Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color in Richmond, Oakland, and Vallejo, CA

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Fannie Mae REO Investigations in 38 Metropolitan Areas
Fannie Mae’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.
Exterior Services Checklist

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-saped 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
Richmond / Oakland Racial Disparities

- In the Richmond and Oakland metropolitan area, we investigated 88 Fannie Mae REOs in from 2011 to 2014.
  - 11 African-American
  - 25 Latino
  - 38 Majority Non-White
  - 14 White

- 35.1% of the REO properties in communities of color had trash or debris on the premises;
- 33.8% of the REO properties in communities of color had holes in the structure of the home; and,
- 35.1% of the REO properties in communities of color had no “for sale” sign marketing the home.
Vallejo Racial Disparities

- In the Vallejo metropolitan area, we investigated 68 Fannie Mae REOs in from 2013 to 2015.
  - 1 Latino
  - 48 Majority Non-White
  - 19 White

- 38.8% of the REO properties in communities of color had trash or debris on the premises;
- 42.9% of the REO properties in communities of color had overgrown or dead shrubbery; and,
- 30.6% of the REO properties in communities of color had holes in the structure of the home.
Fannie Mae fails to maintain and market REOs in the Bay Area’s communities of color.
Fannie Mae REO located in a Latino neighborhood in Oakland in October 2011.
Evidence that it is Fannie Mae’s REO.
Second story window left wide open—no screen so bird, squirrels or other animals can nest.
This unsecured hole also allows animals into the home.
Neighbor’s nicely maintained home.
Fannie Mae completely boards up this REO in a Latino neighborhood.
Fannie REO is boarded all over.
2013: Poorly maintained Fannie REO in Latino neighborhood in Oakland.
Open chimney allows animals to nest and accumulated trash is an eyesore to owner-occupant buyers.
This poorly maintained Fannie Mae REO in Oakland depresses the whole block.
2013: Fannie Mae REO in a Latino/African American neighborhood with boarded windows and …
...graffiti. Fannie says it removes graffiti immediately.
2014: This Fannie REO in Richmond reflects how it neglects homes in communities of color. Fannie doesn’t bother to remove unsafe and worn ramp or repair the broken front window in this neighborhood of color in Richmond, CA.
The Fannie Mae REO in a Latino neighborhood in Richmond
Fannie chose to board windows and the door rather than repair and improve the neighborhood.
Next door neighborhood’s home
Another Fannie Mae REO in Richmond’s Latino neighborhood has a professional “For Sale” sign but...
Also accumulated ail and broken glass and trash in the yard...
This battered and unsecured shed should be removed by Fannie Mae to stop animals from nesting inside.
The uncovered holes allow rats to invade the home and threatened the neighbors’ homes with rat infestation.
The homes next door are part of a revitalization in this Latino neighborhood in Richmond. Yet, clearly Fannie Mae is not contributing in a positive way to restore the neighborhood and homeownership.
This Fannie Mae REO in Vallejo is boarded, has no “For Sale” sign and trash is strewn about the property.
Trash fills the backyard and the patio doors are boarded. All the windows on the home are boarded so there is no natural light inside to help market the home.
A Representative Sample of Fannie Mae’s REOs in White Neighborhoods

2011-2015
Well-maintained Fannie Mae REO in Concord
Well-maintained Fannie Mae REO in Concord
Well-maintained Fannie Mae REO in Brentwood
Notice the professional “For Sale” sign and that Fannie is watering the lawn of this REO located in a white neighborhood of Vallejo.
This Fannie REO has two “For Sale” signs to market the home in this white neighborhood of Vallejo.
2015: This Fannie REO in a white neighborhood in Vallejo has a manicured lawn and professional “For Sale” sign. It boasts a green lawn even with the drought.
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.