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Title: Housing scheme a death sentence - The Prospect Corridor neighborhoods in KC continue to suffer since the mortgage fraud.

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Section: Photo

Page: A1

A real estate hurricane began sweeping through the Prospect Corridor about six years ago. But nobody noticed the escalating damage for years.

From a swank home on a Belton golf course, a wealthy investor bought and sold more than 100 houses several blocks on either side of Prospect Avenue, from roughly 19th to 73rd streets. After arranging grossly inflated appraisals, Brent Barber then resold the overpriced, inner-city homes to unsuspecting investors.

In selling these homes and others, Barber skimmed \$6.5 million from \$19.6 million in fraudulent mortgages, federal prosecutors contend.

But his victims extend far beyond the mortgage lenders and investors. Many neighborhoods that Barber and his accomplices hit the hardest still are digging out from his damage, according to housing experts, elected officials and neighborhood leaders.

They contend his scheme:

Discouraged home ownership by sustaining an unhealthy rental housing market.

Inflated home values artificially, making buying a house more expensive for neighborhood residents.

Perpetuated distressed housing in neighborhoods already awash in nuisance and codes violations.

Beyond the quiet shuffle of paperwork in the Jackson County recorder's office, Barber didn't make much noise as he bought and sold houses between 1999 and 2001. But since he pleaded guilty to more than 100 federal felonies earlier this year, neighborhood leaders, community development officials and others have begun to assess how his conduct affected the city's social fabric.

"It had a big impact on the entire urban core," said real estate agent Brian Bucksner. "It hurt neighborhoods, because so many people had to move out and leave houses vacant because of the foreclosures. Vacancies increased and so did vandalism."

Barber has been jailed for the past 14 months and could not be reached for comment. His lawyer, Pat McNerney, emphasized that Barber had admitted responsibility for his conduct and probably would pay an "enormous" price for it at sentencing.

"That's the way this system's supposed to work," McNerney said. "That being said, to make him a pinata for all the challenges that face the central city is too easy."

Holly Steinhauser Dodge, a former municipal prosecutor, squared off against Barber for years in housing court, fighting him on property code and nuisance violations, even as he lived in a five-bedroom Loch Lloyd home once valued at nearly \$1 million.

She described his conduct in stark terms: "It was a death sentence to the neighborhood when he got a property. This was a drained area, but his ownership of those properties ensured the sink. He guaranteed those areas could not be restored."

Absentee landlords

Douglas Ivan recently recalled what it was like 18 months ago when he began renting a former Barber home at 3709 Myrtle Ave.

Digging into a cupboard, he pulled out a binder of photographs that depicted an enormous pile of trash and garbage dumped on his kitchen floor. The mess was there when he moved in, Ivan recalled.

"I took pictures so I could show how I've fixed it up," Ivan said.

Barber bought and sold the house in 2000. It stands near the epicenter of his activity.

In a 1-square-mile area of Kansas City -- roughly bounded by 33rd Street to the north, 41st Street to the south and Chestnut and Kensington avenues to the west and east -- Barber traded 28 homes in 19 months. It is one of the densest clusters of homes for which Barber fraudulently obtained mortgages.

Using inflated appraisals and bogus paperwork, he stuck numerous, unwitting investors with houses where rental income could not possibly cover the mortgage payments. Often, the investors sold the houses at a loss or abandoned them and defaulted on the loans. Some lenders and investors have fought back through lawsuits against Barber.

Homeowners now reside in only four of the 28 Barber homes in Ivan's neighborhood, according to county property records. The rest are owned by property management companies or absentee landlords.

The impact concerns Opal King, president of the Palestine Neighborhood Development Corp., where rental properties abound. Though she has lived there more than 50 years, she had no idea Barber operated there.

Julie Porter is executive director of Kansas City's Local Initiatives Support Corp., which has worked for years to strengthen home ownership in such neighborhoods. She doesn't like what's happened, either.

"Most of the homes are still rental," she said. "Any house owned by an absentee landlord is the worst-looking house on the block, I guarantee it."

In the years since Barber began trading homes in the Palestine neighborhood, the rental problem has worsened significantly, she noted.

Between 1999 and 2004, home ownership there declined almost five percentage points, from 62.87 percent to 58.17 percent. In community development circles, 60 percent home ownership often is cited as a "tipping point," below which neighborhoods often begin a steep decline from which recovery is difficult.

