Fannie Mae Fails to Maintain Foreclosures in African American and Latino Neighborhoods in Gary, Indiana

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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

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-scape 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

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Gary, IN Racial Disparities

- In the Gary, IN metropolitan area we investigated 25 Fannie Mae REOs from 2014 to 2015.
  - 10 located in African-American neighborhoods
  - 15 located in White neighborhoods

- 70.0% of the REO properties in communities of color had five or more marketing or maintenance deficiencies;
- 30.0% of the REO properties in communities of color had holes in the structure of the home; and,
- 60.0% of the REO properties in communities of color had unsecured, broken, or boarded windows
Fannie Mae Fails to Maintain REOS in African American and Latino Neighborhoods

2014 - 2015
2014: This Fannie Mae REO in an African American neighborhood is not even visible from the street due to the severely overgrown shrubbery in the front yard.
There is a “for sale” sign in the yard but you would never see it from the street because the shrubs are so overgrown.
Fannie Mae has left a huge hornet’s nest on this home. This is dangerous to anyone visiting the property and should have been immediately removed.
These well-maintained neighbors must live next to this dangerous eyesore created by Fannie Mae.
2014: This Fannie Mae REO in an African American neighborhood has no “for sale” sign showing that it is for sale. Let’s take a closer look at the house.
The mailbox is overflowing with mail, indicating that no one from Fannie Mae has checked on the home in a while.
In the backyard Fannie Mae has failed to trim overgrown shrubs and has let plants grow in the gutters.
2015: Fannie Mae REO in an African American neighborhood.
Here another home’s gutters have been neglected by Fannie Mae. These plants have been here for a long time since they have grown and died in the gutter.
Here Fannie Mae has failed to fix or replace a broken window. Instead they have left the broken panes of glass sitting in the window.
Fannie Mae has yet again left a huge hornet’s nest, creating a dangerous environment for anyone visiting the home.
2015: A Fannie Mae REO in an African American neighborhood. It doesn’t look too bad from the front, but let’s take a closer look…
On the side of the home Fannie has left overgrown shrubbery. Fannie Mae could also paint this home’s trim to make it more appealing for a potential homeowner.
Fannie Mae’s Well-Maintained REOs in White Neighborhoods

2014 - 2015
Fannie Mae is taking good care of this REO in a white neighborhood. The grass is mowed and Fannie has made sure to remove any trash or debris from the property.

The backyard of the REO is clean and mowed. There are no broken windows and the gutters are clean.
These Fannie Mae REOs in white neighborhoods also have great curb appeal and are well maintained.
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.
“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.
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 REO home in Orlando, Florida.