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

Gignage

 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



Property of the National Fair Housing Alliance HOPE Fair Housing Center - Copyright 2015

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%			
Damaged windows	36.5%	15.1%	Gutters misc	5.8%	6.6%
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

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

Chicago Fair Housing Groups' Presentations

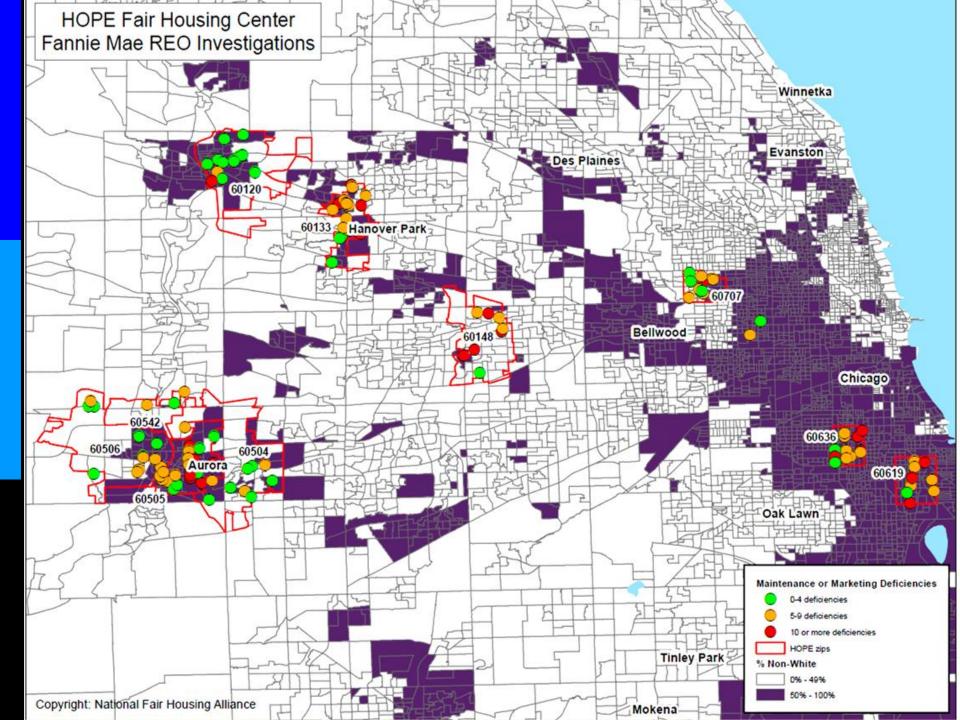
HOPE Fair Housing Evidence slides 12-47

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 **<u>2012</u>**: This poorly maintained Fannie Mae **REO** is located in a Latino neighborhood.

Fannie's REO has hanging gutters, missing downspouts, boarded windows, damaged soffit and dirt for a backyard.



08/28/2012 22:55





The neighbors' homes are wellmaintained.

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.

<u>2012</u>: 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...



Back of Fannie REO has trash, boarded windows, broken downspouts, light fixture and fence.





2/13/2013 3:11pm







2/13/2013 3:11pm





<u>2013</u>: 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.

2/13/2013 2:46pm

First Impressions: Fannie failed to remove algae in basement window, allowed accumulation of debris on front porch and in the window well.

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<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.





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.



8/2012 22:05

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

WN

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



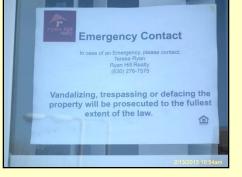




These Fannie REOs have well-maintained yards, no trash, no obstructed gutters and even an emergency contact number on REO.

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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.

08/ This mattress was left in the front yard. 08/30/2012 22:39 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.



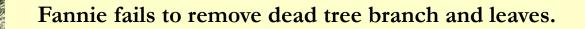
Fannie doesn't cover hole in the home to keep out insects and animals.



Obstructed gutters will lead to water damage on the roof and interior wall.

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

Neighbor's well-maintained home

10/23/2014 16:38

Property of the National Fair Housing Alliance HOPE Fair Housing Center - Copyright 2015

Fannie's REO has trash left in yard.

