

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

Fair Housing Center of Central Indiana (FHCCI)

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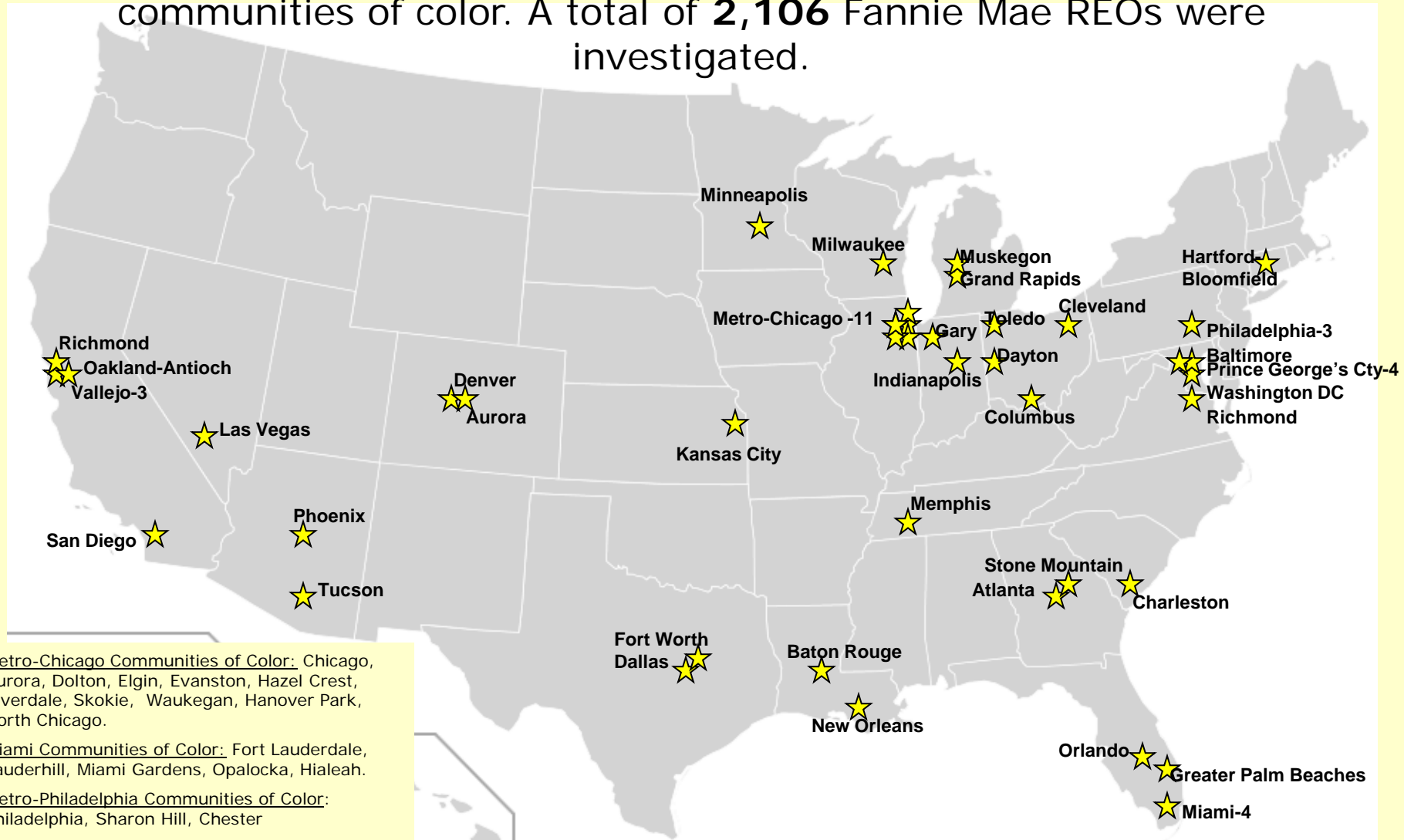
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Additional information may be found on our News Page
at www.fhcci.org

