

**U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT  
OFFICE OF FAIR HOUSING & EQUAL OPPORTUNITY**

NATIONAL FAIR HOUSING ALLIANCE, et al,	)	
	)	
Complainants,	)	HUD Inquiry No.: 338973
	)	
v.	)	HUD Case No.: 09-12-0708-8
	)	
WELLS FARGO BANK N.A., et al,	)	
	)	
Respondents.	)	
	)	
	)	
	)	

**SECOND AMENDED FAIR HOUSING COMPLAINT**

**I. INTRODUCTION**

Pursuant to 42 U.S.C. §§ 3604 and 3610, the National Fair Housing Alliance (“NFHA”) and four of its Operating Members, Housing Opportunities Project for Excellence Inc. (“HOPE, Inc.”), Metro Fair Housing Services, Inc., Miami Valley Fair Housing Center, North Texas Fair Housing Center, and Fair Housing Center of West Michigan (collectively, “Complainants”)<sup>1</sup> lodge the following Complaint alleging that Wells Fargo & Co., Wells Fargo Bank, N.A., Wells Fargo Home Mortgage, and Premiere Asset Services (collectively, “Wells Fargo”) have violated and continue to violate the Fair Housing Act (“FHA”) by maintaining and marketing Real Estate Owned (“REO”) properties in a state of disrepair in predominantly African-American, Latino, and other non-White communities (hereinafter “communities of color”) while maintaining and marketing such properties in predominantly White communities in a materially better condition.

Through the acts and omissions described herein, and those to be discovered during the course of HUD’s investigation, Complainants allege that Wells Fargo has a systemic and particularized practice of engaging in differential treatment in maintaining and/or marketing its REO properties on the basis of race, color and/or national origin. This practice has occurred at least since 2010 and continues to persist on a national basis and/or in any of eight metropolitan areas NFHA and its Operating Members investigated in 2011 and 2012 and described in Complainants’ Original and First Amended Complaints.<sup>2</sup> In addition, the same practice has

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<sup>1</sup> HOPE, Inc. works in Miami-Dade and Broward Counties, Florida. Metro Fair Housing Services, Inc. is based in Atlanta, Georgia. Miami Valley Fair Housing Center is based in Dayton, Ohio. North Texas Fair Housing Center is based in Dallas, Texas. The Fair Housing Center of West Michigan is based in Grand Rapids, Michigan.

<sup>2</sup> The eight metropolitan areas: (1) Washington, DC; (2) Baltimore, MD; (3) Philadelphia, PA; (4) Oakland, Richmond, and Concord, CA; (5) Dayton, OH; (6) Miami, FL; (7) Dallas, TX; and (8) Atlanta, GA.

occurred in the metropolitan area of Grand Rapids, Michigan, where Complainants evaluated Wells Fargo's REO properties through an investigation that concluded in May 2012.

## **II. FACTUAL BACKGROUND**

### **A. The Parties**

Complainant NFHA is the only national non-profit organization dedicated solely to ending discrimination in housing. Founded in 1988, NFHA works to eliminate housing discrimination and to ensure equal housing opportunity for all people through leadership, education and outreach, membership services, public policy initiatives, advocacy and enforcement. NFHA is a consortium of more than 220 private, non-profit housing organizations, state and local civil rights agencies, and individuals throughout the United States. Complainants HOPE, Inc., Metro Fair Housing Services, Inc., Miami Valley Fair Housing Center, North Texas Fair Housing Center, and Fair Housing Center of West Michigan are non-profit organizations that have similar organizational missions and goals and conduct similar activities as NFHA.

Respondent Wells Fargo & Co. is a publicly-traded holding company that is incorporated in Delaware and headquartered in San Francisco, California. Wells Fargo is a "diversified financial services company" that provides "retail, commercial and corporate banking services through banking stores and offices, the internet and other distribution channels to individuals, businesses and institutions in all 50 states, the District of Columbia and in other countries." Wells Fargo & Co. Form 10-K for Fiscal Year 2011. In addition, it provides "other financial services through subsidiaries engaged in various businesses," including mortgage banking and mortgage-backed securities. *Id.* Wells Fargo, its subsidiary Wells Fargo Bank, N.A., and Wells Fargo Home Mortgage (a division of Wells Fargo Bank, N.A.), and any un-named subsidiary or division that handles the disposition of REO properties, such as Premiere Asset Services, are responsible for the preservation, maintenance and sale of REO properties owned by Wells Fargo.<sup>3</sup>

A property becomes an REO property when a bank or lender has foreclosed upon or repossessed a home from a homeowner/borrower and the ownership of the property has reverted to the bank or lender. Once a foreclosure proceeding has been completed, the foreclosing entity that owns the REO property, such as Wells Fargo, has the responsibility to maintain the property and sell it to a potential owner-occupant or investor. In addition, the owner of a REO property may contract with a bank/servicer such as Wells Fargo to maintain and sell the REO property. Typically, if Wells Fargo held the mortgage loan on an REO property, after a foreclosure occurs Wells Fargo will remain the owner and handle the maintenance and selling of the REO property. According to Wells Fargo, "[o]nce we acquire title to the real estate [after a foreclosure], it's referred to as a Real Estate Owned (REO) property. At that point, our goal becomes getting the property occupied, which helps the neighborhood and the community, along with recovering a

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<sup>3</sup> Each reference to Wells Fargo in this Complaint refers collectively to all four of these named entities and any other subsidiary or division of Wells Fargo & Co. or Wells Fargo Bank, N.A. that plays a role in owning, preserving, maintaining or selling REO properties, including Wells Fargo Home Mortgage and Premiere Asset Services.

portion of our costs.” Wells Fargo, Buying Foreclosures: What you need to know, *available at* <http://reo.wellsfargo.com/buying.htm> (last visited April 10, 2012).

