Fannie Mae's Failure to Maintain and Market Foreclosures in African American and Latino Neighborhoods in Metropolitan Chicago

Fair Housing Groups file complaint alleging race and national origin discrimination by Fannie Mae in communities of color.

HOPE Fair Housing Center South Suburban Housing Center Open Communities

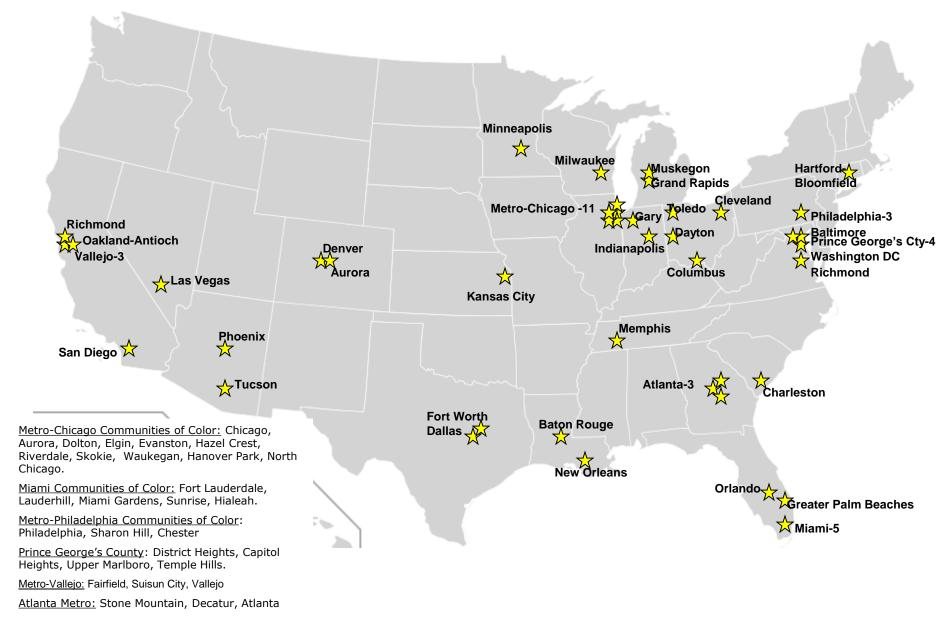
May 13, 2015

Introduction

Three fair housing groups in Chicago's north, south and west suburbs, Open Communities, South Suburban Housing Center and HOPE Fair Housing Center, monitored the maintenance and marketing practices of Fannie Mae's abandoned foreclosed REO homes in predominantly White communities versus communities of color from 2012-2014.

The dramatic differences these groups found in the Chicago area have been joined with evidence gathered from the National Fair Housing Alliance and its member organizations in 34 metropolitan areas in a national Fair Housing Act violation complaint alleging race and national origin discrimination against Fannie Mae filed today with the U.S. Department of Housing and Urban Development.

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

- Communities selected for investigations were:
 - Majority African American
 - Majority Latino
 - Majority Non-White
 - Majority White
- Communities selected had Fannie Mae foreclosed homes listed for sale on <u>Fannie's website</u>.
- 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/warnin g 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









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Metro-Chicago Fair Housing Offices Investigated 308 Fannie Mae REOs

- □ 71 located in African-American neighborhoods
- 46 located in Latino neighborhoods
- 39 located in Majority non-White neighborhoods
- □ 152 located in White neighborhoods
- □ The following slide and chart show the differences in treatment based on the racial or ethnic composition of the neighborhoods.

Metro-Chicago Racial Disparities

- 50.7% of REO properties in White communities had fewer than 5 deficiencies, while only 26.3% of properties in communities of color had fewer than 5 deficiencies
- 20.5% of REO properties in communities of color had 10 or more deficiencies, while only 6.6% of properties in White communities had 10 or more deficiencies
- 36.5% of REO properties in communities of color had a broken, boarded or unsecured window, while only 15.1% of the properties in White communities had the same problem
- 20.5% of REO properties in communities of color had unsecured, broken, or boarded doors, while only 7.9% of the properties in White communities had the same problem
- 40.4% of REO properties in communities of color had damaged siding, while only 21.7% of the properties in White communities had the same problem
- 18.6% of REO properties in communities of color had holes in the structure of the home, while only 5.9% of the properties in White communities had the same problem
- 7.1% of REO properties in communities of color were being marketed as a distressed property, while only 1.3% of the properties in White communities had the same problem