10/23/2014 16:41

Siding that is lifting way should be repaired so wasps and bees cannot nest.

These are easy and inexpensive fixes to preserve the REO.

Property of the National Fa HOPE Fair Housing Center

10/23/20

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.

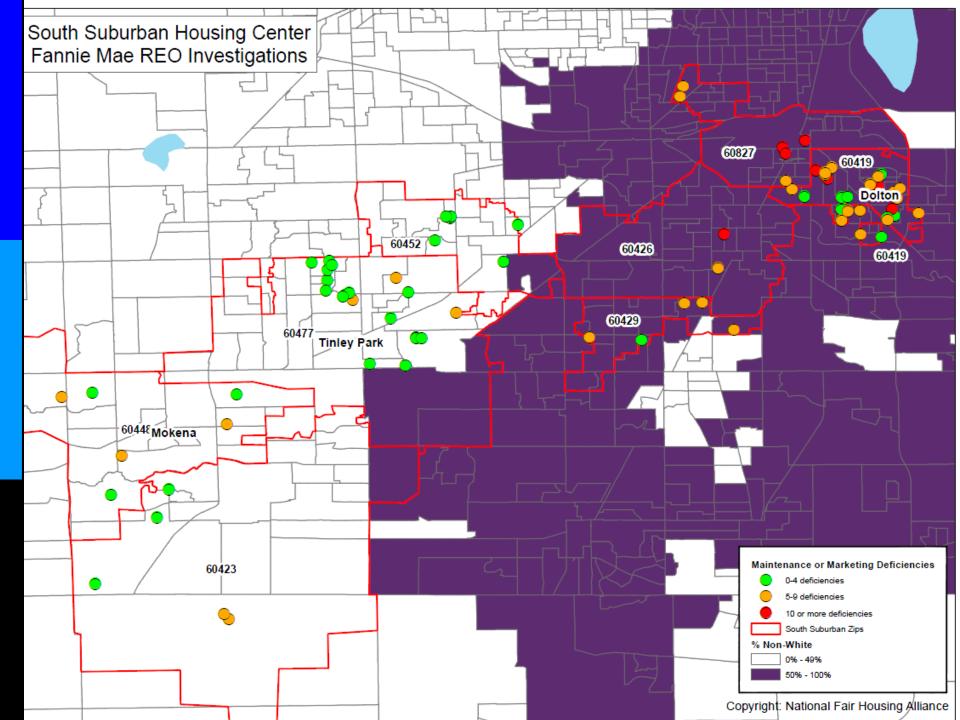
> John Petruszak, Executive Director May 13, 2015

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.

Leaves accumulate in the backyard and the gutters are obstructed.





Curb appeal is what draws owner-occupants to a home. Auction signs all over the property sends a negative message about the neighborhood.

10/27/2014 aud

The shed is left unsecured.

