The Federally Sponsored Housing Market Crash: Race, Finance, and Heartbreak in the Pocono Mountains

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ABSTRACT OF THE THESIS

The Federally Sponsored Housing Market Crash: Race, Finance, and Heartbreak in the Pocono Mountains

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In this paper I argue that the 2008 housing market crash was the culmination of a decades-long legislative process enabled by the federal government. I analyze the effects of these policies on Monroe County, Pennsylvania, which became and continues to be the site of one the worst foreclosure crises nationally. Federal policies that promoted decentralization, deindustrialization, and deregulation created the conditions in Monroe County that allowed real estate developers, banks, and brokers to take advantage of an urban crisis that was *only* 1.5 hours away in New York City—without traffic. I describe the process through the story of real estate developer Gene Percudani. Enabled by the federal government, Percudani lured black and Hispanic residents from New York City who were looking for affordable single family homes, safe neighborhoods, and good schools. Not only did these migrants not escape the urban crisis but continued to be victims of it—far away from home.

Acknowledgements

I would like to thank Professor Beryl Satter for her guidance in helping me write this thesis. Through months of correspondence, guidance, and revisions, I feel I have become a more confident writer, historian, and student. I’d also like to thank my parents, Moshe and Lisa, and brothers, Oren and Gil, for their support.

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Introduction

On September 24, 2018, *Reuters* published an article describing Monroe County in the Poconos as one of the "sickest real estate markets in the United States." One quarter of homes, twelve years after the 2007 crisis, are still under water. The article describes how Michael Payne, a 61 year old, African American New York City school bus driver, saw advertisements for new homes in the mountains within a "commutable" distance of New York. Payne says it was his "American Dream." Now, 12 years later, the blue split-level home in a subdivision outside of Stroudsburg, Pennsylvania, is worth less than half the $200,000 he paid for it. To survive, his wife, Gail Payne, leaves every morning at 5 a.m. and commutes two hours to her special education teaching position in the Bronx, New York. She is not alone. Residents from Stroudsburg have the longest average commute in the United States—a feat most would prefer not to accomplish. However, the fact that the Paynes can even afford to remain in their home, makes them part of the lucky minority. Michael Payne's story is a microcosm of what *The New York Times*, *Reuters*, and other periodicals and commentators have incorrectly termed the "2007 subprime mortgage crisis." They portray a narrative of naive buyers who took out loans that they could not afford and overzealous banks with too much money to lend. This could not be farther from the truth.[1]

The Paynes and hundreds of millions of others are victims of a much longer and more complex story of multiple *crises*. In the first part of this paper, I argue that federal

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[1] Michelle Conlin and Robin Respaut, "Millions of Americans still trapped in debt-logged homes ten years after crisis," *Reuters*, September 14, 2008, https://www.reuters.com/article/us-usa-housing-underwater-insight/millions-of-americans-still-trapped-in-debt-logged-homes-ten-years-after-crisis-idUSKCN1LU0EP?fbclid=IwAR3dKEua59jYB9reri8-Cr5O8AuRfleIL0av2VQC-FXK--chMOyUaY5cqDA.

policies that promoted decentralization, deindustrialization, and deregulation enabled the *worst* housing market crash in the country to occur in Monroe County. The roots of the crisis do not lie in the 1990s or 2000s, commonly perceived as the result of policies of Presidents Bill Clinton and George W. Bush, but rather can be traced back to legislation from 1933 to the mid-1990s. In the second part of this paper, I tell the story of real estate developer Gene Percudani. The story of Percudani illustrates how these federal policies that promoted deindustrialization, deregulation, and decentralization were utilized on a local level to transform a rural, demographically homogenous, and deindustrialized county into a diverse commuter exurb that became one of the "sickest real estate markets in the United States." Federal policies enabled Percudani to become one of the most notorious developers in Monroe County, making millions of dollars, and eventually attracting the attention of the enablers, the state and federal government.

Part 1: The Federal Roots of the 2007 Housing Market Crash

Brief Background of the Poconos

Monroe County is located within the Pocono Mountains in the northeast of Pennsylvania. The three other counties considered to be part of the Poconos are Pike, Wayne, and Carbon County. Wayne and Carbon counties historically have been part of the anthracite region, an industrialized coal mining region that began north of Harrisburg in the southwest and extended north to Scranton and south to Jim Thorpe. Until 1948, the original two counties of the Poconos were Monroe and Pike County. The largest community in the Poconos was Stroudsburg, the seat of Monroe County, along the

Delaware River. Stroudsburg is 80 miles from New York, 100 miles from Philadelphia, and even closer to other cities within the anthracite region.[2]

Beginning in the 1940s, industrialized cities in the Poconos like Stroudsburg, Honesdale, and Jim Thorpe began to enter a long period of decline.[3] The use of anthracite coal declined, local railroads that carried the coal deteriorated, and the silk mills began to close. Local workers were attracted to better-paying, federally backed defense plants in larger cities like Paterson, Bridgeport, and Philadelphia.[4] Manufacturing shifted both south and west before heading overseas to avoid heavily unionized states like Pennsylvania.[5] Manufacturers further took advantage of the new interstate highway system, tax incentives, and cheap suburban land that promoted decentralization out of traditional labor markets all throughout the Rust Belt.[6][7] Traditional vacationers to the Poconos now owned automobiles and had much more flexibility in coming for a day trip or a single night rather than what previously had been a week or month at a time, while the wealthy took to the air. These regional shifts of populations, manufacturing, and leisure sent the Poconos into a steady decline. The region became a depressed labor market with severe population loss.[8]

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[2] Lawrence Squeri, *Better in the Poconos* (University Park: The Pennsylvania State University, 2002), Preface.
[3] Thomas Dublin and Walter Licht, *The Face of Decline: The Pennsylvania Anthracite Region in the Twentieth Century(* Cornell: Cornell University Press, 2005), 42.
[4] Ibid. 86-87.
[5] For more information on deindustrialization, see Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982).
[6] The rise of the Sunbelt and South were far from coincidental, see Bruce Schulman, From *Cotton Belt to Sunbelt: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980,* (Durham: Duke University Press, 1991), 95.
[7] Margaret O'Mara, *Cities of Knowledge* (Princeton: Prince University Press, 2005), 6.
[8] Dublin and Licht., 139.

Jim Crow Decentralization and Deindustrialization

The housing market crash in the Poconos (and nationally) has roots over 60 years old, ones that initially affected urban areas. To understand the severity of the crisis in the Poconos, one has to recognize the role of the urban crisis, which was encouraged by federal policy. We need to understand why future victims like New York City school bus driver Michael Payne were so desperate to escape urban life at any cost decades later.

