

# Indiana Realty Firm Accused of Predatory Housing Scheme

LORRAINE BAILEY May 31, 2017

(CN) – An Indiana fair-housing organization claims in federal court that Indianapolis-based Rainbow Realty runs a predatory rent-to-own scheme that targets minority neighborhoods and leaves many buyers empty-handed.



Rainbow Realty Group, its owner James R. Hotka, and Empire Holding Corp. allegedly purchased nearly 1,000 empty, dilapidated houses in Marion County, Ind., for as little as \$10,000 a piece.

In order to rent these properties, many of which do not have working electrical, plumbing, or heating systems, Rainbow Realty would be required to bring them up to a livable standard.

But instead, according to a [lawsuit](#) filed in Indianapolis federal court by Fair Housing Center of Central Indiana, the company runs a predatory rent-to-own scheme, luring low-income, minority buyers to place a down payment on a home before evicting them when they fall behind on payments.

“This scheme revives predatory land contract practices that during much of the twentieth century were targeted at African-American neighborhoods and denied African Americans the same opportunity as whites to accumulate wealth through housing,” Tuesday’s complaint states.

Rainbow Realty’s website, [indyrenttobuy.com](#), lists over 100 homes with purchase prices ranging from \$40,000 to \$90,000.

“Land contracts are seller-financed sales. There is no transfer of ownership under a land contract, and no acquisition of equity by the buyer, until the last payment is made. The coupling of land contracts with above-market sales prices and usurious interest rates flourished during decades of public and private redlining. Defendants have brought back this toxic combination and, like their predecessors, are targeting their scheme at minority neighborhoods,” the federal complaint continues.

The housing organization says the realty company often concealed from buyers the

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true extent of the repairs needed to the homes, leaving them even more likely to default on the loan.

Once a buyer defaults, Rainbow Realty allegedly keeps the down payment, all monthly payments, and any improvements the buyer made to the property. And if a buyer does manage to pay off the purchase price, the company still benefits by having sold the property for much higher than their purchase price without making any repairs, according to the lawsuit.

“Every outcome is a win for the defendants, and it is always at the expense of their customers,” the complaint states.

The Indiana attorney general sued Rainbow Realty and Hotka in 2012, making similar allegations that the company’s rent-to-buy scheme illegally avoided Indiana’s landlord-tenant law.

However, Rainbow Realty strenuously denies the allegations on its website, claiming it has a “fair and just right to evict customers for non-payment.”

It says 54 months have passed since the Attorney General announced the charges, but the company has not been given an opportunity to prove its innocence.

Rainbow Realty did not immediately respond to a request for comment regarding Tuesday’s lawsuit.

The Fair Housing Center seeks punitive damages for alleged violations of the Equal Credit Opportunity Act, Fair Housing Act, and Truth in Lending Act, and an injunction prohibiting Rainbow Realty and Hotka from continuing to operate their rent-to-own scheme.

The organization is represented by James Strenski with Cantrell, Strenski & Mehringer in Indianapolis.

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