



# *Attachment 1-Overview of Ch. IV, Part 3, “Housing Foreclosure Activity in the Region” of the Regional Housing Plan*



Environmental Justice Task Force

March 3, 2011



# *Introduction*

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- Negative Impacts of Foreclosures and Abandoned Homes
- Causes of Foreclosures
- Foreclosure Process in Wisconsin
- Foreclosure Activity in the Region
- Legislation and Assistance Programs



# *Negative Impacts of Foreclosures and Abandoned Homes*

- Negative family impacts
  - Displacement and housing instability
  - Financial insecurity and economic hardship
  - Personal and family stress and ill health
- Negative community impacts
  - Declining property values and physical deterioration
  - Crime, social disorder, and population turnover
  - Impact on local government - declining tax revenue and increasing demand for services
- Cost of a typical foreclosure is estimated to be \$79,443
  - \$7,200 cost to homeowner
  - \$50,000 to lender
  - \$19,299 to local government
  - \$3,016 reduction in neighboring property values



# *Causes of Foreclosures*

- Initial increase of foreclosures in 2006 and 2007
  - Increase in high risk loans such as high cost or “subprime” loans, particularly with adjustable rates
  - Growth of asset-backed securities market, which shifted the primary source of mortgage finance to institutions subject to less Federal oversight
- As economic recession worsened during 2008 and 2009 the rate of mortgage foreclosures increased, including among prime fixed-rate loans
- Community Reinvestment Act (CRA) is often alleged to have contributed to the foreclosure crisis; however, research contradicts this view
  - Foreclosure crisis is recent while CRA requirements have been in place for 30 years; crisis came after a period of decreased lending subject to CRA



# *Foreclosure Process in Wisconsin*

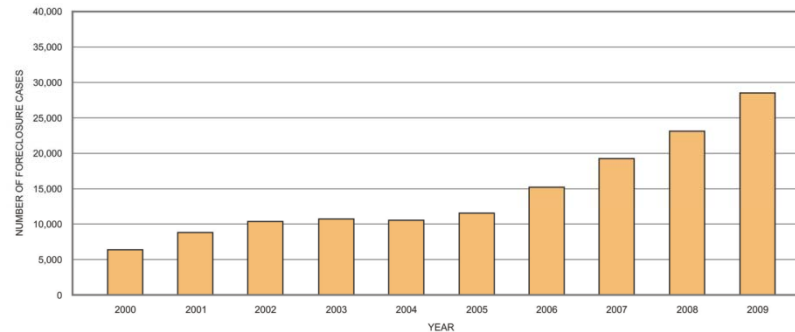
- Tenants of foreclosed rental properties had limited legal protections against immediate eviction prior to 2009
- Federal “Protecting Tenants at Foreclosure Act”
  - Tenants must be provided 90 days notice prior to eviction
- Section 704.35 of the *Wisconsin Statutes*
  - Landlords must provide notice to new tenants if a foreclosure action has begun
- Section 846.35 of the *Wisconsin Statutes*
  - Allows tenants to remain in a rental unit for up to two months
  - Prohibits information regarding a tenant being evicted due to foreclosure on the Wisconsin Circuit Court Access website



# Foreclosure Activity in the Region

Figure IV-6

## FORECLOSURE ACTIVITY IN THE STATE OF WISCONSIN: 2000-2009

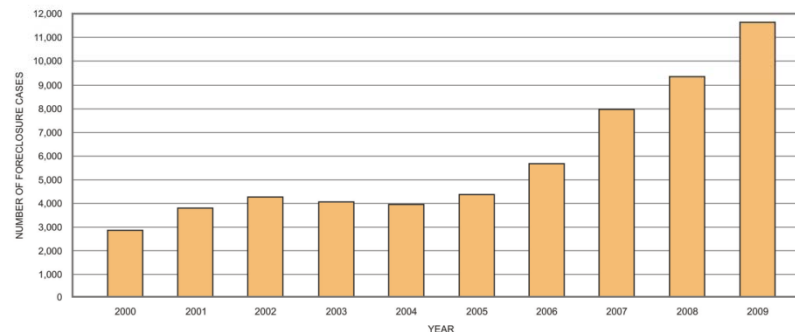


NOTE: 1. The data is based on foreclosure case filings as reported in the Wisconsin Circuit Court Consolidated Court Automation Programs case management system.  
2. Some foreclosure actions against a property owner may actually reflect numerous properties (i.e. in case of a landlord who owns several rental properties); these duplicate properties will not be found in the dataset.