Introduction

- ❑ REO = Real Estate Owned (Bank Owned Foreclosures)
- ❑ FHCCI Part of National Investigation in Coordination with the National Fair Housing Alliance (NFHA)
- ❑ FHCCI Investigated Fannie Mae REOs as Part of this Investigation
- ❑ REOs Evaluated in Indy from 2012-2014
- ❑ FHCCI has filed previous cases against Bank of America (pending), U.S. Bank (pending), SafeGuard (pending), and Wells Fargo (settled)

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, Opa-locka, 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

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 Mae's website. <https://www.homepath.com/>

- **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



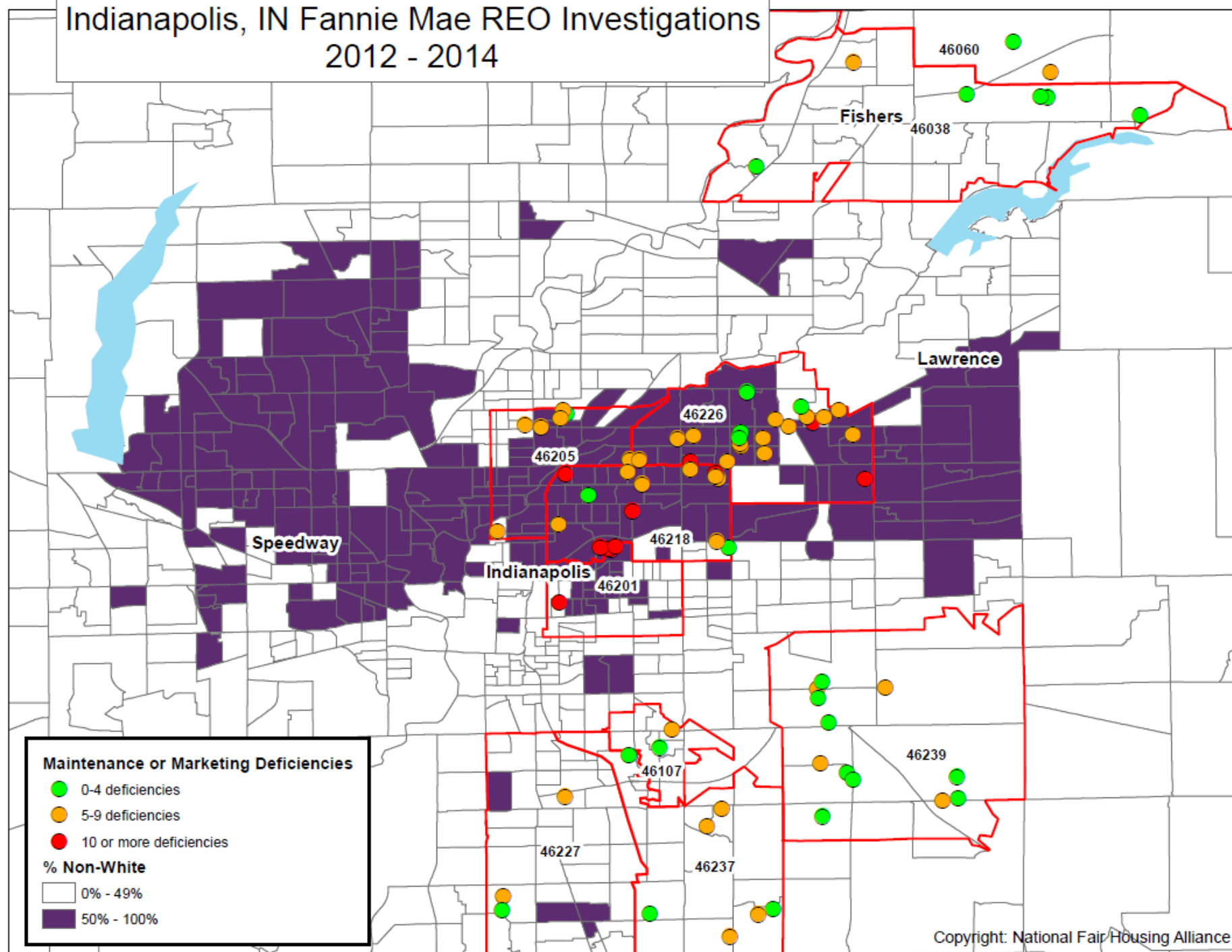
Indianapolis, IN Racial Disparities

- In the Indianapolis metropolitan area, the FHCCI investigated 78 Fannie Mae REOs between 2012 and 2014:
 - 33 in Majority African-American Neighborhoods
 - 1 Majority Non-White Neighborhood
 - 44 in Majority White Neighborhoods

