



MEDIA RELEASE 11-002

INDIANAPOLIS HOUSING AGENCY

Sunday June 05, 2011

INDIANAPOLIS HOUSING AGENCY ANNOUNCES FINAL RESULTS OF U.S. DEPARTMENT OF JUSTICE GRANT TARGETING VIOLENT CRIME AND FEDERALLY ASSISTED HOUSING IN THE CITY OF INDIANAPOLIS

- **\$22.4 Million In Federal Funds That Could Be Put To Better Use**
- **Nearly 1,000 Federally Assisted Households Assistance In Jeopardy**
- **73% Reduction In Criminal Homicides Linked To Federally Assisted Programs**
- **37% Reduction In Public Housing Major Crimes / 29% Overall Reduction**
- **3 Public Housing Developments See 70% Decrease In Major Crimes**
- **367 TVCI Project Criminal Arrests December 2007 to May 2011**
- **132 Sex Offenders Living Unlawfully In Federally Assisted Housing**
- **Organized Crime Mortgage Fraud Cartels Devastate Neighborhoods**

INDIANAPOLIS – The Indianapolis Housing Agency (IHA) today announced the results of a near four-year multi-agency project targeting violent crime and mortgage fraud linked to the abuse of federally assisted housing in the City of Indianapolis. The agency was awarded a \$1.3 million grant in September 2007 by the U.S. Department of Justice (DOJ) under the Bureau of Justice Assistance (BJA) Targeting Violent Crime Initiative (TVCI). The IHA was the only public housing authority in the country to receive this funding, said Rufus “Bud” Myers, agency Executive Director. The grant followed IHA’s request to Washington for assistance.

In 2006 the IHA identified through analysis that nearly 80% of the criminal homicides that occurred in Marion County were linked to fraudulent assistance occurring in either the Public Housing program or the Section 8 program administered by the agency.

Most improper assistance and/or payments by the states largest public housing authority and the cities largest landlord in the period examined involved the concealment by recipients and landlords of the self-declared household occupancy, income, and assets. Unreported persons, or “live-ins”, the individuals most commonly found to be engaged in criminal activity, place a recipient’s continued assistance in jeopardy and cause improper federal payments.

The majority of ineligible assistance involved households that violated the Admissions Policy Statement, also known as the HUD One Strike Rule, a federal regulation the agency is required to enforce pursuant to the Housing Opportunities Extension Act of 1996. Under One Strike, households cannot engage in criminal activity or arrest and may be subject to the termination of assistance. In some cases this may include criminal prosecution. Making a false statement or declaration to a department or agency of the United States is a crime.

The Indianapolis TVCI partners included the HUD Office of the Inspector General, the Marion County Prosecutor’s Office, the Indianapolis Metropolitan Police Department and the IHA Office of Special Investigations.

The IHA owns and/or operates **1,864** units of public housing in the City of Indianapolis providing low-income housing assistance to **3,830** persons and administers more than **7,100** Section 8 vouchers facilitating payments to private market landlords providing affordable housing to **18,940** eligible persons. At present the agency serves **22,000** persons.

Public Housing Transformation

The IHA owns and/or operates 14 public housing and tax credit developments in the City of Indianapolis that are currently undergoing major renovation, rehabilitation and new construction funded by **\$117** million dollars in a unique partnership of both private and public investment. This includes **\$21.1** million in 2009 HUD American Recovery & Reinvestment Act funding.

TVCI funding facilitated an intelligence led model integrating police investigation, resident involvement and rapid management response that resulted in the following historic public housing transformation:

- **37%** overall reduction in public housing major crimes in 2010 vs. 2005 the grant baseline year
- **29%** overall reduction in public housing crime in 2010 vs. 2005 the grant baseline year
- **70%** overall reduction in major crime at three family and senior developments that included Rowney Terrace (**75%**), Lugar Tower (**71%**) and Twin Hills (**70%**). The agencies largest family communities, Blackburn Terrace on the northside and Laurelwood on the southside experienced historical reductions of **26%** and **37%** respectively.
- **159** criminal arrests by IHA funded off-duty IMPD officers in the period of May 01, 2010 to May 28, 2011 that included the recovery of 16 stolen cars, 6 firearms, 1,224 investigations and 1,094 vehicles tagged for parking violations. IHA funding for off-duty police officers utilizes non-DOJ funds to facilitate the sustainable TVCI model.

Another factor in the historic decrease in reported crime and major crimes in the PHA developments has been strategic targeted patrols implemented by IMPD in FY 2010.

