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A Closer look at the issue of ...

... speculators

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and Janet Biddell, Globe Staff

On a windy day early in 1970, Jennie Nudel sold her three-family home at 94 Willowdale in Dorchester for \$400 — \$100 less than she and her husband had paid for it 24 years before.

Nine months later, in October, the same home was sold to John and Carmen Colon, a Spanish-speaking couple with five children who had been living in a housing project. The purchase price was \$17,000, and Colon financed it with a Dorchester Savings Bank mortgage that the Federal Housing Administration agreed to insure.

The man who sold for 260 percent of the price paid just nine months earlier is a fellow named Morris Steigman, from Milton, who runs an outfit called M & S Realty out of a storefront office at 1198 Blue Hill ave.

Another firm that was involved in this deal is a neighborhood neighbor of M & S, Mt. Bowdoin Realty, run by the son of Joseph Kenney an apaiser at the Boston FHA office. According to Colon, Mt. Bowdoin acted as Steigman's broker in the sale.

The incident is one of many occurring in neighborhoods tense with racial change.

A white person — often a person who has lived in the neighborhood for years and is getting along in age — is seduced or perhaps pressured by his own fears into selling to a speculator for a fraction of its fair value what may have been the most important investment of his life.

Then a minority family — perhaps previously occupied in a crowded apartment or project — jumps at the chance of a lifetime and in the process pays the speculator many times the price they might have paid had they dealt directly with the original seller.

Such unfair deals are often traced by mortgage money from a major savings bank, and then blessed by the all-important guarantee of the Federal government.

And the speculator makes a killing.

It is a tragic story, because it doesn't have to happen. The white person — if he wants to sell — should be able to sell at a decent price. The minority family, with a little help, should be able to own his own home for a decent price. The bank could refuse to finance flagrant profiteering. Or, at least, the FHA could refuse to guarantee it.

It is tragic because it stems from fear, and because it is being repeated every day in neighborhoods like Dorchester and Mattapan.

In recent years, thousands of black families displaced by urban renewal projects in Washington Park and in the South End and finding many white neighborhoods closed to them, have been moving in large numbers into Dorchester and Mattapan.

Numerous white residents have become panicked by the myth that their property values will drop and have sold quickly at ridiculously low prices to speculators. The speculators, in turn, have turned around and sold at high prices to the superabundance of families — mostly non-white — who desperately want and can afford to buy their own homes. Both the whites and blacks are being victimized while the speculators make a profit.

Real estate agencies have sprung up overnight along Blue Hill avenue (Cummins Realty, Aaron Realty Co., Inc.; London Realty, Mt. Bowdoin Realty, Inc.). Some of them are distributing letters and making telephone calls asking families if they are "having trouble" selling.

Following reports of questionable real estate dealings in the area, the Federal Bureau of Investigation has begun a probe into the activities of at least two agencies — Morton Realty Co. (now extinct) and Mt. Bowdoin Realty, Inc. The probe has extended into the upper echelons of the Boston office of the Federal Housing Administration, and the real estate deals of at least one key Federal official — Joseph Kenney — are being investigated for conflict of interest.

Both white and black residents, concerned about the speculative activity, have formed neighborhood groups and met with each other, with their representatives, and with Mayor White in attendance, to hammer out plans for putting an end to panic selling and profiteering.

And the speculation continues. To take a few examples: Last December, Rita B. Caulfield purchased a three-family house at 23 Fessenden st. for \$18,500 in her maiden name, Rita McCormack.

Today, Aaron Realty Co. Inc., controlled by Rita Caulfield, lists the same property for sale as two three-family homes, each of which has been appraised at \$18,500.

On April 30, Rita Caulfield bought and sold the same home on the same day — selling at a 72 percent markup.

She picked up the home, located at 95 Spencer st. in Dorchester, for \$10,000 then sold it to a fellow with a Federally-insured \$17,200 mortgage

from the Home Owners Federal Savings & Loan Assn.

On a fall day in 1969, Morris Steigman picked up a 10-room house at 82 Woodrow ave. in Mattapan for a song. The seller, Catherine DeLay, a 65-year-old white widow who was selling the home where she and her family had lived for more than 50 years. Her sales price: \$1350.

This year, Leonard and Marilyn Moore, a black couple with six space-craving children and a moderate income, signed a purchase and sale agreement to buy the same house from Steigman with a Federally-insured mortgage for \$13,900.

In some cases, of course, the speculator improves the property and makes significant repairs. In other cases, however, unscrupulous buyers have been forced to foreclose because of needed repairs discovered only after the sale was completed.

Many people feel that already-rampant speculation has been further encouraged by a set of boundaries drawn up by an organization of thrift institutions called the Boston Banks Urban Renewal Groups (BBURG).

The BBURG program has poured more than \$27 million into 1400 Federally-guaranteed mortgage loans in an effort to help black families become homeowners.

