

2016

Research Brief on ETI Housing Crisis Studies

John Pawasarat

University of Wisconsin - Milwaukee, pawasara@uwm.edu

Lois M. Quinn

University of Wisconsin - Milwaukee, lquinn@uwm.edu

Follow this and additional works at: http://dc.uwm.edu/eti_pubs

 Part of the [Public Policy Commons](#), and the [Work, Economy and Organizations Commons](#)

Recommended Citation

Pawasarat, John and Quinn, Lois M., "Research Brief on ETI Housing Crisis Studies" (2016). *ETI Publications*. 188.
http://dc.uwm.edu/eti_pubs/188

This Technical Paper is brought to you for free and open access by UWM Digital Commons. It has been accepted for inclusion in ETI Publications by an authorized administrator of UWM Digital Commons. For more information, please contact kristinw@uwm.edu.

Research Brief on ETI Housing Crisis Studies

University of Wisconsin-Milwaukee Employment and Training Institute, 2016

The Employment and Training Institute conducted research studies for Legal Action of Wisconsin, Milwaukee Public Schools, and local foundations to help uncover the impact of the housing crisis on Milwaukee families, neighborhoods, and children. The neighborhood indicators studies of high-poverty Milwaukee zip codes have indicated that **the housing crisis is far from over**. While regular housing sales declined markedly from peaks in 2005-2007, sheriff sales (scheduled every Monday morning in the county courthouse) escalated in 2007 and 2008. Houses up for sheriff sale can be found on nearly every block in some neighborhoods -- often leading to abandoned housing, delayed repairs, vandalism, and tenants displaced. An apparent immediate impact of the housing crisis was a drop in home ownership (a long-time strength of Milwaukee's housing stock) in the central city.

**Houses up for sheriff sale
(blocks in zipcode 53218)**



Elementary and secondary school student mobility can be expected to continue at high rates given Milwaukee families (both renters and homeowners) displaced by foreclosures and others unable to meet their rent payments given job layoffs and high unemployment.

The ETI research on Milwaukee's housing crisis and its impact on central city neighborhoods are archived in the University of Wisconsin-Milwaukee Digital Commons collection at http://dc.uwm.edu/eti_pubs/.

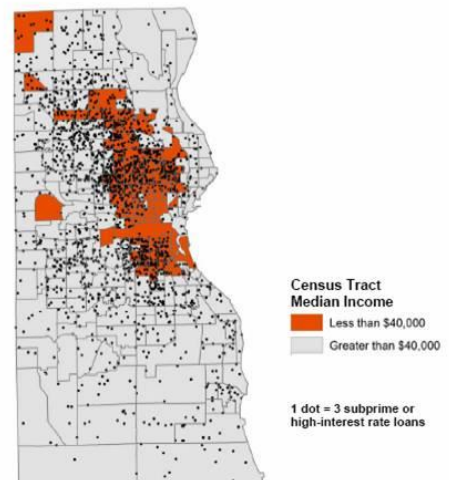
Milwaukee County Analysis

The University of Wisconsin-Milwaukee Employment and Training Institute prepared a series of in-depth research papers supported by Legal Action of Wisconsin to assess the impact of the national housing crisis on low-income homeowners and renters in Milwaukee County. These included:

Milwaukee's Housing Crisis: Housing Affordability and Mortgage Lending Practices (2007)

The historic economic advantage of affordable housing within the City of Milwaukee appears to have eroded, according to the 2006 American Community Survey census data. The U.S. Census Bureau estimated that almost 49,000 Milwaukee County residents (adults and children) were living in **homes with mortgages** but with housing costs (including mortgage payments, property taxes, insurance and utilities) totaling at least 50% of their income. Of

**High-Cost Mortgages Issued in
Milwaukee County in 2006**



these, 18,600 were estimated to have housing expenses totaling 75% or more of their household income. Also, nearly a third (31%) of **renting households** in the City of Milwaukee were spending at least half of their income on housing.