Source: University of Wisconsin-Extension Center for Community and Economic Development and SEWRPC.

Figure IV-7

## FORECLOSURE ACTIVITY IN THE SOUTHEASTERN WISCONSIN REGION: 2000-2009



NOTE: 1. The data is based on foreclosure case filings as reported in the Wisconsin Circuit Court Consolidated Court Automation Programs case management system.  
2. Some foreclosure actions against a property owner may actually reflect numerous properties (i.e. in case of a landlord who owns several rental properties); these duplicate properties will not be found in the dataset.

Source: University of Wisconsin-Extension Center for Community and Economic Development and SEWRPC.



# Foreclosure Activity in the Region

Table IV-29

FORECLOSURE ACTIVITY IN THE SOUTHEASTERN WISCONSIN REGION: 2000, 2005, AND 2009

County	Foreclosure Cases (2000)			Foreclosure Cases (2005)			Foreclosure Cases (2009)		
	Number	Percent	Cases as a Percent of Total Housing Units	Number	Percent	Cases as a Percent of Total Housing Units	Number	Percent	Cases as a Percent of Total Housing Units
Kenosha County	294	10.1	0.49	476	10.8	0.72	1,238	10.6	1.82
Milwaukee County	1,719	59.1	0.43	2,461	55.9	0.60	6,323	54.2	1.54
Ozaukee County	64	2.2	0.20	91	2.1	0.26	266	2.3	0.74
Racine County	299	10.3	0.40	509	11.6	0.64	1,221	10.5	1.50
Walworth County	150	5.2	0.34	280	6.4	0.57	726	6.2	1.42
Washington County	108	3.7	0.24	174	3.9	0.34	552	4.7	1.02
Waukesha County	273	9.4	0.19	412	9.3	0.27	1,335	11.5	0.85
Region	2,907	100.0	0.36	4,403	100.0	0.52	11,661	100.0	1.36

Source: U.S. Bureau of the Census, University of Wisconsin-Extension Center for Community and Economic Development, and SEWRPC.