**B. NFHA’s Investigation of Wells Fargo’s REO Properties**

Beginning in 2010 and continuing through the present, NFHA and several of its member organizations investigated how Wells Fargo maintains and markets its REO properties nationwide. Through this investigation, Complainants evaluated a number of single-family and townhome REO properties owned by Wells Fargo in the following eight metropolitan areas: (1) Washington, DC; (2) Baltimore, MD; (3) Philadelphia, PA; (4) Oakland, Richmond, and Concord, CA; (5) Dayton, OH; (6) Miami, FL; (7) Dallas, TX; and (8) Atlanta, GA. Overall, Complainants evaluated 218 properties in these eight metropolitan areas. This investigation revealed significant racial disparities in maintenance and marketing in all eight metropolitan areas, as well as nationally when the metropolitan area data was aggregated. After Complainants’ investigation in these eight metropolitan areas, Complainants concluded a separate investigation of 37 Wells Fargo REO properties in the metropolitan area of Grand Rapids, MI, which revealed similar racial disparities in this ninth metropolitan area.

In conducting these investigations of Wells Fargo’s REO properties, Complainants employed a methodology that it developed for evaluating how REO properties are maintained and marketed and measuring whether there are differences between how REO properties are maintained and marketed in communities of color and White communities. Under this methodology, Complainants evaluated over three dozen objective factors in seven different categories – curb appeal, structure, signage and occupancy, paint and siding, gutters, water damage, and utilities – that allow Complainants to document the type, number and severity of the maintenance and marketing problems or deficiencies at each property.

The following chart identifies the seven categories and over three dozen objective factors in those seven categories.

<b>Category 1: Curb Appeal</b>	<b>Category 2: Structure</b>	<b>Category 3: Signage &amp; Occupancy</b>
Trash	Unsecured/Broken Doors and Locks	Trespassing or Warning Signs
Mail Accumulated	Damaged Steps and Handrails	Marketed as Distressed Property
Overgrown Grass or Leaves	Damaged Windows (Broken, Boarded)	“For Sale” Sign Missing
Overgrown or Dead Shrubbery	Damaged Roof	Broken and Discarded Signage
10% to 50% of Lawn Covered With Dead Grass	Damaged Fence	Unauthorized Occupancy
Over 50% of Lawn Covered With Dead Grass	Holes	Miscellaneous
10% to 50% of Property Covered With Invasive Plants	Wood Rot	
Over 50% of Property Covered With Invasive Plants	Miscellaneous	
Broken Mailbox		
Miscellaneous		

<b>Category 4: Painting &amp; Siding</b>	<b>Category 5: Gutters</b>	<b>Category 6: Water Damage</b>	<b>Category 7: Utilities</b>
Graffiti	Missing/Out of Place	Water Damage	Exposed or Tampered with
Peeling/Chipped Paint	Broken/Hanging	Mold - Small Amount	
Damaged Siding	Obstructed	Mold - Pervasive	
Missing Shutters (not attached/secure)	Miscellaneous	Miscellaneous	
Miscellaneous			

In each metropolitan area where Complainants evaluated Wells Fargo’s REO properties, they selected certain zip codes that have communities made up of predominantly African-American residents, Latino residents, Non-White residents, and/or White residents and have foreclosure rates that are high for those metropolitan areas. Once Complainants identified all of Wells Fargo’s REO properties in the relevant zip codes, they evaluated all of the REO properties unless they were already occupied or under renovation at the time of the site visit.

**C. Investigations Reveal Stark Racial Disparities in Wells Fargo’s Maintenance and Marketing of REO Properties**

Through its investigations of Wells Fargo’s REO properties, Complainants observed stark racial disparities in the maintenance and marketing of REO properties between communities of color and predominantly White communities. In each of eight metropolitan areas where Complainants evaluated a number of Wells Fargo’s REO properties and nationally, the data and pictures collected in this investigation demonstrate that Wells Fargo has engaged in a systemic and particularized practice of maintaining and marketing its REO properties in a state of disrepair in communities of color while maintaining and marketing REO properties in predominantly White communities in a materially better condition. The same was true in the metropolitan area of Grand Rapids, where Complainants conducted a subsequent investigation.

