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

MEMPHIS, TENNESSEE

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Fannie Mae REO Investigations in 38 Metropolitan Areas

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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
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-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
Memphis, TN Racial Disparities

- In the Memphis metropolitan area, we investigated 55 Fannie Mae REOs.
  - 31 African American
  - 4 Majority Non-White
  - 20 White

- 54.3% of the REO properties in communities of color had trash or debris;
- 42.9% of the REO properties in communities of color had overgrown grass or leaves; and,
- 68.6% of the REO properties in communities of color had unsecured, broken, or boarded windows.
Overgrown Grass and/or Dead Accumulated Leaves
Invasive Plants
Unsecured, Broken, or Boarded Doors
Unsecured, Broken, or Boarded Windows
Holes in the Structure of the Home
MEMPHIS, TN
Fannie Mae REOs in 2013

All of the REOs were taken from Fannie Mae’s Homepath.com website.
2013: This Fannie Mae home is in an African American neighborhood in Memphis and has no “for sale” sign even though it is listed for sale on Homepath.com.
Fannie Mae has completely neglected to maintain the home’s sidewalk, leaving dead leaves from the fall and winter to pile up.
Fannie Mae has clearly not trimmed this bush in many weeks. More dead accumulated leaves can be seen next to the shrubs.
In the backyard, Fannie has left more dead leaves and has failed to remove trash and invasive plants.
Fannie Mae poorly secured this home’s back door. The lock is almost off its hinges and could easily be kicked in. The door’s open gap can also allow insects or small vermin to enter the home.
Fannie Mae is an unwelcomed neighbor in this community. The neighbors across the street are taking good care of their homes and lawns.
2013: Another Fannie Mae REO located in an African American neighborhood in Memphis. Overgrown grass and shrubbery can already be seen from the curb...
Fannie Mae has let the grass in front of the porch grow uncontrollably and has ignored the invasive plants growing up the stairs and handrails.
More invasive plants are growing up the side of the home, and Fannie Mae has failed to repair a broken gutter or trim overgrown shrubs.
Fannie Mae has continued their neglect in the backyard, leaving an unmowed lawn and overgrown shrubbery all around the house.
2013: This is another Fannie Mae REO located in an African American neighborhood in Memphis with no “for sale” sign even though it was actively listed on Homepath.com.
On the side of the home Fannie Mae has left a window damaged and completely open instead of repairing or replacing it.
Fannie also left trash and debris on the side of the home among dead leaves and branches.
Fannie Mae failed to cover up multiple holes leading into the property, allowing for animals or vermin to get inside. In fact...
Investigators discovered a sickly kitten who was trapped under the house. Investigators were able to lure the kitten out and find an animal shelter where the kitten received care.

Fannie Mae had NO “for sale” sign and NO realtor or vendor signage posted anywhere on the property. There was no one to contact about the trapped animal due to Fannie Mae’s neglect.
Here is another unsecured space left by Fannie Mae. This unsecured shed poses a safety issue for the entire neighborhood.
Fannie Mae’s Well-Maintained REOs in Memphis’ White Neighborhoods
2013: This Fannie Mae REO located in a White neighborhood in Memphis is well-maintained.
The front yard of this Fannie REO has recently been mowed and edged. Fannie Mae has made sure that this home has great curb appeal for the neighborhood and perspective homebuyers.
Fannie Mae has taken great care of the home’s backyard as well.
2013: Another well-maintained and well-marketed Fannie Mae REO in a White neighborhood in Memphis.
Fannie Mae has taken the time to mow and edge the lawn of this REO in a White neighborhood.
The back of the home is secured and clean – Fannie Mae is maintaining this home as they should.
2013: Yet another example of a Fannie Mae REO in a White neighborhood in Memphis that is well-maintained.
The side of this home is clean of trash and all windows are secured.
This home’s large backyard is nicely mowed by Fannie Mae, and the backyard shed is closed and securely locked.
Fannie has left the back porch clean and clear of trash. The back doors are securely locked – overall this house has great curb appeal in the front and back.
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.
From Fannie Mae Cyprexx-serviced REO home in Orlando, Florida.