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Mortgage Giant Fannie Mae Accused 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
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 illustrate 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 Fannie Mae investigation 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.

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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?**

In metropolitan Atlanta from 2011 to 2015, **Metro Fair Housing Services** investigated 106 REO properties owned by Fannie Mae in the following neighborhoods: 70 African American; 2 Latino; 8 Majority Non-White; and, 26 White. Contrary to the exterior maintenance standards published in Fannie’s Field Services Checklist, 41% of the properties in communities of color had holes in the structure of the home; 40% of the properties in communities of color had overgrown or dead shrubbery; and, 21% in communities of color had unsecured, broken, or boarded doors. “Over the 4-year period of our investigation, only one (1) property in a white neighborhood had 10 or more maintenance or marketing deficiencies, while 28% of the properties in communities of color had 10 or more such deficiencies,” said Gail Williams, Executive Director of Metro Fair Housing Services.

With the exception of the boarded panel on the garage door, the 2012 Fannie Mae foreclosure below in a middle-income African American neighborhood in Dekalb County appeared to be fairly well maintained.
Walking into the back yard and we found tires that had been piled up for months, according to neighbors.

The back of the home had algae and discoloration – a simple, inexpensive fix with a power-washing.
This 2013 Fannie REO in an African American Atlanta neighborhood was unsecured and poorly maintained.

Fannie Mae boarded the back door (below), left a huge gap for animals and insects to enter the home and installed no handrails on the steps.
This 2014 Fannie Mae REO in a well-maintained African American neighborhood (below) needs a little attention to be in great condition . . . . .

All the downspouts had been displaced for so long that weeds had taken them over. The gutters were never cleared of debris causing water damage from rain seeping into the roof and foundation.
This 2015 Fannie REO in Decatur (above) isn’t bad from the front . . . . but

The unsecured back door (above) had a boarded, broken window pane through which we could simply reach in and unlock the door.
The basement door was unlocked allowing unauthorized persons and animals into the property. Leaves from the fall of 2014 covered the entrance. This photo was taken in April 2015.

The backyard was overgrown and the broken birdbath not removed.
“The African American neighbors had to put up with a house in unkempt and, in this case, dangerous condition, inviting vandalism and a hazard for children. This pattern of neglect was repeated throughout communities of color in southwest Atlanta and south Dekalb County - unsecured entrances, disconnected gutters and downspouts allowing water into the asset and often no signage to indicate that the house was available to purchase, or to provide neighbors with a way to report problems. Our methodology included photographing homes on both sides and in front of all REO’s. Primarily, neighbors’ homes were maintained in good condition, lawns were cut, and clear of debris in stable communities of color. Fannie Mae’s performance of basic, routine maintenance would not have constituted ‘over-improving’ these REO’s,” said Williams.

Pictured below are four examples of Fannie Mae-owned foreclosures in white neighborhoods of metro Atlanta during the same period, maintained in excellent condition all around the exterior of the property: professional “for sale” signs, no overgrown grass/shrubs, no trash or debris, all gutters and downspouts connected and free of leaves and invasive plants.
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

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<tr>
<th>Fair Housing Center</th>
<th>Metropolitan Area</th>
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<td>Connecticut Fair Housing Center</td>
<td>Hartford</td>
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<td>Denver Metro Fair Housing Center</td>
<td>Denver</td>
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<td>Fair Housing Center of Central Indiana</td>
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<td>Fair Housing Center of the Greater Palm Beaches</td>
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<td>Fair Housing Center of West Michigan</td>
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<td>Fair Housing Continuum</td>
<td>Orlando</td>
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<td>Fair Housing Advocates of Northern California</td>
<td>Vallejo, Richmond, and Oakland</td>
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<td>Greater New Orleans Fair Housing Action Center</td>
<td>New Orleans, Baton Rouge</td>
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<td>HOPE Fair Housing Center</td>
<td>Chicago</td>
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<td>Housing Opportunities Project for Excellence (H.O.P.E.)</td>
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<td>Housing Opportunities Made Equal of Virginia</td>
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<td>Metro Fair Housing Services</td>
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<td>Metropolitan Milwaukee Fair Housing Council</td>
<td>Milwaukee</td>
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<td>National Fair Housing Alliance</td>
<td>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</td>
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<td>North Texas Fair Housing Center</td>
<td>Dallas, Fort Worth</td>
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<td>Open Communities</td>
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<td>The Central Ohio Fair Housing Association</td>
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<td>The Housing Research &amp; Advocacy Center</td>
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<td>The Miami Valley Fair Housing Center</td>
<td>Dayton</td>
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<td>Toledo Fair Housing Center</td>
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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.

Metro Fair Housing Services

Founded in 1974, Metro Fair Housing Services (Metro) is a private, non-profit civil rights organization whose primary mission is to fight housing discrimination in north Georgia and to promote equal housing opportunities throughout the state. Metro is the only full-service fair
housing organization serving metropolitan Atlanta through Education & Outreach, Intake and Counseling and Enforcement of federal and local fair housing laws.

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