**i. National Findings**

In the eight initial metropolitan areas in which Complainants evaluated a number of Wells Fargo’s REO properties from August 2010 through April 2012, 218 REO properties owned by Wells Fargo were evaluated. One-hundred and forty-nine of these 218 REO properties were located in communities of color, including 99 in predominantly African-American communities, 15 in predominantly Latino communities, 35 in majority Non-White communities. Sixty-nine of the 218 REO properties were located in predominantly White communities.<sup>4</sup> In

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<sup>4</sup> To determine the racial or ethnic composition of the communities in which Wells Fargo’s REO properties were located, Complainants relied upon 2010 U.S. Census Bureau Block Group Data. Communities were defined as “White” if the surrounding block group was over 50% White, “African-American” if the surrounding block group was over 50% African-American, “Latino” if the block group contained over 50% Hispanic residents, and “Majority Non-White” if the White population of the surrounding block group was less than 50% and no other single racial or ethnic group comprised over 50% of the population alone. Hereinafter, where Complainants refer to “communities of color,” they

Complainants' subsequent investigation in Grand Rapids, Michigan, Complainants evaluated 37 properties overall, including 28 properties in predominantly White communities, 5 properties in predominantly African-American communities, and 4 in predominantly Latino communities. For several reasons, Complainants suspect that there were fewer existing REO properties in White communities to evaluate than in communities of color in most metropolitan areas, including that White communities were not subjected to the same levels of sub-prime/predatory lending by Wells Fargo as communities of color were, and properly maintained and marketed homes in White communities sell at a much faster rate than poorly maintained properties in communities of color.

At the national level, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems and in most of the objective factors that Complainants' methodology evaluated.<sup>5</sup>

On a national basis, REO properties in predominantly White communities were far more likely to have a small number of maintenance deficiencies or problems than REO properties in communities of color, while REO properties in communities of color were far more likely to have large numbers of such deficiencies or problems than REO properties in predominantly White communities.

- 45% of REO properties in white communities (31 of 69 properties) **had fewer than 5** maintenance or marketing deficiencies, while only 24% of REO properties in communities of color (36 of 149 properties) had fewer than 5 deficiencies. In addition, only 20% of REO properties in African-American communities (20 of 99 properties) had **fewer than 5** deficiencies.
- 67% of REO properties in communities of color (100 of 149 properties) **had more than 5** maintenance or marketing deficiencies, while only 41% of REO properties in white communities (28 of 69 properties) had **more than 5** deficiencies. In addition, 70% of REO properties in African-American communities (69 out of 99 properties) **had more than 5** deficiencies.
- 13% of REO properties in communities of color (19 of 149 properties) **had more than 10** maintenance or marketing deficiencies, while only 7% of REO properties in white communities (5 of 69 properties) **had more than 10** deficiencies. In addition, 20% of REO properties in Latino communities **had more than 10** deficiencies.

REO properties in communities of color were far more likely to have certain types of deficiencies or problems than REO properties in White communities. Complainants found

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collectively refer to all REO properties in African-American, Latino and Majority Non-White communities.

<sup>5</sup> The data collected by Complainants in their subsequent investigation of Grand Rapids, MI is described fully in the subsequent subsection and Exhibit B. Thus, the national statistics described in this section from Complainants' initial investigation remain unchanged from the Original and First Amended Complaints.

significant racial disparities in the majority of the objective factors it measured, including the following:

- 56% of REO properties in communities of color (84 of 149 properties) had **substantial amounts of trash**, while only 30% of REO properties in White communities (21 of 69 properties) had the same problem.
- 26% of REO properties in communities of color (39 of 149 properties) had **dead grass covering more than 10% but less than 50% of the lawn**, while only 16% of REO properties in White communities (11 of 69 properties) had the same problem.
- 8% of REO properties in communities of color (12 of 149 properties) had **dead grass covering more than 50% of the lawn**, while only 3% of REO properties in White communities (2 of 69 properties) had the same problem.
- 40% of REO properties in communities of color (60 of 149 properties) had **broken doors or locks**, while only 30% of REO properties in White communities (21 of 69 properties) had the same problem.
- 36% of REO properties in communities of color (54 of 149 properties) had **damaged windows**, while only 23% of REO properties in White communities (15 of 69 properties) had the same problem.
- 24% of REO properties in communities of color (68 of 149 properties) had **a damaged roof**, while only 13% of REO properties in White communities (9 of 69 properties) had the same problem.
- 36% of REO properties in communities of color (54 of 149 properties) had **holes in the structure**, while only 23% of REO properties in White communities (16 of 69 properties) had the same problem.
- 58% of REO properties in communities of color (87 of 149 properties) **did not have a “for sale” sign**, while only 48% of REO properties in White communities (33 of 69 properties) had the same problem.
- 67% of REO properties in communities of color (100 of 149 properties) had **peeling or chipped paint**, while only 54% of REO properties in White communities (37 of 69 properties) had the same problem.
- 34% of REO properties in communities of color (50 of 149 properties) had **damaged siding**, while only 19% of REO properties in White communities (13 of 69 properties) had the same problem.
- 23% of REO properties in communities of color (34 of 149 properties) had **missing or out of place gutters**, while only 14% of REO properties in White communities (10 of 69 properties) had the same problem.

- 27% of REO properties in communities of color (40 of 149 properties) had **broken or hanging gutters**, while only 20% of REO properties in White communities (14 of 69 properties) had the same problem.
- 31% of REO properties in communities of color (46 of 149 properties) had **water damage**, while only 17% of REO properties in White communities (12 of 69 properties) had the same problem.

