
A Tale of Two Recoveries

Safeguard's Failure to Maintain Fannie Mae REOs in African American and Latino Neighborhoods in Dayton, Toledo, New Orleans, Baton Rouge, and Memphis.

National Fair Housing Alliance

April 8, 2014

Introductions

- **Shanna L. Smith, President/CEO**
 - **National Fair Housing Alliance Washington DC**
- **Stephen M. Dane, Partner**
 - **Relman, Dane & Colfax Washington DC**
- **Jim McCarthy President/CEO**
 - **Miami Valley Fair Housing Center, Dayton, Ohio**
- **Michael Marsh, President/CEO**
 - **Toledo Fair Housing Center, Toledo Ohio**
- **James Perry, Executive Director**
 - **Greater New Orleans Fair Housing Action Center, New Orleans, LA**

Methodology for Investigation

- **Neighborhoods selected for investigations were:**
 - Majority African American
 - Majority Latino
 - Majority Non-White
 - Majority White
- **Neighborhoods selected had Fannie Mae foreclosed homes listed for sale on Fannie's website and serviced by Safeguard Properties.**
- **100% of Safeguard-serviced REOs in targeted zip codes were investigated.**

Methodology for Investigation

- Fannie Mae contracts for 8 maintenance items with Safeguard Properties.
 - The investigator marked “yes” or “no” as to whether the deficiency was present on the REO.
 - For example, 1 hole in the structure would count as 1 deficiency; likewise, 3 holes would count as 1 deficiency.
- Photos were taken of the REO and neighbors on both sides and across the street.

Safeguard is paid to take care of just 8 maintenance issues for Fannie Mae's REOs:

- Accumulation of Trash or Debris
- Overgrown Grass/Leaves
- Overgrown or Dead Shrubbery
- Invasive Plants (Covering 10% or More of the Structure)
- Unsecured or Broken Doors
- Unsecured or Broken Windows
- Unsecured Holes in the Structure
- Broken or Missing Steps and Handrails



Evaluation Measures

Curb Appeal

- ❑ Trash, Leaves, Overgrown Grass, Overgrown Shrubs, Invasive Plants.



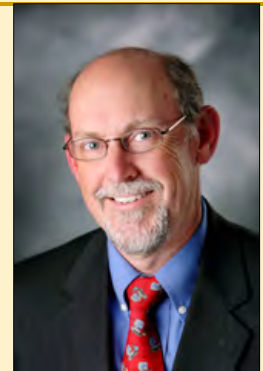
Structure

- ❑ Broken Windows, Broken Doors, Broken Steps or Handrails, Holes.



It's the Law.

Stephen M. Dane, Partner
Relman Dane & Colfax
Washington, DC



Federal Fair Housing Act

- The differing maintenance of REO properties based on racial or ethnic 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.

Safeguard Properties as a Contractor for Fannie Mae is Covered Under the Law.

- Agents performing services on behalf of property owners can be liable for their own violations of the Fair Housing Act (FHAct).
- Thus, companies like Safeguard who are under contract with Fannie Mae to conduct maintenance or marketing of REOs can be liable for their racially discriminatory maintenance of property in violation of the FHAct .
- Because traditional rules of vicarious liability apply under the FHAct, Safeguard may be exposing Fannie Mae to liability under the FHAct.

Safeguard's Failure to Maintain Dayton REOs

Jim McCarthy
President/CEO
Miami Valley Fair Housing Center



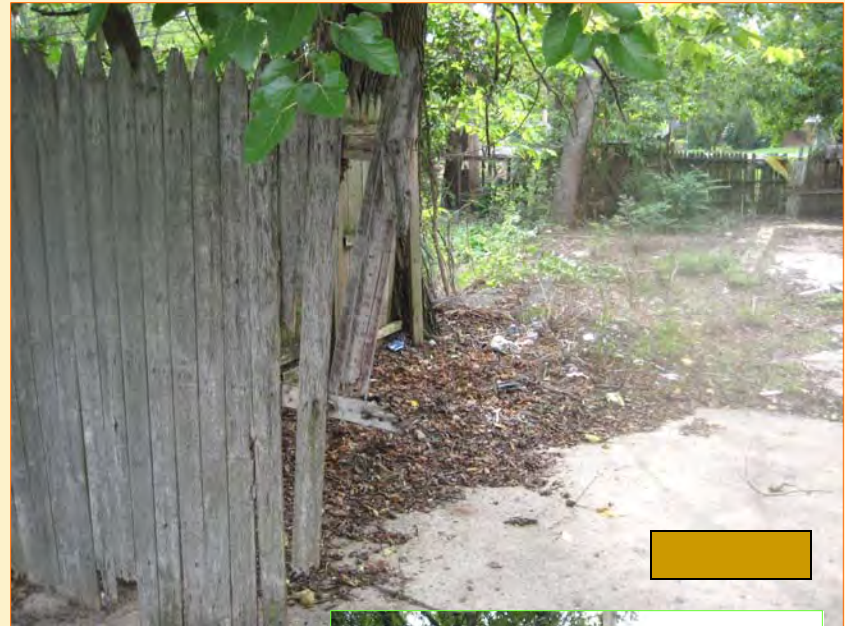
Investigation & Racial Disparities

- Miami Valley Fair Housing Center investigated 27 Fannie Mae REO properties serviced by Safeguard.
 - 11 properties in African American communities.
 - 16 properties in White communities.
- 63% Safeguard-serviced REOs in African American neighborhoods had 3 or more deficiencies.
 - Only 19% of REOs in White neighborhoods did.
- 18% Safeguard-serviced REOs in African American neighborhoods had 5 or more deficiencies.
 - Not a single REO in a White neighborhood had 5 or more deficiencies.

