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

Fair Housing Center of Central Indiana
445 N Pennsylvania Street #811, Indianapolis, IN 46204

Amy Nelson, Executive Director
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

**2012 Checklist**

These lists are essentially the same and detail what Fannie Mae says it will do to maintain its foreclosures.

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**2015 Checklist**

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
Indianapolis, IN Racial Disparities

- In the Indianapolis metropolitan area, we investigated 78 Fannie Mae REOs between 2012 and 2014.
  - 33 African-American
  - 1 Majority Non-White
  - 44 White

- 32% of the REO properties in communities of color had **trash or debris**
- 41% of the REO properties in communities of color had **overgrown or dead shrubbery**
- 59% of the REO properties in communities of color had **unsecured, broken, or boarded windows**
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. Note the dead grass and damaged steps that can be seen from the curb.
Here is a close-up of the home’s damaged steps. How does Fannie Mae expect to market and sell this home when potential homebuyers cannot safely walk up to the front of the house?
The sides and backyard of the home are covered in overgrown grass and shrubbery.
A missing and obstructed gutter is allowing water to damage the structure and foundation of the home.

Fannie left a large hole uncovered, inviting in birds, insects, and other vermin to nest inside.
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 is also overgrown.
Trash and debris is left among invasive plants.
Fannie Mae failed to repair multiple broken windows, leaving at least one open to both vermin and the elements.
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 well-maintained neighbors have to live next to the eyesore that Fannie Mae has created for the neighborhood.
If you just drove by this Fannie Mae REO in an African American neighborhood you might think it was in good shape. However…
The side of the home is completely overgrown, with debris 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.
The neighboring homes are well-maintained.
Fannie Mae’s REOs are Well Maintained in White neighborhoods
2012: While Fannie Mae consistently fails to maintain their REO homes in communities of color, they are more than capable of doing so in White neighborhoods.
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.
2014: Another well-maintained Fannie Mae REO in a White neighborhood.
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.
“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.
• 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.

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