## ii. Findings in Metropolitan Areas

In each of the eight metropolitan areas where Complainants initially evaluated a number of REO properties owned by Wells Fargo, REO properties in White communities were far more likely to have a small number of maintenance deficiencies or problems than REO properties in communities of color, while REO properties in communities of color were far more likely to have large numbers of such deficiencies or problems than those in White communities. In addition, in each of eight metropolitan areas, Complainants observed significant racial disparities in many of the objective factors evaluated. Accordingly, in each of the eight metropolitan areas, Complainants observed a systemic and particularized practice of engaging in differential treatment in maintaining and/or marketing REO properties on the basis of race, color and/or national origin. A summary of the observed disparities for each of eight metropolitan areas is attached hereto as Exhibit A to this Complaint.

In Complainants' subsequent investigation of Wells Fargo's REO properties in Grand Rapids, Michigan, Complainants observed similar racial disparities in the number of deficiencies or problems and in many of the objective factors evaluated. A summary of the observed disparities in Grand Rapids, MI is attached hereto as Exhibit B to this Complaint.

## IV. LEGAL FRAMEWORK AND ANALYSIS

Wells Fargo's systemic and particularized practice of maintaining and marketing its REO properties in a state of disrepair in communities of color while maintaining and marketing such properties in predominantly White communities in a materially better condition violates the Fair Housing Act, 42 U.S.C. § 3604(a), (b), (c), and (d), and HUD's implementing regulations.

Section 3604(b) states it is unlawful "[t]o discriminate against any person in the terms, conditions, or privileges of sale . . . of a dwelling, or in the provision of services or facilities in connection therewith, because of race[.]" 42 U.S.C. § 3604(b). HUD's implementing regulations state "[i]t shall be unlawful, because of race . . ., to impose different terms, conditions or privileges relating to the sale . . . of a dwelling or to deny or limit services or facilities in connection with the sale . . . of a dwelling." 24 C.F.R. § 100.65(a), and in particular that "prohibited actions under this section include, but are not limited to: . . . *Failing or delaying maintenance or repairs of sale or rental dwellings because of race[.]*" *Id.* § 100.65(b)(2) (emphasis added). By consistently failing to undertake basic maintenance or repairs of REO properties in communities of color while consistently maintaining and/or repairing REO properties in predominantly white communities in a superior fashion, Wells Fargo engages in the

“prohibited action” of “failing or delaying maintenance or repairs of sale . . . dwellings because of race,” *id.* § 100.65(b)(2), and thereby discriminates “in the terms, conditions, or privileges of sale . . . dwelling, or in the provision of services or facilities in connection therewith, because of race[.]” 42 U.S.C. § 3604(b).

Section 3604(c) broadly prohibits discrimination in the advertising of dwellings for sale or rent. *See* 42 U.S.C. § 3604(c). HUD’s regulations state it is unlawful to “make, print, or publish” a discriminatory notice, statement or advertisement about a dwelling for sale, including through signs, banners, posters or any other documents. 24 C.F.R. § 100.75(a)-(b). In particular, “[d]iscriminatory notices, statements and advertisements include, but are not limited to” “[s]electing media or locations for advertising the sale . . . of dwellings which deny particular segments of the housing market information about housing opportunities because of race,” *id.* § 100.75(c)(3), and “[r]efusing to publish advertising for the sale . . . of dwellings or requiring different charges or terms for such advertising because of race[.]” *Id.* § 100.75(c)(4). Wells Fargo’s practice of failing to advertise its REO properties with a “for sale” sign in communities of color at substantially the same rate as in predominantly white communities and its related practice of posting signs in communities of color that convey a message that homes are dangerous, undesirable, or distressed violates § 3604(c) and 24 C.F.R. § 100.75(c) and (d) by selecting advertising locations that deny communities of color vital information about opportunities to purchase REO properties, and by refusing to publish advertising or using different terms to advertise REO properties in communities of color, because of race.

Section 3604(d) makes it unlawful “to represent to any person because of race . . . that any dwelling is not available for inspection, sale, or rental when such dwelling is in fact so available.” 42 U.S.C. § 3604(d). HUD’s implementing regulations state that “[i]t shall be unlawful, because of race . . . to provide inaccurate . . . information about the availability of dwellings for sale or rental,” including by “[l]imiting information, by word or conduct, regarding suitably priced dwellings available for inspection, sale or rental, because of race,” or by “[p]roviding . . . inaccurate information regarding the availability of a dwelling for sale . . . to any person . . . because of race[.]” 24 C.F.R. § 100.80(a), (b)(4)-(5). Through a combination of sub-standard maintenance, failing to market homes as “for sale,” and the affirmative marketing of these homes as dangerous, undesirable, or distressed, Wells Fargo violates § 3604(d) by conveying an inaccurate message to existing homeowners and prospective purchasers in communities of color that its REO properties in communities of color are “not available for inspection, [or] sale, . . . when such dwelling[s] [are] in fact so available,” because of the race of the homeowners or purchasers in these communities of color. 42 U.S.C. § 3604(d). In addition, the same practices drastically limit information or provide inaccurate information about the availability of REO properties because of race in violation of 24 C.F.R. § 100.80(b)(4), and (5).