014 13:17

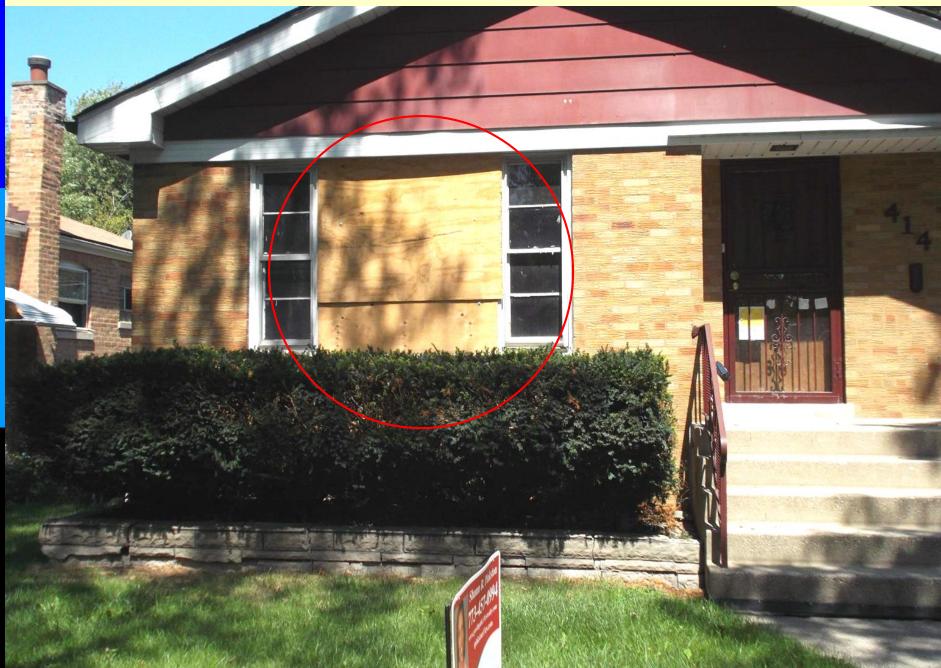


The \$25,000 sales price for Fannie's REO hurts the property value and refinancing opportunities for this neighbor and the others in this African-American neighborhood.

No, this is NOT a Fannie REO. It is the neighbor living next door to a poorly maintained Fannie REO.



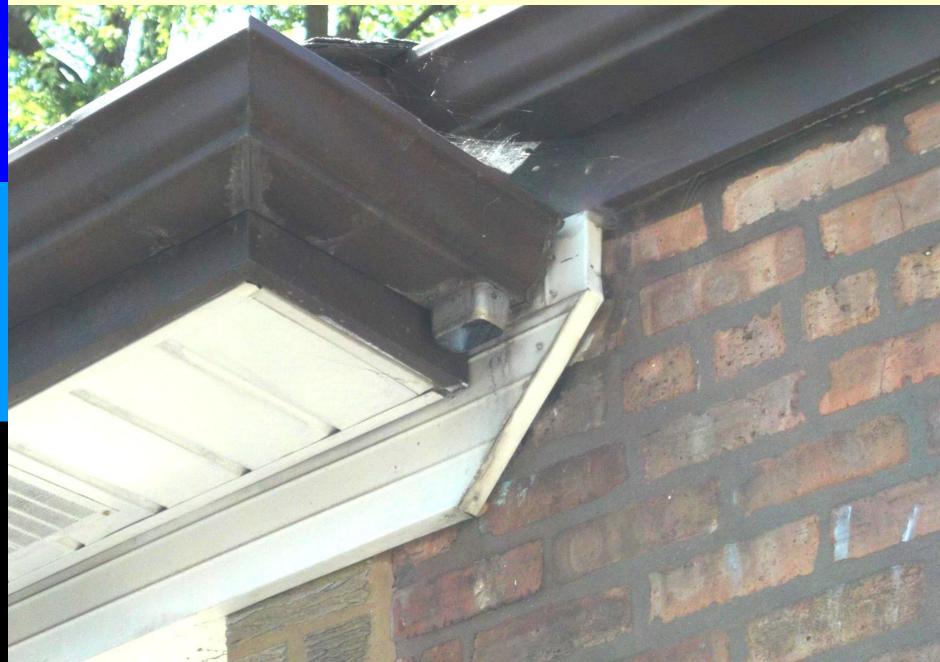
Fannie Mae is NOT a good neighbor in this African-American neighborhood.



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.

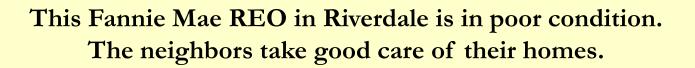


Trash and the boarded back door conveys a negative message for buyers.



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

10/16/2014 14:17





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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.



The next door neighbor's well-maintained home.

10/27/2014

9:19

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.

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10/27/2014

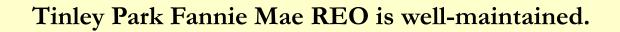
9:40



Fannie Mae's REO Maintenance in White Communities

Tinley Park, Mokena, Oak Forest and Frankfort





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

Another Fannie Mae REO in Oak Forest is a clean and manicured yard.



