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The infamous practice of contract selling is back in Chicago

Wall Street-backed firms are duping would-be homebuyers, 50 years after Martin Luther King Jr. and west-side activists fought against housing discrimination.

By Rebecca Burns  @rejburns



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When Carolyn Smith saw a for sale sign go up on her block one evening in the fall of 2011, it felt serendipitous. The now 68-year-old was anxiously looking for a new place to live. The landlord of her four-unit apartment building in the city's Austin neighborhood was in foreclosure and had stopped paying the water bill. That month, she and the other tenants had finally scraped together the money themselves to prevent a shutoff and were planning to withhold rent until the landlord paid them back. Exhausted with this process and tired of dealing with "slumlords," Smith wanted to buy a home in the neighborhood to ensure that she, her mother, Gwendolyn, and their dog, Sugar Baby, would have a stable place to live. But due to a past bankruptcy, Smith thought she would never be able to get a mortgage. So when she saw a house on her street for sale with a sign that said "owner financing," she was excited. The next morning, she called the number listed and learned that the down payment was just \$900—a sum she could fathom paying. "I figured I was blessed," she says.

Her good fortune continued. A man on the other end of the line told her she was the very first one to inquire. The seller, South Carolina-based National Asset Advisors, called her several more times and mailed her paperwork to sign. Smith says she never met in person with anyone from National Asset Advisors or Harbour Portfolio Advisors, the Texas-based company that owned the home. But she says the agents she spoke with assured her that her credit was good enough for the transaction, despite the past bankruptcy. Next, they gave her a key code that allowed her to go in and look at the house, explaining that she'd be purchasing it "as is." Smith thought the two-flat looked like a fixer-upper—the door had been damaged in an apparent break-in, and there was no hot-water heater, furnace, or kitchen sink—but given her poor luck with apartments of late, she felt she couldn't pass up the chance to own a home. Both she and her mother, now 84, had been renting their whole lives; after pulling together the down payment, they beamed with pride when, in December 2011, they received a letter from National Asset Advisors that read "Congratulations on your purchase of your new home!"

But within a year, Smith discovered that the house was in even worse shape than she'd realized. In her first months in her new home, Smith estimates that she spent more than \$4,000 just to get the heat and running water working properly, drinking bottled water in the meantime. Then the chimney started to crumble. Smith would hear the periodic thud of stray bricks tumbling into the alleyway as she sat in her living room or lay in bed at night; she began to worry that a passerby would be hit in the head and soon spent another \$2,000 to replace the chimney. Public records show that the house had sat vacant earlier that year, and the city had ordered its previous owners to make extensive repairs.

Had Smith approached a bank for a mortgage, she likely would've received a Federal Housing Administration-issued form advising her to get a home inspection before buying. But as far as she recalls, no

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The documents Smith signed with Harbour and National Asset Advisors required her to bring the property into habitable condition within four months, and with all the unexpected expenses, she soon fell behind on her monthly payments of \$545.

Smith's retirement from her job as an adult educator at Malcolm X College, in the spring of 2013, compounded the financial strain. Living on a fixed income of what she estimates was around \$1,100 a month in pension and social security payments, she fell further behind, and the stress mounted.

"When we got to be two months behind, they would call me every day," she remembers.

National Asset Advisors also began sending her letters threatening to evict her. That's when Smith had a heart-stopping realization: She hadn't actually purchased her home at all. The document she had signed wasn't a traditional mortgage, as she had believed, but a "contract for deed"—a type of seller-financed transaction under which buyers lack any equity in the property until they've paid for it in full. Since Smith didn't actually have a deed to the house, or any of the rights typically afforded home owners, she and her mother could be thrown out without a foreclosure process, forfeiting the thousands of dollars they'd already spent to rehabilitate the home.

"I know people always say 'buyer beware'" she acknowledges. "But I'd never had a mortgage before, and I feel like they took advantage of that."



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Carolyn Smith in her Austin home

ZAKKIYAH NAJEEBAH

What felt like a private nightmare for Smith has been playing out nationwide in the wake of the housing market crash, as investment firms step in to fill a void left by banks, now focused on lending to wealthier borrowers with spotless credit histories. In a tight credit market, companies like Harbour, which has purchased roughly 7,000 homes nationwide since 2010, including at least 42 in Cook County, purport to offer another shot at home ownership for those who can't get mortgages. Such practices are increasingly common in struggling cities hard hit by the housing crash. A February 2016 article in the *New York Times* titled "Market for Fixer-Uppers Traps Low-Income Buyers" examined Harbour's contract-for-deed sales in Akron, Ohio, and Battle Creek, Michigan. The *Detroit News* has reported that in 2015 the number of homes sold through contract-for-deed agreements in the city exceeded those sold through traditional mortgages.