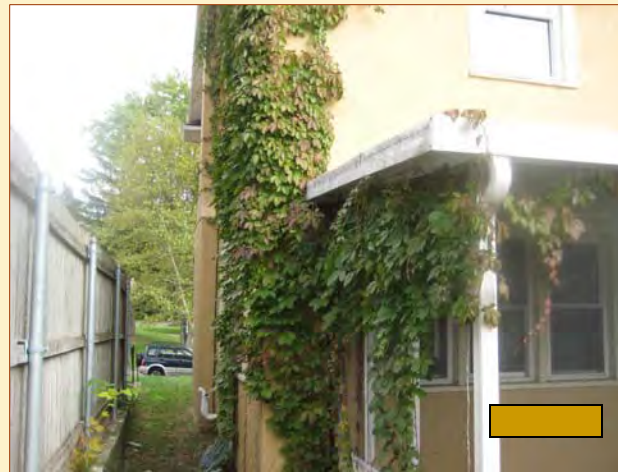
Racial Disparities

- 37% of Safeguard-serviced REOs in African American neighborhoods had unsecured holes on the building structure.
- 28% of Safeguard-serviced REOs in African American neighborhoods had significant trash accumulation.
- 45% of Safeguard-serviced REOs in African American neighborhoods had overgrown or dead shrubbery.
 - Only 19% of the properties in White neighborhoods had the same maintenance deficiencies in these three items above.
- 64% of Safeguard-serviced REOs in African American neighborhoods had substantial overgrowth of invasive plants.
 - Only 44% in White neighborhoods.
- 55% of Safeguard-serviced REOs in African American neighborhoods had damaged steps or handrails.
 - Only 19% in White neighborhoods.

Trash, Leaves and Holes at 5 Homes in African American Neighborhoods.



Overgrown Shrubs and Vines at 4 Homes in African American Neighborhoods.



Safeguard REO in African American Neighborhood.



Front yard is dirt and shrub is overgrown.



Overgrown grass and leaves in back yard.



Neighbor's Home



Damaged Steps

Example of 8 Maintained Safeguard REOs In White Neighborhoods.



Safeguard's Failures in Toledo Ohio

Michael Marsh
President/CEO
Toledo Fair Housing Center



Investigation

- Toledo Fair Housing Center investigated 33 Fannie Mae REO properties serviced by Safeguard.
 - 8 were located in African American communities
 - 25 were in White communities.

