Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color in Orlando, FL

The Fair Housing Continuum
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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

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
Orlando, FL Racial Disparities

- In the Orlando metropolitan area, we investigated 79 Fannie Mae REOs between 2012 and 2015.
  - 40 located in African-American neighborhoods
  - 2 located in Latino neighborhoods
  - 2 located in Majority Non-White neighborhoods
  - 35 located in White neighborhoods

- 38.6% of the REO properties in communities of color had trash or debris

- 25.0% of the REO properties in communities of color had unsecured, broken, or boarded doors

- 52.3% of the REO properties in communities of color had unsecured, broken, or boarded windows

- 54.5% of the REO properties in communities of color had holes in the structure of the home
Examples of Fannie Mae’s Failure to Maintain REOs in Communities of Color

Orlando, FL
2012 - 2015
2012: This Fannie Mae REO is located in an African American neighborhood and has no “For Sale” sign marketing the home to potential homebuyers.
This is a lousy and un-attractive way to board windows. Fannie Mae is hurting the curb appeal of the home and hurting property values in the neighborhood.
Trash and dead leaves litter the side of the home.
These invasive plants have taken over the home for so long that they are now sprouting leaves.
This Fannie Mae REO home is unsafe to view because of live wasp nests and unstable steps and handrails.

Fannie Mae sold this home for only $20,100 while the average home sales price of the neighborhood is $70,000 to $80,000.
2012: This Fannie Mae REO is located in an African American neighborhood.
This damaged and unsecured fence provides access to the home’s backyard and swimming pool.
Fannie Mae has completely neglected the backyard of this home.
Another view of the dead backyard.
Although there is a fence around the pool, the screens are damaged. This allows mosquitoes and other vermin into the pool area. This creates a very serious safety issue for young children in the neighborhood who could fall into the pool and potentially drown.
This broken window with jagged edges leaves the home wide open to vermin and the elements.
Fannie Mae failed to properly secure this hole and instead choosing to leave this eyesore of debris.
2013: This Fannie Mae REO is located in an African American neighborhood.
Fannie Mae left a huge pile of trash and debris in the backyard.
Beer bottles and other garbage litter the property, signaling the presence of squatters or other trespassers.
Many of the windows on this Fannie Mae REO were boarded.
2014: At first glance this Fannie Mae REO in an African American neighborhood doesn’t look to be in bad shape. However…
Looking closer, the shrubs in the front of the home are severely overgrown.
Fannie Mae has yet again failed to properly secure their REO’s fence that leads to a pool in the backyard.
This REO’s pool is in disgusting shape, and the unlocked gate provides full access to the ski lake in the backyard.
2014: This Fannie Mae REO located in an African American neighborhood also does not look bad from the front, but...
The backyard of the REO is completely overgrown.
Trash and broken glass litter the property.
Haphazardly boarded doors and windows are an eyesore for any potential homebuyer who may be interested in purchasing this Fannie Mae REO.
Another window is completely missing and open to critters, vandals, and the elements.
Most disturbing is that Fannie Mae is allowing this home to be shown to buyers with a rat’s skeleton on the property.
Here is a street view of the neighborhood and neighbor’s home.

Fannie Mae claims to maintain its REOs in the same or better condition than homes in the neighborhood.

Clearly that is not the case in this African-American neighborhood.
2015: This Fannie Mae REO located in an African American neighborhood looks OK from the front, but let’s get a closer look…
Fannie Mae has neglected these gutters for so long that entire plants are now growing out of them.
Fannie has also failed to address this wood rot which has turned into a hole that can allow in critters and insects and damage the structure of the home.
This side window is completely broken and open to the elements, and sharp shards of glass still remain. Fannie Mae is failing to properly secure this home.
Fannie Mae’s REOs are well maintained in White neighborhoods

Orlando, FL
This is a well-maintained Fannie Mae REO in a White neighborhood.
The grass is cut, no trash is left behind, windows are secured, and there are no unsecured holes.
Additional well-maintained Fannie Mae REOs in White neighborhoods. These homes have great curb appeal and look appealing to potential homeowners.
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.
QUESTIONS?

From Fannie Mae Cyprexx-serviced REO home in Orlando, Florida.