

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



Miami Valley Fair Housing Center

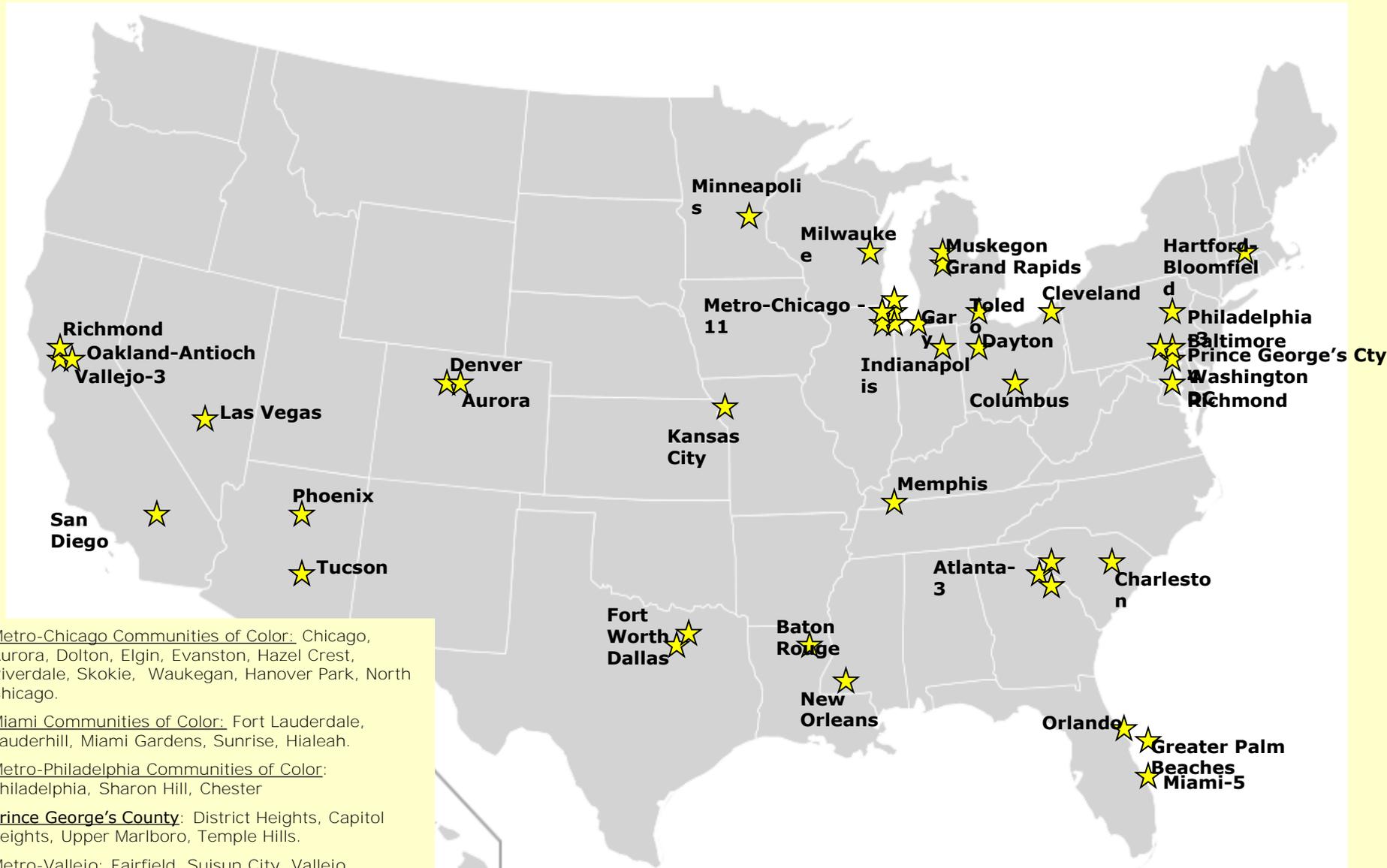
Jim McCarthy, President/CEO

May 13, 2015

Introduction

- ▣ The Miami Valley Fair Housing Center (MVFHC) has been investigating the failure of organizations like Fannie Mae to appropriately maintain and market Real Estate Owned (REO) properties since 2009.
- ▣ Together with the National Fair Housing Alliance and other private fair housing organizations, MVFHC seeks to stabilize our neighborhoods of color.

