Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color

Miami Valley Fair Housing Center

Jim McCarthy, President/CEO

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Introduction

- The Miami Valley Fair Housing Center (MVFHC) has been investigating the failure of organizations like Fannie Mae to appropriately maintain and market Real Estate Owned (REO) properties since 2009.

- Together with the National Fair Housing Alliance and other private fair housing organizations, MVFHC seeks to stabilize our neighborhoods of color.
The national investigation included 34 metropolitan areas made up of 129 cities. Of these cities, 63 cities included zip code investigations in communities of color. A total of 2,106 Fannie Mae REOs were investigated.
Methodology for Investigation

- Neighborhoods selected for investigations were:
  - Majority African American
  - Majority Latino
  - Majority Non-White
  - Majority White

- Neighborhoods selected had Fannie Mae foreclosed homes listed for sale on Fannie’s website.

- 100% of Fannie Mae REOs in targeted zip codes were investigated.
Methodology for Investigation

These 39 items are important maintenance issues addressing curb appeal, health and safety items, and structural issues for marketing the REO, maintaining property values, and being a good neighbor to surrounding homeowners.

- The investigator marked “yes” or “no” as to whether the deficiency was present on the REO.
  - For example, 1 unsecured hole in the structure counts as 1 deficiency; likewise, 3 holes in the structure also counts as only 1 deficiency.

- Photos were taken of the REO and neighbors on both sides and across the street to show routine maintenance of homes in neighborhoods.

- No homes that were occupied were evaluated or used in the complaint.
Evaluation Measures

- **Curb Appeal**
  - Trash, Leaves, Overgrown Grass, Overgrown Shrubs, Invasive Plants, Dead Grass

- **Structure**
  - Broken Windows, Broken Doors, Damaged Fences, Damaged Roof, Holes, Wood Rot

- **Signage**
  - Trespassing/warning signs, “Bank owned”, “Auction”, or “Foreclosure” signs, “For Sale” signs missing or broken/discarded
Evaluation Measures

- **Paint/Siding**
  - Graffiti, excessive peeling/chipped paint, damaged siding

- **Gutters**
  - Missing, out of place, broken, hanging, obstructed

- **Water Damage**
  - Mold, discoloration, excessive rust, erosion

- **Utilities**
  - Tampered with or exposed
Investigation

- In the Dayton, OH metropolitan area, the Miami Valley Fair Housing Center investigated 71 REO properties owned by Fannie Mae.

- 26 located in African-American communities
- 1 located in a non-White community
- 44 were located in White communities.

- 45.5% of the REOs in White communities had fewer than 5 maintenance or marketing deficiencies documented, while none of the REOs in communities of color had fewer than 5 deficiencies.

- 59% of the REO properties in African-American neighborhoods had 10 or more maintenance or marketing deficiencies documented, while only 18% of the REO properties in White communities had 10 or more maintenance or marketing deficiencies.
Fannie Mae Fails to Maintain REOs in Dayton, Ohio’s Communities of Color from 2010 through 2014.

