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Milwaukee's Housing Crisis: Housing Affordability and Mortgage Lending Practices

John Pawasarat

University of Wisconsin - Milwaukee, pawasara@uwm.edu

Lois M. Quinn

University of Wisconsin - Milwaukee, lquinn@uwm.edu

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Milwaukee's Housing Crisis: Housing Affordability and Mortgage Lending Practices

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

This report examines the recently released 2006 Home Mortgage Disclosure Act (HMDA) data and new 2006 American Community Survey (ACS) census data as part of a series of 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. Much of the discussion about the mortgage housing crisis has focused on the effect of subprime and high-interest rate lending on individual borrowers and the fall-out for the housing stock in heavily impacted neighborhoods. Newly released census data from ACS suggests that the impacts of the unregulated housing loans and resultant housing price increases and property tax assessment (and tax bill) increases, coupled with utility rate hikes and relatively flat incomes have dramatically altered the affordability of housing in urban areas, particularly for Midwest cities long known for their reasonably priced housing and consequent lower cost-of-living.

Part One examines spending for housing costs compared to income for 2000 and 2006, based on census data.

1. Homeownership increased throughout Milwaukee County from 2000 to 2006 due to increased lending activity. However, increases were seen in housing costs for homeowners with mortgages as well as for renters, as taxes, utility costs, and mortgage values escalated. The census reported that 41% of City of Milwaukee homeowners with mortgages and 56% of City renters were spending 30% or more of their total income for housing.
2. Other cities throughout the Midwest showed similar trends of substantial increases in households paying large portions of their income for housing.
3. The percentage of highly leveraged households with mortgages spending half of their income or more on housing nearly doubled in the City of Milwaukee.

Part Two provides analysis of mortgage lending practices in Milwaukee County, using HMDA data files from 1993 through 2006.

4. Total housing loans decreased by 12% in Milwaukee County, from 2005 to 2006. The number of refinancing loans dropped sharply in the suburbs but remained steady in the poorest city neighborhoods.
5. Disparities in lending by race and neighborhood were in evidence. Homeowners in the poorest areas were the mostly likely to have high cost mortgages (subprime and/or high interest rate loans). African Americans were much more likely to get high-cost loans than whites, and two times more likely to get refinancing loans.

Part Three offers an update on mortgage lending practices in ZIP code 53206.

6. Mortgage borrowing activity continued to rise in zipcode 53206 (Milwaukee's poorest zipcode) in contrast to an overall slowdown in the county. The number and dollar amounts of loans were at an all-time, and 75% of the loans were subprime or high-interest rate.

Part One: Declines in Housing Affordability, 2000 - 2006

The economic advantages of affordable housing within the City of Milwaukee appear to have eroded, according to the 2006 ACS census data. These census data files, including the PUMS (Public Use Micro Sample) data, were used to compare changes in the economic well-being of households in Milwaukee and surrounding suburbs, based on the amount of household income spent on housing in 2000 and 2006.

The U.S. Department of Housing and Urban Development (HUD) standard for affordable housing is that no more 30% of household income should be spent on housing related costs. According to HUD, “families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.” During the last six years, mortgages, property assessments, utility costs, and taxes have all risen dramatically. Homeowners, particularly in urban areas, have reported dramatic increases in the portion of their income that they spend on these housing-related expenses.

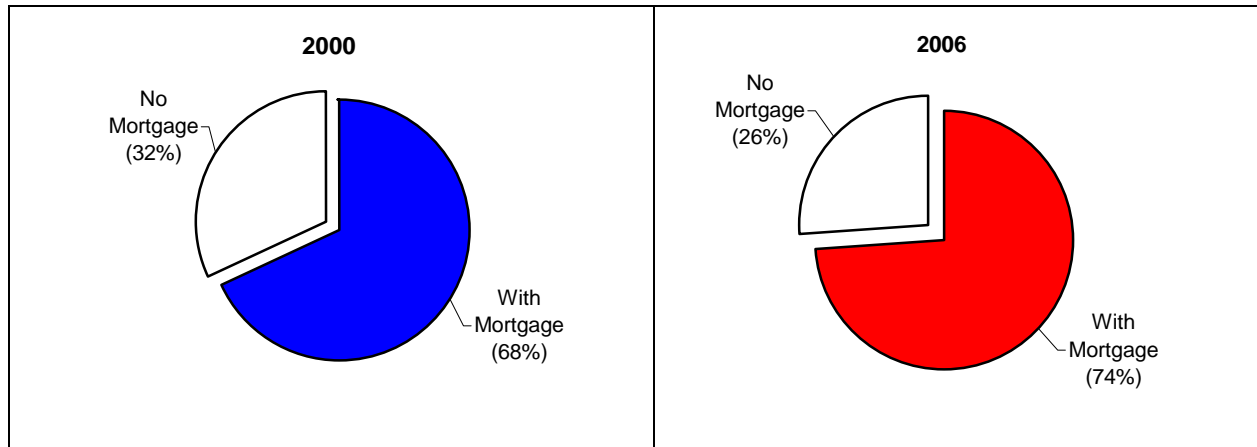
- Home ownership has risen throughout Milwaukee County as a result of the availability of subprime and high-interest rate mortgages. The number of owner-occupied homes in the county was up by 10,715 in 2006 (compared to 2000) while the number of households in rental units declined by 11,102, with the number of residential housing units remaining flat overall.

Change in Home Ownership in Milwaukee County, 2000 to 2006



- The percentage of homeowners with a mortgage increased, especially in the City of Milwaukee where 68% of homeowners had a mortgage in 2000, but that figure jumped to 74% in 2006.

**% of City of Milwaukee Homeowners With a Mortgage,
2000 to 2006**



At the same time the number of residents living in housing over-leveraged for their income increased substantially.

