Fannie Mae Fails to Maintain its Foreclosure Inventory in Communities of Color in Toledo, OH

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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 Checklist**

**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
Toledo, OH Racial Disparities

In the Toledo, OH metropolitan area, the Toledo Fair Housing Center investigated 125 REOs owned by Fannie Mae from 2012 to 2015.

- 46 located in African American communities
- 5 located in Majority Non-White communities
- 74 located in White communities

- 32.4% of the REOs in White communities had fewer than 5 maintenance or marketing deficiencies documented, while only 9.8% of the REO properties in communities of color had fewer than 5 deficiencies.

- 37.3% of the REOs in communities of color had 10 or more maintenance or marketing deficiencies documented, while only 13.5% of the REOs in White communities had 10 or more maintenance or marketing deficiencies.
Racial Disparities

- **25.5%** of the Fannie Mae REOs in communities of color had trash or debris on the premises, while only **5.4%** of the REOs in white communities did.

- **31.4%** of the REOs in communities of color had an unsecured, broken, or boarded door, while only **12.2%** of the REOs in white communities did.

- **58.8%** of the REOs in communities of color had a broken, boarded, or unsecured window, while only **29.7%** of the REOs in white communities did.

- **7.8%** of the REO properties in communities of color had graffiti, while **none** of the REOs in white communities did.

- **45.1%** of the REOs in communities of color had missing or out of place gutters, while only **20.3%** of the REO properties in white communities did.
Toledo, OH Fannie Mae REO Investigations 2012 - 2015

Maintenance or Marketing Deficiencies - 2015
- 0-4 deficiencies
- 5-9 deficiencies
- 10 or more deficiencies

% Non-White
- 0% - 49%
- 50% - 100%

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Fannie Mae Fails to Maintain its REOs in Communities of Color 2012 through 2015

The Toledo Fair Housing Center investigated Fannie Mae’s REOs in both white neighborhoods and communities of color.
Fannie Mae’s Failed Maintenance in Communities of Color in 2012
2012: Fannie Mae listed this home for $10,500 and sold it 2 months later for $6,200. Viewing the listing in 2011 for $63,000, you see that the owners were maintaining their home, but Fannie Mae let it deteriorate…
Fannie boarded the windows instead of repairing and chose not to repair the stucco.
Fannie Mae boards the window on the front porch and other side of the REO instead of replacing the window panes.
Fannie fails to clean up the property or put handrails on the back porch and steps.
Fannie Mae boarded the garage and allowed these dead branches to remain on the property.
These are neighbors who have to live next door to and across the street from Fannie’s poorly maintained property.
2012: This Fannie REO is located in an upper-middle class African American neighborhood where the neighbors take excellent care of their homes.
Neighbor of the Fannie Mae REO.
Another neighbor’s well-maintained home. Now let’s see how Fannie maintains its REO.
First, Fannie fails to lock the patio door, then...
Fannie leaves the back gate unsecured and there is a pool in the yard…
A very poorly maintained pool that can be a serious safety hazard for children in the neighborhood.
Finally, Fannie Mae left a dead tree in the yard, dead leaves at the front steps, and overgrown bushes around the home. The Fannie REO hurts the property values and disrespects this African American neighborhood.
Another Fannie REO with an unlocked door in an African American neighborhood.
This unlocked door invites vandalism and puts the neighbors at risk if there is a fire.
Fannie also fails to remove trash, dead leaves, and wood around the home.

