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SUBSTITUTE 1
..Reference

..Sponsor
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..Title

Substitute resolution supporting introduction and passage of state legislation authorizing the Wisconsin Housing and Economic Development Authority (WHEDA) to issue bonds and to establish a fund and program for refinancing of residential property loans at risk of foreclosure.

..Analysis

The City has experienced a marked increase in the number of residential property foreclosures over the last 2 years. Similar increases have been experienced nationally and statewide and are attributed to the large increase in subprime and other risky loan arrangements including interest-only loans recently issued to persons who do not qualify for more conventional home loans. Many of these loans are known as adjustable rate mortgages (ARMs) that begin with low interest rates that later balloon often at 3 or 5-year intervals. The current downturn in the housing market, together with high initial property valuation, has interfered with plans to resell properties or to rely on second mortgages.

Increased foreclosures have a variety of adverse impacts on City government as well as the general public including lost assessed values, expenditures to monitor 'board-ups,' increased crime and increased fire risks.

This resolution directs the Department of Administration - Intergovernmental Relations Division to participate in the development and introduction of state legislation seeking bonding authority for the appropriate state agency to establish and administer a fund for refinancing the stressed loans of certain eligible borrowers. The Department of Administration - Intergovernmental Relations Division is also directed to report back to the Common Council within 60 days.

..Body

Whereas, National and local trends in the residential property market that include increased numbers of subprime loans including adjustable rate mortgages with large interest increases, questionable loan practices, a reduction in the growth of residential property equity, and a slow-down in the rate of sales of residential property, have contributed to an increase in the rate of residential property foreclosures; and

Whereas, In Milwaukee County during a 16-month period, beginning with January of 2006 and ending with April of 2007, the number of mortgage foreclosures was more than 40% higher in the last 8 months compared to the first 8 months; and

Whereas, Similar trends in the numbers of mortgage foreclosures have been experienced throughout Wisconsin over this same time period; and

Whereas, Mortgage foreclosures have substantial adverse consequences for the city of Milwaukee and its residents including:

Depressed property values and assessments, not just for the residence in foreclosure, but also for neighboring properties.

Lost tax revenue.

Victimization of the homeowner by firms that promise assistance by providing expensive new loans and loans for property “improvements” purportedly to increase equity.

Vacant homes that attract vandalism, unlawful use and sale of drugs, and other criminal behaviors.

Increased law enforcement costs.

Difficulty in determining which party or parties are responsible to the City for assuring that building and maintenance requirements are met.

Risk of fire damage and condemnation with resulting demolition costs.

Increased “board-ups.”

Neighborhood blight, litter and other conditions requiring attention of the departments of health and neighborhood services.

General reduction in the numbers of owner occupied homes as properties pass into the hands of investors and property speculators.

Lost opportunities for attracting business and development.

; and

Whereas, In addition to providing borrowers with better education and credit counseling, better enforcement and increased penalties for violation of laws against predatory lending practices, home owners who are financially stressed in the current market, and unable to refinance through regular commercial lenders, may be able to prevent foreclosure if fixed-rate refinancing were made available; and

Whereas, Housing agencies in other states such as The Ohio Housing Finance Agency (OHFA), the Pennsylvania Housing Finance Agency (HFA) and the New Jersey Housing and Mortgage Finance Agency (HMFA), have developed refinancing

programs over the last 6 months, funded through the issuance of taxable bonds, to assist residential property borrowers in preventing foreclosure; and

Whereas, It appears that neither the Wisconsin Housing and Economic Development Authority (WHEDA) nor other state agency is currently authorized by law to issue taxable bonds for purposes of residential mortgage refinancing; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Department of Administration - Intergovernmental Relations Division is directed to participate in activities to develop, state legislation to authorize and create a program, funded by the issuance of taxable bonds, and administered by the appropriate agency, to assist eligible residential home owners in refinancing stressed loans to avoid the risk of foreclosure; and, be it

Further Resolved, That the Department of Administration - Intergovernmental Relations Division provide the Common Council with a written report, within 60 days of adoption of this resolution, detailing the progress toward development and introduction of the proposed legislation, including alternative policies, if any, relating to funding and refinancing, program eligibility, inclusion of additional alternatives to assist home owners when debt exceeds equity, and such other aspects and alternatives under consideration to assist home owners in refinancing to fixed rate mortgages.

..Requestor

..Drafter
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RLW
7/23/2007