



LAWYERS' COMMITTEE FOR BETTER HOUSING

LCBH RELEASES 2011 REPORT: THREE YEAR IMPACT ASSESSMENT —APARTMENT BUILDING FORECLOSURES AND THE DEPLETION OF RENTAL HOUSING IN CHICAGO

KEY FACTS ABOUT APARTMENT BUILDING FORECLOSURES FROM 2009-2011:

Apartment Building foreclosure filing rates remain persistently high in Chicago. From 2009 to 2011, more than 50,000 rental units went into foreclosure in Chicago, equivalent to nine percent of the entire rental housing stock. LCBH found that more units in Apartment Buildings were impacted by foreclosure filings than were single-family and condominium units in Chicago, indicating a greater number of renter households affected than owner households.

After tracking Apartment Building foreclosure filings in Chicago for three years, it is apparent that rates of filings within a single year cannot be viewed in isolation. The foreclosure crisis is cyclical in nature: a building that underwent foreclosure in 2009 potentially became a bank-owned building in 2010 and a vacant board-up in 2011. The filing of a foreclosure alone, and more so the building vacancy, drives down property values and depresses the tax base in the surrounding area, contributing to further foreclosures. The compounded impact of several years of alarmingly high foreclosure rates has ramifications for individual households, neighborhoods, and the City as a whole.

- ⇒ There were 4,477 newly-filed foreclosures on Chicago Apartment Buildings in 2011 impacting 13,814 units—about 5,000 more Apartment Building units than single-family and condominium units affected during this same time period.
- ⇒ Of the 2011 foreclosures on Chicago Apartment Buildings, about half (2,134) were filed by only five lenders/servicers: Wells Fargo, Bank of America, Chase, US Bank, and Citi Mortgage; whereas in 2010, about a quarter (1,438) were filed by the top five lenders/servicers.
- ⇒ Of the completed sales in 2011 that matched with newly-filed Apartment Building foreclosures in LCBH's database, 84% resulted in bank ownership.
- ⇒ Over the past three years, 16,941 Apartment Buildings in Chicago went into foreclosure, containing 51,972 units. 76% of these units were in 2-4 units buildings.
- ⇒ Nearly 1 out of every 10 rental units in Chicago has been impacted by foreclosure in just three years.
- ⇒ 31 (about 40%) of Chicago's Community Areas had between 10–23% of their individual rental housing stock impacted by foreclosure from 2009-2011.
- ⇒ On average, over 100 Apartment Buildings in Chicago went into foreclosure each week from 2009-2011.

2011

4,477 Apartment Buildings went into foreclosure within the City; these properties contain approximately 13,814 units

2010

5,904 Apartment Buildings went into foreclosure within the City; these properties contain approximately 17,467 units

2009

6,560 Apartment Buildings went into foreclosure within the City; these properties contain approximately 20,691 units

In this report, LCBH identified four issues resulting from the foreclosure crisis that impact renters, Community Areas, and the City.

ISSUE 1: LACK OF INFORMATION REGARDING RENTERS' RIGHTS DURING FORECLOSURE LEAVING TENANTS SUSCEPTIBLE TO HOUSING INSTABILITY

- ⇒ Renters are often misinformed or simply unaware of their rights during the foreclosure process.
- ⇒ The laws protecting tenants experiencing foreclosure-related issues are routinely violated, resulting in the unwarranted eviction or constructive eviction of untold numbers of tenants.

ISSUE 2: COMMUNITY-WIDE IMPACT OF FORECLOSURES ON APARTMENT BUILDINGS CAUSING COMMUNITY DESTABILIZATION

- ⇒ The Community Areas with the highest numbers of units and buildings impacted in 2011 were also inundated with high foreclosure rates in both 2010 and 2009.
- ⇒ In the Community Area Assessment, LCBH found that 31 Community Areas had over 10 percent of their total rental units impacted by foreclosure from 2009-2011.
- ⇒ The ramifications of exceedingly high foreclosure rates have led to vast building vacancies and building dilapidation, particularly on the South and West sides of the City.

ISSUE 3: VACANT BUILDINGS ARE A CITY-WIDE PROBLEM AND SIPHON SUBSTANTIAL MUNICIPAL FUNDS

- ⇒ Buildings that become bank-owned through the foreclosure sale often end up vacant and lack proper management, leading to a loss of viable rental units and requiring the expenditure of municipal funds and services.
- ⇒ An assessment of LCBH's database revealed that 84 percent of completed sales resulted in bank-ownership.

ISSUE 4: BANKS REFUSE TO KEEP RENTERS IN THEIR HOMES EXACERBATING CHICAGO'S RENTAL HOUSING SHORTAGE

- ⇒ Bank policies and practices drive the foreclosure process, through their control over how aggressively and rapidly they pursue and conclude each foreclosure, and the treatment of renters living in bank-owned properties post-foreclosure.
- ⇒ With fewer banks ultimately putting in place policies that affect thousands of households, there is both the great risk of harm to renters if their policies are widely detrimental; yet there is also great opportunity to impact the rental market through the enactment of policies that reflect community-minded best-practices in REO management.

With rising rent rates that increasingly exceed the cost of home ownership, stagnating household income, and the predicted shortage of housing units, many residents may be compelled to search outside of the City for housing. Clearly, policies must be put in place to ensure that rental units remain available, occupied, and well-maintained. The [report](#) makes recommendations to mitigate the impact of foreclosures on the availability of rental units throughout Chicago.

ABOUT LCBH

Lawyers' Committee for Better Housing (LCBH) advocates for the rights of tenants and to increase and preserve safe, affordable, and accessible rental housing. Since 2008, LCBH's Tenants in Foreclosure Intervention Project (TFIP) has been at the forefront of the foreclosure crisis and is the only project in the Chicago area that offers a full spectrum of legal services for renters encountering the myriad complications caused by the foreclosure of rental buildings. TFIP staff, in addition to providing legal representation and foreclosure counseling to tenants, facilitate trainings and educational workshops about federal, state, and municipal foreclosure law to a variety of stakeholders. These efforts support and enhance the work of both housing counselors and community-based organizations engaged in foreclosure prevention and outreach programs to assist Chicago's renters. For more information about LCBH, visit www.lcbh.org.