Indianapolis, IN Racial Disparities

- ❑ 65% of the REO properties in communities of color had obstructed gutters vs. 27% in white neighborhoods.
- ❑ 59% of the REO properties in communities of color had unsecured, broken, or boarded windows vs. 32% in white neighborhoods.
- ❑ 41% of the REO properties in communities of color had overgrown or dead shrubbery vs. 27% in white neighborhoods.
- ❑ 32% of the REO properties in communities of color had trash or debris vs. 16% in white neighborhoods.
- ❑ 32% of the REO properties in communities of color had unsecured or broken doors vs. 16% in white neighborhoods.
- ❑ 29% of the REO properties in communities of color had 10 or more deficiencies vs. 4.5% in white neighborhoods.

Indianapolis, IN Fannie Mae REO Investigations 2012 - 2014



	Communities of color	White
Less than 5 deficiencies	11.8%	50.0%
5 or more deficiencies	88.2%	50.0%
10 or more deficiencies	29.4%	4.5%
15 or more deficiencies	0.0%	0.0%
Trash	32.4%	15.9%
Mail accumulated	8.8%	31.8%
Overgrown grass or leaves	38.2%	27.3%
Overgrown/dead shrubbery	41.2%	27.3%
Dead grass (10-50%)	11.8%	9.1%
Dead grass (50% or more)	2.9%	0.0%
Invasive plants (10-50%)	23.5%	15.9%
Invasive plants (50% or more)	2.9%	0.0%
Broken mailbox	5.9%	0.0%
Curb appeal miscellaneous	8.8%	11.4%
Unsecured / broken doors	32.4%	15.9%
Damaged steps and handrails	14.7%	9.1%
Damaged windows	58.8%	31.8%
Damaged roof	11.8%	2.3%
Damaged fence	35.3%	20.5%
Holes	17.6%	29.5%
Wood rot	20.6%	25.0%
Structure miscellaneous	17.6%	20.5%


	Communities of color	White
Trespassing / warning sign	85.3%	75.0%
Marketed as distressed	11.8%	9.1%
No for sale sign	5.9%	6.8%
Broken or discarded signage	0.0%	2.3%
Unauthorized occupancy	0.0%	0.0%
Signage misc	0.0%	0.0%
Graffiti	2.9%	0.0%
Peeling / chipped paint	50.0%	54.5%
Damaged siding	35.3%	34.1%
Missing / damaged shutters	0.0%	2.3%
Paint/siding misc	0.0%	0.0%
Missing / out of place gutters	23.5%	9.1%
Broken or hanging gutters	14.7%	2.3%
Obstructed gutters	64.7%	27.3%
Gutters misc	5.9%	0.0%
Water damage	2.9%	0.0%
Small amount of mold	20.6%	11.4%
Pervasive mold	5.9%	4.5%
Water damage misc	0.0%	0.0%
Exposed utilities	23.5%	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

Examples of Fannie Mae's Failure to Maintain REOs in Communities of Color



Indianapolis, IN

2012 - 2014



2012: This Fannie Mae REO is located in an African American neighborhood. The REO has no curb appeal with the dead grass and damaged steps.



Here is a close-up of the home's damaged steps. Fannie claims to repair steps; however, here potential homebuyers cannot even safely walk up to the front of the house.

A photograph showing a person's lower leg and foot in blue denim jeans, standing in a field of tall, green grass. The grass is dense and overgrown, reaching up to the person's knee. The person is wearing a red sandal. The background is filled with more of the same tall grass.

09.06.2012 12.33

The backyard is overgrown.



The side yard has overgrown shrubbery and the fence is damaged.

Property c



Fannie left a large hole uncovered, inviting in birds, insects, and other vermin to nest inside.

