

CITY OF MILWAUKEE

STRONG

NEIGHBORHOODS PLAN

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May 21, 2015

TO: Members of the Community & Economic Development Committee

FROM: Aaron Szopinski, Housing Policy Director, Office of the Mayor
Mario Higgins, Housing Outreach Director, Office of the Mayor

RE: Mediate Milwaukee & 2014 CDBG Reprogramming Funds (CCFN 150015)

Committee Members:

Mayor Barrett is proposing use of \$50,000 in 2014 CDBG reprogramming funds to support the court-based foreclosure mediation program run by Metro Milwaukee Mediation Services Inc., doing business as Mediate Milwaukee. The Mayor's *Strong Neighborhoods Plan* seeks to reduce foreclosures of all kinds, and Mediate Milwaukee is a critical part of those efforts.

State funding for Mediate Milwaukee is now scheduled to end with the new biennial State budget in July of 2015. Mediate is facing a \$130,000 - \$150,000 funding shortfall for the rest of 2015. The Administration, in addition to proposing use of CDBG funds, is actively assisting Mediate Milwaukee in securing other funds to help them continue service through 2015.

The Metro Milwaukee Foreclosure Mediation Program was founded in 2009. The program is run by a 501(c)3 non-profit, and housed in the Milwaukee County Clerk of Courts' office. The Wisconsin Attorney General provided ongoing operating funds from the National Mortgage Settlement, until those funds were exhausted this year.

Since 2009, Mediate Milwaukee has arranged mediation with lenders for over **800** homeowners in the city of Milwaukee, and reached successful solutions for **462** city owners, in every part of the city.

While many homeowner counseling agencies exist in Milwaukee, Mediate is the only organization offering court-based mediation services with lenders as an alternative to foreclosure. They work frequently with counseling organizations like Select Milwaukee, and are part of Take Root Milwaukee's network. The mediation component of their service is an important part of the foreclosure mitigation activity in the city.

While foreclosure filings are down in Milwaukee County, Milwaukee still has a significant share of underwater mortgages - 35% in Milwaukee County, according to Zillow's published research. There is additional concern due to the movement of higher-risk loans from financial institutions to nonbank



servicers specializing in the subprime market. These loan portfolios have delinquency rates above average, increasing foreclosure risk.

Milwaukee ZIP codes on the near northwest (53218), near north (53209, 53206), near south (53215), and southeast (53207) sides of the city have higher numbers of subprime and delinquent subprime loans. Experience shows that bank foreclosure followed by vacancy triples the likelihood of tax delinquency and taxpayer ownership. The Administration is concerned at the potential for increased foreclosures in areas that cannot afford more loss in value or homeownership.

Using CDBG funds, the City of Milwaukee can sustain Mediate's capacity to preserve homeownership and keep the cost of foreclosure mediation affordable for city homeowners. The Mayor's Office will also be seeking contributions from the mortgage servicing industry and Milwaukee County to complement the City's one-time CDBG commitment.

Thank you for your support of this critical component of the City's effort to keep our neighborhoods strong and stable. We look forward to discussing this with the Committee next week.

cc: Steven Mahan, CDGA
Amy Koltz, Mediate Milwaukee