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

MINNEAPOLIS, MINNESOTA

National Fair Housing Alliance
1101 Vermont Avenue, NW, Suite 710
Washington, DC 20008
www.nationalfairhousing.org
(202) 898-1661
Fannie Mae REO Investigations in 38 Metropolitan Areas
“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.
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.
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
Minneapolis, MN Racial Disparities

- In the Minneapolis metropolitan area, we investigated 37 Fannie Mae REOs in 2015.
  - 5 African American
  - 17 Majority Non-White
  - 15 White

- 54.5% of the REO properties in communities of color had trash or debris
- 72.7% of the REO properties in communities of color had overgrown or dead shrubbery; and,
- 36.4% of the REO properties in communities of color had broken, unsecured, or boarded doors;
- 45.5% of the REO properties in communities of color had unsecured, broken, or boarded windows
Trash or Debris
Overgrown Grass or Accumulated Dead Leaves
Overgrown or Dead Shrubbery
Unsecured, Broken, or Boarded Doors
MINNEAPOLIS, MINNESOTA
Fannie Mae REOs in 2014-2015
Here’s a Fannie Mae REO property in a non-white neighborhood in Minneapolis.

As you can see from the front view, despite a nice for sale sign, the home has a bunch of trash piled up right at the front steps.
This view of the property shows that Fannie Mae has allowed vines to grow all over the house, covering half of the back side of the home.
Piles of trash and leaves were left strewn around the property, attracting pests and rats and making the property an eyesore in the neighborhood.
The fence at the REO is broken and bent up. This broken part of the fence is right at the front entrance to the Fannie Mae property.
The backyard also looked poorly maintained – with huge overgrown shrubs and weeds covering the house.
This is one of the neighbors living next to Fannie Mae’s eyesore. This neighbor is mowing their lawn and maintaining their property—and shouldn’t have to live with a house full of trash and overgrown plants next door.
This is another Fannie Mae-owned foreclosure in a non-white neighborhood in Minneapolis.
Right up front, you can see that Fannie Mae has allowed leaves and trash to accumulate at the front steps of their REO property.
The backyard has clearly also not been maintained. This small yard looks like it hasn’t been mowed or pruned in months – and vines and leaves are accumulating throughout. This is a perfect nesting ground for insects, rats and other vermin.
This side views of the property also show neglect – with discoloration on the wood slats, a broken gutter, and overgrown vines.
These are the neighbors of the poorly maintained Fannie Mae REO property – they look well maintained but have to live next to a dump.
This is another Fannie Mae-owned foreclosure in a non-white neighborhood in Minneapolis.
You can see from these two photographs that the doors of this Fannie Mae property were found unsecured – allowing access for vandalism, theft, and all sorts of exposure to animals and weather damage.
The yard was covered in piles of unraked leaves. A gutter lying on the ground in the backyard was also broken and flattened.
This is the back yard of the Fannie Mae property.
Fannie Mae’s Well-Maintained REOs in Minneapolis’ White Neighborhoods
Here’s an example of a Fannie Mae property in a white neighborhood in the Minneapolis area.

The property was well-maintained, with a mowed lawn and secured windows and doors. It had a nice “for sale” sign out front.
Here’s another example from a white neighborhood. As you can see from the front view, the house has nice curb appeal and a nice “for sale sign” out front.
The back and side views of the property also show good maintenance and secure windows and doors.
This example from a white neighborhood also shows good maintenance by Fannie Mae.
The side view shows that the grass on the property has been mowed and there is no trash, debris, or boarding at this property. If Fannie Mae can maintain their properties in white neighborhoods so well, why can’t they do the same for their properties in communities of color?
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.