

**Congress of the United States**  
**House of Representatives**

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074  
MINORITY (202) 225-5051  
<http://oversight.house.gov>

May 11, 2017

The Honorable Melvin L. Watt, Director  
Federal Housing Finance Agency  
Constitution Center  
400 7th Street, SW  
Washington, DC 20219

Dear Director Watt:

I am writing to seek your assistance in preventing certain unscrupulous investors from taking advantage of consumers by obtaining foreclosed properties at bargain-basement prices, leasing them “as is” under lease-to-own agreements, and requiring tenants to pay many times the purchase prices over the course of their leases while bearing all of the costs of repairing and maintaining the properties.

Specifically, I urge the Federal Housing Finance Agency (FHFA), in its capacity as conservator for the Government Sponsored Enterprises (GSE), to restrict investors seeking to purchase real estate owned (REO) properties from offering the properties on lease-to-own or seller-financed purchase arrangements while shirking their responsibilities as landlords and property owners to ensure the habitability of their properties and protect tenants from lead and other hazards. I also urge FHFA to direct the GSEs to take steps to increase sales of REO properties to nonprofit and public entities, including by backing loans to those entities.

On January 18, 2017, I wrote to Timothy Mayopoulos, the President and Chief Executive Officer of Fannie Mae, seeking information on “what specific steps have been taken, or are planned, by Fannie Mae to ensure that the houses it obtains through foreclosure and re-sells will be safe for future residents, and free from lead hazards and code violations.”<sup>1</sup> On February 13, 2017, staff from Fannie Mae briefed my staff on Fannie Mae’s REO disposition policies. Fannie Mae subsequently provided additional information in response to staff requests.

According to information provided by Fannie Mae, “Since 2009, Fannie Mae has acquired and sold more than 1.2 M Real Estate Owned (REO) properties.” While Fannie Mae

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<sup>1</sup> Letter from Ranking Member Elijah E. Cummings to Timothy J. Mayopoulos, President and Chief Executive Officer, Fannie Mae (Jan. 18, 2017) (online at [democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2017-01-18.EEC%20to%20Fannie%20Mae.pdf](http://democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2017-01-18.EEC%20to%20Fannie%20Mae.pdf)).

limits sales of REO properties during the first 20 days of listing to “owner occupants, non-profits, and public entities,” if a property does not sell during that time period, Fannie Mae accepts offers from investors.<sup>2</sup>

Data provided by Fannie Mae indicate that, nationwide, “approximately 64% of its REO dispositions have been sold to owner occupants” since 2009. In the Baltimore-Columbia-Towson metropolitan statistical area in Maryland, 54% of Fannie Mae’s REO sales in 2016 were to owners, while the remaining sales were to investors.<sup>3</sup>

Enclosed is a letter I sent today to Vision Property Management raising serious concerns about the company’s business model and claims made by its counsel that it is exempt from certain obligations as a landlord and property owner. It appears that Vision boosts its profits by ignoring state and local laws requiring it to ensure the habitability of its properties and protect tenants from hazards, including lead.

Between 2010 and 2014, Fannie Mae sold 3,417 REO properties to Vision through pool sales. Although Fannie Mae discontinued pool sales in 2014, Vision has continued to acquire REO properties from Fannie Mae.<sup>4</sup>

I request that FHFA, as conservator of Fannie Mae and Freddie Mac, act to ensure that REO properties purchased by investors cannot be offered on lease agreements that aim to shift all of the risks and costs of maintaining properties onto tenants and that fail to comply with state laws.

In addition, there are many nonprofit and public entities that seek to purchase and rehabilitate REO properties to ensure these properties’ availability—and safety—for aspiring homeowners. If Fannie Mae can guarantee financing to large, sophisticated private equity firms like Blackstone,<sup>5</sup> then surely Fannie Mae and Freddie Mac can guarantee financing for nonprofit organizations. Nonprofit and public entities need financing to purchase and rehabilitate homes, and helping these entities obtain REO properties from the GSE’s portfolios should be a primary goal for FHFA moving forward.