	Communities of color	White		Communities of color	White
Less than 5 deficiencies	26.3%	50.7%	Trespassing / warning sign	26.3%	38.2%
5 or more deficiencies	73.7%	49.3%	Marketed as distressed	7.1%	1.3%
10 or more deficiencies	20.5%	6.6%	No for sale sign	28.8%	23.7%
15 or more deficiencies	1.3%	0.0%	Broken or discarded signage	1.3%	0.7%
Trash	50.0%	32.2%	Unauthorized occupancy	1.9%	0.0%
Mail accumulated	18.6%	13.8%			
Overgrown grass or leaves	19.9%	11.2%	Signage misc	5.1%	1.3%
Overgrown/dead shrubbery	35.3%	35.5%	Graffiti	3.2%	0.0%
Dead grass (10-50%)	26.9%	19.7%	Peeling / chipped paint	58.3%	41.4%
Dead grass (50% or more)	5.8%	3.9%	Damaged siding	40.4%	21.7%
Invasive plants (10-50%)	23.1%	25.0%	Missing / damaged shutters	0.6%	1.3%
Invasive plants (50% or more)	7.1%	1.3%	Paint/siding misc	3.8%	2.0%
Broken mailbox	5.1%	2.6%	Missing / out of place gutters	22.4%	17.8%
Curb appeal miscellaneous	20.5%	21.1%	Broken or hanging gutters	12.2%	5.3%
Unsecured / broken doors	20.5%	7.9%	Obstructed gutters	30.8%	17.8%
Damaged steps and handrails	16.0%	6.6%	Gutters misc	5.8%	6.6%
Damaged windows	36.5%	15.1%			
Damaged roof	13.5%	6.6%	Water damage	2.6%	0.0%
Damaged fence	27.6%	18.4%	Small amount of mold	16.0%	13.8%
Holes	18.6%	5.9%	Pervasive mold	1.9%	2.6%
Wood rot	16.0%	10.5%	Water damage misc	1.3%	0.0%
Structure miscellaneous	43.6%	42.8%	Exposed utilities	13.5%	7.9%
Property of the National Fair Housing Alliance					10

Chicago Fair Housing Groups' Presentations

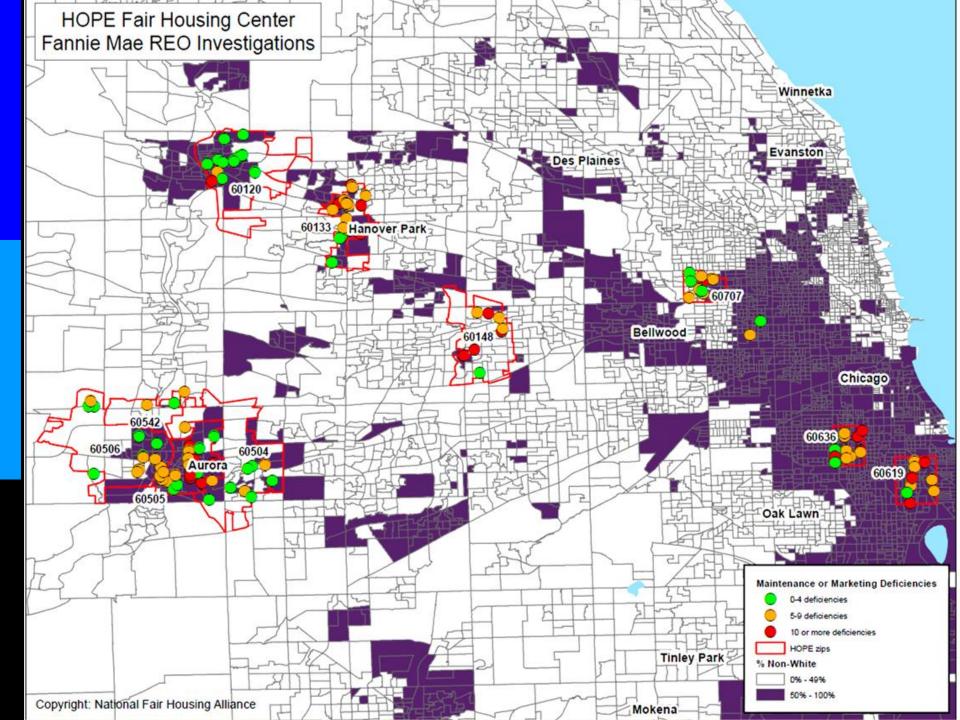
□ HOPE Fair Housing Evidence slides 12-47

□ South Suburban Housing Center Evidence slides 48-79

□ Open Communities Evidence slides 80-126

HOPE Fair Housing Center Evidence

Executive Director, Anne Houghtaling



Fannie Mae REOs in 2012, 2013 & 2014

Sampling of Fannie Mae REOs in Latino, African American and White neighborhoods Aurora, IL





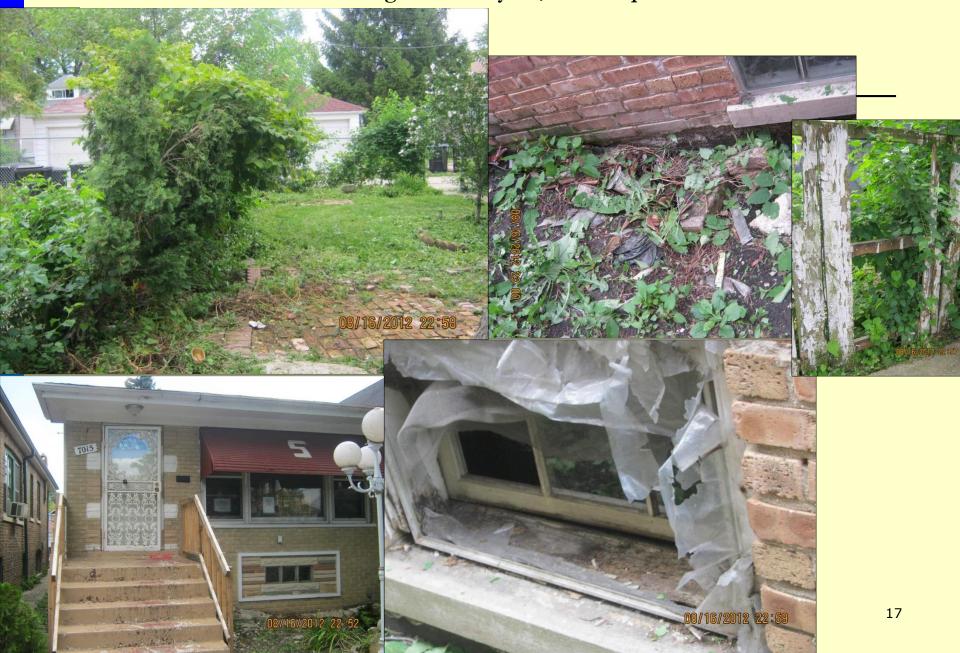
The neighbors' homes are well-maintained.

