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MEMORANDUM

TO: Judiciary and Legislation Committee

FROM: Gregg Hagopian, Assistant City Attorney

DATE: January 9, 2017

RE: Council File 161148, Communication relating to problems posed by absentee landlords; and Council File 161221, resolution relating to establishment of LLC taskforce

City Attorney Grant Langley asked me to provide a brief supplement to the above files.

Mandatory recording of sheriff deeds.

The City Attorney's Office worked closely with DOA-IRD, Clerk of Courts John Barrett and Milwaukee County Register of Deeds John LaFave to create changes to Wisconsin mortgage foreclosure law to require, in Milwaukee County, mandatory recording of sheriff deeds. Those legislative changes were realized by passage of 2015 WI Act 60 creating Wis. Stat. 846.167 and amending 846.16 and 846.17. This new law has helped immensely. Now, deeds to buyers at foreclosure sheriff sales in Milwaukee County do get recorded. Now, the City and others know the identity of the record owner. The Wisconsin Register of Deeds Association informed us that it is planning on pursuing change to Wisconsin law to statutorily require mandatory recording of sheriff deeds on a state-wide basis.

Other efforts to reduce zombie foreclosures.

The Power Point and January 6 memo in File 161148 (under the heading Zombie Property Initiative) indicates litigation in which the City appeared to present evidence of abandonment under Wis. Stat. 846.102 in order to secure swift sheriff sale of abandoned parcels and finality of the underlying mortgage foreclosure case, and to reduce blight associated with zombie foreclosures and abandonment. We have also taken other steps. Some of those other steps are identified below.

Our office worked closely with DOA-IRD, the Mayor's office, and others in an effort to prevent passage of 2015 WI Act 376. We testified before legislative committees in Madison, and collaborated with national groups opposed to the legislation and with in-state groups opposed to the legislation. Despite our state and national efforts, the legislation was passed and Wis. Stat. 846.102 was amended to allow lenders up to 12 months past expiration of foreclosure redemption judgment on abandoned parcels to complete the foreclosure sale and case.

Our office also met with the State Attorney General, FHFA, FannieMae, national mortgage servicers, national nonprofit groups, and others regarding mortgage foreclosure practices in Wisconsin and the United States. The City entered Council-approved letter agreements with Nationstar and Ocwen regarding, among other things, contributions to the City's Strong Homes Loan Program, donation of REO parcels and increased borrower outreach and default mitigation efforts by lender-servicers. We assisted with Council-approved re-creation of MCO 200-22.5, Registration of Residential Properties Pending Foreclosure (Council File 141900). We are awaiting FHFA response on a City proposal for increased collaboration regarding enforcement of FannieMae and FreddieMac mortgage servicing guidelines.

Wisconsin mortgage foreclosure plan.

Currently, under Wisconsin law, sheriff sales take place on Mondays in the basement of the Safety Building. They are statutory sales, conducted by government under Court supervision. However, a third party need only be the winning bidder with cash to receive a deed. Wis. Stat. 846.16 and 846.17. There are no minimum qualifications regarding the buyer. Contrast that to City sales of in rem parcels under MCO 304-49 where the City imposes minimum buyer qualifications to be eligible to buy.

The Council in File 160538 adopted the City legislative package. Included are additional efforts to change Wisconsin mortgage foreclosure law, including creation of internet sheriff sales, imposition of minimum bidding requirements to bid at a sheriff sale, and creation of a clear statutory path for lenders to terminate mortgage foreclosure cases in "no-bid" situations. If passed, these measures should decrease current abuse and reduce blight.