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

PROVIDENCE, RHODE ISLAND

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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 Checklist**

<table>
<thead>
<tr>
<th>Services</th>
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<tr>
<td>□ Removal of trash/debris.</td>
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<tr>
<td>□ Cut grass and remove clippings from sidewalks, driveways and lawns (front, back, and sides).</td>
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<tr>
<td>□ Knock down, remove, and treat weeds as needed in all rock-scape areas.</td>
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<td>□ Trim weeds/overgrowth from fence lines, foundation of home/other structures, driveways and flower beds without damaging existing plants or flowers.</td>
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<tr>
<td>□ Edge driveways, walkways and sidewalks.</td>
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<td>□ Remove all non-decorative vegetation attached to structure (including hanging vines).</td>
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<tr>
<td>□ 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.</td>
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<tr>
<td>□ Remove all fallen leaves, dead shrubs/plants/small ornamental trees from the property.</td>
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<tr>
<td>□ Clear all walkways and sidewalks of clippings and dirt.</td>
</tr>
<tr>
<td>□ Ensure all real estate signage is properly secured and showing appropriately.</td>
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<tr>
<td>□ Ensure all debris/mailings/door drops/cobwebs are removed from all entry ways/porch areas.</td>
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<tr>
<td>□ Property is secured and locked.</td>
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<tr>
<td>□ Confirm interior and exterior maintenance is satisfactory.</td>
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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
Providence, RI Racial Disparities

- In the Providence metropolitan area, we investigated 15 Fannie Mae REOs in 2015.
  - 2 Latino
  - 3 Majority Non-White
  - 10 White

- 60% of the REO properties in communities of color had trash or debris;
- 40% of the REO properties in communities of color had unsecured, boarded or broken doors
- 40% of the REO properties in communities of color had unsecured, broken, or boarded windows
Trash or Debris
Unsecured, Broken, or Boarded Doors
PROVIDENCE, RHODE ISLAND

Fannie Mae REOs in 2015
Here’s an example of a Fannie Mae foreclosure in a predominantly Latino neighborhood.
Even though it was July, the property was covered in dead leaves and trash and had dead and overgrown shrubs.
The driveway was littered with debris and trash…
And this garage at the end of the driveway is in a poor state of repair.
Here you can see the side window has also been boarded and there’s more trash and a discarded window screen leaning against the home.
This is another Fannie Mae property in a predominantly non-white community in Providence. It is hard to even see the property because the shrubs in the front are so overgrown.
The shrubs on the property have clearly not been trimmed in quite some time…
...and when investigators arrived at the home, they found a door unsecured – inviting squatters, weather issues, and animals in to the home.
The lawn had not been mowed and was filled with weeds and more untrimmed shrubbery.
Meanwhile, neighbors like this one are keeping their homes and yards in great condition.
Fannie Mae’s Well-Maintained REOs in Providence’s White Neighborhoods
Fannie Mae’s REO in a White neighborhood is well-maintained and marketed with a “for sale” sign.
Both the side and back yards of this Fannie Mae REO are free of trash and debris.
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.
From Fannie Mae Cyprexx-serviced REO home in Orlando, Florida.