Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods in Metro Cleveland, OH

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

- **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
Cleveland, OH Racial Disparities

- In the Cleveland metropolitan area, we investigated 44 Fannie Mae REOs in 2014.
  - 12 African-American
  - 3 Majority Non-White
  - 29 White

- 46.7% of the REO properties in communities of color had trash or debris on the premises;
- 46.7% of the REO properties in communities of color had overgrown or dead shrubbery; and,
- 40.0% of the REO properties in communities of color had unsecured, broken, or boarded windows
Examples of Fannie Mae’s Failure to Maintain REOs in Communities of Color

Metro Cleveland, OH
2014
This Fannie Mae REO is located in an African American neighborhood in Cleveland. It looks okay from the front, but...
The side of the home is covered in overgrown shrubbery and invasive plants.
Gutters are obstructed with plant growth, and pieces of the gutters are missing completely, allowing water to damage the structure of the home.
These are the well-maintained neighbors of the Fannie Mae REO.
Another Fannie Mae REO in an African American neighborhood in Cleveland.
These unsightly and unstable front steps and porch do not make a good first impression of the home for a potential homebuyer.
This Fannie Mae REO has zero curb appeal due to its boarded holes and trash laying around.
Missing gutters were found all around the home.
Fannie Mae chose to use clear boarding on one window and board the other.
A damaged fence sits among overgrown shrubbery and invasive plants.
Fannie Mae claims to maintain its REOs in the same or better condition than homes in the neighborhood.

Clearly that is not the case in this African American neighborhood.
This Fannie Mae REO is located in an African American neighborhood in Cleveland Heights.
Dead tree limbs are leaning on the home.
Trash is littered throughout overgrown shrubs on the side of the home.
This home also had multiple boarded and cracked windows.

This home sold for $29,900 to an investor and is now a rental property. Average home sale prices in the neighborhood are $65,000.
The neighbors’ homes to the left and across the street are well-maintained.

Let’s see what the neighbor to the right looks like…
The neighbor directly to the right is another Fannie Mae REO.
The backyard has overgrown shrubbery and dead tree limbs laying against the fence.
There are dangerously low-hanging wires in the backyard.
Multiple holes in the home allow birds, insects, and other vermin to nest inside.

Similarly, this home sold to an investor for $25,000 when the average home sales price is $65,000. Fannie Mae is exponentially harming this African American neighborhood by failing to maintain two REO homes right next to each other.
Fannie Mae’s REOs are Well Maintained in White neighborhoods

Metro Cleveland, OH
2014
This well-maintained Fannie Mae home is in a White neighborhood in Garfield Heights.
Note that there is no trash or overgrown shrubbery on this Fannie Mae REO, and boarded doors and windows are absent as well. The lawn is freshly cut and edged.
Additional well-maintained Fannie Mae REOs in White neighborhoods.
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.
• Vacuum 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.
QUESTIONS?

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