

# Delaware Valley Fair Housing News

Newsletter of the Fair Housing Council of Suburban Philadelphia  
Serving Bucks, Chester, Delaware, and Montgomery Counties

May 2005

The *Delaware Valley Fair Housing News* is a publication of the Fair Housing Council of Suburban Philadelphia. Funding for this newsletter was made possible by grants from the U.S. Department of Housing and Urban Development, Delaware County Office of Housing & Community Development, and The Philadelphia Foundation. For questions or comments regarding the information contained in this newsletter contact the FHCSF at (610) 604-4411 or at [information@fhcsp.com](mailto:information@fhcsp.com).



## Don't Borrow Trouble Suburban Philadelphia Campaign

The Don't Borrow Trouble Suburban Philadelphia Campaign was officially launched on Friday, February 11, 2005 at the Montgomery County Courthouse in Norristown, Pennsylvania. The Don't Borrow Trouble Suburban Philadelphia is a coalition of over 30 organizations who have joined together to address predatory lending issues impacting low-and moderate-income households in the greater Philadelphia metropolitan area. Public education, legal and housing assistance, and mortgage default counseling will be used as channels for promoting homeownership, individual stability, and success amongst those most vulnerable to predatory lenders. The four counties find themselves in a unique position to improve the effectiveness of local efforts to assist homeowners by combining their diverse resources to educate consumers on the perils of predatory lending practices including high pressure sales tactics targeting vulnerable consumers such as the elderly and minorities, charging excessive rates and fees to a borrower who qualifies for lower rates and/or fees, and inadequate disclosure of loan costs. The campaign will also focus on foreclosure prevention by demystifying the mortgage finance process for first homebuyers and educating existing homeowners on home equity loans.

The Don't Borrow Trouble Suburban Philadelphia Campaign is focusing on neighborhoods and communities within the Bucks, Chester, Delaware and Montgomery counties that are the most susceptible targets for predatory lending. The campaign will provide targeted bilingual marketing, education, legal assistance, and outreach to seniors, low-income communities, and minority communities.

Partners in the campaign include enforcement agencies that will investigate and resolve charges of discriminatory practices in housing and lending, housing counseling agencies HUD approved to provide mortgage default counseling, county government housing and community development agencies, and legal assistance agencies that will provide legal advice and possible legal representation.

### IN THIS ISSUE

- ◆ Don't Borrow Trouble Suburban Philadelphia Campaign
- ◆ HUD Approves Conditional Use of 2003 IBC for Compliance With The Accessibility Requirements of the Fair Housing Act
- ◆ U.S. Reaches Agreement Designed to Stop Fraud in Lending Practices
- ◆ Crosby Square Apartments in Chester Pays \$12,500 to Settle Housing Discrimination Complaint
- ◆ Online Help Center Assists Homeowners Facing Foreclosure
- ◆ Human Relations Commission Announces \$909,752.12 Award in Precedent-Setting Lending Case

*(Continued on page 2)*

(Continued from page 1)

**GOALS:**

- ◆ Analyze the impact of predatory lending in the four counties and identify communities and households most affected
- ◆ Develop and launch a public anti-predatory lending education campaign targeted to vulnerable communities.
- ◆ Identify, coordinate and expand community resources to counter and respond to predatory practices
- ◆ Create greater access for consumers in need to community resources.
- ◆ Provide outreach and education to community organizations and community leaders to increase awareness and understanding of predatory lending practices.