Fannie claims to maintain its REOs in the same or better condition than homes in the neighborhood.

Clearly that is not the case in this Latino neighborhood.



Fannie REO in African American neighborhood in Chicago with trash, broken window, overgrown backyard, invasive plants.





Fannie Mae REO in African American neighborhood in Chicago with overgrown grass, boarded windows, invasive plants, trash and damaged front steps.

2012: Fannie Mae REO located in Latino neighborhood. Listed for \$74,900 on 8/3/12 and sold for only \$41,000 on 3/20/13.



Perhaps the low sales price is because Fannie failed to prepare the home by removing invasive plants, repairing the screen or steps or replacing the wooden lattice on the foundation.







<u>2013</u>: Fannie Mae REO located in a Latino/African American neighborhood in Aurora. The front entrance has peeling paint and broken light fixture and the back of the home...







2013: Fannie REO located in a Latino/African American neighborhood. Can you see the "For Sale" sign? Does this newer REO in community of color get better maintenance? No.



<u>2014</u>: Fannie Mae REO in middle class Latino neighborhood. Not too bad from front—just invasive plants growing in bushes, but...



The back of the Fannie REO is filled with trash, bricks, damaged siding and the storm window is open. 10/13/2014 14:30 10/13/2014 14:32



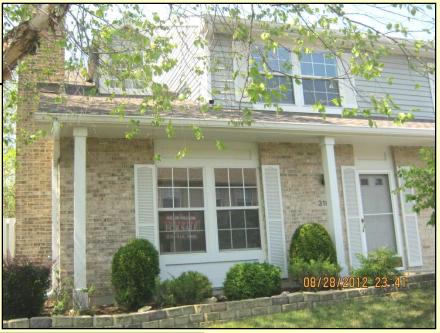
Obstructed gutters, more trash, the downspout empties at foundation and bent awning—all these issues hurt curb appeal.



Fannie Mae's REOs are well-maintained in White neighborhoods of Aurora, Illinois

Fannie REOs in White neighborhoods in 2012 in Aurora, IL.







Notice there are no overgrown shrubs or invasive plants and no obstructed gutters. Both homes have "For Sale" signs posted and 29 manicured lawns.

Fannie Mae REOs in White neighborhoods in 2013 and 2014 in Aurora, IL







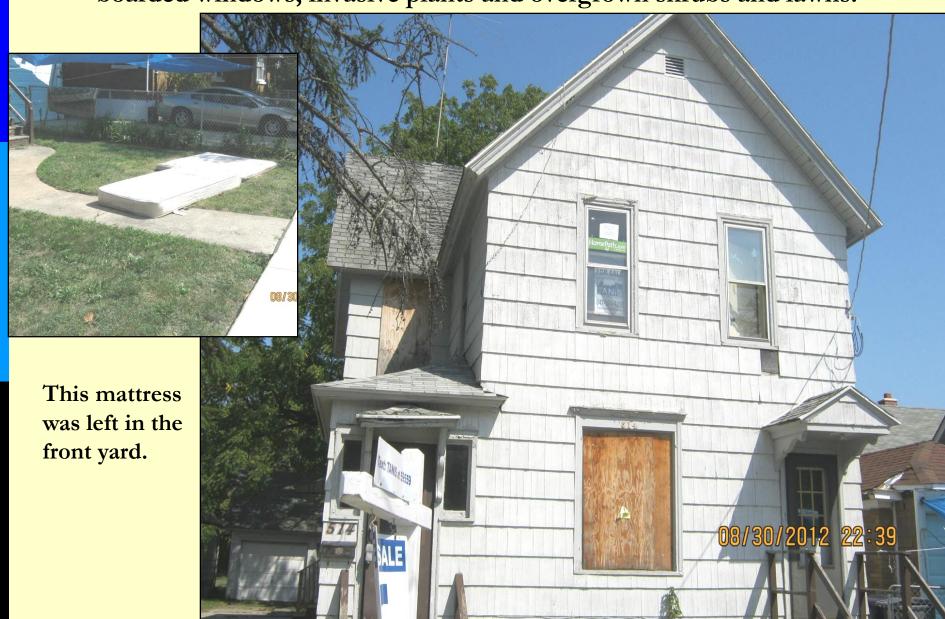
These Fannie REOs have well-maintained yards, no trash, no obstructed gutters and even an emergency contact number on REO.



Fannie Mae's failure to maintain REOs in Latino Neighborhoods

Hanover Park and Elgin, IL

Fannie Mae REOs in Elgin and Hanover Park's Latino neighborhoods suffer from poor maintenance, including accumulation of trash, unsecured doors, boarded windows, invasive plants and overgrown shrubs and lawns.



Unsecured structures and boarded homes invite vandalism and hurt property values for neighbors.







A close up look at a Fannie REO in a 71% Latino neighborhood.

Fannie's REO doesn't look bad from a distance, but let's take a closer look.

