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Fannie Mae Violates Its Own Policy by Throwing Tenants Out After Foreclosure

While Fannie Mae has tried to distinguish itself from other financial institutions by adopting policies to offer tenants in foreclosed properties the opportunity to stay in their homes, the lender's ongoing practices tell a very different story: Fannie Mae hires contractors that routinely violate tenants' rights.

Tenants Together, California's statewide organization for renters' rights, operates a hotline for tenants in foreclosure situations. The organization announced today that it has received a growing number of calls from tenants living in properties acquired by Fannie Mae at foreclosure. Tenants in these properties report being harassed and misinformed by Fannie Mae-contracted real estate agents in violation of their rights both under tenant protection laws and Fannie Mae's own, recently adopted policies.

The practices of these realtors undermine Fannie Mae's National REO Rental Policy, which is supposed to allow tenants living in its foreclosed properties the option of either accepting an 'incentive payment to vacate the property (cash-for-keys)' or signing a new 'month-to-month lease.' Fannie Mae recently reported that, since this policy was adopted in January, 2009, only a small fraction of their tenants have signed new month-to-month leases. This has led bank officials to conclude that tenants do not want to stay in their homes, a posterous conclusion according to tenant advocates.

According to Tenants Together, most callers to their Tenant Foreclosure Hotline report being harassed and misinformed by realtors working on behalf of banks which want to vacate and sell the foreclosed properties they acquire. These realtors, who earn their commission when a property is sold, routinely pressure tenants into signing the 'cash-for-keys' offers. By signing these agreements, tenants commit to moving in a short period of time in exchange for money. While banks tout their 'cash-for-keys' offers as benevolent programs, the reality is that tenants are being misled into signing away their rights to stay in their homes for as long as the laws allows. Many tenants who are pressured into signing 'cash-for-key' offers do not have enough time to find a suitable housing alternative.

According to Gabe Treves, Program Coordinator at Tenants Together, "Fannie Mae hires the same realtors as the rest of the banks. These realtors see tenants as a roadblock to their commission, so they bully and mislead them into taking for the 'cash-for-keys' offers and signing away their rights to stay in their homes."

Owen Casper, a San Diego-based tenant, who always paid his rent on time, was surprised to learn that his home of four years had been foreclosed and acquired by Fannie Mae on January 4, 2010. Soon after the foreclosure, he received a letter from Fannie Mae informing him of his option to accept a cash-for-keys offer, stay up to an extra 90 days as permitted by the federal law, or sign a new month-to-month lease.

Mr. Casper decided to sign a new month-to-month lease. However, Mr. Casper reports that the real estate agent that Fannie Mae has sent to work with him has made this impossible, "I have repeatedly told the realtor that I want to sign a new month-to-month lease, but she told me that this option was not available to tenants with existing monthly rental agreements and told me all I could do was take the cash-for-keys and move out- but I know that's just a lie."

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Mr. Casper, who contacted Tenants Together and learned about the Protecting Tenants at Foreclosure Act and Fannie Mae's own policy explains, "after being harassed and lied to by the realtor for so long I've realized that if I'm going to sign a new month-to-month lease I'm going to have to sidestep the greedy realtor and contact Fannie Mae directly." Mr. Casper has left a message with Fannie Mae's Consumer Resource Center and is awaiting a call back.

According to Tenants Together, Mr. Casper's case is typical of tenants in Fannie Mae properties. Over the last couple of weeks, Tenants Together has received calls from Fannie Mae tenants reporting realtor abuse in Alameda, Merced, Riverside, San Joaquin, and Stanislaus counties.

According to Mr. Treves, "if Fannie Mae's policies are going to be at all meaningful, it must first regulate its agents and make sure that they comply with tenant protection laws and Fannie Mae's own policies. Agents who are violating the law or undermining Fannie's policy should be terminated immediately."

Tenants Together has issued a letter to Fannie Mae requesting that it disclose all current policies regarding the selection, monitoring, and termination of contractors working on its residential rental properties and establish a tenant-friendly complaint system for tenants in its foreclosed properties to file complaints over harassment by Fannie Mae contractors. Tenants Together is also requesting that Fannie Mae terminate its relationship with real estate agents, lawyers, and other contractors that violate tenant protections under federal, state, local law and Fannie Mae's own policies.