

**UNITED STATES OF AMERICA
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF ADMINISTRATIVE LAW JUDGES**

The Secretary, United States Department)
of Housing and Urban Development, on behalf of)
Redacted)
_____)
and their aggrieved children, and Redacted,)
_____)
Charging Party,)
_____)
v.)
_____)
Lakes and More Realty, Inc., d.b.a. Bemidji)
Property Management, Barbara Raymond,)
Hans Serleth, and Corie Serleth,)
_____)
Respondents.)
_____)

HUDALJ No.:
FHEO No.: 05-17-6995-8; 05-17-
7296-8; 05-17-8158-8

CHARGE OF DISCRIMINATION

I. JURISDICTION

On February 2, 2017, Redacted (“Complainants Redacted”) timely filed a verified complaint with the United States Department of Housing and Urban Development (“Department” or “HUD”), alleging that Respondents Lakes and More Realty, Inc., doing business as Bemidji Property Management, and Barbara Raymond (“Respondent Raymond”), violated the Fair Housing Act, as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3601, *et seq.* (the “Act”) by refusing to rent to a family with children who applied to sub-lease Complainant Redacted rental property. The Complaint was amended on March 13, 2017 to add Hans Serleth and Corie Serleth as Respondents (“Respondents Serleth”), and again on February 23, 2018 and March 1, 2018 to add details about the violations of the Act to the statements of the fact. Complainant Redacted timely filed a verified Complaint with the Department on March 1, 2017 alleging violations of the Act. The Complaint filed by Complainant Redacted was amended on March 22, 2017 to add her children as aggrieved persons.¹ On May 12, 2017, Complainant Redacted again amended her complaint to add her partner, Redacted, as a complainant. Complainants Redacted (“Complainants Redacted”) filed a timely, verified Complaint with the Department on May 24, 2017.

The Act authorizes the Secretary of HUD to issue a Charge of Discrimination on behalf of aggrieved persons following an investigation and a determination that reasonable cause exists to believe that a discriminatory housing practice has occurred. 42 U.S.C. § 3610(g)(1) and (2). The

¹ The narrative to the complaint includes a reference to 7 children under 18 years of age. The record reflects that only six of the children were under 18 years of age.

Secretary has delegated to the General Counsel, who has retained and re-delegated to the Regional Counsel, the authority to issue such a Charge, following a determination of reasonable cause by the Assistant Secretary for Fair Housing and Equal Opportunity or his or her designee. 24 C.F.R. §§ 103.400 and 103.405; 76 Fed. Reg. 42463, 42465.

By a Determination of Reasonable Cause issued contemporaneously with this Charge of Discrimination, the Regional Director of the Office of Fair Housing and Equal Opportunity for Region V, on behalf of the Assistant Secretary for Fair Housing and Equal Opportunity, has determined that reasonable cause exists to believe that a discriminatory housing practice has occurred and has authorized and directed the Regional Counsel for Region V to issue this Charge. 42 U.S.C. § 3610(g)(2).

II. SUMMARY OF ALLEGATIONS IN SUPPORT OF THIS CHARGE

Based upon HUD's investigation of the allegations contained in the aforementioned complaints and the Determination of Reasonable Cause, Respondents Lakes and More Realty, Inc., Barbara Raymond, Hans Serleth, and Corie Serleth are charged with violating the Act as follows:

A. LEGAL AUTHORITY

1. It is unlawful to refuse to rent after the making of a *bona fide* offer, or to refuse to negotiate for rental, or to otherwise make unavailable or deny, a dwelling to any person because of race, national origin, or familial status. 42 U.S.C. § 3604(a); 24 C.F.R. § 100.50(b)(1); 24 C.F.R. § 100.60(a); 24 C.F.R. § 100.70(b).
2. It is unlawful to discriminate against any person in the terms, conditions, or privileges of rental of a dwelling on the basis of race, national origin, or familial status. 42 U.S.C. § 3604(b); 24 C.F.R. § 100.50(b); 24 C.F.R. § 100.65(a), (b)(1); 24 C.F.R. § 100.70(c)(2).