This history is well known, but deserves a brief retelling. In 1933, the Roosevelt administration created the Home Owners Loan Corporation (HOLC) to rescue households in foreclosure.[9] Before the HOLC, most mortgages were five year balloon mortgages; these new mortgages were amortized 20 year mortgages with lower monthly payments. The HOLC created residential security maps that were graded by color. The more African Americans within a community, the lower the rating.[10] The HOLC lent to minority families in foreclosure in inner city neighborhoods. A year later, Roosevelt created the Federal Housing Administration (FHA) to promote home ownership of single family homes. The FHA hired its own appraisers, racist real estate agents interested in maintaining white suburban areas, and utilized the HOLC residential security maps. Racial covenants and physical barriers such as highways were used as a minority containment strategy to keep FHA approved developments homogeneous. The FHA discouraged any inner city investment as too risky and promoted new suburbs exclusively for white homeowners. Even if African American homeowners had capital for their own

[9] Richard Rothstein, *The Color of Law* (New York: Liveright Publishing, 2017), 63.
[10] Ibid., 64.

developments, the FHA deemed, "no loans will be given to colored developments."[11] In 1938, the Federal National Mortgage Association (Fannie Mae) was created to purchase FHA and later VA loans (created in 1944 as part of the GI Bill) from banks, thereby enabling the banks to make more loans—bank liquidity for whites only.[12] Housing expert Charles Abrams said the FHA had "a racial policy that could have well been culled from the Nuremburg Laws."[13]

The federal policies that promoted white suburbia intensified the urban crisis to the point that the United States found urban slums detrimental to its public diplomacy efforts in promoting "capitalism" during the Cold War. One of the proposed government solutions was so called urban renewal.[14] Title 1 of the 1949 Housing Act provided federal funding for redevelopment, largely through slum clearance, which was supposed to clear slums and build low income housing.[15] Eisenhower's 1956 Highway Act subsidized Interstate Highways up to 90%. These programs combined together created huge incentives for displacement of minorities in urban areas. But these highways also interconnected regions that were previously isolated from one another. For example, Interstate Highway 80 allowed suburbanites in New York and New Jersey to reach Monroe County in the Poconos within two hours.[16] Monroe County was now an exurb of the New York metropolitan area. Other cities in the Poconos like Honesdale and Jim

[11] Ibid., 66.
[12] Daniel Immergluck, *Foreclosed: High Risk Lending, Deregulation, and the Undermining of America's Mortgage Market* (Cornell: Cornell University Press, 2009), 1016. (Kindle)
[13] Kevin Kruse, *White Flight and the Making of Modern Conservatism* (Princeton: Princeton University Press, 2007), 60.
[14] Urban renewal was designed by private business interests who had no real interest in housing those they had displaced. For more information on urban renewal, see Arnold R. Hirsch, *Making the Second Ghetto: Race and Housing in Chicago*, 1940-1960 (Chicago: The University of Chicago Press, 1998).
[15] O'Mara, 36.
[16] Squeri, 172-173.

Thorpe did not become exurbs due to being an additional 45 minutes away from Monroe County. For commuters, Monroe County was still inaccessible for daily commuting.

By 1970, the United States federal government created a new landscape of highways, impoverished urban spaces, suburban manufacturing plants, and suburbs. Out of 2,000,000 new U.S. manufacturing jobs, only 30,000 created between 1920 and 1970 were in urban areas, 85% were in the suburbs.[17] Cities in the Poconos completely lost whatever remnants of their industrial base that had remained. These new suburban manufacturing plants and office parks situated along highways promoted a culture of commuting. African Americans like Michael Payne who were segregated in urban areas were particularly hard hit as they struggled to access industries' new suburban locations, which were intentionally designed to exclude them. This was part of a very long history of "last fired, first hired."[18] A typical example is Ford which in 1955 moved its Edgewater, New Jersey, plant 25 miles to the northwest to Mahwah. While white workers from the Edgewater area were able to commute to the new plant, black workers like Michael Payne who were excluded from residence in Edgewater and other affordable, racially segregated areas near the plant would have struggled. The only areas open to black residence were far from the plant, forcing black workers to commute 65-70 miles each way via public transportation. They also could not live in Mahwah itself, as the town enforced new zoning requirements (large-lot zoning) with a minimum of one acre, so working class families could not afford to live nearby.[19] When homes in the Poconos

[17] Keeanga-Yamahtta Taylor, *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership* (Chapel Hill, University of North Carolina Press, 2019), 108.
[18] Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982), 55.
[19] Rothstein, 174.

became available to urban families, many had already been accustomed to excruciatingly long commutes to their places of employment.

Jim Crow FHA Heads to the City

Starting in the 1990s, cheaply constructed and overpriced Pocono homes were sold to urban minorities desperate for good housing in a safe area. These fraudulent practices have roots in legislation from the late 1960s and 1970s in urban America. In *Race for Profit: How Banks and the Real Estate Industry Undermined Black Home Ownership* historian Keeanga-Yamahtta Taylor describes new public-private partnerships that took advantage of urban residents' desperation to find housing. As part of the 1968 HUD Act, President Johnson privatized Fannie Mae and created Ginnie Mae, commonly referred to as government-sponsored enterprises.[20] The newly created financial instrument of mortgage backed securities allowed these government-sponsored enterprises (GSEs) to buy more loans, service additional loans, and to securitize these loans for global financial markets. Unlike Fannie Mae who purchases and securitizes a wide range of mortgages, Ginnie Mae was created to promote home-ownership in the low income mortgage market and only guarantee mortgage backed securities of affordable housing. GSEs reduced risk for bankers, real estate agents, and speculators and inflated the value of homes in low income urban areas. Taylor tells the story of federally subsidized, overpriced urban homes in unlivable condition being sold to minority residents by real estate professionals despite not meeting FHA standards. When the home

[20] Fannie Mae, Freddie Mac, and Ginnie Mae are known as GSEs. Ginnie Mae stands for Government National Mortgage Association, Fannie Mae is The Federal National Mortgage Association, and Freddie Mac is The Federal Home Loan Mortgage Corporation.

was foreclosed, the FHA purchased the loan at face value enriching those involved in the scheme. Once the home returned to the market, the process repeated itself.

Michael Payne's loan, like most of the Pocono loans to urban migrants, was most likely originated by a mortgage banker and sold to a GSE to be immediately securitized. Traditional mortgage lenders originated and then serviced 15 or 30 year mortgages. Mortgage bankers have roots in late 1960s urban America. Taylor says that mortgage lending became so lucrative that unregulated mortgage bankers dominated the urban real market to take advantage of federal subsidies.[21] Mortgage bankers made more money than ever on closing costs through points, maintenance fees, and volume—all guaranteed by the FHA and the GSEs. To sell mortgage backed securities the mortgage bankers created a pool of loans (loans were previously sold individually, which was time consuming, to GSEs), increasing pressures to lend.[22] Banks and insurance companies, many not being attracted to subsidized FHA loans, worked as high interest warehouse lenders (lenders to banks) for these new mortgage bankers, further enabling the bankers to lend out to more people while the banks took their share of the profits. By 1972, 73% of FHA loans were coming from mortgage bankers.[23] Saving & Loan Associations (S&Ls), which operated locally, lent more responsibly than mortgage bankers, and reigned during the "Era of Boring Banking," were losing their local markets to mortgage bankers who put less emphasis on the quality of loans that were quickly sold to the GSEs—loans like Michael Payne's.

