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Neighborhood Indicators of Employment and Economic Family Well-Being for Zipcode 53206: Executive Summary

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New Indicators of Neighborhood Need in Zipcode 53206

Neighborhood Indicators of Employment and Economic Well-Being of Families, Barriers to Employment, and Untapped Opportunities

by Lois M. Quinn, Employment and Training Institute, University of Wisconsin-Milwaukee, 2007.

Executive Summary

Milwaukee Community Indicators Reports were initially developed by the University of Wisconsin-Milwaukee Employment and Training Institute with funding from the Greater Milwaukee Foundation and the City of Milwaukee to provide independent, timely and ongoing assessment tools to measure short-term and long-term progress toward improving economic and employment well-being of families in central city Milwaukee neighborhoods. Indicators track changes by neighborhood since 1993, prior to the beginning of state and federal welfare reform.

The 53206 zipcode neighborhood serves as a bellwether for poverty changes in Milwaukee and nationally. In the 1990s prior to welfare reform in Wisconsin it had the largest number of families receiving AFDC. In the 2000 Census it showed the largest number of families in poverty among Milwaukee zipcodes. This 2007 publication introduces two new sections addressing critical (and previously unexamined) issues facing the neighborhood: the unprecedented increases in **subprime and high-interest rate housing loans** to neighborhood residents and investors, and the **growing population of ex-offenders** of prime working age in the neighborhood. These new measures stand in sharp contrast with prior indicators which have generally shown relatively slow downturns and in some cases modest improvements. The new analyses, however, show substantial movement in a negative direction, particularly in the last 4-5 years as prisoners released to these neighborhoods have risen dramatically and subprime lending for refinancing mortgages has escalated. The new indicators shed much light on the immense challenges facing the 53206 zipcode neighborhood. The indicators reveal interrelationships between staggeringly high rates of incarceration (and recidivism) for the male population, the reliance of many families on single-parent lower-income wage earners, the availability of subprime loans providing cash income but often issued to families lacking means to meet the adjustable payment schedules, and increases in market prices for single family and duplex houses whose future is tied to national stalls in housing values and concurrent financial problems of subprime lenders.

At the same time, **assets are identified**, including a relatively high rate of home ownership for single family houses, untapped retail spending (much of which is now leaving the neighborhood), the growth of

child care businesses, increases in individuals reporting full or partial self-employment, and government economic supports for families (including child care subsidies, the federal and state earned income tax credits, FoodShare benefits, and medical assistance coverage).

This 53206 publication is the first of the 2007 series of nine neighborhood drilldown reports for central city Milwaukee ZIP code areas. Reports are posted on the ETI website at www.eti.uwm.edu.