I appreciate your consideration of these requests, and I look forward to working with you to ensure our constituents have access to safe and affordable home ownership opportunities. If

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<sup>2</sup> Briefing to House Committee on Oversight and Government Reform, “Fannie Mae REO Policy,” Fannie Mae (Feb. 13, 2017).

<sup>3</sup> Email from David Bohley, Director, Government and Industry Relations, Fannie Mae, to House Committee on Oversight and Government Reform Minority Staff (March 16, 2017).

<sup>4</sup> Fannie Mae, *Fannie Mae REO Policy* (Feb. 13, 2017).

<sup>5</sup> *Blackstone Wins Fannie’s Backing for Rental Home Debt*, Wall Street Journal (Jan. 24, 2017) (online at [www.wsj.com/articles/blackstone-wins-fannies-backing-for-rental-home-debt-1485265237](http://www.wsj.com/articles/blackstone-wins-fannies-backing-for-rental-home-debt-1485265237)).

The Honorable Melvin L. Watt, Director  
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you would like to discuss this letter, please contact Lucinda Lessley on my staff at (202) 225-5051.

Sincerely,

A handwritten signature in blue ink, appearing to read "Elijah E. Cummings", with a stylized flourish at the end.

Elijah E. Cummings  
Ranking Member

Attachment

cc: The Honorable Jason Chaffetz  
Chairman, Committee on Oversight and Government Reform

Timothy J. Mayopoulos  
President and CEO, Fannie Mae

Donald H. Layton  
CEO, Freddie Mac

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May 11, 2017

Alex Szkaradek  
Chief Executive Officer  
Vision Property Management  
16 Berryhill Road  
Columbia, SC 29210

Dear Mr. Szkaradek:

I am writing to insist on the production of documents and information that Vision Property Management has refused to produce relating to rental properties it owns in Maryland and other states. Vision's limited document production to date has heightened concerns about the potential harm Vision may be inflicting on families in Maryland and throughout the United States.

It appears that Vision reaps significant financial rewards by obtaining foreclosed properties at bargain-basement prices, leasing them "as is" under lease-to-own agreements, and requiring tenants to pay many times the purchase prices over the course of their leases while bearing all of the costs of repairing and maintaining the properties. It also appears that Vision boosts its profits by ignoring state and local laws requiring it to ensure the habitability of its properties and protect tenants from lead and other hazards. The production of all of the requested documents is necessary to fully understand the scope of Vision's actions.

**Previous Requests for Information**

On January 18, 2017, I wrote to Vision seeking documents about foreclosed, real estate owned (REO) properties that Vision and its affiliates purchased from the Government Sponsored Enterprises (GSE)—Fannie Mae and Freddie Mac—or the U.S. Department of Housing and Urban Development (HUD).<sup>1</sup>

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<sup>1</sup> Letter from Ranking Member Elijah E. Cummings, House Committee on Oversight and Government Reform, to Alex Szkaradek, Chief Executive Officer, Vision Property Management (Jan. 18, 2017) (online at [democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2017-01-18.EEC%20to%20Vision%20Property%20Management.pdf](https://democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2017-01-18.EEC%20to%20Vision%20Property%20Management.pdf)).



My staff met with attorneys representing Vision on March 10 to discuss my request. On March 17, Vision produced limited information and a handful of documents. However, there were several specific requests in my January 18 letter to which Vision has not responded.

My staff sent an email on March 29, 2017, to your attorneys requesting additional documents and information.<sup>2</sup> On April 10, Vision produced four documents, but again did not respond to several document requests posed by my staff. On May 3, my staff again met with your attorneys at their request to discuss the documents that Vision has produced to date.

