



Connecticut
Fair Housing Center

real estate owned

REO PROPERTY MAINTENANCE AND THE FAIR HOUSING ACT

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*Dead animals in property
squatters
illegal activities*

Summary of Issue: Discrimination in REO (Real Estate Owned) Maintenance

The Connecticut Fair Housing Center ("the Center") has been investigating REO ("real estate owned") properties owned by, among others, US Bank and Bank of America ("BOA") in the greater New Haven and Hartford areas since June 2013.

Using an evaluation tool created by the National Fair Housing Alliance ("NFHA") and approved by HUD, the Center has evaluated nearly 100 properties in neighborhoods of color and in white neighborhoods.

The evaluation criteria gave the properties grades. Properties were marked down for things like trash in yards, unsecured doors and/or windows, overgrown shrubbery, evidence of unauthorized occupancy and use of the home for illegal purposes.

The Center's findings, like those of other fair housing centers around the country, indicate that the majority of properties in minority neighborhoods received a grade of "D" or below while the majority of properties in white neighborhoods have received a grade of "B" or above.

The deteriorating properties in majority minority communities are nearly impossible to market, and when they are sold, are often sold to speculative buyers, rather than community members or first time homeowners, since the cost of restoring and rehabilitating them is unaffordable.

Neighbors of these properties also suffer, not just in decreased property values, but the neglect can bring squatters, illegal activity and/or vermin and rodents. The longer these properties sit empty, the more they cost the cities in lost tax revenue and increased police presence.

How to Address This Problem

Last year, NFHA and other local fair housing groups filed administrative complaints with HUD against BOA and US Bank alleging that by maintaining properties in white neighborhoods but not neighborhoods of color, US Bank and BOA violated the federal Fair Housing Act. NFHA amended its complaint against BOA in September 2013 to add additional cities. The complaint was amended again on November 14, 2013. New cities will be added to the BOA complaint in January 2014 and to the US Bank complaint in February.

The parties are asking that BOA and US Bank repair the damage they have caused to the nation's cities by providing funding to the local fair housing centers that can be used to rehabilitate REO properties, revitalize neighborhoods, and make these cities desirable places to live.

Similar complaints against Wells Fargo were settled in the spring of 2013 for \$27 million dollars. The agencies participating in that complaint will work in 19 cities to foster homeownership, assist with rebuilding neighborhoods of color impacted by the foreclosure crisis, and promote diverse, inclusive communities.

To date, BOA and US Bank continue to insist that they have done nothing wrong and have no obligation to maintain the properties that are the subject of the complaints.

Next Steps

The Center is meeting with community members including elected officials, individuals representing city and state agencies who have jurisdiction over community development funding, community organizations, and individual community members to develop a plan of action to address the REO crisis in Connecticut.

The plan will include public pressure on the banks to remedy the problems caused by their neglect, a list of homes that can be saved, resources that can be used to save the homes identified, the cost of saving the homes, and a timeframe for putting the plan into action.

Municipalities have an important role to play in addressing the REO issue. To assist in this effort, municipalities can:

- Compile a list of REO properties by banks that own the property;
- Ask Boards of Health or local sanitary code officers to inspect the properties for problems that would affect the marketability and/or rehabilitation of the properties;
- Once a list of violations has been compiled for a property, move aggressively to enforce remediation orders;
- Place liens on properties to reimburse the municipality for the costs of remediation;
- Enforce liens through foreclosure if the property is not kept up to code;
- Work with the Center to evaluate REO properties;
- Work with the Center to map REO properties and signs of a deteriorating neighborhood such as crime, gang activity, and falling home prices;
- Put public pressure on the banks to remedy the problems caused by their neglect;
- Gather a list of public and private resources that can be used to save homes including private non-profits, for-profit developers, and public and private funding sources.