Freddie Mac REO Comparisons

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

Freddie Mac in African-American REO in Dolton, IL



Freddie Mac REO in White neighborhood in Tinley Park, IL

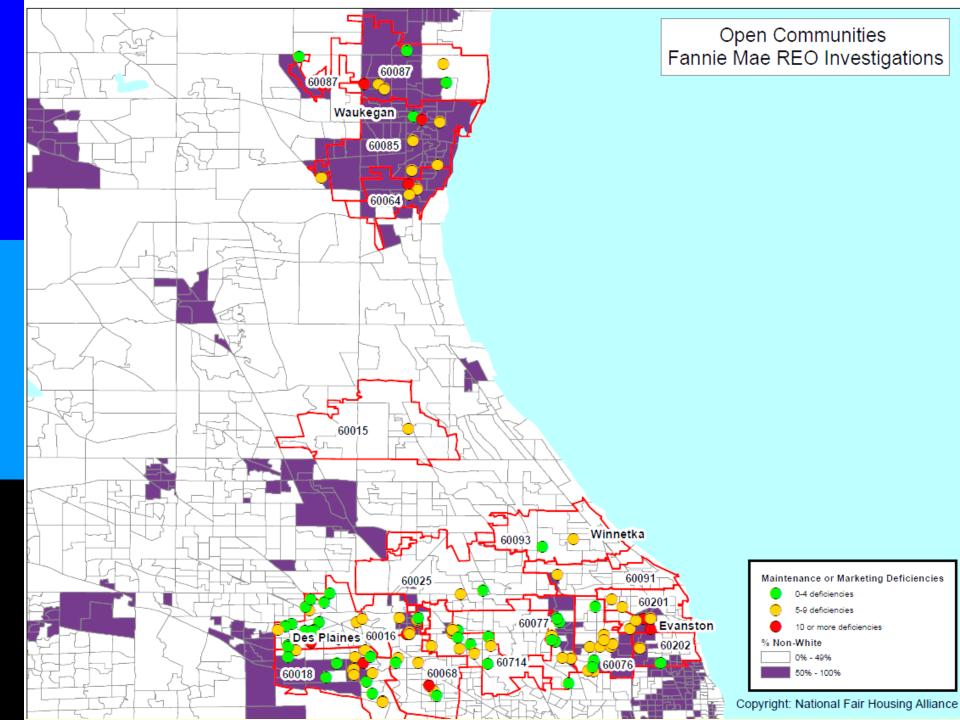




Freddie Mac REO in White neighborhood in Tinley Park, IL

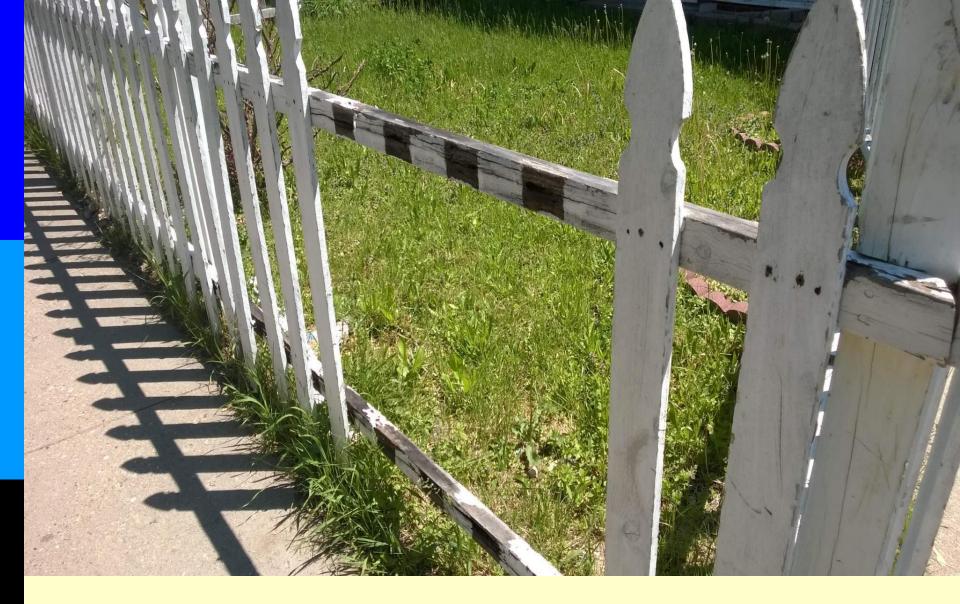
Fannie Mae's Failure to Maintain REOs in African American and Latino Neighborhoods in Des Plaines, Evanston, North Chicago, Skokie and Waukegan

> 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.