A missing downspout and obstructed gutter is allowing water to damage the roof and foundation of the home.





2012: This is another Fannie Mae REO in an African American neighborhood. From the street we can already see overgrown grass and shrubbery.



Here's a closer look at the overgrown grass and shrubbery Fannie Mae failed to maintain at this REO.



The side of the home also has overgrown scrubs and weeds.





Fannie Mae failed to repair broken windows and left one window open for both vermin and rain to get into the home.



Trash and debris is left among invasive plants.



09.06.2012 10:24

The REO's neighboring homes are well-maintained.



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.



2012: This Fannie Mae REO in an African American neighborhood is hard to see from the street due to its overgrown shrubbery.

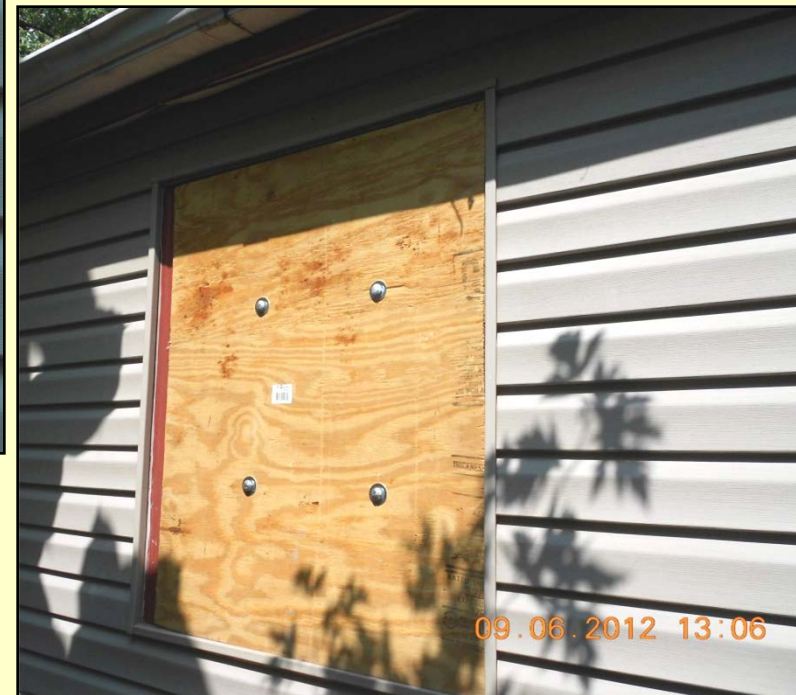


Fannie Mae's neglect invited vandalism and graffiti to this home – note the broken window as well.



You can also see graffiti inside the home through the broken windows.

There were a variety of different broken and boarded windows as you walked around the home.





These neighbors take good care of their homes, yet they have to live next to the eyesore that Fannie Mae should be maintaining.



Property c

2014: If you just drove by this Fannie Mae REO in an African American neighborhood, you might think it was in good shape. However...



10/23/2014 01:49 PM



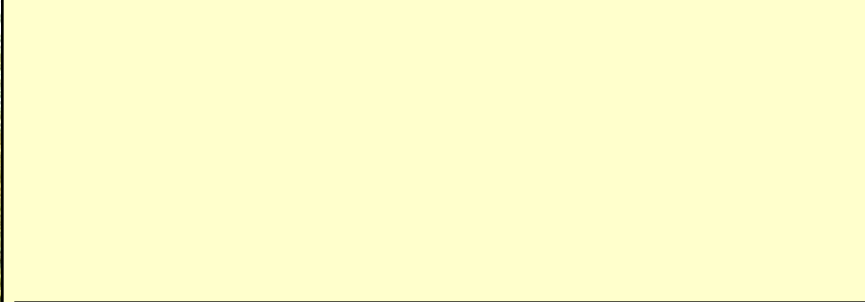
The side of the home is completely overgrown and debris is among the plants.

This poorly boarded window-well poses a serious safety hazard for anyone walking around the property.



The gutters are obstructed in multiple places allowing water damage to the roof and interior walls.





The neighbors' homes in this African American neighborhood are well-maintained.