Miami Valley Fair Housing Center
Investigations occurred in 2010, 2012 and 2014
<table>
<thead>
<tr>
<th>Condition</th>
<th>Communities of Color</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 deficiencies</td>
<td>0.0%</td>
<td>45.5%</td>
</tr>
<tr>
<td>5 or more deficiencies</td>
<td>100.0%</td>
<td>54.5%</td>
</tr>
<tr>
<td>10 or more deficiencies</td>
<td>59.3%</td>
<td>18.2%</td>
</tr>
<tr>
<td>15 or more deficiencies</td>
<td>3.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Trash</td>
<td>29.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Mail accumulated</td>
<td>51.9%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Overgrown grass or leaves</td>
<td>7.4%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Overgrown/dead shrubbery</td>
<td>63.0%</td>
<td>43.2%</td>
</tr>
<tr>
<td>Dead grass (10-50%)</td>
<td>25.9%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Dead grass (50% or more)</td>
<td>3.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Invasive plants (10-50%)</td>
<td>59.3%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Invasive plants (50% or more)</td>
<td>3.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Broken mailbox</td>
<td>25.9%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Curb appeal miscellaneous</td>
<td>11.1%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Unsecured / broken doors</td>
<td>44.4%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Damaged steps and handrails</td>
<td>44.4%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Damaged windows</td>
<td>63.0%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Damaged roof</td>
<td>37.0%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Damaged fence</td>
<td>44.4%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Holes</td>
<td>33.3%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Wood rot</td>
<td>55.6%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Structure miscellaneous</td>
<td>22.2%</td>
<td>34.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Condition</th>
<th>Communities of Color</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trespassing / warning sign</td>
<td>22.2%</td>
<td>29.5%</td>
</tr>
<tr>
<td>Marketed as distressed</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>No for sale sign</td>
<td>37.0%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Broken or discarded signage</td>
<td>11.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Unauthorized occupancy</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Signage misc</td>
<td>3.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Graffiti</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Peeling / chipped paint</td>
<td>70.4%</td>
<td>40.9%</td>
</tr>
<tr>
<td>Damaged siding</td>
<td>51.9%</td>
<td>40.9%</td>
</tr>
<tr>
<td>Missing / damaged shutters</td>
<td>3.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Paint/siding misc</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Missing / out of place gutters</td>
<td>51.9%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Broken or hanging gutters</td>
<td>29.6%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Obstructed gutters</td>
<td>40.7%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Gutters misc</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Water damage</td>
<td>14.8%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Small amount of mold</td>
<td>37.0%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Pervasive mold</td>
<td>0.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Water damage misc</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Exposed utilities</td>
<td>29.6%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

Communities of Color have more egregious percentage – at least 10% difference in proportion to the White percentage
No significant difference observed in percentages
White communities have more egregious percentage – at least 10% difference in proportion to the Communities of Color percentage
Fannie Mae’s Failed Maintenance in 2010 in Dayton, OH
Initial review of Fannie Mae REOs in 2010 revealed very poor maintenance in middle and working class African American neighborhoods.

Unfortunately, after two years of meetings, there was no improvement in Fannie’s Mae’s maintenance efforts in African American and Latino neighborhoods.
Fannie Mae’s Failed Maintenance Continues Two Years later in 2012
Investigations resumed in 2012. MVFHC found the same problems. This REO sold for $6,500 in November, 2012.
Nice home inside, but the curb appeal is so poor that real estate agents and owner-occupants might never consider looking at the home.
Damaged gutters and missing downspouts
Fannie’s REO has broken steps. Fannie says it edges the lawn and sweeps sidewalk and steps, but not at this REO in an African-American neighborhood.
Obstructed gutters cause roof and interior wall damage.
Overgrown weeds
Neighbors’ well-maintained homes next to the poorly maintained Fannie REO.
2012: Fannie Mae REO in an African-American neighborhood looks fine from the street, but...
Accumulated mail indicates no one is checking on the home…
Fannie Mae simply has to re-attached the downspout.
How is it that Fannie Mae doesn’t see the need to remove this branch from the gutter?
2012: To increase curb appeal, Fannie Mae could simply add a fence slat to the REO in an African American neighborhood.
But more important—Fannie Mae should secure this garage to provide safety for the children and other residents in the neighborhood.
Fannie Mae could make this easy repair under the overhang.
Removing the trash, cutting back the invasive plants and securing the fence gate would also increase safety and show the owner cares about the property.
2012: Why would Fannie Mae board this storm window instead of replacing it and giving this home in an African-American neighborhood some positive curb appeal?
Fannie Mae says it repairs steps because it is a safety hazard not to do so. These unrepaired steps and board storm window contribute to poor curb appeal.
Why does Fannie Mae allow this kind of overgrowth in communities of color?
This uncovered hole in the foundation is an invitation to rats, cats or other animals to invade the home.
This obstructed gutter will cause roof and interior wall damage.
2012: Fannie Mae fails to maintain this very nice REO in an African–American neighborhood.
A boarded window in the front door hurts curb appeal and accumulated mail tell vandals no one is watching the home.
Why doesn’t Fannie Mae simply paint the side door? Fannie requires handrails on steps, but apparently not on this REO in an African-American neighborhood.
When you walk to the backyard you immediately see dead brush and...
Wildly overgrown invasive plants.
2014: Fannie Mae listed this REO in October 2014 in an African American neighborhood with boarded windows, no “For Sale” sign and…
How do you market this home to an owner-occupant buyer when there is no nature light inside the home because all the windows are boarded?
Then when you go into the backyard you see dead and overgrown shrubs and invasive plants.
It only gets worse: more overgrown plants, accumulated leaves and a dead pine tree in yard.
Boarded patio doors, weeds growing around foundation and dirty steps. Fannie claims to power wash homes when needed.
The neighbors’ nicely maintained homes.
2014: Another Fannie REO from October 2014 with boarded windows, trash under bushes, card board “For Sale” sign and peeling paint.
2014: Fannie’s REO has a front porch with boarded windows, broken porch rails, peeling paint and no curb appeal.
Fannie allowed the accumulation of trash and dirt on the front porch.
Fannie doesn’t trim overgrown plants or fix the broken fence.
A similar, but well-maintained twinplex to the left of Fannie’s poorly maintained REO.

