



THE PLAIN DEALER

Many landlords skip on bills

Many benefit from government assistance, yet aren't paying mortgages and taxes

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Owners of hundreds of apartments and rental houses in Cuyahoga County have failed to pay their mortgages and property taxes, even though they collect monthly rent checks from the federal government.

A Plain Dealer analysis of court and public-housing records shows that foreclosures are pending against nearly 500 houses and apartments where the federal government helps tenants pay the rent.

Landlords for 80 of the properties also collectively owe more than \$120,000 in back property taxes, the county treasurer's office said. Hundreds of other landlords in the rent program have failed to pay their property taxes on time.

Owners in foreclosure often neglect or put off repairs, and that worries city officials. The thought of those owners pocketing federal money riles South Euclid Mayor Georgine Welo.

"Why are our taxes being squandered?" said Welo, whose building commissioner last year found six homes that were in the rent program while facing foreclosure. "They should not allow these people to make another dime off the working poor and the taxpayers."

The aid, which comes from the Department of Housing and Urban Development via the Cuyahoga Metropolitan Housing Authority, typically ensures that low-income tenants spend no more than 30 percent of their monthly income for rent. The monthly checks, sent directly to the landlords, are for as much as \$1,000.

About 14,000 homes in Cuyahoga County are in the Housing Choice Voucher Program, formerly Section 8. The number that The Plain Dealer found to be in foreclosure is probably low because court records are incomplete.

Neil Clough owns seven rental homes in foreclosure - six on Cleveland's West Side and one in Westlake.

Clough, who owns more than 30 rental properties, has been a landlord for a long time. But he said a lousy economy, high interest rates, reduced payments by the housing authority and other factors toppled him into the foreclosures early this year.

Tenants owe thousands of dollars for their shares of the rent, Clough said. He also cites constant turnover in renters, high utility bills and staggering damage inflicted on his property by tenants and scrap-metal thieves.

Clough said he wants to sell some of his rental homes, but the region's slack economy has foiled his efforts.

"I'm doing the best I can with what I've got," he said. "If I had every dime that people owed me, I'd have my houses damn near paid off."

Clough is a long-term investor, but some owners of rental properties simply make a quick buck and let their houses fall to ruin, officials say.

For them, the government checks are a legal means to an illegal end.

The scam artists cite the income to get home loans or entice buyers, said Krysti Hawkins, an FBI agent who investigates mortgage fraud in the Cleveland area. Sometimes sellers and buyers conspire to pocket the loan money; other buyers are dupes who overpay for investment property.

The Plain Dealer found landlords who bought as many as 11 properties in recent years, sometimes within weeks or even hours. The previous owners also dealt in bulk, buying low and selling high.

When owners default, neighborhoods like Cleveland's Slavic Village are saddled with abandoned homes. But the neighborhood's councilman, Tony Brancatelli, doesn't blame the housing authority.

"I don't hold CMHA responsible for someone who's committing acts of fraud," Brancatelli said.

"If someone wants to use CMHA as a tool, they will until we find new checks and balances."

Public-housing officials said they have begun rejecting applications from landlords who are in foreclosure, but federal rules bar them from cutting off checks when a tenant is already in a home.

And in Ohio, tenants generally have the right to remain in a house or apartment until a foreclosure is final, said Peter Iskin, chief housing attorney with the Legal Aid Society of Cleveland.

HUD's main concern is that homes are safe and clean, said Anne Scherrib, a spokeswoman for the agency's regional office in Chicago.

"Until there's a reason not to pay John Doe, we'd be paying John Doe," she said.

Housing-authority officials said they can bar landlords with overdue property taxes from taking in new tenants.

In response to complaints from cities, the agency will soon stop dealing with landlords who owe more than \$1,000 in overdue taxes unless they arrange a payment plan.

The housing agency sent warning letters to 784 landlords last year.

"Why should they benefit from a government program when they don't take care of their responsibilities?" county Treasurer Jim Rokakis said. "It's a healthy rent, and very often it's the highest rent in the neighborhood."

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