Yesterday, your attorneys sent a letter to my staff conceding that “there was an oversight” on the part of your company in failing to identify and remediate lead hazards in the home of one of your rental properties at 524 N. Loudon Avenue in Baltimore. Despite the fact that your attorneys have declined to provide many of the documents that we requested, their letter suggested that this response “concludes the Inquiry.”<sup>3</sup>

### **Vision’s Business Model**

According to data provided by Fannie Mae, between 2010 and 2014, Vision purchased 3,417 REO properties around the country from Fannie Mae through pool sales. Fannie Mae discontinued pool sales in 2014, but Vision has continued to acquire REO properties from Fannie Mae.<sup>4</sup>

In 2014, one of the properties Vision purchased from Fannie Mae through a pool sale was 524 N. Loudon Avenue in Baltimore, for which Vision paid \$5,350.<sup>5</sup> On December 1, 2014, Vision leased the property to a tenant for a term of 84 months. The contract between Vision and the tenant was clearly labeled at the top in capital letters: “RESIDENTIAL LEASE WITH OPTION TO PURCHASE AGREEMENT.”<sup>6</sup>

According to that agreement, the tenant was required to pay Vision \$1,240 for the first month. Of that amount, \$800 was for an “option consideration,” and \$235 was for a monthly

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<sup>2</sup> Email from Democratic Staff, House Committee on Oversight and Government Reform, to Counsel to Vision Property Management (Mar. 29, 2017).

<sup>3</sup> Letter from Counsel to Vision Property Management to Democratic Staff, House Committee on Oversight and Government Reform (May 10, 2017).

<sup>4</sup> Fannie Mae, *Fannie Mae REO Policy* (Feb. 13, 2017).

<sup>5</sup> Property Appraisal (TAX/APN) Parcel Identification Number 20-03-2295-015D, Special Warranty Deed, Recordation Date 10-1-2014 (Oct. 1, 2014).

<sup>6</sup> Residential Lease with Option to Purchase Agreement, Between Kaja Holdings 2, LLC and Tenants (Nov. 28, 2014). *See also* Letter from Counsel to Vision Property Management to Democratic Staff, House Committee on Oversight and Government Reform (Apr. 10, 2017) (“[I]t is deeply regrettable that there were lead-based paint hazards present at 524 N. Loudon Avenue when Vision purchased the property from Fannie Mae and subsequently *leased* it to Tiffany Bennett.”) (emphasis added).

lease payment. The remaining amount of the first payment covered taxes and insurance. Under the lease, the tenant was to make 83 monthly lease payments of \$440 each.<sup>7</sup>

According to Fannie Mae, at the time the property was sold to Vision, it was uninhabitable.<sup>8</sup> Yet, the lease placed all costs of repairing and maintaining the property solely on the tenant. Vision has not produced any documents demonstrating that it made any repairs to the property before it concluded the lease agreement with the tenant.

According to the agreement, the tenant had an option to purchase the property during, or at the end of, the lease, for a lump sum of \$29,000. If the tenant exercised the option, the tenant would have received credit for the \$800 “option consideration” paid at the beginning of the contract plus approximately \$35 of each monthly rental payment, lowering the lump sum that would have been required to purchase the property to approximately \$25,000.

Had the tenant purchased the property from Vision at the end of the lease, the tenant would have made total payments in excess of \$62,000, or more than 11 times the purchase price Vision paid Fannie Mae for the property.

Fannie Mae’s pool sales agreement included a “Lead Warning Statement” in its REO Pool Sale Agreement:

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning.<sup>9</sup>

According to the *New York Times*, as a result of the lead hazards in the home at 524 N. Loudon, “Two children, both younger than 6 ... were found to have dangerous levels of lead in their blood.”<sup>10</sup>

The Baltimore City Health Department’s notice and order to Kaja Holdings 2, LLC—a Vision subsidiary—detailing lead hazards at the property show that lead was detected in the home’s foyer, living room, dining room, kitchen, bedrooms, and bathrooms.<sup>11</sup>

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<sup>7</sup> Residential Lease with Option to Purchase Agreement, Between Kaja Holdings 2, LLC and Tenants (Nov. 28, 2014)

<sup>8</sup> Briefing from Fannie Mae Staff to Democratic Staff, House Committee on Oversight and Government Reform (Jan. 13, 2017).

