



**FAIR HOUSING ADVOCATES  
OF NORTHERN CALIFORNIA**

**FOR IMMEDIATE RELEASE**

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**PowerPoint video presentation available at  
<https://www.youtube.com/user/FairHousingMarin>**

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

***Fair Housing Advocates of Northern California, National Fair Housing Alliance,  
and 19 Civil Rights Groups File Federal Lawsuit Over Neglected Foreclosures***

SAN RAFAEL, CA — Today, Fair Housing Advocates of Northern California (formerly Fair Housing of Marin), the National Fair Housing Alliance (NFHA), and 19 other 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 maintains and markets its foreclosures (also known as real estate owned or “REO” properties) in white neighborhoods consistently better than in middle- and working-class African American and Latino neighborhoods. The lawsuit is the result of a multi-year investigation. 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.

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 at the same standard at 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.

NFHA and two local fair housing organizations conducted the initial investigation 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 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 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 % 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 % 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, as evidenced by the rat that Fair Housing Advocates of Northern California photographed at one Richmond, CA property (pictured below).



**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.”

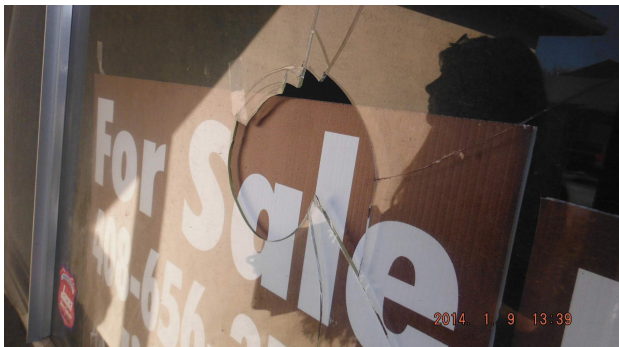


## What Does Intentional Discrimination Look Like?

Below are photos of middle-class homes in a neighborhood of color in Richmond, California, in a census tract that is over 95% non-white. These homes are well-maintained, with manicured lawns and nice landscaping.

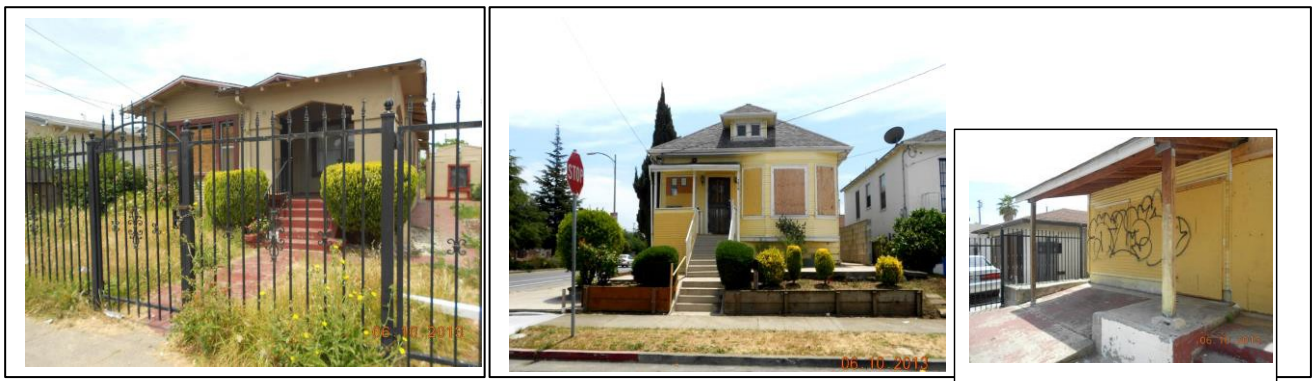


How does Fannie Mae maintain their foreclosure next door to these homes?



Imagine having to live next door to this poorly maintained Fannie Mae foreclosure. The neighbors have to put up with a house that has dead grass in the front yard, a cardboard For Sale sign propped up in a broken window, dead shrubs, invasive plants, damaged siding, holes in the structure, wood rot, pervasive mold, and peeling paint. This Fannie Mae foreclosure has absolutely no curb appeal, yet Fannie Mae is marketing this property in this horrible condition.

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



In Vallejo, CA, 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. There is no For Sale sign, and the boarded window is an eyesore and lets everyone know that this is an abandoned, neglected property.