[21] Taylor, 18.
[22] Immergluck, 1057.
[23] Taylor, 155.

The Neoliberal Enablers Further Deregulate

Jimmy Carter, Ronald Reagan, and Bill Clinton all played their part in further promoting the deregulated financial environment that enabled the housing market crash. Jimmy Carter signed into law the Depository Institutions Deregulation and Monetary Control Act, which Democratic Senator William Proxmire declared the "most significant banking legislation." The most relevant aspects of the bill to the crisis are that it allowed banks to merge, increased Federal Deposit Insurance Corporation (FDIC) deposit insurance, allowed banks to charge any interest rate, undid geographic lending restrictions, and deregulated S&Ls. Banks became national with more capital and influence. Chase Manhattan Bank, a soon-to-be prominent lender in the Poconos, operated in the Poconos from its Ohio office, which would have been illegal before Jimmy Carter.[24]

In the Poconos, national banks foreclosed at significantly higher rates than local banks. During the Reagan administration the Garn-St. Germain bill of 1982 was the gold standard of banking deregulation: S&Ls were no longer restricted to mortgage loans and could enter riskier transactions, developers could own S&Ls and lend themselves money, they could be owned by one shareholder, and banks could cross state lines and purchase failing banks.[25] Adjustable-rate mortgages, which were also commonly used in the Poconos, date back to Reagan's Alternative Mortgage Transaction Parity Act. The Act overrode state consumer credit protections and allowed banks to "commoditize credit on

[24] Richard Timberlake, "Legislative Construction of the Monetary Control Act of 1980," *The American Economic Assosciation* 75, no.2 *(*May 1985).
[25] William Kleinknecht, *The Man Who Sold the World: Ronald Reagan and the Betrayed of Main Street America* (New York: Nation Books, 2009), 117-118; and Immergulck, 1224.

a national scale," legalized adjustable interest rates and balloon payments, and mortgage companies could now opt for federal regulators rather than comply with stricter state regulators and laws.[26]

Federal policy changes further promoted a new economy in the Poconos' Monroe County that revolved around construction, real estate, and national banking. These were large corporations in which locals, especially in the Poconos, had little power to influence. This new national market for banking with weakened state regulators and new financial instruments led to an increase in residential mortgage backed security issuances by now privatized Fannie Mae and Freddie Mac: an increase from $14 billion in 1982 to $160 billion in 1986.[27] From 1986 to 1995, the S&L crisis took place: 1,043 thrifts with 500 billion in assets failed, leaving the taxpayer with a $124 billion dollar bill, with more damage to come.[28] By 1993, mortgage bankers again increased their share of the mortgage market to 52%, while S&Ls dropped to 18%.[29] The racially discriminatory "Era of Boring Banking" of local banks lending to whites and servicing their own loans was officially over. National banks, mortgage bankers, and real estate developers sold more homes, found more buyers, and developed more land to maximize profit with minimal risk. Instead of excluding minority buyers altogether, national banks now sought them out—for loans that were risky and dangerous.

Bill Clinton promoted homeownership through his 100-point plan that streamlined local building codes and encouraged lenders to lower standards. In the

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[26] Immergluck, 1182.
[27] Ibid. Fannie Mae was created in 1970 to compete with Fannie Mae and buy mortgages from S&Ls to promote home ownership.
[28] Ibid., 1216.
[29] Ibid., 1618.

Poconos, these zoning changes were seen quite dramatically as developers quickly chopped down the forest to build new subdivisions and skimped on construction, which banks continued to lend on. Many of the buyers in the Poconos were first time home owners unfamiliar with housing inspections. From 1992 to 1996, the national home ownership rate rose from 64.1% to 68%, and out of the 8 million new homeowners there were 1.2 million African Americans and another 1.2 million Hispanics.[30] Areas that had previously been red-lined in a public-private partnership between the federal government, real estate industry, and banks were open for prospective homeowners of color. Unfortunately, many of these minority homeowners were temporary and would eventually lose everything—far away from home.

In this new deregulated environment, deindustrialized, exurban communities in Monroe County were particularly vulnerable. Stroudsburg, Tobyhanna, and Smithfield Township participated in the boom cycle with the only resource they had: vacant land (forests) for new subdivisions within a "commuting" distance of employment in the tri-state area, low crime, and good schools. These communities restructured their post-industrial economies around speculative finance, which primarily benefited powerful outside interests, and turned themselves into bedroom communities without locally functioning economies. And for families stuck in destabilized urban environments after

[30] Michael Moss and Andrew Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink, the *New York Times*, April 11, 2004, https://www.nytimes.com/2004/04/11/nyregion/blue-skies-and-green-yards-all-lost-to-red-ink.html.

decades of federally sponsored oppression, towns and subdivisions in the Poconos were truly a dream come true.[31]

The New Monroe County

In 1988, *The New York Times* described Monroe County as a bustling new region attracting potential home buyers from nearby New York and New Jersey. The region was booming, and it offered families large homes, good schools, and was supposedly within commuting distances of employment centers. From 1980 to 1986, the population of Monroe County grew 19.1%, while the state of Pennsylvania grew only 0.2%. In one year, the Pocono Mountain School District increased by 600 new students.[32] Developer Edward V. Henning's new development of 119 "country-look town houses in East Stroudsburg, appealed to long distance commuters. "Its sales pitch stresses its convenience to I-80, the highway that cuts across Northern New Jersey, becomes I-95 and enters New York City at the George Washington Bridge." *Without traffic,* the commute via automobile only takes 1.5 hours. Bus commuters pay $29.95 for a round trip ticket from either Mount Pocono or Stroudsburg and the trip takes two hours. [33]

The background of these buyers in Monroe County throughout the early 80s, many who were first time buyers, was mainly white professionals. Their budget was from $85,000-150,000 for new construction, something unheard of in the New York metropolitan area. Joseph Bechtle was living in an apartment near his work at AT&T in

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[31] Economic growth at any cost is seen as necessary for cities to stay competitive, see John Logan and Harvey Molotch, *Urban Fortunes: The Political Economy of Place* (Berkeley: University of California Press, 2007).

[32] Robin Warshaw, "Focus: The Poconos; Resort Draws Long-Distance Commuters," *The New York Times*, Oct 23, 1988, https://www.nytimes.com/1988/10/23/realestate/focus-the-poconos-resort-draws-longdistance-commuters.html.

[33] Ibid.

