Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color in Milwaukee, WI

Metropolitan Milwaukee Fair Housing Council

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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-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
Milwaukee, WI Racial Disparities

- In the Milwaukee metropolitan area, we investigated 329 Fannie Mae REOs from 2012 to 2015
  - 134 African-American
  - 43 Latino
  - 16 Majority Non-White
  - 136 White

- 27% of the REO properties in communities of color had trash or debris on the premises;
- 29% of the REO properties in communities of color had unsecured, broken, or boarded doors; and,
- 47% of the REO properties in communities of color had unsecured, broken, or boarded windows.
Samples of Fannie Mae’s Poor Maintenance and Marketing in African American and Latino Neighborhoods

MMFHC investigated Fannie Mae’s REO from 2012-2015 and consistently found poor maintenance and marketing of REOs in communities of color.
Fannie Mae REOs in African American and Latino Neighborhoods in 2012
2012: This Fannie Mae REO is putting the neighborhood at risk…
2012: Fannie Mae puts this REO in an African-American neighborhood in Milwaukee at risk by not securing the door.

It is very inexpensive to use screws that cannot be removed.

Anyone can walk right in and vandalize this home.
Fannie Mae chose not to repair one window and instead market the REO with a boarded window.
Imagine being the neighbor living next to that unsecured Fannie Mae REO.
2012: Now imagine this is your home. You take good care of it. Your neighbors have pride in their homes as well, except for Fannie Mae who owns the home right next door...
Fannie says it maintains its REOs to the neighborhood standard, but the neighbors’ homes do not have boarded windows or...
… boarded doors and siding falling from their homes. Yet, Fannie decided to market this REO in this poor condition in an African-American neighborhood.
2012: Another poorly maintained Fannie Mae REO in an African-American neighborhood.
Trash filled the backyard enticing rats and mice to invade the property.
When any home looks as if no one is taking care of it or routinely checking it, the home can become the focus of vandalism and theft. Fannie says it checks its REOs weekly, but you have to wonder if that is true for its REOs in African-American neighborhoods.
2012: This Fannie Mae REO in a Latino neighborhood is decent condition except…
That Fannie Mae fails to repair this broken window. Curb appeal is important to marketing a home and broken window gives a negative impression of the home and neighborhood.
2012: How does Fannie Mae boarding the front of the home encourage owner-occupant buyers? 48% of Fannie’s REOs in communities of color had damaged or boarded windows compared to just 20% in white neighborhoods.
2012: Fannie Mae REO is boarded and maintenance is very poor...
Holes are left uncovered so rats can enter the home.

The window is broken but the board doesn’t cover it.

Trash with broken glass is left in the yard, but it gets worse…
Infestation of stinkbugs
These are the neighbors living next to the poorly maintained Fannie Mae REO.

Remember Fannie claims to take care of its REO in the same or better condition than the neighborhood.
Examples of Fannie Mae’s REOs in White Neighborhoods in 2012
2012: This Fannie Mae in a white neighborhood has no boarded windows or trash strewn around the property. It also has a professional “For Sale” sign marketing the home.
2012: This modest REO in a white neighborhood is being well-maintained and marketed by Fannie Mae. It appears the bottom step and sidewalk have been repaired with new concrete.
2012: Another well-maintained Fannie Mae REO in a white neighborhood.
Fannie Mae REOs in 2013 in African American and Latino Neighborhoods
2013: Recall the Fannie REO in the white neighborhood where the steps and walkway were repaired? Why can’t Fannie fix the steps of this REO in an African-American neighborhood?
2013: Fannie Mae REO in Latino neighborhood has damaged front steps...
Windows with cracks that Fannie Mae taped rather than replace the panes of glass…
And a boarded back door and gutter missing the corner allowing water into the foundation.
2013: While Fannie Mae shoveled the snow at its REO in an African-American neighborhood, it failed to...
Remove boxes of trash from the front porch.
Not a great way to market the home or neighborhood.
Fannie Maintains its REOs in White Neighborhoods in 2013
Fannie Mae’s REOs in 2014 in Communities of Color
In 2014, Fannie Mae still fails to maintain its REOs in African-American neighborhoods. Fannie is certainly not maintaining this REO to the neighborhood standard. Let’s look at the neighbors’ homes…
Fannie left trash and dirt in the yard and a hole the perfect size for animals or insects to enter.
You can see these neighbors take care of their homes.
More neighbor homes in good condition.
2014: Another Fannie Mae REO in a Latino neighborhood is poorly maintained. The windows are boarded, the yard is covered in dandelions and overgrown and the porch handrails are broken which is a serious safety issue.