In Fairfield, CA, this Fannie Mae-owned foreclosure in a community of color has an unsecured, boarded door —allowing squatters and vandals access to the home and putting the neighbors at great risk. Despite the warning signs posted, invasive plants, overgrown and dead shrubbery, dead grass, wood rot, trash, damaged siding, and peeling paint telegraph to everyone that Fannie Mae does not care about what happens to this property or neighborhood.



## **BAY AREA IMPACT**

"There is no good, non-discriminatory reason why Fannie Mae should market and maintain their foreclosed properties in communities of color differently from those in white communities," says Caroline Peattie, Executive Director of Fair Housing Advocates of Northern California. "This is one more step in the pattern that we've seen where lenders divest communities of color of equity – first, by denying loans to people of color, then targeting them for unaffordable loans, then foreclosing on them, and finally failing to maintain and market those homes. The foreclosure crisis disproportionately affected non-white communities, and Fannie Mae's failure to maintain and market those foreclosed homes harms these communities further. In the Bay Area alone, we investigated over 150 Fannie Mae-owned properties, and this pattern of neglecting properties in communities of color mirrors what other fair housing groups across the country uncovered in their investigations of Fannie Mae properties."

**In the Richmond and Oakland, CA metropolitan area,** Fair Housing Advocates of Northern California and NFHA investigated 88 REO properties owned by Fannie Mae. Of these, 11 were located in predominantly African-American communities; 25 in predominantly Hispanic communities; 38 in predominantly non-White communities; and 14 in predominantly White communities.

18% of the REO properties in communities of color had 10 or more maintenance or marketing deficiencies documented, and an additional 4% had 15 or more maintenance or marketing deficiencies, while none of the REO properties in White communities had 10 or more maintenance or marketing deficiencies.

Here are just a few of the disparities that were documented:

- 35% of the REO properties in communities of color had trash or debris on the premises, while only 21% of the REO properties in White communities had the same problem.
- 32% of the REO properties in communities of color had a broken, boarded, or unsecured window, while only 14% of the REO properties in White communities had the same problem.
- 34% of the REO properties in communities of color had holes in the structure of the home, while none of the REO properties in White communities had the same problem.

**In the Vallejo, CA metropolitan area,** Fair Housing Advocates of Northern California investigated 68 REO properties owned by Fannie Mae. Of these, one was located in a predominantly Hispanic community; 48 in predominantly non-White communities; and 19 in predominantly White communities. We documented the following:

- 47% of the REO properties in White communities had fewer than 5 maintenance or marketing deficiencies, while only 35% of the REO properties in communities of color had fewer than 5 deficiencies.
- 12% of the REO properties in communities of color had 10 or more maintenance or marketing deficiencies, while none of the REO properties in White communities had 10 or more maintenance or marketing deficiencies.

Fair Housing Advocates of Northern California found significant racial disparities in the majority of the objective factors we measured. Here are just a few of the disparities we documented:

- 39% of the REO properties in communities of color had trash or debris on the premises; only 10% of the REO properties in White communities had the same problem.
- 31% of the REO properties in communities of color had holes in the structure of the home, while only 16% of the REO properties in White communities had the same problem.
- 22% of the REO properties in communities of color had a broken, boarded, or unsecured window, while only 11% of the REO properties in White communities had the same problem.



## **NATIONWIDE STATISTICS**

Full statistics and data for individual cities are available at [www.nationalfairhousing.org](http://www.nationalfairhousing.org).

### **Summary of Findings:**

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

### **Highlights of Significant Racial Disparities:**

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

| <b>Table 1. Partner Organizations and Metropolitan Areas Involved in Complaint</b> |  |
|--|--|
| <b>Fair Housing Center</b>   | <b>Metropolitan Area</b>   |
| Connecticut Fair Housing Center  | Hartford   |
| Denver Metro Fair Housing Center   | Denver   |
| Fair Housing Advocates of Northern California                                      | Vallejo, Richmond, and Oakland   |
| 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  |
| 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   |

**Fair Housing Advocates of Northern California** is a non-profit organization serving several Bay Area counties that provides free counseling, enforcement, mediation, and legal or administrative referrals to persons experiencing housing discrimination. Fair Housing Advocates of Northern California also offers foreclosure prevention services advice, seminars to help housing providers fully understand fair housing law and education programs for tenants and the community at large. Fair Housing Advocates of Northern California is a HUD-Certified Housing Counseling Agency.

The mission of Fair Housing Advocates of Northern California is to ensure equal housing opportunity and to educate the community on the value of diversity in our neighborhoods.

### **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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