But the practice of contract selling is especially notable in Chicago, where out-of-state investors are reprising an infamous practice that once targeted African-Americans on the city's south and west sides. In the mid-20th century, contract selling by small-time speculators flourished in Chicago as the result of banks' refusal to make mortgage loans in black communities—a policy known as redlining. By one estimate, 85 percent of homes purchased by black Chicagoans in the 1950s were sold through contracts rather than traditional bank mortgages. When Martin Luther King Jr. arrived in Chicago in 1966 to combat the rampant discrimination in the

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"We are tired of being lynched physically in Mississippi, and we are tired of being lynched spiritually and economically in the north," King told a crowd at Soldier Field on July 10, 1966. "We are tired of paying more for less."

The next year, African-American home buyers came to the same conclusion when they began to organize the Contract Buyers League, which went on to launch a series of dramatic payment strikes and a pair of groundbreaking federal lawsuits. These campaigns helped drive a wave of new civil rights legislation, while broader activism against housing discrimination in Chicago helped bring about the landmark 1968 Fair Housing Act. Yet 50 years after buyers first organized to fight the practice, contract selling is back.

This time, as the *New York Times* has reported, it's large firms—many of them formed following the foreclosure crisis and helmed by Wall Street veterans—that are selling large numbers of houses on contract. The companies have attempted to give the old practice a new spin. South Carolina-based Vision Property Management manages more than 5,500 homes nationwide and, with its associated companies, has purchased at least 330 in Cook County. The company emphasizes its role in reducing blight, operating under the slogan "restoring America's neighborhoods."

But an investigation by the *Chicago Reader* and the Investigative Fund has found that while contract-for-deed deals can be immensely profitable for the investors who have flocked to them, they rarely pan out for would-be home buyers.

It's impossible to determine exactly how frequently such sales take place, because the state of Illinois doesn't require them to be registered publicly—individual sellers have for years used contracts for deed to sell small numbers of homes on terms that may be disadvantageous for buyers. But through a review of Cook County deeds records and interviews, the *Reader* identified three out-of-state companies that began selling homes through contract-for-deed agreements in Chicago in the wake of the foreclosure crisis: Harbour Portfolio Advisors, Vision Property Management, and Battery Point Financial, a New York-based company founded by a former Goldman Sachs mortgage trader that has attracted a reported \$40 million in private equity funding. Copies of the contracts, obtained by the *Reader* and reviewed by housing experts and lawyers, reveal that they share key similarities that may stack the deck against customers from the get-go. All three companies identified in the research require customers to purchase properties "as is" and make all repairs in addition to paying property taxes and home owner's insurance. Despite assuming the responsibilities of home owners, customers are not granted the same protections. According to federal regulations established by the Consumer Financial Protection Bureau (CFPB) in 2013, banks can't foreclose on home owners until they're 120 days delinquent on their mortgage payments. Under Illinois law, banks must also sue for foreclosure in court. But contract sellers, according to the agreements, can often declare a customer in default as soon as she misses a single payment.