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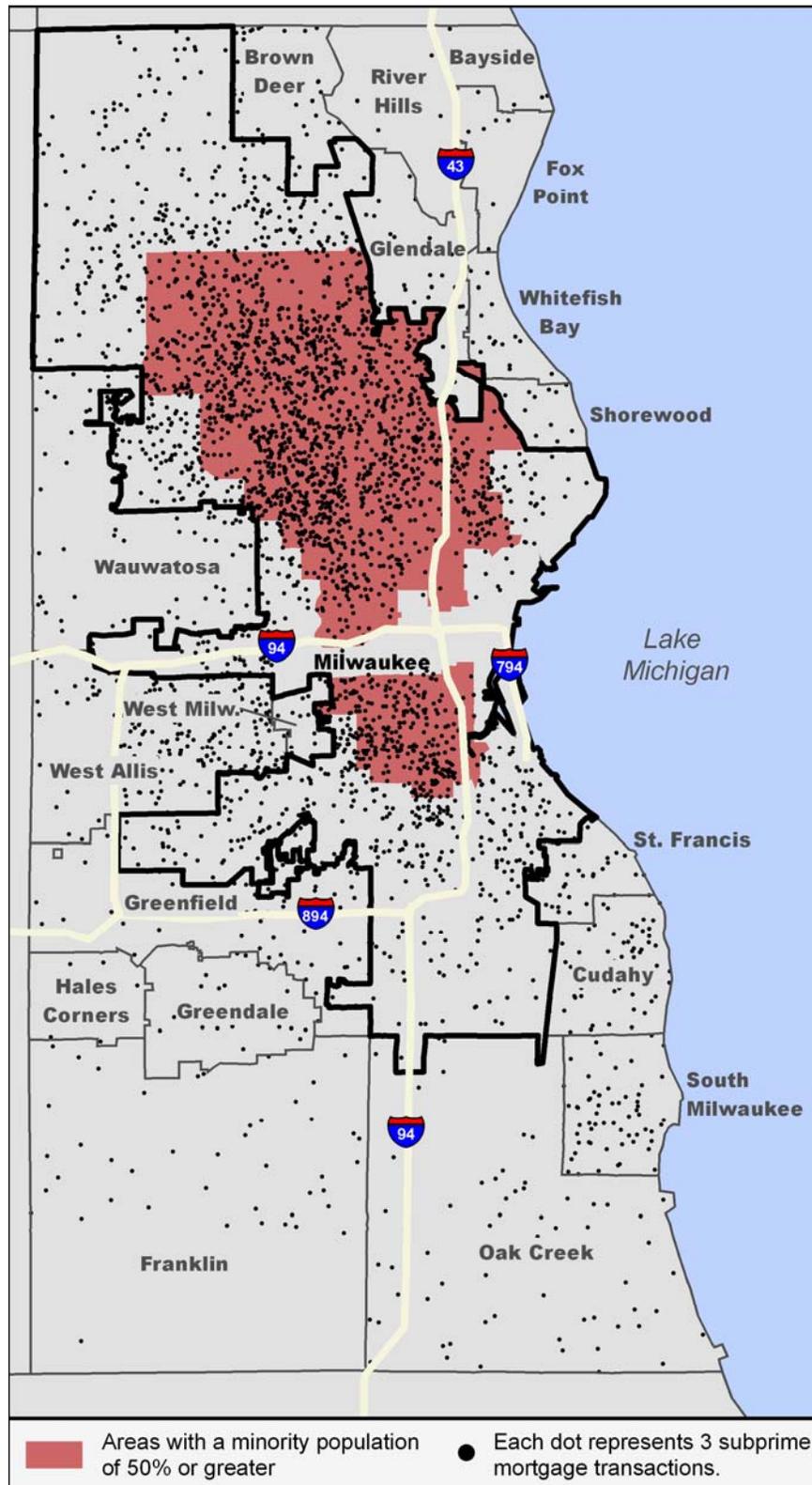
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New Indicator Findings: Mortgage Lending Practices in Zipcode 53206

1. Subprime loans (46%) and high-interest loans (32%) make up over three-fourths (78%) of the mortgage loans issued for owner-occupants in 2005, according to a special analysis of mortgage lending practices in zipcode 53206. The growth of these costly high risk mortgages has been fueled by dramatic increases in housing prices, even in the poorest neighborhoods, and promotion of mortgage loans for cash-strapped residents.

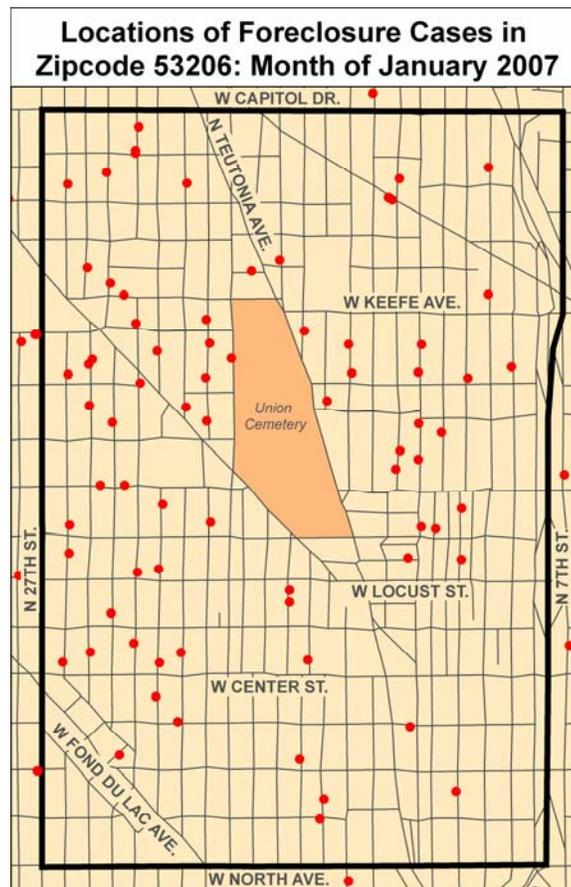
Subprime loans are typically made to individuals with poor credit histories, offer less favorable terms of repayment (often with low initial interest rates escalating into higher payment schedules 2-3 years after the mortgage is issued), may involve high fees and prepayment penalties, often do not include escrow accounts for property taxes and insurance, and may not verify the income and capability of the borrower to meet the mortgage payments. In Milwaukee County subprime lending activity is heavily concentrated in central city and minority neighborhoods. (See map below.)

