

**Civil Society Consultation  
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***Impact of Foreclosures on Desegregation Efforts  
And the Destabilization of Neighborhoods in the Chicago Metropolitan Region***

Tenants residing in foreclosed rental properties in Chicago face significant challenges. During the foreclosure process, many owners disappear leaving tenants in limbo and building conditions to deteriorate. When receivers are appointed they typically are not concerned with maintaining the habitability of the building. Lenders and property managers continue to tell tenants that they must immediately vacate properties when they have a legal right to stay at least 90 days. Tenants also have no assurance that they will receive their security deposits once an owner has gone into foreclosure and abandoned the building.

The first wave of foreclosures that began in 2008 was due in large measure to predatory loan practices which disproportionately affected low-income communities. According to the Institute for Housing Studies at DePaul University study, multi-family foreclosures in Cook County are highly concentrated (at least 3-4 times higher in concentration) in low and moderate income markets, and now that the economic recession has had significant impact on low and moderate income households, the drop in household income has generally worsened rental affordability for families with low and moderate incomes.

According to an unreleased Lawyers' Committee for Better Housing (LCBH) report on multi-unit residential building foreclosures in Chicago, in 2009 there were 6,560 new foreclosure filings designated "commercial" or "apartment building" with at least 1 residential unit. These Chicago foreclosure properties contained a total of 20,691 units, averaging slightly more than 3 units per filing. Preliminary LCBH reports for Chicago in the first quarter of 2010 show multi-unit residential building foreclosure rates continuing at the same pace or higher per month as in 2009.

These findings are consistent with a Woodstock Institute foreclosure report that shows overall foreclosure rates in Chicago still trending upward, with 22,685 foreclosure filings in Chicago in 2009, up 10.2% from 2008 and up 63.5% from 2007. Foreclosure rates in Chicago and the region are expected to continue to increase in 2010, and two new trends in foreclosure filings-- condominium and large multi-unit building foreclosures-- are expected to significantly impact tenants in particular in 2010 and beyond.

Several communities had more than 500 units impacted by foreclosure in 2009.

<b>2009 Total Count by Community</b>	
<b># of Units</b>	<b>Community Area</b>
1370	South Shore
1289	Austin
923	Humboldt Park
719	Englewood
711	Chatham
656	Belmont Cragin
606	New City
590	North Lawndale

2009 Total Count by Community	
# of Units	Community Area
578	West Town
574	Logan Square
554	Rogers Park
522	Near North Side

The fact that these problems are present at high rates in strong historically Black communities such as South Shore and Austin shows that the foreclosure crisis presents a very real threat of destabilization to our communities. South Shore and Austin are at the top of each of the key rental building foreclosure charts – total number of multi-unit filings, total number of units impacted, number of Big Building foreclosure filings, and number of units in Big Buildings. Since many of these neighborhoods contain affordable housing, these foreclosures threaten to further reduce the supply of affordable housing in Chicago – especially when the buildings are not properly maintained or where all the tenants are forced out leaving a vacant building which is then vulnerable to looting.

The Woodstock Institute also reported an alarming increase in condominium foreclosures in Chicago in 2009, up 36.8% from 2008, with condominium foreclosures in 2009 in Chicago now making up 24% of all foreclosure filings. LCBH has learned in its work with tenants that many of these condominiums are investment properties housing renters. LCBH finds that tenants in isolated condominium units are less likely to know about condominium foreclosure filings or learn about their rights as tenants in a foreclosure unit. Additionally, tenants may lose many of their rights as tenants in a foreclosure property if condominium associations wish to evict tenants early in the process, as they often do.

More alarming is the predicted tidal wave of large multi-residential building defaults in 2010 and beyond. The Institute for Housing Studies at DePaul University in a study on the multi-family housing market reports that falling property values and high loan-to-value ratio for many multi-residential buildings in Cook County-- 42% of 2-6 unit buildings and 5% of 7+ unit buildings are completely underwater-- are driving the increase in rates of foreclosure filings of multi-residential buildings and causing lending on multi-residential units to dry up. They also report that net rental revenues for about 74,000 rental units in the City of Chicago are currently at or below total operating costs, which is driving landlord disinvestment. Landlord disinvestment and a credit crunch on multi-residential buildings will have a long term dire impact on tenants if low-performing multi-family properties are not maintained during the foreclosure process, and if, post-foreclosure, there is no financing for the purchase and rehabilitation of these properties.

There is a need for focused and direct interventions in certain neighborhoods. It is critical that these multi-unit buildings are kept occupied and habitable. Removing either the tenants or the obligation to keep the building in reasonable condition is an open invitation to displacement and eventually more neighborhood decay for these neighborhoods. TFIP is working to protect the rights of tenants in foreclosure and to form strong relationships with our community partners to develop innovative solutions that will decrease the number of rental units lost to foreclosure in Chicago.

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