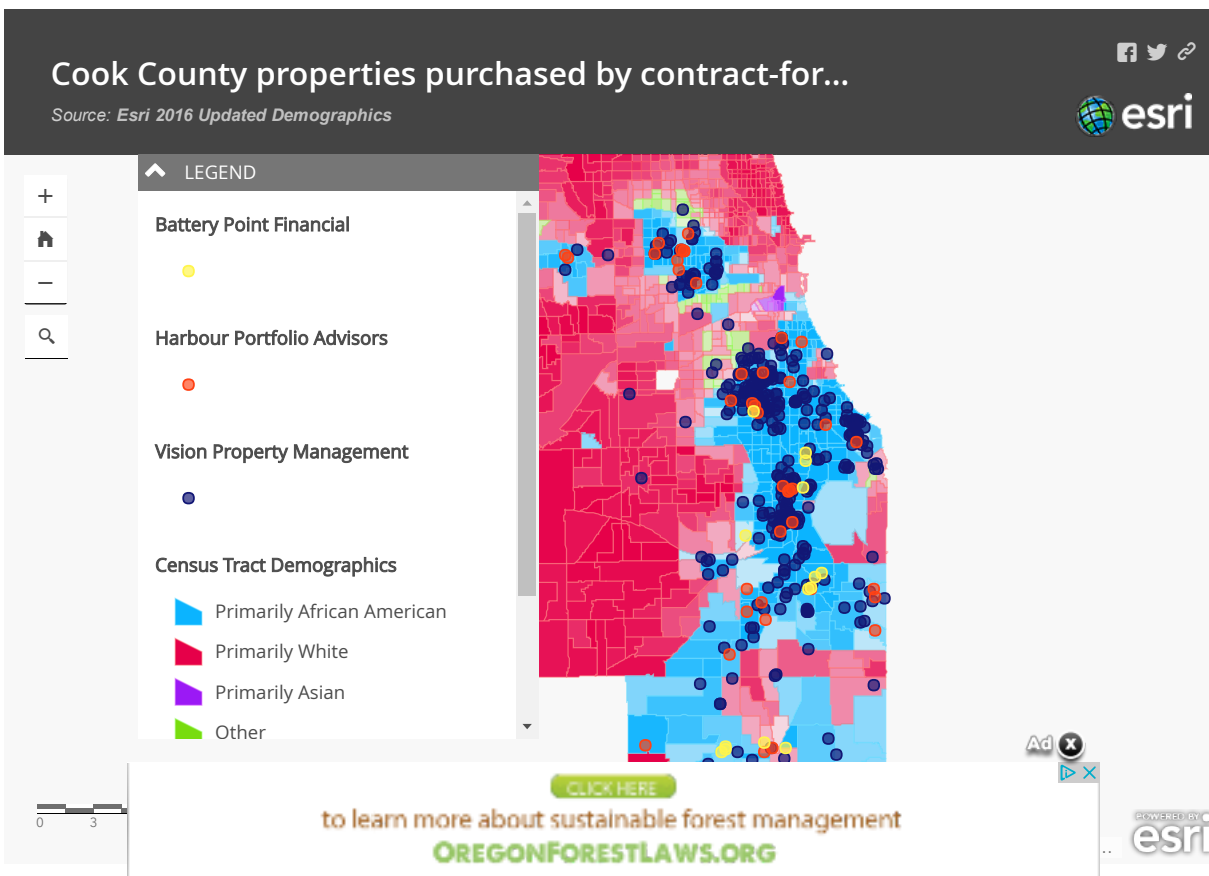


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well as, in many cases, the home's estimated value. According to the agreements obtained by the *Reader*, all three companies charge interest rates of between 8 and 10 percent—roughly double the current interest rate for a standard federally backed bank loan. Over the course of one 30-year contract-for-deed agreement we examined, a buyer could pay upwards of 35 times more for a home than the seller paid to acquire it; if successful, Smith would pay more than 200 times more for her home than the seller paid. Many customers, like Smith, may fail to make monthly payments or fall behind on taxes and repairs long before that point.

The *Reader's* investigation also suggests that contract-for-deed sales continue to take place overwhelmingly in communities of color. A search of public records revealed at least 380 properties in Cook County purchased by Harbour, Vision, Battery Point or associated limited liability companies since 2009. While this amounts to a fraction of the roughly 430,000 sales of residential properties that have taken place in Cook County since 2009, the growing prevalence of contract sales—and their concentration in communities still struggling to recover from the housing crash—raises alarms. According to the most recent available U.S. Census data, Cook County is about 24 percent African-American and 25 percent Hispanic or Latino. Yet according to an analysis of our data provided by the mapping and spatial analytics technology firm Esri, more than 90 percent of the properties identified were in majority-nonwhite census tracts. In addition, more than three-quarters were in majority-black census tracts—including 87 percent of properties associated with Battery Point, 76 percent of those associated with Harbour, and 79 percent with Vision.



Cook County properties purchased by contract-for-deed sellers since 2009. [Click here for a full-screen version of the map.](#) [Click here for more information on how the U.S.Census tracks race and ethnicity.](#)

The distinctly racialized nature of this trend alarms housing advocates, who say that it perpetuates a cycle of predatory lending in communities of color. This is remarkably similar to what happened during the era of redlining, when black migrants from the south were left at the mercy of housing speculators, says Odette Williamson, a staff attorney at the National Consumer Law Center (NCLC) and the coauthor of a July 2016 report about contract selling. "Having these big players enter the markets changes the dynamics and makes it more likely that [contract sales] will be more aggressively marketed to folks who have little or no other options," Williamson says.

