

**Comments of Tim Elverman  
JPMorgan Chase & Co.  
before the  
Zoning, Neighborhoods & Development Committee  
Regarding File # 080871  
December 9, 2008**

Chairman Witkowiak and other members of the Zoning, Neighborhoods & Development Committee, I am Tim Elverman, an associate at Broydrick & Associates, appearing before you today on behalf of JPMorgan Chase & Co. I am here to discuss Alderman Michael Murphy's and Alderman James Bohl's proposed ordinance regarding abandoned residential properties (file # 080871).

I want to start by noting that JPMorgan Chase shares Aldermen Murphy's and Bohl's concern with this issue. Since Chase is a corporate citizen of Milwaukee, and many of our employees and customers live in Milwaukee, we share the desire of the Aldermen to keep residential properties in the City in good repair and desirable condition.

Since the Aldermen introduced this proposed ordinance, I have had a chance to meet with them individually, and shared with them information regarding *Chase's Property Preservation Practices* already in place in Milwaukee. I have an information sheet for the remainder of you today so that you will also have this information. As that information sheet notes, Chase already undertakes many of the preservation activities called for in the Aldermen's proposal.

While many in the lending industry have raised legitimate questions concerning the legal ability of lenders and others to enter abandoned property to help preserve these properties (prior to foreclosure), we at Chase contend that we have the right to enter properties for which we have provided financing because of the loan documents we have executed with our customers. Therefore, our position on this proposed ordinance has always been that it is a legitimate attempt to address a valid concern, and we would like the opportunity to work with the Aldermanic sponsors to make it as practical and workable as possible.

I am sorry that the first time this proposal was scheduled before your committee on October 21<sup>st</sup>, I did not have the opportunity to express that sentiment. I want you to know that Chase and I do not share the beliefs or the attitudes expressed by the attorneys who appeared before you that day to criticize the proposed ordinance.

We appreciate the fact that we have had the opportunity during the last several weeks to meet with Aldermen Murphy and Bohl, as well as with Tom Mishefske from the Department of Neighborhood Services. During those discussions, we were able to offer constructive comments on how the legitimate concerns of lenders and others could be addressed through some changes to the original proposed ordinance. We appreciate the fact that Aldermen Murphy and Bohl have listened to our concerns.

From our discussions with the Aldermen, we understand that changes to the proposal may be made to address our concerns in the following areas:

1. Change the initiation of the registration and inspection requirements in the original proposal to be effective when the lending institution actually begins the foreclosure process on the property.
2. Change the property maintenance duties of a registrant under the ordinance to be consistent with the property maintenance requirements specified by the U. S. Department of Housing and Urban Development (HUD). This will allow for consistency in our maintenance requirements throughout the U.S.
3. Change the re-inspection requirement for properties in the system from every 14 days to 30 days. This will again be consistent with HUD requirements. This will NOT mean that the property would not be maintained (grass cutting and snow removal) on a regular interval between these mandated 30 day inspections.
4. Consider changing the penalty provisions so that the lending institutions themselves are penalized, but the agents working for them (attorneys etc. ) are not held personally responsible for the misdeeds of the lenders.

Again, we appreciate the fact that we have had the opportunity to discuss these issues with the authors, and that they have been responsive to our concerns and suggestions.

JPMorgan Chase remains committed to preserving the communities we serve. Therefore, regardless of the action which you decide to take on this particular proposal at this time, you can be assured that we will continue to undertake property preservation activities on all properties in Milwaukee for which we provided the initial real estate loan or for which we now provide service activities. We also look forward to working with you on other property preservation and foreclosure abatement measures in the future.

Thank you for your consideration. I would be happy to answer any questions.

Attachment: Chase Property Preservation Policies Already in Place in Milwaukee



## **JPMorgan Chase – Property Preservation Practices In Wisconsin November, 2008**

- When a real estate loan (primary or “first lien” loan) is delinquent for 45 days, a property inspection is ordered and conducted every 30 days as long as the borrower remains delinquent.
- For Home Equity loans, a property inspection is ordered when a loan is 70 days delinquent and conducted every 30 days as long as the borrower remains delinquent.
- A property inspection and preservation vendor is used to conduct monthly inspections and perform necessary maintenance/repairs.
- Once a property becomes vacant, it is secured according to HUD guidelines and to meet existing local code requirements.
  - Grass cuts are done biweekly.
  - Properties are kept free of hazardous debris.
  - Electricity is kept on only if a sump pump is present.
  - Water is shut off and plumbing is winterized (HUD Guidelines).
- Signs are posted on all properties secured by Chase, including contact information.
- Chase has created an entire department to handle any violation issues.
  - Any properties with a severe violation are put on a weekly inspection list.
  - Rush inspections are ordered within 24 hours of receiving a code violation notice.
  - Weekly inspections are conducted until the violation is resolved.
  - The High Risk Department has a specific email account.  
[High.Risk.Violations@Chase.com](mailto:High.Risk.Violations@Chase.com).

A property moves into REO (real estate owned) status following a foreclosure and the expiration of the redemption, ratification, or confirmation period.

- During REO a lender engages realtors, property preservation vendors and closing agents. Clean up, lawn maintenance, and biweekly inspections continue until the property is sold.
- The average time for a property to be on the market from listing to contract is 100 days.
- Activity on each property is reviewed every 20 – 30 days to determine if a price adjustment is warranted.
- Any code violations assessed during the REO process are the responsibility of the preservation vendor.

*Please note these processes may vary slightly if Chase is acting in a servicing role and the property is investor owned (FHA, Fannie MAE, Freddie MAC, etc.). Under these circumstances, all maintenance must be approved by investors in accordance with their guidelines and allowable cost restrictions.*

### **Key local Chase contacts:**

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