Parsippany, New Jersey. It was only a 50 mile commute to Stroudsburg, so instead of purchasing a nearby condominium for $170,000, he bought a four bedroom home for $81,000. Eighteen months later he sold the home for $141,000 to a doctor who commutes daily to New York City. These new residents increased the average tax assessed property price in Monroe County from $60,000 to $100,000 in just four years.[34]

Unregulated speculative growth came with its problems from the very beginning. When the earliest real estate developments began around 1973, a land promoter offered free vacations to London, which ended up not being free. In 1978, a former assistant U.S attorney was jailed for promising a housing development with tennis courts, paved roads, and a pool that were never constructed.[35] Many of the communities such as Tobyhanna, which is a collection of subdivisions, in Monroe County lacked a land-use monitoring control system and plans for infrastructure expansion. But for a deindustrialized region with little industry other than a few resorts that offered minimum wage employment and East Stroudsburg University, increased land values and development rejuvenated Monroe County's economy. The new residents earned their living outside of the county, which had nothing more than a struggling service sector. The planning director for Monroe County, Mr. Krumsky, predicted that the population would continue to increase from 87,600 to 150,000 in 1990. But these happy times of large homes, black bears, and white faces were short lived. [36]

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[34] Ibid.
[35] Michael Moss and Andrew Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times*, April 11, 2004.
[36] Ibid.

Part 2: The Rise of Gene Percudani

Gene Percudani was born in Queens, the son of a carpenter. Before moving to the Poconos in 1970, he studied architecture at the City College of New York. Dario Belardi, Vice President of Caesars Pocono Resorts, described him as a successful businessman, a great family man, a humanitarian, and a decent human being. Not all of Percudani's early business ventures were successful: a partnership in a marketing venture that sold vanity toll-free numbers and loans for plastic surgery ended up in bankruptcy. But by 1994, he had his own Tannersville office (20 minutes from Stroudsburg) and was considered a "prolific builder."[37]

In 1992, Percudani was sued by Pennsylvania attorney general, Ernest D. Preate Jr., who became Percudani's future attorney when he entered private practice, for construction issues with his homes. He settled the case, made repairs, and returned the buyers' deposits. Until 2004, Pennsylvania had no building code for foundations, plumbing, and insulation. Percudani also took advantage of Bill Clinton's 100 point plan that promoted lax zoning requirements, while the city, county, state government looked the other way.

In 1994, Gene Percudani began advertising his "Why Rent?" company via the radio and television in the New York City metropolitan area. Many future clients saw these ads on the Jerry Springer show and on Pathmark bulletin boards. These custom built homes on half acre lots were half the price to similar homes in the outer boroughs.[38]

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[37] Ibid.
[38] Debbie Nathan, "Buying a Piece of Hell," *CityLimits*, October 15, 2003, https://citylimits.org/2003/10/15/buying-a-piece-of-hell/?fbclid=IwAR0yXQnEr-G7wQza61DP1LwnsU831lhNNP2Vx8-8dokb39dXsqBZ7AWCw4s.

"These advertisements offered homes in the beautiful Pocono Mountains of Pennsylvania, an area within driving distance of New York, for $1,000 down and monthly payments of $685." The campaign's slogan was "Why-Rent When You Can Own Your Own Home For $1,000 Down and What You Pay in Rent?"[39] "The ads beckoning urban residents to the distant exurbs hit a responsive note for thousands of teachers and bus drivers, paralegals and postal workers, desperate to have a home, a green yard to call their own," reported *The New York Times*.[40] Prospective clients who called were given an appointment with a sales rep of Rain Tree, another company owned by Percudani. Soon afterwards, the clients received a confirmation letter with the above figures, but the fine print stated "*based* on a purchase price of $126,718 and $972.65 per month and a mortgage of $114,046.20 financed for 30 years at 6% adjustable rate resulting in a payment of $685.00 for qualified applicants."[41] During the era of boring banking, banks often refused to lend to nonwhites altogether, and adjustable rate mortgages were illegal. Now, adjustable rate mortgages were legal, and lenders were happy to lend to formerly excluded nonwhites. Percudani took advantage of these new financial instruments to expand his target market.

The company's pitches were mainly targeted at—and attracting—low-income applicants from New York City—many of them black and Latino. Ethel Davis of New York saw the "Why Rent?" ad on television. The ad offered the Poconos Mountains, Ethel describes, as "a vision of a green, secure world that had seemed hopelessly out of

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[39] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182.pdf, p.1.
[40] Moss and Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times*, April 11, 2004.
[41] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court for the Middle of Pennsylvania,* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182.pdf, p. 3.

reach."[42] She got into her vehicle and immediately took the interstate west. In 1995, Gilbert Vazquez was monitoring traffic reports and when he saw the ad: "he stifled the urge to let out a whoop."[43] His company was prospering and his wife was pregnant. He could no longer live in East Harlem after describing his upbringing: "out of a group of 40 friends, I'm one of the four who is either not dead or in jail."[44] Edgar Rodriguez and Joanne Walton were living in a two bedroom apartment next to Yankee Stadium on top of a sheet metal workshop. Their son had asthma and crime kept them inside, so the Poconos offered them the air quality and nature they had always dreamed of having. [45]

The representatives discussed the location and financing terms with prospective clients like Ethel and Gilbert. In addition, Percudani's Gold Key program paid the buyer's current rent for one year while the home was being built, giving the buyer up to two years to make installment payments to a fund held by Percudani's company towards a down payment.[46][47] Percudani covered the closing costs. Mr. Vazquez stated he was impressed with the model and felt it would be great for his children, and they could still catch a show in the city.[48] Ethel Davis picked a beautiful lakeside lot in a community called A Pocono Country Place, a subdivision in Tobyhanna initially designed for vacation homes, before returning to the Bronx. She could not wait for her housewarming party for friends and family. If the buyer was hesitant, they were told that they could

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[42] Moss and Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times,* April 11, 2004.
[43] Ibid.
[44] Ibid.
[45] Ibid.
[46] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court for the Middle of Pennsylvania,* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182.pdf, p. 3.
[47] Moss and Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times*, April 11, 2004.
[48] Ibid.

potentially lose out on the free decks, fireplaces, and the low monthly mortgage price of $685.[49] David Johnson recalled hearing a phone conversation between sales agents over which customer would get the lot.[50]

Once the client signed the contract, they were directed to Chapel Mortgage, an additional company owned by Percudani, and were nearly always offered a payment higher than the initial $685. But for people like Ethel Davis, who had been through bankruptcy three years prior, Chapel Mortgage employees "eliminated any blemishes" on credit reports like hers before sending them to Chase for approval, so this increased monthly mortgage payment was still less than many were paying in rent.[51] Mr. Vazquez felt comforted: "Whatever little fears I had went out the window. If Chase was involved, I don't have to worry about this."[52] Chase had just joined an urban program to promote home ownership amongst minorities, and Percudani helped Chase achieve federally mandated minority lending goals. Fannie Mae and Freddie Mac, who purchased the majority of the loans from Chase, were ordered by Congress in 1992 to begin purchasing more low and middle-income mortgages to make up at least 42% of assets within their portfolio. To meet these requirements, Fannie and Freddie had to create various programs and initiatives to push banks to lend to additional low and middle-income buyers.[53]

Being Chase's mortgage broker, Percudani was in charge of hiring his own certified appraiser. Appraiser Dominick Stranieri was known to Chase and had been

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[49] Ibid.
[50] Ibid.
[51] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court for the Middle of Pennsylvania* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182.pdf, p.4.
[52] Moss and Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times*, April 11, 2004.
[53] Ronald Brownstein, "Minorities' Home Ownership Booms Under Clinton but still Lags Whites'," May 31, 1999, https://www.latimes.com/archives/la-xpm-1999-may-31-mn-42807-story.html.

placed on their review list before being removed and put back into "good standing."[54] Stranieri had the reputation of a "dirty appraiser" and worked with multiple developers in the region. William Spaner, an Ohio branch manager for Chase, advised underwriters that Percudani's file would differ from typical borrowers.[55] Spaner had never been to the Poconos nor met Percudani. Spaner took advantage of the Reagan-Carter era deregulation to lend nationally, and Percudani took advantage of the access to capital.

