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

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

**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.
The backyard is overgrown.
The side yard has overgrown shrubbery and the fence is damaged.
A missing downspout and obstructed gutter is allowing water to damage the roof 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 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.
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.
2014: 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 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.
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.
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.

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.