Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods in Grand Rapids and Muskegon, MI

Fair Housing Center of West Michigan
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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
Grand Rapids, MI Racial Disparities

- In the Grand Rapids metropolitan area, we investigated 34 Fannie Mae REOs between 2012 and 2014.
  - 11 African-American
  - 23 White

- 73% of the REO properties in communities of color had trash or debris on the premises
- 64% of the REO properties in communities of color had overgrown grass or accumulated leaves
- 46% of the REO properties in communities of color had unsecured, broken, or boarded windows
2012: This Fannie Mae REO is located in an African American neighborhood. It doesn’t look too bad from the front, but…
The garage is unsecured and creates a safety issue for children in the neighborhood.
This REO also has overgrown grass and shrubbery, as well as broken and boarded windows.
2012: This Fannie Mae REO is located in an African American neighborhood. It sold for only $11,000 to an investor.
The front of the home has zero curb appeal due to the overgrown yard with trash dispersed throughout.
The side and back of the home are also overgrown, and the entire home is covered in peeling paint.
2014: This Fannie Mae REO is located in an African American neighborhood.
Dead shrubbery and leaves from last fall remain on the ground in this photo taken in April 2014.
Dead shrubbery, leaves, and trash litter the property, and holes in the siding and overhang are open for animals to nest.
Here are photos of the neighbors’ nicely kept homes next to the unmaintained REO.
2014: This Fannie Mae REO is located in an African American neighborhood.
Caution tape covers the damaged front steps of this REO. How does Fannie Mae expect to show this home to potential homebuyers when they cannot safely access the front door?
Trash and plant debris litters the yard along with overgrown shrubbery.
This REO also had hanging pieces of siding and a boarded window, detacting from the home’s curb appeal and creating an eye sore for the neighborhood.
2014: This Fannie Mae REO is also located in an African American neighborhood.
Trash litters this property.

This pool is filthy and left uncovered creating a safety hazard for small children.
Fannie Mae does take care of their REO homes in White neighborhoods. This photo was taken in April 2014 and there are no leaves left over from the fall, contrary to what we found in African American neighborhoods.

The front, side and back of this REO has no trash or accumulated leaves.
Another example of a well-maintained Fannie Mae REO in a White neighborhood.

The front and back of this home is free of trash, and no overgrown grass or shrubbery clutters the yard.
Additional examples of well-maintained Fannie Mae REO homes in White neighborhoods.
Muskegon, MI Racial Disparities

- In the Muskegon metropolitan area, we investigated 22 Fannie Mae REOs from 2013 to 2015.
  - 7 African American
  - 15 White

- 86%, or 6 out of 7 of the REO properties in communities of color, had five or more deficiencies
- 43%, or 3 out of 7 of the REO properties in communities of color, had unsecured, broken, or boarded doors
- 71%, or 5 out of 7 of the REO properties in communities of color, had at least a small amount of mold or discoloration on the property
This Fannie Mae REO in an African American neighborhood has no “for sale” sign and is covered in leaves.
A broken window can be seen next to the steps that are covered in leaves and mold.
A missing gutter is allowing water to enter the home and damage the structure and foundation.
Notice that these well-maintained neighbors of the Fannie Mae REO do not have leaves cluttering their yards.
Another Fannie Mae REO in an African American neighborhood.
This REO has multiple holes in the roof and soffits, allowing birds to nest inside.
This home also had boarded doors and windows, and mold on the roof and siding.

This home was listed on Homepath for $3,000 and sold for only $1,750.
These 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.
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.
QUESTIONS?

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