Once customers got a promissory note and mortgage, it was sold by Percudani to Chase. Percudani began construction on the home only once the client received the promissory note.[56] Percudani received the value of the mortgage, and Chase received a mortgage that was then sold to the GSEs, specifically Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac then securitized the loan and sold the securities on international financial markets.[57] Chase cared little about the quality of the mortgage since they had no intention of servicing it. There was more money in originating loans and then selling bundles of these mortgages to GSEs. What customers did not realize was that the property was first assessed as undeveloped land and reassessed after 13 months. This led to an increased tax evaluation of the property. Chase, if they still held the mortgage, then raised the mortgage payment based off this new tax assessment because

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[54] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182a.pdf?fbclid=IwAR0HrDF9YaNiAxGt4G2CApiHsHz6D78KiCU4BHVpWFbGvLqofPyKBWfJtNI, p.5.
[55] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182a.pdf?fbclid=IwAR0HrDF9YaNiAxGt4G2CApiHsHz6D78KiCU4BHVpWFbGvLqofPyKBWfJtNI4, p.4.
[56] Ibid., 16.
[57] Ibid., 3.

these were adjustable rate mortgages.[58] For the short time Chase serviced the loan, the company received higher interest payments.

Unfortunately, Percudani was not the exception when it came to the "One Stop Shop" model. Real estate developer Thomas Senofonte, owner of the Keystone companies, built homes in the many of the same developments. When clients came to Senofonte looking for a property, they were given a video tape, "You Can Own Your Own Dream Home." The tape "contrasted gracious Pocono Living with images of big city ills: gang warfare, muggings, shotgun attacks, rooms overrun by vermin." Their commercial was described as one "that opened with urban warfare and finished with grazing deer."[59] Bad credit was considered "A-Okay."[60] Thomas Senofonte and Gene Percudani both developed in "A Pocono Country Place," described by *City Limits* as being "heavily black and Latino," and both utilized the appraisal services of Dominick Stranieri.[61]

"2007" Subprime Real Estate Crisis?

In the fall of 2000, Freddie Mac, began investigating the Pocono loans it had purchased from Chase. The audit found errors in the practices of Chase underwriters, especially by Spaner for Percudani. Some borrowers received loans for earnest money, improper handling of promotional giveaways. In one case the buyer had over 52 incidents of late bill payments, eight times 60 days past due, and other times resolved by

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[58] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182.pdf, p. 5-6.
[59] Moss and Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times*, April 11, 2004.
[60] Nathan, "Buying a Piece of Hell," *CityLimits,* October 15, 2003.
[61] Ibid.

collections. The audit revealed outdated appraisal methods and references to properties outside the specified area.[62] Shortly afterwards, Chase stopped working with Percudani. In 2002, Chase was asked to take back the loans it had sold to Freddie Mac. In the end, Chase would forgive $6 million in debt owed by 210 homeowners, too late for the others that had been foreclosed on. Chase now required two appraisals on Pocono properties. Chase "reluctant to pursue the matter further" declined to cooperate with the United States Attorney General for middle Pennsylvania in a potential criminal action against Percudani. Chase's counsel called "this whole episode a public relations disaster."[63]

The effects of the deregulation of lending from the Carter-Reagan-Clinton era were seen on a local level in Stroudsburg. The largest local lender ESSA Bank & Trust, which had lent out 3,500 loans, foreclosed on only 60 homes. Two out of eight local lenders had no foreclosures. Five of the eight filed only 3 foreclosures for the year. But out of 377 Chase loans, 50 borrowers lost their homes to foreclosure. Chase refuted the number of foreclosures being at most 7%. All of these loans were approved and purchased by William K. Spanner's Chase branch in Independence, Ohio. *The New York Times* reported that "some of Chase's loan practices differed markedly from local lenders."[64] Local lenders serviced their loans over long periods of time (meaning they lend more responsibly), while Chase immediately sold them in bundles to GSEs after originating the loan, which was more profitable. Chase claimed it had not known of Percudani's down payment assistance program. If Chase had been aware, spokesman

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[62] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182a.pdf?fbclid=IwAR0HrDF9YaNiAxGt4G2CApiHsHz6D78KiCU4BHVpWFbGvLqofPyKBWfJtNI, p.20.
[63] Moss and Jacobs, "Blue Skies and Green Yards, All Lost to Red Ink," *The New York Times*, April 11, 2004.
[64] Ibid.

Charlotte Gilbert-Brio says, they would have never been approved. Underwriters who verified paperwork for Chase as contractors also claimed they were not aware that Percudani acted as both the broker and the builder. [65]

Monroe County District Attorney Mark Pazuhanich was reluctant to take on more cases due to limited resources and the size of the players involved. Pazuhanich also engaged in victim shaming claiming that the buyers knew that their income was altered. He called for FBI involvement since his resources were limited. But the *New York Times* mentioned that Percudani and another developer were major contributors to Pazuhanich's recent election campaign. Pazuhanich stayed in Percudani's vacation home in St. Martin and placed campaign signs on Percudani's local golf course.[66] When Pazuhanich previously took other real estate related cases to trial, the local jurors, who are nearly always white, took a "jaundiced view" of the victims. Longtime residents also openly blamed the buyers: "They should have known what they are getting into."[67]

In Monroe County from 1990 to 2003, annual foreclosures increased from 120 to 1,041. The sale to foreclosure ratio in Monroe County was 29% compared to New York City's 5%. Elwood Kurtz, the owner of Homestead Land Services, validated property records for Percudani. He said: "I felt that the majority of them were getting over their heads. They had to fit into their budgets the cost of commuting, food, taxes and it seemed like $10 one way or another would make it or break it for them."[68] Many buyers were unaware of annual dues for even empty lots in communities like A Pocono County Place reached in the hundreds of dollars per year. Buyers from urban areas were also not aware

[65] Ibid.
[66] Ibid.
[67] Ibid.
[68] Ibid.

of the added expenses of garbage, water, and sewage that are run by private companies in Monroe County. In A Pocono Country Place, for sale signs were hidden from potential buyers as local private developments banned for sale signs, so potential buyers often were not aware of the local foreclosure crisis.[69] In Monroe County, the "subprime mortgage crisis" began well before 2007.

