HERE COMES THE BANK, THERE GOES OUR NEIGHBORHOOD:

How lenders discriminate in the treatment of foreclosed homes

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EQUAL HOUSING
OPPORTUNITY

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EXECUTIVE SUMMARY

Discriminatory practices rampant in America's housing market have driven our nation's foreclosure crisis. Already, a robust body of research has revealed that African-American and Latino borrowers received a disproportionate share of high-cost subprime loans, often when they qualified for better, more sustainable loans. Further research demonstrates that foreclosures are not evenly distributed throughout our country's neighborhoods, but rather are excessively concentrated in communities of color.[1]

This report examines the differing ways in which financial institutions[2] treat the foreclosed properties that they own depending upon the racial composition of the neighborhood in which the properties are located. These bank-owned properties are known as real estate owned, or REO, properties.

An investigation of REO properties in four metropolitan areas demonstrated that banks often maintain REO properties that are located in White and some racially and ethnically integrated census tracts better than properties located in predominately African-American and Latino neighborhoods in the same metropolitan area.

This investigation was conducted by the National Fair Housing Alliance and three of its members – the Connecticut Fair Housing Center in Hartford, Connecticut, the Miami Valley Fair Housing Center in Dayton, Ohio, and Housing Opportunities Made Equal in Richmond, Virginia. Staff from the fair housing organizations visited a total of 624 bank-owned properties and evaluated their exterior condition on a 100-point scale to determine whether or not banks and their third-party contractors were taking necessary steps to equally maintain the properties they owned.

The results demonstrate a stark disparity: in three of the four metropolitan areas, banks maintained properties located in White or in the case of Montgomery County, MD, stably integrated neighborhoods in a substantially better manner than they maintained properties located in African-American and Latino neighborhoods. While REO properties in White neighborhoods were more likely to have well-maintained lawns, secured entrances, and professional sales marketing, REO properties in African-American and Latino neighborhoods were more likely to have poorly maintained yards, unsecured entrances, look vacant or abandoned, and have poor curb appeal.

- **Connecticut**: Between June 2009 and June 2010, NFHA estimates 1,899 Real Estate Owned properties were on the market in Hartford, Connecticut and New Haven, Connecticut. In this region, REO properties in white neighborhoods scored 89 out of 100 points, properties in Black neighborhoods scored 78 points, and properties in Latino areas scored 66 points.

- **Maryland**: Between June 2009 and June 2010, NFHA estimates 3,979 Real Estate Owned properties were on the market in Montgomery County, Maryland and Prince George's County, Maryland. Montgomery County is a rare example of a racially and ethnically integrated suburb, while Prince George's County is a majority African-American suburb. In this region, REO properties in well-integrated neighborhoods scored 92 out of 100 points, while properties in Black neighborhoods scored 81 points.

1 "Fair Housing Enforcement: A Time for Change," National Fair Housing Alliance, May 1, 2009. Available online at http://www.nationalfairhousing.org/LinkClick.aspx?fileticket=dsT4nlHikhQ%

2 The financial institution that owns the property following foreclosure is responsible for maintaining and selling it. In many cases, the institution responsible for selling the property is a Government Sponsored Enterprise, such as Fannie Mae or Freddie Mac. In other cases, the responsible party is the Wall Street. For the purposes of this report, we will be using the term "banks" to describe these lenders, servicers, and GSEs.

- **Ohio**: Between June 2009 and June 2010, NFHA estimates 2,117 Real Estate Owned properties were on the market in Montgomery County. In this region, REO properties in white neighborhoods scored 72 out of 100 points, while properties in Black neighborhoods scored 64 points.

- **Virginia**: Between June 2009 and June 2010, NFHA estimates 2,804 Real Estate Owned properties were on the market in Chesterfield, Henrico, and Richmond Counties in Virginia. While the study of the selected properties did not demonstrate the racial disparity found in other regions, the overall maintenance of the properties by the banks was inadequate. REO properties in white neighborhoods scored 79 points out of 100, while properties in Black neighborhoods scored 83 points.

The federal Fair Housing Act requires banks and servicers to maintain and sell properties they own without regard to the race or national origin of residents living in the area in which the property is located. A bank risks violating civil rights laws if it owns a home in an African-American or Latino neighborhood and fails to take the same steps to maintain, market, and sell it as it would take for a home in an area with a largely White population. Moreover, differing treatment of neighborhoods damages those neighborhoods, prevents neighborhood stabilization and economic recovery, and harms investors by unnecessarily depressing the property value of the REO asset.

In order to ensure an equal opportunity for neighborhood stabilization and recovery and reduce the racial disparities of the foreclosure crisis, it is imperative that banks take affirmative steps to maintain, market, and sell all REO properties according to fair housing best practice standards. It is also imperative that federal regulators and enforcement agencies examine the ways in which banks and the vendors that they hire conduct this business. Lastly, it is imperative that local municipalities and residents remain vigilant and ensure that the concentration of REO properties is not impeding fair housing choice.

INTRODUCTION

In 2010 alone, 2.9 million U.S. homeowners received default notices, scheduled auctions, and suffered bank repossessions, an increase of 2 percent from 2009 and a staggering 23 percent increase from 2008.[3] With the foreclosure numbers reaching all time highs, civil rights concerns are more important than ever, since many of these foreclosures are a direct result of subprime and predatory lending in African-American, Latino and immigrant neighborhoods. In particular, an increase in foreclosures has resulted in a vast number of Real Estate Owned (REO) properties concentrated disproportionately in communities of color.

Many neighborhoods of color with high REO concentrations are blighted by poorly maintained bank-owned homes, and are experiencing the negative effects of the vacancies in an unprecedented way. It is the responsibility of the financial institution that owns the home following foreclosure to ensure that the home is maintained in a manner that promotes its sale and stabilizes the neighborhood. When a foreclosed home is not secured and maintained properly, it imposes a cost on the bank and investors, on homeowners living next door, on the neighborhood as a whole, and on the local government.

Because of the disproportionate number of foreclosures in African-American and Latino neighborhoods, and the impact of decades of predatory lending, redlining, and racial steering concentrated in these communities, the National Fair Housing Alliance decided to investigate whether or not banks maintained and marketed REO properties in a discriminatory way. In 2009, supported in part by a grant from Fannie Mae, NFHA developed a methodology to investigate whether differences in the quality of maintenance existed because of the racial or ethnic composition of the neighborhood in which REO properties are located.

In early 2010, NFHA expanded its investigation after receiving a competitive grant through the U.S. Department of Housing and Urban Development's (HUD's) Fair Housing Initiatives Program (FHIP). The grant allowed NFHA to contract with three of its members to explore the issues of REO maintenance: the Connecticut Fair Housing Center, Inc. (CFHC), Housing Opportunities Made Equal of Virginia, Inc. (HOME), and the Miami Valley Fair Housing Center, Inc. (MVFHC) in Dayton, Ohio.[4] The partnership allowed the organizations to conduct more widespread and in-depth investigations of maintenance practices, and determine whether REOs received differential treatment because of the racial or ethnic composition of the neighborhoods in which they were located.

While other studies have released data on the racially disproportionate impact of the foreclosure crisis, until this report, there has been no comprehensive look into the actual maintenance practices of the ever-increasing stock of bank-owned properties through a civil rights lens. Differential treatment because of race, national origin, religion, color, sex, family status or disability can violate the federal Fair Housing Act as well as state and local fair housing statutes.
The first of its kind, this report documents the findings of this investigation and makes recommendations for how to improve the maintenance and security of REO assets and eliminate racial disparities in the face of an ongoing foreclosure crisis.

3 RealtyTrac "Record 2.9 million US properties Receive Foreclosure Filings in 2010 Despite 30-Month Low in December" January, 2011.

4 Each partner organization is a qualified fair housing enforcement organization. "Qualified fair housing enforcement organizations" have "at least two years of experience in complaint intake, complaint investigation, testing for fair housing violations, and meritorious claims in the three years prior to the filing of their application" to HUD. http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/partners/FHIP/fhip

BACKGROUND

Substantial research exists documenting the spillover effects of foreclosures on nearby properties – a field of research that has become increasingly important as the foreclosure crisis worsens. This body of research as a whole strongly suggests that the visible deterioration, maintenance, and vandalism often associated with vacant REO properties is linked to a decline in neighborhood property values and a decline in investment in the neighborhood by those families still in their homes.[5]

Wealth Loss in Communities of Color

The drastic increase in foreclosures has ushered in a devastating loss of homeownership, particularly among people of color. As families have lost their homes, they have lost hundreds of billions of dollars of wealth. People who have lost their homes suffer from major losses in home equity, lower credit scores, limited access to future credit, and the major disruption of losing their homes. Just as troubling are the impacts that foreclosures have on neighborhoods and communities.

When a home is foreclosed upon, the values of neighboring properties decline. Estimates suggest that properties located on the same block as a single REO will decline by between 0.9 and 1.13 percentage points. In low and moderate income areas, property values decline by an average of 1.44 percent.[6] In communities where there are two or more REO homes on one block, a common occurrence in the wake of the foreclosure boom, this wealth loss is amplified. The Center for Responsible Lending estimates that African-American communities will lose $194 billion and Latino communities will lose $177 billion between 2009 and 2012 due to the depreciation in values of property located near foreclosures.[7] Our investigation has documented several cases in which poorly maintained REO properties are concentrated in a very small geographic area, as illustrated on the following page.

Erosion of the Property Tax Base and High Costs to Municipalities

Local municipalities must bear heavy costs to handle poorly maintained REO properties. Foreclosures result in direct increased expenditures for municipalities, which must provide increased policing and firefighting services, demolition contracts, building inspections, legal fees, and expenses associated with nuisance abatement. When an REO is poorly maintained, municipalities must also provide lawn maintenance and other time-consuming and expensive property care.[8] A Chicago-based case study conducted in 2005 calculated the concrete costs to municipalities of five distinct foreclosed properties. The least expensive case cost the municipality $430 to secure the house in the short term. Yet, a fire-damaged abandoned property cost a municipality $34,199.[9] Even when costs to municipalities are limited, they quickly become unsustainable when the number and concentration of REO properties grow.

As municipalities must cover these additional costs, they are also constrained by a corresponding lack of resources. High numbers of REO properties erode municipalities' property tax bases, reducing local government resources available to not only address the problems presented by vacant and poorly maintained homes, but also to provide other city services.

5 Chan, Sewin, Michael Gedal, Vicki Been and Andre Haughwout, "The Role of Neighborhood Characteristics in Mortgage Default Risk: Evidence from New York City," Furman Center for Real Estate & Urban Policy, 2010.

6 Immergluck, Dan, "There Goes the Neighborhood: The Effect of Single Family Mortgage Foreclosures on Property Values," Woodstock Institute, June 2005.

7 "Foreclosures by Race and Ethnicity: The Demographics of a Crisis," CRL Research Report June 18, 2010.