Fannie’s REO has overgrown shrubs on the property line.
Neighbor’s well-maintained home to the right of Fannie’s poorly maintained REO.
2014: Fannie Mae’s REO in an African-American neighborhood is poorly maintained with boarded windows and accumulated mail indicating no one is checking on the property.
Where a window needs to be repaired, Fannie instead allows the elements and birds or squirrels access.
These neighbors have well-maintained homes, but have to live next to Fannie’s poorly maintained property.

Imagine trying to refinance your home with this next door.

What impact will this Fannie REO have on your property value?
Fannie Mae’s Well-Maintained REOs in White Neighborhoods
8
Well-Maintained
Fannie Mae
REOs in White
Neighborhoods
Freddie Mac Comparisons
This is a Freddie Mac REO in an African American neighborhood in October 2010. The scrubs are trimmed and there is no trash in the yard.
These are the neighbors on either side. Freddie is maintaining its REO to the neighborhood standard.
Another Freddie Mac REO in an African American neighborhood in good condition in 2010.
Health Impact

Living next to or nearby foreclosed homes causes stress, high blood pressure, asthma, and anxiety. People report feeling their neighborhood is stigmatized.
“The increases in blood pressure observed could be due in part to unhealthy stress from residents’ perception that their own properties are less valuable, their streets less attractive or safe and their neighborhoods less stable,” said Mariana Arcaya, Sc.D., M.C.P.

“Safety could also be a concern that affects their ability to exercise in these neighborhoods.”

“Because the study involved predominately white, middle-class, suburban neighborhoods with single-family homes, research on different populations in urban and rural settings is needed,” Arcaya said.
National Center for Healthy Housing
POOR QUALITY OF LIFE

Boarded up housing and vacancies contribute to social isolation, anxiety, and feeling of stigmatization. Residents’ fear of crime in neighborhoods with vacancies may cause significant barriers to exercise and physical activity.
(Broken Window Theory)

Vacant and abandoned homes cause rapid neighborhood decay and blight. Residents feel unsafe walking on streets with abandoned or vacant properties.

• A higher proportion of vacant homes in urban neighborhoods is associated with increased crime.
Unsafe Neighborhoods

- Unattended and unmaintained properties result in:
  - Injuries from accidental fires
  - Illegal dumping and rodent infestations
  - Deterioration of lead paint
QUESTIONS?

From Fannie Mae Cyprexx-serviced REO home in Orlando, Florida.