Fannie can spray the weeds and remove trash that it let accumulate on its REO property.



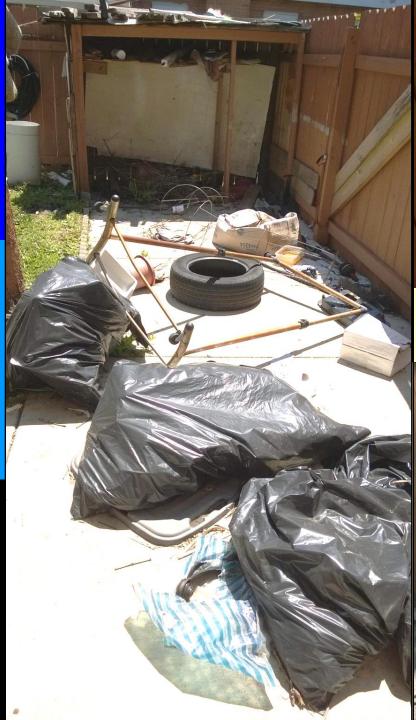




This next door neighbor deserves the courtesy of Fannie Mae maintaining its property in good condition.

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.





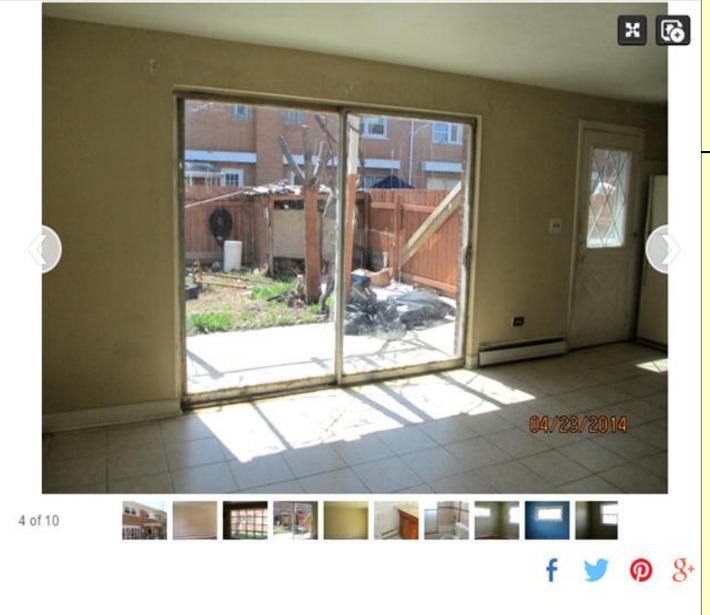


Fannie Mae is showing this home with trash all over the property.





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



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

Listing from Redfin.com

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.



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... You see how Fannie Mae is really marketing its REO in this African American neighborhood in Evanston...









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

Boarded and poorly maintained Fannie Mae REO.

1.1.1

4.3



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.



And yet again, Fannie Mae allows trash and debris to accumulate at its REO and Fannie lists and markets the home in this poor condition.



Fannie Mae's REO in an African-American neighborhood in North Chicago. Same poor maintenance issues here...

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1



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



WARNING

THIS PROPERTY IS OWNED BY FEDERAL NATIONAL MORTGAGE ASSOCIATION

THEFT, TRESPASSING, OR VANDALISM WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW.

Fannie Mae

GOLDTREE REALTY RESIDENTIAL / COMMERCIAL

(847) 679-4757

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.