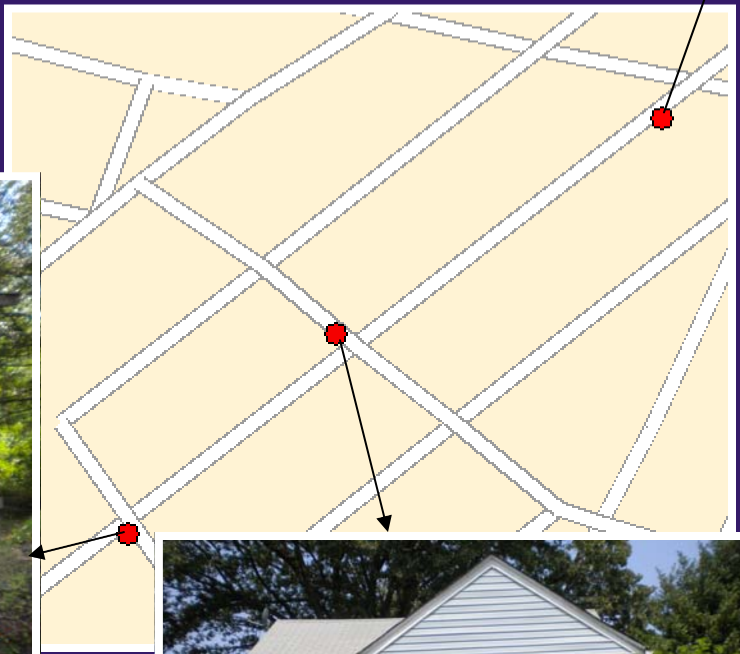
8 Apgar, William and Mark Duda, "Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom", Homeownership Preservation Foundation, May 11, 2005.

9 *Ibid.*

WHAT IF THIS WERE YOUR STREET?

Many of the REO properties that had low maintenance scores were found on the same block or in close proximity to each other. Pictured is an example of three REO properties in the Capitol Heights neighborhood in Prince George's County, Maryland. What if these were your neighboring properties? What would this mean for the value of your home? Would your real estate taxes increase to defray the costs the city would incur because the owner of the REO fails to maintain the property? Or might you lose valuable social services because of budget shortfalls?

Maintenance Score: C (78)



Maintenance Score: F (53)

Maintenance Score: F (59)

The National League of Cities reports that in the last year, property tax revenues declined 1.8 percent, the first decline of this type in 20 years.[10] Local and state governments absorb this decline in revenue by cutting back on general services, public safety measures and human services, as well as through workforce reduction and the delay or cancellation of capital projects.[11]

Neighborhoods that were once stable are also seeing an increase in crime and safety concerns as the number of poorly maintained REO properties that sit vacant grows. REO properties are targeted for vandalism, theft, and looting and neighborhoods in which they are located see increases in trash, rodents, stray animals, squatters, and criminal and drug-related activities. Poorly maintained unsecured homes are more likely to attract increased criminal activity and require more policing and nuisance abatement.[12]

REO Maintenance and the Application of the Fair Housing Act

President Lyndon B. Johnson signed the federal Fair Housing Act into law on April 11, 1968, one week after the assassination of Dr. Martin Luther King, Jr. In 1988, President Ronald Regan signed the Fair Housing Amendments Act, which provided HUD and the Department of Justice with a much-needed federal enforcement mechanism.

The Fair Housing Act has two goals: to eliminate housing discrimination and to promote residential integration.[13] HUD's regulations interpreting the Fair Housing Act state:

> It shall be unlawful because of race, color, religion, national origin, sex, familial status or disability to restrict or attempt to restrict the choices of a person by word or conduct in seeking, negotiating for, buying or renting a dwelling so as to perpetuate segregated housing patterns, or to discourage or obstruct choices in a community, neighborhood or development.[14]

The differing maintenance of REO properties based on the racial composition of neighborhoods is a violation of the Fair Housing Act.

- HUD's regulations clearly state that "failing or delaying maintenance or repairs of sale or rental dwellings because of race" is a prohibited action under the Fair Housing Act.[15]

- Steering by real estate agents based on neighborhood racial composition is illegal and other behavior in the housing sale or rental market that operates to discourage potential buyers from purchasing or renting homes in minority neighborhoods, such as by failing adequately to maintain properties in minority neighborhoods, can also violate the Act.

- In addition, the Fair Housing Act makes it unlawful to "make unavailable or deny" housing to any person because of race.[16] If the poor maintenance of an REO property in a minority neighborhood makes it difficult for a potential purchaser to obtain a mortgage loan for the property, the poor maintenance has made the housing "unavailable" within the meaning of the Act.[17]

10 Galewitz, Phil, "Health Servicers suffer amid the housing crisis," The Washington Post. March 28, 2011.

11 McFarland, Christine and William McGahan, "Housing Finance and the Foreclosure Crisis: Local Impact and Responses," National League of Cities. April 2008.

12 Immergluck, Dan and Geoff Smith, "The Impact of Single-family Mortgage Foreclosures on Neighborhood Crime," Woodstock Institute. October 2005.

13 *Trafficante v. Metropolitan Life Insurance Co.*, 409 U.S. 205 (1972)

14 24 CFR 100.70 (a)

15 24 C.F.R. 100.65(b)(2)

16 42 U.S.C. § 3604.

17 *See N.A.A.C.P. v. American Family Mutual Insurance Co.*, 978 F.2d 287, 297 (7th Cir. 1992) (discriminatory insurance practices can violate §3604 because "no insurance, no loan; no loan, no house; lack of insurance thus makes housing unavailable."). It is important to note that municipalities and neighborhood residents have standing under the Act to challenge discriminatory behavior occurring in their cities and neighborhoods. *Gladstone Realtors v. City of Bellwood*, 441 U.S. 91 (1979).

If the federal government, especially the financial regulators, had responded to the foreclosure crisis promptly, there is a possibility that some of these fair housing concerns could have been mitigated. Civil rights advocates tried to alert the Federal Reserve and bankers to the looming crisis in April 2007, when they called for an immediate six month moratorium on foreclosures of single-family homes in order to devise programs to modify unsustainable and toxic loans. However, the request for a moratorium fell upon deaf ears: regulators and the mortgage industry said advocates were exaggerating the potential for deep economic harm, and Federal Reserve Chairman Ben Bernanke argued the crisis would be limited to the subprime market.[18]

Banks' Responsibilities Related to REO Maintenance

The ways in which a bank maintains its REOs have a tremendous impact on its ability to fairly market and sell the property.

Once a bank repossesses a home, it assumes a fiduciary duty to the investor to dispose of the home, and takes on administrative responsibilities related to the entire property. These responsibilities include securing the home, making initial repairs necessary to appropriately market and sell the property, and maintaining the home, other structures, and yard on a regular basis.

Banks often hire property management firms (Asset Management Providers, or AMPs) or real estate brokers to conduct the necessary maintenance, pay property taxes and homeowner or condo association fees on time, procure adequate property and hazard insurance, and market and sell the property. Contract terms vary, but generally vendors must secure the property immediately, evaluate the exterior and interior conditions and make an assessment of costs necessary to prepare the REO for sale. Vendors complete whatever cosmetic or structural work for which the AMP provides funding.

The Importance of Curb Appeal

AMPs and real estate brokers also list, market and sell the REO; therefore, the home's curb appeal and interior maintenance become critical to attracting buyers and closing a deal.

Curb appeal–how a home looks from the outside, i.e. the curb–is one of the important elements that attract a buyer to a property. There are at least twenty reference documents on the National Association of Realtors' (NAR) website discussing curb appeal alone. One featured article in NAR's magazine says, "The Internet is the first source for viewing a property for most buyers, even before talking to a real estate professional. That means curb appeal is important because they are "driving by" the listing, and you don't know it."[19] Articles like these repeatedly stress the importance of curb appeal in the selling and marketing process. One such article offers the following advice on "How to Get Curb Appeal"[20]:

- Clean up the yard: make sure the lawn is mowed, sidewalks are edged, bushes and shrubs are trimmed. Add fresh mulch to the beds.
- Wash the siding.
- Clean windows and gutters.

A vacant home with accumulated mail, overgrown grass and trash is an eyesore and can discourage buyers from viewing the home and discourage real estate

18 On April 4, 2007, NFHA and other national civil rights groups, including the Leadership Conference on Civil and Human Rights, the NAACP, the National Council of La Raza, and the Center for Responsible Lending held a news conference and called for mortgage lenders, loan servicers and loan investors to institute an immediate six-month moratorium on subprime home foreclosures resulting from reckless and unaffordable loans in the subprime market.

19 Rae, Christina, "First Impressions: Get Instant Curb Appeal with These Must-Dos", November 2009. Available online at: http://styledstaged-sold.blogs.realtor.org/2009/11/02/first-impressions-get-instant-curb-appeal-with-these-10-musts-dos/

20 "Curb Appeal is Key!" Redesign Doctor, LLC, 2009. Available online at: http://www.redesigndoctor.com/

agents from even wanting to show the home. A home with unsecured doors or broken windows and warning signs in the window signal a vacant property to vandals.

The condition of the paint, siding, gutters and downspouts, as well as signs of water damage and mold, will not only affect marketability of the REO, but will also affect its sales price and therefore, the value of neighboring homes. Of course, these defects, left unaddressed, can cause severe damage to the property. Once structural damage occurs, the bank must either make expensive repairs or significantly reduce the sales price of the asset. If the sales price is significantly reduced, this has a long lasting impact on other sales, property values and the tax revenue realized by the local government.

Banks Must Not Undervalue Homes and Must Price REO Properties Properly

A bank's failure to adequately maintain a property may be related to a false perception of the house's actual value. This false perception could be based upon an inaccurate price and also could be based upon perceptions about the neighborhood in which the house is located.

Before a bank sells an REO property, it conducts a Broker Price Opinion (BPO), to determine the value of the home. Depending upon state law requirements, either an appraiser or a real estate agent conducts the BPO. The sale-price of an REO property may depend on the method in which the appraiser or real estate agent conducts the BPO, and it is important that the BPO reflects the value of the property. An Internal BPO examines the inside of the home which is viewed and photographed, and the Drive-by BPO includes photographs of the exterior and estimates about the interior features.

A Drive-by BPO might be appropriate in relatively newer subdivisions where the homes were completed and occupied before foreclosures began. These homes generally have the same internal features and similar floor plans. However, in older communities, a drive-by BPO may miss interior renovations made by the homeowner. An internal BPO or full appraisal will give the bank the best estimate of the property's actual condition and value. The Federal Housing Administration (FHA) requires a full appraisal on all of its REO homes.

A bank's failure to adequately maintain a property may be related to an inaccurate perception of the house's actual value and is also often related to the false belief that an REO in a distressed neighborhood is not worthy of financial investment. Importantly, not all REO homes in African-American neighborhoods are in distressed neighborhoods. Moreover, deferring maintenance on properties in distressed neighborhoods virtually guarantees that the property will remain on the market for a longer time. The bank will lose even more money, the neighborhood will suffer with a blighted home and the local government will lose tax revenue.

Clearly, REO maintenance practices are a pivotal part of the civil rights issues presented by the foreclosure crisis. This investigation was structured to tackle this issue head on in the local service areas of the four fair housing groups involved. The maps on the following pages use Neighborhood Stabilization data from HUD and U.S. Census data from 2010 to illustrate a clear concentration of REO properties in communities with high percentages of African-American residents in each of these areas.