What does the neighborhood look like…
The property values in this middle class African-American neighborhood are hurt because of Fannie Mae’s failed maintenance. Here are the neighbors’ nice homes.
2012: This Fannie Mae REO is located in an African American neighborhood with modestly priced homes and Fannie fails to conduct even routine maintenance.
The back door is off the hinges and left wide open for anyone to come inside and vandalize the Fannie REO. The back steps are damaged and Fannie says it repairs steps.
This apparently new door is thrown outside in the yard...
The window is missing and the gas meter has been removed meaning there is no heat in the house. The areas around the gas pipes are open so insects can nest.
2013: Fannie Mae Keeps Failing to Maintain REOs in Communities of Color
2013: Fannie Mae bought this REO in an African American neighborhood for $31,000 and sold it 18 months later for $7,000. The front porch has broken steps, is dirty, and the handrails don’t match. You can see right through the garage. The REO has no curb appeal.
Fannie Mae didn’t even try to improve the REO’s appearance, maybe all the homes on the small court are run down…”
Well, this neighbor is taking care of his home and...
This neighbor is maintaining her home and...
These neighbors are also taking care of their homes and…
And finally as you leave the court, you can see these neighbors are taking care of their homes and even outside the court, neighbors have well-maintained homes, but Fannie’s REO looks like this…
If Fannie would have approved painting this REO, it surely would have sold for more than $7,000.
2013: Fannie Mae again fails with simple routine maintenance by not cleaning up the other side of the property…
Fannie just stuffed trash on the side in these overgrown weeds and...
Fannie threw more trash behind the fence into the overgrown weeds and…
Fannie says it has monthly maid service to sweep the floors, change air fresheners and clean the windows, but not at this REO in an African American neighborhood.
2013: Another boarded Fannie Mae REO in an African American neighborhood.
2013: This Fannie Mae REO doesn’t look bad from the front, but let’s look around the home…
Fannie decides to board the window rather than replacing the glass.
The light fixture is missing and wires are hanging.
Fannie Mae doesn’t fix the gutter or replace the downspout causing rainwater to penetrate the foundation. All of these fixes are inexpensive, but Fannie makes no repairs and lists the home for sale as is.
2014: Fannie Mae Continues its Poor Maintenance in Communities of Color
2014: This modest REO in an African American neighborhood looks alright from the front, but how long will it stay nice when Fannie Mae leaves it unlocked?
Fannie Mae left this home unsecured.
Fannie mowed the lawn, but left leaves and trash along the fence and boarded the rear windows.
2014: Fannie Mae’s REO in this African American neighborhood could use some new slats for the fence to enhance curb appeal and…
Fannie could simply place a note in the mailbox saying “Do not deliver mail.” Then this mail spilling out of the box would not indicate that no one is checking the property.
Fannie Mae could remove the trash from the yard to enhance curb appeal.
Fannie Mae says that utilities are turned on for all REOs. So Fannie ought to ensure that these boxes are locked since live wires are exposed.
2014: This Fannie REO has no for sale sign, the front steps are a mess, and the mailbox is broken. The REO simply needed a little attention to enhance its curb appeal. The average sale price in this African American neighborhood is $31,000. Fannie sold this 4 bedroom, 2 car garage home for $3,700.
Fannie Mae could fix the steps, replace the pane of glass in the window, and put a screw in to fix the mailbox.
Fannie Mae could throw out the broken gate and fencing in the top photo and then reattach the gate in the bottom photo, but it did neither.
Cutting back the overgrowth in the yard would also enhance its market appeal, but this wasn’t done.
And finally, Fannie could have reattached the gutter and downspout to redirect water away from the foundation.

None of these fixes are expensive, but all of them would improve the appeal of this REO.
In October 2014, Fannie Mae listed this 3-bedroom REO in an African American neighborhood at only $8,000 when average prices are $30,000 and Fannie made no effort to make modest repairs.
Fannie did not replace 2 storm windows on the front porch or...
Attach the porch light fixture to eliminate the electrical hazard or simply put a note saying “DO not deliver mail” in the mail box. Accumulated mail sends the message that no one is looking after the home.
Or cut back the invasive plants on the garage or fence.
2015: Fannie Mae Continues its Poor Maintenance in Communities of Color
2015: This Fannie Mae REO in an African American neighborhood looks OK from the front. However…
Fannie Mae has left overgrown shrubs and invasive plants all around the property.
Fannie has also failed to cover holes leading into the home, inviting in rats, insects, and other vermin.
2015: A Fannie Mae REO in a predominantly non-white neighborhood in Toledo.

There is no “for sale” sign and the front shrubs are overgrown.
A close-up of the overgrown shrubs shows that Fannie Mae has not trimmed these bushes in a while.
The steps of this home are broken and create a hazardous walkway for potential homebuyers.

On the side of the home, Fannie Mae has put plastic around a window instead of repairing or replacing it.
Fannie Mae has completely neglected the backyard of the home – you can barely see the back of the house due to all the overgrown shrubbery.
2012: Fannie Mae maintains this yard and even edged the lawn.
2012: Again Fannie Mae maintains this REO in a white neighborhood and even edged the lawn, trimmed the bushes and raked all the leaves.
2013: Fannie Mae took great care of its REO in a white neighborhood. Both the front and back yards are clean with no dead leaves accumulated.
2013: This modest Fannie Mae REO in a white neighborhood is well-maintained. Both the front and back yards are clean with no dead leaves accumulated.
2014: This modest REO in a white neighborhood is clean and has curb appeal.
2014: Another modest Fannie Mae REO in white neighborhood, right next door to a vacant damaged foreclosure, it well maintained.
2015: This Fannie Mae REO in a white neighborhood has a nicely mowed lawn and a professional “for sale” sign visibly posted in the front yard.
Fannie Mae took good care of this home’s backyard as well.
Freddie Mac’s Well-Maintained REOs in African American and White Neighborhoods
A well maintained Freddie Mac REO in a white neighborhood.
A well maintained Freddie Mac REO in an African American neighborhood.
Another well maintained Freddie Mac REO in an African American neighborhood.
Another well maintained Freddie Mac REO in a white 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.
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.
UNSAFE NEIGHBORHOODS

Unattended and unmaintained properties result in:

- Illegal dumping and rodent infestation
- Injuries from accidental fires or arson
- Deterioration of lead paint.

QUESTIONS?