<sup>9</sup> REO Pool Sale Agreement Between Fannie Mae and Vision Property Management (Aug. 12, 2014).

<sup>10</sup> *Seller-Financed Deals Are Putting Poor People in Lead-Tainted Homes*, The New York Times (Dec. 26, 2016) (online at [www.nytimes.com/2016/12/26/business/dealbook/seller-financed-home-sales-poor-people-lead-paint.html?\\_r=0](http://www.nytimes.com/2016/12/26/business/dealbook/seller-financed-home-sales-poor-people-lead-paint.html?_r=0)).

<sup>11</sup> Baltimore City Health Department, Violation Notice and Order to Remove Lead

### **Vision's Legal Obligations As Landlord and Property Owner**

Vision has not produced any documents indicating that it inspected properties it purchased from Fannie Mae for the presence of lead or mitigated any lead hazards present in the properties before leasing them.

As mentioned above, attorneys representing Vision met with my staff on May 3. During that meeting, they stated that Maryland's landlord/tenant laws apply only "to some degree" to properties leased by Vision. They claimed that since Vision's lease agreements include an option to purchase properties, they confer an "equitable interest" and do not create landlord/tenant relationships.

These arguments appear to contradict the intent and plain language of the statutes of Maryland and the laws of Baltimore.

Maryland state law "imposes an obligation upon landlords to repair and eliminate conditions and defects which constitute, or if not promptly corrected will constitute, a fire hazard or a serious and substantial threat to the life, health or safety of occupants."<sup>12</sup>

Under Maryland's Reduction of Lead Risk in Housing Act, the owner of a rental property constructed prior to 1978 must register the property with the Maryland Department of the Environment<sup>13</sup> and renew that registration annually.<sup>14</sup> In addition, the owner must meet the statute's Full Risk Reduction Standard at every change in occupancy.<sup>15</sup>

Maryland's Real Property statutes define the term "landlord" as "any landlord, including a 'lessor,'" and the term "tenant" as "any tenant including a 'lessee.'"<sup>16</sup>

Maryland's Landlord and Tenant statute defines "lease option agreement" as "any clause in a lease agreement or separate document that confers on the tenant some power, either qualified or unqualified, to purchase the landlord's interest in the property." It also requires:

A lease option agreement to purchase improved residential property, with or without a ground rent, executed after July 1, 1971 shall contain a statement, in capital letters, THIS IS NOT A CONTRACT TO BUY.<sup>17</sup>

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Hazard (Sept. 15, 2015).

<sup>12</sup> Maryland Real Property Code Ann. § 8-211.

<sup>13</sup> Md. Environment Code Ann. § 6-811.

<sup>14</sup> Md. Environment Code Ann. § 6-812.

<sup>15</sup> Md. Environment Code Ann. § 6-815.

<sup>16</sup> Md. Real Property Code Ann. § 1-101.

<sup>17</sup> Md. Real Property Code Ann. § 8-202.

Similarly, under the Baltimore City Code, a landlord must ensure the habitability of any property the landlord rents: "In any written or oral lease or agreement for rental of a dwelling intended for human habitation, the landlord shall be deemed to covenant and warrant that the dwelling is fit for human habitation."<sup>18</sup>

The Code explains that "fit for human habitation" means that "the premises shall not have any conditions which endanger the life, health and safety of the tenants, including, but not limited to vermin or rodent infestation, lack of sanitation, lack of heat, lack of running water, or lack of electricity."<sup>19</sup> The Code states that this obligation "shall not be waived by any written or oral lease or agreement for rental of a dwelling intended for human habitation."<sup>20</sup>

### **Renewal of Request for Documents**

I have grave concerns about the physical and financial wellbeing of tenants in leases with Vision and any consumers who may be considering leasing properties currently offered by Vision. Vision has owned and leased more than 50 properties in Maryland, including many in Baltimore.<sup>21</sup> Vision was offering ten additional Maryland properties for lease as of March 2017.<sup>22</sup>