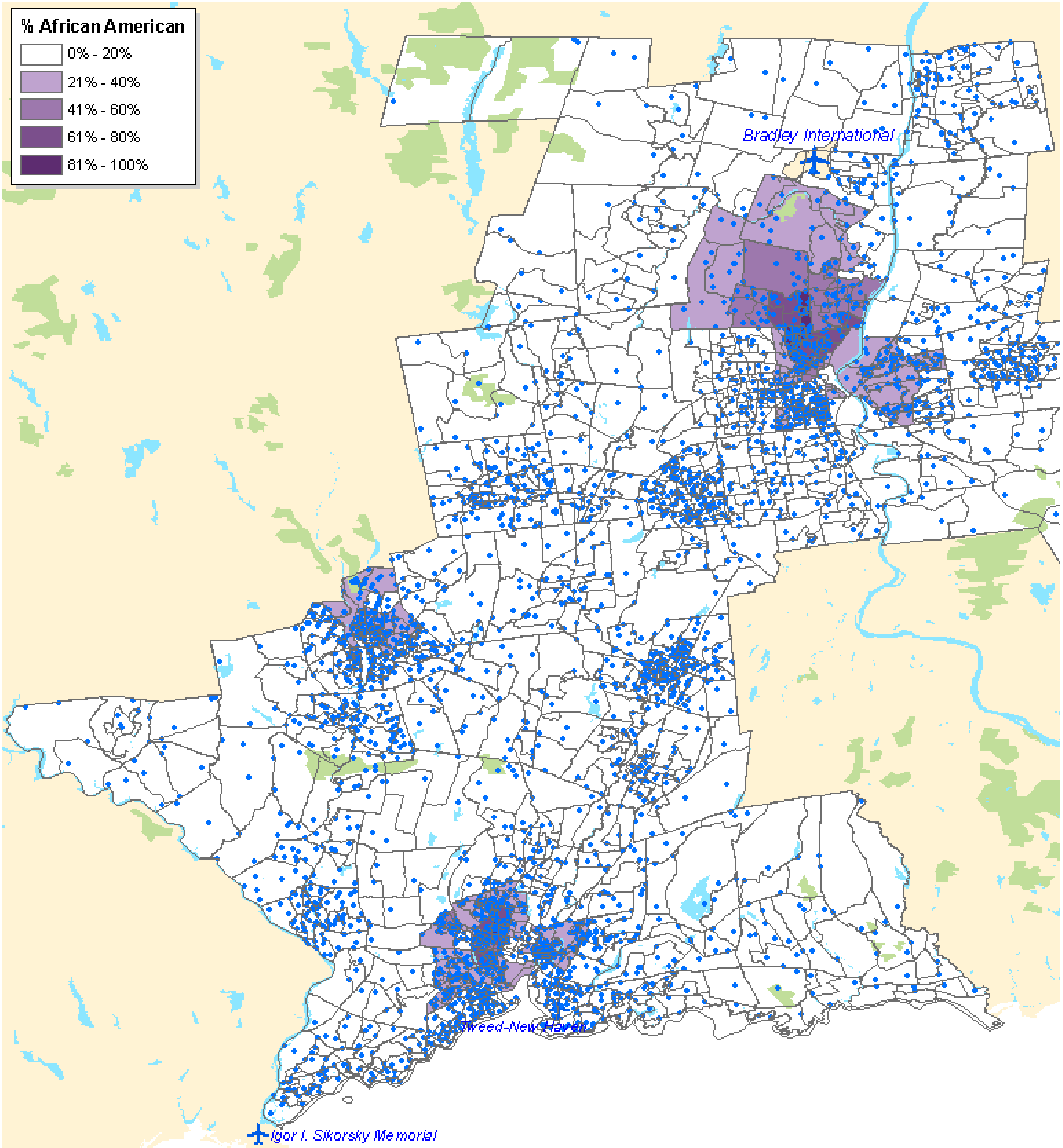


Figure 1

Estimated number of REO properties by Block Group in Hartford and New Haven Counties, Connecticut

Total: 1869 properties

Source: U.S. Department of Housing and Urban Development, Neighborhood Stabilization Data (July 2009 and June 2010) and Census 2010 Tract Populations

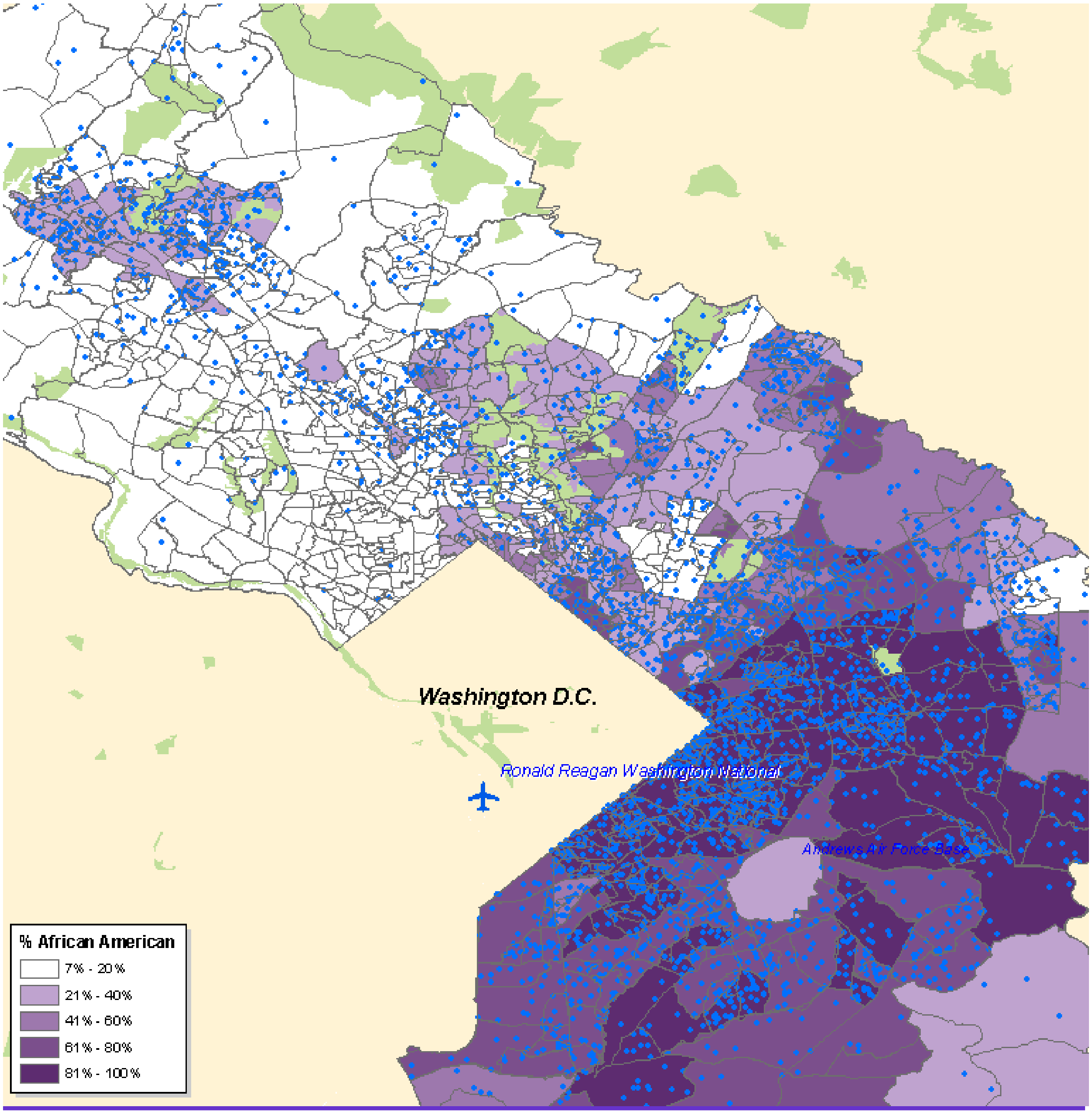


Figure 2

Estimated number of REO properties by Block Group in Montgomery and Prince George's Counties, Maryland

Total: 3977 properties

Source: U.S. Department of Housing and Urban Development, Neighborhood Stabilization Data (July 2009 and June 2010) and Census 2010 Tract Populations

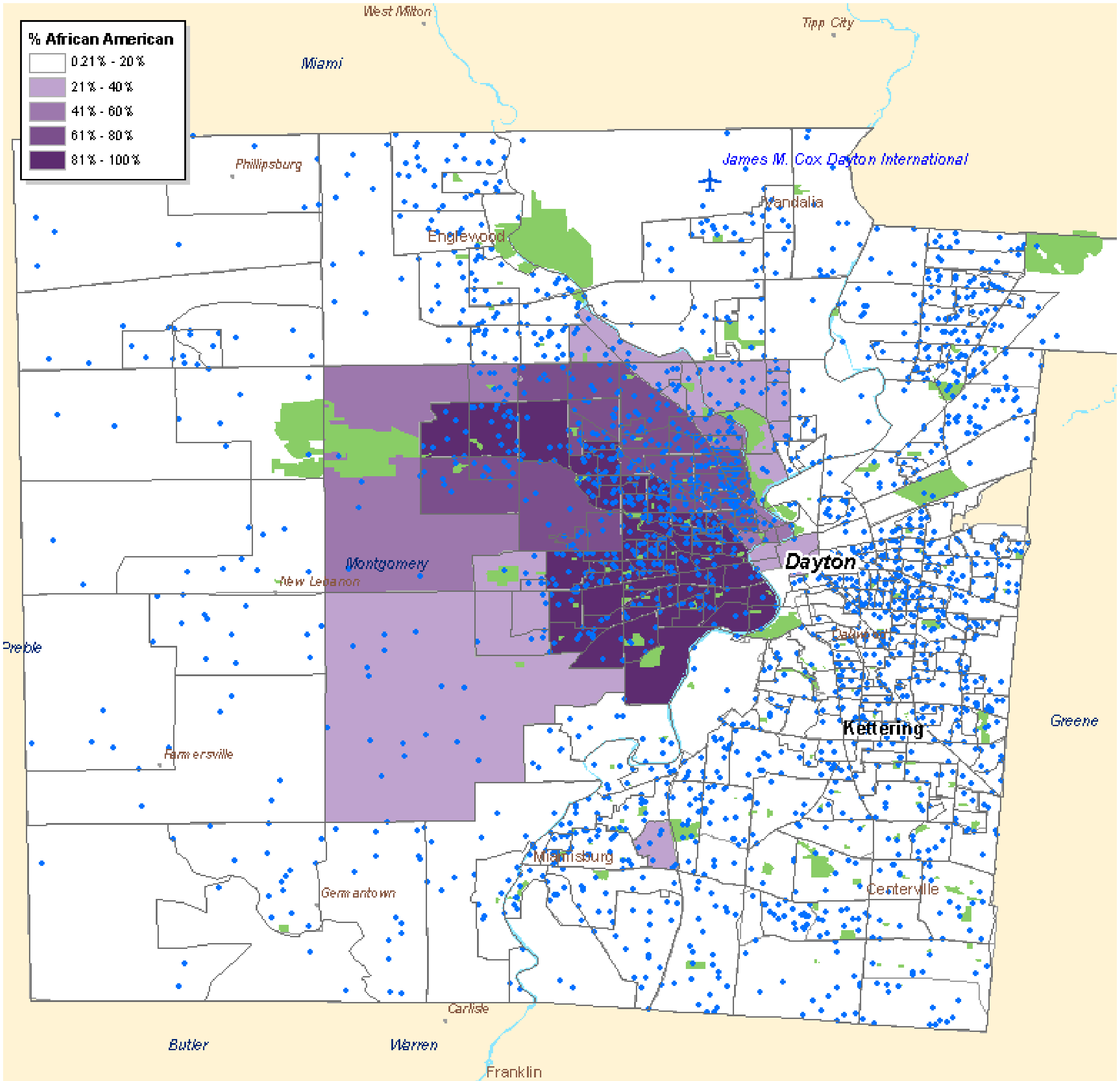


Figure 3
Estimated number of REO properties by Block Group in Montgomery County, Ohio
Total: 2117 properties
Source: U.S. Department of Housing and Urban Development, Neighborhood Stabilization Data (July 2009 and June 2010) and Census 2010 Tract Populations