One of the biggest problems, say consumer advocates, is that many would-be home buyers, like Smith, don't realize they're entering into a type of transaction that carries few protections. In some cases, this may be the result of intentional deception: "Virtually every person I've talked with who dealt with Harbour thought they were becoming a home owner with a mortgage like any other mortgage," says Sarah Bolling Mancini, another NCLC attorney. "All of Harbour's . . . communications are designed to give that impression."

Harbour didn't respond to a list of questions, but in an e-mailed statement a representative said it was the company's "mission [to] set our customers up for success."

"We are proud of the role that Harbour has played in rebuilding communities following the 2008 mortgage crisis," the statement read. "Harbour provided families with an opportunity to obtain a home, potentially improve their credit and create wealth for themselves and their children. . . . We cannot understand the negative views by certain media outlets when the majority of our buyers have benefited so much more than had they been forced to remain renters for life. We do everything possible to work with our borrowers in the event that they become delinquent on their payments. Moreover, we want to make sure our buyers are afforded every possibility to stay in their homes and whenever possible assist them to obtain conventional credit."

National Asset Advisors also declined to answer questions, but a company spokesperson provided a statement defending the legality of its agreements for deed. (Sellers may also refer to contracts for deed as "agreements for deed" or "land installment contracts.")

"Agreements for Deed provide consumers who might not otherwise qualify for a traditional mortgage with the opportunity to purchase a home," the statement reads. "These lawful transactions have existed for many decades and are regulated by the states."

Vision Property also declined to answer questions, but in an e-mailed statement defended its practices.



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not qualify for a traditional mortgage. There are advantages and risks to a lease agreement, and we fully advise customers of both. When unforeseen circumstances arise and customers find themselves unable to make their lease payments, we make best efforts and work extensively to help keep them in their homes."

Battery Point Trust president Jeremy Healey says his company's agreements are "unique in providing the customer with the benefits of homeownership while eliminating a number of the issues associated with more traditional land contracts." These so-called residential installment contracts, Healy says, may allow customers to recoup their equity in the home in the event of a default.

But these reassurances don't sway consumer advocates—or regulators. In September 2016, the CFPB launched an ongoing investigation into whether Harbour and National Asset Advisors may have violated federal truth-in-lending laws. Advocates such as Bolling Mancini applaud this move. But it comes at an uncertain time for the consumer watchdog agency, which after years of attacks by the banking industry now finds itself in the crosshairs of the new presidential administration and Republican-controlled Congress. President Donald Trump has signaled that he may roll back many of the regulations created to protect consumers following the financial crisis, pledging in January that they would be "doing a big number" on the Dodd-Frank Wall Street reform law. In a February 3 executive order, Trump instructed the treasury secretary to review the effectiveness of all banking regulators, including the CFPB. By some accounts, the federal agency's track record is impressive: since its creation in 2011, the CFPB has cracked down on predatory practices in mortgage, education, and auto lending, among other areas. But on February 14, Texas senator Ted Cruz beat Trump to the punch by co-introducing a bill to abolish the bureau entirely, promising to "free consumers and small businesses from the CFPB's regulatory blockades and financial activism." The outcome of this showdown in Washington could have a direct impact on consumers—including Smith.



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Ethel Weatherspoon—seen here with a copy of Beryl Satter's 2009 book *Family Properties*—acquired her North Lawndale home in a contract-for-deed sale in 1957. Knowing she and her husband could lose their house “ate away at us,” she says.

ZAKKIYAH NAJEEBAH

Chicago's west side, where Carolyn Smith lives, is quickly becoming a local epicenter of this new wave of contract selling. Fifty years ago, it was also the base of operations for the Contract Buyers League.

Ethel Weatherspoon, 77, is intimately familiar with this history. Since 1957, she's lived in a two-flat in North Lawndale, just three miles from Smith's home. Their stories are similar: After trying unsuccessfully to get a bank mortgage in the 1950s, Weatherspoon and her husband, Joseph, bought a home on contract. Her neighborhood was a frequent target of sellers such as Moe Forman, who sold homes on contract to hundreds of black buyers in the area at an average price markup of 70 percent, according to *Family Properties*, a 2009 book by Rutgers University–Newark professor of history Beryl Satter that chronicles the story of the Contract Buyers League. Satter cites a 1973 *Chicago Tribune* article that characterized Forman and his fellow contract sellers as a force that “moved like a reaper thru north Lawndale . . . leaving behind a wasteland of abandoned buildings, rubble-strewn lots and crushed hopes.”

