



# Lawyers' Committee for Better Housing

*Leading Chicago to Better Housing*

## LCBH 2009 REPORT

### Chicago Apartment Building Foreclosures: Impact on Tenants

#### EXECUTIVE SUMMARY

The foreclosure crisis has received close attention; however, there is insufficient examination of how this crisis has negatively affected tenants who rent units from landlords facing foreclosure. Particularly in urban areas with large rental populations, the impact of foreclosure on tenants has the potential to destabilize entire communities. Tenants are the invisible victims of foreclosure—they are often uninformed of their buildings' foreclosures, frequently face severe violations of their rights, and consequently lose their housing stability.

Through the creation of the Tenants in Foreclosure Intervention Project (TFIP), the Lawyers' Committee for Better Housing (LCBH) sought to advocate on behalf of tenants facing the confusion and injustice that often accompanies foreclosure, and to inform tenants, owners, community organizers, and policy makers of tenants' rights during foreclosure. In 2009, TFIP began compiling data regarding foreclosure filings on Chicago's multi-family apartment buildings in order to generate "Weekly Foreclosure Reports on Chicago Rental Housing." The 2009 Report, "Chicago Apartment Building Foreclosures: Impact on Tenants," summarizes what TFIP has learned from working with the data and day-to-day work with tenants and community advocates.

#### FINDINGS

The Report reveals a disconcerting number of multi-family building foreclosures. On average, more than 125 Apartment Buildings in Chicago went into foreclosure each week in 2009. Additionally, the Report discusses the often deplorable living conditions that tenants face during foreclosure, along with severe violations of tenants' rights. This situation is exacerbated by the fact that many tenants, owners, and lenders are unaware of the rights that tenants retain during foreclosure. Furthermore, high rates of foreclosure and REOs [bank-owned properties] are likely to lead to a loss of affordable housing in Chicago, deteriorating the foundation of entire communities.

**Foreclosures on Apartment Buildings in 2009:** The foreclosure crisis is affecting thousands more renters than homeowners in the City of Chicago. In 2009, there were over 4,000 more multi-family building units impacted by foreclosure than single-family and condominium units. Overall, there were 6,560 new multi-family building foreclosures in the City of Chicago. These properties had a total of 20,691 units, averaging slightly more than three units per filing.

**Building Deterioration and Violations of Tenant Rights:** Even tenants in good standing are at risk of losing their housing at every step of the foreclosure process due to unsafe living conditions and threats of illegal lockout. There is a significant period of time during the foreclosure process where owners may have effectively abandoned the property but lenders refuse to take responsibility for maintaining rental units. This lapse in building management essentially leaves tenants, many of whom faithfully upheld their responsibilities as tenants, without any mode of recourse for building code violations and threats to their safety.

**Lack of Awareness about Tenants Rights:** Many receivers, lenders, realtors, and new owners continue to believe that they have no obligation to maintain the property and that they have the right to remove tenants simply because of the foreclosure.

**Communities in Distress:** The bulk of Apartment Buildings and Big Buildings foreclosure filings in 2009 are located in lower-income, minority communities. The data shows high rates of foreclosure and units impacted in historically Black communities such as South Shore and Austin that present a very real threat to community stability. Since buildings in lower-income minority communities are likely to sit vacant longer, the most significant risk to the loss of Chicago's affordable rental stock is likely to be in those communities. Due to the foreclosure crisis, the shortage of affordable housing in Chicago will almost certainly be more severe than previously estimated.

## **ABOUT LCBH**

LCBH has been in operation for 30 years. Its mission is to promote safe, fair, affordable housing, free from discrimination for low-income Chicagoans through legal representation, education, supportive services, and advocacy.

LCBH's Tenants in Foreclosure Intervention Project focuses exclusively on the issues facing tenants living in buildings in foreclosure. TFIP provides tenants with legal representation, informs tenants of their rights and responsibilities during foreclosure, and aids in the search for new housing when necessary. Furthermore, TFIP provides community organizations and tenant advocates with training on the foreclosure process and tenants' rights during foreclosure, along with an early warning system designed to alert them to recently filed foreclosures on multi-unit buildings. TFIP is the only program in the Chicago area that focuses solely on the issues facing tenants in foreclosure.