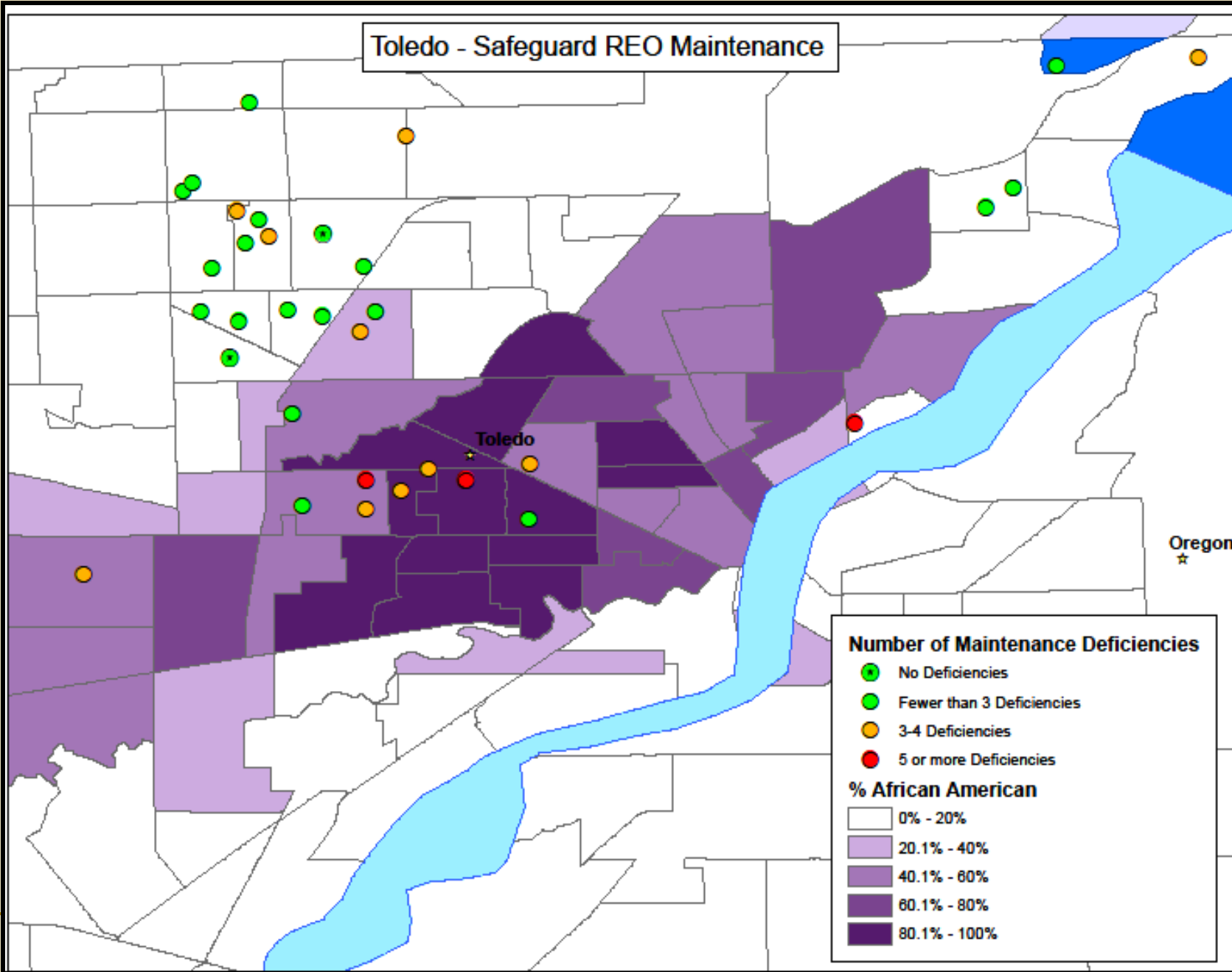
Racial Disparities

- **88% of Safeguard-serviced REOs in African American neighborhoods had 3 or more deficiencies.**
 - **Only 24% of REOs in White neighborhoods did.**
- **25% of Safeguard-serviced REOs in African American neighborhoods had 5 or more deficiencies.**
 - **Only 4% of REOs in White neighborhoods did.**

Racial Disparities

- **38% of Safeguard-serviced REOs in African American neighborhoods had unsecured holes on the building structure.**
 - Only 16% of the REOs in White neighborhoods did.
- **75% of Safeguard-serviced REOs in African American neighborhoods had broken or unsecured doors.**
 - Only 20% in White neighborhoods did.
- **50% of Safeguard-serviced REOs in African American neighborhoods had damaged steps or handrails.**
 - Only 8% in White neighborhoods did.

Toledo - Safeguard REO Maintenance



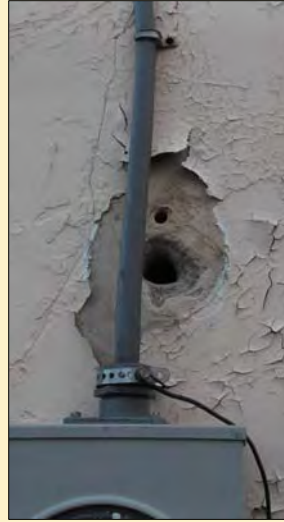
Safeguard REO looks OK from the front, but...unlocked door, damaged steps, broken window and trash are in back yard.



Safeguard-serviced REO in an African American neighborhood is nice from front, but...



Back yard filled with branches, leaves, debris and missing handrails, hole in structure and broken steps.



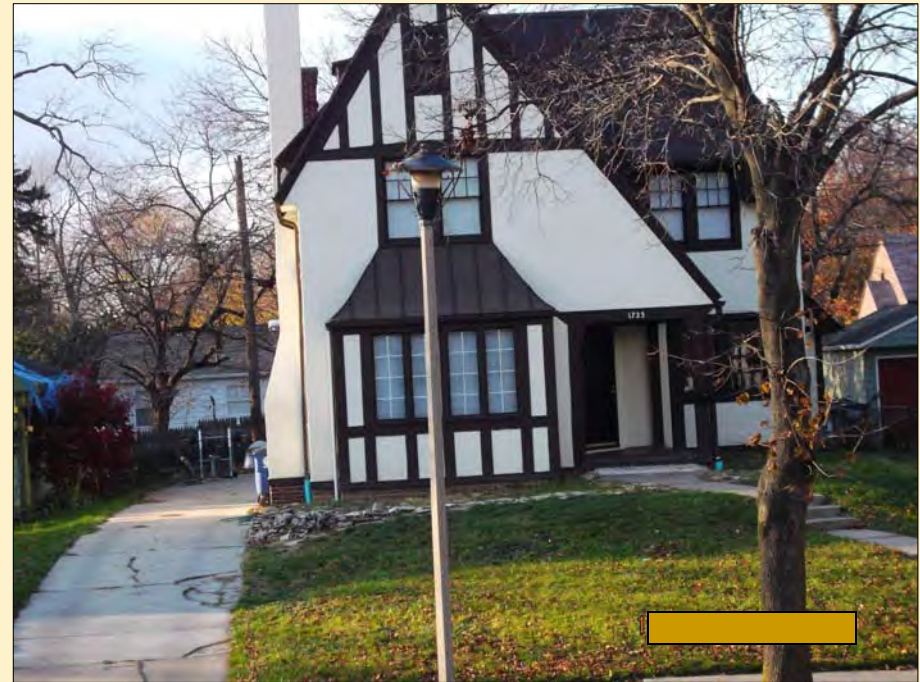
Neighbors' Well Maintained Homes.



Safeguard REO in African American neighborhood near University of Toledo with trash, debris and leaves.