**PARTICIPANTS:**

- ◆ Fair Housing Council of Suburban Philadelphia
- ◆ Community Impact Legal Services
- ◆ Freddie Mac
- ◆ Delaware County Office of Housing and Community Development
- ◆ Bucks County Department of Consumer Protection
- ◆ Chester County Bar Association
- ◆ Montgomery County Department of Housing and Community Development
- ◆ Chester County Department of Community Development
- ◆ Montgomery County Fair Housing Council
- ◆ Pennsylvania Human Relations Commission
- ◆ U.S. Department of Housing and Urban Development
- ◆ Consumer Credit Counseling of Delaware County
- ◆ Housing Partnership of Chester County
- ◆ Housing Alliance of Southern Chester County
- ◆ Chester Community Improvement Project
- ◆ Legal Aid of Southeastern Pennsylvania

For more information and a complete list of participants visit [www.dontborrowtroublesepa.org](http://www.dontborrowtroublesepa.org).

Consumers are encouraged to call the Don't Borrow Trouble help line at 888-275-8843 for free advice while purchasing a home, refinancing, consolidating debt, taking out a home equity loan, or in need of mortgage foreclosure prevention. Callers will either be assisted directly through the help line, or referred to non-profit housing agencies with expertise in homeownership education and housing and financial counseling. The Don't Borrow Trouble help line is being hosted by Legal Aid of Southeastern Pennsylvania, but will be answered as Don't Borrow Trouble.

**Correction:**

In the January 2005 edition of the *Delaware Valley Fair Housing News*, we incorrectly stated that FHCSF's publications were available only to Delaware County residents and organizations. These educational materials are available free of charge to residents and organizations in Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties.

## HUD Approves Conditional Use of 2003 IBC for Compliance With The Accessibility Requirements of the Fair Housing Act

**T**he U.S. Department of Housing and Urban Development announced that it has approved the conditional use of the 2003 International Building Code (IBC), published by the International Code Council (ICC), as a safe harbor for compliance with the accessibility requirements of the Fair Housing Act.

The announcement came in a final report issued in the Federal Register on February 28, 2005, where HUD allowed the 2003 IBC to be used as a safe harbor on the condition that the ICC will clarify its interpretation of one of the accessibility provisions in a manner that will require an accessible route. The report requires the ICC to publicize this interpretation by publishing and distributing the following statement to jurisdictions and past and future purchasers of the IBC: ICC interprets Section 1104.1, and specifically, the exception to Section 1104.1, to be read together with Section 1107.4, and that the Code requires an accessible pedestrian route from site arrival points to accessible building entrances, unless site impracticality applies. Exception 1 to Section 1107.4 is not applicable to site arrival points for any Type B dwelling units because site impracticality is addressed under Section 1107.7.

The final report outlines several additional ways the ICC may relay this information. In addition, the final report states that in order for the 2006 edition of the IBC to be declared a safe harbor during the next code change cycle, the IBC must be modified to clearly state that an accessible pedestrian route must be provided from site arrival points to accessible entrances of buildings required to comply with the Fair Housing Act's design and construction requirements.

HUD believes that its recognition of the most recent edition of the IBC as a safe harbor will make it easier for those involved in the design and construction of covered multifamily dwellings to comply with the accessibility requirements of the Fair Housing Act.

"HUD expects that its provision for the use of the 2003 IBC as a safe harbor will result in the design and construction of more units of accessible housing for persons with disabilities," said Carolyn Peoples, HUD Assistant Secretary for Fair Housing and Equal Opportunity.

HUD reviewed the 2003 IBC at the request of the ICC for the purpose of determining whether it could be recognized as a safe harbor for compliance with the accessibility requirements of the Fair Housing Act, the regulations implementing the Act, and the Fair Housing Accessibility Guidelines. The conclusions in its final report are intended to provide technical assistance to the ICC and other interested parties. The report does not contain any new technical requirements or standards nor is this final report an endorsement of a model building code.

HUD is the nation's housing agency committed to increasing homeownership, particularly amongst minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development as well as enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov).

## U.S. Reaches Agreement Designed to Stop Fraud in Lending Practices

United States Attorney Patrick L. Meehan announced a Joint Agreement with Option One Mortgage Corporation (“Option One”). The Joint Agreement bolsters the company’s efforts to root out fraud in its mortgage lending practices. And, the Joint Agreement addresses many of the problems identified by the Pennsylvania Department of Banking and The Reinvestment Fund in the recently released reports on foreclosures in Pennsylvania.