Beginning in the 1940s, speculators like Forman had found a way to reap immense profits from a then-legal regime of housing

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fleeing white home owners, buy their properties cheaply, and then turn around and sell the homes to credit-starved African-Americans at significantly higher prices. The contract seller would retain the deed to the home until the buyer paid it off—something that almost never occurred, thanks to sky-high monthly payments as well as hidden fees and insurance. Most often, the seller would end up repossessing the home after the buyer missed a single monthly payment, and then begin the process again with a new family.

Thus, during a time when the government actively supported white families in building wealth through home ownership, federal housing policy further immiserated black families. There were in essence "two housing markets—one legitimate and backed by the government, the other lawless and patrolled by predators," wrote Ta-Nehisi Coates in "The Case for Reparations," the 2014 *Atlantic Monthly* article in which he names contract selling as one of the practices through which wealth has historically been siphoned out of black communities. John R. "Jack" Macnamara, a former Jesuit seminarian who moved to Lawndale in 1967 to help launch the Contract Buyers League and amassed a trove of data from African-American home buyers on the south and west sides, estimates that more than \$500 million was "legally stolen" in this fashion from Chicago's black families between 1940 and 1970. (Macnamara says that would be more than \$3 billion in today's dollars.)

Weatherspoon's contract was typical in this respect. She remembers agreeing to pay \$24,000 for the home, or about \$205,000 in today's money. She says she made a modest down payment, followed by monthly installments of \$300, the equivalent of \$2,500 today. She and her husband both made decent wages: he worked for the Chicago Transit Authority; she earned \$1.25 an hour, or roughly \$10.80 in today's money, working for a mail-order catalog company. But in order to make the monthly payments, "we had to sacrifice a lot," she says, skimping on groceries and leaving their children with grandparents in order to work long hours. Although other contract buyers at the time didn't understand that they hadn't truly purchased their homes until they were on the verge of losing them, Weatherspoon and her husband discovered their predicament early on, and knew that if they fell behind they could lose everything. "It ate away at us," she says.

One day in the late 60s, Weatherspoon answered a knock at the door and found herself talking with a young organizer who began asking questions about her home—one of "Jack's scouts" from the Contract Buyers League, she remembers with a chuckle. Weatherspoon was no stranger to social activism; she was the president of her block club and regularly lobbied local aldermen for improved neighborhood services. Some three years earlier, Martin Luther King Jr. had given a speech on her front lawn after one of his landmark fair housing marches—a chance occurrence that left a lasting impression on her. Her husband didn't want to air their financial troubles, but Weatherspoon went to one of the league's meetings in spite of his objections. After hearing other home buyers speak, she decided to

in in then and there

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joined by hundreds of families. Group members withheld their rent each month, putting it aside in an escrow account until the contract sellers agreed to reduce all their payments at once. When the sellers began evicting home buyers for nonpayment, the group would simply assemble and move them back in the next day, Weatherspoon recalls.

By the summer of 1971, this strategy forced contract sellers to renegotiate 155 contracts, reducing each family's remaining payments by an average of \$14,000. The national headlines and documentation produced by the Contract Buyers League also helped push forward new fair-lending legislation. The 1968 Fair Housing Act had prohibited discrimination in the sale and rental of housing; the 1977 Community Reinvestment Act (CRA) additionally required that banks meet the credit needs of all communities where they do business, a measure intended to put an end to redlining. Weatherspoon and her husband finally paid off their home after the strikes helped them secure what she estimates was a \$10,000 decrease in their remaining payments. Her house has since seen four generations of family come and go—most recently her great-grandchildren, who often spend their days in her living room while their parents are at work.

Unfortunately, the wider story of housing discrimination doesn't end there. New civil rights legislation made outright discrimination in lending illegal, but it didn't reset the clock on decades of entrenched segregation or the yawning racial wealth gap. Even absent legalized racial bigotry on the part of lenders or landlords, denying applicants on the basis of collateral or credit history has resulted in higher rates of denial for loans and housing among African-Americans. Thanks to the continued correlation of race and wealth, as well as weak enforcement against intentional racial bias, the CRA and related legislation reduced racial disparities in lending and home ownership during the next two decades, but fell far short of eliminating them altogether. A 1992 study by the Boston Federal Reserve, for example, found that African-Americans were still roughly 60 percent more likely to be rejected for mortgage loans than other borrowers.

