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Testimony of South Suburban Housing Center

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South Suburban Housing Center is the private, non-profit, regional fair housing agency serving over 100 communities in the southern Chicago metropolitan region since 1975. The suburbs that comprise SSHC's service area are the most racially diverse, outside the city limits of Chicago, in the entire metropolitan area. However, within this sub-region's housing patterns you find a wide spectrum of diverse inclusiveness, economic disparities, high mortgage default and foreclosure rates, as well as segregated neighborhoods and communities.

The most pronounced housing pattern over the last twenty years has been that of the white flight of residents that endangers the area's diversity. The thirty suburban communities directly south of Chicago and east of Interstate 57 to the Indiana border, are generally known as Chicago's "South Suburbs". These communities had a collective majority minority population of 62.3% of their total 421,000 inhabitants as of the 2000 U.S. Census. The percentages of minority group residents in the South Suburbs break down as 53% African-Americans and 9% Hispanic. During the decade of the 90s the white population of this area shrank dramatically from a majority of 63% in 1990 to 38% in 2000. During the 1990s the south suburban region lost over 96,000 white residents while increasing its African-American population by approximately 86,000.

Directly west of the South Suburbs is a suburban area of Cook County generally known as the "Southwest Suburbs". These communities have been traditionally perceived to be "closed" to African-Americans, who comprised at the 2000 census, only 3.4% of total population of 420,000. This is also the area where a substantial number of whites who lived in the South Suburbs fled during the last two decades.

Studies by the Woodstock Institute show that African-American, Latino and other minority group homebuying in the Chicago suburbs is rising overall. However, a disturbing trend identified by this research shows that, more African-Americans in the Chicago area are buying homes in segregated black communities than had done so in the 1990s. This factor is causing communities that had exhibited diverse homebuying patterns to experience more segregated patterns by the last decade.

The patterns of resegregation exhibited in the South Suburbs since 2000 are reminiscent, but not totally consistent, with the more rapid racial change of blue collar white neighborhoods on Chicago's south side during the late 1960s and early 1970s caused by the blatant practices of unscrupulous realtors which historically became known as racial steering, blockbusting and panic-peddling. Today more subtle techniques to influence choice and discriminate by housing providers can only be detected by SSHC's objective fair housing testing program.

After 35 years of operation SSHC's enforcement programs still uncover violations of the Fair Housing Act at alarming rates. Statistical analysis of SSHC's own intake and testing results show: 1) Complaints of discrimination in the primary service area have risen in the last few years, averaging over 300 annually; 2) High rates of race-based differential treatment were found here and in Sundown Town tests conducted in central Illinois by SSHC; and 3) The number of enforcement actions filed have proportionately increased.

SSHC, under contract with the State of Illinois, during 2007-2008, performed a series of systemic, race-based tests in historic Sundown Towns located in central Illinois. These were communities, identified by historian/socialist James Loewen, that once had laws requiring minorities to leave town by dark. SSHC found some form of detectable racially differential treatment on 70% of the Sundown Towns tests we conducted.

SSHC's testing has revealed the highest rates of overt discrimination in rental management practices based on race and familial status. A tightening of the rental markets has been caused by families losing their homes through the mortgage foreclosure crisis. Monitoring of new multi-family developments shows surprisingly high rates of non-compliance with accessibility standards. Some realtors, in changing and white segregated areas, continue to limit prospects' housing options because of their race. Mortgage lending tests expose racial stereotyping of black applicants who are steered to higher cost ARMs and subprime products, linked to causing default/foreclosure problems, even when well qualified for lower cost conventional loans. The use of exotic ARM and balloon mortgage products and predatory lending practices has been directly linked with the current increases in mortgage foreclosures throughout the Chicago area. Key findings of one study show that 58% of refinance loans in the Chicago area's predominantly African-American neighborhoods were made by subprime lenders, while less than 10% of the loans made in predominantly white neighborhoods were subprime.

Data analysis of Home Mortgage Disclosure Act information from south Cook County lenders that in 2006, 17 of the top 20 mortgage lenders issuing loans in south suburbs were "higher cost share" subprime lenders. By 2007, when the foreclosure tsunami hit, South Suburban Cook had the highest rate of foreclosure (at 36 per 1,000 loans) in the entire metropolitan area. This pattern continued through 2008 and 2009 (where the rate increased to 46 per 1,000 loans).

The national mortgage foreclosure crisis has had devastating effects on the housing markets of the South Suburbs magnified by the high degree of racial segregation. The correlation between the clustering of high cost subprime lending, high rates of default/foreclosures and areas of substantial minority populations in the South Suburbs is extremely dramatic. Foreclosures destabilize neighborhoods already vulnerable to disinvestment, blight and economic problems. The effects of a foreclosed property on the cumulative property values of homes on the same block in the Chicago area has been estimated at a \$159,000 decrease per foreclosure. With this loss of property value and wealth to individual homeowners in the area, the community is also gravely affected by the decrease of tax revenues and consequent inability to maintain the level of services. The rising foreclosure rates have not only affected the single family home and sales markets, but have profoundly impacted the rental markets in the south Chicago area. One notable consequence has been a tightening and increase in demand throughout the rental market, especially for "affordably priced" units caused by the overall displacement of households from foreclosed properties. Where demand for scarce units is heightened, so is the opportunity for discriminatory practices, and the need for monitoring by fair housing testing of those markets.

Recommendations to address these south Chicago area fair housing impediments include:

- 1. Deal with segregatory housing forces through the strengthening of federal laws requiring the “affirmatively furthering” of fair housing by all local government units accepting federal housing dollars.**
- 2. Increase funding for fair housing enforcement monitoring to document and remedy the most blatant discriminatory practices, and provide additional resources to development more involved techniques to monitor mortgage brokerage and lending industry practices.**
- 3. Prioritize resources to allow for the recovery of communities hardest hit by the mortgage lending crisis. Offer increased redevelopment incentives, but also provide additional relief directly to homeowners by putting pressure on mortgage lenders to modify a higher percentage of loans and provide resources for counseling assistance for victims of predatory practices that led to mortgage delinquency problems.**