Section 3604(a) states that it is unlawful to “refuse to sell or rent after the making of a bona fide offer, or to refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny, a dwelling to any person because of race[.]” 42 U.S.C. § 3604(a). Wells Fargo’s differential treatment in maintenance and marketing of REO properties violates § 3604(a), as it “refuse[s] . . . to negotiate” or “us[es] different . . . sale . . . standards or procedures . . . or other requirements . . . because of race.” 24 C.F.R. § 100.60(b)(2), (4). Furthermore, these practices “restrict . . . the choices of a person by word or conduct in connection with seeking, negotiating

for, buying . . . a dwelling so as to perpetuate, or tend to perpetuate, segregated housing patterns,” by conveying a message to prospective purchasers that REO properties in communities of color are not available or desirable. 24 C.F.R. § 100.70(a). Specifically, these practices “exaggerat[e] [the] drawbacks” of REO properties, “fail to inform” purchasers of “desirable features of a dwelling or of a community, neighborhood, or development,” and “discourag[e]” persons “from inspecting [or] purchasing” REO properties “because of the race . . . of persons in a community, neighborhood, or development.” 24 C.F.R. § 100.70(c)(1)-(2). Finally, in the most severe instances of poor maintenance, Wells Fargo’s practices cause REO properties in communities of color to fall into such disrepair that they cannot be restored and must be demolished, making them completely “unavailable” to purchasers. *See* 24 C.F.R. § 100.70(b).

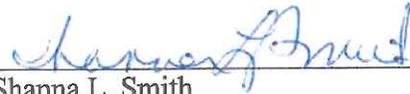
By engaging in this unlawful conduct, Wells Fargo has harmed and continues to harm a range of individuals, including existing homeowners in communities of color, individuals who successfully purchase Wells Fargo’s REO properties, prospective purchasers who are interested in purchasing REO properties, NFHA and its Operating Members, and others.

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Respectfully Submitted,



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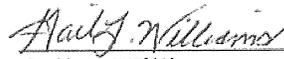


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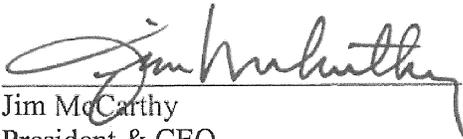
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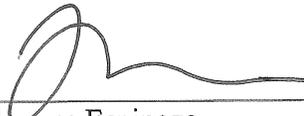
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# **EXHIBIT A**

## **Racial Disparities in Eight Metropolitan Areas**

## Dayton, Ohio

In Dayton, Ohio, Complainants evaluated 33 REO properties owned by Wells Fargo, 10 of which were located in predominantly African-American communities, and 23 of which were located in predominantly White communities.

**In Dayton, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 30% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while 0% of REO properties in African-American communities had **fewer than 5** deficiencies.
- 90% of REO properties in African-American communities **had more than 5** maintenance or marketing deficiencies, while only 57% of REO properties in White communities had **more than 5** deficiencies.
- 10% of REO properties in African-American communities **had more than 10** maintenance or marketing deficiencies, while only 4% of REO properties in White communities **had more than 10** deficiencies.

**In Dayton, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 50% of REO properties in African-American communities had **accumulated mail**, while only 30% of REO properties in White communities had the same problem.
- 70% of REO properties in African-American communities had **overgrown or dead shrubs**, while only 43% of REO properties in White communities had the same problem.
- 50% of REO properties in African-American communities had **invasive plants on between 10% and 50% of the property**, while only 30% of REO properties in White communities had the same problem.
- 70% of REO properties in African-American communities had **broken doors or locks**, while only 52% of REO properties in White communities had the same problem.
- 50% of REO properties in African-American communities had **damaged windows**, while only 30% of REO properties in White communities had the same problem.
- 40% of REO properties in African-American communities had **a damaged roof**, while only 21% of REO properties in White communities had the same problem.
- 90% of REO properties in African-American communities had **a “for sale” sign missing**, while only 57% of REO properties in White communities had the same problem.

- 20% of REO properties in African-American communities had **broken or discarded signage**, while only 9% of REO properties in White communities had the same problem.
- 100% of REO properties in African-American communities had **peeling or chipped paint**, while only 61% of REO properties in White communities had the same problem.
- 30% of REO properties in African-American communities had **damaged siding**, while only 22% of REO properties in White communities had the same problem.
- 40% of REO properties in African-American communities had **gutters that were missing or out of place**, while only 26% of REO properties in White communities had the same problem.
- 10% of REO properties in African-American communities had **water damage**, while only 3% of REO properties in White communities had the same problem.
- 70% of REO properties in African-American communities had **exposed or tampered with utilities**, while only 9% of REO properties in White communities had the same problem.

## Atlanta, Georgia

In Atlanta, Georgia, Complainants evaluated 41 REO properties owned by Wells Fargo, 31 of which were located in predominantly African-American communities, 4 of which were located in majority Non-White areas, and 6 of which were located in predominantly White communities.

**In Atlanta, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 50% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while 20% of REO properties in communities of color had fewer than 5 deficiencies.
- 69% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while 33% of REO properties in White communities had **more than 5** deficiencies.
- 19% of REO properties in communities of color **had more than 10** maintenance or marketing deficiencies, while 0% of REO properties in White communities **had more than 10** deficiencies.

