Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods

BALTIMORE, MARYLAND

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Fannie Mae REO Investigations in 38 Metropolitan Areas
Fannie’s Mission for REOs

“At Fannie Mae, the mission of the Fannie Mae Property Maintenance team is to ensure the quality of our REO property maintenance services, consistently producing best-in-class, market-ready properties and maintaining them until removal from our inventory.”

- Found on Homepath.com
Fannie Mae’s Field Services Checklist

These lists are essentially the same and detail what Fannie Mae says it will do to maintain its foreclosures.
Exterior Services Checklist

Fannie Mae expects each property’s exterior to be in compliance with local codes and ordinances year round, as well as the exterior to look its best to remain competitive in the market.

Exterior services include:

- Removal of trash/debris.
- Cut grass and remove clippings from sidewalks, driveways and lawns (front, back, and sides).
- Knock down, remove, and treat weeds as needed in all rock-scaped areas.
- Trim weeds/overgrowth from fence lines, foundation of home/other structures, driveways and flower beds without damaging existing plants or flowers.
- Edge driveways, walkways and sidewalks.
- Remove all non-decorative vegetation attached to structure (including hanging vines).
- Hedge all shrubs and small ornamental trees on entire property, and ensure overgrown shrubs are hedged and trimmed from all exterior entrances and walkways, as well as below window sills as appropriate.
- Remove all fallen leaves, dead shrubs/plants/small ornamental trees from the property.
- Clear all walkways and sidewalks of clippings and dirt.
- Ensure all real estate signage is properly secured and showing appropriately.
- Ensure all debris/mailings/door drops/cobwebs are removed from all entry ways/porch areas.
- Property is secured and locked.
- Confirm interior and exterior maintenance is satisfactory.
Fannie Mae has also provided its vendors with the authority to immediately perform additional services, without obtaining prior approval up to specified dollar thresholds as conditions at the property warrant, including, but not limited to:

- Installation of exterior doors if damaged or missing (instead of using temporary securing materials);
- Exterior porch light replacement if damaged or missing;
- Finished handrails/guardrails (instead of temporary replacements);
- Deck and wooden step repairs;
- Gutter repairs;
- Fence repairs;
- Rehanging shutters; and
- Painting over graffiti.

https://www.homepath.com/field-services.html
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
Baltimore, MD Racial Disparities

- In the Baltimore metropolitan area, we investigated 65 Fannie Mae REOs in 2015.
  - 32 African American
  - 3 Majority Non-White
  - 30 White

- 45.7% of the REO properties in communities of color had trash or debris on the premises;
- 62.9% of the REO properties in communities of color had overgrown or dead shrubbery; and,
- 40% of the REO properties in communities of color had unsecured, broken, or boarded doors.
Trash or Debris
Overgrown or Dead Shrubbery
Invasive Plants
Unsecured, Broken, or Boarded Doors
Missing or Out of Place Gutters
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Fannie Mae REOs in 2014

All of the REOs were taken from Fannie Mae’s Homepath.com website.
2014: This Fannie Mae home is in an African-American neighborhood in Baltimore. From the curb, you can already see overgrown shrubs that are intruding into the neighbor’s yard.
This property is listed for sale on Fannie Mae’s website, Homepath.com, but the realtor has incorrectly marketed this home with Freddie Mac signage, leading a perspective homeowner to the wrong website.
Fannie Mae has also left the front door to this home ajar and completely accessible to anyone.
In the back of the house Fannie Mae has left overgrown shrubs and vines along the fence.
2014: Fannie Mae’s REO in an African–American neighborhood in Baltimore looks OK from the curb…
However, the side of the home has dead grass and is covered in dead leaves and invasive plants.
In the backyard, Fannie Mae has dumped a dead shrubbery, trash, and debris into a giant pile that is likely attracting rodents and other vermin.
On the backside of the home, Fannie Mae has failed to address pervasive discoloration on the home’s siding.
These neighbors are taking good care of their homes and must live next to the poorly maintained Fannie Mae property.
2014: Fannie Mae’s REO in an African–American neighborhood in Baltimore has no “for sale” sign even though it is listed for sale on Homepath.com
Fannie Mae has failed to fix this home’s siding, leaving the siding underneath exposed to the elements.
In the back of the house, Fannie Mae has left a broken gutter and has failed to trim an unruly shrub.
Fannie Mae has also chose to board, rather than replace, the back door – creating an eyesore for the neighborhood.
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Fannie Mae REOs in 2011
2011: This Fannie Mae home in an African-American neighborhood in Randallstown has no “for sale” sign and a severely overgrown front yard.
Fannie Mae has neglected to address and treat discoloration all around the property.
Fannie Mae has also left invasive plants to grow on the side of the home instead of properly removing them.
2011: Fannie Mae seems to be taking care of this Baltimore home in an African-American neighborhood. However…
The front door has no doorknob, and the yard has dead and overgrown shrubbery.
Fannie Mae has left one window completely open; another is cracked, and another is boarded.
Fannie has also neglected to fix missing and damaged gutters, allowing water to damage the home’s foundation.
2011: This Fannie Mae REO in an African-American neighborhood in Gwynn Oak has overgrown grass and weeds already visible from the curb.
Fannie Mae is supposed to keep the grass mowed and remove grass clippings from the yard.
In the front yard, Fannie has also left weeds and dead grass. This is not an appealing yard to a potential homebuyer.
Fannie Mae has dumped debris and trash in the yard and left it to attract rats and other pests.
It would take minimal effort from Fannie Mae to connect these gutter downspouts so they can function properly, but Fannie would rather have discoloration accumulate and allow water to damage the foundation.
Fannie Mae’s Well-Maintained REOs in the Baltimore Area’s White Neighborhoods
2014: This Fannie Mae REO in a White neighborhood in Dundalk, MD is well maintained and appealing for a potential buyer.
Fannie Mae has mowed this home’s lawn recently and has a nice, visible “for sale” sign in the front yard.
Fannie Mae has taken good care of the side of the home as well.
2014: Fannie Mae’s REO in a White neighborhood in Parkville, MD is well maintained with great curb appeal.
Fannie Mae has kept the front yard nicely mowed and free of trash and debris. The home’s shrubbery is trimmed.
Fannie Mae has also taken good care of the home’s backyard, mowing the grass and clearing the yard of any debris.
2014: Another REO in a White neighborhood in Parkville, MD that is well maintained by Fannie Mae.
Fannie Mae is regularly mowing and edging this lawn. The home’s shrubs are trimmed as well.
The back of the home is clean and clear of any trash or debris.
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.
• Vacant and abandoned homes cause rapid neighborhood decay and blight. (Broken Window Theory)
• 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:

- Illegal dumping and rodent infestation
- Injuries from accidental fires or arson
- Deterioration of lead paint.
From Fannie Mae Cyprexx-serviced REO home in Orlando, Florida.