The national investigation included 34 metropolitan areas made up of 129 cities. Of these cities, 63 cities included zip code investigations in communities of color. A total of **2,106** Fannie Mae REOs were investigated.



Metro-Chicago Communities of Color: Chicago, Aurora, Dolton, Elgin, Evanston, Hazel Crest, Riverdale, Skokie, Waukegan, Hanover Park, North Chicago.

Miami Communities of Color: Fort Lauderdale, Lauderhill, Miami Gardens, Sunrise, Hialeah.

Metro-Philadelphia Communities of Color: Philadelphia, Sharon Hill, Chester

Prince George's County: District Heights, Capitol heights, Upper Marlboro, Temple Hills.

Metro-Vallejo: Fairfield, Suisun City, Vallejo

Atlanta Metro: Stone Mountain, Decatur, Atlanta

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 one 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



Investigation

- In the Dayton, OH metropolitan area, the Miami Valley Fair Housing Center investigated 71 REO properties owned by Fannie Mae.
- 26 located in African-American communities
- 1 located in a non-White community
- 44 were located in White communities.
- **45.5%** of the REOs in White communities had fewer than 5 maintenance or marketing deficiencies documented, while **none** of the REOs in communities of color had fewer than 5 deficiencies.
- **59%** of the REO properties in African-American neighborhoods had 10 or more maintenance or marketing deficiencies documented, while only 18% of the REO properties in White communities had 10 or more maintenance or marketing deficiencies.

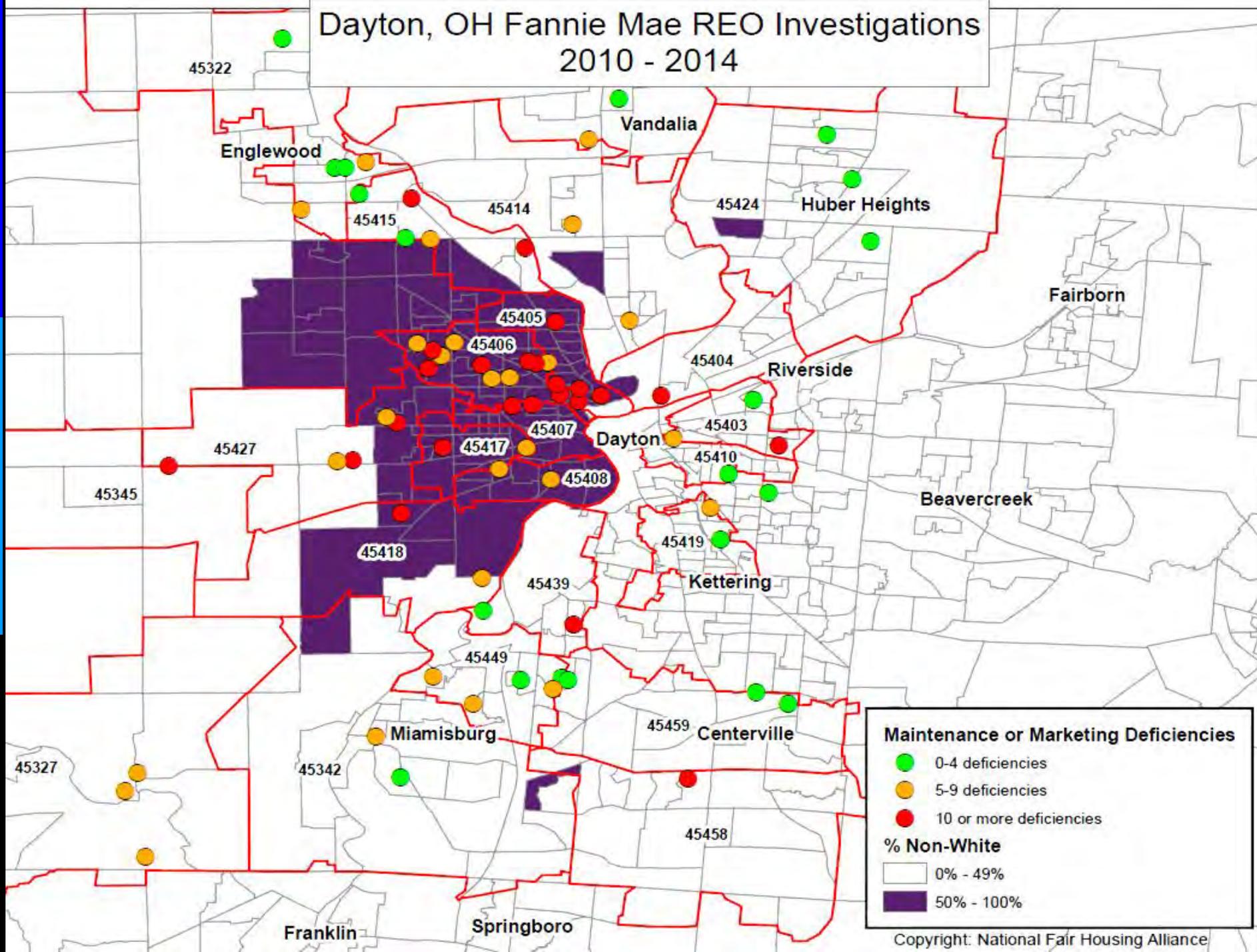
Fannie Mae Fails to Maintain REOs in Dayton, Ohio's Communities of Color from 2010 through 2014.



