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National Fair Housing Alliance Accuses Mortgage Giant Fannie Mae of Racial Discrimination in 38 U.S. Metro Areas

National Fair Housing Alliance and 20 Civil Rights Groups File Federal Lawsuit Over Neglected Foreclosures

WASHINGTON, D.C.—Today, the National Fair Housing Alliance (NFHA) and 20 local fair housing organizations from across the United States filed a housing discrimination lawsuit against Fannie Mae in federal district court in San Francisco, California. The lawsuit alleges that Fannie Mae purposely fails to maintain its foreclosures (also known as real estate owned or “REO” properties) in middle- and working-class African American and Latino neighborhoods to the same level of quality it does for foreclosures it owns in white middle- and working-class neighborhoods. The data supporting the federal lawsuit, which includes substantial photographic evidence, shows a stark pattern of discriminatory conduct by Fannie Mae in the maintenance of its foreclosures.

The lawsuit is the result of a multi-year investigation. During the past several years, NFHA notified Fannie Mae many times of its failure to maintain and market its foreclosed homes in communities of color to the same standard to which it was maintaining and marketing the foreclosed homes it owned in similar, predominantly white neighborhoods. In spite of numerous meetings between NFHA and Fannie Mae to address these disparities in maintenance and marketing, Fannie Mae persisted in its willful neglect of its properties in African American and Latino neighborhoods.

The initial investigation was undertaken by NFHA and two local fair housing organizations in 2009 and involved four metropolitan areas. Much of this evidence was shared with Fannie Mae. However, Fannie Mae failed to make changes to ensure equal treatment in the maintenance and marketing of its foreclosures in neighborhoods of color, and the investigation was expanded to include an additional 18 fair housing organizations, culminating in data from 212 cities in 38 metropolitan areas (see Table 1 for a full list of metropolitan regions and fair housing organizations involved in the lawsuit). Comprised of evidence from 2011 through 2015, the lawsuit contains information from more than 2,300 foreclosures owned and maintained by Fannie Mae. NFHA and its 20 partner fair housing organizations collected evidence at each property on over 35 data points that were identified as important to

—more—

protecting, securing, and marketing the homes. Investigators also took and reviewed over 49,000 photographs of these foreclosures that document the differences in treatment.

According to [Fannie Mae's website](#), "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."

"Fannie Mae's mission statement contradicts the findings of the multi-city, multi-year investigation," said Shanna L. Smith, President and CEO of NFHA. She continued, "Fannie Mae executes its mission in predominantly white neighborhoods, but certainly the evidence in the complaint and the photographs illustrates that its foreclosures in middle- and working-class neighborhoods of color are not maintained as 'best-in-class' and they are not even close to 'market-ready.'"

Fannie Mae-owned properties in predominantly white working- and middle-class neighborhoods are far more likely to have the lawns mowed and edged regularly, invasive weeds and vines cleared, windows and doors secured or repaired, litter and trash removed, leaves raked, and graffiti erased from the property. Conversely, Fannie Mae-owned properties in predominantly African American and Latino neighborhoods are more likely to be left neglected with debris and trash on the property, overgrown grass, and invasive plants. The windows and doors are often unsecured, left wide open, or boarded. The poor appearance of the Fannie Mae-owned properties in middle- and working-class neighborhoods of color destroys the homes' curb appeal for prospective homebuyers and invites vandalism because the homes appear to be abandoned. Additionally, the blight created by Fannie Mae results in a decline in home value for the predominantly African American and Latino families who live nearby, deepening the racial wealth gap and inequality in America.

Poorly-maintained foreclosures also have serious health consequences. According to a report by Mariana Arcaya, Sc.D., M.C.P for the American Heart Association, living near a foreclosure can increase a person's blood pressure "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." Arcaya told [TechTimes.com](#) that "people may not find walking past an empty house appealing and this affects the physical activities that they engage in such as running and walking around the neighborhood."