The loans given under the BBURG program are regular FHA loans which can be obtained by most people anywhere. Traditionally, however, blacks have been discriminated against in receiving such loans. The BBURG program has been an organized attempt to channel some of the action their way.

The action, however, has been carefully limited to a certain area. A boundary has been drawn, which includes parts of Roxbury, Dorchester, Mattapan and Jamaica Plain and BBURG loans are given only for houses bought in those areas. (South Boston is also included on the original BBURG map, but few loans have been given in that area.)

Blacks who want to buy houses outside of the bounded areas — either in Boston or in the suburbs — cannot get loans through BBURG and must fall back on loan procedures which have traditionally excluded them. All but the most wealthy blacks who have applied elsewhere usually find themselves being referred back to BBURG.

Both blacks and whites protest that concentrating most of the home-buying opportunities for blacks into an arbitrarily — defined area is not only discriminatory — but has in effect encouraged panic selling and speculation in neighborhoods that were once stable.

Ironically, the boundaries have offered the opportunity for banks to try out methods for controlling speculation; but so far the methods have failed.

Last year, after a host of irregularities in the program's administration were uncovered, several steps were taken to tighten up on speculation, panic selling and profiteering which qualify families for mortgages.

To control speculators, a rule was established stating that under the BBURG effort, no purchase will be permitted from someone who owned a property for less than one year.

To screen mortgage applicants, the approximately 20-member group contracted with a respectable agency, the Association for Better Housing, for qualifying, counseling, and other services before and after purchase to families getting into the complex world of home ownership for the first time.

To police real estate groups, a five-member Real Estate Brokers Advisory Committee was established. Despite these efforts, the transactions on Willowdale, Fessenden, and Spencer streets were able to take place. All three streets lie within the BBURG boundaries.

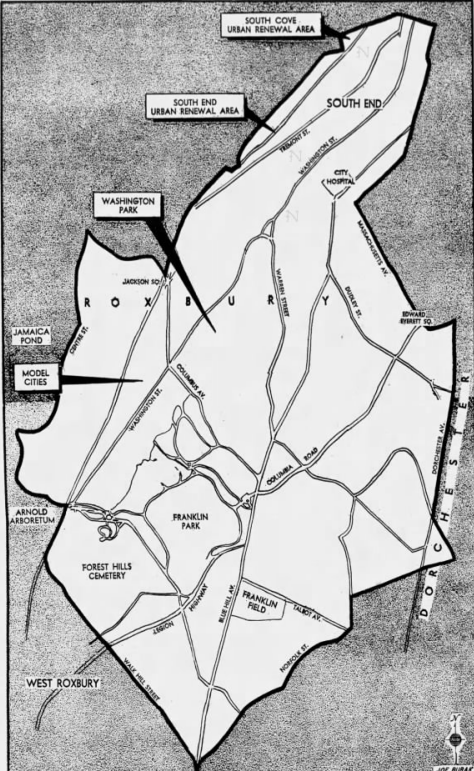
One wonders how the real estate advisory group can serve effectively when one of its members is openly violating the principle of the BBURG "rules." The member is Rita Caulfield—who was involved in the two transactions on Spencer and Fessenden streets.

The one-year regulation is fine as far as it goes. However, speculators such as Morris Steigman have been able to circumvent it by simply going directly to the banks and bypassing the BBURG organization.

Thus BBURG member banks, operating within BBURG boundaries, are ignoring rules of the consortium by working with speculators whenever it suits their purpose. Occasionally, when a speculator tries to sneak a prospect through the Association for Better Housing, the whole will be blown by his director, Rev. Harold Ross, but with no uniform policy by the banks or the FHA to back him up, Rev. Ross's efforts can be so availed.

Ross right now is trying to hold up a mortgage on the house at 82 Woodrow ave., which Morris Steigman is attempting to sell to Leonard and Marilyn Moore. He is concerned about the "appearance of speculation," and wants to check into the conditions of the house to see if major repairs may be needed.

In the meantime, Steigman is collecting rent from the Moores. Mrs.



BOUNDARIES—Official boundary line limit area within which blacks may obtain regular Federally-insured home loans from Boston banks group. Outside the bounded territory, but the wealthiest blacks find it extremely difficult to obtain home financing.

More says: "We've found a lot of repairs that need to be done. It's not a young house."

Whether the Moore's will buy by the plan is really up to Steigman, for the purchase and sale agreement expired in March.

Conceivably, if Steigman could find a less careful buyer, get a bank to provide a mortgage, and get the FHA to guarantee it, BBURG could be circumvented again, along with its rules.

As for those non-whites who want to move to suburbs, he said it was up to the banks out there to put up the money, and that for those who were willing to move to residential neighborhoods outside the boundaries but inside Boston should use the "normal" mortgage lending facilities of the banks.