B. PARTIES AND THE SUBJECT PROPERTY

3. Complainant [Redacted] and Complainant [Redacted] are domestic partners. Complainant [Redacted] is the mother of two sons that intended to live with her. At the time of the alleged discrimination, the eldest son was twenty-six years old and the younger, minor son was twelve years old. Complainants [Redacted] and her sons, are Native American. Complainant [Redacted] and Complainant [Redacted] sought and were denied the opportunity to rent an available dwelling by Respondents. Complainants [Redacted] and [Redacted] and her sons are "aggrieved persons" as defined by the Act. 42 U.S.C. § 3602(i).
4. Complainants [Redacted] are a married couple and the parents of five minor daughters. At the time of the alleged discrimination, the minor children were nine-years old, eight-years old, seven-years old, four-years old and two-years old. Complainant [Redacted] is Native American and is the adult daughter of Complainant [Redacted]. Complainant [Redacted] is Mexican American. The [Redacted] children are of Native-American and Mexican-American descent. Complainants [Redacted] and [Redacted] sought and were denied the opportunity to rent an available dwelling by Respondents.

Complainants and their minor children are “aggrieved persons” as defined by the Act. 42 U.S.C. § 3602(i).

5. Complainants [Redacted] and [Redacted] are a married couple with 4 children. At all times relevant to this Charge, Complainants [Redacted] leased a rental property from Respondents Serleth, located at [Redacted] Bemidji, Minnesota (“subject property”). Complainants [Redacted] attempted to facilitate the sublet of the subject property to Complainant [Redacted], Complainant [Redacted] and Complainants [Redacted] (“Complainants [Redacted]”). Complainants [Redacted] remained financially liable for the lease of the subject property after Respondents refused to rent it to Complainants [Redacted]. Complainants [Redacted] and [Redacted] are “aggrieved persons” as defined by the Act. 42 U.S.C. § 3602(i).
6. Respondents Hans and Corie Serleth own the subject property which is a single-family home in Beltrami County, Minnesota. At all times relevant to this Charge, the subject property was listed for sale and rent as a six-bedroom, five-bathroom home with over 7,000 square feet of living space, two kitchens, a sauna, a sunroom, a fitness room, indoor and outdoor fireplaces, a library, and a tree house with a zip line, situated on over eight acres of land, with lake access and a dock. The subject property is a “dwelling” within the meaning of the Act. 42 U.S.C. § 3602(b); 24 C.F.R. § 100.20.
7. Respondent Barbara Raymond is the owner of Respondent Lakes and More Realty, Inc. Respondent Raymond is a licensed real estate agent. In her capacity as owner of Respondent Lakes and More Realty, Inc., she markets properties for sale and rental, and also manages properties.
8. Respondent Lakes and More Realty, Inc., is a Minnesota corporation in good standing and also does business as Bemidji Property Management (“BPM”).
9. In 2014, Respondents Serleth entered into a contract with Respondent Raymond and Respondent Lakes and More Realty, Inc., to sell the subject property or to rent the subject property until such time as it could be sold. On information and belief, this contract permitted Respondent Raymond to make rental decisions on behalf of Respondents Serleth.

C. FACTUAL ALLEGATIONS

10. In or around May of 2016, Complainant [Redacted] signed a twelve-month lease to rent the subject property for themselves, their 4 children, a grandparent, and a dog. The terms of the lease included a \$3,000 security deposit and monthly rent of \$3,000. Respondent Raymond and BPM negotiated and facilitated the rental of the subject property for Respondents Serleth. Complainants [Redacted] rented the subject property without visiting in person, conducting all of their negotiations with BPM via FaceTime and telephone calls. Respondent Raymond did not meet Complainants [Redacted] their children or the children’s grandmother prior to agreeing to rent to them. Complainants [Redacted] never met Respondents Serleth before renting the subject property from them.

