Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods in the Greater Palm Beaches, FL Area

Fair Housing Center of Greater Palm Beaches, Inc.

Vince Larkins, President/CEO
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-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
Greater Palm Beaches, FL Racial Disparities

- In the Greater Palm Beaches metropolitan area, we investigated 24 Fannie Mae REOs in 2014.
  - 10 African-American
  - 6 Hispanic
  - 2 Majority Non-White
  - 6 White

- 44% of the REO properties in communities of color had trash or debris on the premises
- 39% of the REO properties in communities of color had overgrown or dead shrubbery
- 33% of the REO properties in communities of color had unsecured, broken, or boarded doors
Examples of Fannie Mae’s Failure to Maintain REOs in Communities of Color

Greater Palm Beaches, FL
2014
The next three Fannie Mae REOs were all sold to investors rather than owner occupants.
This boarded Fannie Mae REO is located in a Latino neighborhood. There is no “For Sale” sign marketing the home. Fannie Mae sold it for only $70,000 to an investor when neighborhood values average $130,000.
Fannie fails to market this REO buy having boarded windows all around and broken and hanging gutters.

If Fannie Mae has eyes on the property every week, why is this mailbox overflowing inviting potential vandals.
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 Latino neighborhood.
This Fannie Mae REO, located in a Latino neighborhood looks good from the front. However…
The backyard is covered in severely overgrown grass.
A damaged boat is left in the backyard among the overgrown grass and weeds.
Debris litters the side yards and backyard of the home.
This Fannie Mae REO is located in an African American neighborhood. It looks good from the front, but…
The back of this REO is covered in overgrown shrubbery and overgrown grass.
Fannie Mae failed to cover this hole allowing cats, dogs, rats and vermin into the home.
This REO also had unsecured holes, an unsecured garage in the back, and trash and leaves strewn about the backyard.
Again, the neighbors’ homes are well-maintained next to the poorly maintained Fannie Mae REO.
Fannie Mae’s REOs are Well Maintained in White neighborhoods
By properly maintaining this REO in a White neighborhood, Fannie Mae was able to sell this home for $240,000 to owner occupants in a neighborhood with average home sale prices of $270,000.
Additional examples of well-maintained Fannie Mae REOs in White neighborhoods.
Freddie Mac’s REOs are well-maintained in communities of color.
This is a Freddie Mac REO in a Latino neighborhood.
Freddie Mac can successfully maintain and market their REO homes in communities of color, so why can’t Fannie Mae?
Another Freddie Mac home in a Latino neighborhood that is well-maintained.
Freddie Mac is a great neighbor in this Latino community.

There is no trash or debris in the yard and the grass is freshly cut. The pool is also clean and well-secured.

This home sold for $110,000 to owner-occupants. This neighborhood’s average home prices are $130,000.
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.