



Department of City Development

City Plan Commission
Neighborhood Improvement
Development Corporation
Redevelopment Authority

Rocky Marcoux
Commissioner

Martha L. Brown
Deputy Commissioner

April 12, 2010

Alderman Robert Bauman
Chairman, Joint Committee for the
Redevelopment of Abandoned and
Foreclosed Homes
City Hall, Room 205
Milwaukee, WI 53202

Dear Alderman Bauman:

You have asked for our thoughts on the proposed legislation the Common Council will be considering regarding the acceleration of in rem proceedings for tax delinquent parcels that are vacant or abandoned and are blighting or nuisance influences on Milwaukee neighborhoods.

We understand that the intent of the proposed legislation will be to assist our collective efforts to address the neighborhood impacts brought about by the foreclosure crisis in Milwaukee.

In the way of background, the Department of City Development and the Department of Neighborhood Services have been working for the past 18 months on a number of foreclosure related initiatives. We have staffed the Milwaukee Foreclosure Partnership Initiative and are currently administering the programs funded by the United States Department of Housing and Urban Development under the City's Neighborhood Stabilization Program (NSP) grant. We have formed a City Land Bank, specifically for the purpose of acquiring and disposing of key foreclosed properties in Milwaukee neighborhoods.

As part of this work, we are carefully monitoring the inventory of lender-owned foreclosed properties in Milwaukee, as well as properties that are currently in the foreclosure process. There are currently more than 1,200 lender-owned foreclosed properties in Milwaukee and more than 6,000 open foreclosure filings.

Most of these properties are controlled by out of state lenders and servicers with no local ties to the community. While we have established a partnership with a national non-profit corporation that has relationships with many of the largest national loan servicers, our work is still challenged by the number of speculators and outside investors in the marketplace. We are not suggesting that all lenders, servicers and investors are irresponsible, but there are a number of troubling dynamics in the marketplace.

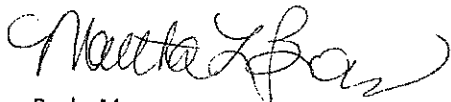
- We have encountered cash sales of properties for prices significantly below assessed value. At the end of 2009, we estimate that, on average, foreclosed properties were being sold by lenders at just over 40% of their assessed value. The combination of low prices and restricted access to financing has resulted in increasing numbers of low dollar "cash sales," mostly to investors. We have observed that while 65-70% of foreclosure filings involve owner occupied properties, only 25-30% of lender owned foreclosed properties are being sold to owner occupants.
- "Walkaways" are being reported. In these cases, a lender begins a foreclosure proceeding, determines the value of the property is so low that it is not in their best interest to take title, and dismisses the foreclosure action. In some instances, the owner may have already vacated the property, and it is in limbo, until the City eventually forecloses for taxes, or the property deteriorates to the point it needs to be razed.

- The responsiveness of lenders and servicers that control the inventory of foreclosures in the City varies. We are aware that some servicers are bundling their "aged inventory" or properties and selling them at auction. We have observed situations where there is seemingly no intent by the purchaser to rehabilitate or maintain these properties and they remain vacant and blighting, until the City eventually foreclosed for taxes, or the property deteriorates to the point it needs to be razed. One of our City Land Bank offers to purchase was rejected in favor of an investor, and we were told by the loan servicer that they had an obligation to treat an investor the same as they treated the offer of a City agency who was purchasing the property under its neighborhood stabilization program. In another instance, our land bank presented a full price offer for a property that was rejected. We were told by the loan servicer that the property was being "given" to an out of state investor who assists with the liquidation of their foreclosure inventory.

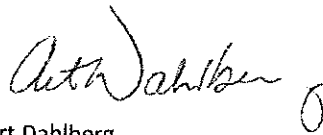
Our work has clearly indicated that there is not a single strategy to address the many challenges we are faced with. However, the ability to accelerate the in rem process for key properties that are abandoned and blighting and for which the owner has abdicated or ignored their responsibilities could be a useful tool in our efforts.

Should the Council adopt a new process for accelerating the foreclosure process for tax delinquent properties, we would be happy to work with you to develop an implementation plan to deploy this tool in a manner that best complements and strengthens our collective efforts to address the impacts of foreclosed properties in our neighborhoods.

Sincerely,



Rocky Marcoux
Commissioner, Dept. of City Development



Art Dahlberg
Commissioner, Dept. of Neighborhood Services