11. In or around August of 2016, Complainants [Redacted] notified Respondent Raymond that they intended to vacate the subject property, to return to Oklahoma to care for Complainant [Redacted] terminally ill brother.
12. In or around August of 2016, Respondent Raymond informed Complainants [Redacted] that they remained liable for the rent for the remainder of the lease term. Respondent Raymond further advised Complainants [Redacted] that the terms of their lease permitted them to sublease to another tenant, but that she planned to keep their \$3,000 security deposit for the remainder of the lease term.
13. In or around August, September and October 2016, the subject property was advertised for rent on www.craigslist.org (“Craigslist advertisement”). The Craigslist advertisement included a rental rate of \$3,000 per month; it did not reference a security deposit, nor a limitation on the number of individuals who could occupy the subject property.
14. The subject property is not subject to the Bemidji City Rental Code.
15. In August of 2016, Complainant [Redacted] and Complainant [Redacted] were coworkers at the Indian Health Service. Complainant [Redacted] informed Complainant [Redacted] that he and his family were moving from the subject property and suggested that the subject property would be an ideal fit for Complainant [Redacted] family. He gave Complainant [Redacted] the contact information for Respondent Raymond.
16. On or about September 12, 2016, Complainant [Redacted] made a telephone call to Respondent Raymond to inquire about renting the subject property and subleasing from Complainants [Redacted]. Respondent Raymond quoted her a rental rate of \$3,000.00 per month.
17. After verifying that Complainant [Redacted] income qualified her to rent the subject property at \$3,000.00 per month rent, Respondent Raymond scheduled a showing of the subject property for later that day.
18. On September 12, 2016, Complainants [Redacted] and [Redacted] arrived at the subject property for the showing before Respondent Raymond arrived. Complainant [Redacted] sent a text message to Respondent Raymond, informing her that they were walking around the exterior of the property, to which Respondent Raymond replied, “OK.”
19. Complainants [Redacted] and [Redacted] are racially identifiable as Native Americans from their appearance.
20. When Respondent Raymond arrived at the subject property on September 12, 2016, she did not cordially greet Complainants [Redacted] and [Redacted] and she was not cordial during the showing. Respondent Raymond admits being “upset” with Complainants [Redacted] and [Redacted] upon her arrival because they were walking around the exterior of the subject property without her.
21. After Respondent Raymond arrived, Complainant [Redacted] arrived with his five minor daughters. Respondent Raymond was informed that Complainant [Redacted] and his

children would also occupy the subject property, to which Respondent Raymond expressed surprise. Respondent Raymond commented to Complainant [Redacted], “Oh, you have young kids.” Respondent Raymond did not otherwise greet Complainant [Redacted] and did not treat him cordially during the showing, at one point, “yelling” or sternly admonishing his daughters to stay away from the children’s tree fort on the subject property.

22. Complainant [Redacted] is ethnically identifiable as Hispanic from his appearance.
23. Respondent Raymond did not discuss many of the unique features of the subject property with Complainants during the showing on September 12, 2016. She did not escort Complainants [Redacted] or [Redacted] as they toured the interior or exterior of the subject property. When asked questions about operational costs for the home, Respondent Raymond did not answer with the costs and instead referred them to Complainants [Redacted].
24. As alleged in paragraph 16, above, in a telephone conversation, Respondent Raymond quoted Complainant [Redacted] a monthly rental rate of \$3,000 for the subject property. However, during the showing of the subject property, Respondent Raymond quoted Complainants [Redacted] and [Redacted] a rental rate of \$4,000 a month for the subject property. This rental rate is \$1,000 higher than the rate Respondents advertised for the subject property on www.craigslist.org in August, September and October of 2016. This rental rate is also \$1,000 higher than paid by Complainants [Redacted], whose lease Complainants [Redacted] sought to assume. Respondent Hans Serleth admits that he discussed increasing the rent for Complainants [Redacted] with Respondent Raymond after the showing, and he agreed to charge the extra \$1,000.00 per month in rent.
25. During the showing of the subject property on September 12, 2016, Respondent Raymond also informed Complainants [Redacted] and [Redacted] that she would charge them a \$3,000 security deposit. The advertisement for the subject property on www.craigslist.org in August, September and October of 2016 did not request a security deposit. Complainants [Redacted] lease, which Complainants [Redacted] sought to assume, required only a \$3,000 security deposit. Respondents retained Complainants [Redacted] \$3,000 security deposit for the remainder of the lease term. With the additional security deposit, Respondents would have held a \$6,000 security deposit. Respondent Raymond admits that she advised Complainants [Redacted], [Redacted] that she would charge them a \$3,000 security deposit, and that she did so because of the “wear and tear” that she presumed would be caused by their family, and because of past bad experiences with subtenants. Respondent Hans Serleth admits that after the showing, he discussed collecting an additional security deposit from Complainants [Redacted] with Respondent Raymond and, he agreed to charge the extra deposit.
26. At no time during the showing on September 12, 2016 did Respondent Raymond tell Complainants [Redacted] or [Redacted] that she was concerned about the septic system being adequate for their family.
27. Respondent Raymond left the showing on September 12, 2016 while Complainants [Redacted], [Redacted] and [Redacted] were still touring the exterior of the subject property. This left them at the property unescorted. She did not inform them that she was leaving. Respondent

