Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color in Metro Denver, CO

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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

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 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
Denver, CO Racial Disparities

- In the Denver metropolitan area, we investigated 26 Fannie Mae REOs.
  - 2 African-American
  - 12 Latino
  - 4 Majority Non-White
  - 7 White

- 31.6% of the REO properties in communities of color had trash or debris on the premises;
- 42.1% of the REO properties in communities of color had missing or out of place gutters; and,
- 42.1% of the REO properties in communities of color had unsecured, broken, or boarded windows
Fannie Mae’s Failure to Maintain and Market REOs in Latino and African American Neighborhoods in Denver and Aurora, CO
Days after the snow fall, Fannie Mae still has not cleared the sidewalk.
Neighbors shoveled their sidewalks, but Fannie failed to remove snow in this African American neighborhood.
These are the front steps to the REO.

Fannie Mae could make the home more appealing by removing the old carpet covering the steps and raking the dead leaves.
Same REO and Fannie fails to safely secure exposed electrical wires.
This Fannie Mae REO in an African American neighborhood lacks curb appeal with dead grass, overgrown shrubs and accumulated leaves.
It is July and Fannie Mae has not cleaned up the leaves from the fall.
Fannie Mae failed to repair the broken fence at the REO creating a safety issue.
Fannie Mae REO in a Latino neighborhood with the front window boarded which detracts from curb appeal, but there is more…
Fannie doesn’t fix the fence…
Fannie Mae fails to replace the window in the front storm door...
Fannie doesn’t reattach the downspout...
Or remove dead scrubs from the backyard.
Here are the neighbors whose property values are lowered because Fannie refuses to properly maintain its REO.
A newer Fannie REO in a Latino neighborhood. By boarding these windows Fannie sends a negative message to buyers and hurts its market appeal.
Fannie continues to board the home.
Safety concerns: Fannie Mae fails to remove snow from the sidewalks while all the neighbors shovel their walkways.
Fannie Mae’s REO in this Latino neighborhood looks alright from the street, but…
If Fannie checked around its REO, it would find screens to put back in place and a board to remove and leaves to rake…
If Fannie checked on its REOs in communities of color, it would see that the window in the back door needs to be replaced.

The poor maintenance on this REO in a Latino neighborhood is rarely seen on Fannie REOs in white neighborhoods.
Fannie Mae Provides Proper Maintenance for REOs in White Neighborhoods.
All of these Fannie Mae REO have the dead leaves raked and removed.
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.