- Homeowners in the City of Milwaukee spending less than 30% of their income on housing dropped from 73% of those with a mortgage in 2000 to 57% of those with a mortgage in 2006. Mortgaged households spending more than half of their income on housing nearly doubled from 10% in 2000 to 19% in 2006.
- **The 2006 American Community Survey estimates that almost 49,000 Milwaukee County residents (adults and children) are living in homes with mortgages but with housing costs (including mortgage payments, property taxes, insurance and utilities) totaling at least 50% of their income.**
- **Most at-risk among homeowners are 13,896 adults and children living in the City of Milwaukee and 4,766 suburbanites whose mortgage payments and other housing expenses totaled 75% or more of their household income.**

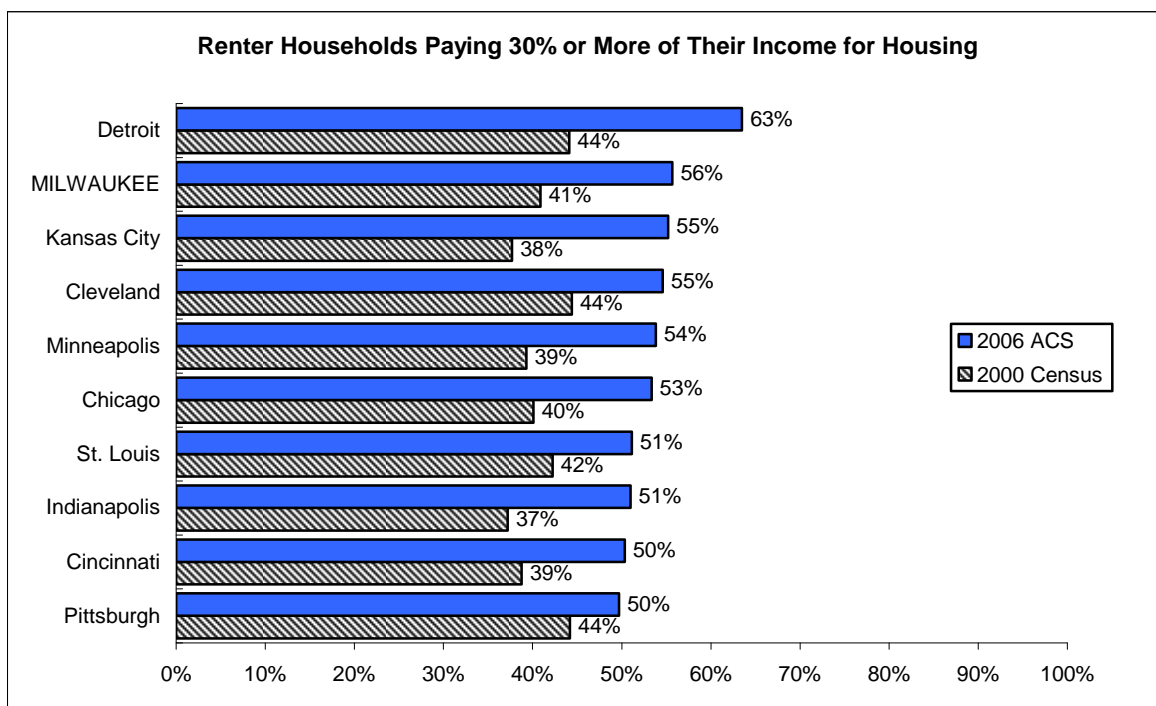
Residents in Over-Leveraged Households with Mortgages, 2006

<u>Geographic Area</u>	PERCENT OF HOUSEHOLD INCOME SPENT ON HOUSING:		
	<u>50-74%</u>	<u>75% or More</u>	<u>50% or More</u>
Poorest City Areas (PUMS2003)	3,008	2,967	5,984
City of Milwaukee	19,764	13,896	33,660
Milwaukee County Suburbs	10,508	4,766	15,274
Milwaukee County Total	30,272	18,662	48,934

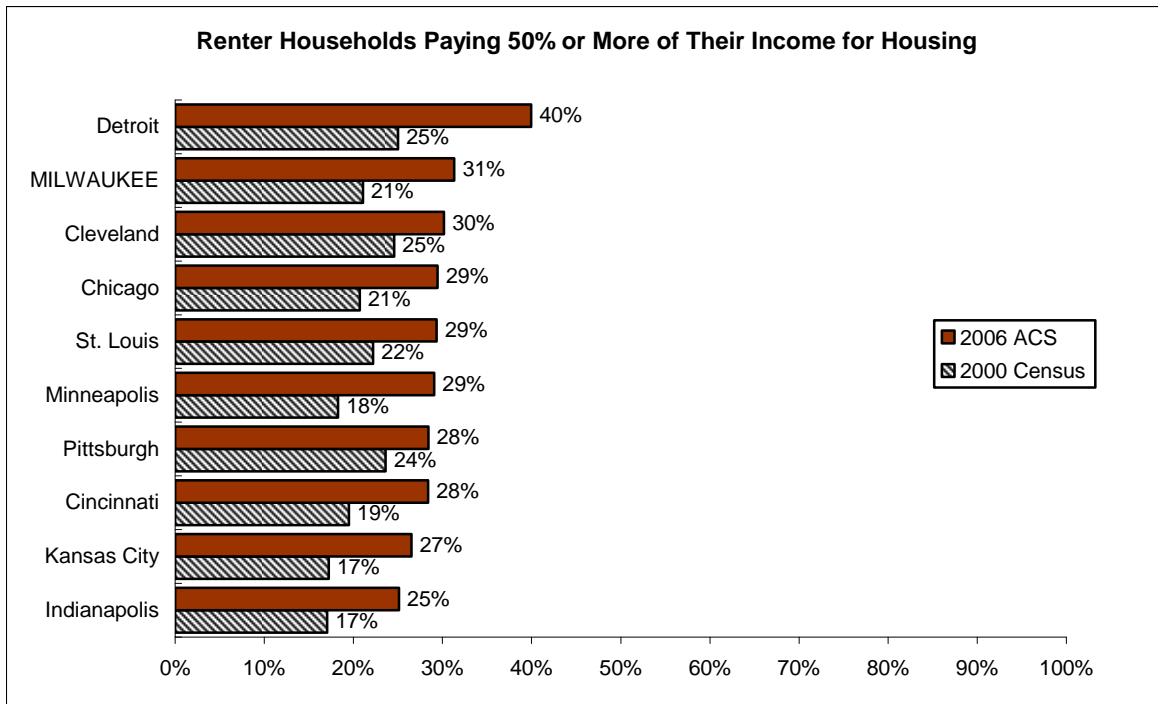
Housing Cost Increases Hit Midwest Cities Hard

The impact of the housing changes of the last six years can be seen among renters in Milwaukee and other Midwest cities, where rising housing prices, property taxes, and utility rates have driven up housing costs far above what many households can afford. Coupled with often stagnant income earnings, the major Midwest cities are showing increases in renters with unaffordable housing costs.

- The 2006 census reported that 56% of renting households in the City of Milwaukee were paying 30% or more of their total income for housing, up from 44% in 2000.
- Milwaukee has among the highest percentage of renters with unaffordable housing compared to their income, but all of the major cities saw increases.



