

New Haven Register

New Haven homes included in complaint against banking giant

By Brian Charles

Tuesday, March 11, 2014

NEW HAVEN -- Eleven properties in the city were among those added Tuesday to an amended federal complaint against U.S. Bank, which is accused of not properly maintaining homes in black and Latino neighborhoods.

In an administrative complaint originally filed in 2012 with the U.S. Department of Housing and Urban Development, the National Fair Housing Alliance and several state housing advocacy groups accuse the financial titan of allowing more than 300 unsold and vacant foreclosed properties to fall into disrepair. The majority of those neglected homes were in mostly minority communities. The NFHA is accusing U.S. Bank of discrimination. Nine of the 11 New Haven homes that U.S. Bank allegedly failed to maintain were in minority neighborhoods.

“These homes are in stable neighborhoods and U.S. Bank is undermining those communities,” said Shanna Smith, president and CEO of the National Fair Housing Alliance.

NFHA, in conjunction with groups such as the Connecticut Fair Housing Center, have spent more than two years gathering data on lender owned homes, properties that have been foreclosed upon, vacated and not been sold. Often the properties have been through several hands as the homes are attached to mortgages that have been securitized and traded much like stock and bonds. In many cases the banks buy the homes as part of large investment pools.

Overgrown lawns, boarded-up windows, piling trash and graffiti are listed among the examples of disrepair cited by the National Fair Housing Alliance in its HUD complaint.

The bank’s alleged negligence can potentially cost neighboring homeowners thousands of dollars in the resale value, according to Erin Kemple, executive director of the Connecticut Fair Housing Center.

“Some of the boarded and broken windows contribute to the fall of property values,” she added.

The banks alleged actions come as New Haven attempts to reduce the numbers of blighted homes.

Through its Livable City Initiative, New Haven is trying to compel owners to maintain properties.

“The city more often than not has to expend public resources to maintain houses owned by these banks, and try to get reimbursed by these banks after we make the repairs,” LCI Executive Director Erik Johnson said.

Relations between the banks and LCI have become more collegial in recent years, allowing the two sides to amicably work together in maintaining foreclosed and vacant homes, he added.

US Bank denied the allegations of discrimination and that it was the responsible party in much of the blight.

“The vast majority of the properties originally identified by NFHA in 2012 are properties where we are trustee. We have no legal ability to service or maintain these properties,” U.S. Bank said in an emailed statement Tuesday.

The bank also said that it has made repairs where it is legally responsible for maintaining the property.

“We have a strong and comprehensive process in place to regularly inspect and maintain properties to marketing standards, where we have legal access, regardless of their location,” the bank said in the emailed statement.

In two trade publications, members of the banking industry accused NFHA of cashing in on animus aimed at banks in the wake of the mortgage crisis to win large cash settlements. Members of the banking industry also called into question the methodology of the research conducted in conjunction with the federal complaint. Bankers have accused NFHA of not disclosing the locations of the neglected homes, having scant proof of discrimination, and have implied NFHA’s connections inside HUD - at least one former NFHA staffer now works for HUD - gives the agency an unfair advantage in administrative hearings.

NFHA defended its methodology Tuesday. The agency said it compared working and middle class neighborhoods with historically high rates of homeownership in black, white and Latino communities.

NFHA also said Tuesday it’s not opposed to filing civil litigation against U.S. Bank.

“Federal litigation is always an option,” Smith said. “It can be a dual track where we continue with the HUD complaint and civil litigation.”