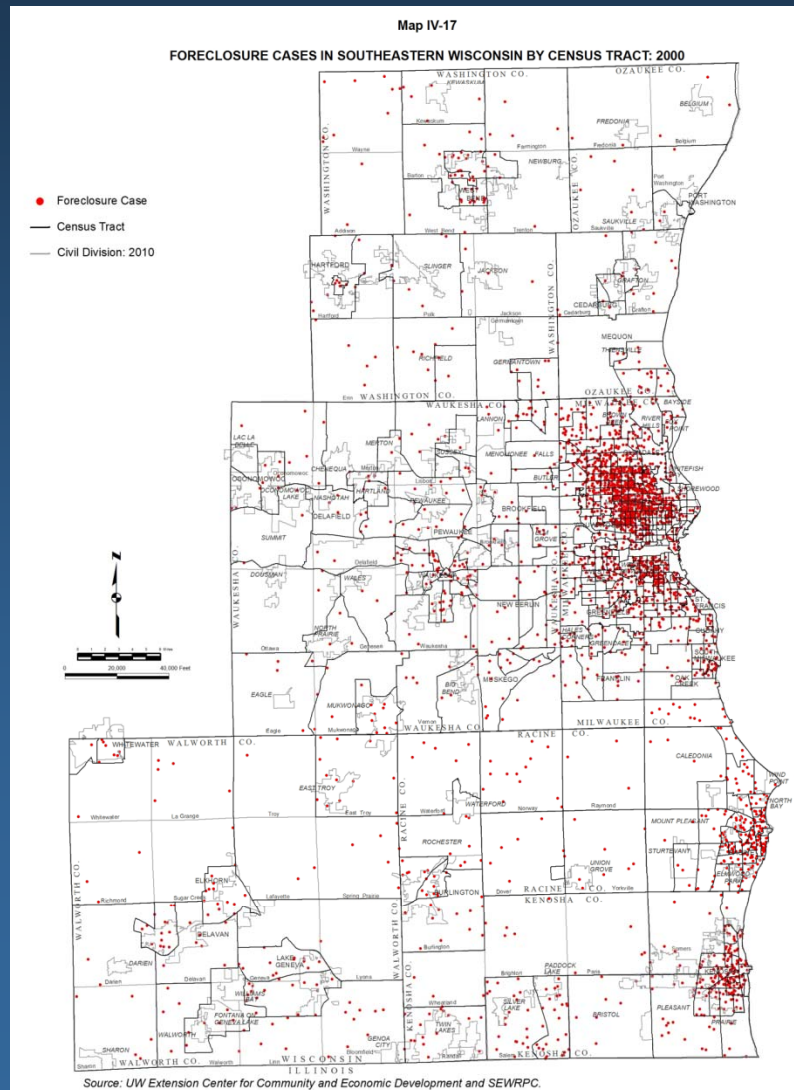
## *Foreclosure Activity in the Region*

- Milwaukee County had the highest number of foreclosure cases in the Region in 2000, 2005, and 2009
  - There were 6,323 cases in 2009, which was a 268 percent increase over the number of cases in 2000
- Kenosha County had the highest percentage of foreclosure cases per total number of housing units in the Region in 2000, 2005, and 2009
  - Foreclosure cases as a percentage of total housing units increased in Kenosha County from 0.49 in 2000 to 1.82 in 2009
  - Foreclosure cases as a percentage of total housing units increased in the Region from 0.36 in 2000 to 1.36 in 2009



