



THE 9TH ANNUAL COMMUNITY DEVELOPMENT SUMMIT REPORT

Foreclosure: Impacts & Opportunities

Presented by the Urban Economic Development Association of Wisconsin and the City of Milwaukee

This year's Summit focused on an issue that has been in the forefront of communities across the nation – the impact of foreclosures and the current housing crisis. Approximately 160 participants from across southeastern Wisconsin took part in this event including community-based organizations, government, business and civic leaders, and the general public.

Opening Remarks

- *City of Milwaukee Mayor Tom Barrett* opened the Summit by sharing how he has seen the negative effects of rising foreclosure rates on families, neighborhoods and City resources. He described some of the efforts that have been in place since 2008, and thanked participants for their interest in and commitment to this issue.
- *Eric Von* from *1290 WMCS-AM* served as MC and Moderator for the event. He opened the first session by presenting “The Facts” (found on page 5 of this handout). This served to establish where the City of Milwaukee was in terms of the number of foreclosure filings, number of vacant/abandoned properties and the impact to City resources and its tax base.
- *ComedySportz Milwaukee* was on hand to present “Foreclosure 101,” assisting to explain industry jargon and busting some long-held myths on why we're in the current housing crisis and what caused the high number of foreclosures.

Keynote Speaker

John Taylor, President & CEO, National Community Reinvestment Coalition (NCRC)

His presentation focused on describing the origins of the current housing crisis, the importance of recent financial reforms to address those causes, the role that banks and other lenders play in revitalizing neighborhoods and how crucial nonprofit counseling agencies are to this work. His key points included:

- Need to continue to counteract the misperception that the Community Reinvestment Act (CRA) and Fannie Mae and Freddie Mac were responsible for the current housing crisis – if we do not truly understand or learn from this, we will be doomed to repeat it.
- The lesson is “regulation matters” – as well as enforcement. There were clear conflicts of interest throughout the system; a free market must be accompanied by the rule of law so there is balance. For example, less than 7% of high-cost loans came from CRA-regulated institutions or banks.
- However, there was tremendous growth in lending activity by parties who were not regulated by CRA or the Federal Government. It is important we level the playing field for all participants in the financial services sector. NCRC is now working on the modernization of the CRA to address this.
- Currently, there just are not enough resources to address the continued “piling up” of foreclosures. Government programs and efforts have not been effective – participation is not mandatory. These programs need to work in such a way that they support efforts on the ground.
- There should be consideration of a national moratorium on foreclosures – clearly the problem is still overwhelming. Where is the commitment to make sure that homeowners do not fail?
- Rising foreclosures continue to drive the economy down – how can we go beyond politics and have an honest conversation about what is at stake? The current partisanship in Washington DC has paralyzed efforts to work towards different solutions.

His recommendations included:

- ✓ Continue and increase Federal support for the work of nonprofit counseling agencies and other community-based organizations that working to stabilize neighborhoods.
- ✓ Revise the Making Home Affordable program (HAMP &HARP) to make it mandatory for banks and other lenders to participate. Also, need to address the role of Fannie and Freddie.
- ✓ Support modernization of the Community Reinvestment Act (CRA) to level the playing field in the financial services industry. Our neighborhoods, especially the underserved ones, need a free market and the influx of capital to be successful – banks are their best hope. Information on the Community Investment Act of 2010 (HR 6334) can be found at www.expandcra.org.
- ✓ Move beyond blame for the current housing crisis and have an honest and open discussion about solutions that can jumpstart micro-economies in neighborhoods and communities. What are some of the more sensible approaches that we can utilize? We need a unity of purpose to climb out of this crisis and help individuals, families and communities across America.

Discussion Panel

Eric Von of 1290 WMCS-AM moderated a panel discussion of representatives from community organizations that are active in addressing foreclosures. The panelists described their organization's efforts related to addressing foreclosures in Milwaukee neighborhoods:

- **Rev. Bobby Sinclair** described how Common Ground of SE WI, a network of congregations and religious groups, utilized their members to draw attention to the issue by requesting that banks and others who hold foreclosed properties make significant investments to address the problems of vacant/abandoned houses. Common Ground was able to meet with representatives of Deutsche Bank in Germany, an out-of-state lender that holds many foreclosed properties in Milwaukee. Their requests to Deutsche Bank included assessing the property (sell or demolish), sell properties to owner-occupants and to make investments in securing these properties.
- **Sam Leichtling** discussed how the City of Milwaukee Department of City Development is working on foreclosure prevention as a stabilization strategy. The City has recently completed obligating its first round of federal funds (NSP), which created 372 housing units out of foreclosures and leveraged an additional \$24million in private resources. The second round of NSP was just launched, but it is clear that the resources are too limited to address the high numbers of foreclosures (currently the City has 6,400 open filings). They are actively marketing programs that assist people with the rehabilitation of foreclosed homes and support investments in neighborhoods.
- **Trena Bond** talked about how Housing Resources is working with the Greater Milwaukee Foundation and the Healthy Neighborhoods Initiative (HNI) to market the opportunities to purchase foreclosed homes in these neighborhoods. Housing Resources has held "Home Tours" in these neighborhoods that showcase foreclosed properties, and work to attract purchase-ready, interested buyers. In 2009, 7 of the Healthy Neighborhoods participated in 8 tours, with 425 people participating in workshops. As a result, 17 foreclosed properties were purchased and 18 on-the-market properties were sold, translating to \$1,503,086 in mortgage investment in the Healthy Neighborhoods. Also, of the 53 homes featured on the tours, 13 were sold to owner-occupants. In the first two quarters of 2010, an additional 14 homebuyers closed loans creating \$1,242,265 in mortgage investment.
- **Art Dahlberg** from the City of Milwaukee Department of Neighborhood Services (DNS) described the role that DNS plays in a multi-agency strategy to secure and stabilize foreclosed

properties. Their efforts include a number of new ordinances to make transparent who is responsible for property maintenance, working with the police and Public Works to identify and assess over 4,000 vacant/abandoned properties in the City and convening a group of lenders, servicers, trustees and property owners to discuss what else can be done to decrease risks to the community.

- **Amy Koltz** of the Milwaukee Foreclosure Mediation Program talked about the implementation of the Mediation program since July 2009. All foreclosure filings in Milwaukee County receive a Mediation program notice; participation is voluntary for both parties. Most lenders choose to participate and homeowners work with housing counselors. Mediations are face-to-face with a lender representative, mediator, borrower and the servicer on the phone. The goal is to assess what options are available for a sustainable solution to the foreclosure action. To date, more than 250 homeowners have been able to negotiate a solution that allows them to remain in their home as a result of participating in the mediation program. Also, 54 homeowners continue to work directly with their lender to find a solution and 74 homeowners are scheduled for an upcoming mediation session. Homeowner and lender representative feedback has been overwhelmingly positive, with more than 88.5% of those surveyed indicating they are satisfied with their experience in mediation regardless of the outcome, and 97.2% would recommend mediation to others in foreclosure. For more information visit <http://law.marquette.edu/foreclosure/>.
- **Iris Gonzalez** from Select Milwaukee, Inc. discussed her work as a housing counselor, stating that it was important for people who are facing foreclosure to know that there are nonprofit agencies that provide free counseling and there are options available. The counselor can help put a face/person to the loan number when trying to negotiate with a lender or servicer. She also noted that it is important for people to share information on the resources available, as well as publicize the work that counselors are doing on the ground. She has seen all kinds of people who need help – this issue has affected all segments of the population. Lastly, she noted that an overall lack of accountability in all parts of the housing sector drove the current crisis – policy and advocacy matter.
- **Bethany Sanchez** of the Metropolitan Milwaukee Fair Housing Council shared some of the on-going work on the long-term prevention side of the issue, including strategies to increase the number of homebuyers that receive pre-purchase education and policy work on regulations. An emerging issue has been the increase of foreclosure “rescue” scams – the Wisconsin state legislature passed a law last year to restrict how these operations happen, as well as a law that regulates mortgage brokers more firmly. At the Federal level, Senator Kohl was instrumental in passing tenant protection laws and with the Federal Financial Reform bill as a result a Consumer Financial Protection Bureau was established. The current focus is now on ensuring that the CRA modernization bill is passed.

Small Group Discussion & Feedback

In the small group discussions, participants were asked to respond to five questions, designed to gain feedback on current efforts to mitigate the impact of foreclosures and gain new insight and ideas on how to move forward. What follows is a summary of those responses:

- 1) **What suggestions can you provide on how to engage community residents in monitoring vacant or foreclosed properties in areas of the city with high numbers of foreclosures?**
 - *Provide assistance to residents and others to form groups that can monitor properties; allow these groups some autonomy and get neighborhood youth involved in maintenance*
 - *Collaborate with faith-based institutions to organize residents at the neighborhood level*
 - *Hold smaller “housing summits” to inform residents and encourage information-sharing*
 - *Engage renters, the post office and Realtors in monitoring*

- 2) **Earlier in the program, it was mentioned that the city had brought together some working groups of lenders to find strategies to address foreclosure intervention practices and the disposition of properties. What do you suggest they focus on? What are the consumer experiences they should know about?**
 - *Need to inform individuals more on this process so they can respond/participate*
 - *Work with assessor’s office to cull inventory by demolishing properties that qualify for razing*
 - *Develop a more orderly transition of sale to decrease disruption to families*
 - *Be aware of debt issues affecting homeowners due to the economy (credit, medical, etc.)*

