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Mortgage Giant Fannie Mae Accused of Racial Discrimination in 38 U.S. Metro Areas Including Gary

National Fair Housing Alliance, South Suburban Housing Center and 20 Other Civil Rights Groups File Federal Housing Discrimination Lawsuit Over Neglected Foreclosures

CHICAGO — Today, the National Fair Housing Alliance (NFHA), Homewood, Illinois, based South Suburban Housing Center (SSHC), and twenty other fair housing organizations across the country, 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.

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 21 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 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.

What Does Intentional Discrimination Look Like?

Below is a photo of a how Fannie Mae maintains one of its REO properties in a predominantly white Lake County, Indiana, community.



Take note of the stark differences in how Fannie Mae maintained its foreclosed property below in Gary with plants growing in the gutter, broken windows, and an enormous hornet's nest affixed to a soffit.



"If Fannie Mae can adequately maintain real estate in white communities of Munster and Cedar Lake, it is only fair that homes in Gary are maintained just as well," said John Petruszak, Executive Director of the South Suburban Housing. "Fannie Mae's failure to maintain foreclosed properties in African American communities has exacerbated the slow recovery of property values robbing homeowners in communities of color of their wealth through loss of home equity."

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.

Highlights of Significant Racial Disparities in Lake County, Indiana:

In the Gary, IN 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.
- 60.0% of the REO properties in communities of color had unsecured, broken, or boarded windows.

A power point presentation containing the details and photographs of the south metro Chicago and Gary area Fannie Mae REO foreclosure properties investigated by South Suburban Housing Center, will be posted on the following website--
www.southsuburbanhousingcenter.org. Some of this evidence has been featured in NFHA's national webinar news conference held at 11:00 a.m. CST on December 5, 2016.

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.

The South Suburban Housing Center

South Suburban Housing Center (“SSHC”) is a nonprofit community organization that primarily serves the south metropolitan Chicago area since 1975, including underserved areas of northwest Indiana. SSHC is dedicated to eliminating all forms of discrimination in the housing market through the operation of fair housing enforcement and affirmative housing counseling programs to foster stable, racially and economically, diverse communities. SSHC’s primary goal is the elimination of segregation in housing and the promotion of residential integration through expanding housing and mortgage lending choices.

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