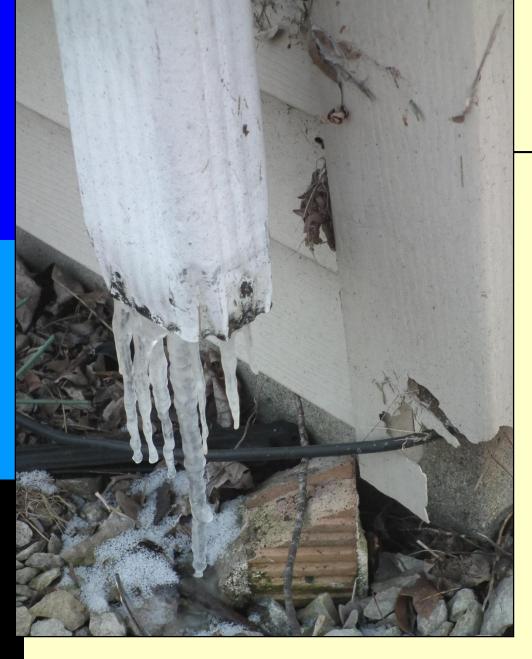
Below are the well-maintained neighboring homes.











Fannie fails to replace the downspout diverter to protect the foundation from water damage or to replace the clip to keep the downspout in place.



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Fannie doesn't cover hole in the home to keep out insects and animals.







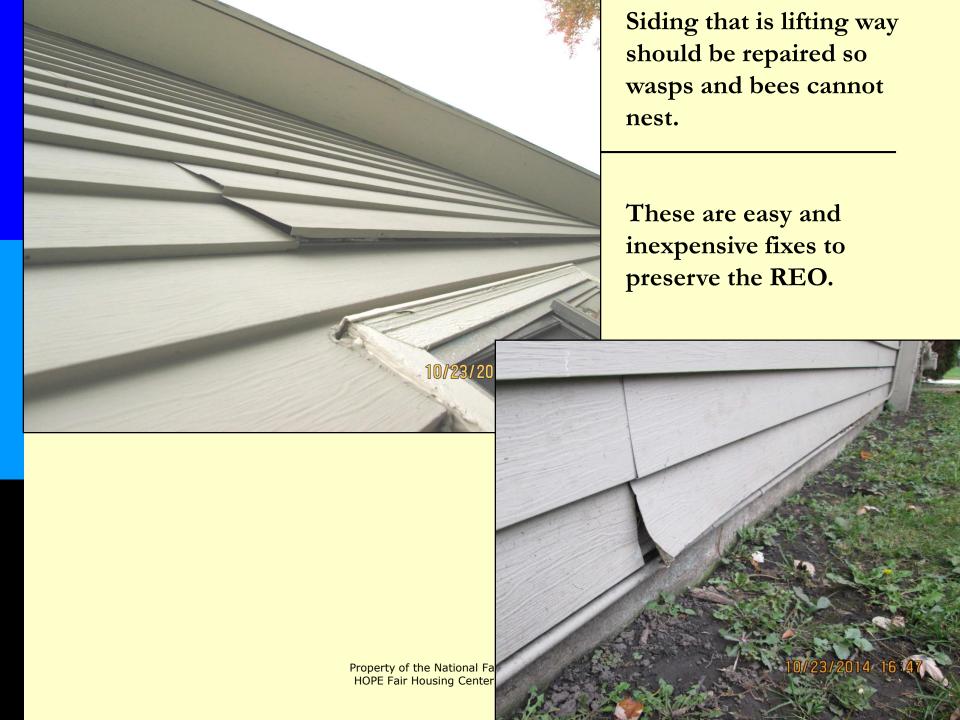


Another close up look at Fannie REO in a Latino/African American neighborhood in Hanover Park, IL

Neighbor's well-maintained home







Fannie Mae claims to have eyes on its REOs every week. If so, then how can Fannie explain this decaying animal carcass?



10/23/2014 16:42

Fannie Mae's Well-Maintained REOs in White Neighborhoods

Elgin, Elmwood Park, and Hanover Park



Fannie Mae's Failed REO Maintenance in Dolton, Harvey, Hazel Crest and Riverdale.

South Suburban Housing Center investigated Fannie Mae REOs in these communities.

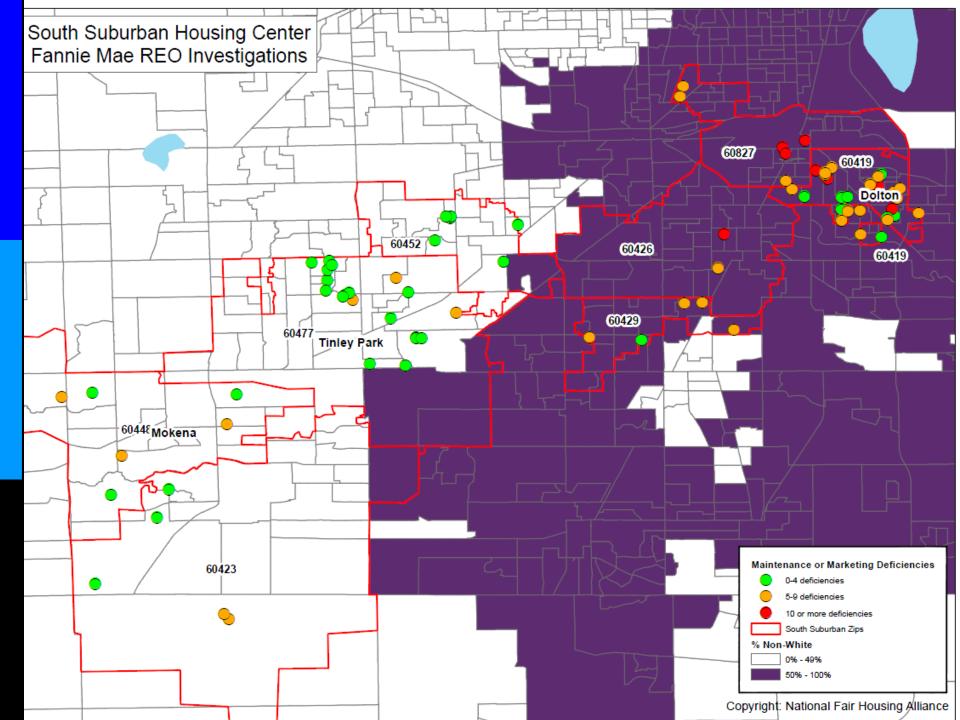
John Petruszak, Executive Director May 13, 2015