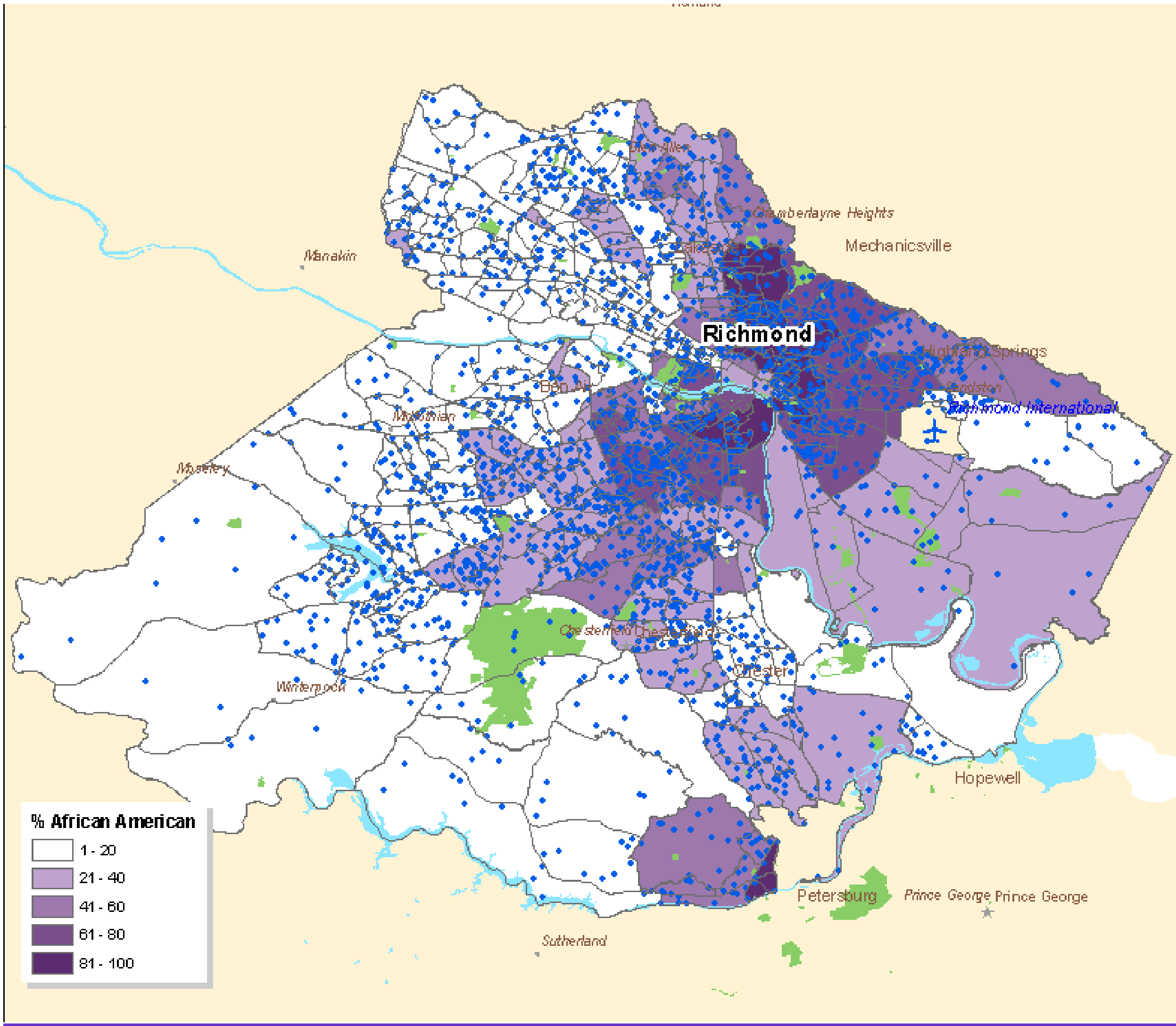


Figure 4

Estimated number of REO properties by Block Group in Chesterfield, Henrico and Richmond City Counties, Virginia

Total: 2804 properties

Source: *U.S. Department of Housing and Urban Development, Neighborhood Stabilization Data (July 2009 and June 2010) and Census 2010 Tract Populations*

These maps highlight a disturbing pattern that has begun to dismantle decades of fair housing and community development work designed to stop practices that perpetuate housing segregation.

METHODOLOGY

This report discusses the investigation of REO properties in the four discrete areas mapped above. In each of these areas the local fair housing organizations selected two sets of neighborhoods with high foreclosure rates—one neighborhood with a predominantly African-American population and another with a majority White population. Although a greater part of this investigation looked at REO homes in African-American neighborhoods, the investigation does also include some Latino neighborhoods. Future investigations by NFHA and its partners will feature a more focused look at neighborhoods with high Latino, Asian-American and/or immigrant populations.

Once we identified neighborhoods, we collected data providing the addresses of REO homes as well as the bank listed as the owner of the properties. We obtained this information by consulting county property records, records kept by the clerk of courts, and RealtyTrac.[21] These data were also crosschecked with other reliable sources in order to verify the status of the homes as bank owned properties. Eight major banks whose properties made up a substantial portion of the total REO inventory were identified in each service area and thus became the focus of this investigation. Between April 2009 and February 2011, evaluators visited 624 single family and townhome REO properties owned by these major banks across the four regions. The evaluators documented the properties with photographs, and scored the properties using a standardized scoring method.

As outlined earlier, creating curb appeal should be a simple, inexpensive and straightforward process; however, NFHA's investigation demonstrates that maintaining homes in African-American and Latino neighborhoods is apparently not as important to banks as maintaining homes in White neighborhoods. The investigation took the importance of curb appeal and structure into account when creating a property scoring model based on 100 points, an overview of which is illustrated in Table 1 on the opposite page.

Evaluators utilized a glossary developed by NFHA that used pictures to illustrate numerous examples of each category and subcategory to score the properties. The glossary took into account and illustrated the severity of several of the categories. For example, the glossary illustrated how to deduct fewer points from the overall score if there was a small amount of mold versus a pervasive mold problem on the property. It did the same for dead grass, showing the variety of examples that would qualify for varying degrees of deduction under this category. An abridged version of this glossary can be seen at the end of this report.

It is important to note that this investigation did not use a random sampling of REO properties in each respective geographical area. Rather, the properties visited were selected because they were located in a neighborhood of interest and because they were listed as being owned by one of the pre-identified banks. Although properties were listed as bank owned in the data sets, investigators found a few homes that were still occupied, under sales contract, or otherwise unable to be scored because of occupancy. In these cases, investigators documented the location, date and time of the visit but did not include the property as part of this investigation.

Because both Fannie Mae and Freddie Mac supported NFHA's work on the REO investigation's initial development in 2009 and our other activities to protect delinquent homeowners from loan modification scammers, NFHA reported the

21 RealtyTrac publishes a national database of foreclosure and bank-owned properties on its website, www.realtytrac.com.

Category	Point Value
Curb Appeal Trash Mail Accumulated Overgrown Grass and Leaves Overgrown or Dead Shrubbery Dead Grass Invasive Plants Broken Mailbox	20
Structure Unsecured or Broken Doors and Locks Damaged Steps/Handrails Damaged Windows Damaged Roof Damaged Fence Holes Wood Rot	25
Signage & Occupancy Trespassing or Warning Signs Marketed as Distress Property “For Sale” sign missing Broken and Discarded Signage Unauthorized Occupancy	13
Paint & Siding Graffiti Peeling or Chipped Paint Damaged Siding Missing Shutters	12
Gutters Missing or Out of Place Broken or Hanging Obstructed	16
Water Damage Water Damage Mold	13
Utilities Exposed or Tampered with	1

Table 1
Breakdown of scoring model over seven major categories

early results of its investigation to them. Both GSEs took corrective action. Fannie Mae asked NFHA to update Fannie Mae’s fair lending training program to provide a module on REO disposition and fair housing and Freddie Mac asked NFHA to prepare a new training for its REO division employees on the Fair Housing Act implications in the disposition and sale of REO homes. Additionally, Fannie Mae provided a new grant to NFHA that includes funding to assist in the development of an online training program for real estate agents who list, market and sell REOs. We examined 194 properties owned by Fannie Mae and Freddie Mac and 57 properties owned by the FHA.

It is important to note that this investigation was unable to determine the exact condition of a property at the time of repossession by the bank. However, because virtually every bank hires an asset management provider or real estate brokerage firm to maintain, manage and sell the REO, it is reasonable to expect that the basic maintenance conditions– such as securing the home and maintaining the grounds— should be met. Therefore, there is no excuse for the conditions this investigation found at many of the homes located in African or Latino neighborhoods.

FINDINGS

Analysis of the 624 properties and their scores based upon property maintenance shows a troubling pattern of poor maintenance in African American neighborhoods. NFHA based its findings on a comparison of White neighborhoods, African American neighborhoods, Latino neighborhoods, and diverse neighborhoods. For the purposes of this investigation, Census 2010 data was used to define each property as located in one of the following areas:

- "White areas" have been defined as those with less than a 20 percent minority population.
- "African American areas" have been defined as those with greater than 60 percent African American population.
- "Latino areas" have been identified as those with greater than 50 percent Latino population; this is because the areas we have selected for investigation do not have Latino populations that are as prominent as the African-American populations.
- "Diverse areas" have been defined as those with a minority percentage of between 20 percent and 60 percent.

Connecticut

In Hartford and New Haven, Connecticut, White neighborhoods scored an average ranking of 89.2 out of 100 points and a range between 81 and 94. African-American neighborhoods, on the other hand, averaged at 78.33, 10.9 percentage points lower, with a range between 62 and 90. Latino areas fared even worse, with an average ranking of 66.65 and properties scoring a range between 47 and 88. Figure 5 provides the location of each of the properties identified in these two cities and demonstrates how the lower scoring properties are concentrated in communities of color.

Maryland

Results in Montgomery and Prince George's Counties in Maryland showed similar trends. For the first time in 2010, Montgomery County became a majority-minority county, with a population that is 49.3 percent non-Hispanic White, 17 percent Hispanic or Latino, 16.6 percent Black or African American, and 13.9 percent Asian and Pacific Islander. Prince George's County has had an African-American majority, but now contains a rapidly growing Hispanic population, up 126 percent in since 2000. Therefore, none of the areas identified in Montgomery County and Prince George's County contained less than a 20 percent minority population. The comparison of treatment as far as maintenance in Maryland is concerned was analyzed using the "diverse" areas instead.