Miami Valley Fair Housing Center

Investigations occurred in 2010, 2012 and 2014

Dayton, OH Fannie Mae REO Investigations 2010 - 2014



Maintenance or Marketing Deficiencies

- 0-4 deficiencies
- 5-9 deficiencies
- 10 or more deficiencies

% Non-White

- 0% - 49%
- 50% - 100%

	Communities of color	White
Less than 5 deficiencies	0.0%	45.5%
5 or more deficiencies	100.0%	54.5%
10 or more deficiencies	59.3%	18.2%
15 or more deficiencies	3.7%	0.0%
Trash	29.6%	11.4%
Mail accumulated	51.9%	38.6%
Overgrown grass or leaves	7.4%	9.1%
Overgrown/dead shrubbery	63.0%	43.2%
Dead grass (10-50%)	25.9%	11.4%
Dead grass (50% or more)	3.7%	0.0%
Invasive plants (10-50%)	59.3%	31.8%
Invasive plants (50% or more)	3.7%	2.3%
Broken mailbox	25.9%	22.7%
Curb appeal miscellaneous	11.1%	6.8%
Unsecured / broken doors	44.4%	11.4%
Damaged steps and handrails	44.4%	13.6%
Damaged windows	63.0%	15.9%
Damaged roof	37.0%	15.9%
Damaged fence	44.4%	31.8%
Holes	33.3%	18.2%
Wood rot	55.6%	27.3%
Structure miscellaneous	22.2%	34.1%

	Communities of color	White
Trespassing / warning sign	22.2%	29.5%
Marketed as distressed	0.0%	0.0%
No for sale sign	37.0%	20.5%
Broken or discarded signage	11.1%	2.3%
Unauthorized occupancy	0.0%	0.0%
Signage misc	3.7%	2.3%
Graffiti	0.0%	0.0%
Peeling / chipped paint	70.4%	40.9%
Damaged siding	51.9%	40.9%
Missing / damaged shutters	3.7%	2.3%
Paint/siding misc	0.0%	0.0%
Missing / out of place gutters	51.9%	18.2%
Broken or hanging gutters	29.6%	13.6%
Obstructed gutters	40.7%	36.4%
Gutters misc	0.0%	0.0%
Water damage	14.8%	2.3%
Small amount of mold	37.0%	31.8%
Pervasive mold	0.0%	2.3%
Water damage misc	0.0%	0.0%
Exposed utilities	29.6%	9.1%

Communities of Color have more egregious percentage – at least 10% difference in proportion to the White percentage

No significant difference observed in percentages

White communities have more egregious percentage – at least 10% difference in proportion to the Communities of Color percentage

Fannie Mae's Failed Maintenance in 2010 in Dayton, OH





Initial review of Fannie Mae REOs in 2010 revealed very poor maintenance in middle and working class African American neighborhoods.

Unfortunately, after two years of meetings, there was no improvement in Fannie's Mae's maintenance efforts in African American and Latino neighborhoods.



NOTICE

LEADER FORE...
PUBLIC HO...
AUG...
OPEN...