- Nearly a third (31%) of renting households in the City of Milwaukee was reported as spending **at least half** of their income on housing in 2006, up from 21% in 2000.



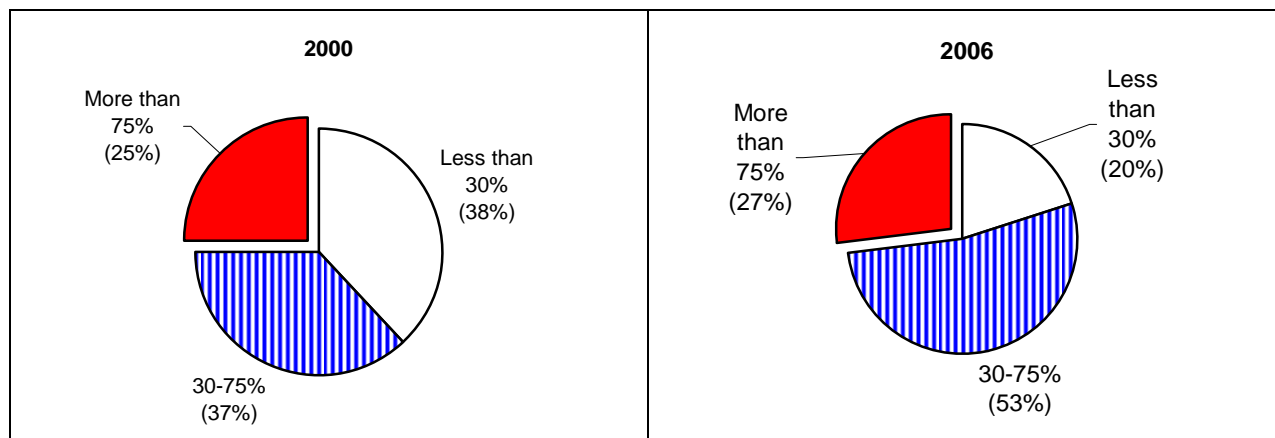
Few Renters on Public Assistance Have Affordable Housing

No population was harder hit than renters on public assistance who are very heavily concentrated in the City of Milwaukee's poorest neighborhoods. Inner city neighborhoods showed dramatic increases in home purchase prices where housing prices – and sales activity – had been historically very low prior to the subprime mortgage lending escalation. As sales activity and prices rose two to fourfold or more in these neighborhoods, property taxes rose sharply, increasing homeowner costs and resulting in rent increases for tenants. (In the innercity Milwaukee zipcodes, from 2000 to 2006 property tax bills increased by 62% on average for duplexes and 50% for 4-bedroom houses.) Utility costs for electricity and heat also rose dramatically. As a result, a growing number of renters in Milwaukee are spending large portions of their income on housing.

- The 2006 American Community Survey shows an increase in renters on public assistance – already strapped for cash for basic necessities -- paying far more than they can afford for housing. **Within the City of Milwaukee, the 2006 ACS reported 51,000 children on public assistance (including food stamps, welfare and disability) and living in rental units. Of these children, a reported 24% lived in households paying over 75% of their income on housing costs and another 24% in households paying 50 to 74% of their income for housing costs (i.e., rent and utilities).**

- The percentage of City renters on public assistance who had affordable housing, based on the HUD standard, dropped from 38% in 2000 to 20% by 2006, according to census data.

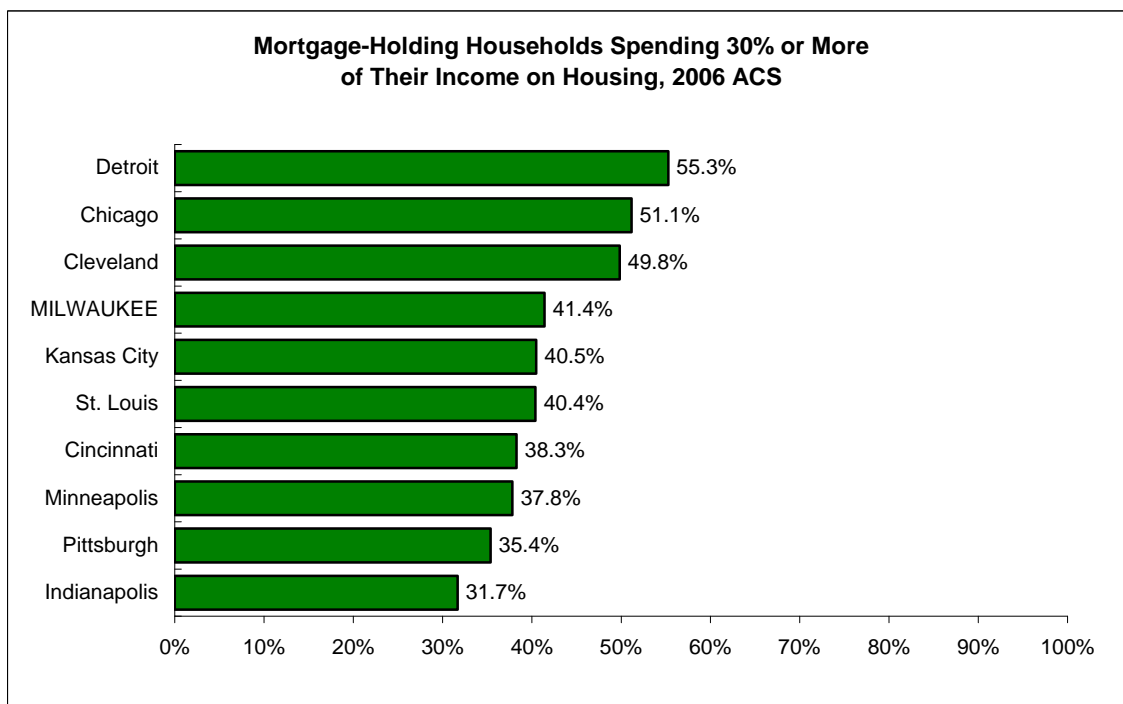
Percent of Income Spent on Housing by Renters on Public Assistance



