

# City of Milwaukee

## Executive Summary

### Neighborhood Stabilization Program (NSP)

### Substantial Amendment to the Consolidated Plan and the 2008 Annual Action Plan

As an entitlement community, the City of Milwaukee was awarded \$9.2 million in Neighborhood Stabilization Program funding under the Housing and Economic Recovery Act of 2008. The attached Neighborhood Stabilization Plan Amendment provides a plan for how the City will utilize those funds to address the issue of foreclosed properties in the community.

NSP funding will provide a considerable resource for the City's foreclosure efforts. However, it is important to note that Milwaukee's approach to the foreclosure crisis goes beyond tackling the issue of abandoned and foreclosed properties. It includes coordinated efforts to assist homeowners in danger of foreclosure, as well as establish a framework to address the root causes of foreclosures with the goal of preventing similar problems in the future.

#### **The Problem**

Foreclosures are resulting in significant costs for Milwaukee homeowners and neighborhoods.

**Increasing numbers.** For the first nine months of 2008, foreclosure filings in City of Milwaukee were up 35% compared to the same period in 2007. There are currently 1,619 bank owned foreclosed properties and 138 City owned foreclosed properties in Milwaukee neighborhoods. Looking forward, there are over 4,000 open foreclosure filings that are likely to result in additional vacant and abandoned properties.

**Disproportionate impact.** In Milwaukee, foreclosures and the related issues of subprime and predatory lending disproportionately impacted Milwaukee's poorest neighborhoods and low-income and minority families. There were over 17,800 subprime loans originated in Milwaukee County in 2005 and 2006, totaling over \$1.7 billion. In 2006, 59% of all of the mortgages issued in Milwaukee's Community Development Block Grant Area were either subprime or high interest mortgages. In 2006, over 2/3 (69%) of African American borrowers obtained high cost mortgages compared to less than 1/3 (30%) of whites.

**Loss of homeownership.** Over half of the subprime lending activity in Milwaukee was refinancing loans for existing homeowners. Long term homeowners, who have been a stabilizing force for City neighborhoods, are being displaced. Home equity, which is the single largest source of wealth building for most low and moderate income families, is being erased.

**Effect on renters.** Tenants are being impacted as well, as evictions are up significantly, and increasing numbers of them are foreclosure related. Many foreclosed homeowners turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

**Neighborhood impacts.** Two-thirds of the bank owned foreclosures have open building code violations. Board ups have increased over 50% and vacant house fires have doubled. Left unattended, foreclosed properties are attractions for nuisance and criminal behavior.

### **A Coordinated Approach**

There are a number of comprehensive and thoughtful initiatives that are currently underway that will complement and strengthen Neighborhood Stabilization Program efforts.

The Strategies to Overcome Predatory Practices (STOPP) Initiative has worked since 2002 through the Milwaukee Metropolitan Fair Housing Council in collaboration with local and state organizations to raise awareness of predatory and subprime lending activity and to provide consumer education and outreach in the community. Local housing counseling agencies have been providing foreclosure counseling services. Local academic institutions have provided research, education and consumer outreach within the community. Foreclosure Task Forces have been implemented by the City of Milwaukee and through the sponsorship of the U.S. Department of Housing and Urban Development to address neighborhood issues, intervention efforts and legislative reforms relating to the foreclosure issue.

In September, Milwaukee Mayor Tom Barrett launched the Milwaukee Foreclosure Partnership Initiative (MFPI), a public-private partnership made up of lenders, foundations real estate professionals, government representatives and community stakeholders to coordinate and focus efforts to address the foreclosure crisis in Milwaukee. The MFPI is utilizing a three-pronged approach to address not only the issue of abandoned and foreclosed homes, but the issues of foreclosure prevention and intervention as well. Over 100 individuals representing a broad range of community interests are currently participating in MFPI workgroups to create strategies and increase resources to address foreclosures in Milwaukee. Milwaukee's Common Council has also convened the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes to guide the City's efforts for the use of Neighborhood Stabilization Program funding.

### **The NSP Plan**

The proposed plan for the use of NSP funding has been designed to utilize a number of different strategies to address the issue of foreclosed homes in City neighborhoods. The plan recognizes that a "one size fits all" approach will not meet the need of neighborhoods impacted by the foreclosure issue. It includes a set of tools that build on existing programs, as well bring new ones to the effort. Proposed activities include those which promote homeownership, affordable rental housing, blight elimination and the improvement of City neighborhoods. The plan includes roles for government, residents, nonprofits, developers, lenders, and the real estate community because all are important to achieving results.

Given the sheer number of foreclosed properties in the City, as well as the number of open foreclosure filings likely to result in increased numbers of abandoned and foreclosed homes, every effort will be made to leverage Neighborhood Stabilization Program funding and seek additional resources for the City's efforts.