The Early 2000s The Pocono Country Place Experience:

In 2004, Angela Dean, a New York State employee, described her life since moving to A Pocono Country Place. A quaint subdivision of 4,500 homes that was sold to her as having three club houses, two lakes, dozens of sport fields, good schools, large lots with new homes, and within a commuting distance of her job in New York City.[70] Many buyers like Mrs. Dean were further convinced that a commuter train was to begin operations in 2005. (The commuter train was not only believed by the naïve. East Stroudsburg University historian Lawrence Squeri wrote in his book on the Poconos that the train would be completed by 2005.)[71] She woke at 3:30 a.m. to bring her children to the babysitter as she readied for the 5:15 a.m. bus. Ms. Dean claimed she spent more time with the fellow commuters than her actual family. During the summer, she stayed at her mother's home in Queens to save herself from the stress of the commute. Finances were tight and she left the home thermostat at 61 degrees.[72]

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[69] Ibid.

[70] Jacobs, "Hanging On, From Predawn to Way Past Dusk; For Pocono Newcomers, Long Days and Lean Wallets," *The New York Times*, April 12, 2004, https://www.nytimes.com/2004/04/12/nyregion/hanging-predawn-way-past-dusk-for-poconos-newcomers-long-days-lean-wallets.html._ and *A Pocono Country Place*, accessed August 24, 2020, http://www.apcppoa.com/.

[71] Squeri, 229.

[72] Jacobs, "Hanging On, From Predawn to Way Past Dusk; For Pocono Newcomers, Long Days and Lean Wallets," *The New York Times*, April 12, 2004.

Angela Dean said she will not give up on her dream to escape the urban crisis and return to Queens. “I want my boys to have a real childhood.” She admitted that she is “playing Russian roulette with the bills” and has already nearly been foreclosed on once before. The week prior to the interview, a snow storm turned her commute into a seven hour nightmare, and she arrived home at 8 regularly. She had an hour to spend with her children every night after coming home before putting them to bed. She dreamt of saving to open a local fast-food franchise, specifically a White Castle, so she can stop commuting. The interview ended with her saying she had been arriving to work late due to ever increasing traffic, so “I’m going to have to start getting up earlier, maybe the 4:45.”[73]

Starting in the early 2000s, A Pocono Country Place began to gain national notoriety. *Fox News* described A Pocono Country Place as a community where “gang members have already made their presence felt in ways that frustrate and frighten the law-abiding majority” in an article titled “Gangs infiltrating Pocono Mountains Region.”[74] *The New York Times* popularized the new nicknames of the community: “Pocono Criminal Place” and “the ghetto in the woods.”[75] The community has a 23 person security force and everyone “knows someone who has been burglarized.” *Fox News* further described an incident in the community where “a wild melee had erupted between Crips and Bloods, and a reputed Blood was stabbed in the abdomen and forearm.” The gang members are supposedly attracted to private communities because they are not patrolled by state troopers or municipal police, but, rather, private

[73] Ibid.
[74] “Gangs Infiltrating Pocono Mountains,” *Fox News*, published August 6, 2006, updated January 13, 2015, https://www.foxnews.com/story/gangs-infiltrating-pocono-mountains-region.
[75] Andrew Jacobs, “Hanging On, From Predawn to Way Past Dusk; For Pocono Newcomers, Long Days and Lean Wallets,” *The New York Times*, April 12, 2004.

contractors. And because the region is so big "there are few battles over turf."[76] In 2004, Journalist Debbie Nathan wrote in her article, "Buying a Piece of Hell," "the Stroudsburg area- almost lily white a generation ago-now boasted braiding salons, a Caribbean restaurant, and other amenities that once would have taken a trip to Harlem to find." [77] St. Lukes Roman Catholic Church's food kitchen in downtown Stroudsburg used to feed "hard drinking men" but now fed minority mothers and children.[78] Was there crime in a community where urban children became unsupervised latch-key children overnight? Yes, petty crime as can be expected under such circumstances. But fears of demographic change, both popular and institutional racism, and the culture industry promoted the perception of urban gang warfare that did not exist.

[76] "Gangs Infiltrating Pocono Mountains," *Fox News*, published August 6, 2006, updated January 13, 2015.
[77] Nathan, "Buying a Piece of Hell," *CityLimits*, October 15, 2003.
[78] Andrew Jacobs, "Hanging On, From Predawn to Way Past Dusk; For Pocono Newcomers, Long Days and Lean Wallets," *The New York Times*, April 12, 2004.

