Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color in Richmond, VA

HOME: Housing Opportunities Made Equal of Virginia
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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
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-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
Richmond, VA Racial Disparities

- In the Richmond metropolitan area, we investigated 40 Fannie Mae REOs between 2013 and 2014.
  - 18 African American
  - 5 Majority Non-White
  - 17 White

- 30% of the REO properties in communities of color had overgrown grass or accumulated leaves;
- 52% of the REO properties in communities of color had overgrown or dead shrubbery;
- 44% of the REO properties in communities of color had unsecured, broken, or boarded windows; and,
- 39% 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

Richmond, VA
2013: Fannie Mae Fails to Maintain its REOs in Richmond, VA
2013: This Fannie Mae home is located in an African American neighborhood.
The home’s damaged fence is completely overtaken by overgrown grass and shrubs.
Additional photos of Fannie Mae’s failure to maintain this home’s shrubbery and grass.
This gutter is severely obstructed with plants beginning to grow. Discoloration can be seen below the ineffective gutter.
Fannie Mae has let pervasive mold accumulate on the home’s siding.
2013: This Fannie Mae REO in an African American neighborhood lacked curb appeal and posed safety hazards with the steps and unsecured shed.
These are the neighbors who had to live next to the poorly maintained Fannie Mae REO. Fannie sold this home for only $19,500 to an investor who later re-sold it for $116,000.
2013: This Fannie Mae REO is located in an African American neighborhood.
An overflowing mailbox signals to vandals that Fannie Mae is not routinely checking on the property.
Fannie Mae has neglected to clean and replace obstructed and missing gutters, allowing water to damage the structure and foundation of the home.
It is also obvious that Fannie Mae has failed to maintain this home's shrubbery for months.
These neighbors are taking good care of their homes and have to live next to the poorly-maintained Fannie Mae REO.

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.
2013: Fannie Mae’s REOs are well-maintained in White neighborhoods

Richmond, VA
2013: This is a well-maintained Fannie Mae REO in a White neighborhood.
Fannie Mae made sure this home was free of trash and debris and that all the shrubs were nicely trimmed.
Additional examples of well-maintained Fannie Mae REOs in White neighborhoods.
2014: Fannie Mae Fails to Maintain its REOs in Richmond, VA
This Fannie Mae REO is located in an African American neighborhood. You can already see a pile of trash from the curb.
Fannie Mae left more trash in the backyard among overgrown shrubbery.
More debris is discarded along with dead tree limbs and weeds.
The side of the home is completely overgrown.
Fannie Mae has neglected to replace this broken window, leaving instead an eyesore for the neighborhood.
Fannie Mae also failed to replace missing gutters and downspouts, leading to discoloration and structural damage.
The neighbors of this poorly maintained Fannie Mae REO are taking good care of their homes.
2014: This Fannie Mae REO in an African American neighborhood might look good at first glance; however…
The home was condemned over a year ago by the city of Richmond.
Fannie Mae failed to secure two large holes that could allow animals and vermin to nest inside.
Fannie Mae chose to board all of these windows instead of replacing them and adding value to the home.
Instead of removing this huge fallen tree Fannie just mows around it. Note the leftover grass clippings in the yard.
2014: Another Fannie Mae REO in an African American neighborhood.
Fannie Mae completely neglected to clean out gutters and replace missing gutter pieces. These leaves from last fall have been sitting here for months, as this photo was taken in May.
Dead grass covers the backyard of this Fannie Mae home, and where there is grass it is overgrown.
Animals or other vermin can get into this poorly secured garage.
This neighbor is taking great care of their yard, and you can tell where the Fannie Mae home’s yard ends and the neighbor’s begins.
Fannie Mae sold this REO for only $75,000 to an investor from California, who is now renting it out. Average home sale prices in the neighborhood are $150,000 and up.

Fannie Mae is hurting this African American neighborhood’s property values and is turning historically high-homeownership neighborhoods into rental communities.
2014: Fannie Mae’s REOs are well-maintained in White neighborhoods

Richmond, VA
2014: This is a well-maintained Fannie Mae REO in a White neighborhood.
The sides and back of this home are mowed and free of trash and debris.
Additional examples of well-maintained Fannie Mae REOs in White neighborhoods.
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.
Broken Window Theory

- Vacant and abandoned homes cause rapid neighborhood decay and blight.
- 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.
Unattended and unmaintained properties result in:

- Injuries from accidental fires
- Illegal dumping and rodent infestations
- Deterioration of lead paint

QUESTIONS?