For these reasons, I request that you produce the information and documents set forth below in unredacted form, by May 25, 2017:

Information and documents requested in my January 18 letter:

1. the total number of homes Vision and its subsidiaries have acquired from Fannie Mae, Freddie Mac, or HUD in each state, and the total sales prices paid by Vision and its subsidiaries for each of these homes;
2. the total number of lease-to-own or other seller-financed sales agreement transactions that Vision and its subsidiaries have concluded for these homes by state;
3. the total number of homes offered by Vision or its subsidiaries in lease-to-own or other seller-financed agreement transactions that had lead hazards or code violations at the time the lease-to-own or other type of seller-financed agreement came into effect by state;

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<sup>18</sup> Baltimore City Code, Article 4, Subtitle 9, § 9-14.1(a).

<sup>19</sup> Baltimore City Code, Article 4, Subtitle 9, § 9-14.1(b)(3).

<sup>20</sup> Baltimore City Code, Article 4, Subtitle 9, § 9-14.1(d).

<sup>21</sup> Email from Counsel to Vision Property Management, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 17, 2017).

<sup>22</sup> *Id.*



4. the total number of lease-to-own or other seller-financed sales agreement transactions that have resulted in default for these homes by state; and
5. the total amount of money that Vision and its subsidiaries have been paid for these homes by tenants under lease-to-own agreements or any other type of seller-financed agreements, by state.

The information and documents requested in my staff's March 29 email relating to properties in Maryland:

1. all agreements between Fannie Mae and Vision pursuant to which Vision participated as an approved purchaser of Fannie REO properties in Maryland, including all documents pertaining to Vision's obligations as a purchaser of REO properties;
2. all documents Fannie provided to Vision relating to the condition, habitability, or livability of properties Vision purchased in Maryland, including inspection reports;
3. all applicable terms associated with the provision in Vision's residential lease agreements whereby lessees for properties in Maryland may convert to seller financing upon the expiration of the agreement;
4. all documents related to the registration (and subsequent annual renewals of such registrations) by Vision of all rental properties in Maryland built before 1978 with the Maryland Department of the Environment;
5. all certificates and documents pertaining to all inspections for lead and lead hazards conducted by Vision on all of its Maryland properties built before 1978, including but not limited to the Lead Risk Reduction Inspection Certificates and any documents citing the discovery of any lead hazards on any property in Maryland;
7. all documents that Vision provided to the tenant regarding housing code violations associated with, or conditions affecting the habitability or livability of, the property at 524 N. Loudon Ave. when the tenant contracted for the lease of this property;
8. all documents pertaining to any refunds or reimbursements Vision made to the tenant for the expenditures made to improve the habitability or condition of the property at 524 N. Loudon Ave.; and
9. all documents related to the abatement or remediation of any lead hazards at 524 N. Loudon Ave. paid for by Vision.

The following additional information and documents:

1. the amount of money the tenant paid to Vision pursuant to the residential lease agreement or otherwise up to the time the tenant vacated the property at 524 N. Loudon Ave.;
2. the amount of money Vision made from tenants in its properties for providing maintenance and repair services that were billed back to tenants for the properties in which they reside, disaggregated by state; and
3. all documents pertaining to any inspections that Vision conducted of any property it purchased from the GSEs or HUD to identify lead hazards as well as any lead hazard abatements Vision has conducted at any property it purchased from the GSEs or HUD in any U.S. state.

If you have any questions relating to this request, please contact Lucinda Lessley on my staff at (202) 225-5051.

Sincerely,



Elijah E. Cummings  
Ranking Member

cc: The Honorable Jason Chaffetz  
Chairman, Committee on Oversight and Government Reform

The Honorable Ben Carson  
Secretary, U.S. Department of Housing and Urban Development

The Honorable Brian E. Frosh  
Maryland Attorney General

The Honorable Ben Grumbles  
Secretary, Maryland Department of the Environment

The Honorable Melvin L. Watt  
Director, Federal Housing Finance Agency