 data on south Cook County, IL foreclosure filings obtained from Public-Record. com, <http://www.public-record.com>.

households from becoming victimized and assist families already exploited to recover from their mortgage distress. These programs also provide access to grants to remedy mortgage distress for households from SSHC's Inclusive Communities Fund in 30 of the south suburban communities of color hardest hit by foreclosure concentrations. Where appropriate, SSHC will be able to directly assist clients alleging violations of the Fair Housing Act, fair lending, and Consumer Finance Protection Bureau, protection laws to receive legal enforcement support through its ongoing enforcement project. The collective specialized experience in mortgage delinquency issues of SSHC's staff allows for effective advocacy on loan workout, modification, refinance, and other foreclosure prevention options for the aggrieved families. SSHC staff can also negotiate with the mortgage lenders to advocate for successful resolutions, aided by monetary grants from the Inclusive Communities Fund for households victimized by previous discrimination, and subsequently threatened with the loss of their homes. This specialized staff unit is set to perform group education and outreach presentations on all types of mortgage fraud, and mortgage modification scam awareness.

SSHC's current fair housing enforcement and affirmative housing counseling programs are all designed to deal with impediments to fair housing directly and to promote diversity through expanding housing choices. SSHC staff work with clients individually to expand options that include the total marketplace and avoid any limitations based on race or other protected status. They also provide education to counteract the discriminatory forces that are contributing causes of the default/foreclosure crisis.

SSHC has implemented full service fair housing enforcement programs receiving HUD Fair Housing Initiatives Program funding for nearly thirty years. SSHC's enforcement program works hand in hand with its counseling programs to provide fair housing (including fair lending), predatory lending, mortgage fraud, and mortgage rescue fraud awareness training and information at all group and individual counseling sessions held. Last year, SSHC provided services to 610 households making them aware of potential discriminatory practices. One of the major objectives of these educational efforts is providing information that will prevent households from becoming trapped in predatory lending scams, avoid default, foreclosure, and mortgage rescue scams.

Despite these enforcement and educational efforts, SSHC struggles to handle the demand in the South Suburbs to assist mortgage distressed households victimized by the historic discriminatory housing patterns. This service area has become particularly susceptible to mortgage rescue and modification assistance scams; distressed homeowners are regularly solicited by "mortgage rescue consultants" and attorneys who offer various services for hefty upfront payments to resolve their mortgage delinquency problems. In all cases SSHC has experienced, the services offered by the scammer can be achieved free of charge from a HUD-approved counseling agency. Our experience also shows once the scammer receives payment from the distressed mortgagee, they perform little or no work and in some cases just disappear.

Distress caused by concentrations of abandoned properties have dramatically decreased single family property values in majority African-American south suburban communities

by as much as 60%-80% of their median value prior to the beginning of the foreclosure crisis in 2006.⁷ A local Public Broadcast Service news program in 2016 featured SSHC staff in its report on the foreclosure distress conditions of affected South Suburban communities.⁸ The predominantly African American south suburban City of Harvey, once the economic engine of the area, is focused upon in this report because the housing values there have dropped 80% since the pre-crisis years.

Racial tensions and violence have erupted in predominantly white southwest Chicago neighborhoods and communities in or adjacent to our service area during the last year. Outreach activities are proposed to provide support to identify and assist injured parties and complement enforcement monitoring, taking action to expose what has become common place or “accepted” discriminatory behavior in these exclusionary communities.

A continuation and expansion of activities to remedy the distress caused by the concentration of foreclosures in south suburban communities of color victimized by discriminatory lending practices is being implemented in the current program year. These education and advocacy efforts are urgently needed for homeowner recovery in majority African American communities to keep these households from being further mistreated by mortgage modification, seller financed mortgage, and short sale scams. Ongoing

⁷ Janssen, Kim (March 26, 2016) *Seven Years after the Great Recession, some Chicago suburbs may never recover*, Chicago: Chicago Tribune, <http://www.chicagotribune.com/business/ct-suburban-housing-slump-0327-biz-20160324-story.html> and Williamson, Lauren (April 2016) *What Your House is Worth: the Latest Price Data for 74 Neighborhoods and 228 Suburbs*, Chicago: Chicago Magazine, <http://www.chicagomag.com/Chicago-Magazine/April-2016/chicago-neighborhoods/home-condo-prices>

⁸ Bury, Chris, (May 5, 2016) *In The Loop: Another Foreclosure Crisis?* Chicago: PBS/WYCC, <https://www.youtube.com/watch?v=cjbEbJgvITk>

assistance to advocate for workout plans with cooperating lenders will bring about long term solutions.

The impacts of these activities on distressed homeowners and the communities where they live will be profound. For the individuals, the primary objective is to keep victims of potentially discriminatory practices in their homes through the provision of fair housing enforcement, housing counseling, monetary assistance, and advocacy activities. Aggrieved households will potentially be saved the anguish of being uprooted from their homes through foreclosure and the disruption of their employment, children's attendance at the local schools, and ties developed with neighborhoods and community institutions. For every foreclosure prevented by these activities, the local municipal tax base will be spared the problems associated with collecting tax revenues from a vacant property, and the depreciation of values in surrounding properties. The net effect of a foreclosed property on the values of homes on the same block in the Chicago area has been estimated at a cumulative decrease of over \$150,000 per foreclosure. With this loss of property value and wealth to individual homeowners, the community tax base is gravely affected, resulting in decreased resources to maintain adequate levels of municipal services. Decreased property values trap homeowners in communities of color, who may not be behind on their payments, in "underwater" mortgages that they cannot get out of, denying them mobility and maintaining segregation. High concentrations of "negative equity" mortgages ranks the Chicago area nationally as the major metro area with the highest share of homeowners

who can't afford their next move (15.5%). The national average for underwater mortgages is 9.1%, while the rate in the South Suburbs is nearly 30%.⁹

Policy Recommendations to Address Fair Housing Challenges of the South Suburbs as They Relate Nationally

- Continuation of federal mortgage distress relief to communities of color where mortgage market recovery has been stymied by historic patterns of discriminatory activity.
- Reinvestment in dwindling fair housing enforcement infrastructure by increasing funding of the Fair Housing Initiatives Program (FHIP) for private agencies, the Fair Housing Assistance Program (FHAP) for state and local government agencies, and substantially more full-time employees for HUD's Office of Fair Housing and Equal Opportunity whose staffing is at a historic low and not adequate to effectively enforce Fair Housing Act protections.
- Leave the current Disparate Impact Rule as it pertains to enforcement of the Fair Housing Act and Affirmatively Furthering Fair Housing Rule adopted in 2015 alone, as authority provided by both are central to the continuation of effective fair housing enforcement and addressing impediments to fair housing at the local level.

⁹ Rodkin, Dennis (June 1, 2018) *A Third of Chicago Borrowers Can't Afford to Move*, Chicago: Crain's Chicago Business (citing Zillow Report released May 30, 2018) <https://www.zillow.com/research/negative-equity-20080/>.