The investigation of Fannie Mae properties uncovered hundreds of windows and doors that were left open or broken at properties in neighborhoods of color, allowing rain water to accumulate inside the home or basement. Many photographs also show the growth of mold and discoloration of the interior and exterior walls from water damage. According to the [International Code Council \(ICC\)](#):

Aerobiologist Darryl Morris and Dr. Joseph Leija, co-founders of Midwest Aerobiology Labs (a MoldDNA laboratory), have researched how specific molds affect infants, often leading to an increased chance of childhood asthma. . . . The final outcome was that out of the mold species that were identified, 88 percent of study foreclosed homes contained dangerous levels of *Aspergillus flavus*, a very infectious mold that is capable of causing human disease. Eighty-seven

percent of study foreclosed homes had one or more molds that have been known to cause childhood asthma . . . and 80 percent of study foreclosed homes had dangerous levels of *Stachybotrys chartarum* (Black Mold), which indicated that these homes had suffered severe water damage.

According to PestWorld.org news, a foreclosed home that is empty and uncared-for can attract a variety of pests, including termites, spiders, ants, mosquitoes, stinging insects and rodents. An overgrown or unkempt yard, for example, can harbor many more pests than a well-groomed yard. Small holes in siding, rips in screens, broken window glass, and cracks in the foundation provide easy access inside for pests. A rodent infestation is especially likely to spread from a foreclosed home to other nearby houses. Once rodents do invade a home, they can pose serious health and property risks. Rodents contaminate food and spread diseases like Hantavirus, a viral disease that can be contracted through direct contact with, or inhalation of, aerosolized infected rodent urine, saliva, or droppings. A number of Fannie Mae's foreclosed properties were infested with rats upon inspection.



Figure 1 - This dead rat was found in the driveway of a Fannie Mae foreclosure in Richmond, CA in 2013.

Smith stated, “Fannie Mae continued to neglect its foreclosures in middle- and working-class communities of color, even after we provided them with photographic evidence from 2009 through 2011. The evidence shared with Fannie Mae demonstrated differing maintenance and marketing practices between similar foreclosures in white neighborhoods and those in African American and Latino neighborhoods in Washington, DC; Prince George’s County and Montgomery County, MD; and the metropolitan areas of Atlanta, Oakland, Philadelphia, Dayton, Baltimore, Dallas, and Phoenix. Fannie Mae’s intentional failure to correct its discriminatory treatment in African American and Latino neighborhoods—the same communities hardest hit by the foreclosure crisis—can only be seen as institutional racism. This systematic and intentional neglect of foreclosed homes in communities of color devalues not only the property but the very lives of the families living in these neighborhoods. Fannie Mae

also creates blight that contributes to health and safety hazards for families living near Fannie Mae's poorly-maintained homes."

What Does Intentional Discrimination Look Like?

Below are photos of middle-class homes in an African American neighborhood in New Orleans. These homes are well-maintained, with manicured lawns and nice landscaping.



How does Fannie Mae maintain its foreclosure that is next door to these homes?



Imagine having to live next door to this poorly-maintained Fannie Mae foreclosure. The African American neighbors have to put up with a house that has dead grass in the front yard, boarded windows and broken gutters, and a backyard in even worse shape—with overgrown bushes, dead grass, and more boarded windows. This Fannie Mae foreclosure has absolutely no curb appeal, yet Fannie Mae is marketing this property in this horrible condition.

"If Fannie Mae can adequately maintain real estate in white communities of Baton Rouge and New Orleans, it is only fair that homes in African American communities in those cities are maintained just as well," said Cashauna Hill, Executive Director of the Greater New Orleans Fair Housing Action Center. "Fannie Mae's failure to maintain foreclosed properties in African American communities in New Orleans and Baton Rouge has contributed to, rather than

mitigated, the losses experienced during the foreclosure crisis and has disproportionately harmed people of color."

Pictured below are Fannie Mae-owned foreclosures in Oakland, CA in African American neighborhoods where investigators documented a wildly overgrown yard and a boarded home that had graffiti painted on the back of the home.