10/25/2010 11:11



10/25/2010 11:12



10/25/2010 11:15



1226 3

10/25/2010 11:09

Fannie Mae's Failed Maintenance Continues Two Years later in 2012



**Investigations resumed in 2012. MVFHC found the same problems.
This REO sold for \$6,500 in November, 2012.**



Nice home inside, but the curb appeal is so poor that real estate agents and owner-occupants might never consider looking at the home.



09/13/2012



Damaged gutters and missing downspouts

09/13/2012

Fannie's REO has broken steps. Fannie says it edges the lawn and sweeps sidewalk and steps, but not at this REO in an African-American neighborhood.





Obstructed gutters cause roof and interior wall damage.

09/13/2012



Overgrown weeds

09/13/2012

Neighbors' well-maintained homes next to the poorly maintained Fannie REO.



09/13/2012



2012: Fannie Mae REO in an African-American neighborhood
looks fine from the street, but...

28/2012

Accumulated mail indicates no one is checking on the home...



09/28/2012



09/28/2012

Fannie Mae simply has to re-attached the downspout.

How is it that Fannie Mae doesn't see the need to remove this branch from the gutter?



09/28/2012

2012: To increase curb appeal, Fannie Mae could simply add a fence slat to the REO in an African American neighborhood.



09/13/2012



But more important—Fannie Mae should secure this garage to provide safety for the children and other residents in the neighborhood.

Fannie Mae could make this easy repair under the overhang.

09/13/2012



Removing the trash, cutting back the invasive plants and securing the fence gate would also increase safety and show the owner cares about the property.



2012: Why would Fannie Mae board this storm window instead of replacing it and giving this home in an African-American neighborhood some positive curb appeal?



Fannie Mae says it repairs steps because it is a safety hazard not to do so. These unrepaired steps and board storm window contribute to poor curb appeal.



Why does Fannie Mae allow this kind of overgrowth in communities of color?



09/13/2012

This uncovered hole in the foundation is an invitation to rats, cats or other animals to invade the home.



This obstructed gutter will cause roof and interior wall damage.



09/13/2012

**2012: Fannie Mae fails to maintain this very nice REO
in an African –American neighborhood.**



09/13/2012



A boarded window in the front door hurts curb appeal and accumulated mail tell vandals no one is watching the home.





Why doesn't Fannie Mae simply paint the side door? Fannie requires handrails on steps, but apparently not on this REO in an African-American neighborhood.

When you walk to the backyard you immediately see dead brush and...



09/13/2012



Wildly overgrown invasive plants.

09/13/2012

2014



2014: Fannie Mae listed this REO in October 2014 in an African American neighborhood with boarded windows, no “For Sale” sign and...





How do you market this home to an owner-occupant buyer when there is no nature light inside the home because all the windows are boarded?

A photograph of a stone building with a window and dense, overgrown vegetation in the foreground. The building is made of light-colored stone blocks. A window with a grey frame is visible, with some of the glass missing or boarded up. The foreground is dominated by a large, dense shrub with green and brown foliage. To the left, there are several thin, bare trees with small brown cones. In the bottom right corner, there is a date stamp.