Raymond did not say, goodbye. She did not provide them a rental application.

28. Also, on September 12, 2016, the evening of the showing, Respondent Raymond spoke to Complainant **Redacted** by telephone. During this telephone call, Complainant **Redacted** offered to transfer his security deposit to Complainants **Redacted** and offered to contribute up to \$1,000 a month to their monthly rent. Respondent Raymond admits telling Complainant that she would require Complainants **Redacted** to make an additional \$3,000 security deposit because of her concern that they would not keep up the property.
29. On September 13, 2016, Respondent Raymond provided Complainant **Redacted** with a rental application. At or around noon that day, Complainant **Redacted** submitted a rental application. Later that day, Complainant **Redacted** submitted a completed rental application to Respondent Raymond.
30. Also, on or about September 13, 2016, Respondent Raymond communicated with Complainant **Redacted** via text message, indicating that she was running a background check on Complainant **Redacted**. In one text exchange that day, Respondent Raymond asked, "I'm a little confused, How many adults and how many children?" Complainant **Redacted** replied, identifying the prospective tenants and referring Respondent Raymond to the rental applications, which showed that her daughter, Complainant **Redacted**, had 5 girls and she had 2 sons. Respondent Raymond responded, "11 then? And what ages of sons and **Redacted** [sic] kids?" Complainant **Redacted** replied, "9,8,7,4, 2 girls 17² and 12 soon to be 13."
31. While the Complainants **Redacted** rental application was under review, Respondent Raymond told Respondent Serleth of the size of the **Redacted** family, the number and ages of the children in the family, and that the family included Native American family members.
32. Respondent Raymond completed her review of the applications and found that Complainants **Redacted** were qualified to rent the subject property.
33. Nevertheless, on or about September 14, 2016, Respondent Raymond denied Complainants **Redacted** rental applications to sublease the subject property. Respondent Raymond communicated the denial of both applications to Complainant **Redacted** in a telephone call. In response, Complainant **Redacted** requested that Respondent Raymond ask Respondents Serleth to review their applications and reconsider the denial. Respondent Raymond agreed to contact Respondents Serleth. Complainants **Redacted** were also informed of the denial of the rental applications on or about September 14, 2016.
34. At some point between September 14, 2016 and September 17, 2016, Respondent Raymond spoke to Respondent Hans Serleth regarding Complainants **Redacted** rental applications. Respondent Hans Serleth communicated with Respondent Raymond and told her he agreed with Respondent Raymond's denial of the applications.

² The investigation found Complainant **Redacted** referred to her sons as minors, both in her complaint and in this text message to Respondent Raymond. In fact, one of her sons was an adult. This disparity has no impact on the claims.