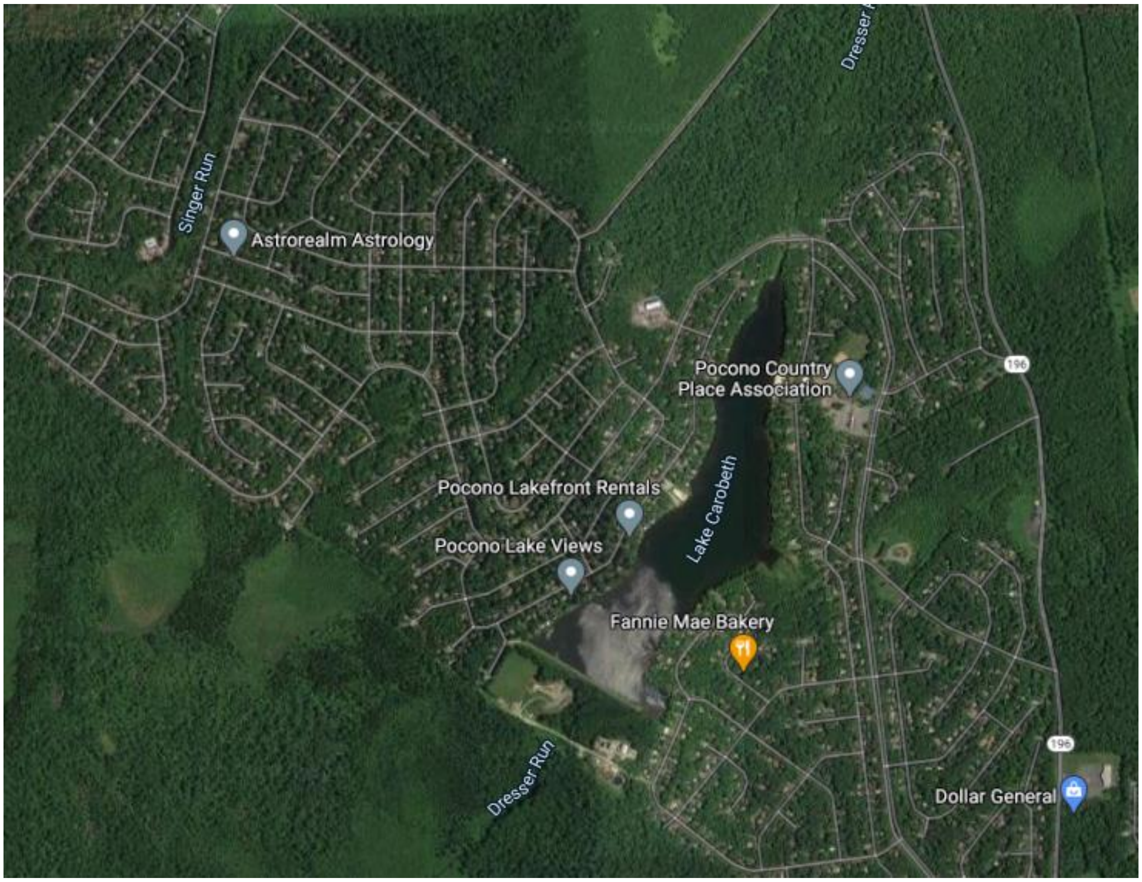

Image 1

This photo is satellite imagery of A Pocono Country Place in Tobyhanna, Pennsylvania. The community is an exurban subdivision of 4,500 single family homes. The residents are primarily African American and Latino and commute daily two hours each way to New York City. The communities' website lists nearby food bank locations. Ironically the bakery is named Fannie Mae. Photo Credit: Google Earth

Image 2

The community pool and lake at A Pocono Country Place are very popular with residents. Amenities and environment one could only dream of in Harlem or the Bronx. Photo Credit: Change.org

Image 3

Michael Payne looks out from his East Stroudsburg bi-level that is now worth less than half what he paid for it over a decade ago. Photo Credit: Reuters

Image 4

The majority of home models in the subdivision are contemporaries, ranches, bi-levels, and the occasional colonial that were built between 1970 and 2008. This home was sold in 2008 for $169,800 after the lot was purchased in 2007 for $4,000. In 2018, the property taxes were $5,500 dollars, which excluded the HOA fees. Photo Credit and Source: Zillow

Commonwealth v. Percudani

On June 28, 2001, a massive class action lawsuit, *Lester v. Percudani* was filed. The named plaintiffs were Eddie and Sharon Lester and 154 other people who had purchased homes from Percudani. The Defendants included Gene Percudani, Dominick Stranieri, William Spaner, and Chase Manhattan Bank. The plaintiffs initially filed under both Racketeer Influenced and Corrupt Organizations Act (RICO) and Pennsylvania Unfair Trade Practices and Consumer Protection.[79] The plaintiffs accused Percudani and Chase of unfair trade practices in selling overvalued properties. Stranieri was accused of

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[79] Lester v. Percudani , NO. 3:01-CV-1182, *United States District Court For The Middle Of Pennsylvania*, https://www.pamd.uscourts.gov/sites/pamd/files/opinions/01v1182a.pdf?fbclid=IwAR0HrDF9YaNiAxGt4G2CApiHsHz6D78KiCU4BHVpWFbGvLqofPyKBWfJtNI, p. 2.

over appraising all but eight of the Percudani homes involved in the lawsuit.[80] Furthermore, the plaintiffs accused Percudani, Stranieri, and Chase of a RICO offense for having operated an interstate scheme that solicited customers, which constitutes mail or wire fraud.[81] The presiding judge was Christopher C. Connor, a conservative "constitutionalist" known today for ruling the Affordable Care Act as unconstitutional in 2011.

On October 11, 2002, the Commonwealth of Pennsylvania filed a lawsuit against Gene Percudani and Dominick Stanieri, *Commonwealth v. Percudani*. For the time being, *Lester V. Percudani* was put on hold as the more important state lawsuit proceeded in Scranton. Chase, accused by victims of facilitating the fraud by utilizing Percudani as a mortgage broker, was excluded from this lawsuit, having settled with existing mortgage holders and denied knowing of Percudani's programs. Percudani was accused of violating Section 2(4) of the Unfair Trade Practices and Consumer Protection Law, including: unfair methods of competition, passing off goods or services of another, causing likelihood of confusion, using deceptive representations, advertising goods or services with intent not to sell them as advertised, making false or misleading statements of fact concerning price reductions, failing to comply with written agreements, using contracts that waive consumer right to assert legal defense, engaging in fraudulent or deceptive conduct which creates a likelihood of confusion. Attorney General Mike Fisher initially

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[80] Lester v. Percudani , NO. 3:01-CV-1182, *United States District Court For The Middle Of Pennsylvania*, https://www.casemine.com/judgement/us/5914b314add7b04934763f05.
[81] Lester v. Percudani , NO. 3:01-CV-1182, *United States District Court For The Middle Of Pennsylvania*, https://www.casemine.com/judgement/us/5914b314add7b04934763f05.

sought $10,000,000 in fines and restitution and claimed "it was one of the largest fraud cases he had ever seen."[82]

Percudani was further accused of having violated the Truth-In-Lending act and Regulation Z for not mentioning to clients the exact repayment and interest rates. The court concluded not one of the 172 clients purchased an identical home to the ones in the advertisements. Clients were told that the lot they had purchased failed a certain test or had previously been sold. The prospective buyer would then be steered to a less attractive, cheaper lot. The state received over 50 consumer complaints regarding judgment clauses designed to intimidate buyers. Another new development in this case, which was not mentioned beforehand, Percudani offered to buy back homes "at closing" from any dissatisfied customers.[83]

The homes that Percudani built, even after being sued in 1992, the court described, were in "a shoddy and unworkmanlike manner." Independent contractors were not allowed to inspect or work on any of the properties. If clients wanted to see the properties themselves, Percudani always had to be present. Furthermore, Percudani required buyers to sign a "guarantee acknowledgement" claiming they are satisfied with the condition of their home. Buyers were then given third party insurance coverage, which the court claimed Percudani used to "insulate" himself from any future responsibility.[84]

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[82] Matt Birkbeck, "State ends part of Poconos fraud case** Homebuilder agrees to pay $250,000 and a ban from mortgage work," *The Morning Call*, June 23, 2007, https://www.mcall.com/news/mc-xpm-2007-06-23-3724515-story.html.
[83] Commonwealth v. Percudani, No. 851 A.2d 987. *Commonwealth Court of Pennsylvania*, https://caselaw.findlaw.com/pa-commonwealth-court/1162801.html.
[84] Ibid.

