

Default/Service Registry Ordinance

**Zoning, Neighborhoods &
Development Committee**

May 28, 2014

Mortgage Servicing

- Mortgage servicing collects payments from borrowers (mortgagor) on behalf of mortgage holders (mortgagee)
- “Self-service” done by banks on their own loans
- Servicing also done as a service by:
 - Chartered/regulated banks
 - “Nonbank” servicing firms
- Nonbanks less regulated at Federal/State levels

Nonbank Servicers

- The nonbank industry has seen *rapid* growth in the last 5-8 years:
 - Doubling/tripling of total loan volume
 - Purchase of servicing rights
 - Transfer of servicing rights via court order and settlements (*i.e. Nat'l Mortgage Settlement*)
 - Increase in note/mortgage holding, esp. subprime market
- Varied business models:
 - Vertically integrated/full-service “soup to nuts”
 - “Core” servicing business, contract other functions
 - Rated (per Federal and rating agencies) generally higher on performance vs. banking orgs.

Nonbanks in Milwaukee

- **3 major national firms**
 - Green Tree (Walter Investment Mgmt.)
 - Nationstar
 - Ocwen
- Combined loan volume in city ZIPs: ~11,000
- Delinquency varies, 5-20%
- Concentrated in ZIPs northwest, northeast, near south/southwest sides
- **Risk factors w/ nonbanks:**
 - Subprime loans
 - Higher *relative* risk of default
 - 1 degree removed from lender
 - High volume of loans

Proactive Approach

- Administration, City Attorney, Pres. Murphy
 - Request CEO meetings
 - Establish staff contacts
 - Discuss issues and take proactive action
- Goals
 - Avoid new wave of bank foreclosures
 - Head off vacancy and avoid cost
 - Establish working relationships
 - Share information

Default registry

- Acts as add-on to existing DNS Residential Property Pending Foreclosure registration program
- Requires pre-foreclosure notice @ 90 days delinquent from lender/servicer, including:
 - Address/tax key
 - Mortgage holder info
 - Servicer info
 - Local property preservation contact

Default registry (cont.)

- Fees favor early reporting (\$50) vs. at point of filing (\$450)
- Creates list of “at risk” properties for City to connect with foreclosure counselors & existing resources
- Establishes legal requirement to share data

Next steps

- Fill file 141900 for adoption June 23
- Coordinate w/ foreclosure counseling orgs
- IT and staffing for 2016 implementation
- Continue work with servicers:
 - Joint support for foreclosure counseling/mitigation
 - Support on City efforts to redevelop REOs