35. On or about September 17, 2016, Respondent Raymond spoke separately to Complainants **Redacted** and Complainant **Redacted** on the telephone and told each of them that the **Redacted** family's rental applications were rejected. She told Complainants **Redacted** that the reason the application was denied was because of the "size of the family." Respondent Raymond's transaction notes for that day included an entry that read, "Owner declined renting to 11." When speaking to Complainant **Redacted**, Respondent Raymond stated that the denial was because of the concern for the "wear and tear" that she presumed would be caused by the **Redacted** family. Respondent Raymond's transaction notes for her conversation with Complainant **Redacted** read, "declined due to normal wear & tear of \$1M house."
36. Respondents denied Complainant **Redacted** rental applications to rent the subject property on or about September 14, 2016 and on September 17, 2016.
37. On or about September 19, 2016, Complainant **Redacted** filed a complaint with the Minnesota Association of Realtors. In his complaint, **Redacted** alleged that Respondent Raymond discriminated against Complainants **Redacted** based on familial status.
38. In December of 2016, the Ethics Panel for the Minnesota Association of Realtors held a hearing on Complainant **Redacted** complaint. Respondent Raymond attended and filed a written response to the allegations. At the hearing, Respondent Raymond defended the denial of the **Redacted** family's application by claiming that she was concerned that the family would cause damage to the subject property's septic system. This is the first time that Respondent Raymond communicated a concern for the capacity of the subject property's septic system to Complainants. In support of her septic system defense, Respondent Raymond submitted copies of an e-mail exchange that she had with a Beltrami County official on or about October 19, 2016, regarding the capacity of the subject property's septic system. This e-mail exchange with the Beltrami County official occurred over a month after Respondents had denied Complainants **Redacted** rental applications.
39. Respondent Raymond did not know the functional capacity of the septic system at the subject property when they denied Complainants **Redacted** rental application in September of 2016. Respondent Raymond's first communication with a Beltrami County employee was sent a month after she denied the **Redacted** family's rental application. In relevant part, in or around October of 2016, Respondent Raymond inquired, with Beltrami County, "Can you tell me how large the septic system is for the above address?" This inquiry was made in preparation of Respondent Raymond's defense to Complainant **Redacted** complaint then pending before the Minnesota Association of Realtors Ethics Panel of the Professional Standards Committee and not for the purpose of evaluating Complainants **Redacted** rental applications.
40. Respondent Raymond and Respondents Serleth rejected the **Redacted** family's application without knowledge of the functional capacity of the septic system at the subject property.
41. Complainants **Redacted** lease contract for the subject property had a provision that damage to

the sewage system at the property may be the responsibility of the tenant. This lease provision would apply to a sublessor.

42. The Hearing Panel for the Minnesota Association of Realtors found, by a unanimous vote, that Respondent Raymond had violated Article 10 of the Code of Ethics of the National Association of REALTORS®. In a written decision, it stated, “The Hearing Panel noted that family status is a protected class under Article 10 and that the Respondent either recommended or was a party to a discrimination against the [Redacted] family, due exclusively to the size of their family. The Hearing Panel further noted that the absence of a city ordinance mandating the proper number of people per bedroom or size made the decision arbitrary. This was a large home, with more than 7000 square feet of space and 6 bedrooms. The only defense the Respondent cited was a call to a septic system tech, but no report was drafted and no explicit explanation was provided.” Respondent was reprimanded and fined. However, none of the complainants received any equitable or compensatory relief as a result of the decision.
43. Respondent Raymond appealed the decision of the Ethics Panel. The decision was upheld on appeal.
44. During the pendency of the Minnesota Association of Realtors’ Complaint, Complainants [Redacted] finalized a buyout of the lease for the subject property with Respondents Serleth. The buyout required Complainants [Redacted] to pay Respondents Serleth \$15,500.00 to terminate their lease. In the negotiation, Respondent Raymond asked Complainant [Redacted] to withdraw his Complaint; he declined.
45. As a result of Respondents’ discriminatory conduct, Complainants and their children suffered actual damages, including lost housing opportunity, emotional distress, and out of pocket expenses. Complainants [Redacted] suffered the financial loss of having to buy out of their lease, instead of subletting to Complainants [Redacted]. And Complainants [Redacted] had to deal with the stress of unsuccessfully subletting while going through an unexpected relocation and caring for a critically ill family member. Complainants [Redacted] moved from Arizona to live with Complainants [Redacted], a desirable arrangement for a young family with children, to enjoy the support of grandparents and extended family. The families are now forced to rent separate apartments, splitting up the families and causing the family to live apart. They lost a unique rental opportunity, suffered humiliation, loss, emotional distress and financial damages.