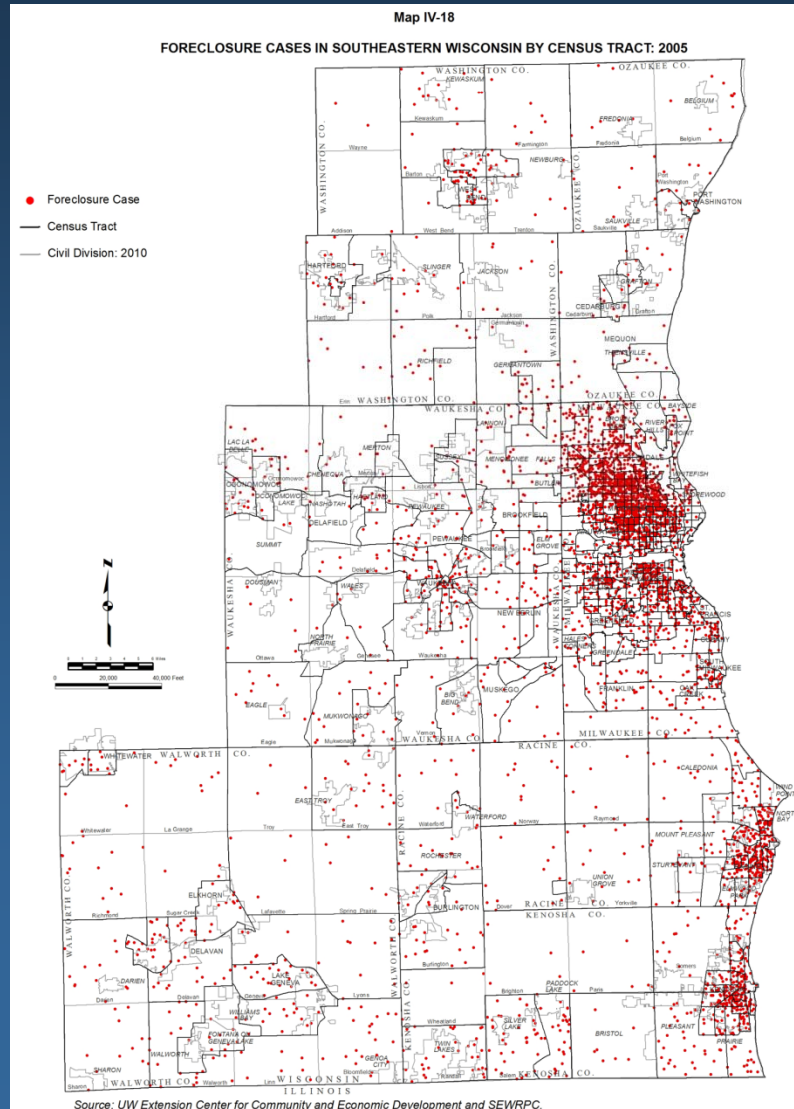


# Foreclosure Activity in the Region



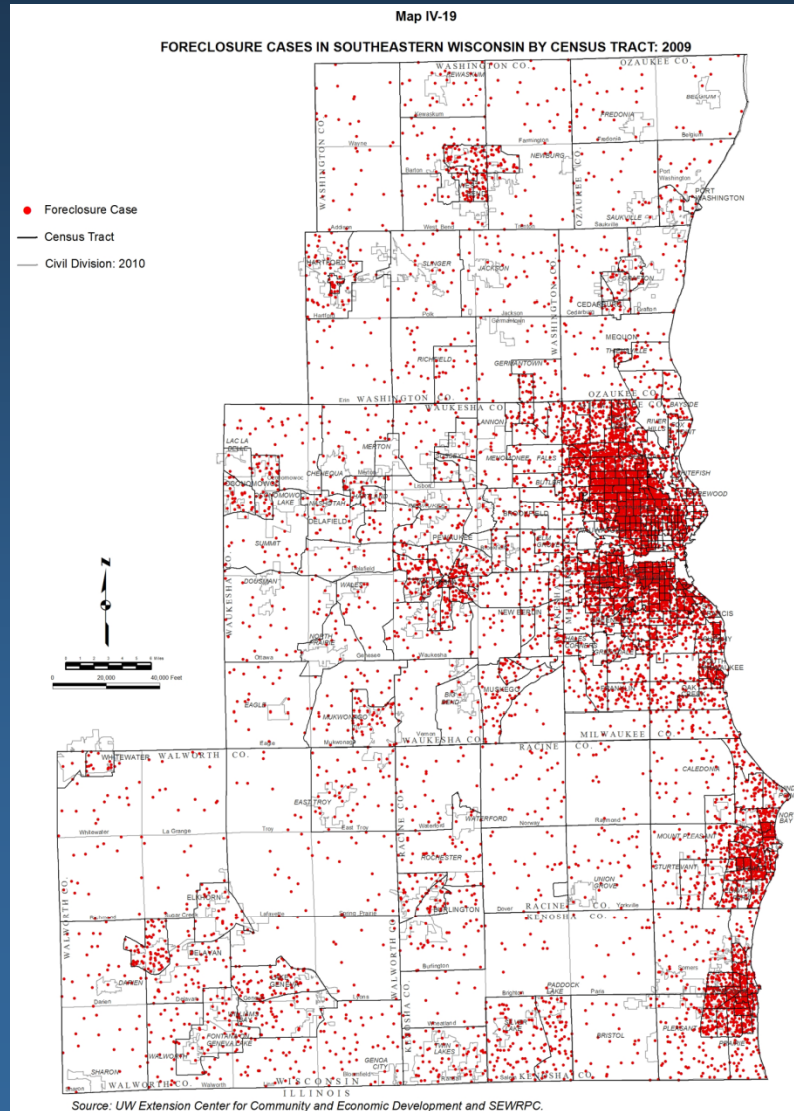


