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Report: Banks and Fannie Mae Vendors Discriminate Against Communities of Color by Failing to Maintain and Market Foreclosures

Open Communities, NFHA and 16 fair housing centers release report detailing racial disparities in maintenance of bank-owned and Fannie Mae-owned foreclosures in 30 metro areas nationwide

Read the report: <http://bit.ly/reo2014>

WINNETKA, IL – Today, Open Communities, the National Fair Housing Alliance (NFHA) and 16 other member organizations announced the results of a major undercover investigation into the failure of banks and property preservation companies to maintain and market foreclosed homes in African-American and Latino neighborhoods. The investigation of Real Estate Owned (REO) homes in 30 major metropolitan areas found disturbing incidents of discrimination in how these banks and Fannie Mae’s preservation management companies fail to secure the doors and windows, mow lawns, fix gutters and downspouts, remove trash and provide other maintenance for REOs in African American and Latino neighborhoods, while providing these services for their REOs located in White neighborhoods.

A report detailing the findings of the investigation, “**Zip Code Inequality: Discrimination by Banks in the Maintenance of Foreclosed Homes in Neighborhoods of Color**,” was released today. It details the results of the investigation of more than 2,400 REO properties located in and around 30 major U.S. cities. The report is the third released by NFHA (similar reports and results were published in 2011 and 2012) and provides information about the broadest investigation to date into REO discrimination. Both the White neighborhoods and neighborhoods of color investigated were middle and working class communities with high foreclosure rates and high owner-occupancy rates. The investigation avoided zip codes with high levels of renters or investor-ownership.

“This report documents the ongoing threat to communities of color across America: that zip code determines whether banks properly maintain and market the homes titled in their names,” said **Shanna L. Smith, President and CEO of the National Fair Housing Alliance**. “The banks and property preservation companies are under contract to maintain these homes. They are supposed to get the best price when selling a foreclosed home. Banks and Fannie Mae are obligated to make sure lawns are mowed, shrubs are trimmed, mail is stopped and flyers are

removed from the porch. They are also responsible for ensuring that the gutters are cleaned to stop water or ice damage, windows and doors are secured and repaired, trash and dead animals are removed, emergency numbers that actually work are posted and professional 'For Sale' signs are placed in the yard. Banks fulfill these obligations in predominantly White neighborhoods but overwhelmingly fail to perform these simple routine maintenance chores in middle and working class African American and Latino neighborhoods.”

“It’s tragic enough that homeowners of color and immigrants in the northern suburbs, particularly in Evanston, Skokie, North Chicago, and Waukegan, were the victims of unscrupulous lending practices over the last twenty years. They were disproportionately seniors or families with children. It adds insult to injury when lenders or servicers fail to care for or even market those vacant foreclosed homes, blighting blocks and neighborhoods,” adds **Gail Schechter, Executive Director of Open Communities.**

NFHA and its member fair housing agencies have REO-related complaints pending with the U.S. Department of Housing and Urban Development against Bank of America, Deutsche Bank, U.S. Bank, and Fannie Mae’s field service vendors in charge of maintaining REOs: Asset Management Specialists, Cyprexx, and Safeguard Properties. Many of the same neighborhoods investigated are at issue in several complaints, compounding the negative health, safety and economic effects of unmaintained foreclosures on current homeowners in the neighborhoods.