Subprime lending jumped dramatically in Milwaukee County beginning in 2003. The HMDA (Housing Mortgage Disclosure Act) data showed a slowdown in subprime housing loans issued throughout the county in 2006 (likely in part due to the number of subprime lenders in serious financial difficulty), but high interest rate mortgages issued by non-subprime lenders rose 35% from 2005 to 2006. Analysis of lending activity by race showed African Americans far more likely to receive high-cost, disadvantageous loans than whites or Latinos with similar income levels.

Legal Action of Wisconsin Report on Milwaukee's Housing Crisis: Foreclosures, Evictions, and Subprime Lending (2007)

Subprime housing loans in Milwaukee County rose from 206 mortgages totaling \$7.7 million in 1993 to 10,451 subprime mortgages totaling over \$1 billion in 2005. Subprime loans, which are largely unregulated, are typically made to individuals with poor credit histories, offer less favorable terms of repayment (often with low initial interest rates, so-called "teaser loans," escalating into higher payment schedules 2-3 years after the mortgage is issued), may involve high fees and prepayment penalties, often do not escrow accounts for property taxes and insurance, and may not verify the income and capability of the borrower to meet the mortgage payments.

While subprime lending occurred throughout the county (and the state), many subprime lenders targeted central city neighborhoods where property values skyrocketed -- making residents (and particularly existing homeowners) easy targets for high-risk lenders offering cash income to families living on fixed or low incomes. The future of these neighborhoods became tied into the national stalls in housing values and concurrent financial problems of subprime lenders. Wisconsin Department of Revenue data showed incomes remaining relatively flat from 2000-2006 in the 9 inner city zip codes in Milwaukee; at the same time, household gas and electricity costs rose 46% and property taxes increased 62% for duplexes and 50% for larger single family homes. Foreclosure cases reaching the Milwaukee County Sheriff's Office for auction sales showed dramatic increases, and eviction cases filed with the Milwaukee County small claims court reached all-time highs.

Legal Action of Wisconsin Report on Mortgage Lending Practices in Milwaukee County: Part Two (2007)

This study for Legal Action examined subprime, high-cost and regular housing loans by type (home purchase, refinancing, and home repairs), owner-occupants and investors/landlords, single vs. 2-person loans. Of particular concern were **refinancing loans** where home owners took out new mortgages to obtain cash for credit card and other debt obligations. Central city neighborhoods have been targeted by dozens of lenders for refinancing loans. For lower-income residents refinanced mortgages offered new found cash and illusory relief for consolidating credit card and other debts, but put owners' entire home equity in jeopardy if they cannot make their payments. The 9 zip codes of the Community Development

Block Grant (CDBG) program neighborhoods recorded over 5,000 refinancing loans a year to owner occupants from 2003 through 2005. Meanwhile the number of re-fi loans issued in the Milwaukee County suburbs peaked in 2003 and then decreased in 2004 and 2005. According to HMDA data records, over 90 subprime lenders (most from out-of-state) were selling mortgages in Milwaukee County and their activity (\$9.1 billion in loan applications and \$2.5 billion loans in the 3-year period, 2003-2005) is shown by individual company.

Background on Ameriquest Mortgage Activity in Milwaukee County: 2003-2005 (2007)

In order to settle a lawsuit brought by Wisconsin and 48 other states, Ameriquest (the second largest subprime lender in Milwaukee County) agreed to provide settlement payments to its borrowers and change its lending practices. The extent to which subprime lenders reached into the Milwaukee housing market can be seen in Ameriquest's activities from 2003-2005, according to federal HMDA records. In that 3-year period Ameriquest reported over \$2.2 billion in loan applications and \$350 million in loans issued in Milwaukee County, of which 97% were refinancing loans. These included 1,015 loans for \$93 million made for inner city properties (in the 9 central city Milwaukee ZIP codes targeted by the CDBG program), 1,171 loans for \$129 million made for properties in other neighborhoods within the City of Milwaukee, and 883 loans for \$133 million made to suburban residents of Milwaukee County. Nearly all loans (2,975 of the 3,069) were for refi's, while only 21 loans (less than 1%) were for new housing purchases and 73 loans (2.4%) were for home repair loans. Almost half of the loans were made to borrowers with reported household income below \$50,000.