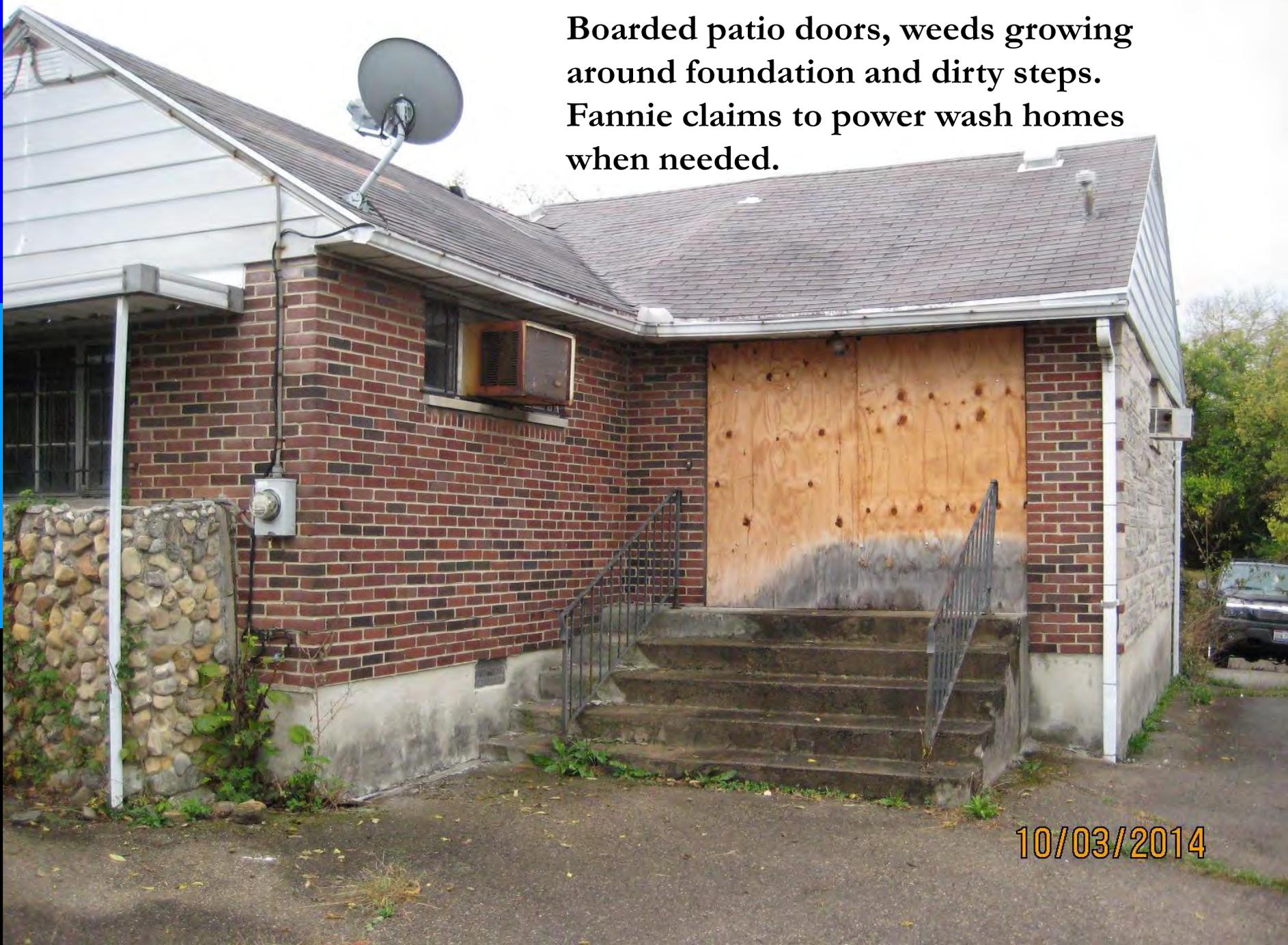
Then when you go into the backyard you see dead and overgrown shrubs and invasive plants.

10/03/2014



It only gets worse: more overgrown plants, accumulated leaves and a 2014 dead pine tree in yard.

Boarded patio doors, weeds growing around foundation and dirty steps. Fannie claims to power wash homes when needed.



**The neighbors' nicely
maintained homes.**





2014: Another Fannie REO from October 2014 with boarded windows, trash under bushes, card board "For Sale" sign and peeling paint.

2014: Fannie's REO has a front porch with boarded windows, broken porch rails, peeling paint and no curb appeal.



10/06/2014

A photograph of a cluttered front porch. In the center, a white plastic lawn chair is tipped over. To its right, a small yellow and brown paper bag lies on the concrete floor. In the foreground, a black plastic bucket is overturned, spilling dark soil and debris. A large, crumpled yellow plastic bag is also visible near the bucket. The porch floor is covered with scattered leaves and dirt. In the background, a white picket fence runs along the edge of the porch. A white door frame is visible on the right side of the image. A yellow text box is overlaid on the left side of the image.

Fannie allowed the accumulation of trash and dirt on the front porch.

10/06/2014



10/06/2014

Fannie doesn't trim overgrown plants or fix the broken fence.



A similar, but well-maintained twinplex to the left of Fannie's poorly maintained REO.

Fannie's REO has overgrown shrubs on the property line.

A photograph of a two-story, light-colored house with dark brown trim around the windows and roofline. A large, mature tree with green and yellowing leaves stands in the foreground, partially obscuring the house. The house has a small porch on the left side. The ground is covered with fallen leaves, suggesting an autumn setting. A concrete walkway leads to the porch. In the background, there are more trees and a red hedge.