In Evanston, IL, investigators found extensive trash that Fannie Mae failed to remove after the previous residents moved out. This type of neglect attracts rats, mice, and insect infestation, creating health hazards and blight.



In Capitol Heights, MD, this Fannie Mae-owned foreclosure in an African American neighborhood had boarded windows and the back door was missing—allowing squatters and vandals complete access to the home and putting the neighbors at great risk.



NATIONWIDE STATISTICS

Full statistics and data for individual cities are available at www.nationalfairhousing.org.

Summary of Findings:

- 52.8 percent of the Fannie Mae foreclosures in white neighborhoods had fewer than 5 deficiencies, while only 23.6 percent of the Fannie Mae foreclosures in neighborhoods of color had fewer than 5 deficiencies.
- 23.8 percent of the Fannie Mae foreclosures in neighborhoods of color had 10 or more deficiencies, while only 6.5 percent of the REO properties in predominantly white neighborhoods had 10 or more deficiencies.

Highlights of Significant Racial Disparities:

- 41.5 percent of the REO properties in neighborhoods of color had a broken, boarded, or unsecured window, while only 19.1 percent of the REO properties in white neighborhoods had the same problem.
- 39.0 percent of the REO properties in neighborhoods of color had trash or debris on the premises, while only 14.9 percent of the REO properties in white neighborhoods had the same problem.
- 30.3 percent of the REO properties in neighborhoods of color had holes in the structure of the home, while only 12.7 percent of the REO properties in white neighborhoods had the same problem.
- 26.3 percent of the REO properties in neighborhoods of color had wood rot, while only 16.6 percent of the REO properties in white neighborhoods had the same problem.
- 24.9 percent of the REO properties in neighborhoods of color had unsecured, broken, or boarded doors, while only 11.1 percent of the REO properties in white neighborhoods had the same problem.
- 21.8 percent of the REO properties in neighborhoods of color had exposed or tampered-with utilities, while only 9.3 percent of the REO properties in white neighborhoods had the same problem.
- 18.3 percent of REO properties in neighborhoods of color had damaged steps or handrails, while only 8.9 percent of the REO properties in white neighborhoods had the same problem.

Table 1. Partner Organizations and Metropolitan Areas Involved in Complaint	
Fair Housing Center	Metropolitan Area
Connecticut Fair Housing Center	Hartford
Denver Metro Fair Housing Center	Denver
Fair Housing Center of Central Indiana	Indianapolis
Fair Housing Center of the Greater Palm Beaches	Greater Palm Beaches
Fair Housing Center of West Michigan	Grand Rapids, Muskegon
Fair Housing Continuum	Orlando
Fair Housing Advocates of Northern California	Vallejo, Richmond, and Oakland
Greater New Orleans Fair Housing Action Center	New Orleans, Baton Rouge
HOPE Fair Housing Center	Chicago
Housing Opportunities for Excellence (H.O.P.E.)	Miami
Housing Opportunities Made Equal of Virginia	Richmond
Metro Fair Housing Services	Atlanta
Metropolitan Milwaukee Fair Housing Council	Milwaukee
National Fair Housing Alliance	Albuquerque, Baltimore, Charleston, Kansas City, Las Vegas, Louisville, Memphis, Minneapolis, Newark, Philadelphia, Phoenix, Providence, San Diego, Tucson, Washington DC and Prince George's County, MD
North Texas Fair Housing Center	Dallas, Fort Worth
Open Communities	Chicago
South Suburban Housing Center	Chicago, Gary
The Central Ohio Fair Housing Association	Columbus
The Housing Research & Advocacy Center	Cleveland
The Miami Valley Fair Housing Center	Dayton
Toledo Fair Housing Center	Toledo

The National Fair Housing Alliance

Founded in 1988, the National Fair Housing Alliance is a consortium of more than 220 private, nonprofit fair housing organizations, state and local civil rights agencies, and individuals from throughout the United States. Headquartered in Washington, D.C., the National Fair Housing Alliance, through comprehensive education, advocacy, and enforcement programs, provides equal access to apartments, houses, mortgage loans, and insurance policies for all residents in the nation.

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