Investigation

□ South Suburban Housing Center investigated 78 Fannie Mae REOs.

□ 42 located in African-American neighborhoods.

□ 36 located in White neighborhoods.

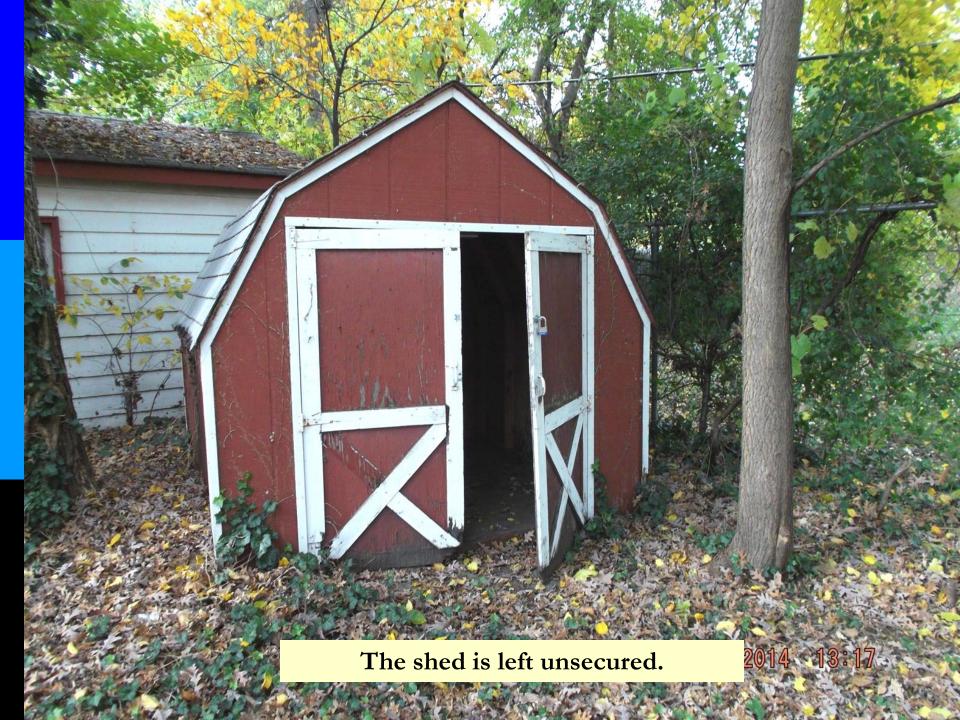


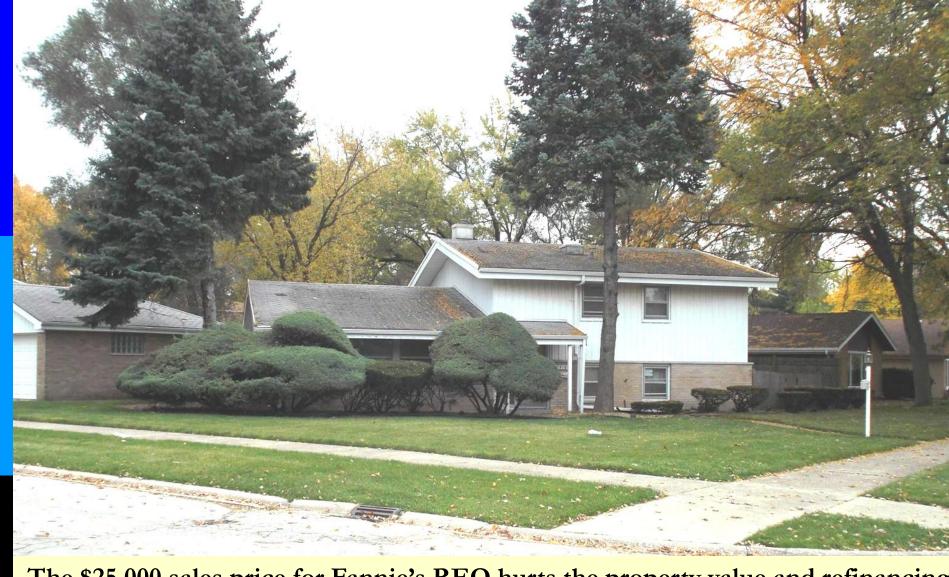


Fannie Mae listed this REO in July 2014 for \$49,900 then just let it run down until it sold for \$25,000 in December 2014.









The \$25,000 sales price for Fannie's REO hurts the property value and refinancing opportunities for this neighbor and the others in this African-American neighborhood.