D. LEGAL ALLEGATIONS

46. Respondents violated the Act on the basis of familial status when they refused to rent an available dwelling to Complainants [Redacted] and their children, after receiving a bona fide offer to rent the subject property, because of the size of the family and the number and ages of the children in the family. By association, Respondents discriminated against Complainants [Redacted] and [Redacted] by refusing to allow Complainants [Redacted] to sublet from Complainants [Redacted] because of the size of the [Redacted] family and the number and ages of children in the family, after which the subject property remained available for rent, and Complainants [Redacted] remained liable for the

rent. 42 U.S.C. § 3604(a); 24 C.F.R. § 100.50(b)(1), (3); 24 C.F.R. § 100.60(a); 24 C.F.R. § 100.70(b).

47. Respondents violated the Act on the basis on race (Native American) and national origin (Mexican American) when they refused to rent an available dwelling to Complainants [Redacted], [Redacted] and their children, when they rejected their bona fide offer to rent the subject property after learning of their race and national origin when Respondent Raymond met Complainants [Redacted], and [Redacted] and his daughters at the showing of the subject property, after which the subject property remained available for rent. By association, Respondents discriminated against Complainants [Redacted] and [Redacted] [Redacted] by refusing to allow Complainants [Redacted] to sublet from Complainants [Redacted] because of the race and national origin of the [Redacted] family, after which the subject property remained available for rent, and Complainants [Redacted] remained liable for the rent. 42 U.S.C. § 3604(a); 24 C.F.R. § 100.50(b)(1), (3); 24 C.F.R. § 100.60(a); 24 C.F.R. § 100.70(b).

48. Respondents violated the Act on the basis on the basis of familial status, race (Native American) and national origin (Mexican American) when they quoted less favorable rental terms and conditions for rental of a dwelling to Complainants [Redacted], specifically, increasing the rental rate by \$1,000 per month and requiring an additional security deposit of \$3,000, when such terms were: less favorable than those advertised for the subject property during the relevant rental period on www.craigslist.org; less favorable than Respondent Raymond quoted to Complainant [Redacted] on the telephone before meeting her and her family; and less favorable than Complainants [Redacted] lease terms, a family that is smaller than the [Redacted] family, has older children than most of the children in the [Redacted] family, who are racially identifiable as white, and whose race was unknown to Respondents at the time they signed the underlying lease. 42 U.S.C. § 3604(b); 24 C.F.R. § 100.50(b); 24 C.F.R. § 100.65(a), (b)(1); 24 C.F.R. § 100.70(c)(2).

III. CONCLUSION

WHEREFORE, the Secretary of the United States Department of Housing and Urban Development, through the Office of the Regional Counsel, and pursuant to 42 U.S.C. § 3610(g)(2)(A), hereby charges Respondents with engaging in discriminatory housing practices in violation of 42 U.S.C. § 3604 (a), and (b) of the Act, and prays that an order be issued that:

49. Declares that the discriminatory housing practices of Respondents, as set forth above, violate the Act, 42 U.S.C. § 3601, *et seq.*, and its implementing regulations;

50. Enjoins Respondents, their agents, employees, and successors, and all other persons in active concert or participation with them, from discriminating against any person in any aspect of the rental of a dwelling in violation of the Act, specifically on the basis of familial status, race and national origin, pursuant to 42 U.S.C. § 3612(g)(3);

51. Requires Respondents and their agents and employees to attend, at Respondents' expense, training that addresses the Fair Housing Act's prohibitions against race, national origin and familial status discrimination;
52. Awards such damages pursuant to 42 U.S.C. § 3612(g)(3) as will fully compensate all Complainants and their children for damages caused by Respondents' discriminatory conduct.
53. Award a civil penalty against each Respondent for each violation of the Act, pursuant to 42 U.S.C. § 3612(g)(3) and 24 C.F.R. § 180.671; and
54. Award such additional relief as may be appropriate under 42 U.S.C. § 3612(g)(3).

Respectfully submitted on this _____ day of August, 2018,

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