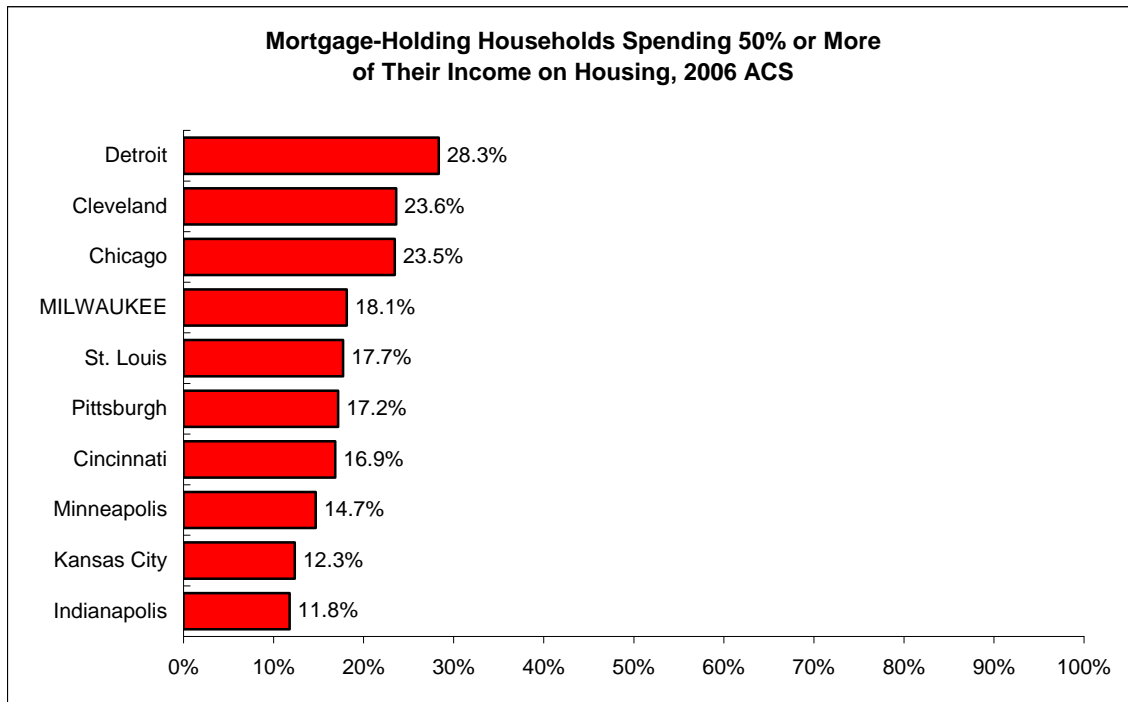
Large Numbers of Mortgage Holders Spend 30% or More for Housing

The U.S. Census data showed an increase in the numbers and percentages of City of Milwaukee homeowners paying what HUD considers unaffordable levels of their income for housing, that is spending 30% or more of their household income on housing expenditures.

- In the City of Milwaukee, the percentage of mortgaged homeowners spending 30% or more of their household income on housing had reached 41% in 2006.



- Nearly one out of every five (18%) homeowners with a mortgage in the City of Milwaukee was spending at least half of their household income on housing costs in 2006, according to the American Community Survey.



Part Two: Mortgage Lending Practices in Milwaukee County, HMDA Data

The HMDA (Home Mortgage Disclosure Act) data collected federally from lending institutions was analyzed for loans issued in Milwaukee County for the periods 1993 through 2001 and 2003 through 2006. These included a total of 920,225 loan transactions and 462,012 issued mortgages (including 70,092 loans issued by subprime lenders). Mortgages were analyzed by type (subprime, high-interest rate, and other), purpose (home purchase, refinancing, and home repair), and type of borrower (owner-occupant or investor).

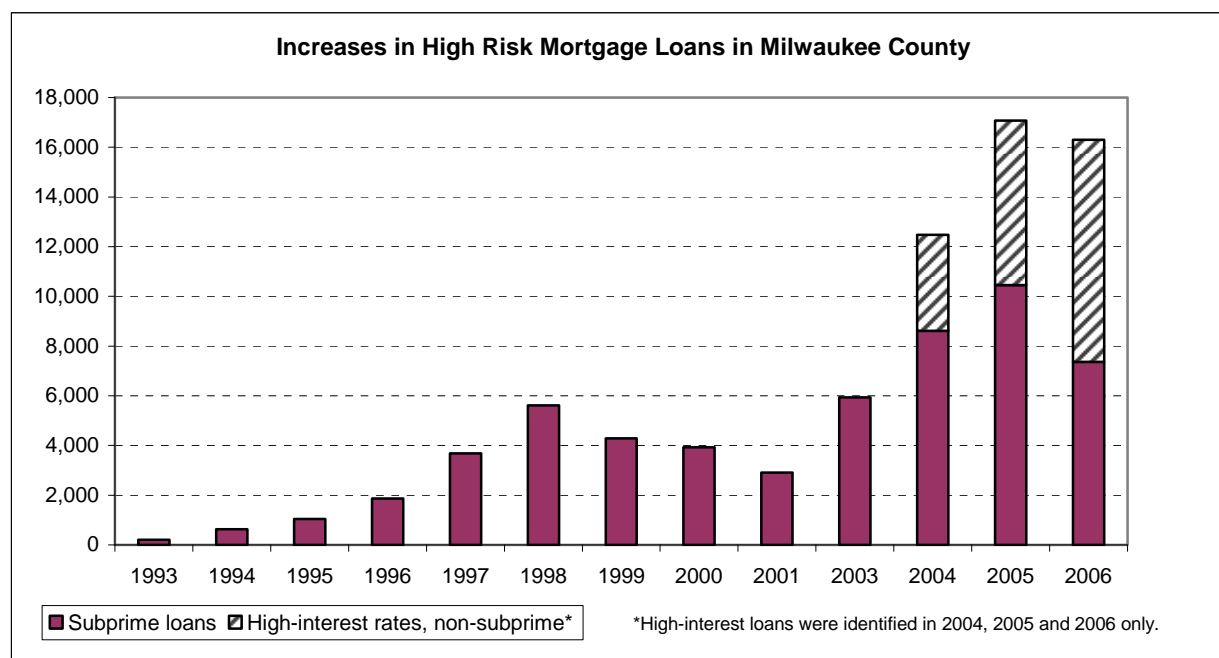
Subprime loans are defined as loans issued by subprime lenders (as classified by the U.S. Department of Housing and Urban Development) and are largely unregulated. These loans are typically made to individuals with poor credit histories, offer less favorable terms of repayment (often with low introductory 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. HMDA data files also indicate **high interest loans** (defined as loans which start out at more than 3 points above Treasury Rates for first liens and more than 5 points above for second liens). These loans may be issued by subprime or non-subprime lenders, typically to buyers with poor credit ratings (and/or for shorter length loans).