Neighbors' Well-Maintained Homes



Safeguard's Failures in Baton Rouge & New Orleans, LA

James Perry
Executive Director
Greater New Orleans
Fair Housing Action Center



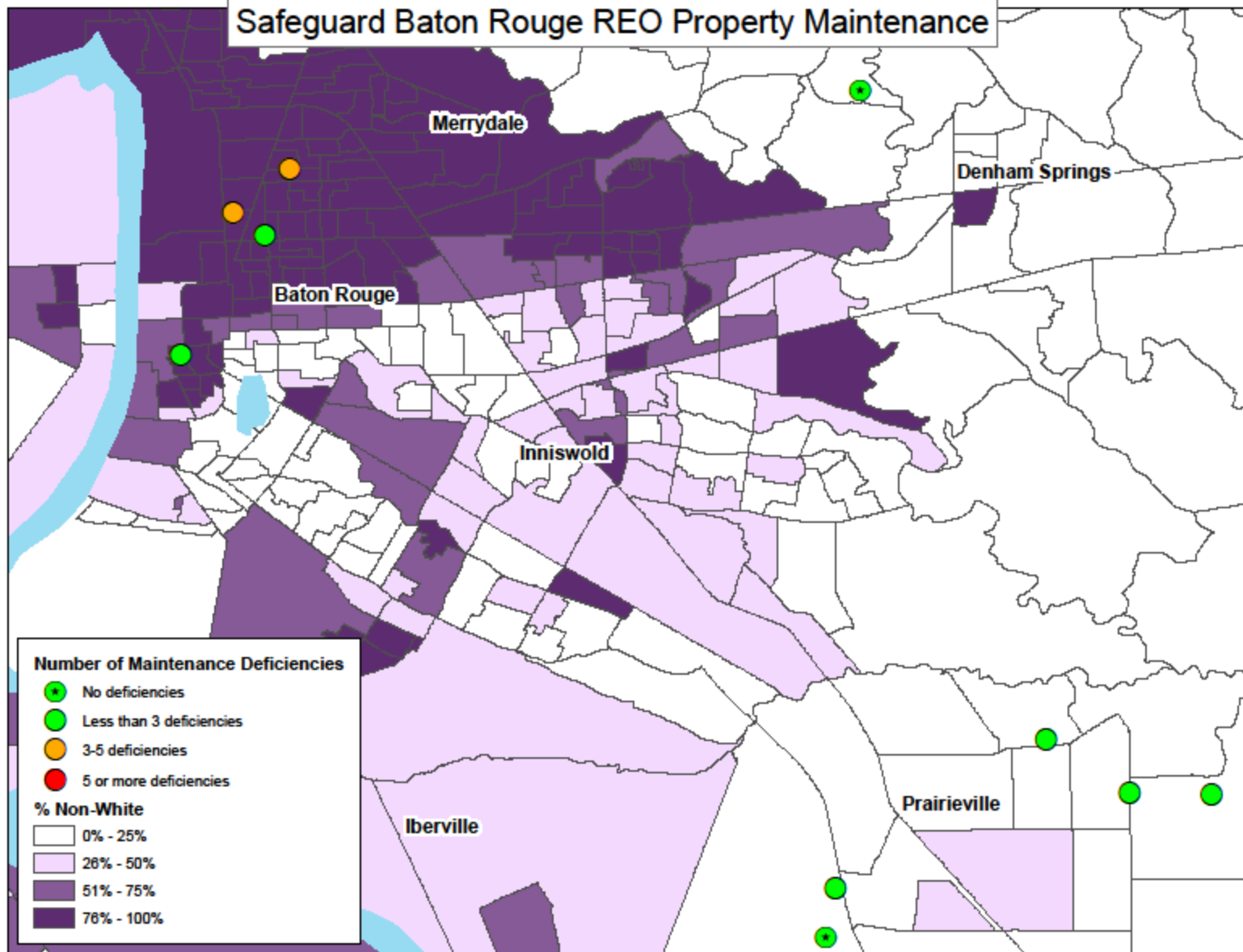
Investigated in Baton Rouge

- **Greater New Orleans Fair Housing Action Center investigated 10 Fannie Mae REOs serviced by Safeguard in Baton Rouge, LA.**
 - 4 located in African American communities.
 - 6 were located in White communities.

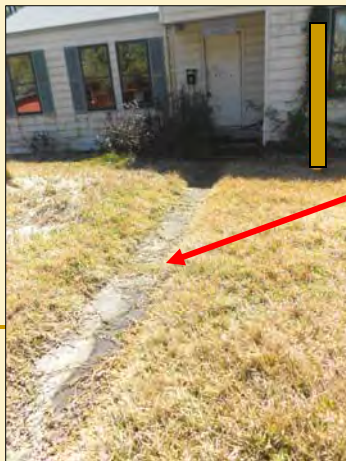
Racial Disparities

- 33% of Safeguard-serviced REOs in White neighborhoods had ZERO deficiencies, while not a single REO serviced in an African American neighborhood did.
- Every single Safeguard-serviced REO in the African American community had overgrown grass and leaves
 - Compared to ZERO REOs in White communities.
- 50% of REOs in African American neighborhoods had overgrown or dead shrubbery.
- 25% of Safeguard-serviced REOs in African American neighborhoods had unsecured holes in the building structure.
 - Compared to NONE in White communities.
- 25% of REOs in African American communities had substantial overgrowth of invasive plants.
 - Not a single REO in a White community had the same deficiency.