Property of the

Fannie Mae's REOs are Well Maintained in White Neighborhoods



Indianapolis, IN

2012 - 2014

2012: While Fannie Mae consistently fails to maintain its REOs in Indy communities of color, Fannie has no problem insuring REOs in White neighborhoods are maintained.





Shrubs are well-manicured and the grass has been mowed.



This Fannie Mae REO's window-well is properly covered and poses no safety hazard.



SEP 13 2012

2014: Another well-maintained Fannie Mae REO in a White neighborhood.



10/29/2014 11:30 AM

**This Fannie Mae REO is free of trash and debris
and has no overgrown grass or shrubbery.**

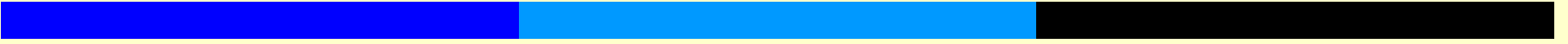




Additional examples of well-maintained Fannie Mae REOs in White neighborhoods.



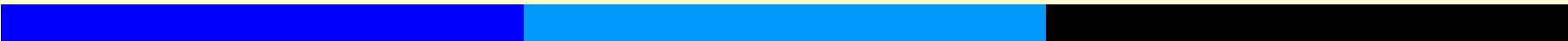
Health Impact



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

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.
- <http://newsroom.heart.org/news/living-near-foreclosed-property-linked-to-higher-blood-pressure>



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.**

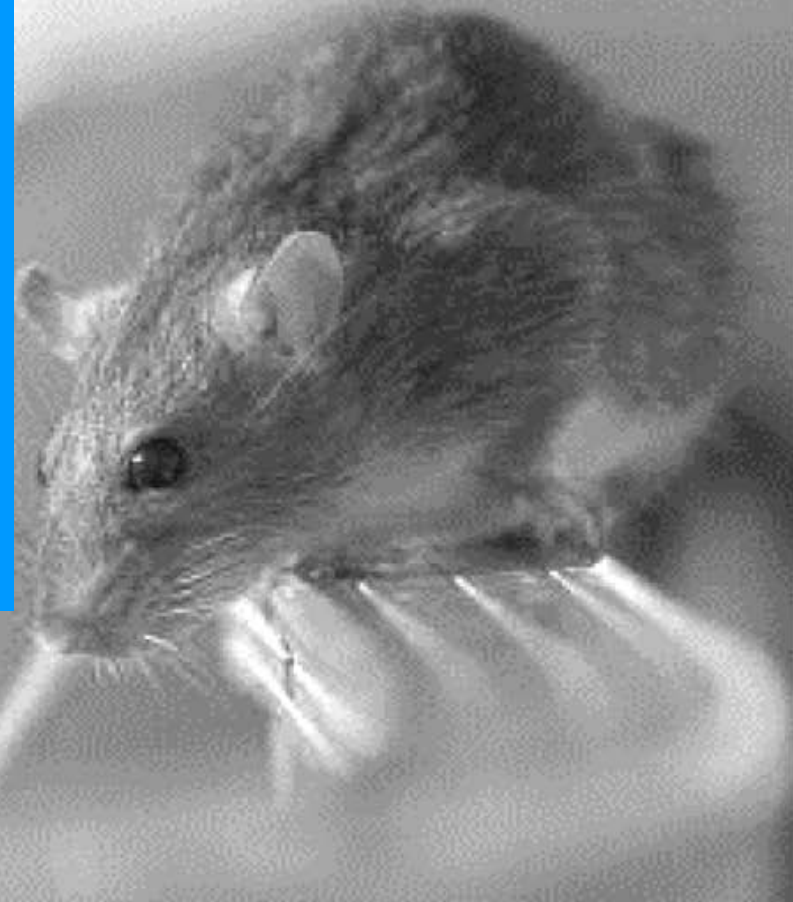


- **Vacant and abandoned homes cause rapid neighborhood decay and blight.** (Broken Window Theory)
- **Residents feel unsafe walking on streets with abandoned or vacant properties.**
- **A higher proportion of vacant homes in urban neighborhoods is associated with increased crime.**

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.

06.21.2014 16:30