Of particular concern are **refinancing mortgages** made for houses that are already partially paid for, where borrowers acquire immediate cash based on equity in their home and its increased market value since they acquired their first mortgage. This cash may be used to consolidate credit-card or other debts, but puts the borrower’s home at risk if mortgage payments are not met. In some cases, distressed home owners may be now **refinancing their refi’s** with the same lender (either obtaining a high-interest rate mortgage or obtaining another teaser loan). Other borrowers are locked into adjustable rate mortgages (**ARMs**) with escalating interest rates due to pre-payment penalties they cannot afford or the borrowers’ inability to secure a loan from another lender.

The 2006 HMDA data showed a slowdown in subprime lending but still very high levels of at-risk loans (i.e., subprime and/or high-interest rate loans).

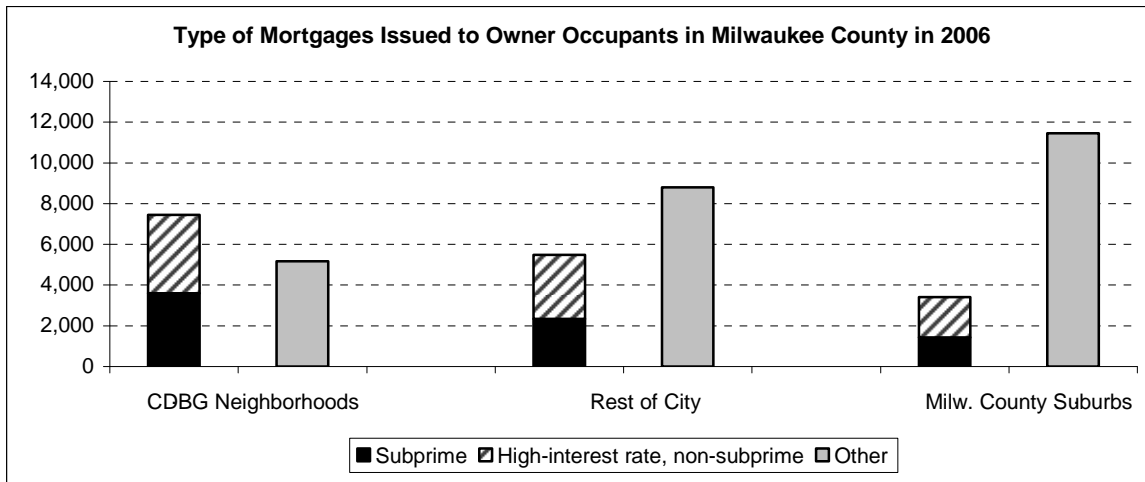
1. **Borrowing for housing slowed in Milwaukee County in 2006**, according to newly released HMDA data. The number of housing loans in Milwaukee County decreased 12% from 47,476 loans in 2005 to 41,759 in 2006, and the amount of borrowing declined 10% from \$5.9 billion in 2005 to \$5.3 billion in 2006.
2. The 2006 HMDA data showed a slowdown in the number of subprime housing loans issued throughout Milwaukee County (likely in part due the number of subprime lenders in serious financial difficulty), but **high interest rate mortgages issued from non-subprime lenders rose 35%** (from 6,616 loans in 2005 to 8,969 loans in 2006).

3. **Subprime housing loans**, which had skyrocketed in Milwaukee County from 206 mortgages totaling \$7.7 million in 1993 to 10,451 subprime mortgages totaling over \$1 billion in 2005, **declined** to 7,371 subprime loans for \$737 million in 2006.



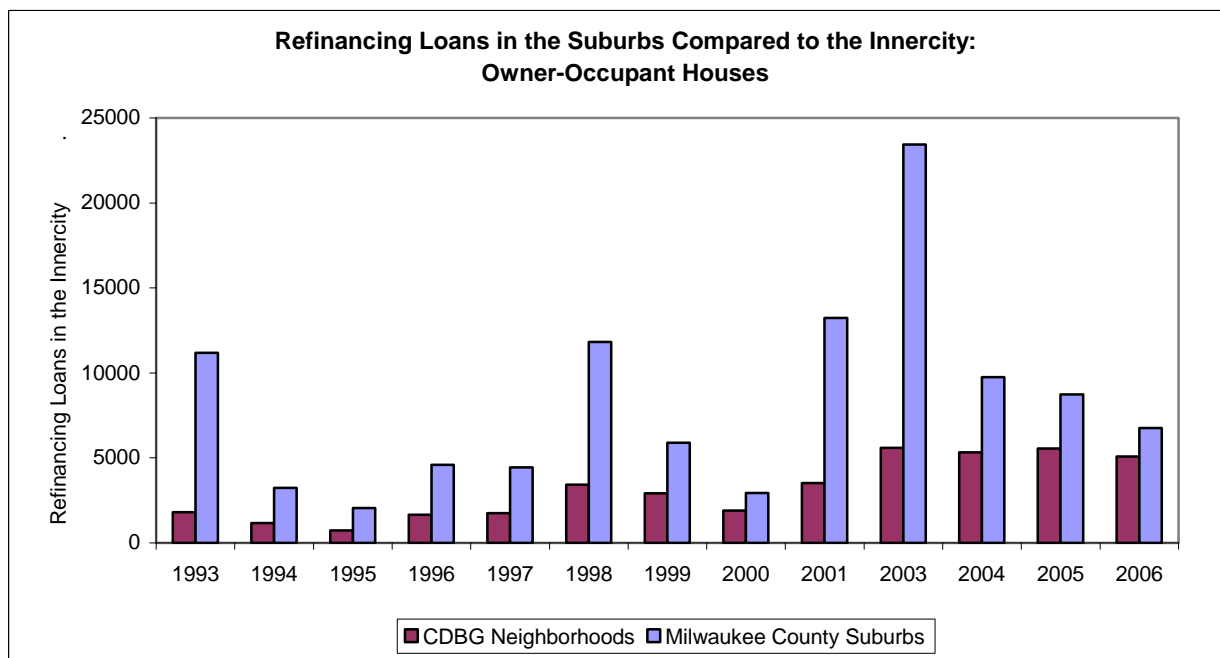
Borrowing for Owner-Occupied Housing Slows in Suburbs, Up 30% in CDBG

- For owner-occupied housing, **borrowing slowed in the suburbs**, with total mortgages issued in 2006 (N=14,867) down 11% from those issued in 2005 (N=16,695). At the same time, City of Milwaukee residents showed a 13% increase in mortgages for owner-occupied houses (from 23,676 mortgages issued in 2005 to 26,892 issued in 2006), largely due to a 30% increase in borrowing in the central city neighborhoods (where mortgages increased from 9,673 in 2005 to 12,609 in 2006).
- In the central city Milwaukee Community Development Block Grant (CDBG) neighborhoods over half (59%) of mortgages issued in 2006 were either subprime loans or high-interest loans with rates several points above mortgages issued to other borrowers. In the rest of the City of Milwaukee these higher risk loans made up 39% of mortgages issued, and in the suburbs they made up 23% of mortgages issued.