Neighbor's well-maintained home to the right of Fannie's poorly maintained REO.

10/06/2014

2014: Fannie Mae's REO in an African-American neighborhood is poorly maintained with boarded windows and accumulated mail indicating no one is checking on the property.





10/06/2014

Where a window needs to be repaired, Fannie instead allows the elements and birds or squirrels access.





These neighbors have well-maintained homes, but have to live next to Fannie's poorly maintained property.



Imagine trying to refinance your home with this next door.

What impact will this Fannie REO have on your property value?

Fannie Mae's Well-Maintained REOs in White Neighborhoods





8
Well-Maintained
Fannie Mae
REOs in White
Neighborhoods



Freddie Mac Comparisons





**This is a Freddie Mac REO in an African American neighborhood in October 2010.
The scrubs are trimmed and there is no trash in the yard.**



These are the neighbors on either side. Freddie is maintaining its REO to the neighborhood standard.



Another Freddie Mac REO in an African American neighborhood in good condition in 2010.

Health Impact



Living next to or nearby foreclosed homes causes stress, high blood pressure, asthma, and anxiety. People report feeling their neighborhood is stigmatized.

American Heart Association

- “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.



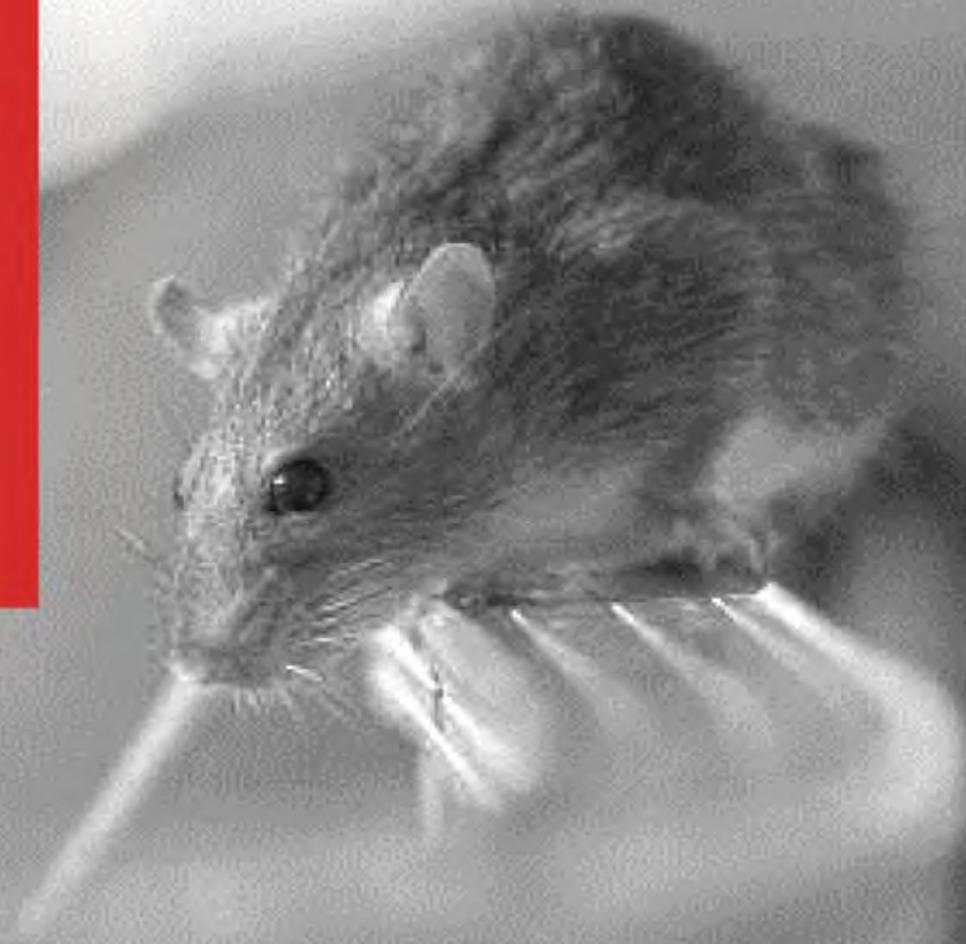
(Broken Window Theory)

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



QUESTIONS?



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

06.21.2014 16:30