No, this is NOT a Fannie REO.

It is the neighbor living next door to a poorly maintained Fannie REO.





Fannie fails to cut the invasive plants or fix the screens, but says it maintains its REOs to the standard in the neighborhood. The neighbor would take issue with this poor standard by Fannie Mae.



Fannie fails to simply replace the downspout and lets water run into the foundation.



This Fannie REO in Hazel Crest has dead tree limbs and trash on the property.



Trash and the boarded back door conveys a negative message for buyers.



How does Fannie Mae miss covering this opening in the roof of its REO? What could be living in there?



There is no reason for Fannie Mae to allow the accumulation of trash, invasive plants or dead leaves at a home.







The rear of the brick home has an addition, but the siding is missing. This is a simple and inexpensive fix for Fannie Mae to authorize and it would present the home in good condition like the neighbors' homes.



This Fannie Mae REO in an African American neighborhood in Riverdale is placed for auction rather than for sale to an owner-occupant. Fannie listed the home for sale in 11/13 for \$61,290 but sold in 3/15 for \$12,000.





Fannie Mae's REO Maintenance in White Communities

Tinley Park, Mokena, Oak Forest and Frankfort

Fannie Mae's REO in Tinley Park has a manicured lawn and professional "For Sale" sign—no auction.







This modest Fannie Mae REO in Oak Forest is for sale, not up for auction.





Freddie Mac REO Comparisons

Let's see how Freddie Mac maintains its REOs in Dolton and Tinley Park.





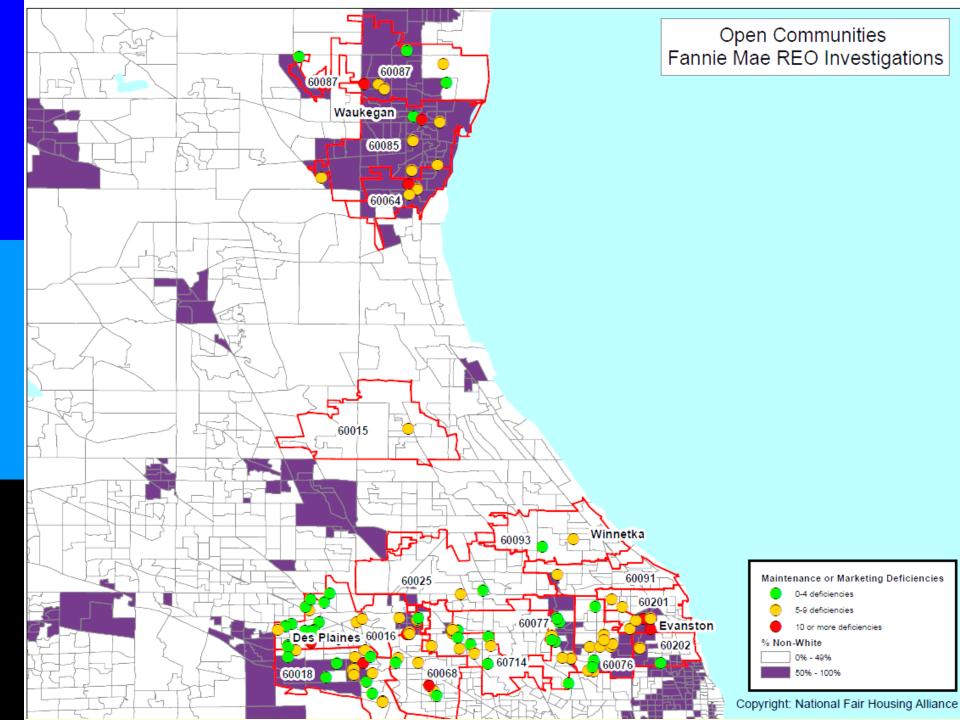
Freddie Mac REO in White neighborhood in Tinley Park, IL





Fannie Mae's Failure to Maintain REOs in African American and Latino Neighborhoods in Des Plaines, Evanston, North Chicago, Skokie and Waukegan

Open Communities
Executive Director
Gail Schechter



This Fannie Mae REO in Des Plaines in a Latino/African American neighborhood just needs the same attention that REOs in white neighborhoods receive to be in market condition.





Fannie Mae can replace the slates in the fence and mow the lawn.





This next door neighbor deserves the courtesy of Fannie Mae maintaining its property in good condition.

This Fannie Mae REO in Des Plaines in a Latino/African American neighborhood had the grass cut, but debris left all over the property. The lower front window needs repair.







Why does Fannie Mae allow this home to be listed for sale and shown to buyers in this condition?



4 of 10









END UNIT TWO STORY TOWNHOME WITH BASEMENT. PRIVATE, FENCED YARD AREA WITH CEMENT PATIO. CLOSE TO SCHOOLS AND SHOPPING. MINUTES FROM 1294. THIS IS A FANNIE MAE HOMEPATH PROPERTY. PURCHASE THIS PROPERTY FOR AS LITTLE AS 5% DOWN! PROPERTY IS APPROVED FOR HOMEPATH MORTGAGE AND HOMEPATH RENOVATION MORTGAGE FINANCING.

Here is proof that Fannie Mae listed this REO with trash left on the property.

Listing from Redfin.com



This is what we call a Fannie Mae "Drive-by REO listing." In Evanston's African-American neighborhoods Fannie allows poor maintenance. From the front of the REO you just see overgrown grass and shrubs, but go around the back...