Inflated sales prices

How Barber made his money on Ivan's home illustrates another problem, experts said.

In July 2000, Barber used an inflated appraisal to arrange a \$36,000 mortgage for an investor to purchase the home, which Barber had bought a few months earlier for \$19,300.

In another instance, Barber paid \$26,000 for a home at 3801 Chestnut and two months later had it appraised at \$48,000, an 84 percent increase.

Because real estate agents use values from home sales to suggest prices on surrounding houses, inflated sales prices can drive up the perceived values of nearby homes.

Evidence suggests that home values in Palestine inflated artificially even as homeowners dwindled. Between 1999 and 2004, average sales prices for neighborhood homes increased 60 percent, from \$20,665 to \$33,161. By contrast, average sales prices for existing homes in Jackson County increased only 27 percent over that period, according to the Kansas City Regional Association of Realtors.

"Overappraising houses as significantly as he did prevents many low- and moderate-income people who have grown up and lived in these central city neighborhood all their lives from being able to afford a home," said Troy Nash, a City Council member who represents much of the area where Barber worked.

Such inflation can undermine the efforts of agencies, such as community development corporations, trying to improve neighborhoods.

During the time Barber was active, one such agency received about \$1 million in private grants to purchase and rehabilitate homes in a neighborhood near Palestine, Porter recalled. Barber purchased and resold dozens of homes there.

At the end of the grant period, the agency had shown no improvement in home ownership, so private foundations cut funding from \$1 million a year to less than \$100,000, Porter said.

"There was no chance of success with him working in the same neighborhood," Porter said.

All the Barber homes in and around the Palestine neighborhood have histories of city code and nuisance violations.

According to city records, 11 of the 28 houses stood vacant -- often with the doors open -- for some period after 1999. Others had issues with weeds, dead animals, outdoor storage and illegal parking.

Some homes were worse than others, and sometimes the issues cropped up long after Barber dumped the property on someone else.

But with properties going vacant as new owners struggled to find a way out, Barber materially contributed to blight in Kansas City's urban core, said Lowell Gard, Kansas City's housing court prosecutor.

"This stuff Barber has done has created cancers on the blocks," Gard said. "You'll get crime. Squatters come in and stay until they can't stand to live in the houses anymore."

Is it fair to attribute neighborhood crime to a real estate speculator? At least one former cop says yes. Barry C. Mayer, a retired Kansas City police major, once commanded the East Patrol Division, where Barber worked. Now, Mayer works for the Kansas City Crime Commission.

"He's actually contributing to the crime problem and the social issues," Mayer said. "He's taking advantage of poverty."

Gard said he's sending Barber bills for weed cutting and trash removal on properties he still owns. If Barber can't pay, the city will try to sell the property on the courthouse steps. If no one buys, the property would revert to the Land Trust of Jackson County.

At that point, the headache moves to trust chairwoman Aggie Stackhaus, a former Kansas City councilwoman. She says some dilapidated homes may have to be demolished, leaving an empty lot.

"This decimates a neighborhood," Stackhaus said. "If you can't save them, you end up ripping up the fabric of the block."

Fighting back

Eight men and women have been convicted of assisting Barber in the largest mortgage-fraud scheme ever prosecuted in western Missouri.

"We will prosecute criminals who steal with the stroke of a pen as aggressively as we prosecute those who carry a gun," said U.S. Attorney Brad Schlozman.

But federal agents and prosecutors can't fix the problems to which Barber and others have contributed.

The real estate industry has become attuned to the schemes. Some lenders now ask for second appraisals.

"It's slowing down because underwriters are getting very picky," Bucksner said.

Community leaders say they hope they can address the problems Barber left, even though they're linked to the intractable issues of crime and poverty.

Nash said he is working with neighborhoods to spur economic development and find ways to prevent real estate speculators from feeding on low-cost housing in his district.

Mayer said he is optimistic about the city's new Neighborhood Improvement Program, in which city departments will cooperate to address neighborhood needs, such as animal control, code enforcement, tree trimming, abandoned housing, vehicle towing and illegal dumping.

Porter said her agency is working on a \$23 million, three-year "holistic rehabilitation program" that focuses on "residents, rather than real estate." Private and public funding will be tapped, including \$3 million from the government.

"We're going to look at education, child services and crime issues," Porter said. "We're going to have to make these neighborhoods good places to live."

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Section: Photo

Page: A1

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