# Foreclosure Activity in the Region





# Foreclosure Activity in the Region



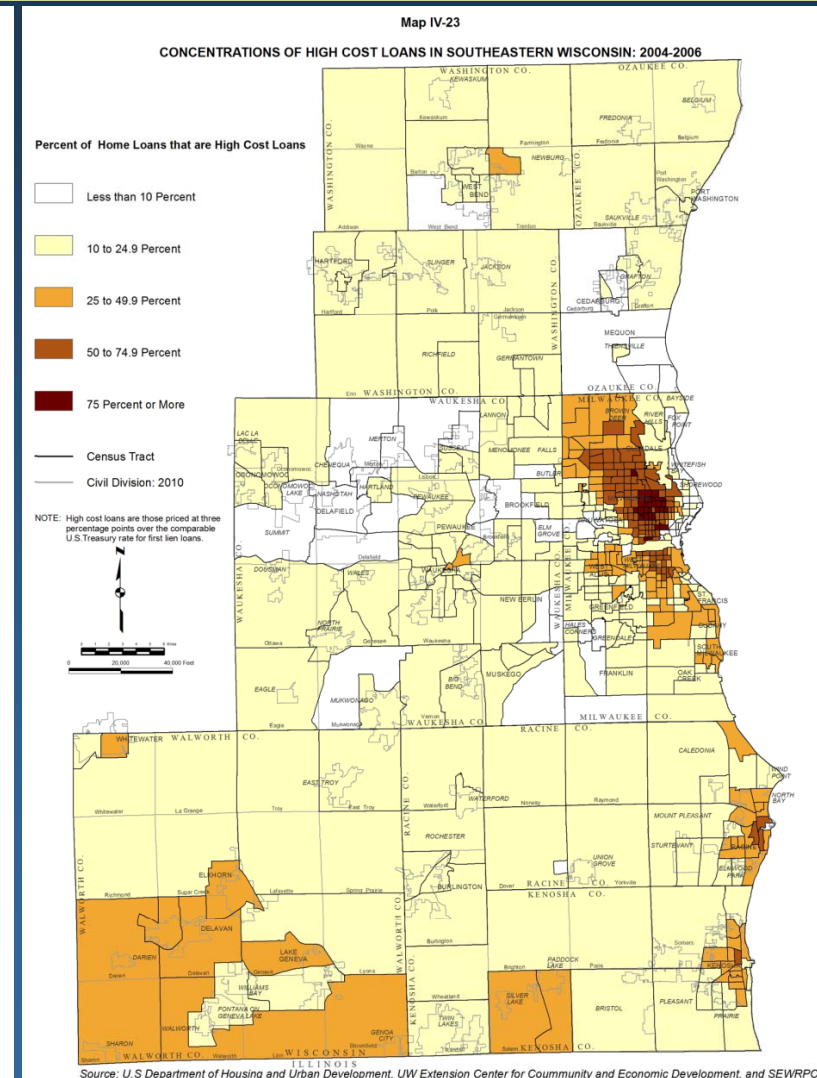
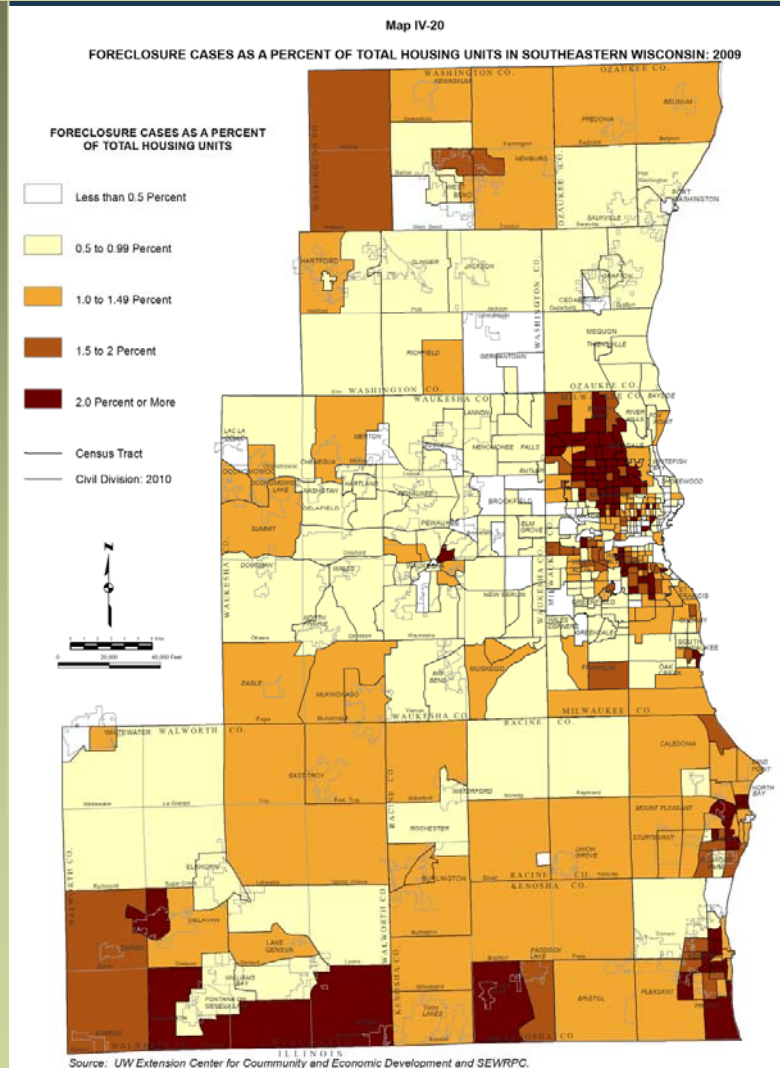


