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

- 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
### Foreclosure Activity in the Region

#### Table IV-29

<table>
<thead>
<tr>
<th>County</th>
<th>Foreclosure Cases (2000)</th>
<th>Cases as a Percent of Total Housing Units</th>
<th>Foreclosure Cases (2005)</th>
<th>Cases as a Percent of Total Housing Units</th>
<th>Foreclosure Cases (2009)</th>
<th>Cases as a Percent of Total Housing Units</th>
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</thead>
<tbody>
<tr>
<td>Kenosha County</td>
<td>294</td>
<td>10.1</td>
<td>476</td>
<td>10.8</td>
<td>1,238</td>
<td>10.6</td>
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<td>Milwaukee County</td>
<td>1,719</td>
<td>59.1</td>
<td>2,461</td>
<td>55.9</td>
<td>6,323</td>
<td>54.2</td>
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<td>Ozaukee County</td>
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<td>91</td>
<td>2.1</td>
<td>266</td>
<td>2.3</td>
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<td>Racine County</td>
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<td>10.3</td>
<td>509</td>
<td>11.6</td>
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<td>10.5</td>
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<td>Walworth County</td>
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<td>280</td>
<td>6.4</td>
<td>726</td>
<td>6.2</td>
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<td>Washington County</td>
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<td>174</td>
<td>3.9</td>
<td>552</td>
<td>4.7</td>
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<tr>
<td>Waukesha County</td>
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<td>412</td>
<td>9.3</td>
<td>1,335</td>
<td>11.5</td>
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<td>Region</td>
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<td>4,403</td>
<td>100.0</td>
<td>11,661</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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

Map IV-17
FORECLOSURE CASES IN SOUTHEASTERN WISCONSIN BY CENSUS TRACT, 2000

- Foreclosure Case
- Census Tract
- Civil Division: 2010

Source: UW Extension Center for Community and Economic Development and SEWRPC.
Foreclosure Activity in the Region
Foreclosure Activity in the Region
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• 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

Map IV-20
FORECLOSURE CASES AS A PERCENT OF TOTAL HOUSING UNITS IN SOUTHEASTERN WISCONSIN: 2009

FORECLOSURE CASES AS A PERCENT OF TOTAL HOUSING UNITS
- Less than 0.5 Percent
- 0.5 to 0.99 Percent
- 1.0 to 1.99 Percent
- 1.5 to 2 Percent
- 2.0 Percent or More

Census Tract
Civil Division: 2010

Source: UW Extension Center for Community and Economic Development and SEWRPC.

Map IV-23
CONCENTRATIONS OF HIGH COST LOANS IN SOUTHEASTERN WISCONSIN: 2004-2006

Percent of Home Loans that are High Cost Loans
- Less than 10 Percent
- 10 to 24.9 Percent
- 25 to 49.9 Percent
- 50 to 74.9 Percent
- 75 Percent or More

Census Tract
Civil Division: 2010

NOTE: High cost loans are those priced at three percentage points more than comparable FHA mortgages in the same area.

Source: U.S. Department of Housing and Urban Development, UW Extension Center for Community and Economic Development, and SEWRPC.
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*