**In Atlanta, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 63% of REO properties in communities of color had **substantial amounts of trash**, while only 33% of REO properties in White communities had the same problem
- 63% of REO properties in communities of color had **overgrown grass or accumulated leaves**, while only 50% of REO properties in White communities had the same problem.
- 43% of REO properties in communities of color had **overgrown or dead shrubs**, while 0% of REO properties in White communities had the same problem.
- 13% of REO properties in communities of color had **between 10% and 50% of their lawns covered in dead grass**, while 0% of REO properties in White communities had the same problem
- 13% of REO properties in communities of color had **dead grass on more than 50% of the lawn**, while 0% of REO properties in White communities had the same problem.
- 20% of REO properties in communities of color had **invasive plants on between 10% and 50% of the property**, while 0% of the REO properties in White communities have the same problem.
- 40% of REO properties in communities of color had **broken doors or locks**, while only 17% of properties in White communities had the same problem.

- 29% of REO properties in communities of color had **damaged windows**, while 0% of REO properties in White communities had the same problem.
- 40% of REO properties in communities of color had **holes in the structure** while only 17% of REO properties in White communities had the same problem.
- 43% of REO properties in communities of color had **wood rotting on the structure**, while only 17% of REO properties in White communities had the same problem.
- 37% of REO properties in communities of color had **“no trespassing” or warning signs**, while only 17% of properties in White communities had the same problem.
- 57% of REO properties in communities of color had **“for sale” signs missing**, while only 33% of REO properties in White communities had the same problem.
- 70% of REO properties in communities of color had **peeling or chipped paint**, while only 17% of REO properties in White communities had the same problem.
- 39% of REO properties in communities of color had **damaged siding**, while only 17% of REO properties in White communities had the same problem.
- 39% of REO properties in communities of color had **gutters that were missing or out of place**, while only 17% of REO properties in White communities had the same problem.
- 42% of REO properties in communities of color had **broken or hanging gutters**, while 0% of REO properties in White communities had the same problem.
- 20% of REO properties in communities of color had **water damage**, while 0% of properties in White communities had the same problem.
- 26% of REO properties in communities of color had **pervasive mold** on the structure, while 0% of properties in White communities had the same problem.

## Philadelphia, Pennsylvania

In Philadelphia, Pennsylvania, Complainants evaluated 17 REO properties owned by Wells Fargo, 10 of which were located in predominantly African-American communities, 4 of which were located in majority Non-White areas, and 3 of which were located in predominantly White communities.

**In Philadelphia, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 67% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while only 21% of REO properties in communities of color had **fewer than 5** deficiencies.
- 64% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while 0% of REO properties in White communities had **more than 5** deficiencies.
- 10% of REO properties in communities of color **had more than 10** maintenance or marketing deficiencies, while 0% of REO properties in White communities **had more than 10** deficiencies.

**In Philadelphia, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 71% of REO properties in communities of color has a **substantial amount of trash** on the property, while only 33% of REO properties in White communities had the same problem
- 36% of REO properties in communities of color had **overgrown grass or leaves** on the property, while 0% of REO properties in White communities had the same problem.
- 21% of REO properties in communities of color had **overgrown or dead shrubs**, while 0% of REO properties in White communities had the same problem.
- 50% of REO properties in communities of color had **broken doors or locks**, while only 33% of REO properties in White communities had the same problem.
- 71% of REO properties in communities of color had **holes in the structure**, while only 33% of properties in White communities had the same problem.
- 64% of REO properties in communities of color had **wood rotting** on the structure, while 0% of REO properties in White communities had the same problem.
- 64% of REO properties in communities of color were **missing a “for sale” sign**, while only 33% of REO properties in White communities had the same problem.

- 71% of REO properties in communities of color had **peeling or chipped paint** on the property, while only 33% of REO properties in White communities had the same problem.
- 36% of REO properties in communities of color had a **small amount of mold**, while 0% of REO properties in White communities had the same problem.

## Oakland, California Metropolitan Area

In Oakland, Richmond, and Concord, California (hereinafter “Oakland metropolitan area”), Complainants evaluated 31 REO properties owned by Wells Fargo, 9 of which were located in predominantly African-African communities, 4 of which were located in predominantly Latino communities, 10 of which were located in majority Non-White communities, and 8 of which were located in White communities.

**In the Oakland metropolitan area, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 75% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while only 22% of REO properties in communities of color **had fewer than 5** deficiencies.
- 74% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while only 25% of REO properties in White communities had **more than 5** deficiencies.

**In the Oakland metropolitan area, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 57% of REO properties in communities of color had **a substantial amount of trash** on the property, while only 25% of properties in White communities had the same problem.
- 52% of REO properties in communities of color had **dead grass covering between 10% to 50% of the lawn**, while only 13% of REO properties in White communities had the same problem.
- 39% of REO properties in communities of color had **broken doors or locks**, while only 25% of REO properties in White communities had the same problem.
- 35% of REO properties in communities of color had **damaged windows**, while only 13% of REO properties in White communities had the same problem.
- 52% of REO properties in communities of color had **a damaged fence** while only 13% of REO properties in White communities had the same problem.
- 39% of REO properties in communities of color had **holes in the structure** while only 25% of REO properties in White communities had the same problem.
- 57% of REO properties in communities of color had **missing “for sale” signs**, but only 25% of REO properties in White communities had the same problem.