And the backyard is just as bad…
These electrical wires are not properly capped off.
The backyard is filled with weeds and trash…
This pile of bricks is at the bottom of the backdoor steps.
The back door is boarded shut and more windows are boarded. How can Fannie Mae expect to get top dollar for a house in this condition?

It didn’t. This home was originally listed at $16,000 and sold for just $8,000.
2104: Fannie has a trend in Latino neighborhoods to let the yards get wildly overgrown and never repair a broken window.
Backyard overgrown
2014: Fannie’s REO in an African-American neighborhood. Fannie chooses not to remove the ramp to help attract buyers.
A garage is an important feature in buying a home, yet Fannie chose not to replace the door or fix the fence or rake the leaves to make this home more attractive to buyers.
And Fannie Mae left these cinder blocks and trash in the yard.
Fannie’s REO sold for less than $37,000 in this neighborhood where homes average prices are between $65,000 and $80,000.

This depressed sales values adversely impacts these other homeowners
Fannie Mae Maintains its REOs in White Neighborhoods in 2014
2014: Fannie Mae insured that this REO in a white neighborhood has a for sale sign and the front and back yards are mowed and free of debris or trash.
2014: Fannie Mae made sure the front and back yards were mowed and a for sale sign is in place to attract buyers.
2014: In this white neighborhood, Fannie Mae mowed the lawn and edged the law and put handrails on both sets of steps.
2014: Fannie made sure this REO in a white neighborhood had all the snow removed from the sidewalk, driveway and paths leading to the front and side doors.
Fannie Mae Fails to Maintain REOs in Communities of Color in 2015
2015: Fannie Mae’s REO in a Latino neighborhood on the right has a dead lawn. It also has…
Accumulated mail indicating no one is looking after the home and...
Accumulated trash indicating no one is taking care of the home and...
Graffiti and a broken storm dorm missing glass. Fannie Mae claims to remove graffiti immediately from its REOs.
Google maps shows the REO and neighboring homes in 2014. There is a green lawn and neighbors take care of their property.
This Fannie Mae property in a community of color has no “for sale” sign and has overgrown shrubbery in the front.
Fannie Mae has left trash and debris in the side yard.
The side of this home is covered in invasive plants and overgrown grass.
Fannie Mae’s well-maintained REOs in Milwaukee’s White neighborhoods in 2015
2015: Fannie Mae maintains this REO in a white neighborhood in Milwaukee. No overgrown grass and a professional for sale sign.
2015: Fannie Mae REO in a white neighborhood is well-maintained front and back.
2015: Fannie Mae REO has no leaves from the fall left over and the side walk has been shoveled. A “for sale” sign is on the property.
2015: Again Fannie Mae made sure the leaves from the fall were removed, lawn was edged and no debris was left on the property. The for sale sign is in the window.
2015: Fannie shovels the walk and no leaves or debris are left on the property in this white neighborhood of Milwaukee.
2015: Fannie Mae’s well-maintained REO in a white neighborhood. Fannie put a handrail up for safety. No overgrown grass or weeds or debris on the property.
2015: Another well-maintained Fannie Mae REO in a white neighborhood. The lawn is mowed and edged and there is no trash or debris on the property.
Freddie Mac’s REOs in all neighborhoods

While Freddie Mac’s REOs were not always prefect, the investigation found that Freddie Mac consistently mowed the lawns, removed trash or debris, secured door and windows and marketed the homes in a positive light.
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.
(Broken Window Theory)
Vacant and abandoned homes cause rapid neighborhood decay and blight. 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.