Under the Joint Agreement, Option One has put in place a package of reforms that will ensure that it identifies – and stops – fraudulent lending practices that victimize neighborhoods. These reforms will focus Option One’s fraud detection systems, allowing the company to find concentrated fraud schemes, the very kind of schemes that destroy neighborhoods house by house, block by block.

“The reforms undertaken by Option One can be a model for other lenders,” said Meehan. “Our office worked with Option One to ensure that these reforms will make a real difference.”

“Predatory mortgage brokers, real estate agents, and appraisers know that large, nationwide mortgage lenders have not been paying sufficient attention to what is happening in individual neighborhoods,” Meehan continued. “Lenders in California do not understand enough about what predators in Philadelphia neighborhoods are doing. Predators have taken advantage of that ignorance, victimizing neighborhoods and figuring that the lenders will not notice. The reforms will make certain that Option One notices.”

The Reinvestment Fund report on foreclosures in Pennsylvania highlights the problem. The report identifies concentrated pockets of Pennsylvania – like Philadelphia and parts of the Poconos – that are being ravaged by foreclosures. The most startling statistic in the report is that almost 40% of non-prime loans originated in Philadelphia in 1998 were in foreclosure at some point between 2000 and 2003. Reforms similar to those Option One has adopted are needed industry wide so that lenders pick up the danger signs of concentrated problems. Without such reforms, such problems may go unnoticed until they become a crisis.

Included in the Banking Department’s report are Recommendations For Pennsylvania Action, which include more targeted tracking of foreclosure “hot spots,” tracking foreclosures by parties to loans (e.g., by mortgage broker, appraiser, and lender), and tracking and licensing individual mortgage brokers not just mortgage companies. These are the same reforms Option One has adopted as part of this agreement.

To combat unfair practices in the mortgage lending market, Meehan said the U.S. Attorney’s Office has laid out a comprehensive plan of education, prosecution and remediation. Investigations by the U.S. Attorney’s Office discovered that independent mortgage brokers had, through several schemes, committed significant fraud in loans they submitted to Option One. Option One is one of the largest “nonprime” lenders in the nation. It typically makes loans to borrowers with impaired credit who can otherwise not obtain traditional “prime” loans. Option One principally originates loans that are submitted by independent mortgage brokers. This type of lending is called indirect or wholesale lending.

“As a result of inquiries by our office, Option One took a hard look at its fraud detection practices, which, in turn, led Option One to make important changes to

*(Continued on page 5)*

*(Continued from page 4)*

those practices,” Meehan said. “I am hopeful that other companies will follow Option One’s lead. The government cannot stop mortgage fraud on its own. It needs the help of the industry.”

A vital part of the reforms is targeted sampling. For example, Option One will now track delinquency and default rates by branch office, by loan officer, and by mortgage broker. Anomalies in these rates will trigger investigations. By focusing its monitoring efforts, Option One should be able to find fraud that is concentrated in particular neighborhoods. A predatory mortgage broker – who may do several hundred loans in one part of Allentown, for instance – can no longer hide his practices among the tens of thousands of loans Option One originates nationwide.

Key elements in the package of Option One reforms are as follows:

1. A reorganization of the corporate reporting structure now separates the production end of the business from the fraud detection end of the business. That is, those employees responsible for fraud detection report directly to the head of the company, and do not report to an officer responsible for sales.
2. The creation of company wide fraud detection committees, made up of the highest level company officers, has increased the profile of fraud detection at Option One and ensured the widespread dissemination of information about fraud detection.
3. Targeted reviews of Option One employees, Option One branch offices, and of third-parties doing business with Option One (e.g., brokers, closing agents, appraisers) has focused fraud detection and made it more likely that Option One will catch instances of fraud. Option One’s sampling of potentially improper loans has become more surgical.
4. Changes in certain Option One products have eliminated some opportunities for fraud. Option One had loan products in which the company did not verify the source of funds used to close on a loan and in which Option One did not require that such funds be seasoned. Predators have manipulated sourcing and seasoning rules; they have funneled money to home buyers, for instance, knowing that Option One would not check to see where the money came from. Option One now requires sourcing and seasoning, except in limited circumstances. The change closes a door that led some to fraud.
5. Option One has improved its so-called Watch List and Barred Individuals List. These lists identify companies and individuals who have created problems for Option One. The lists might include, for instance, an individual who submitted fraudulent loans to Option One. The company requires its employees to consult these lists during the origination process to ensure that no entity or person on such list is submitting loans to Option One. That way, Option One prevents an individual predator from closing shop in Pennsylvania only to open a new one in New Jersey and continue submitting loans.
6. Option One has improved its training for its employees. It has beefed up the training it provides to help its employees recognize fraud.

To ensure its continued commitment to these reforms, Option One has agreed to provide two reports to the U.S. Attorney’s Office confirming its compliance with the

*(Continued on page 6)*

*(Continued from page 5)*

changes it has made to its internal procedures. And, recognizing the importance of counseling for individuals about to take out mortgage loans, Option One has voluntarily agreed to provide \$100,000 to groups in the region involved in preventing predatory lending. The \$100,000 will be divided as follows: \$50,000 will go to the Philadelphia Don't Borrow Trouble Hotline, \$25,000 will go to the Lehigh Valley Don't Borrow Trouble Hotline, and \$25,000 will go to the Suburban Philadelphia Don't Borrow Trouble Hotline.

The matter was investigated by the United States Attorney's Office's predatory lending initiative, led by Associate United States Attorney James G. Sheehan, and was handled by Assistant United States Attorney Michael S. Blume.

## **Crosby Square Apartments in Chester Pays \$12,500 to Settle Housing Discrimination Complaint**

In December, 2004, Crosby Square Apartments in Chester paid \$12,500 to settle a housing discrimination complaint filed by FHCSF in May, 2002. FHCSF determined through testing, that Crosby Square Apartments had a policy of not allowing a family consisting of a single adult with five children to rent a 3-bedroom apartment. The property is managed by Community Realty Management, Inc. In March, 2002, Leslie Cook, a mother of five and a victim of domestic violence sought out alternative housing to protect her from her abuser. She was referred by staff at Catholic Social Services to Crosby Square Apartments and upon visiting the complex, Ms. Cook was told that she was not eligible to fill out an application because her family of six was too large for a three bedroom apartment. She was told that there was a two children per bedroom limit and was sent her on her way before she was able to explain that she intended to share a bedroom with her infant son. Catholic Social Services contacted the FHCSF about possible discriminatory practices and in April, 2002, a FHCSF tester posing as a prospective renter with the same family profile as Ms. Cook, requested to see an apartment for a family of six. The tester was told that they would not be able to help her because the complex had a policy of two children per bedroom. Another tester was also told that they could not accept more than 4 children in a 3-bedroom apartment. On May 29, 2003, the Human Relations Commission made a Finding of Probable Cause to credit the allegations.

## Online Help Center Assists Homeowners Facing Foreclosure

The Homeowners Emergency Mortgage Assistance Program (HEMAP) has been helping Pennsylvanian homeowners facing foreclosure since 1984. HEMAP, administered by the Pennsylvania Housing Finance Agency (PHFA) has allowed over 30,000 families to save their homes. But for all its successes, on average only 26% of all applicants are approved each year. Since 1984, 121,315 homeowners in Pennsylvania applied for assistance, but only 31,686 were approved.