- 74% of REO properties in communities of color had **peeling or chipped paint**, while only 25% of REO properties in White communities had the same problem.
- 52% of REO properties in communities of color had **damaged siding** while 0% of REO properties in White communities had the same problem.
- 26% of REO properties in communities of color had **missing gutters**, while 0% of properties in White communities had the same problem.
- 22% of REO properties in communities of color had **broken gutters**, while only 13% of properties in White communities had the same problem.
- 48% of REO properties in communities of color had **water damage**, while only 25% of properties in White communities had the same problem.
- 39% of REO properties in communities of color had a **small amount of mold**, while only 13% of REO properties in White communities had the same problem.

## Miami/Fort Lauderdale, Florida

In Miami and Fort Lauderdale, Florida, Complainants evaluated 19 REO properties owned by Wells Fargo, 6 of which were located in predominantly African-African communities, 1 of which was in a Latino community, 6 of which were in majority Non-White communities, and 6 of which were located in White communities.

**In Miami and Fort Lauderdale, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 50% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while only 38% of REO properties in communities of color had **fewer than 5** deficiencies.
- 62% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while only 50% of REO properties in White communities had **more than 5** deficiencies.

**In Miami and Fort Lauderdale, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 69% of REO properties in communities of color had **a substantial amount of trash** on the property, while only 33% of properties in White communities had the same problem.
- 31% of REO properties in communities of color had **dead grass covering between 10% to 50% of the lawn**, while 0% of REO properties in White communities had the same problem.
- 31% of REO properties in communities of color had **broken doors or locks**, while only 17% of REO properties in White communities had the same problem.
- 54% of REO properties in communities of color had **holes in the structure** while only 33% of REO properties in White communities had the same problem.
- 31% of REO properties in communities of color were **marketed as a distressed property** while only 17% of REO properties in White communities had the same problem.
- 23% of REO properties in communities of color had **broken or discarded signage**, while only 17% of REO properties in White communities had the same problem.
- 62% of REO properties in communities of color had **peeling or chipped paint**, while only 50% of REO properties in White communities had the same problem.

- 31% of REO properties in communities of color had **broken gutters**, while 0% of REO properties in White communities had the same problem.
- 31% of REO properties in communities of color had **water damage**, while only 17% of REO properties in White communities had the same problem.
- 38% of REO properties in communities of color had **exposed or tampered with utilities**, while only 17% of REO properties in White communities had the same problem.

## Dallas, Texas

In Dallas, Texas, Complainants evaluated 27 REO properties owned by Wells Fargo, 7 of which were located in predominantly African-American communities, 10 of which were in Latino communities, 3 of which were in majority Non-White communities, and 7 which were located in White communities.

**In Dallas, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 60% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while only 29% of REO properties in White communities had **more than 5** deficiencies.
- 10% of REO properties in communities of color **had more than 10** maintenance or marketing deficiencies, while 0% of REO properties in White communities had **more than 10** deficiencies.

**In Dallas, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 55% of REO properties in communities of color had a **substantial amount of trash** on the property, while only 29% of properties in White communities had the same problem.
- 40% of REO properties in communities of color had **broken doors or locks**, while only 29% of REO properties in White communities had the same problem.
- 30% of REO properties in communities of color had **damaged windows**, while 0% of REO properties in White communities had the same problem.
- 75% of REO properties in communities of color had **missing “for sale” signs**, while only 57% of REO properties in White communities had the same problem.
- 40% of REO properties in communities of color had **damaged siding**, while only 29% of REO properties in White communities had the same problem.
- 15% of REO properties in communities of color had **gutters that were missing or out of place**, while 0% of properties in White communities had the same problem.
- 15% of REO properties in communities of color had **water damage**, while 0% of REO properties in White communities had the same problem.
- 25% of REO properties in communities of color had **exposed or tampered with utilities**, while 0% of REO properties in White communities had the same problem.

## **Baltimore, Maryland Metropolitan Area**

In the Baltimore, Maryland area, Complainants evaluated 16 REO properties owned by Wells Fargo, 7 of which were located in predominantly African-African communities, 1 of which was in a majority non-White community, and 8 of which were located in White communities.

**In the Baltimore metropolitan area, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 38% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while only 25% of REO properties in communities of color had **fewer than 5** deficiencies.

**In the Baltimore metropolitan area, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 56% of REO properties in communities of color had a **substantial amount of trash** on the property, while only 38% of REO properties in White communities had the same problem
- 50% of REO properties in communities of color had **overgrown or dead shrubs**, while only 25% of REO properties in White communities had the same problem.
- 37% of REO properties in communities of color had **broken doors or locks** while only 13% of REO properties in White communities had the same problem.
- 38% of REO properties in communities of color had **wood rotting on the structure**, while only 13% of REO properties in White communities had the same problem.
- 25% of REO properties in communities of color had **broken or hanging gutters**, while only 13% of REO properties in White communities had the same problem.

## Washington, DC Metropolitan Area

In the Washington metropolitan area, Complainants evaluated 34 REO properties owned by Wells Fargo, 19 of which were located in predominantly African-American communities, 7 of which were in majority non-White communities, and 8 of which were located in White communities.