Locations of Subprime Lending Transactions in Milwaukee County in 2004 and 2005



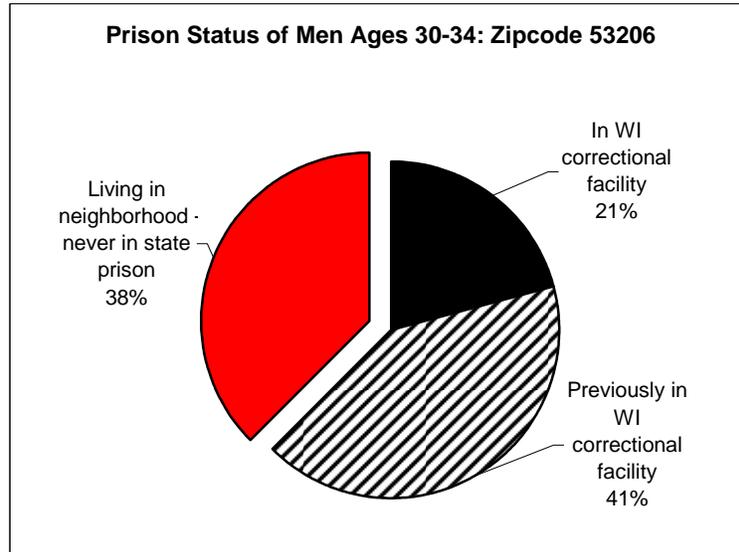
Source: UWM Employment and Training Institute analysis of HMDA data.

2. Refinancing loans have exceeded the number of home purchases each year since 1994 in zipcode 53206. In 2005, the last year for which data is available, zipcode 53206 recorded 372 refinancing loans for owner-occupants, a high for the eleven years analyzed. These refinancing mortgages offer 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.
3. A number of the subprime lenders operating in zipcode 53206 have recently been reported as having serious financial problems, facing possible bankruptcy, and under investigation by government agencies in other states. A total of 62 subprime lenders issued 932 housing loans totaling \$55 million in 2004 and 2005 in zipcode 53206. (In 1993 only 11 subprime loans were issued in the zipcode neighborhood.)
4. Foreclosure cases in January 2007 were heavily concentrated in zipcode 53206. In January 2007 the Milwaukee County courts listed 377 foreclosure cases on file for properties in the City of Milwaukee for one month alone, and 75 of these (20%) were in zipcode 53206. As the subprime lending industry faces a growing national crisis and housing prices stall, further increases in foreclosures may be seen in zipcode 53206.



New Indicator Findings: Returning Prisoners in Zipcode 53206

1. Nearly two-thirds (62%) of men ages 30-34 from zipcode 53206 have been incarcerated in state Department of Corrections facilities or are currently incarcerated, according to a first-time analysis of the population of adults incarcerated in state DOC facilities (from January 1993 through June 2006).