The commonwealth accused Stranieri of appraising Percudani properties at an inflated rate of $65 a square foot, and he was accused of not even "physically appraising" the homes. Percudani buyers were unable to sell their homes or refinance. Stranieri settled earlier charges from another case by agreeing to surrender his appraisal license. He is indefinitely barred from participating in real estate appraisal again.[85] The Attorney General claimed that he would like to deter any "future occurrences" of Stranieri's conduct through a temporary or permanent injunction.[86]

On June 23, 2007, Attorney General Tom Corbett settled with Percudani after he agreed to pay $250,000 in restitution and no longer participate in mortgage lending. None of the money went to the homeowners, and Percudani was free to build homes again. The restitution went to the state for the cost of the investigation. Percudani admitted no criminal guilt, but, according to his lawyer, he has shown no interest in returning to the home lending business and "has spent the last few years tending to Cherry Valley Golf Course in Stroudsburg, which he owns." Not unreasonable considering the real estate market had crashed. The spokesperson for the state attorney general's office said that the grand jury (always local white residents) did not find enough evidence to indict Percudani.[87]

After Percudani's settlement of *Commonwealth v. Percudani*, the first case *Lester V. Percudani* fell apart. Many of the plaintiffs had left the area after losing their home to foreclosure, no longer had a registered address with the court, or expressed no interest in

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[85] Ibid.
[86] Ibid.
[87] Steve Zurier, "Real Estate Scandal Civil Case Settled," *Builder*, June 23, 2007, https://www.builderonline.com/money/real-estate-scandal-civil-case-settled_o?fbclid=IwAR03rSw0BxsWH44c4CdhZkEBYjrc3FZe2ne6-E6BdLYAhKkL5xrD_25RkdU.

continuing to participate in the trial or to submit documents. On November 3, 2008, Judge Connor directed the case to mitigation. After three months of negotiations, the defendants agreed to pay the 125 remaining plaintiffs a largely symbolic settlement of $300,000. Litigation would continue for an additional six years over the already agreed upon *settlement*. Percudani argued that the $300,000 settlement was to be paid to the plaintiffs' attorneys only. The court disagreed with Percudani and said that the language of the contract was clear and "in no way limits whether or how plaintiffs' counsel distributes those funds." The dispute would go on for years over the settlement agreement. On February 21, 2012, the defendants posted a $300,000 bond with the court.[88] On May 28, 2014, the court gave Percudani and the defendants 14 days to transfer the funds to the plaintiffs.[89] It is doubtful the plaintiffs received anything at all after their attorney fees were paid, which Percudani was adamant about.[90] Perudani's attorney did not lie about him focusing on his golf course. Percudani's golf course went on to host events with nude strippers and harassed neighbors with closed off roads before finally selling the golf course in 2017 for $1.7 million to a nonprofit environmental group.[91]

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[88] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://www.courtlistener.com/docket/4660205/534/lester-v-percudani/.
[89] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://www.courtlistener.com/recap/gov.uscourts.pamd.18493/gov.uscourts.pamd.18493.602.0.pdf.
[90] Lester v. Percudani , *NO. 3:01-CV-1182, United States District Court For The Middle Of Pennsylvania,* https://casetext.com/case/lester-v-percudani.
[91] Kurt Bresswein, "Golf Course Closes, to become public wildlife refuge," *lehighvalleylive*, Nov 11, 2016, https://www.lehighvalleylive.com/news/2016/11/golf_course_closes_to_become_p.html?fbclid=IwAR2BBhVtpSQ1wjRhlacGlXeIfx3iQznsDAh6UUKqHhqPoHvcmrj0fnUmL7A; and Frank, Howard. "Lap dancing on Pocono golf course angers neighbors." *Record Online*, June 26, 2007, https://www.recordonline.com/article/20070626/news/70626006.

A Pocono Country Place Instability Continues

On October 13, 2019, the *Pocono Record* reported on discrepancies in property assessment evaluations in A Pocono Country Place. Attorney Ira Weiner, representing community residents, says that lots in the community are worth $1,500. The hired appraisal company Tyler Technologies appraised the lots from $11,000 to $17,000. Weiner disputes the inflated appraisals claiming that not a single lot has sold for more than $10,000 since 2007. Before Weiner's involvement in the dispute the lots had been assessed at around $380. The residents who own lots complain that the inflated evaluations will increase their property taxes and the new assessed values will potentially scare buyers away. In A Pocono Country Place, local brokers never try to sell properties or take clients. [92]

Weiner points to two of her clients "who cannot even give their A Pocono Country Place lots away for free." All of these lots, vacant or not, come with $1,100 in annual dues. The community is still affiliated with a wide range of crimes including homicides, shootings, and home invasions and any increase in value is described by the *Pocono Record* as "an unlikely event." Nowadays, there are no increased benefits seen with moving to the Poconos, and buyers who do, "often lose tens, if not hundreds, of thousands of dollars."[93]

For buyers stuck with a property they no longer want, there are few options. Weiner sees homes sell for $20,000-$25,000 by "people who want to get rid of a house." These homes are most often bought as investment properties by local slum lords to be

[92] Brian Myszkowski, "Reassesment presents value discrepancies in apcp," *Pocono Record*, October 13, 2019, https://www.poconorecord.com/news/20191013/reassessment-presents-value-discrepancies-in-apcp.
[93] Ibid.

rented out to individuals with Section 8 vouchers. If I had to guess many of these Section 8 voucher holders were most likely property owners at one point. The article ends quoting Weiner: “while a Pocono Country Place may have been once the bastion of the American dream for many, it has since become something else entirely.”[94] For residents of A Pocono Country Place, the housing market crash that began far before 2007 has yet to end in 2020.

Conclusion: Heartbreak in the Poconos

In the introduction I mentioned Michael Payne, an African American New York City school bus driver, and his wife Gail Payne, a New York City teacher, who moved to the Poconos for their “slice of heaven.” Michael Payne felt he got a “piece of the pie,” but now feels “slighted and trapped” as his home is worth less than half of the $200,000 purchasing price. Michael Payne and others like him have always been trapped and slighted, whether it is in an urban area or a subdivision in the woods.[95] Michael Payne made an honest living as a school bus driver despite the challenges and severe, centuries-long state sponsored repression of black life through a variety of means. He and his wife worked hard and saved their money to finally become homeowners and feel both financially and physically secure. Michael Payne’s experience in “one of the sickest real estate markets in the country” took place entirely under federal sponsorship. Gene Percudani and Chase Manhattan Bank, enabled, supported, and protected by the state, believe that it is their right to profit off the desperation of societies’ downtrodden.

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[94] Ibid.

[95] [95] Conlin and Respaut, “Millions of Americans still trapped in debt-logged homes ten years after crisis,” *Reuters*, September 14, 2008.

Donald Trump and other policy makers recognize the importance of suburbia remaining a white, privileged, and segregated space is for American voters. On July 30, 2020, Donald Trump tweeted: "I am happy to inform all of the people living their Suburban Dream Lifestyle that you will no longer be bothered or financially hurt by having low income housing built in your neighborhood. Your housing prices will go up based on the market and crime will go down. I have rescinded the Obama-Biden AFFH Rule. Enjoy!"[96] Michael Payne, despite being racially categorized by the President as an "urban burden," is not ready to give up and continues to work at a local Amazon Fulfillment Center to hold on to his blue split-level home.[97] It seems Michael and Gail Payne's "piece of the pie" will just have to wait, neither the American government nor people are ready for a level playing field.

[96] Facebook Post, July 30, 2020, https://www.facebook.com/DonaldTrump/.
[97] Ibid.

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