**In the Washington metropolitan area, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 63% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while only 27% of REO properties in communities of color had **fewer than 5** deficiencies.
- 56% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while only 25% of REO properties in White communities had **more than 5** deficiencies.
- 15% of REO properties in communities of color **had more than 10** maintenance or marketing deficiencies, while 0% of REO properties in White communities had **more than 10** deficiencies.

**In the Washington metropolitan area, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 46% of REO properties in communities of color had a **substantial amount of trash** on the property, while only 25% of REO properties in White communities had the same problem
- 58% of REO properties in communities of color had **overgrown grass or leaves**, while only 38% of REO properties in White communities had the same problem.
- 58% of REO properties in communities of color had **overgrown or dead shrubbery**, while only 38% of REO properties in White communities had the same problem.
- 35% of REO properties in communities of color had **between 10% to 50% of the lawn covered in dead grass**, while only 25% of REO properties in White communities had the same problem.
- 31% of REO properties in communities of color had **broken doors or locks**, while only 13% of REO properties in White communities had the same problem.
- 53% of REO properties in communities of color had **damaged windows**, while 0% of REO properties in White communities had the same problem.

- 39% of REO properties in communities of color had a **damaged roof**, while only 13% of REO properties in White communities had the same problem.
- 27% of REO properties in communities of color had a **damaged fence** while only 13% of REO properties in White communities had the same problem.
- 23% of REO properties in communities of color had **holes in the structure** while 0% of REO properties in White communities had the same problem.
- 23% of REO properties in communities of color had **wood rotting** on the structure, while only 13% of REO properties in White communities had the same problem.
- 57% of REO properties in communities of color had a **missing “for sale” sign**, while only 13% of REO properties in White communities had the same problem.
- 12% of REO properties in communities of color had **obstructed gutters**, while 0% of properties in White communities had the same problem.
- 58% of REO properties in communities of color had a **small amount of mold**, while only 25% of REO properties in White communities had the same problem.
- 42% of REO properties in communities of color had **exposed or tampered with utilities**, while 0% of REO properties in White communities had the same problem.

# **EXHIBIT B**

## **Racial Disparities in Grand Rapids, Michigan**

## Grand Rapids, Michigan

In Grand Rapids, Michigan, Complainants evaluated 37 Wells Fargo REO Properties, 5 of which were located in predominantly African-African communities, 4 of which were located in predominantly Latino communities, and 28 of which were located in predominantly White communities.

**In Grand Rapids, Complainants observed significant racial disparities in the number of maintenance and marketing deficiencies or problems. Complainants found that:**

- 25% of REO properties in White communities **had fewer than 5** maintenance or marketing deficiencies, while 0% of REO properties in communities of color had fewer than 5 deficiencies.
- 100% of REO properties in communities of color **had more than 5** maintenance or marketing deficiencies, while only 68% of REO properties in White communities had **more than 5** deficiencies.
- 100% of REO properties in communities of color **had more than 10** maintenance or marketing deficiencies, while only 29% of REO properties in White communities **had more than 10** deficiencies.
- 44% of REO properties in communities of color **had more than 15** maintenance or marketing deficiencies, while 0% of REO properties in White communities **had more than 15** deficiencies.

**In Grand Rapids, Complainants found significant racial disparities in many of the objective factors it measured. Observed disparities include:**

- 100% of REO properties in communities of color had **substantial amounts of trash**, while only 25% of REO properties in White communities had the same problem
- 33% of REO properties in communities of color had **accumulated mail**, while only 18% of REO properties in White communities had the same problem.
- 44% of REO properties in communities of color had **invasive plants on between 10% and 50% of the property**, while 0% of REO properties in White communities had the same problem.
- 33% of REO properties in communities of color had **broken doors or locks**, while only 18% of REO properties in White communities had the same problem.

- 67% of REO properties in communities of color had **damaged steps or handrails**, while only 21% of REO properties in White communities had the same problem.
- 89% of REO properties in communities of color had **damaged windows**, while only 21% of REO properties in White communities had the same problem.
- 89% of REO properties in communities of color had **a damaged roof**, while only 21% of REO properties in White communities had the same problem.
- 67% of REO properties in communities of color had a **damaged fence** while only 11% of REO properties in White communities had the same problem.
- 67% of REO properties in communities of color had **wood rotting on the structure**, while only 36% of REO properties in White communities had the same problem.
- 56% of REO properties in communities of color were **marketed as a distressed property** while only 36% of REO properties in White communities had the same problem.
- 100% of REO properties in communities of color had a **“for sale” sign missing**, while only 68% of REO properties in White communities had the same problem.
- 100% of REO properties in communities of color had **peeling or chipped paint**, while only 68% of REO properties in White communities had the same problem.
- 78% of REO properties in communities of color had **damaged siding**, while only 57% of REO properties in White communities had the same problem.
- 22% of REO properties in communities of color had **gutters that were missing or out of place**, while 14% of properties in White communities had the same problem.
- 22% of REO properties in communities of color had **obstructed gutters**, while 0% of properties in White communities had the same problem.
- 78% of REO properties in communities of color had **water damage**, while only 18% of REO properties in White communities had the same problem.
- 78% of REO properties in communities of color had a **small amount of mold**, while 50% of REO properties in White communities had the same problem.