While diverse areas, mostly in Montgomery County, Maryland, scored a very high 92.24, similar properties in African-American neighborhoods, mostly in Prince George's County, had an average maintenance score of 81.31. This is a difference of 10.93 points in average score. REO properties in diverse areas ranged between 79 and 99, but property scores dropped as low as 15 in African American neighborhoods. Latino neighborhoods averaged 90.3 points overall and scores ranged between 86 and 94. The scores are depicted in figure 6, which shows that the lowest scoring properties, those depicted in red and orange are found almost entirely in census tracts with 80 percent or more African-American residents.

Ohio

The pattern in Dayton, Ohio, showed better maintenance in White neighborhoods, with REO properties in African-American neighborhoods ranking an average of 8.29 points lower than those in White neighborhoods. These White neighborhood scores averaged at 72.59 and scored within a range of 53 to 100 points, and in African American neighborhoods the properties scored an average of 64.3 points within the range of 59 to 90 points. While the Dayton area has witnessed a somewhat similar volume of REO properties between White and minority neighborhoods, the poor maintenance of the homes west side of the Ohio River, a primarily African-American area, is clearly seen in Figure 7.

Virginia

The Richmond area in Virginia stood out in the investigation because the range in all communities was very low to very high. It is the only area where the differences in rank between White neighborhoods and African-American neighborhoods were not consistent with the findings in other areas; instead the property maintenance by banks was poor in many houses across the board. REO properties in White areas scored within a range of 59 and 96 and an average of 79.44, and properties in African American areas scored between 53 and 98, with scores averaging at 83.03.

Assessment of Banks

This investigation also looked at the properties owned by each of the eight identified banks to determine how specific banks were conducting ongoing maintenance. Across the board, all banks examined contributed to the different patterns of maintenance between White and African-American neighborhoods. NFHA and its partners are exploring administrative and legal options open to them under the Fair Housing Act and the Civil Rights Act of 1866. Additionally, neighbors, neighborhoods and municipalities adversely affected by differences in treatment that appear to be based on the racial composition of their communities may also have standing to bring claims of housing discrimination.

A major finding of the investigation is the fact that the majority of unsafe and most poorly maintained homes were found in African American and some Latino neighborhoods. In Maryland, for example, all of the properties that received failing scores (scored below a 60) were located in predominantly African-American neighborhoods. This unsettling trend only further highlights the disparate damage occurring in African-American neighborhoods.

WOULD YOU WANT TO LIVE NEXT DOOR TO **THIS**?

Neighborhood: Primarily African-American
Maintenance Score: F (53)

This property, visited by HOME in Richmond, Virginia, had many structural problems, mold and water damage, and poor curb appeal due to the overgrown shrubbery and dead lawn. REO properties like this are in neighborhoods where people care about their homes and invest in their properties. As pictured in the photographs below, the neighbor to the left of the REO property has immaculately preserved the exterior of the home. The lawn is carefully manicured and the owners have taken the time to plant flowers and maintain their shrubbery. Similarly, on the right side of the property, the owners have taken good care of their home and have a newly built ramp leading up to the front door.

Neighboring Property to the Left

Neighboring Property to the Right

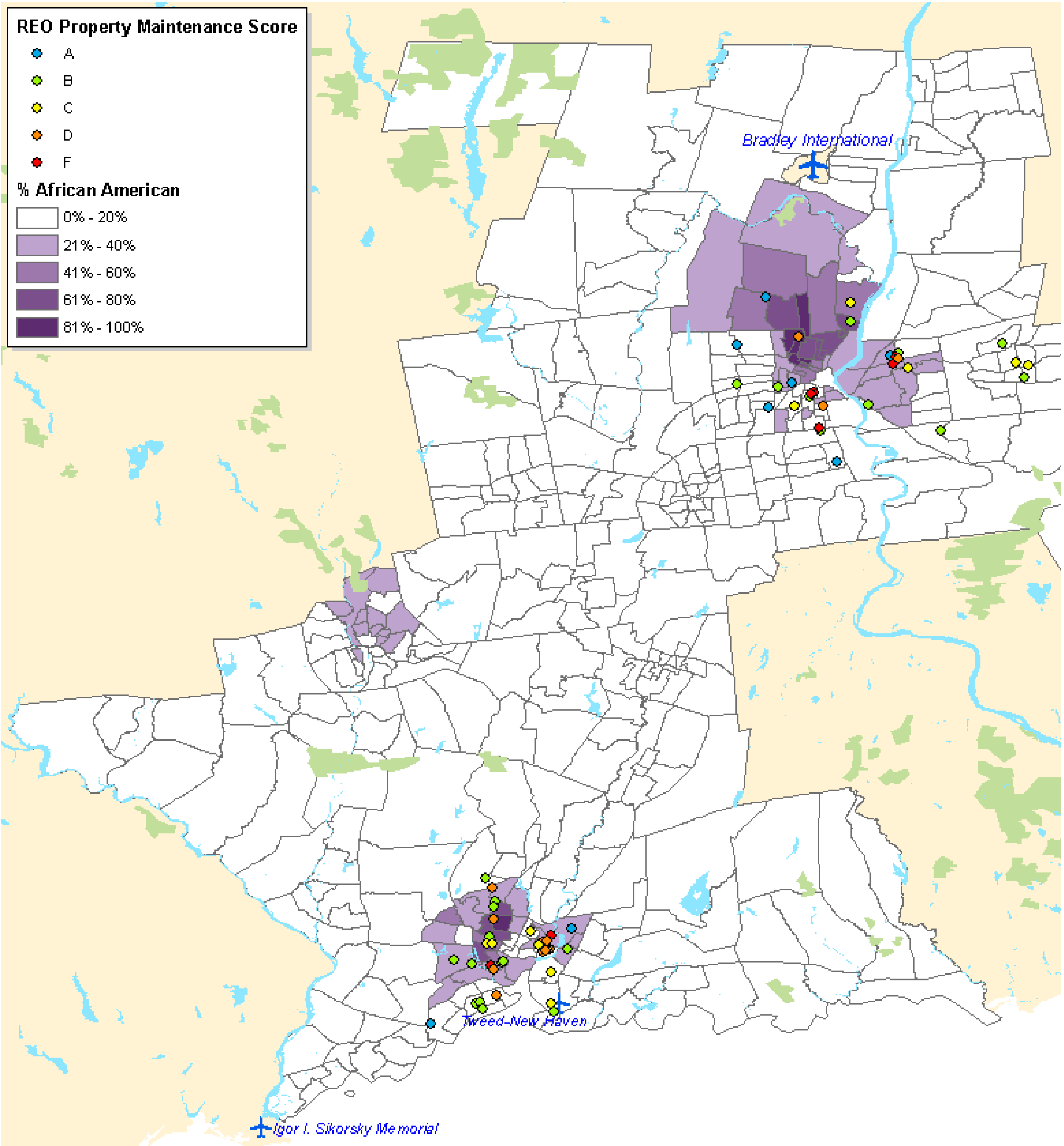


Figure 5
REO properties by Maintenance Score, Connecticut
Source: U.S. Census Bureau 2010 and CTFHC investigation data

Hartford and New Haven, Connecticut

	Number of REOs	Average Score	Score Range
White Areas	5	89.20	81 - 94
African American Areas	6	78.33	62 - 90
Latino Areas	20	66.65	47 - 88

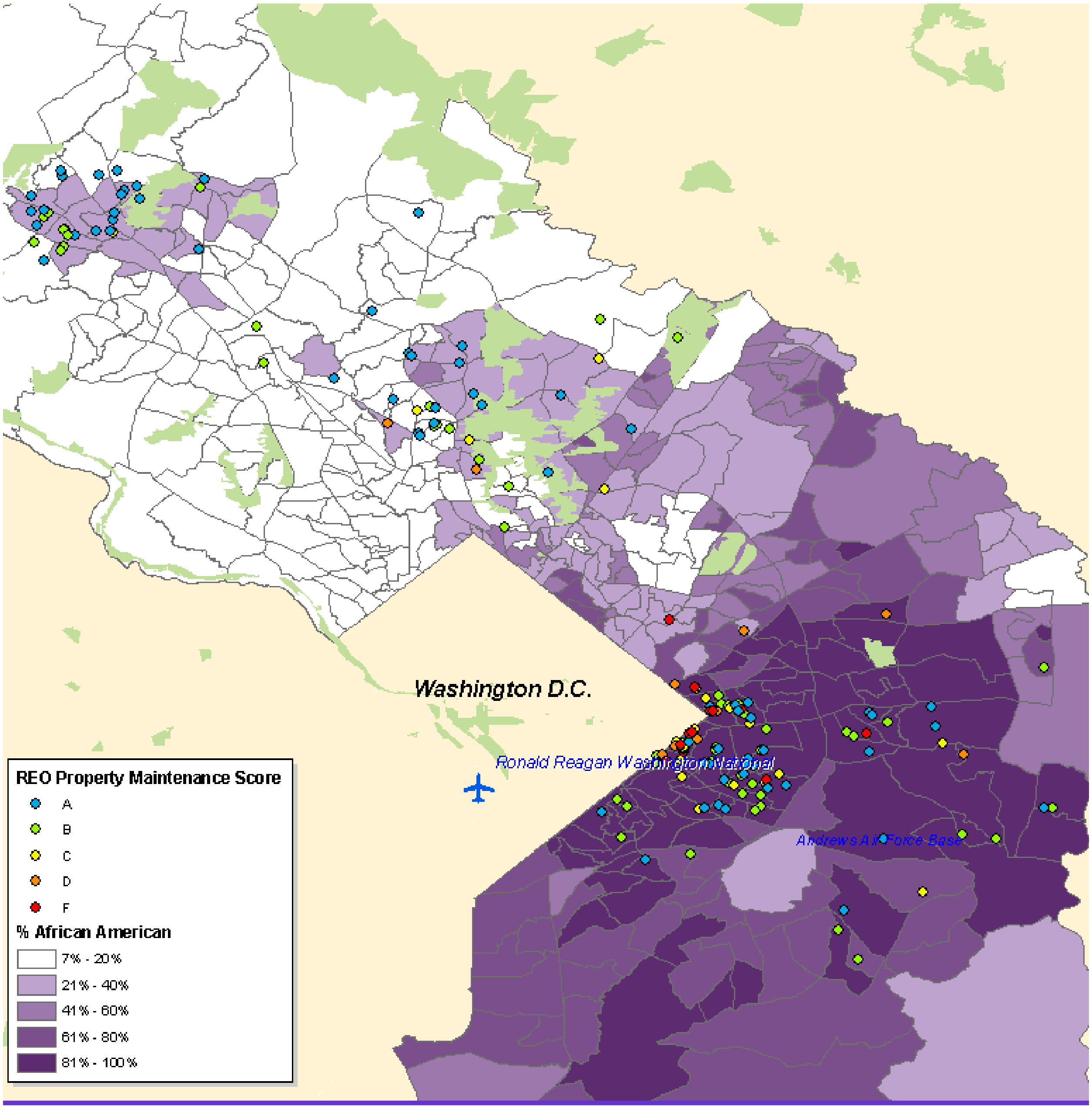


Figure 6

REO properties by Maintenance Score, Maryland

Source: U.S. Census Bureau 2010 and NFHA investigation data

Montgomery and Prince George's County, Maryland

	Number of REOs	Average Score	Score Range
Diverse Areas	25	92.24	79 - 99
African American Areas	111	81.31	15 - 99
Latino Areas	6	90.33	86 - 94