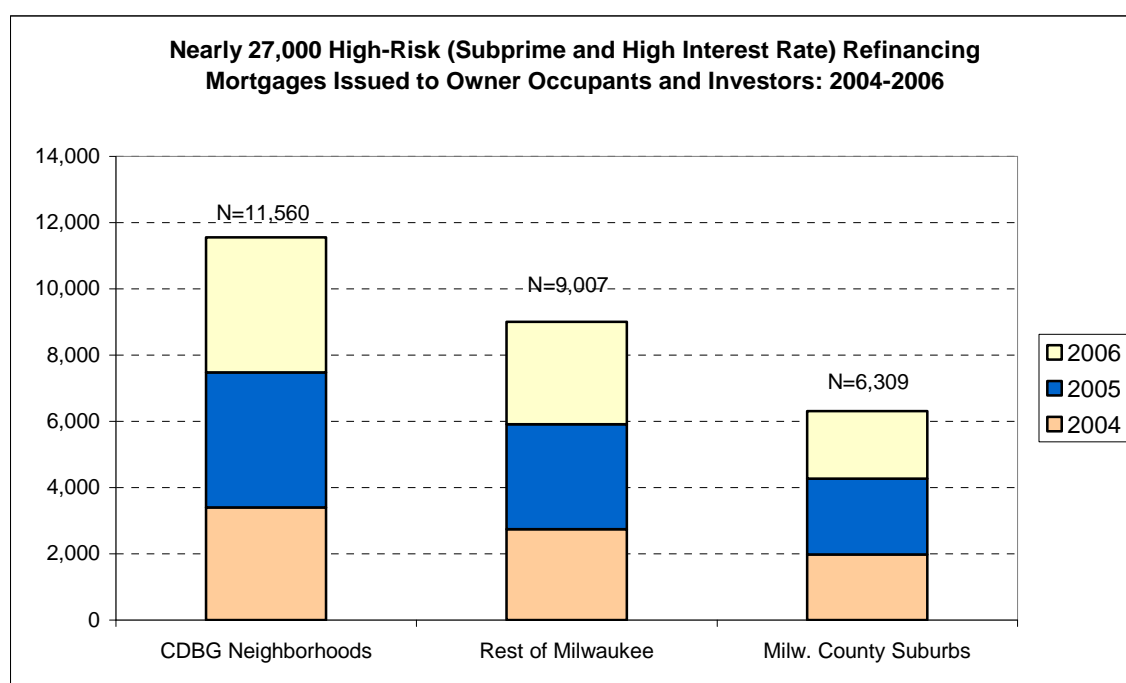


Refi's Drop in Suburbs, Still High in Central City

- **Refinancing loans taken out by owner-occupants in 2006 were down 20%** over the numbers issued in 2005. Refinancing loans still made up half (51%) of the mortgages issued to owner-occupants, with 41% of loans for home purchases and 8% for home repair.
- The central city Milwaukee CDBG (Community Development Block Grant) area continued to record over 5,000 refinancing loans a year to owner-occupants from 2003 through 2006. At the same time, the number of refinancing loans for owner-occupant housing in the Milwaukee County suburbs dropped from a high of 23,439 in 2003 (when many homeowners refinanced to obtain more favorable interest rates) to 6,761 in 2006.

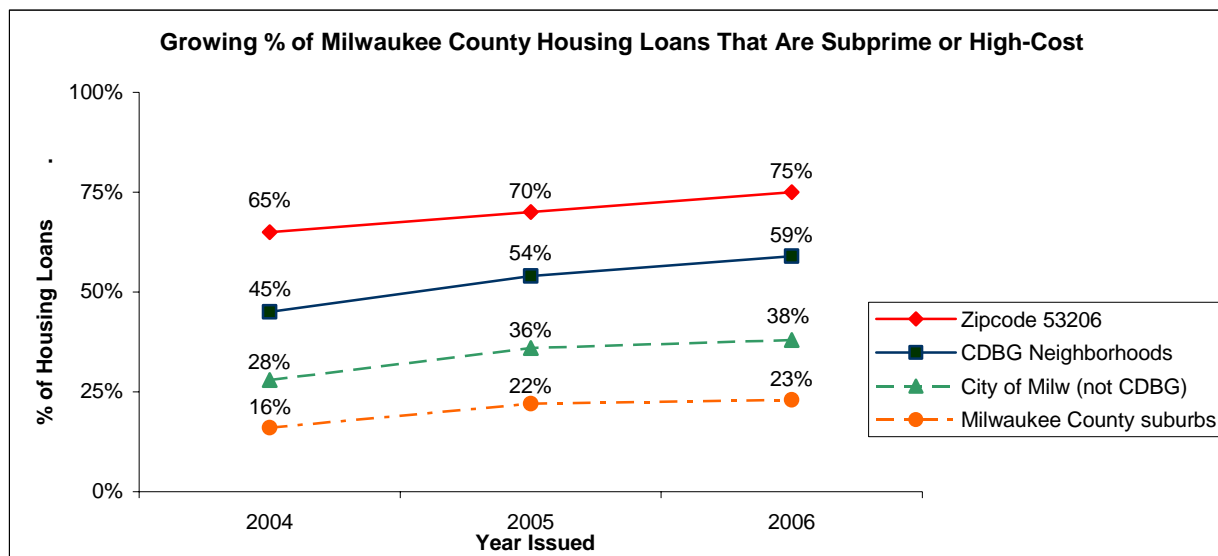


- Refinancing loans from subprime lenders, which hit an all-time high in 2005, continued to be high in 2006 in the poorest CDBG neighborhoods, but declined in the rest of the City of Milwaukee and in the Milwaukee County suburbs. In the CDBG neighborhoods, subprime refinancing loans were high in 2005 and 2006, suggesting that many loans were taken to obtain needed cash or to restart an adjustable rate mortgage (ARM) which the homeowner could no longer afford.
- While suburban property owners still show higher numbers of refinancing loans than CDBG homeowners, the largest numbers of **high-risk refinancing loans** using subprime lenders and/or with high-interest rate loans occur in the CDBG neighborhoods, where 11,560 subprime and high-interest rate refinancing loans were reported in the past 3 years. In the rest of the City of Milwaukee there were 9,007 high-risk refinancing loans issued, and in the suburbs, 6,309 for the three-year period.