- Installation of **14** TVCI funded state-of-the-art street level crime cameras in the Blackburn Terrace development; installation of an additional DOJ funded **60** crime cameras in the downtown Indianapolis high-rise developments and IHA headquarters

Historical Public Housing Crime View – All Developments				
2005 Is The Grant Baseline Year				
Category	1995	2005	2009	2010
Total All Crimes Combined	1,632	978	846	689
Total Major Crimes Only	976	622	510	389

Audit Investigations Public Housing & Section 8 Programs

Audit investigations involve the collection of data from various sources by the TVCI funded criminal analyst. This initiative focused first on the preservation of federal assistance by detecting stability problems in the assisted household and initiating intervention through the One Strike warning process.

The secondary focus was on both criminal prosecution and administrative recommendations for the termination of assistance due to household ineligibility by false statements, criminal arrest and/or criminal activity in violation of the One Strike regulation. Project milestones include:

- Execution of **131** federal and state court ordered search warrants (2008-2011)
- **208** criminal arrests (recipients, landlords, employees and non-recipients) on charges including Corrupt Business Practice, Welfare Fraud, Narcotics Trafficking, Firearm Possession, Criminal Gang Activity and Theft from December 2007 to February 2011; this was more than 3 times the original grant baseline projection of 60 arrests.
- Cash recovery of **\$1,289,485** in ineligible federal payments (2006-2011)

- **29,414** returning offenders from the Department of Correction were tracked from 2008 to 2011 resulting in 518 ineligible individuals intercepted from living unlawfully in a federally assisted home upon release from prison.
- **21,985** criminal history background investigations conducted on both new applicants and existing households in the period of 2008 to 2011
- **698** fraud hotline complaints investigated from 2007 to November 2010
- **132** sex offenders identified as living unlawfully (concealed) in federally assisted housing. Registered sex offenders are subject to a lifetime prohibition of HUD assistance
- **769** households recommended for termination of federal assistance due to criminal arrest and/or violent criminal activity, false statements including concealed household composition and/or income identified from analysis of arrest records by the Marion County Prosecutor in the period of February 2010 thru May 2011; a total of \$16.5 million in ineligible federal payments that could be put to better use over a future 36-month period.
- **198** households recommended for One Strike Warning Notices due to criminal activity, a one-time opportunity to preserve their federal assistance. The Marion County Prosecutor from a daily review of arrest records identified problematic households. A total of \$4.4 million in ineligible federal assistance that could be put to better use over a future 36-month period if the household fails to follow rules and regulations.
- **967** the total number of households identified for administrative action and/or possible criminal prosecution in this continuing initiative. Audit found an astounding number of juveniles arrested for assaulting schoolteachers, school administrators and their own parents or guardians. This problem is not unique or limited to HUD programs. Many juveniles were found to have an alarming and unfettered access to firearms. Recognizing this is a public health hazard, the IHA entered into a MOU in February 2011 with the Marion County Health Department to refer eligible households for social service counseling to preserve their assisted housing.
- **\$1.4** million in federal funds that could be put to better use over a future 36-month period as a result of a 2010 audit of a private-market multi-family development that failed to screen recipient backgrounds and conduct, engaging in criminal arrest, criminal activity or concealing income and assets. A total of \$400,500 in federal funds to be repaid by the owner.
- A total **\$22.4** million in federal funds that can be put to better use over the next 36 months toward applicants currently on agency waiting lists for assistance
- **73%** reduction in criminal homicides linked to HUD/IHA programs, 2010 vs. 2006, the grant baseline year for homicides.
- **5** major violent criminal enterprises disrupted including but not limited to:
 - (a): a property manager for a neighborhood community development corporation “CDC” who embezzled nearly \$150,000 in the period of July 2006 thru January 2009 by submitting false statements to the government, identity deception, housing family members for free in federally assisted homes, and having associates collect rent by threat of physical assault including the use of a firearm. The target was arrested, convicted and sent to prison.
 - (b): an attorney who operated his law practice from a Section 8 home for 8 years; the multiple unauthorized occupants in that home were linked to 10 criminal homicides, 431 police reports and 394 criminal arrests from 2001 to 2009; the Hammond IN owner and the recipient obtained nearly \$69,000 in ineligible payments by false statements; **an on-going investigation.**
 - (c): a recipient who concealed substantial payments from the Veterans Administration as a health care provider who also operated a massage parlor while claiming zero income to the government, submitting continuous false statements to the IHA; **an on-going investigation.**
 - (d): a nationwide criminal motorcycle gang enterprise operating from a Section 8 home; **an on-going investigation.**

Audit Investigations Mortgage Fraud Facilitated By Organized Criminal Enterprise

HUD Housing Assistance Payments “HAP” are a major economic engine in the City of Indianapolis. From FY 2006 to FY 2010 the IHA disbursed **332,940** federal payments totaling **\$185.3** million dollars citywide to private market landlords to house eligible families.