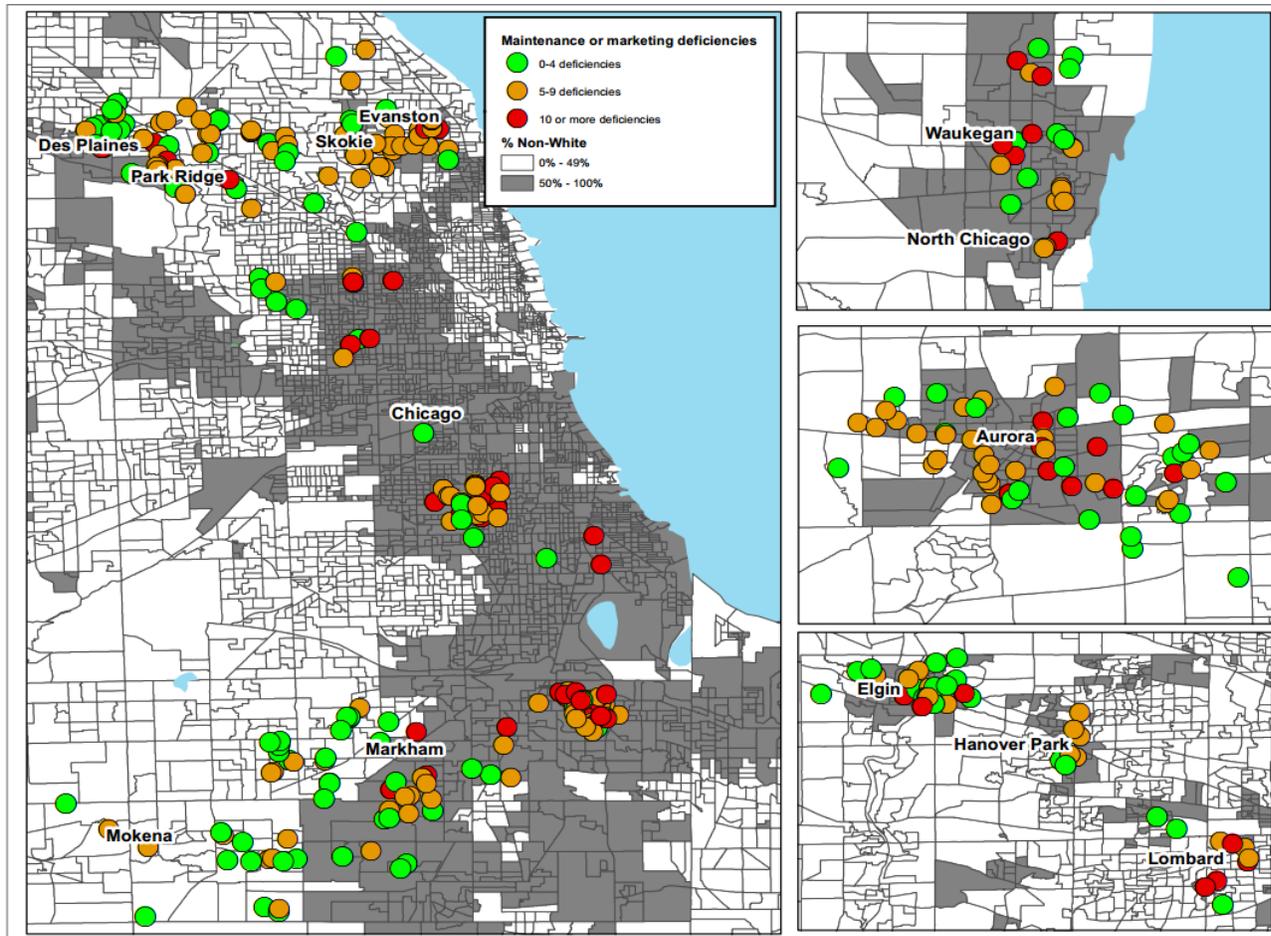
The failure to maintain homes based on the racial or ethnic composition of a neighborhood violates the federal Fair Housing Act and has a toxic effect on the health and livelihood of entire communities, according to Stephen M. Dane, a Washington, D.C., civil rights lawyer who has written on the subject and whose law firm represents NFHA and fair housing groups in several of the matters pending before HUD. The allegations outlined in the report illustrate continuing violations of fair housing law. The law is clear that banks, property preservation companies and trustees with properties titled in their names are covered by fair housing requirements.

“Rather than implement effective quality control measures or terminate vendors who fail to maintain REOs, banks assert they are not responsible for the vendors they hire because they are ‘just the trustee’ or they claim another servicer is at fault. However, the Fair Housing Act is clear that the owner of the property is liable. So when the REO is titled in the trustee’s name, it is responsible under the law,” explained Smith.

The National Fair Housing Alliance in Washington, D.C., and 17 of its member organizations, investigated the maintenance and marketing of REO properties on a 100-point scale, subtracting points for broken windows and doors, water damage, overgrown lawns or shrubs, accumulated leaves, invasive plants/weeds, no “for sale” sign, trash on the property, broken steps or handrails, holes left uncovered and other contractual maintenance items.

The REOs examined were located next door to well-maintained homes. Neighbors suffer from these poorly maintained homes when their property values drop. “Poorly maintained foreclosures create health and safety concerns. Local governments see their tax revenues significantly reduced while their costs for nuisance abatement and police and fire protection increase,” said Smith. “The housing recovery will continue to lag in middle and working class communities of color as

long as these banks and Fannie Mae’s vendors fail to properly maintain the homes they own. This is unacceptable since everyone is being paid to simply conduct routine maintenance and preserve the asset.”



The investigations took into account over 30 different aspects of the maintenance and marketing of each property. Some of the most egregious disparities in the Chicagoland area include:

- REOs in communities of color were 3.9 times more likely to have an unsecured, broken, or boarded door versus REOs in White communities
- REOs in communities of color were 3.2 times more likely to have holes in the structure of the home than REOs in White communities
- REOs in communities of color were 2.8 times more likely to have an unsecured, broken, or boarded window compared to REOs in White communities

The Fair Housing Act makes it illegal to discriminate based on race, color, national origin, religion, sex, disability or familial status, as well as the race or national origin of residents of a neighborhood. This law applies to housing and housing-related activities, including the maintenance, appraisal, listing, marketing and selling of homes.

To read the full report, including data on individual cities, please go to bit.ly/reo2014

Open Communities (www.open-communities.org)

Open Communities', formerly Interfaith Housing Center of the Northern Suburbs, is a nonprofit organization that advocates for fair and affordable housing in 16 northern suburbs of Chicago. Our mission is to educate, advocate and organize to promote just and inclusive communities in north suburban Chicago. We are a leading voice for housing, economic and social justice in north suburban Chicago, working to promote inclusive communities that are welcoming to all. We work with current and prospective residents and local groups to promote economically and culturally diverse communities in north suburban Chicago. We provide fair and affordable housing counseling services, community education, advocacy, and organizing for welcoming communities.

The National Fair Housing Alliance (www.nationalfairhousing.org)

Founded in 1988, the National Fair Housing Alliance is a consortium of more than 220 private, non-profit 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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