Meanwhile, a spree of financial deregulation pushed by Reagan-era conservatives paved the way for the rise of the subprime loan industry in the 1990s. Freed from interest rate caps and bolstered by the new mortgage-backed securities market, new nonbank lenders began to do brisk business, and the number of subprime loans grew by 900 percent between 1993 and 1999. From the get-go, African-Americans and Latinos were approximately twice as likely as whites to receive subprime loans. Persistent lack of access to credit and continued segregation made their neighborhoods a quick-and-easy target for predatory loans. As Coates put it in the *Atlantic*, "When subprime lenders went looking for prey, they found black people waiting like ducks in a pen."

In other words, the fundamental conditions that produced contract selling never changed. "We never really addressed that there is

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had a swing back and forth between no lending and predatory lending."

Few places illustrate this better than hypersegregated Chicago, where, again and again, black and Latino neighborhoods have been hit with the full force of this pendulum. In North Lawndale, for example, Satter notes that the Contract Buyers League's relative success in winning fairer terms for Weatherspoon and her compatriots didn't stop speculators from preying on the next generation of neighborhood residents. By the early 2000s, subprime lenders such as Bank One, New Century, and Countrywide Financial—the now defunct mortgage giant that settled discrimination suits with both the U.S. Department of Justice and the Illinois attorney general's office—were among the top lenders in the neighborhood.

Subprime lenders flooded previously credit-starved neighborhoods with junk loans, a process that came to be dubbed "reverse redlining." By 2006, 37 new mortgages were being initiated for every 100 residential parcels in North Lawndale—the third-highest rate of any neighborhood in the city, according to data from the DePaul University Institute for Housing Studies. Nationwide, more than 20 percent of subprime loans made that year resulted in default, more than five times the rate for prime loans; this resulted in a wave of foreclosures in low-income communities of color. Between 2005 and 2015, nearly 40 percent of the homes in North Lawndale went into foreclosure. In the aftermath of the crisis, the pendulum once again swung back in the other direction and credit dried up almost entirely. By 2011, new mortgages were being originated in North Lawndale at a rate of just 2.9 per 100 parcels, among the lowest rates in the city.

Enter investment firms like Harbour Portfolio Advisors. The devastation of the foreclosure crisis left in its wake the perfect conditions for the return of contract selling—this time by companies flush with investor cash who could scoop up large numbers of cheap, vacant homes and resell them in communities where credit is once again scarce and residents are desperate for stable, affordable housing.

Contract-for-deed sales also offered an attractive loophole from the growing set of regulations on traditional mortgages following the financial crisis. "In the same way that you saw [subprime lenders like] Countrywide get really big in the late 1990s," says David Reiss, research director of the Center for Urban Business Entrepreneurship at Brooklyn Law School, "one of the real attractions for the businesses operating in this space is that they are underregulated."

Between October 2016 and February 2017, the *Reader* canvassed properties owned by Vision or Harbour. Brief conversations with more than a dozen individuals who identified themselves as contract buyers suggest that many, like Smith, saw the unconventional process as their best shot at achieving the American dream. Others said they had already owned and then lost a home through foreclosure and felt that wrecked credit left them few other options.

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In November 2016, a local television station in Green Bay, Wisconsin, aired interviews with two individuals identified as former local employees of Vision, who spoke on the condition of anonymity. "My big problem with the culture [at the company] was that we knowingly manipulated people's bad situations for our own gain," said one individual in the segment. "We sold a considerable amount of houses to people who were making a \$721 [per] month social security check, and with \$228 monthly payments, they had no business living in the house. They obviously didn't have the means to repair it themselves or pay somebody to repair it." The other individual, identified as a former Vision employee who handled deed records and other paperwork, alleged that the company had instructed her to find loopholes to avoid paying sales taxes.

Satter says she wasn't surprised to see contract loans reinvented as a tool of Wall Street. While making predatory loans to African-Americans was once the province of "semi-marginal operators" and individual opportunists, she says, "the subprime mortgage crisis was an example of [lenders] learning that there's an immense amount of money to be made from taking advantage of minority populations. It leaked out into the mainstream."

SLIDESHOW



The Contract Buyers League strikes back

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Since 2008, Wall Street has found no shortage of methods to make hay of the housing crisis it helped precipitate. Hedge funds and private equity firms have bought more than 100,000 distressed mortgages nationwide from banks and federal agencies, often foreclosing on and then renting or reselling the properties, the *New York Times* has reported. Meanwhile, the affordable housing crunch has led some private equity groups to take a turn as landlords: the largest, the Blackstone Group, reportedly has

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Harbour and similar operators also saw an opportunity. Banks were retreating from the housing market, leaving an opening for nontraditional actors to fill soaring demand for affordable housing and credit. At the same time, scores of homes were available at a significant discount from banks and federal agencies scrambling to offload foreclosed properties from their books. The February 2016 *New York Times* article found that, nationwide, Harbour was the largest buyer of homes through Fannie Mae's bulk sales program between 2010 and 2014, paying an average price of just \$8,000 per property. Many need thousands of dollars' worth of work before they are habitable again, but Harbour's contract puts this onus on prospective home buyers.