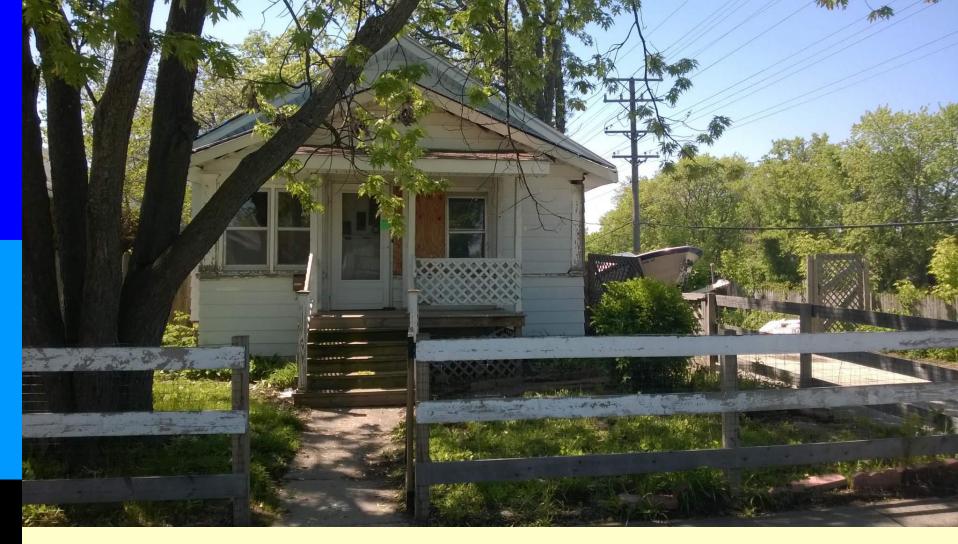


The Fannie REO is boarded all around. How do you show a home with no natural light?

Another Fannie Mae "Drive-By" REO in Skokie's African-American neighborhood where the front looks fine, but...

.07.2013





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



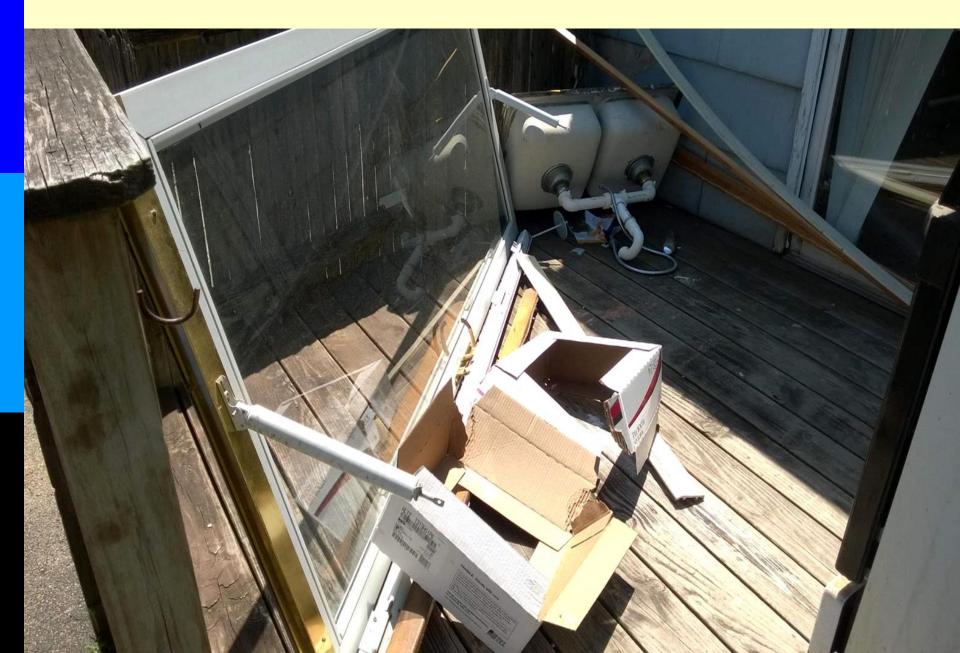


Fannie Mae treats Waukegan's Latino neighborhoods as poorly as the African-American neighborhoods. This Fannie Mae REO has an overgrown front lawn and shrubs...