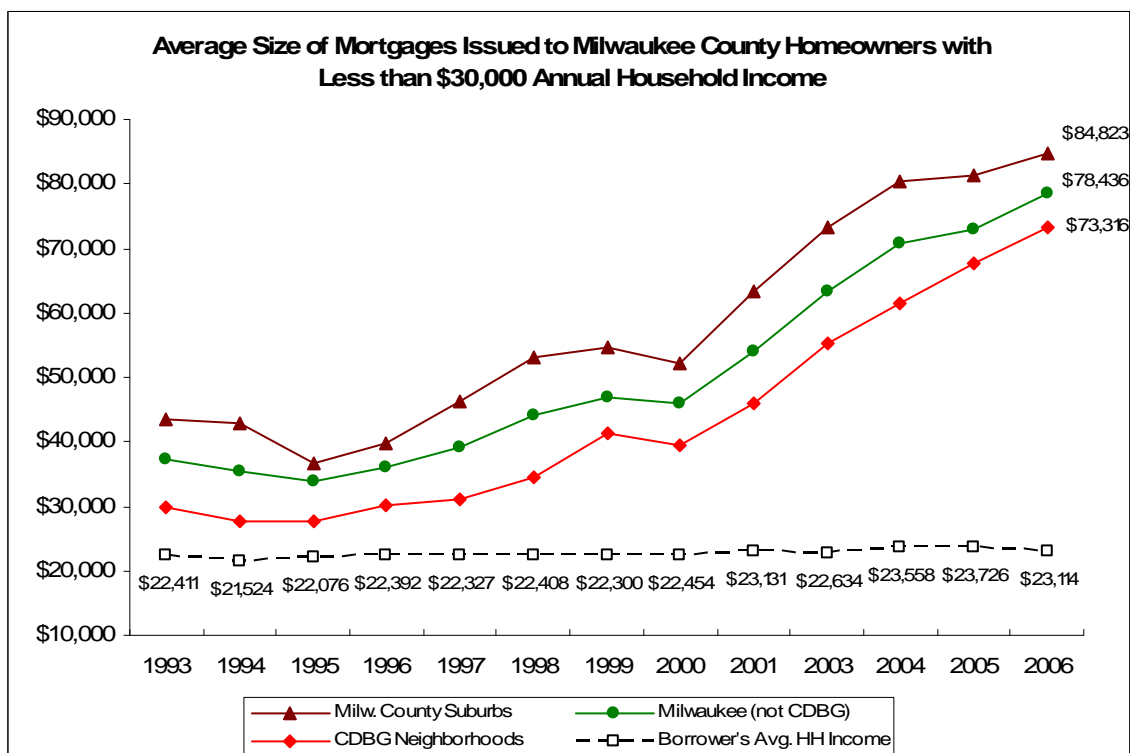


- Eighty percent of refinancing loans in the CDBG were high-risk mortgages, compared to 30% of refi's in the suburbs.
- **Throughout the county an increasing share of new mortgages are high risk loans.** Even in the Milwaukee County suburbs high-risk mortgages (subprime and high-interest rate) made up 23% of mortgages issued in 2006, compared to 16% of mortgages issued in 2004.
- In the central city neighborhoods targeted by the Community Development Block Grant (CDBG) program high-risk loans made up 59% of all housing mortgage activity in 2006, up sharply from prior years. Total mortgage lending in these 9 zipcode neighborhoods has exceeded \$1 billion in each of the last three years.

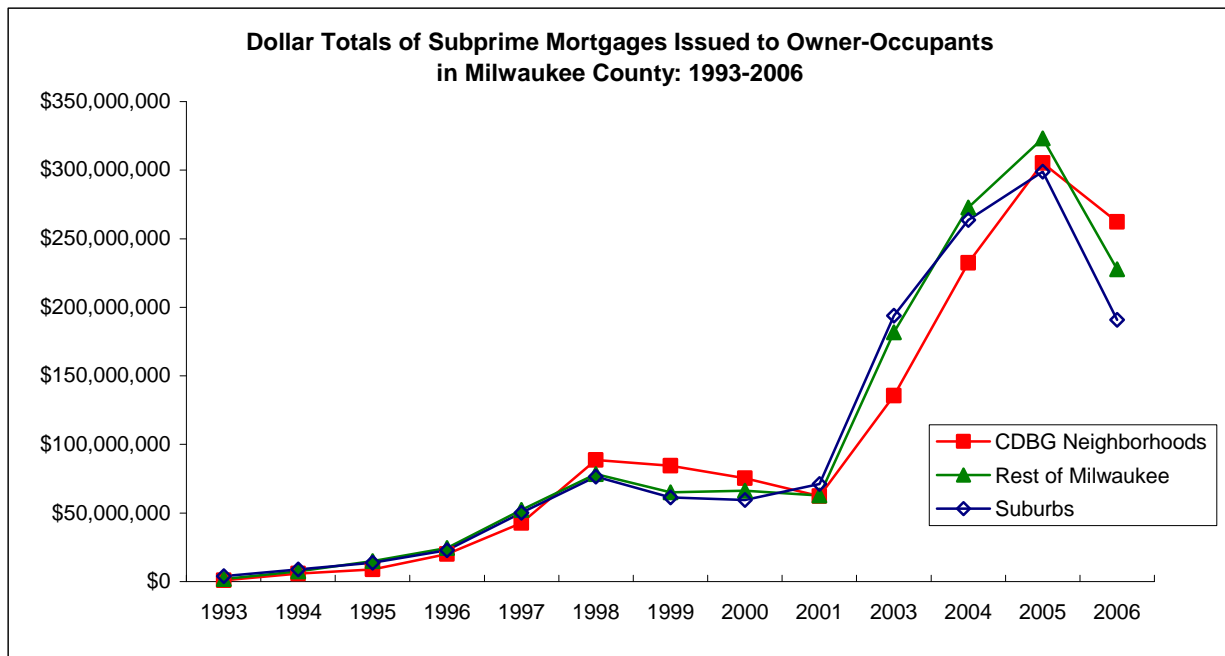
- Dramatic increases in high-risk mortgages were seen in **zipcode 53206**, Milwaukee's poorest neighborhood. Here, **75% of all mortgages issued in 2006 were high-risk** (either subprime or high-interest rate loans), up from 65% just two years earlier.