- 3) **How can we connect available resources to people facing foreclosure or having mortgage problems?**
 - *Utilize a common brand like Take Root Milwaukee and keep establishing it in the community as a gateway to resources available. Need to counteract scammers who advertise heavily.*
 - *Use local newspapers, shopper guides, foreign language periodicals, unconventional media, notices at places people frequent (grocery bags, food pantries, etc.), bus stop ads, schools to distribute information to parents and debt/bill collectors.*
 - *Continue partnering with community organizations, schools, churches, neighborhood groups to get the information out.*

- 4) **What can be done to generate demand for the purchase of foreclosed properties?**
 - *Provide clear information to buyers on how to purchase one – costs, resources, timeline and guide people through various program requirements. Share this information with neighborhood organizations and encourage them to promote.*
 - *Explore assistance through a sweat-equity model*

- 5) **What recommendations do you have for follow up to this event? What should be worked on?**
 - *Continue sending information to attendees at the event through email or a newsletter; update them on resources and issues.*
 - *Familiarize people with CRA, efforts to modernize it and other work lenders are doing.*
 - *Have banks provide information on what they are doing and what’s available to the public.*



Interested in learning more about how you can help address the impacts of foreclosures in your neighborhood or community?

*Get involved with a local community group – we can help connect you!
Contact UEDA at (414)562-9904 or Kristi@uedawi.org for details.*

9TH Annual



Tuesday, October 12, 2010

FORECLOSURES IN MILWAUKEE: THE FACTS

Background/Current Status

- In 2008 and 2009, there were **over 10,000 foreclosure filings** in the City of Milwaukee – double historical averages.
- There are **currently 1,353 lender-owned foreclosed properties** in the City. In addition, there are **557 City-owned tax foreclosed properties**.
- There are **currently over 6,400 properties in the foreclosure process** in the City.
- **Subprime lending activity in Milwaukee County peaked in 2005** – increasing from \$7.7 million in 1993 to over \$1 billion in 2005. In Milwaukee, the subprime lending activity disproportionately impacted Milwaukee's low-income and minority families. In 2006, over half (59%) of the mortgages issued in the Community Development Block Grant Area were either subprime or high-interest mortgages.
- Over 50% of the subprime lending activity was refinancing loans for existing homeowners. **Long-term homeowners, who have been a stabilizing force for City neighborhoods, are being displaced.**
- Currently, **Milwaukee is experiencing the “second wave” of foreclosures** – related to the economy and job losses.

Foreclosures are impacting City neighborhoods, residents and government...

- Many of the **neighborhoods hardest hit** are also neighborhoods where the City and its partners have made significant investments over the past several years.
- While 60-70% of foreclosures involve owner-occupied properties, **less than 30% of foreclosed properties are being sold to owner-occupants.**
- **Foreclosures are impacting the City's tax base and consuming City resources.** There has been a decline in the City's residential tax base in the past two years of almost \$2 billion. This has resulted in **an estimated loss of \$16.7 million in tax revenue.** In addition, City government resources are being stretched to address increasing numbers of foreclosed and vacant properties including costs to inspect and maintain properties that are not being adequately cared for by their owners.
- **Foreclosures are impacting individuals and families as well.** There are increasing numbers of families seeking help as a result of being displaced due to foreclosure actions. A significant number of those impacted by foreclosures have been elderly individuals and families with minor children. Milwaukee Public Schools reports increased enrollment in the District's Homeless Program.

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Response

The City of Milwaukee and its partners have been working in a comprehensive effort to address the impacts of foreclosures on the community. These include but are not limited to:

- The 2008 formation of the **Milwaukee Foreclosure Partnership Initiative (MFPI)**, a public-private partnership that enlisted more than 100 individuals and agencies charged with crafting and implementing a comprehensive approach to address the foreclosure impacts in the community.
- The creation of a **court-based mediation program** to assist families in the process of foreclosure.
- The formation of the **Milwaukee Homeownership Consortium** - a formal partnership among area lenders, housing counseling agencies, and other housing professionals to increase the number of consumers who receive pre-purchase counseling and foreclosure intervention services.
- Advocacy and support for **the passage of legislation at the state and local levels** to preserve vacant properties and protect the rights of tenants during foreclosure and to protect homeowners from mortgage rescue scams.
- Implementation of the **City's Neighborhood Stabilization Program**, utilizing over \$38 million in federal funds to address the responsible acquisition, development and disposition of foreclosed properties.
- Increased resources to support the work and **expand the capacity of local nonprofit housing counseling agencies** that are on the front lines of the foreclosure crisis and provide services to homeowners who are at risk of losing their homes to foreclosure.

Creation of a **comprehensive website** (www.milwaukeehousinghelp.org) to link individuals and neighborhood groups to information about foreclosed properties and other relevant resources, including referral information for counseling agencies that provide foreclosure intervention services.