Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods

LOUISVILLE, KENTUCKY

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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

2012 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-scaled 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
Louisville, KY Racial Disparities

- In the Louisville metropolitan area, we investigated 27 Fannie Mae REOs.
  - 12 African American
  - 15 White

- 50% of the REO properties in communities of color had trash or debris on the premises compared to only 13.3% in white neighborhoods;
- 58.3% of the REO properties in communities of color had unsecured or broken or boarded doors; and,
- 33.3% of the REO properties in communities of color had unsecured, broken, or boarded windows
Trash or Debris
Overgrown or Dead Shrubbery
Unsecured, Broken, or Boarded Doors
Unsecured, Broken, or Boarded Windows
LOUISVILLE, KENTUCKY
Fannie Mae REOs in 2015
This Fannie Mae foreclosure in an African American neighborhood in Louisville was listed on Fannie Mae’s website
Despite being actively listed by Fannie Mae, upon inspection, the property had untrimmed shrubbery and lots of debris lying around.
The gutters hadn’t been cleared out and there were dying plants that had previously been growing in the gutter – indicating the home had been neglected for a long time.
A pile of trash and building materials was left among weeds at the side of the house.
Mail was accumulated at the front of the property – piled up and left in an untidy way for what had clearly been a long amount of time.
Even Fannie Mae’s signage – torn and peeling in the window – contributes to this building being an eyesore and looking vacant and abandoned.
This home was a Fannie Mae foreclosure in an African American neighborhood as well. As you can see, the house has very poor curb appeal – with overgrown grass, peeling paint and dead vines on the front.
Dead vines are handing off the roof of the property.
The shrubs in front of the property have not been trimmed.
These planters were left discarded on the side of the home, surrounded by trash and yard debris.
In the back of the house, a large, fallen tree branch has not been removed.
… and there was broken glass on the walkway at the side of the property. There was also and rotting fruit from a tree on the property that was attracting insects.
These are the properties next door to the Fannie Mae foreclosure. As you can see from these photographs, the neighbors are maintaining their homes in pristine condition. The overgrown lawn of the foreclosure is clearly an eyesore in this neighborhood.
Fannie Mae Foreclosures in White Neighborhoods are Well-Maintained
This is a Fannie Mae property in a predominantly white neighborhood in Louisville.
This side view shows that the property has a newly built or repaired fence, and that there is no trash or weeds and that the home is secured.
This is a view of the backyard. The lawn is clearly mowed, the shed is secured and structurally sound, and there is no trash or debris lying around the property.
Here is another example of a property owned by Fannie Mae in a white neighborhood.

It has great curb appeal and there are no indications that the property is vacant and neglected.
The side and back view of the Fannie Mae property also look great. If Fannie Mae can maintain its properties in white neighborhoods so well, why can’t it do the same for ALL 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.
• 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.
From Fannie Mae Cyprexx-serviced REO home in Orlando, Florida.