The IHA in **2002** was the first PHA nationwide to recognize the link between mortgage fraud and the abuse of Section 8 payments facilitating violent crime that subsequently caused the displacement of hundreds of federally assisted recipients in Marion County. Under a prior DOJ/HUD initiative (2005-2006) by the IHA, 100 individuals including numerous straw buyers and ineligible landlords were arrested for defrauding the program in a myriad of mortgage fraud schemes accomplished by submitting false statements and declarations.

TVCI audits examined more than 10,000 sheriff sale foreclosures, private sales and bankruptcy court ownership transfers for years 2006 to 2008 city wide and in particular targeted zip codes 46201, 46203, 46218 and 46222. Analysis also found that zip code 46226 had the highest number of foreclosures in the city at 1,169 homes in the two-year period.

Organized criminal enterprises referred to as mortgage cartels were targeted for criminal prosecution with the assistance of the Marion County Prosecutor. In particular “Group E”, consisting of 5 cartels and 6 individual defendants were charged in April 2008 with Welfare Fraud and Theft, and all were ultimately convicted between October 2008 and February 2011 in the Marion **County** Superior Courts.

The 5 cartels were responsible for **568** defaulted home loans in the period of 2004 to 2007 that included 55 homes under individual HUD Section 8 contracts. The defendants collectively obtained **\$37.3** million in mortgage loans and \$283,628 in improper HUD Section 8 payments by submitting false and/or fraudulent statements.

To accomplish the scheme the cartel's garnered **94** individual unsuspecting investors from throughout the United States. Many of these investors lost their life savings and in turn caused **32** of them to file for bankruptcy protection declaring a total **\$21.9** million in liabilities.

Cartel Group E investment schemes in particular targeted zip codes 42222, 46201 and 46218 resulting in 348 sheriff sale and/or private foreclosures alone.

In examining the TVCI targeted zip codes, the total loan loss from 2006 to 2008 in both federally insured mortgage loans and bank loans for 3,978 homes was **\$79.7** million dollars. “FED” loans are taxpayer insured mortgage notes from HUD, FHA, Fannie Mae & Freddie Mac.

The Indianapolis Housing Agency in particular has identified the international German banking giant Deutsche Bank as one of two primary engines that systematically destroyed neighborhood after neighborhood in select zip codes in the City of Indianapolis due to unsound loan underwriting and management practices.

Foreclosure Sheriff Sales 2006 – 2008 – Targeted Zip Codes 3,978 Homes Examined \$79.7 Million Dollar Loss				
Zip Code	Total Homes FED/Bank	Sheriff Sale Price	Final Post Sale Price	Loan Loss
46222	1,147	41,090,168	24,059,525	17,030,633
46218	948	34,346,300	18,877,970	15,468,330
46203	1,050	67,109,900	35,963,753	31,146,147
46201	833	32,267,819	16,169,218	16,098,601
Total	3,978	174,814,187	95,070,466	79,743,721

Foreclosure Sheriff Sales 2006 -2008 – Targeted Zip Codes Average Sale Price - Post Foreclosure Sheriff Sale 2,831 Homes Examined					
Zip Code	Lender	2006	2007	2008	Avg Sale Price
46218	FED	29,239	26,974	14,425	23,546
46218	Bank	25,950	17,400	10,662	18,004
46203	FED	46,653	50,875	33,703	43,744
46203	Bank	43,347	28,423	25,516	38,086
46201	FED	28,743	30,267	14,460	24,490
46201	Bank	25,887	17,828	12,643	18,786

HUD HAP Payments Targeted Zip Codes Criminal Homicides / Arson Reports 2006-2008				
Zip Code	Total HUD HAP Payments 2001-2010	Total HUD HAP Payments Audit 2006-2008	Total Homicides 2006-2008	Total Arson Reports 2006-2008
46201	21,004,516	5,551,001	49	165
46218	43,179,027	11,109,010	57	97
46203	10,267,897	3,063,423	18	123
Total	74,451,440	19,723,434	124	385

In Zip Code 46218, HUD HAP payments dropped more than **50%** from 2003 to 2008 while the average post foreclosure sale price dropped **55%** from FY 2006 to FY 2008.

