# Report Finds Wall Street Investment Companies Chasing Profits From Predatory Real Estate Product with Racist Roots

FOR IMMEDIATE RELEASE: JULY 14, 2016 || NCLC Contact: Jan Kruse, 617-542-8010, jkruse@nclc.org

**CFPB Urged to Rein in Land Installment Contracts**

See full report, including a map, charts, and all recommendations: http://bit.ly/29sPcEv

(BOSTON) A new wave of predatory real estate lending, previously peddled to African-Americans during the 1930s to 1960s, is popping up across the nation as Wall Street investment companies move to profit off foreclosed homes, according to a new report by the National Consumer Law Center (NCLC). Toxic Transactions: How Land Installment Contracts Once Again Threaten Communities of Color details how land contracts are marketed disproportionately to low-income families of color as an alternative path to homeownership but instead allow investors to avoid responsibility for property upkeep while churning successive would-be homeowners through a property they could not legally rent. "This predatory financial product sucks away hard earned dollars from people who believe they are investing in the dream of homeownership, only to find it was a mirage," said Sarah Bolling Mancini, of counsel to the National Consumer Law Center and co-author of the report. "Particularly in credit-starved communities of color, companies pushing land installment contracts are taking away the home equity that should be built up by the people living in these communities and transferring it to Wall Street-backed investors. Action is urgently needed to stop this unfair and deceptive product before it puts more consumers at risk."

Attorneys at Atlanta Legal Aid, representing African-American clients sucked into land contracts through local advertising, found that 94 properties held by Harbour Portfolio in six metro-Atlanta counties were disproportionately located in predominantly African-American neighborhoods. Recent interviews conducted by NCLC with attorneys across the nation found that land contract buyers were largely African-American, Latinos, and/or immigrants. The contracts are popular with investors because defaulting borrowers can be swiftly evicted as traditional mortgage foreclosure protections do not apply. Property owners also shift repair and maintenance costs to unsuspecting buyers who also make monthly payments in a transaction built to fail. Meanwhile, investors seek to maximize profits as they churn through vulnerable consumers desperate to own a home: It is not uncommon for an investor to purchase a home at auction for $5,000 and sell it days later as a land contract (with no repairs) for $30,000.

In 2009 (the most recent national data available), 3.5 million people were buying a home through a land contract, according to the U.S. Census. Yet the numbers may now be much higher. The report details how in recent years, large investment firms with private equity backing, some of whom profited from the subprime lending that fueled the 2008 foreclosure crisis, are using these toxic transactions to profit off of a backlog of foreclosed homes. Some of the bigger players include Harbour Portfolio Advisors and Apollo Global Management, with more than $60 million and $40 million in assets under management, respectively. Shelter Growth Capital Partners, founded by former Goldman Sachs executives, has $500 million in assets. These private equity companies are pushing land contracts in states across the country, and especially in Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Texas.

## Key Recommendations

The Consumer Financial Protection Bureau (CFPB) has the authority to issue a comprehensive set of rules governing the entire land contract transaction—from inception, through the term of the contract, to early termination. These rules should require:

- an appraisal to establish the actual value of the property,
- an inspection to establish the true condition of the property,
- assurances that the property taxes are paid,
- fair application of the payments made by the buyer, and
- prohibition against contractual clauses which cost buyers their hard-earned investments in the property when there is an early termination.

"This is a national problem and we urge the CFPB to stop this practice that is once again stripping wealth from communities of color," says report co-author Odette Williamson, also an attorney with the National Consumer Law Center.

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