Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods in Metro Dallas, TX

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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

**2012 Checklist**

- Secure and replace missing roof tiles or roof shingles.
- Replace or secure missing or damaged window sash or window trim.
- Remove or secure all interior door hinges.
- Remove or secure all interior door jambs.
- Remove or secure all interior door latches.
- Install and test entry locks, if not already installed.
- Install and test window locks, if not already installed.
- Install and test all interior door locks, if not already installed.
- Install and test all exterior door locks, if not already installed.
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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-scape 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
Dallas Metro - Racial Disparities

- In the Dallas, TX metropolitan area we investigated 33 Fannie Mae REOs between 2011 and 2014:
  - 7 African-American
  - 11 Latino
  - 3 Majority Non-White
  - 12 White

- 29% of the REO properties in communities of color had trash or debris while none of the REO properties in White communities had the same issue.
- 33% of the REO properties in communities of color had overgrown grass and/or accumulated leaves while none of the REO properties in White communities had the same issue.
- 29% of the REO properties in communities of color had broken or boarded windows while none of the REO properties in White communities had the same issue.
Samples of Fannie Mae’s Failure to Maintain REOs in Communities of Color

Metro Dallas, Texas
2011-2014
2011: This Fannie Mae REO is located in a Latino neighborhood and looks well-maintained from the front, but...
As you take a closer look, you see that the REO has unsecured holes, peeling paint, and broken and hanging gutters.
2012: This Fannie Mae REO is located in a Latino neighborhood.
This REO had multiple unsecured doors, inviting vandals into the home.
This REO also had multiple holes, allowing the elements, insects, rodents, and other animals to take residence inside.
2012: This Fannie REO is located in a Latino neighborhood and has no “for sale” sign marketing the home.
This Fannie Mae REO had holes, overgrown grass, peeling paint, damaged siding, and boarded windows.
2014: This Fannie Mae REO is located in an African-American neighborhood.
This Fannie Mae REO had trash, overgrown grass, overgrown shrubbery, and dead grass. An entire side of the home was also boarded. How does Fannie Mae expect to market this home in its current condition?
The neighbors’ homes are well-maintained.

Fannie 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.
2014: This Fannie Mae REO is located in an African American neighborhood. It has zero curb appeal with no “for sale” sign and a large pile of tree limbs in the front yard.
How does Fannie Mae expect to successfully market this home if multiple entrances are not safe for potential homebuyers?
This REO also had trash and dead leaves littering the property.
Fannie Mae’s REOs are well-maintained in White neighborhoods

Dallas, TX
Fannie Mae REOs in White neighborhoods are well-maintained.
Fort Worth Metro - Racial Disparities

- In the Fort Worth, TX metropolitan area we investigated 26 Fannie Mae REOs in 2014:
  - 3 African-American
  - 4 Latino
  - 4 Majority Non-White
  - 15 White

- 36% of the REO properties in communities of color had trash or debris on the premises
- 46% of the REO properties in communities of color had holes in the structure of the home
- 91% of the REO properties in communities of color had peeling or chipped paint
Samples of Fannie Mae’s Failure to Maintain REOs in Communities of Color

Fort Worth, TX
2014
2014: This poorly maintained Fannie Mae REO is located in a Latino neighborhood.
This REO had trash, dead grass, invasive plants, an unsecured door, damaged siding, and holes in the structure of the home.
2014: This poorly maintained Fannie Mae REO is located in a majority non-White neighborhood.
This Fannie Mae REO had trash, overgrown grass, overgrown shrubbery, and damaged utilities.
Fannie Mae’s REOs are well-maintained in White neighborhoods

Fort Worth, TX
Fannie Mae REOs in White neighborhoods are well-maintained.
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.
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.
QUESTIONS?

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