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

NEWARK, NEW JERSEY

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

2012 Checklist

2015 Checklist

These lists are essentially the same and detail what Fannie Mae says it will do to maintain its foreclosures.

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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
Newark, New Jersey Racial Disparities

- In the Newark metropolitan area, we investigated 58 Fannie Mae REOs.
  - 28 African American
  - 1 Latino
  - 8 Majority Non-White
  - 21 White

- 67.6% of the REO properties in communities of color had trash or debris;
- 37.8% of the REO properties in communities of color had unsecured, boarded or broken doors
- 54.1% of the REO properties in communities of color had unsecured, broken, or boarded windows
Overgrown Grass and Leaves
Unsecured, Broken, or Boarded Windows
Unsecured, Broken, or Boarded Doors
NEWARK, NEW JERSEY
Fannie Mae REOs in 2015
This is an example of a Fannie Mae-owned foreclosure in one of the Newark area’s African American neighborhoods.
The back of the property is in bad shape. It is dirty and covered with weeds, and this shed at the back of the yard is boarded up and run down.
Piles of trash were found all around the property – attracting rats, bugs, and stinking up the neighborhood. The property appears totally vacant and overgrown.
This is a view of the Fannie Mae property from the side. As you can see, weeds and grass have been allowed to grow and haven’t been mowed or trimmed and the fence is broken with its slats leaning against it…
...the shrubbery on the property has not been trimmed...
...and parts of the property are poorly boarded and look dirty and worn.
Meanwhile, the neighboring properties look great. The neighbors have trimmed their shrubs and keep their property free of trash and weeds. These neighbors shouldn’t have to live next to Fannie Mae’s disgusting and dangerous property.
This is another Fannie Mae-owned foreclosure that was listed as “coming soon” on Fannie Mae’s website.
Even so, the grass in the front and side of the property looks as though it hasn’t been mowed in weeks.
The other side of the home is covered in trash, unraked leaves, and other debris.
The back of the property shows more problems. The shed looks dirty and is surrounded by overgrown plants and weeds. The back door of the home is sheltered by a hanging, damaged awning and the gutter is missing its bottom half and downspout.
This broken window was boarded so poorly that a piece of the board had fallen off, leaving the window unsecured and completely open.

Clearly a great place for cats, rats or mice to enter the home.
These steps up to the front door were crumbling and presented a safety hazard. Fannie Mae’s checklist mentioning repairing broken steps. Accumulated mail in the mailbox was also a tell-tale sign that the home is vacant and not being cared for.
This is a Fannie Mae foreclosure that was listed for sale on its website. The foreclosure is in an African American neighborhood. However, you can see the home has poor curb appeal.
The front yard was overgrown and covered in weeds and driveway had was lined with trash and weeds as well.
The garage door was broken and left open, welcoming pests, rats, and break-ins.
These are the neighbors – they are keeping their homes in great condition.
Fannie Mae’s Well-Maintained REOs in Newark’s White Neighborhoods
Fannie Mae’s foreclosures in white neighborhoods looked great. This one, for example, was clean, secure, and free of weeds and debris.
There were no boarded doors or windows, and the driveway was completely swept clean.
Here’s another example of a Fannie Mae property in a white neighborhood in the Newark area. It is being marketed with a nice for sale sign.
You can see that the property is being cleaned, the grass is being routinely mowed, and the property is secure. These properties are NOT presenting eyesores or health and safety risks in these neighborhoods.

Fannie Mae should treat all of their properties this way, regardless of the race or ethnic makeup of the neighborhood.
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.