## *Foreclosure Activity in the Region*

- Areas of the Region with high rates of foreclosure activity tend to coincide with:
  - Areas of the Region with high concentrations of low-income populations
  - Areas of the Region with high concentrations of minority populations
  - Areas of the region with higher percentages of high cost loans
  - Outlying areas of the Region with higher percentages of single-family homes constructed after the year 2000



# Foreclosure Activity in the Region





# *Legislation and Assistance Programs*

- Dodd-Frank Wall Street Reform and Consumer Protection Act
  - Intended to address many areas of problematic financial practices believed to have caused the national economic recession and related housing crisis
  - Includes mortgage reform provisions
    - Requirement that lenders ensure borrower's ability to repay
    - Prohibition of unfair lending practices
    - Establishment of penalties for irresponsible lending
    - Expansion of consumer protection for high cost mortgages
    - Requirement of additional disclosures for consumers on mortgages
    - Housing counseling





# *Legislation and Assistance Programs*

- Dodd-Frank Act provides
  - Emergency mortgage relief through \$1 billion for bridge loans to qualified unemployed homeowners to help cover mortgage payments until reemployment
  - HUD administered program for making grants to provide foreclosure legal assistance to low- and moderate-income homeowners and renters
- Neighborhood Stabilization Program (NSP)
  - Provides funds to State and local governments to acquire, redevelop, or demolish foreclosed properties
  - State of Wisconsin received \$5 million and City of Milwaukee \$2.7 million from third round of NSP funding to continue programs to address foreclosures and abandoned homes



# *Legislation and Assistance Programs*

- Making Home Affordable programs
  - Modify mortgages and second mortgages to make them affordable
  - Opportunity to refinance loans owned or guaranteed by Fannie Mae or Freddie Mac
  - Alternatives to foreclosure for households that cannot afford to stay in their homes
  - HUD approved counseling agencies provide free foreclosure prevention services
  - Federal Trade Commission has identified several red flags for homeowners looking for foreclosure prevention assistance





## *Findings*

- Foreclosures and abandoned homes negatively impact families and communities
- The entire Region experienced an increase in foreclosure activity over the last half of the 2000s, particularly areas with high concentrations of low-income and minority populations



## *Advisory Committee Comments*

- Include information from a City of Milwaukee foreclosure report upon completion of the report
- Include information regarding the Federal Protecting Tenants at Foreclosure Act
- Description of appraisal guidelines in the Dodd-Frank Act
- Provide an overview of the impact of tightening credit markets on borrowers and lenders



## *Next Steps*

- The next meeting of the Regional Housing Plan Advisory Committee is scheduled for Wednesday, April 6, 2011, from 1:30 p.m. to 3:30 p.m. in Banquet Room 2 of the Tommy G. Thompson Youth Center located at State Fair Park
- Expected agenda items include discussion of:
  - The revised draft of Chapter VI, *Housing Discrimination and Fair Housing Practices*
  - The revised draft of Chapter IV, *Existing Housing*, including 2005-2009 ACS data and revisions to the foreclosure section
  - The preliminary draft of Chapter VII, *Demographic and Economic Characteristics*