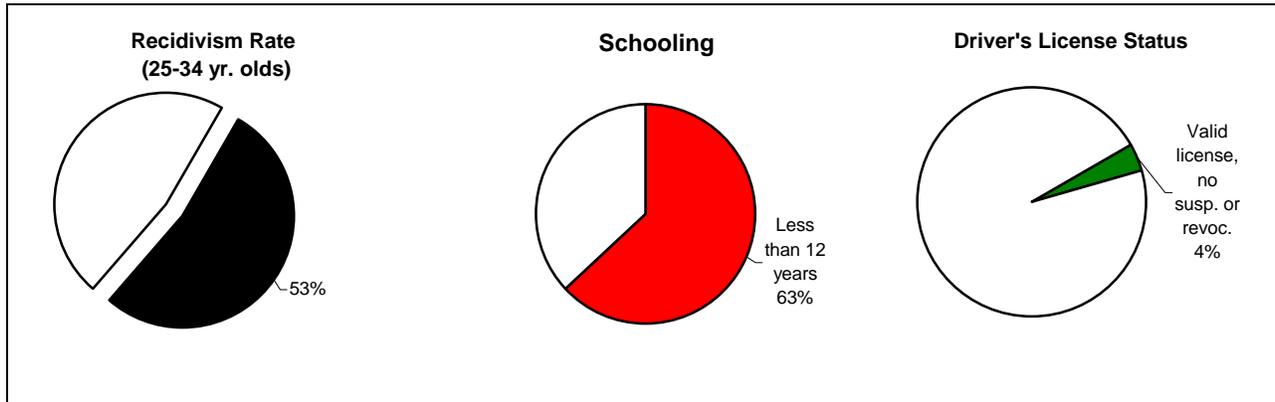


2. An estimated 2,500 adults now living in zipcode 53206 were previously incarcerated in state Department of Corrections facilities from 1993 to 2006. Adults, mostly male (89%) and nearly all African American (like the neighborhood population which is 97% African American), face major barriers which impact their chances of reuniting with their families and securing regular employment. Only 4% showed a valid driver's license with no suspensions or revocations, and 63% had not completed high school or obtained a GED.

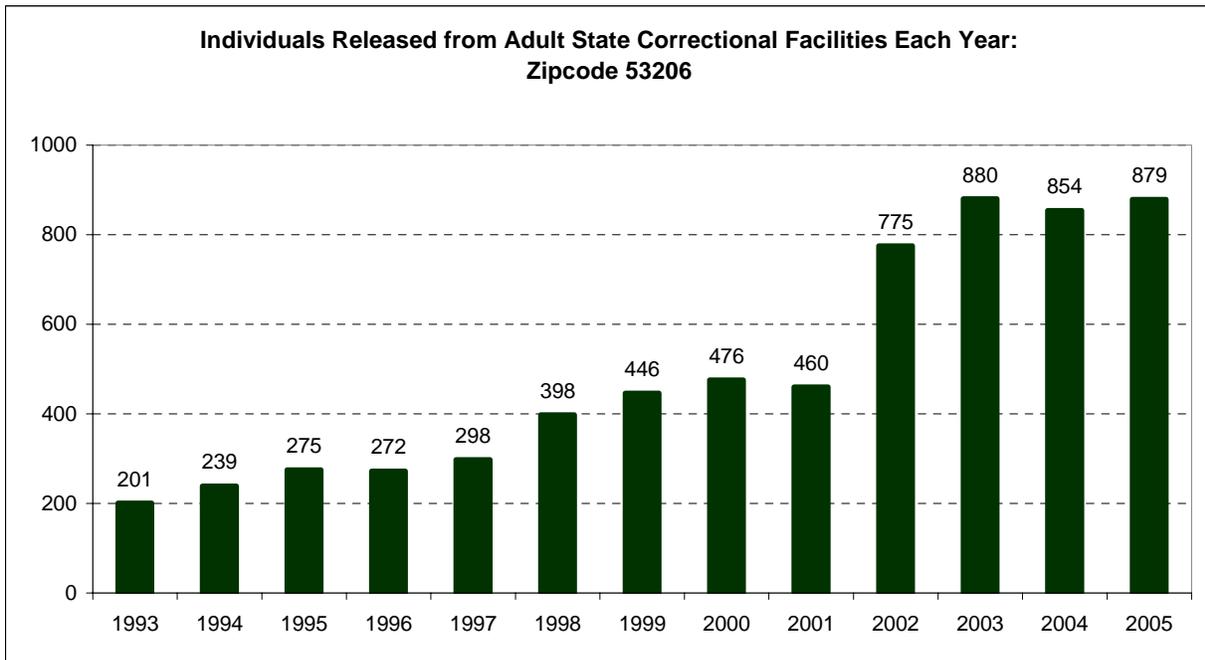
Government policies instituted for the population of felons with drug-related convictions prevent many from moving into subsidized housing or from obtaining Pell grants to attend vocational education courses, college or other post-secondary education training.

3. Many of the adults released subsequently return to prison. Recidivism rates of 53% were reported for those ages 25-34. Thus, over half return to state correctional facilities one or more times.

Released Population from State Correctional Facilities: Zipcode 53206



4. Zipcode 53206 has seen a dramatic 336% increase in the number of adults released from prison since 1993 when 201 were released to 879 released in 2005. The number serving time and released for “drug offense only” has increased five-fold, from 43 in 1993 to 255 in 2005.



The complete report on “New Indicators of Neighborhood Need in Zipcode 53206” is available at www.eti.uwm.edu. For more information, contact Lois Quinn, Senior Scientist, Employment and Training Institute, School of Continuing Education, University of Wisconsin-Milwaukee, 161 W. Wisconsin Avenue, Suite 6000, Milwaukee, WI 53203. Phone: 414-227-3380. Email: eti@uwm.edu. Website: www.eti.uwm.edu.