2010 Census data for 23 selected TVCI targeted tracts within Zip Code 46218 illustrate the enormity of damage caused to medium household income as a result of mortgage fraud schemes facilitated by institutions including Deutsche Bank since the 2000 census. While 5 tracts showed an increase in income, 18 others showed income decreases ranging from 6% to 48%.

2010 Census data for selected tracts in targeted Zip Codes 46218 and 46222 also showed the disproportionate effect of mortgage fraud on mortgages consuming 30% of income:

Zip Code	Census Tract	Mortgages Consuming 30% Of Income	Change Since 2000 Census	Median Home Price
46218	3508	70%	+20%	73,600
46218	3519	40%	+6%	67,700
46222	3406	60%	+36%	75,200
46222	3415	65%	+40%	56,700
46222	3416	62%	+35%	70,200

Citywide, TVCI funded technology upgrades for the Section 8 program resulted in the agency increasing Federal Housing Quality Standards "HQS" inspections **48%** from FY 2008 to FY 2010. During the same time period the number of HQS complaints by recipients increased **78%**, again indicative of the devastation caused by mortgage fraud to the available affordable housing homes in the City of Indianapolis.

TVCI funding also providing technology upgrades to the agencies call center where calls increased **33%** from 58,735 in the 2006 baseline to 87,476 calls in FY 2010 and resolution to calls jumped to **90%** from 67% in the 2006 baseline.

Protecting Federal Housing Assistance Funds

In November 2002 Congress passed the Improper Payments Information Act of 2002. The major objective of the legislation was to enhance the accuracy and integrity of federal payments. In general, beneficiaries pay 30 percent of their adjusted income as rent, and HUD payments cover the remainder of the rental cost (or the operating cost in the case of public housing). In FY 2009 federal agencies reported nearly \$100 billion in improper payments. In response to this unprecedented level of improper payments, Presidential Executive Order EO 13520 was issued November 20, 2009, designed to further intensify efforts to reduce improper payments by boosting transparency and holding agencies accountable for reducing improper payments in their respective programs.

The Indianapolis Housing Agency was recognized in July 2006 by the Secretary of the Department of Housing & Urban Development as the model of the focused, long-term effort to eliminate fraud that's needed across the county in HUD programs.

Bud Myers, the Executive Director of the Indianapolis Housing Agency said "federal budget cuts of nearly \$10 million between 2001 and 2006 caused the agency to continuously find new and innovative strategies to meet the challenges of providing federal housing assistance to the more than **22,000** persons currently receiving help in Marion County and the **15,000 families** on waiting lists". Myers added "we have been able to meet and exceed our obligations despite significant reductions in agency workforce and program funding, focusing on technology upgrades to protect federal funds at risk".

"The devastation caused by mortgage fraud and fraudulent lending practices has only made the challenge of preserving affordable housing more difficult," Myers said. "The agency will not be deterred by roadblocks and near-daily obstacles that we will continue to overcome, in our mission to provide safe, decent and sanitary housing in the City of Indianapolis".

"The IHA has an obligation, priority and sacred trust to protect public taxpayer funds from waste, fraud and abuse. That includes holding recipients, landlords, vendors and employees accountable when false statements are made to obtain federal funds to which they are not entitled", Myers said, reiterating that false statements are a crime.

"The criminal conduct by some recipients as identified in the current TVCI report is doing nothing more than denying help for eligible families on waiting lists that are desperately seeking a safe, decent and sanitary home for their families". IHA will not subsidize bad behavior especially when recipients are repeatedly informed and they acknowledge by signature what the very basic rules are", Myers said.

Since April 2001, OSI and OIG investigators have arrested more than 600 persons charged with defrauding HUD programs in the City of Indianapolis, the largest such initiative in the United States. To report waste, fraud or abuse of federally assisted housing programs in the City of Indianapolis you can call the IHA Toll-Free Fraud Hotline at 1-866-411-8514 or e-mail fraud@indyhousing.org. You can also contact the HUD Office of the Inspector General nationwide Toll-Free Fraud Hotline at 1-800-347-3735 or e-mail hotline@hudoig.gov.

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**For more information about the DOJ Violent Crime Reduction Partnership, go to:
www.usdoj.gov/bja**

**For more information about the Indianapolis Housing Agency, go to:
www.indyhousing.org**