Safeguard Baton Rouge REO Property Maintenance

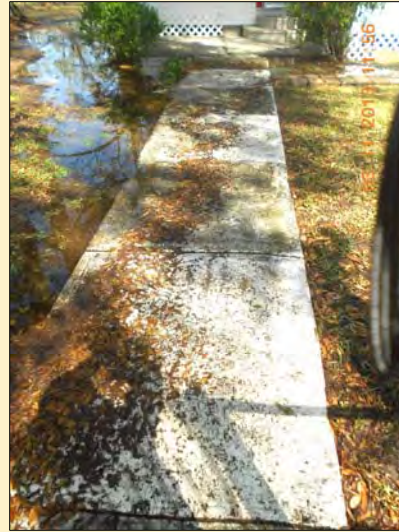


Safeguard-serviced REO with wildly overgrown front and back yards.



Insert depicts overgrown front walkway to entrance of home.

Two Safeguard-serviced REOs with zero curb appeal--dead leaves left over from the fall (photo in March), trash, and dead tree left in yard.



Safeguard-serviced REO with overgrown shrubs, hole in overhang, leaves littering everywhere in photos from March.



Safeguard-serviced REOs in White neighborhoods with no leaves, mowed lawns and trimmed shrubs.



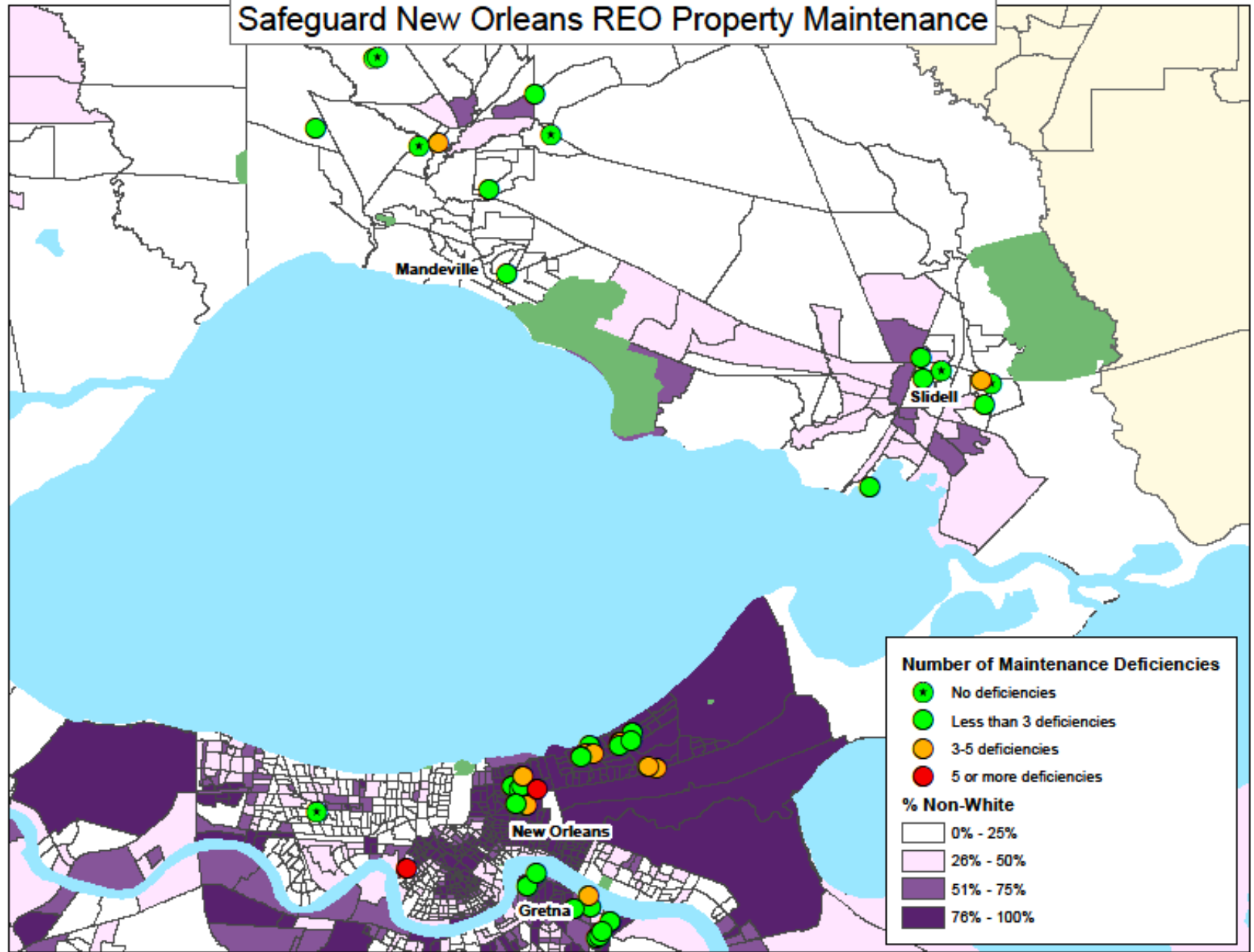
Investigated in New Orleans

- **Greater New Orleans Fair Housing Action Center investigated 44 Fannie Mae REO serviced by Safeguard in New Orleans, LA.**
 - 26 located in African American communities.
 - 1 located in a majority non-White community.
 - 17 located in White communities.