This homeowner in an African-American neighborhood in Evanston lives next to a poorly maintained Fannie REO





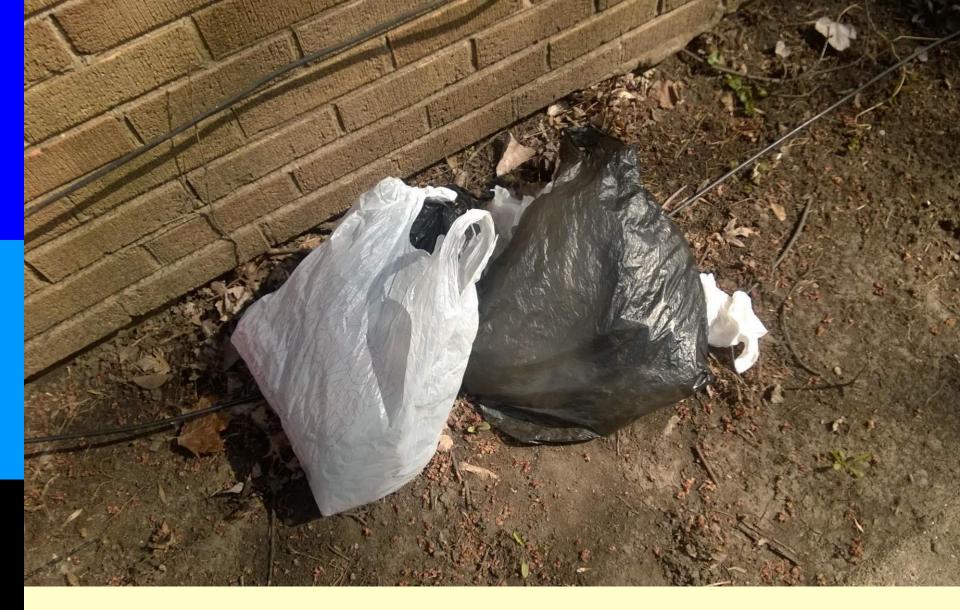
The back of the REO is boarded and notice the downspout hanging.



This hole in the foundation allows insects and rats or mice to enter the home.







Trash is allowed to accumulate. Fannie says it has "eyes on the property weekly," then how does this happen consistently in African-American neighborhoods?





The warning sign ought to say:

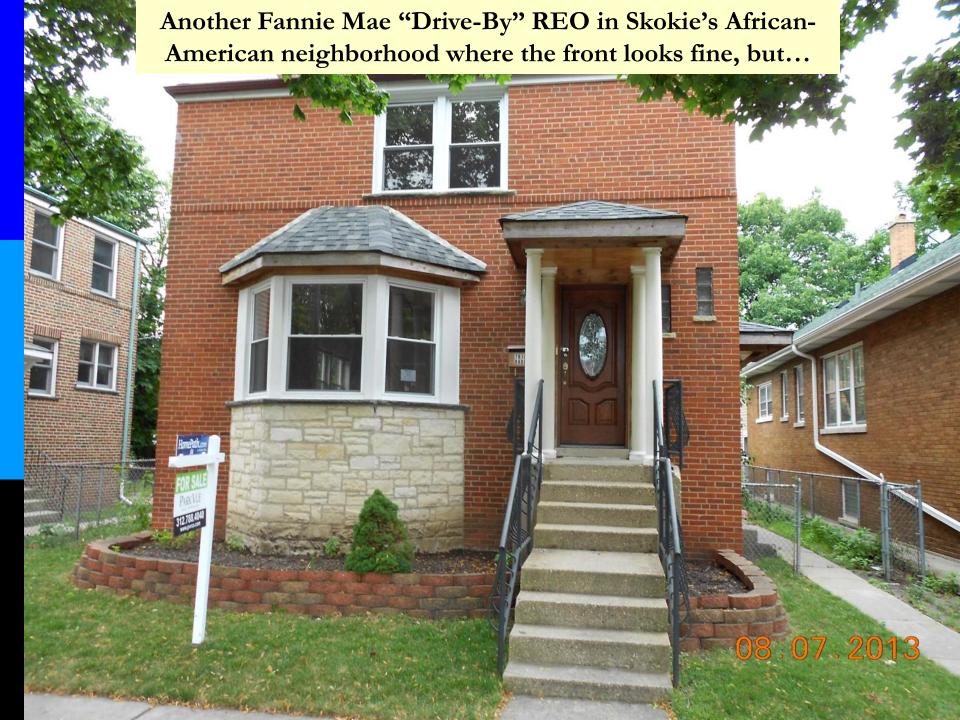
"BEWARE: Fannie Mae does not maintain homes in African-American neighborhoods."



Another Fannie Mae boarded REO in a African-American neighborhood in North Chicago.



The Fannie REO is boarded all around. How do you show a home with no natural light?







This 2 bedroom home in Waukegan likely would have sold for more than \$18,900 if Fannie would have painted or mowed the lawn.



