



Legislation Text

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070561
Substitute 2

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Substitute resolution supporting introduction and passage of state legislation to require licensure and certification of property appraisers.

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 a large increase in subprime and other risky loan arrangements including interest-only loans recently issued to persons who do not qualify for more conventional 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.

According to legal advocates, one of the factors contributing to the increase in foreclosures affecting the City of Milwaukee involves property appraisals that inaccurately or fraudulently establish values that are higher than actual property values. This often results in loan amounts that exceed the actual equity and value of the property.

The State of Wisconsin does not currently require that property appraisers be either certified or licensed, and the State does not require lenders to use certified or licensed appraisers. The practice of "bundling" loans and selling them in large blocks to out-of-state firms results in holders of overdue obligations who have no connection with the original loan transaction within the State. In the event that a loan transaction was made through fraudulent, unreasonable or predatory practices, the State, Milwaukee County and the City may have little recourse. Furthermore, the borrower is generally at a disadvantage.

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

This resolution directs the Department of Administration - Intergovernmental Relations Division to seek introduction and passage of legislation requiring that property appraisals for purposes of determining mortgage and loan eligibility and amounts, be conducted only by certified or licensed appraisers.

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 of residential and commercial properties 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, The Legal Aid Society of Milwaukee reports that a significant number of foreclosures in the subprime market involve inflated property appraisals and other predatory lending practices; and

Whereas, The state of Wisconsin does not presently require that property appraisers be certified or licensed; and

Whereas, Required certification of property appraisers, and requiring lenders to use only those appraisals conducted by certified or licensed appraisers, will provide a mechanism for the regulation and discipline of appraisers who would otherwise be unregulated; 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 seek the introduction and passage of legislation, and any necessary or appropriate rule or regulation, to require the certification or licensing of appraisers of property in Wisconsin, and related requirements that lenders and mortgagers use only the services of certified or licensed appraisers when entering into residential and other loan transactions; 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 introduction and passage of appraiser certification and licensing-related legislation and the options for policy and regulation under consideration; together with a description of any other policy and program alternatives under discussion or consideration in addressing the problems of subprime and other lending practices that contribute to increased foreclosure of loans involving residential and other properties.

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