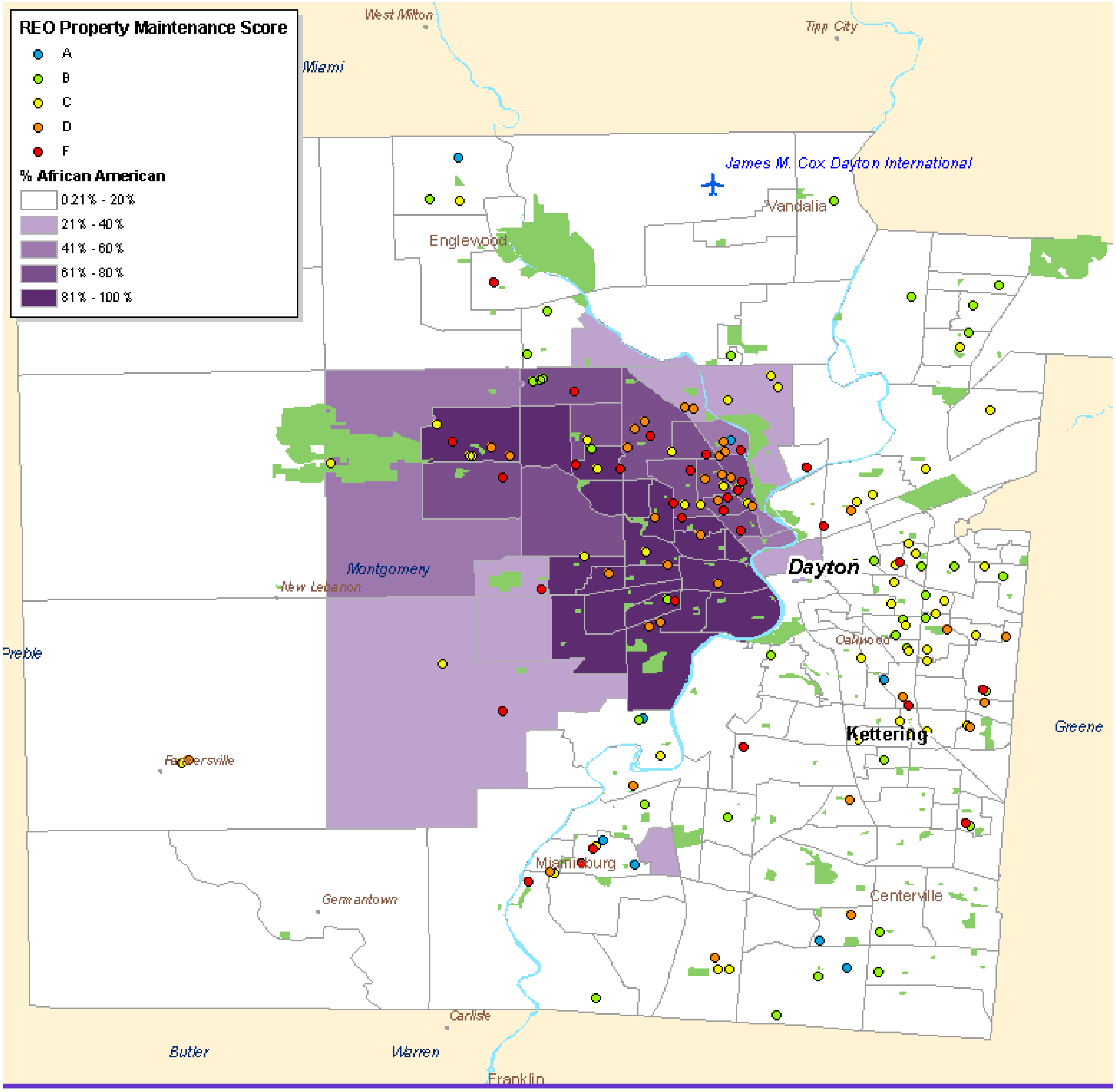


Figure 7

REO properties by Maintenance Score, Ohio

Source: U.S. Census Bureau 2010 and MVFHC investigation data

Dayton, Ohio

	Number of REOs	Average Score	Score Range
White Areas	75	72.59	53 - 100
African American Areas	53	64.30	59 - 90
Latino Areas	0	N/A	N/A

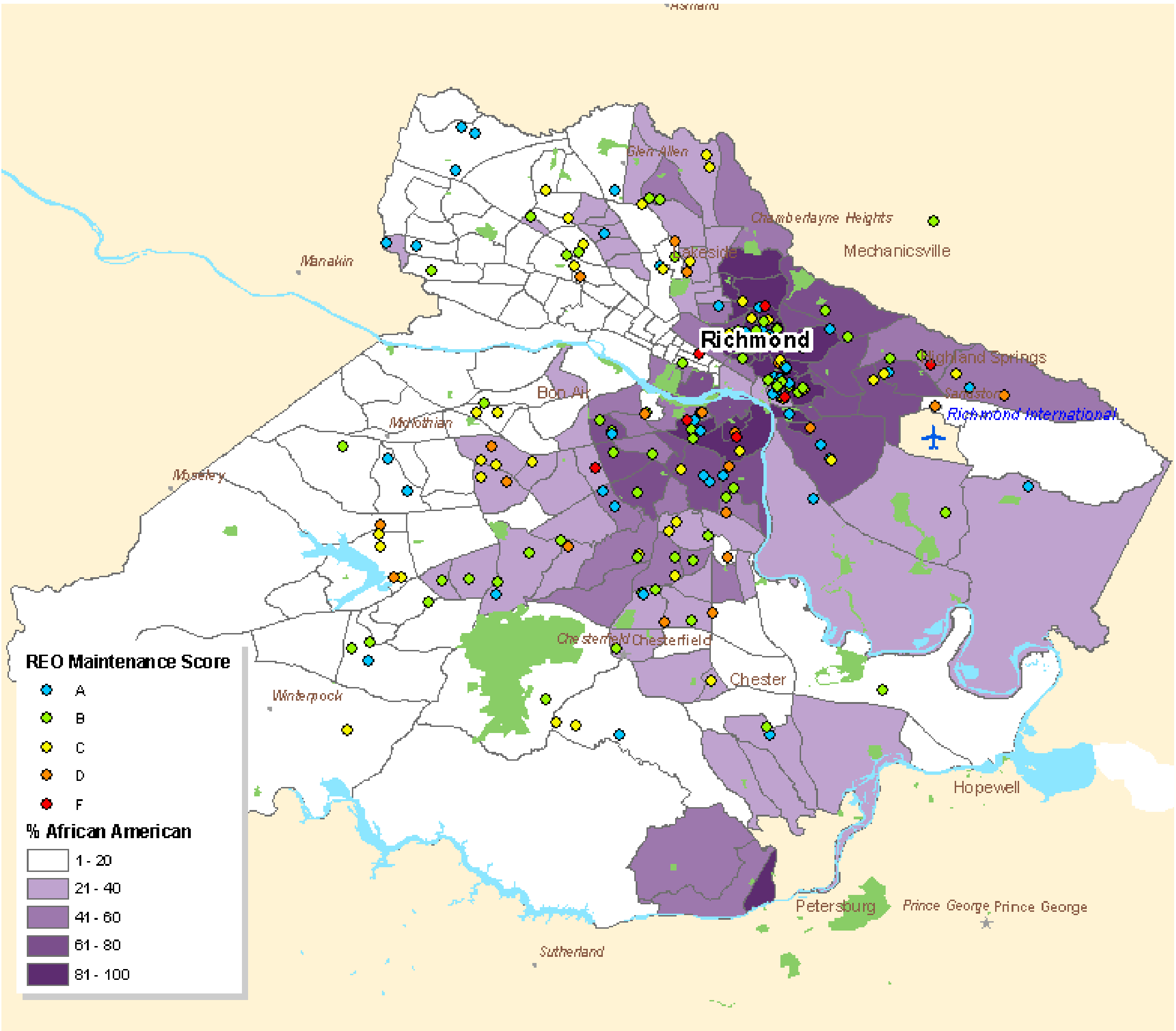


Figure 8

REO properties by Maintenance Score, Virginia

Source: U.S. Census Bureau 2010 and HOME investigation data

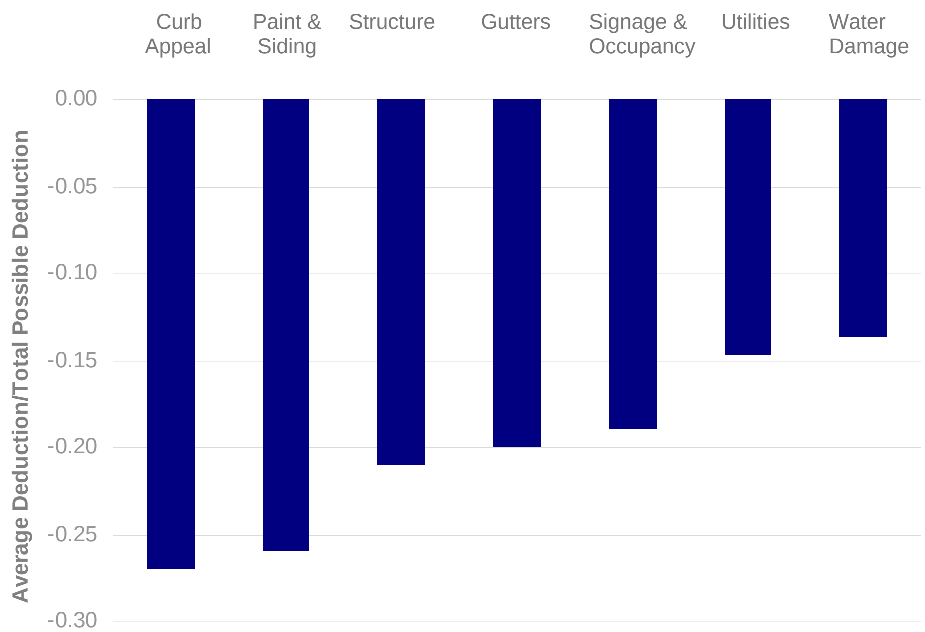
Richmond, Virginia

	Number of REOs	Average Score	Score Range
White Areas	25	79.44	59 - 96
African American Areas	80	83.03	53 - 90
Latino Areas	0	N/A	N/A

As seen in the graph below, deductions to the overall score are primarily in three categories:

- **Curb Appeal**, which involves lawn maintenance, garbage, invasive plants, and accumulated mail
- **Paint and siding**, which includes significant peeling paint, broken or missing shutters, and damaged siding and
- **Structural issues**, which includes broken or boarded windows, broken doors or locks, damaged roofs, wood rot, and damaged steps and/or handrails.

Category	Average Deduction	Total Possible Deduction	Average Deduction/Total Possible Deduction
Curb Appeal	5.41	20.00	-0.27
Paint and Siding	5.36	25.00	-0.26
Structure	2.85	15.00	-0.21
Gutters	2.62	10.00	-0.20
Signage and Occupancy	3.36	16.00	-0.19
Utilities	1.79	13.00	-0.15
Water Damage	0.15	1.00	-0.14



Curb Appeal

Homes in African-American neighborhoods were subject to more point deductions under the category of Curb Appeal than homes in mostly White neighborhoods. In Connecticut, Maryland, and Ohio, curb appeal was ranked as 4.77, 2.93, and 1.97 percentage points lower in African-American neighborhoods, respectively. The graph and tables on the following page show a comparison across all four areas.