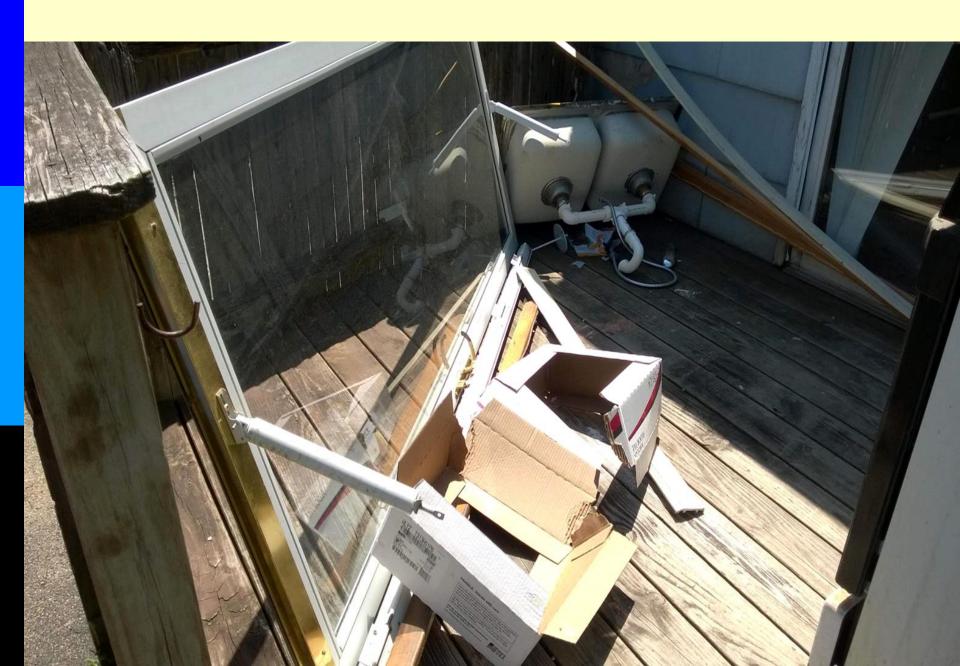


Fannie Mae treats Waukegan's Latino neighborhoods as poorly as the African-American neighborhoods. This Fannie Mae REO has an overgrown front lawn and shrubs...





Trash on the deck...



And trash killing the hosts in the perennial flower bed.

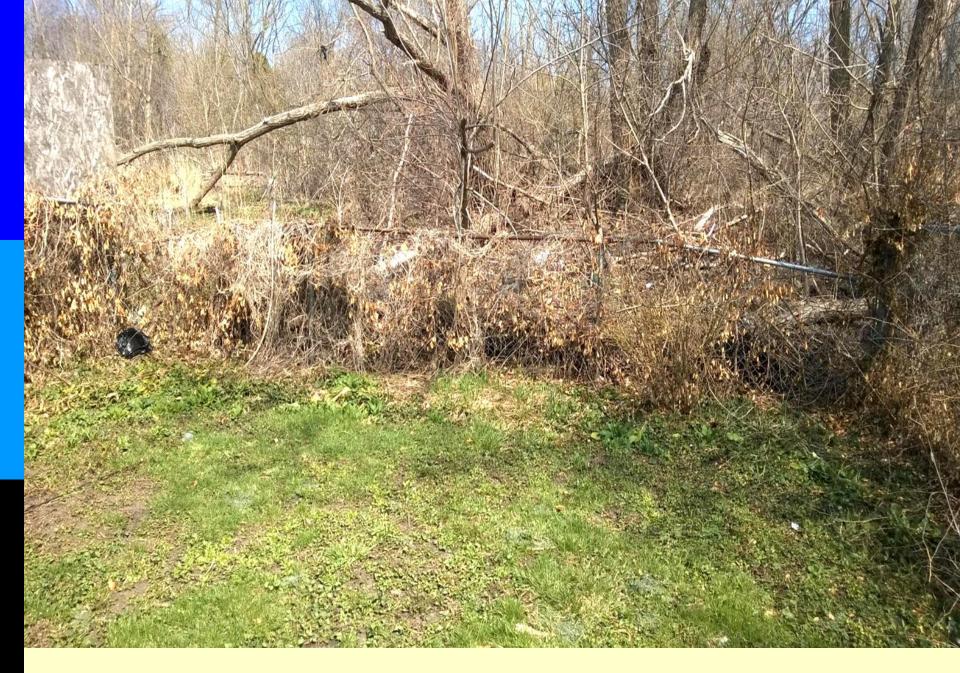




Fannie Mae REO in Latino neighborhood in Waukegan. Again there was trash



Open and damaged window...



Invasive plants and bags of trash in back yard...

NOTICE

TO OWNERS AND/OR OCCUPANTS OF

ADDRESS OF VIOLATION

IF ALL GARBAGE, RUBBISH, TRASH, OR DEBRIS IS NOT REMOVED FROM THIS PRE-MISES WITHIN TWENTY-FOUR (24) HOURS THE OWNER AND/OR OCCUPANTS WILL BE SUBJECT TO A FINE NOT LESS THAN \$25 NOR MORE THAN \$750 FOR EACH DAY THIS VIOLATION CONTINUES.

Section 10-15 (a) Code of Ordinances, City of Waukegan.

WAUKEGAN CODE ENFORCEMENT For Information Call 847/625-6860

DATE AND TIME

INSPECTOR

Fannie Mae receives notices about trash.

Fannie Mae's Well-Maintained REOs in White Neighborhoods

Samples from Des Plaines, Skokie and Waukegan



Fannie Mae's well-maintained REO in Des Plaines.

This Fannie Mae REO in a White neighborhood in Des Plaines has a manicured lawn and no leaves remaining from the Fall. This photo was taken in September.















Health & Safety Concerns

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

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

- "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, middleclass, suburban neighborhoods with single-family homes, research on different populations in urban and rural settings is needed," Arcaya said.





UNSAFE NEIGHBORHOODS

Unattended and unmaintained properties result in:

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