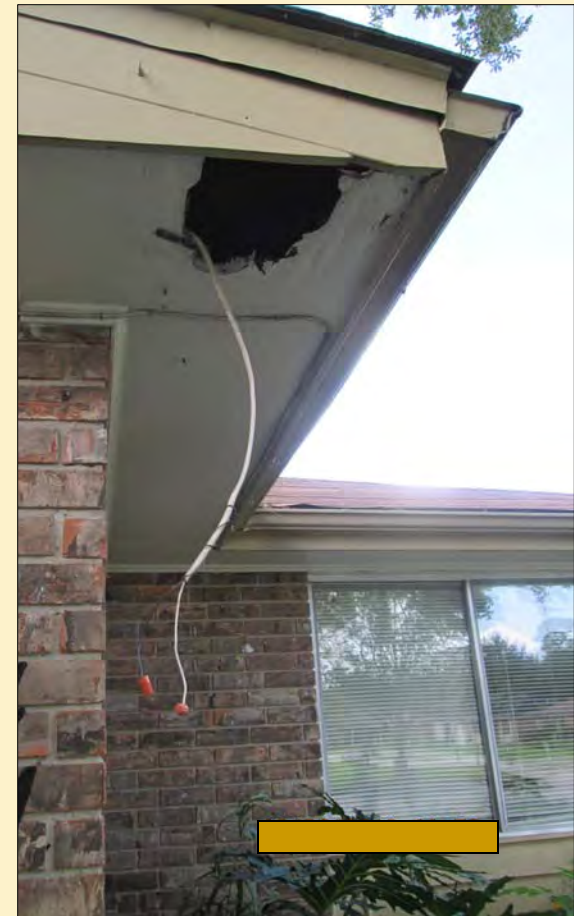
Racial Disparities

- **78% of Safeguard-serviced REOs in communities of color had significant trash accumulation.**
 - Only 12% of REO properties in White neighborhoods had trash.
- **41% of Safeguard-serviced REOs in communities of color had overgrown grass and leaves.**
 - Only 29% in White neighborhoods had the same issue.
- **52% of Safeguard-serviced REOs in communities of color had overgrown or dead shrubbery.**
 - Only 18% of REO properties in White neighborhoods had overgrown or dead shrubbery.

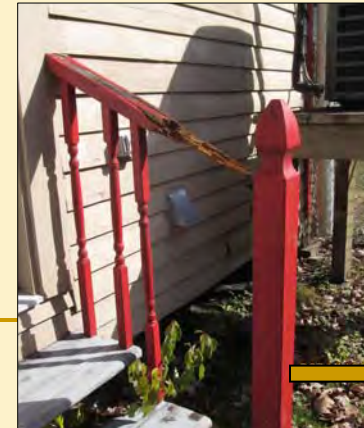
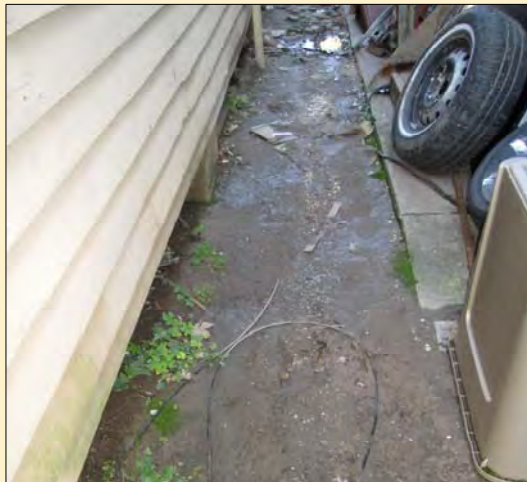
Safeguard New Orleans REO Property Maintenance



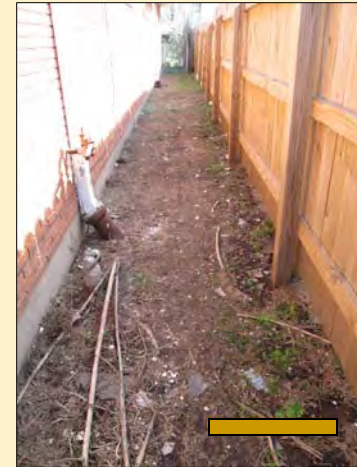
Safeguard has only 8 responsibilities according to Fannie Mae. Removing dead shrubs and covering holes are included, but Safeguard did neither at this home in an African American neighborhood.



Safeguard REO poorly maintained in African American neighborhood with leaves, trash and overgrown grass—no curb appeal.



Safeguard is paid to remove debris, trash and leaves.



3 different homes in New Orleans where Safeguard allows broken windows to be taped.



African American neighborhood: Safeguard-serviced home has no curb appeal--3 boarded windows, patches of mud in front yard and overgrown weeds and dirt in in back yard.



Neighbors are maintaining their lawns, trees and shrubs



You might think this trashy yard and broken door reflect a home in a run down neighborhood, but...



Safeguard is doing a “drive by” front view of the REO.
By not securing the back door or removing trash, Safeguard is inviting
vandalism in this middle class African American neighborhood.