Curb Appeal - Hartford and New Haven, Connecticut

	Number of REOs	Average Deduction
REOs in White Areas	5	-3.40
REOs in African-American Areas	6	-8.17
REOs in Hispanic Areas	20	-8.30

Curb Appeal – Prince George's and Montgomery Counties, Maryland

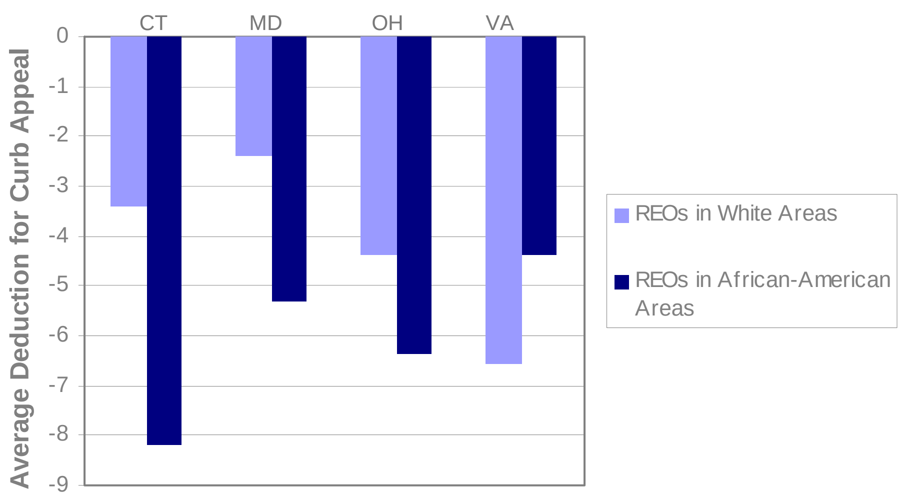
	Number of REOs	Average Deduction
REOs in Diverse Areas	40	-2.40
REOs in African-American Areas	27	-5.33
REOs in Hispanic Areas	0	N/A

Curb Appeal – Dayton, Ohio

	Number of REOs	Average Deduction
REOs in White Areas	75	-4.39
REOs in African-American Areas	53	-6.36
REOs in Hispanic Areas	0	N/A

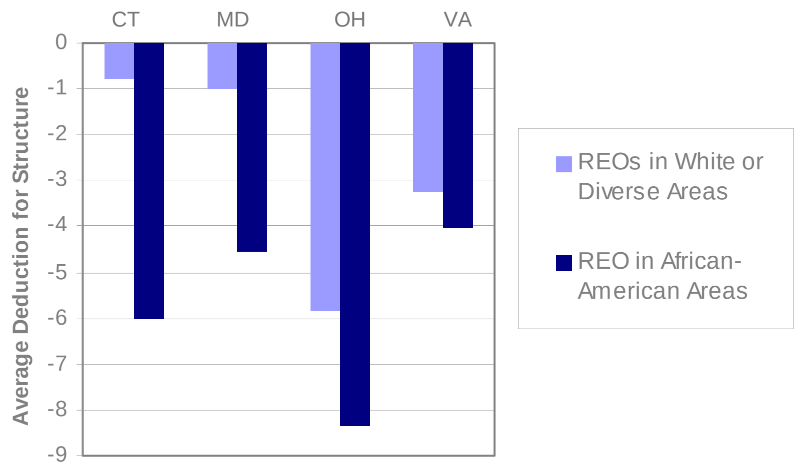
Curb Appeal – Richmond, Virginia

	Number of REOs	Average Deduction
REOs in White Areas	25	-6.56
REOs in African-American Areas	80	-4.39
REOs in Hispanic Areas	0	N/A



Structure, Gutters and Water Damage

The condition of the structure and gutters and any water damage are key components of REO maintenance evaluation because they are significant factors that contribute to the safety and soundness of the home. There were several findings in this investigation that banks failed to maintain the structure, gutters and downspouts in order to prevent water damage in REO properties in African-American communities.



Structure - Hartford and New Haven, Connecticut

	Number of REOs	Average Deduction
REOs in White Areas	5	-0.80
REO in African-American Areas	6	-6.00
REOs in Hispanic Areas	20	-9.45

Structure – Prince George's and Montgomery Counties, Maryland

	Number of REOs	Average Deduction
REOs in Diverse Areas	40	-1.00
REOs in African-American Areas	27	-4.56
REOs in Hispanic Areas	0	N/A

Structure – Dayton, Ohio

	Number of REOs	Average Deduction
REOs in White Areas	5	-5.85
REO in African-American Areas	6	-8.34
REOs in Hispanic Areas	20	N/A

Structure – Richmond, Virginia

	Number of REOs	Average Deduction
REOs in White Areas	25	-3.24
REOs in African-American Areas	80	-4.03
REOs in Hispanic Areas	0	N/A

Under the category of structure, REO properties in White neighborhoods had significantly higher rankings than REO properties in African-American neighborhoods across all four geographic areas. In Connecticut, African-American homes were subject to an average deduction of 5.2 points more than in White neighborhoods. Similarly, in Maryland the average deduction for structure was 3.56 points more in African-American neighborhoods. In Dayton, the average deduction was 2.49 points more in African American areas, and in Richmond, the deduction, on average was .79 points more in African-American areas.

Signage and Occupancy

Signage and occupancy is another category that showed very revealing trends of differences in how homes in African American neighborhoods are presented and marketed from those in White neighborhoods. It was difficult to identify a foreclosed home in many White neighborhoods because they were marketed and advertised like any other home in the neighborhood. However, foreclosed homes in African American neighborhoods were often marketed as distressed properties with signs proclaiming “Bank Owned” or “Foreclosure” on their front lawns. without traditional real estate “For Sale” signs These homes also often had “Warning” and “No Trespassing” signs taped in the front windows and on the gates. Additionally, we often noted a real estate broker’s traditional “For Sale” sign was laying on the lawn, proper next to a fence, left next to the home in bushes or on the floor in an unsecured garage rather than being prominently posted in the ground in the front yard.

Clearly, these marketing tactics make the home and neighborhood appear less appealing to homebuyers. And if the homes are listed on the NAR’s multiple listing service (MLS), a potential buyer might be discouraged from even considering the neighborhood. NFHA intends to explore the impact of these marketing differences.

Neighborhood: Primarily White
Maintenance Score: A (94)

Neighborhood: Primarily African-American
Maintenance Score: D (69)

NFHA staff visited these two homes in Fall 2010. The home on the left is marketed with a “For Sale” sign, blinds in the windows, freshly cut grass and attractive curb appeal overall. The home on the right, however, in a predominantly African-American neighborhood, clearly looks vacant. Glaring examples of poor maintenance on this property include a broken shutter, the pieces of which were lying on the property and a dead tree in the front lawn. Examination of the rear of the property showed severe mold and water damage. There was no “For Sale” sign on this property; instead, there was a sign in its front window indicating that the property was under the management of a real estate asset service.

Neighboring Property to the right

Neighboring Property to the left

Neighborhood: Primarily White
Maintenance Score: **A (93)**

Neighborhood: Primarily African-American and Hispanic
Maintenance Score: **C (72)**

The Connecticut Fair Housing Center photographed and scored these properties, documenting that the home on the left, in a primarily White neighborhood, had a nicely mowed lawn, trimmed shrubbery, and blinds in the windows. The home on the right, however, is in a neighborhood made up of primarily African-American and Hispanic residents. As illustrated in the photograph, the home was covered with overgrown shrubs and vines, had a patchy lawn, and had signs on the door revealing its vacant status, resulting in this property scoring 21 points worse overall.

RECOMMENDATIONS

Racial and ethnic disparities in the maintenance, marketing, and sales of Real Estate Owned properties is a civil rights challenge that **requires banks, servicers, and investors** to change their business models for disposing of REO properties and to establish standards and oversight mechanisms for the third-party real estate brokers and asset managers they hire. It also **requires federal regulators and enforcement agencies** to increase their oversight of banks, servicers and investors to ensure they fully comply with federal fair lending laws. **Local governments** must address these issues by considering the impact of REOs on neighborhoods as part of their Analyses of Impediments to Fair Housing Choice and by taking action to overcome the impediments created by poorly maintained REOs. These recommendations are articulated in greater detail below.

Recommendations for Banks and Servicers

Over the last year, the National Fair Housing Alliance has provided fair housing training to Fannie Mae and Freddie Mac, counseling them on fair housing best practices to utilize as they dispose of REO properties on their books.

Prior to this training, the treatment of REO properties had not received sufficient attention as a potential fair housing concern. However, as this report has demonstrated, disparate treatment of REO properties in African-American or Latino neighborhoods as compared to those in White or well-integrated neighborhoods has a devastating impact on the overall health of neighborhoods and also on the homeowners who live in close proximity to the property.

To ensure that REO properties are sold in an equitable way, banks and servicers must familiarize themselves with the Fair Housing Act – which protects people on the basis of race, color, religion, national origin, familial status, disability, and sex – and state and local fair housing and fair lending laws – many of which protect people on additional bases such as sexual orientation, gender identity, or source of income. Servicers and banks must then implement safeguards at each step of the REO disposition process to ensure that these laws are not violated. The ways in which REO homes in different communities are maintained and marketed provide ample opportunity for discrimination by servicers and banks and anybody working on their behalf. Banks and servicers must pay special attention to the following areas of heightened concern:

Selection of Brokers: In selecting real estate brokers to sell REO properties, banks should ensure that they hire a diversity of agents who have roots in many neighborhoods, and deep market penetration in all communities. Agents must have experience selling homes in neighborhoods of color , and must also have positive, effective relationships with community groups.

Banks must make sure that the Asset Management Provider (AMP) and any individual or company hired to dispose of REOs have received high-quality fair housing training, are not subject to pending complaints of discrimination, and have successfully resolved all past allegations of discrimination. Banks should require vendors to verify whether they are party to pending complaints of discrimination, and if so, provide all additional information necessary for evaluation.

Pricing the REO Property: In order to prevent discriminatory impact in communities of color, it is imperative that REO properties are priced appropriately as compared to REOs in non-minority neighborhoods. It is important that the REO be priced using a standard Broker Price Opinion (BPO) that includes an interior review of the home or a full appraisal. Brokers must not do a simple drive-by price estimate, which will often undervalue an REO in African-American and Latino neighborhoods, further depress home values for people living in the neighborhoods and reduce tax revenue to the city and schools.

Obviously, the listing price of REOs should not include any consideration based on the race or ethnicity of the neighborhood or the neighborhood's residents, nor should it be based on unsubstantiated assumptions about the amount of time the property may remain on the market.

Maintaining and Renovating the REO Property: Banks and servicers must make sure that the AMP hired to maintain REO properties is maintaining the curb appeal of the property. Even while recognizing that not all REO properties received by AMPs are in identical condition, there were certain practices observed by this investigation that are unacceptable. AMPs do a disservice to both communities and investors when they fail to pay property taxes, or condo or homeowner association fees. Similarly, they do a disservice when they allow REO properties to accumulate unread mail, and fail to mow lawns, clean up trash, secure doors and broken windows, leave signs lying in the yards of properties, and allow vandalism and exterior damage such as chipped and peeling paint, unsecured or missing gutters, or water damage to exist without remediation.