Take Smith's house, for example. Had she worked with a real estate agent, as most traditional home buyers do, she might have learned that Harbour bought the home from Fannie Mae in 2011 for just \$519. But Smith didn't know this when she signed a contract in December 2011 promising to pay Harbour \$34,025 for the house. Nor did she realize—though the details were given in her multipage contract—that at the 10 percent interest rate charged by Harbour, she would pay a total of \$107,492.40 for the house over the course of 30 years—if she didn't default before then.

Smith isn't alone in facing these kinds of extreme markups. A Vision contract reviewed by the *Reader* obligates the customer to pay \$128,640 over the course of 30 years for a house the company bought the week before for \$5,350. Nor is Smith likely the only contract buyer whose home turned out to be in far worse condition than she'd expected. The city has filed dozens of lawsuits against the companies for violations of the municipal housing code, in many cases ultimately ordering the demolition of a property. Housing advocates worry that contract sellers may be creating a public safety issue by selling dilapidated homes to low-income buyers who may not be able to afford expensive repairs alongside high monthly payments. In 2012, for example, a Minneapolis couple sued Vision, claiming, according to the complaint, that the company had knowingly sold them a home tainted with lead paint and removed a neon-green hazard sticker the city had posted on the front door prior to the purchase. The company settled the suit for an undisclosed amount, according to the *New York Times*.

Moreover, many would-be home owners may end up defaulting before this point, the *Reader's* investigation suggests. Since 2015, Vision and its related LLCs have filed for eviction against more than 40 individuals. While it's not clear how many of the at least 330 properties in Cook County owned by the companies have been sold through contracts for deed, this suggests a default rate of 12 percent at a minimum. The delinquency rate for all residential mortgages, meanwhile, was 4.15 percent as of October 2016. Asked how many contract buyers had successfully completed their payments and obtained the deed to their homes, neither Vision nor Harbour provided the *Reader* with a response. Battery Point Trust's Healey said that none of the company's contracts had been paid off to date but that he expected to see "a significant delivery of deeds

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But NCLC attorney Bolling Mancini, who reviewed the company's contract for the *Reader*, said that "the additional provisions that are not common to most land contracts still do not alleviate all concerns with regard to these transactions." In addition, records show that Harbour and Vision have resold dozens of their properties in Cook County to other companies, a practice that can put contract buyers at risk of losing their homes even if they're current on payments: if no public records of the contract exist, the new company may refuse to honor it. One of the companies that eventually purchased a Harbour home, Z Financial Illinois G Properties, made headlines last year when it unloaded the deeds for several of its properties on a homeless man after the city filed suits seeking to force the firm to rehab or demolish the dilapidated homes.

Public records show that Smith's home, for example, was sold in 2015 to RockTop Partners, a Texas-based firm whose website says it specializes in "real estate assets with title, documentation, or compliance issues." While the company that collects her monthly payments has changed three times, sending her into a maze of paperwork, she has narrowly managed to hang on to her home by scrimping and saving. She's catching up on her monthly payments and no longer receives letters and phone calls threatening eviction.

Smith has since discovered another problem, however. Under her agreement with Harbour, she had been responsible for property taxes, which the company paid on her behalf out of the monthly sum she sent them. But at some point the tax payments lagged behind what was owed, possibly when Smith fell behind on her monthly payments to the company. She says she was never notified that taxes weren't being paid. (The company didn't answer questions about Smith's taxes.) In November 2016, Smith received notice from the city that her unpaid taxes had been purchased at a tax auction. That means she could now lose the house to tax foreclosure.

Even if she manages to avoid that, Smith knows she faces an uphill battle to keep her home. She pulls out her most recent statement and laughs. Thanks to the high interest rate and late fees, five years of payments have barely made a dent in her principal balance. She originally agreed to pay \$34,025. She still has \$33,000 to go.



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Jesuit seminarian John R. "Jack" Macnamara huddles with college students helping him combat inflated property contracts in North Lawndale in May 1968.