Safeguard's Failures in Memphis, TN

Shanna L. Smith
President/CEO
National Fair Housing Alliance



Investigated

- **National Fair Housing Alliance investigated 55 Fannie Mae REOs serviced by safeguard.**
 - **31 properties in African American communities.**
 - **4 properties in majority non-White communities.**
 - **20 properties in White communities.**

Racial Disparities

- 54% of Safeguard-serviced REOs neighborhoods of color had significant trash accumulation
 - NOT a single property in a White neighborhood did.
- 37% of Safeguard-serviced REOs had overgrown grass and leaves.
- 37% of Safeguard-serviced REOs had overgrown or dead shrubbery.
- 29% of Safeguard-serviced REOs in neighborhoods of color had substantial overgrowth of invasive plants.
- 9% of Safeguard-serviced REOs had damaged steps and handrails.
 - NOT a single REO in a White neighborhood had the same maintenance deficiency.
- 26% of Safeguard-serviced REOs had broken or unsecured windows.
- 49% of Safeguard-serviced REOs had unsecured holes in the building structure.

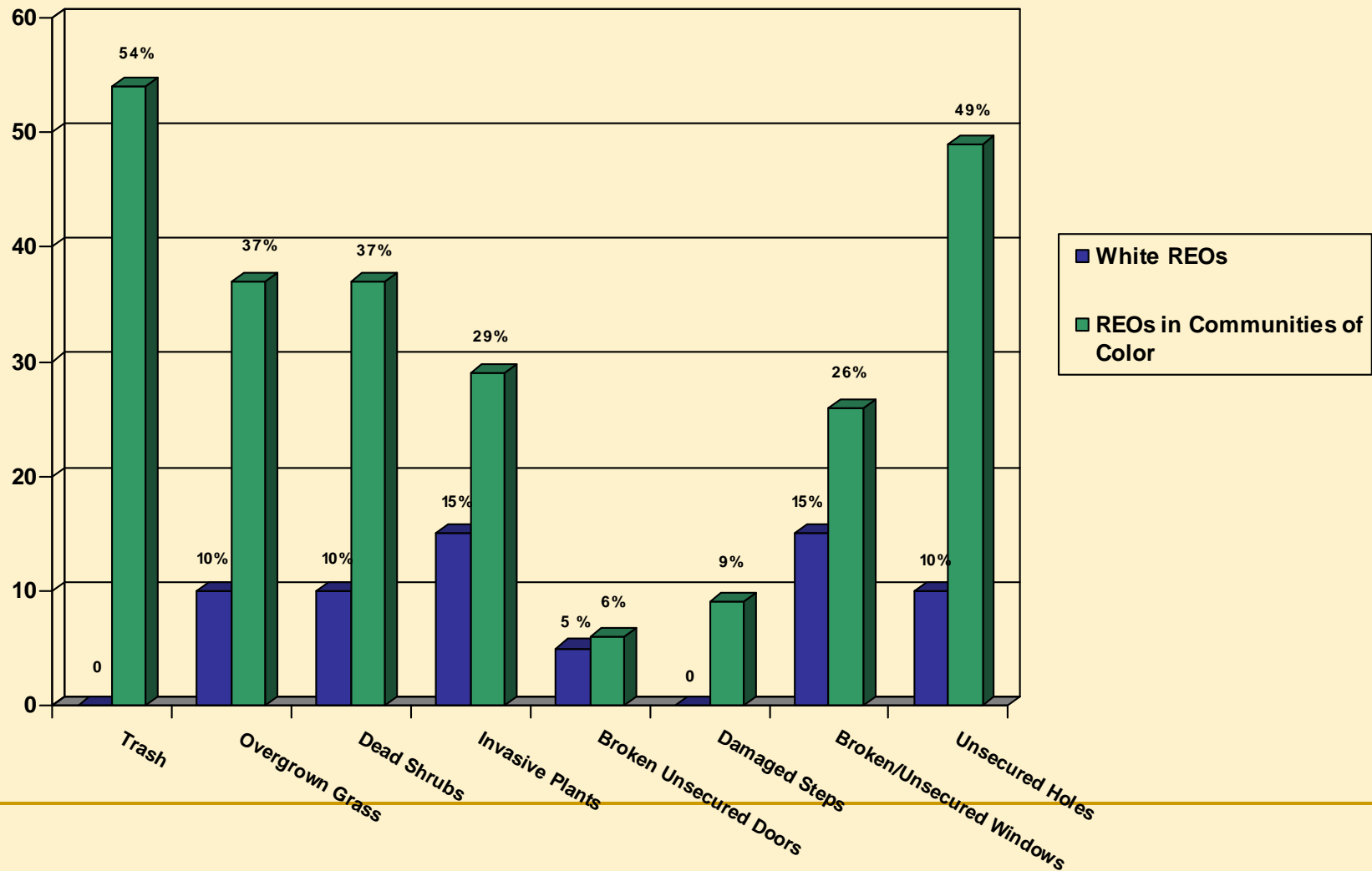
60% of Safeguard-serviced REOs in
White neighborhoods had **ZERO** deficiencies.



Front and back yards nicely manicured at this Memphis REO in White neighborhood.