Advertising and Marketing the REO Property: Banks must ensure that all REO properties are broadly advertised to people living inside and outside of the neighborhoods in which the REO is located to ensure that they are not promoting residential segregation. This should include affirmative outreach to those communities of people least likely to apply. In addition to listing properties on the MLS, banks should require the real estate broker to the same standardized signage announcing that a property is for sale in each neighborhood. Agents must be trained to ensure that they are not violating the Fair Housing Act by steering borrowers to specific neighborhoods based on their race or ethnicity.

Recommendations for Federal Regulators and Enforcement Agencies

As discussed above, we believe that the ways in which banks dispose of REO properties have tremendous fair housing and fair lending implications. When banks dispose of REO properties in ways that vary because of the race or national origin of residents of the neighborhood, or generally fail to follow the recommendations made above, it is important that federal regulators take them to task. This includes banking regulators, such as the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, and the soon-to-be-open Consumer Financial Protection Bureau (CFPB) and also includes the federal agencies responsible for fair housing and fair lending enforcement, namely HUD and the Department of Justice.

Implementing this recommendation would require a commitment to fair housing and fair lending that has not historically been seen from banking regulators. For example, between 1999 and 2005, the OCC only referred six fair lending cases to the Department of Justice for further investigation and only one of those complaints related to discrimination on the basis of race or national origin.[22] Moreover, the limitations to current public data collected pursuant to the Home Mortgage Disclosure Act (HMDA) and a fractured regulatory environment has hampered federal fair lending oversight.[23]

However, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) has opened a number of doors to better consumer protections that are applicable to the issue of REO maintenance. First, the Dodd-Frank Act expanded the number of data points that financial institutions are required to report under HMDA. The legislation provides the Consumer Financial Protection

22 Brief for *Amici Curiae* Center for Responsible Lending, AARP, Consumer Federation of America, National Association of Consumer Advocates, National Consumer Law Center, Public Citizen, Inc., U.S. PIRG, and national Association of State Public Interest Research Groups in Support of Defendant-Appellant and Arguing for Reversal. Filed in *Clearing House Association, LLC, et al. v. Spitzer*. Available at http://www.responsiblelending.org/mortgage-lending/policy-legislation/courts/Amicus-OCC_Spitzer-appeal-0406.pdf

23 United States Government Accountability Office. "FAIR LENDING: Data Limitations and the Fragmented U.S. Financial Regulatory Structure Challenge Federal Oversight and Enforcement Efforts." July 2009. Available online at www.gao.gov/products/GAO-09-704.

Bureau with the discretion to require financial institutions to report (1) a parcel identification number that the public may use to identify any piece of property, (2) a loan identification number that the public may use to track loan performance post-origination, and (3) any other information that it determines is necessary.

The CFPB should write rules for HMDA that would allow advocates to track both loan performance and also track activities when the property is an REO.

Moreover, as demonstrated by the investigation by fifty state Attorneys General into the practices of servicers,[24] it is increasingly clear that the industry rushed to foreclose on families on shaky and often fraudulent premises.[25] Since that time, regulators and the White House have called for the creation of a consistent national servicing standard that the industry must follow.[26] Regulators should develop and enforce national standards for post-foreclosure REO disposition in order to ensure that the fraud and dishonesty that has permeated servicing leading to foreclosure does not continue post-foreclosure and continue to damage neighborhoods and cities already devastated by the foreclosure crisis.

Finally, both the Department of Justice and HUD, charged by statute in the Fair Housing Act (42 U.S.C. § 3601, et seq.) with enforcing the law, should initiate systemic investigations into ways in which servicers dispose of their REO properties.

Recommendations for Communities

State and local governments that receive federal funds for housing and community development are required by law to "affirmatively further fair housing," i.e. promote residential integration and combat segregation by identifying barriers to fair housing choice within their communities. Recipients of HUD's Community Development Block Grant funding do this by conducting an Analysis of Impediments to Fair Housing Choice and then developing and implementing strategies to overcome these barriers.

Clearly, the maintenance, marketing, and selling of REO properties pose substantial fair housing concerns that local communities must not overlook in their analysis . This is important to both members of the community and for the financial solvency of many municipalities. Residents and local organizations working in communities must demand that their planning and community development departments address the fair housing issues that REO properties pose as part of the municipalities fair housing obligations, and municipalities must take action to ensure that banks and servicers comply with the law.

Many cities have pursued a strategy similar to the City of Oakland, California's Vacant Building Registration Program, which requires owners of abandoned properties to register with the City, submit a maintenance plan, and meet specific maintenance standards. Violators are subject to fines of $500-1,000 per day. We urge municipalities to affirmatively further fair housing by passing ordinances that hold banks and financial institutions responsible for actions that perpetuate segregation but do not inadvertently hold borrowers and victims of predatory lending accountable.

24 Armour, Stephanie. "All 50 states launch joint investigation into foreclosures," USA Today. October 14, 2010. Available at http://www.usatoday.com/money/economy/housing/2010-10-13-states-foreclosures_N.htm.

25 National Consumer Law Center. "Robo-signing: Symptom of Mortgage Servicers' Lawless Attitude that Pushes Homeowners into Foreclosure." November 16, 23010. Available at http://www.nclc.org/images/pdf/pr-reports/pr-robo-signing.pdf.

26 Clarke, David and Rachelle Younglai. "White House backs standard for mortgage servicers." Reuters. February 11, 2011. Available at http://www.reuters.com/article/2011/02/11/us-usa-housing-servicing-idUSTRE71A6O120110211.

AN "F" FOR ALL SEASONS

This vacant REO property was a target of arson some time before the first time investigators from the Miami Valley Fair Housing Center, Inc. visited it in September 2010. One of the posted notices on the property show that the Dayton Building Inspector issued an order to repair or demolish on August 31, 2010. The mortgage holder, Wells Fargo, was given 30 days to comply or an opportunity to appeal. The photographs below show its condition monthly, illustrating that there has been absolutely no change to date.

MVFHC investigators spoke with a neighbor two homes down from this one who cited it as a nuisance and noted that children often play in the burned property. She also said that the neighbor to the west of the subject property had placed supports on the building so that it would not fall on his home.

CONCLUSIONS

This investigation documents a number of alarming practices by banks that are currently perpetuating segregation in our neighborhoods and communities. If left unaddressed, these banks will continue to perpetuate segregation and impede our country's economic recovery. This investigation found that REO properties located in African-American and some Latino neighborhoods were ignored and poorly maintained to a degree not found in White areas. The lowest scoring properties in the four metropolitan areas were routinely located in African American neighborhoods.

This pattern and practice of poor maintenance has compounded the discriminatory impact that the foreclosure crisis has had on communities of color. Predatory and discriminatory lending in communities of color led to a concentration of foreclosures in these communities. Today, those heavily-concentrated foreclosed properties remain among the most poorly maintained REO properties.

The differences in maintenance were sometimes, but not always, extreme. However, maintenance and marketing practices that are consistently better in White neighborhoods than in African-American neighborhoods do not need to be extreme to be discriminatory. In traditional rental testing, action can be brought under the Fair Housing Act if, for example, a landlord offers rent to a White person at a rate of $800 per month while an African-American is offered a rate of $850 per month for the same type of apartment. While $50 a month may not seem like a drastic difference, it is clearly housing discrimination. Maintenance practices are no different. Looking forward, people living in all communities must be able to count on banks to be good, but temporary neighbors.

GLOSSARY OF MAINTENANCE TERMS

The partners used a detailed glossary, of terms and photographs, as a tool for evaluating the REO properties that served as the sampling for this investigation. The glossary and the evaluation formed the guidelines evaluators used to survey and assign a score to each of the REO subject properties. This appendix provides an example of some of the terms and photographs used in the glossary. Many of the photographs and breakdown of points actually allocated within each category has been redacted from this document to preserve the investigative methodology developed herein.

There are seven major categories that were taken into account during the evaluation of an REO property: curb appeal, structure, signage and occupancy, paint and siding, gutters, water damage, and utilities. The following sections outline these categories in detail, describing the factors that comprise each section.

CURB APPEAL

Curb appeal includes the elements of the REO property that are visible in the neighborhood and contribute to the property appearing vacant and/or unsightly. This category may include trash, accumulated mail, overgrown and poorly maintained lawns and shrubbery, broken mailboxes, and other lawn maintenance issues.

STRUCTURE

REO properties were evaluated on the basis of their structure. The structure includes broken doors and unsecured locks, broken fences, and damaged porches, steps and handrails. Structural problems also include wood rot and holes in the walls of the property, broken and boarded up windows and damaged roofs.

SIGNAGE AND OCCUPANCY

REO properties are often subject to unattractive or misleading signage. This may include trespassing or warning signs and signs that mark the property as distressed. Many properties are not marked by "For Sale" signs and have broken or discarded signage littered on the property itself.

These vacant properties also often show signs of unauthorized occupancy by squatters.

PAINT AND SIDING

This category accounts for issues related to the paint and siding of REO properties. REO properties may have significant peeling paint and graffiti. This category also covers damaged siding and missing or broken shutters.

GUTTERS

This category includes gutters that are broken, obstructed, missing or out of place.

WATER DAMAGE

Water damage includes any readily apparent damage caused by water leaks or rainwater and is indicated by dark spots, rust, and/or standing water, puddles, and wet spots on the property. This may also include mold on the structure of the property, which can range from mild to pervasive.

UTILITIES

This category includes readily apparent utilities features that are exposed or tampered with, such as broken utility boxes and hanging or exposed wires.

Founded in 1988 and headquartered in Washington, DC, 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. Through comprehensive education, advocacy and enforcement programs, NFHA protects and promotes equal access to apartments, houses, mortgage loans and insurance policies for all residents of the nation.

Housing Opportunities Made Equal of Virginia, Inc. (HOME) is a private, nonprofit fair housing organization founded in 1971. HOME serves Virginia with a mission of ensuring equal access to housing for all people. To meet this mission, HOME's fair housing staff works under federal and Virginia fair housing laws to address instances of discrimination in housing and to assist victims with their rights. HOME also assists Virginians with foreclosure counseling, down payment assistance, financial literacy, homebuyer education and public policy.

The **Miami Valley Fair Housing Center** is a comprehensive full-service fair housing center in Dayton, Ohio, with experience in auditing and testing activities, anti-predatory lending investigation and remedy, mortgage rescue scam intervention, foreclosure prevention counseling, mortgage modifications as well as fair housing and fair lending education and outreach. MVFHC works throughout the Miami Valley to eliminate housing discrimination and ensure equal housing opportunity for all people in its region.

The **Connecticut Fair Housing Center** is a statewide nonprofit organization which promotes fair housing. The Center's core mission is to ensure that all of Connecticut's residents have access to the housing of their choice. In response to the current foreclosure crisis, the Center has expanded its core anti-discrimination work to include foreclosure prevention efforts, including regularly advising and representing homeowners facing foreclosure while collaborating with housing counselors, consumer attorneys, and policy makers on foreclosure prevention, responsible lending, and discrimination issues which arise in the mortgage lending industry.

NFHA

National Fair Housing Alliance