Morgan also said that, despite the Federal guarantee of principal and interest, the banks were earning a lot less interest off BBURG loans than they were off other residential

EDITOR'S NOTE: The Globe is devoting this page for staff reporters to initiate and develop articles on public issues of special concern.

and commercial financing. To further expand BBURG by financing homes for non-whites all over the metropolitan area would cause an unreasonably large amount of competition between such loans and the traditional ones, he said.

The trouble with these arguments, however, is that they ignore some important questions. There is the matter of why BBURG exists as a group at all when FHA-guaranteed mortgages can be obtained anywhere by the same simple means. The answer, basically, is that the program was a response by both Mayor White and the business community to the need to come up with a quantifiable program in the re-thrashed spring of 1968.

What inevitably happened, of course, was that the program put most of its early emphasis on simply getting the money out, with no careful thought given to the setting of standards or the provision of basic services to this new homeowner population.

The people loaned from participating banks to staff the program also didn't realize fast enough that the presence of a multimillion dollar

TYRRE of Braintree, had nothing to do with business assets.

Instead, Ross discovered that the firm had a paid informant in the BBURG office on Warren street who was directing traffic to Morton for \$100 per successfully mortgaged case.

The informant admitted her role to Ross and was permitted to resign. At this point, Ross was cooperating closely with the FBI.

More importantly, so was John Newman. Newman was a former employee of Morton Real Estate, who had moved to a new office with several other brokers, called Cummins Real Estate, which still exists as a speculator in the Dorchester-Mattapan area.

It's known that Newman worked closely with Special Agent Robert Keefe on the subject of Tyrre's activities between March and late July.

That work almost cost Newman his life. On July 18, near Codman Square in Dorchester, Newman told Keefe that Tyrre had punched him several times in the face, pushed him over, kicked him in the rear and banged his head on the sidewalk while stating that he would have Newman killed if he testified against him.

This information is taken from an affidavit Keefe filed for the Federal District Court here after Tyrre had been arrested on a charge of using intimidation and force to obstruct a Federal investigation.

Tyrre was bound over to a grand jury, and it was at this point that it became known that this body was looking into alleged tampering with FHA mortgage application forms.

Subsequently, we learned that the FBI, if not a grand jury as well, has been looking deeply into the affairs of another big BBURG broker, Mr. Bowdoin.

According to an assistant U.S. attorney here, the whole matter is still very much open, but he readily admits that it hasn't progressed very far in his greatly overworked office.

As for John Newman, real estate sources say he is in Nevada now, but it's not known whether he is still cooperating with the authorities. Significantly, not long after all this happened, Tyrre's firm suddenly found itself unable to get its clients any mortgage money. The word is that the bank shut him off until the firm died, in the only known instance of banks using real muscle to guard against abuses.

Meanwhile, back over the BBURG boundaries in Mattapan, speculation and possibly outright discrimination continue unabated, with the tacit acquiescence of the banks and the FHA.

With regard to discrimination, the leader of one private agency, Mrs. Saffelle Sacks of Fair Housing, Inc. has notified affidavits from black and white workers in her office documenting instances where blacks are "steered" by real estate firms to already all-black or fringe neighborhoods while other areas are occupationally kept all-white.

The affidavits state that black prospects are told that publicly listed homes in the "parish" areas of Dorchester (around St. Peter's, St. Gregory's and St. Brendan's) have been sold, while white prospects who check minutes later are invited to come see the same homes.

But the speculators, they continue to capitulate on and even stimulate the omnipresent fears that lead directly to panic selling and more profiteering.

Cummins Real Estate, whose brokers say they are selling one house a day on the average, is involved in a vigorous telephone and flyer campaign which suggests ever so gently that: "If you have considered selling your house or perhaps have tried but without success, then let us help."

"We don't intimidate anybody. We don't threaten, we don't intimidate. We don't coerce, we don't threaten, we don't use any underhanded techniques whatsoever," says Jack Brodsky of the Cummins firm.

But Theodore Rubin of 36 Mora st. disagrees.

"I will at least tactics," he said. "We've been here for 20 years, and on one evening we get a call out of the blue asking, 'Would you be interested in selling your house?' It seems unusual to me that they are calling people in an area only one-half mile from the border between a black and white neighborhood. We're on the fringe. There is uneasiness. I felt this was a subtle way of increasing the uneasiness."

Coming even closer to the ultimate, and truth is Frank McLaughlin, who has 11 kids, lives on Seward street, and is a member of the Mattapan Neighborhood Assn, which is starting to look for ways to deal with the problem. Fear, he says, is what allows the speculators to get away with what they do.

"You can play around the edges — talk about the bad guys, the speculators, the FHA people and the block-busting and speculation, we have to deal with the root of the problem — the fear of the families."

Actually, dealing with these fears may not be as insoluble a problem as people are "afraid" it is. For one thing, the big fear is demonstrably unfounded: blacks don't lower property values, speculators do, and families don't have to sell at Woolworth prices unless the white families are paying \$15,000-\$25,000 for homes.