Memphis REO Properties Managed by Safeguard

% of Properties with Specific Maintenance Problems by Racial Makeup of Surrounding Neighborhood



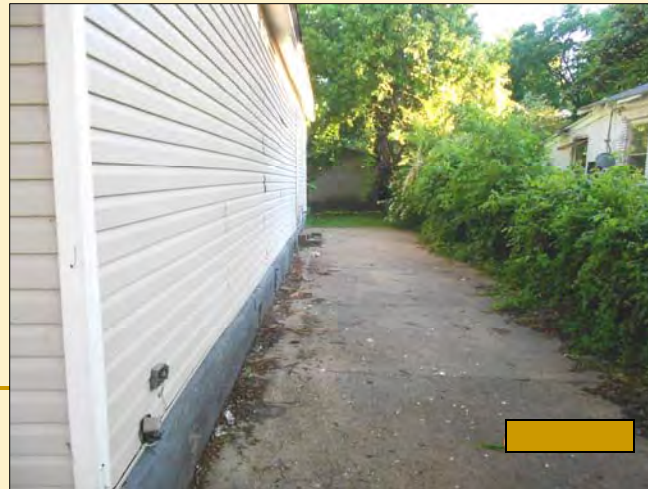
Overgrown grass and shrubs.



More overgrown grass, shrubs at 3 Safeguard-serviced REOs.



Invasive plants even climbing the steps—
no curb appeal.

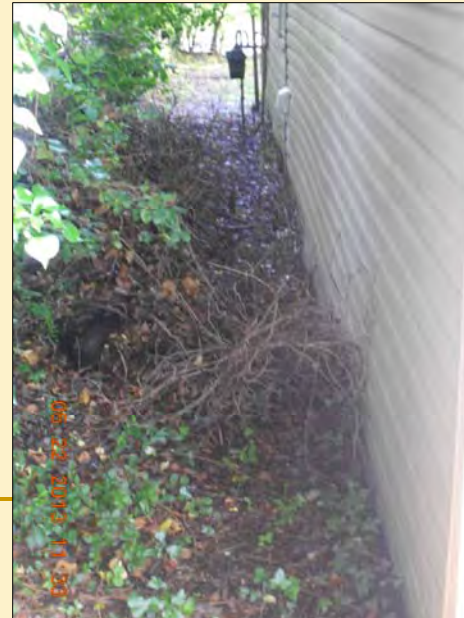


Trash and leaves at more than half of the REOs serviced by Safeguard.



Buy a Rake and Clean It Up!

Fannie Mae is paying
Safeguard to do the work.



Safety Issues: Safeguard is supposed to secure all doors.



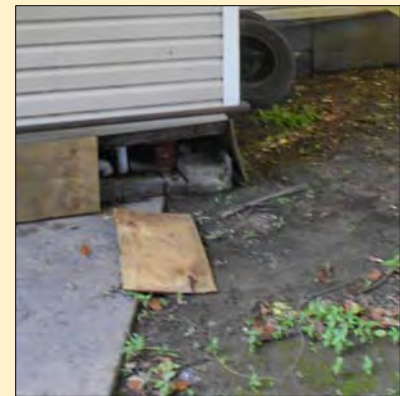
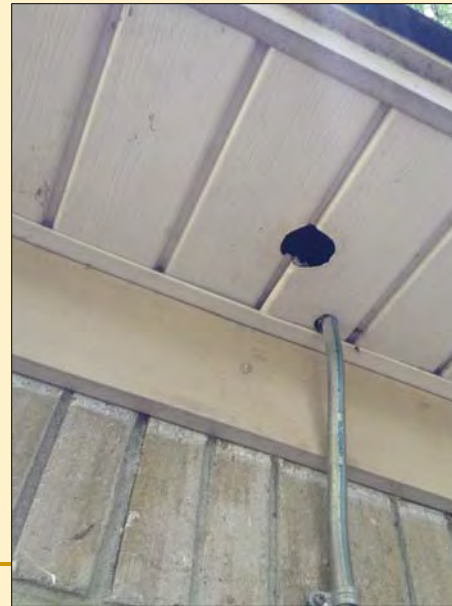
Safeguard-serviced REO in poor condition hurting values for neighbors. No curb appeal.



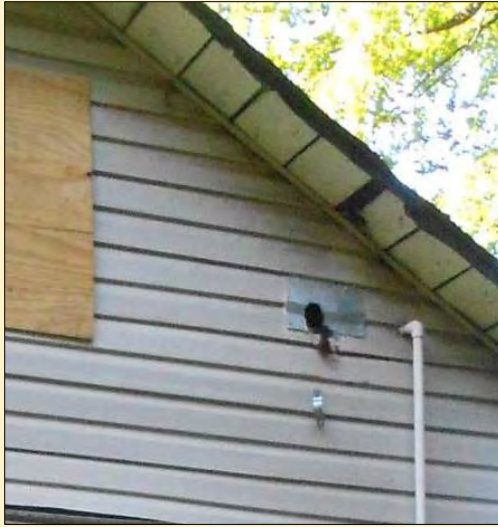
Neighbors Well Maintained Homes



Holes in Homes



Holes In Homes



Consequences of not boarding holes.



QUESTIONS???

Safeguard has been paid for doing poor work, especially in African American and Latino neighborhoods. Safeguard fails to do the easy work of removing trash and leaves, mowing lawns and trimming shrubs, covering holes and securing doors and windows. How much profit is Safeguard making by handling thousands and thousands of Fannie Mae REOs?