SUN-TIMES PRINT COLLECTION

For consumers like Smith, Illinois law offers few remedies. In the event of a default, there's little to stop contract sellers from pocketing all the money a customer has put into payments and repairs and moving on to the next buyer. The state does extend one concrete protection to contract buyers: Those who are more than five years into a contract and who owe less than 80 percent of the original purchase price can't be thrown out without a foreclosure process, explains Daniel Lindsey, an attorney with Chicago's Legal Assistance Foundation who reviewed the three companies' contracts for the *Reader*. But anyone who defaults before then—or finds themselves unexpectedly on the hook for thousands of dollars in repairs—is out of luck. Basic consumer fraud protections do apply—if a company has lied about the condition of a home, for example—but rather than going to court to try to prove this, many contract buyers just walk away.

"It's so fraudulent, it's so unfair," Lindsey says. "Yet it's so hard to get a court to rule that way."

Some other states have marginally stronger laws. An Oklahoma statute, for example, requires that all contracts for deed be treated as mortgages, preventing sellers from declaring forfeiture and evicting residents immediately. But the National Consumer Law

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conducted independently, that contracts be recorded, and that buyers have the right to be refunded money spent on repairs and property taxes in the event that they default. Other advocates have also called on federal agencies like Fannie Mae to stop selling properties to companies accused of deceptive practices until they clean up their acts.

"These companies could make these transactions into something that really gives people a chance at home ownership if they wanted to—they can afford it," Satter concludes. Instead, "it's a totally predetermined situation. . . . It's the cat saying, 'I'm giving the mouse a chance.'"

The NCLC says that the best way to protect consumers is with federal-level protections, which the Consumer Finance Protection Bureau currently has the authority to establish. On February 16, the consumer watchdog won a preliminary battle when a federal judge affirmed its authority to subpoena and investigate Harbour and National Asset Advisors. Harbour had resisted complying with the CFPB's November 2016 demand for documents, arguing in its court filings that the bureau lacks authority to investigate the company because it doesn't offer "credit" as defined under federal law. Instead, the company argued, its arrangement with tenants is more akin to a traditional residential lease. The NCLC's Bolling Mancini says Harbour's argument that it doesn't extend credit "defies plain English," and calls the bureau's initial actions against Harbour "a perfect example of why we need the CFPB as a cop on the beat to protect consumers." Harbour has until mid-March to turn over documents to the agency.

But the outcome of CFPB's investigation of Harbour may not matter much if the Trump administration gets its way. Republicans hope to oust the agency's current head, Obama appointee Richard Cordray, and replace him with someone the current president deems more business friendly. Reportedly on the short list is Brian Brooks, a former vice chairman and chief legal officer for OneWest, a bank accused of widespread foreclosure abuses. Even short of shutting down the consumer agency, as Ted Cruz hopes to do, another bill recently introduced by Republican lawmakers would hand control of its budget from the Federal Reserve to Congress, allowing lawmakers to dramatically limit its size and scope.

The broader regulatory horizon is just as bleak. New treasury secretary Steve Mnuchin is a former OneWest chairman whom housing advocates have dubbed the "foreclosure king." Housing and Urban Development Department secretary Ben Carson has said some fair-housing laws are a failed attempt at "social engineering." Not only have the lessons of the most recent housing crisis gone unlearned, with these and other potential changes, five decades of civil rights advances, insufficient as they were, could now go up in smoke.

Today, when Weatherspoon walks down her street, she can still point out which houses were sold to neighbors on contract a half century

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victim to subprime loans and were forced to move out. She worries that rising property taxes will eventually force her out too, and shakes her head at the idea of another wave of contract selling ravaging the west side. In December 2016, Jack Macnamara convened a meeting to discuss how the Contract Buyers League could be "revitalized" to help the next generation of contract buyers, but Weatherspoon jokes that this time around, she might have difficulty fending off sheriffs and moving furniture back into homes after an eviction. "The girl's not what she used to be," she says.

Most of all, she struggles with how little seems to have changed in the past 50 years.

"Even after you struggle for so long and you win," she says, "it turns out there are still other ways worked out for you to lose." ❏

Rebecca Burns was a winner of the I.F. Stone Award from the Investigative Fund at the Nation Institute.

This story has been updated to clarify the chronology of housing-related activism and reform in Chicago and nationally, and has been corrected to indicate that speculators did not use federally backed mortgages in their contract-for-deed sales.

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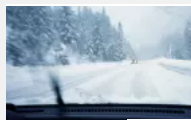
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