And an overgrown backyard...

Trash throughout the back yard...

Trash on the deck...



And trash killing the hosts in the perennial flower bed.

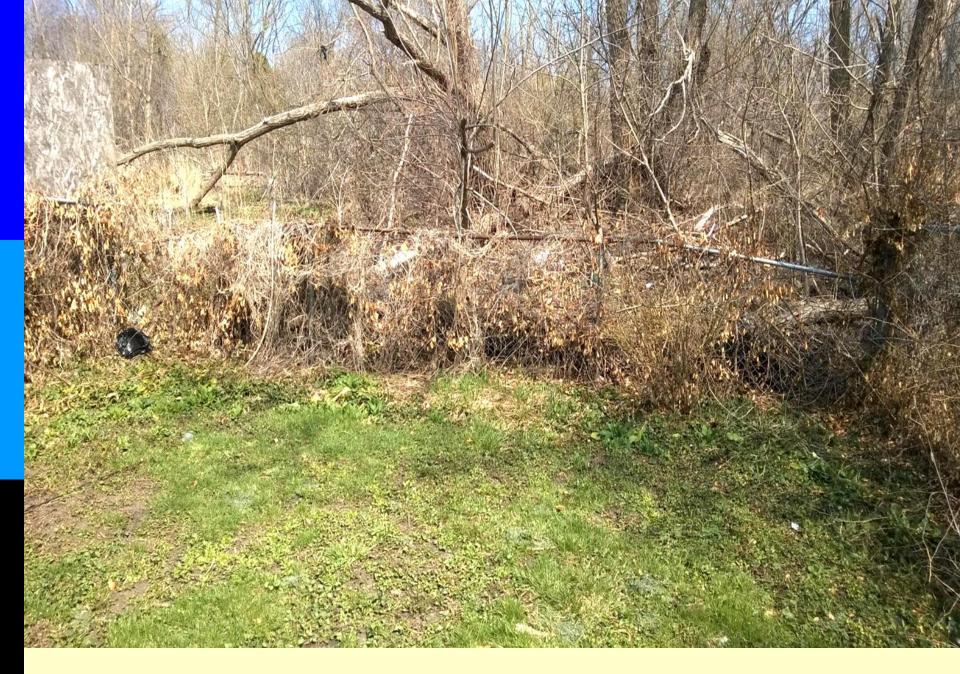




Fannie Mae REO in Latino neighborhood in Waukegan. Again there was trash



Open and damaged window...



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



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.

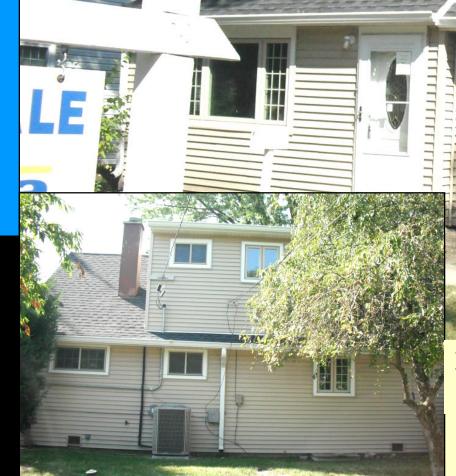
This Fannie Mae REO in a White neighborhood in Des Plaines has a manicured lawn and no leaves remaining from the Fall. This photo was taken in September.





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Fannie Mae's REO in Des Plaines front and back are well-maintained.



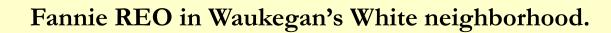
Fannie Mae REO in white neighborhood in Des Plaines is well maintained.

Fannie Mae REO in white neighborhood in Skokie is well-maintained.

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Another Skokie Fannie Mae REO in a White neighborhood is well-maintained. Fannie Mae REO in Waukegan's White neighborhood is well maintained in the front and backyards.

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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.

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.