The HEMAP Help Center ([www.hemap.org](http://www.hemap.org)) was designed by Regional Housing Legal Services (RHLS) to assist Pennsylvanians who are in danger of losing their homes through no fault of their own. The HEMAP Help Center offers free step-by-step guidance through the entire HEMAP application. One of the most important parts of the HEMAP application is the Description of Circumstances. The homeowner can complete a draft of the Description of Circumstances online and email it to RHLS for review and comments.

The HEMAP Help Center assists homeowners who are preparing to meet with a housing counselor and submit an application to PHFA. Homeowners may fill out an application online and take it to the counseling agency or the housing counselor may use the HEMAP Help Center while working with the homeowner.

The HEMAP Help Center does not take the place of a meeting with a housing counselor. Meeting with a counselor is a very important and necessary part of the HEMAP application process. The HEMAP Help Center can help the homeowner be better prepared for meeting with a housing counselor. The goal of the HEMAP Help Center is to increase homeowner's likelihood of submitting a successful application.

To find out more information on the HEMAP Program at to find your local housing counseling agency, visit the Pennsylvania Housing Finance Agency at [www.phfa.org](http://www.phfa.org).

---

*(Continued from page 8)*

These predatory lending practices included: unreasonable mortgage broker fees, undisclosed fees, high interest rates, high points and padded closing costs, falsification of information on documents, failure to disclose information, yield spread premiums, prepayment penalties, balloon payments, sale of insurance, mandatory arbitration clauses, and high pressure sales tactics.

“The Commission considers the issue of race-based predatory lending to be of significant concern both in the Commonwealth of Pennsylvania and across the country,” Mr. Glassman said. “The right to equal access to housing without regard to race is a fundamental right within the Commonwealth that is protected by the Pennsylvania Human Relations Act. This decision by the Commission reflects the Commission's commitment to continuing its aggressive enforcement of the rights protected by the PHRA.

“HUD applauds the Commission's commitment to addressing these types of unfair lending practices,” said Carolyn Peoples, HUD Assistant Secretary for Fair Housing and Equal Opportunity. “No one should be targeted for loans that carry excessive fees and higher interest rates simply because of their race or where they live.”

For a complete copy of the commission's decision, go to [www.phrc.state.pa.us](http://www.phrc.state.pa.us).



Fair Housing Council  
of Suburban Philadelphia  
225 South Chester Road, Suite 1  
Swarthmore, PA 19081-1919

ADDRESS SERVICE REQUESTED

NONPROFIT  
ORG.  
U.S Postage  
PAID  
Swarthmore, PA  
Permit No. 14

*The Nation's Oldest Fair Housing Council*

## Human Relations Commission Announces \$909,752.12 Award In Precedent-Setting Predatory Lending Case

**T**he Pennsylvania Human Relations Commission (PHRC or Commission) announced an order that awarded a combined \$909,752.14 in a predatory lending case from the Philadelphia area.

On October 25<sup>th</sup>, the Commissioners of the PHRC approved the decision that ordered McGlawn & McGlawn, a licensed mortgage broker in the Philadelphia area and Reginald McGlawn to pay 10 Pennsylvania homeowners \$885,349.15. An additional \$25,000 civil penalty was also assessed against McGlawn & McGlawn and Mr. McGlawn.

The Commission's decision follows a public hearing focused on two consolidated complaints filed by Lucrecia Taylor and Lynn Poindexter against McGlawn & McGlawn, the licensed mortgage broker. Ms. Taylor and Ms. Poindexter alleged that McGlawn & McGlawn targeted them for predatory loans because of their race, African American and/or racial composition of their neighborhood, African American in violation of the PA Human Relations Act.

The Commission pursued the case based upon a claim of reverse redlining. In contrast to redlining, which is the practice of denying the extension of credit to specific geographic areas due to the race of its residents; reverse redlining is the practice of extending credit on unfair terms to those same communities. Courts have held that reverse redlining is a violation of the federal Fair Housing Act.

*(Continued on page 7)*