Drilldown on Milwaukee's Poorest Neighborhood, ZIP Code 53206

The Employment and Training Institute has been tracking employment and economic trends in the 53206 zip code neighborhood, which serves as a bellwether for poverty changes in Milwaukee. Housing and lending activities in the neighborhood are analyzed using the federal HMDA files, state income tax records, city property files, and census employment data.

Update on the Housing Crisis in ZIP Code 53206 (2007)

While other parts of the county showed reduced subprime and high interest rate borrowing in 2006, high-risk loans issued in zip code 53206 were at an all-time high. High-risk loans made up 75% of mortgages issued in 2006, up from 65% of loans issued just 2 years earlier, and most of these loans were for refinancing of existing mortgages.

New Indicators of Neighborhood Need in Zipcode 53206: Neighborhood Indicators of Employment and Economic Well-Being of Families, Barriers to Employment, and Untapped Opportunities (2007)

The reports included lists of subprime lenders operating in the neighborhood and an analysis of housing loans (1993-present) by type (new purchase, refinancing, home equity), borrower (landlord or owner-occupant), and category (subprime, high-interest rate, other). The indicators revealed interrelationships

between high rates of incarceration for the male population, the reliance of many families on single-parent lower-income wage earners, the availability of subprime loans, and increases in market prices (and property taxes) for single family and duplex houses. Neighborhood assets included a relatively high rate of home ownership for single family houses, untapped retail spending, the growth of child care businesses, increases in individuals reporting self-employment businesses, and government supports for families (including TANF child care subsidies, federal and state earned income tax credits, FoodShare benefits, and medical assistance coverage).

Vital Signs for the Greater Milwaukee Foundation, 2009-2011

The monthly “Vital Signs” prepared by the Employment and Training Institute for the Greater Milwaukee Foundation from 2009-2011 tracked the monthly housing foreclosure actions filed with the Circuit Courts in Milwaukee, Ozaukee, Washington and Waukesha Counties. Trendline data were summarized in published reports as of June 2010.

- [Indicators of Economic Need in the Milwaukee Metro Area](#)
- [Indicators of Economic Need in Milwaukee County](#)
- [Indicators of Economic Need in Ozaukee County](#)
- [Indicators of Economic Need in Washington County](#)
- [Indicators of Economic Need in Waukesha County](#)

Related News Coverage

“Renters Caught in Middle of Mortgage Mess” by Felicia Thomas-Lynn, Milwaukee Journal Sentinel.

“More Milwaukeeans Vulnerable to Soaring Housing Costs, UWM Study Shows” by Laura L. Hunt, UWM Reports.

“Faces of Foreclosure 53206” by Michele Derus, Milwaukee Journal Sentinel.

“Evictions Grow Familiar: As Foreclosures Rise, Days Include Unhappy Surprises for Families” by Michele Derus, Milwaukee Journal Sentinel.

“Loans Sinking Borrowers, Lenders: High-Risk Mortgage Firms Paying Price as Foreclosure Filings Rise” by Michele Derus, Milwaukee Journal Sentinel.

“Housing Crisis Hits Midwest Hard: Foreclosures on the Rise Amid Lagging Economy in Region” by Tim Jones, Chicago Tribune (November 4, 2007).

“Renters Are Latest Victims of Subprime Mortgages” by Dennis A. Shook, Shepherd Express (Nov. 29, 2007).

“Foreclosures Hit ZIP Code 53206 the Hardest: Near North Side Families Are Losing Their Homes” by Dennis A. Shook, Shepherd Express.

“Foreclosure Counseling May Not Help in Current Crisis: Too Little, Too Late, for Some Mortgage Holders,” by Dennis A. Shook, Shepherd Express.