

[Back to regular view](#)   [Print this page](#)

## Families spared from mortgage madness

### Some area landlords selling 'condos' as renters still pay

---

[Comments](#)

[Recommend \(18\)](#)

---

July 29, 2008

BY [MARK BROWN](#) Sun-Times Columnist

"You could write a book about this one." So said Cook County Associate Judge William Pileggi on Monday after hearing the story of seven families who diligently continued to pay rent and maintain their Albany Park apartment building, even after their landlord skipped town in an apparent mortgage swindle.

The landlord, Mihail Stancu, may have cleared more than \$1 million from the scheme involving a fake condo conversion before authorities believe he fled to his native Romania.

All the tenants got for their honesty were eviction notices from lenders trying to take possession of make-believe "luxury condos" to which the lenders now hold title through foreclosures.

That inequity changed for the better Monday when Pileggi blocked further eviction proceedings while a receiver takes control of the building and sorts out a more sensible long-term solution.

While I'm not sure if Pileggi is right about this case meriting a book, there's certainly another column or two in here.

That's because the Albany Park situation provides a window into an aspect of the mortgage foreclosure crisis that has had a particular impact in Chicago: condominium conversions in which building owners only pretended to take their properties condo, in the process suckering lenders out of millions of dollars.

The net result has been dozens, maybe hundreds, of once affordable apartment buildings in danger of being left vacant and their former tenants scattered to the wind. When they become vacant, the buildings typically are stripped by illegal scavengers en route to joining the city's scrap heap of troubled real estate.

City of Chicago housing officials, who have been working on the larger problem for more than a year, stepped in forcefully Monday behind the seven families at 4914-4916 N. Spaulding at the urging of the Albany Park Neighborhood Council.

What the families had going for them was that they always did things right.

In similar situations involving landlords who skip out, tenants commonly quit paying their rent but remain in the building as long as possible while conditions deteriorate as utilities are shut off.

But at the Albany Park building, a tenant who had been designated to collect the rents continued to do so after the owner went missing. He paid the utilities and did upkeep on the building. The result is that the building looks great from the street and pretty good inside, even though the supposed condo developer, Stancu, never made any improvements.

The Albany Park tenants -- all of whom are Hispanic -- were never informed of the condo conversion, contrary to legal requirements.

That's a common part of the condo fraud scheme, which would also seem to emphasize how poorly these transactions were reviewed by lenders so eager to part with their money that they failed in the simplest of precautions -- an aspect of this problem that continues to confound me.

Steven McKenzie, a lawyer for the city, warned Pileggi that, if left unchecked, the lenders would evict the tenants one-by-one until the survivors are unable to keep the building afloat. By appointing a receiver, the city hopes to arrange a sale of the building to a single buyer who will keep it as affordable rental housing.

The tenants' forthrightness made an obvious impression on the judge.

"I am not going to force them to move," he ruled.

To the banks, Pileggi said: "You're all going to take a bath. The issue is how big a bath."

Pileggi now presides over an entire weekly court call devoted to similar cases of condo buildings gone bad.

The fraud in the Albany Park case was particularly blatant -- with Stancu in essence selling the condos to himself at inflated prices to justify some \$1.9 million in mortgages on a property for which he had just paid \$765,000. In the typical condo fraud scenario, straw buyers are used to make the fake purchases. Not every case involves fraud.

Stancu paid cash for the building. City officials say that also was the case in other fraudulent condo conversions. One big question is who provided that money. It didn't come from normal lending sources. It's possible Stancu was fronting for somebody else.

This is one of those weaknesses in the system that the bad guys all seem to figure out before the rest of us.

Last month, the U.S. attorney's office filed charges against Jeff Trochowski, 41, and Greg Sarwa, 39, for allegedly obtaining \$757,500 in fraudulent loan proceeds for the purported sales of four basement condos in the 3200 block of West Polk.

Some condos. The basement in question had neither plumbing nor interior walls.

Maybe the lenders thought they were lofts.

[LB Kamerion Wimbley Added to Injury Report](#)

From Dawgs By Nature

[JENGA! Herzog & de Meuron's 56 Leonard Revealed](#)

From Curbed

The views expressed in these blog posts are those of the author and not of the Chicago Sun-Times.