- A most troubling trend in mortgage lending is the large volume of loans issued to low-income families throughout Milwaukee County with household incomes below \$30,000. During the last four years, **14,985 mortgage loans were issued to households with less than \$30,000 in income** and for unparalleled amounts of mortgages. Half (51%) of these mortgages were made to home buyers in the CDBG neighborhoods.



- The average amounts of loans taken out by low-income households throughout the county has sky-rocketed to levels that are often four times the average mortgage loans during the 1990s and well above the ability of households to pay, particularly given adjustable rate mortgages (ARMs) with balloon payment requirements after the first 2-3 years. Many households with these loans are now in imminent danger of foreclosure as their ARM payment increases have kicked in since origination of their loans. Overall, households with incomes averaging \$23,000 are obtaining \$73,000 - \$84,000 mortgages.
- The dollar value of subprime loans in the county was down in 2006 compared to 2005, but still above the levels seen in 2003 when subprime lending took off throughout the country.



2006 HMDA Analysis by Race

Racial Disparities for Housing Loans in the City of Milwaukee

The HMDA files include data on the race of borrowers for housing loans. Mortgages were examined for owner-occupants in the City of Milwaukee.

- In 2006 both African Americans and whites showed the highest number of loans for refinancing (55% of loans by African Americans and 52% of loans by whites).
- Home purchase loans comprises 47% of mortgages for Latinos, followed by refinancing loans (46%) and home repair loans (7%).

Purpose of Mortgages Obtained by City of Milwaukee Households for Owner-Occupied Housing: 2006

<u>Purpose of the Mortgage</u>	<u>RACE OF BORROWERS:</u>			
	<u>African American</u>	<u>Latino</u>	<u>White</u>	<u>All</u>
Home purchase	38%	47%	39%	39%
Refinancing loan	55%	46%	52%	53%
Home repair loan	5%	7%	2%	8%
ALL	100%	100%	100%	100%
N =	2,208	1,298	6,609	11,331

When the type of mortgage obtained was analyzed, African Americans showed far more higher-cost loans from subprime lenders or with interest rates well above the regular rate.

- In 2006 over 2/3 (69%) of African Americans obtained mortgages had higher-risk (and inevitably higher-cost) loans from subprime lenders or with above prime interest rates.
- By contrast, less than 1/3 (30%) of whites had subprime or high-interest rate loans.
- Latinos in Milwaukee showed better mortgage conditions than African Americans but poorer than those for white borrowers, with 50% of 2006 borrowers having subprime or high-interest rate loans.

ALL Mortgages Obtained by City of Milwaukee Households for Owner-Occupied Housing: 2006

<u>Type of Mortgage</u>	<u>RACE OF BORROWERS:</u>			
	<u>African American</u>	<u>Latino</u>	<u>White</u>	<u>All</u>
Subprime mortgage	35%	21%	13%	23%
High-interest rate loan (non-subprime lender)	34%	29%	17%	25%
Regular loan (not subprime, not high-interest rate)	31%	50%	70%	53%
ALL	100%	100%	100%	100%
N =	2,208	1,298	6,609	11,331

African Americans Twice as Likely to Get Subprime Refi's

It is in the area of refinancing loans that the sharpest disparities are seen by race. When the race of borrowers (owner-occupants) obtaining refinancing loans from subprime lenders are examined, African Americans are far more likely to obtain these high-cost, usually disadvantageous loans.

- 38% of African Americans obtaining refinancing loans in 2006 were with a subprime lender and another 33% received high-interest rate loans from non-subprime lenders, with only 33% receiving loans at regular initial rates from non-subprime lenders.
- In contrast, only 19% of whites obtaining refinancing loans in 2006 were with a subprime lender and another 18% received high-interest rate loans, with the majority (63%) having loans at regular initial rates from non-subprime lenders.
- Latinos also showed more favorable borrowing, with 24% obtaining their refinancing loans from a subprime lender and another 25% receiving high-interest rate loans. Slightly more than half (51%) of Latinos obtained refi loans from non-subprime lenders and at regular market rates.

Refinancing Mortgages Obtained by City of Milwaukee Households for Owner-Occupied Housing: 2006

<u>Type of Mortgage</u>	RACE OF BORROWERS:		
	<u>African American</u>	<u>Latino</u>	<u>White</u>
Subprime mortgage	38%	24%	19%
High-interest rate loan (non-subprime lender)	33%	25%	18%
Regular loan (not subprime, not high-interest rate)	33%	51%	63%
ALL	100%	100%	100%

African Americans Show Higher-Cost Home Purchase Loans After Controlling for Income

HMDA mortgage data was examined for home purchases where the borrower was expected to occupy the housing. These mortgages for owner-occupied home purchases in the City of Milwaukee totaled 8,446 in 2006 of which 44% were to white buyers, 32% to African Americans, and 15% to Latinos.

- Overall, African Americans were most likely to have subprime home purchase loans, with 32% borrowing from subprime lenders, compared to 7% of white borrowers and 20% of Latino borrowers.
- An additional 39% of African American borrowers received high-interest loans from non-subprime lenders, compared to 15% of white borrowers and 34% of Latino borrowers.

- Regular (i.e., not subprime and not high-interest rate) made up only 29% of home purchase loans for African Americans, compared to 77% of home purchase loans to white borrowers and 47% of home purchase loans to Latinos.

**Home Purchase Mortgages Obtained by City of Milwaukee Households
for Owner-Occupied Housing: 2006**

<u>Type of Mortgage</u>	RACE OF BORROWERS:			
	<u>African American</u>	<u>Latino</u>	<u>White</u>	<u>All</u>
Subprime mortgage	32%	20%	7%	18%
High-interest rate loan (non-subprime lender)	39%	34%	15%	26%
Regular loan (not subprime, not high-interest rate)	29%	47%	77%	56%
ALL	100%	100%	100%	100%
N =	2,701	1,233	3,720	8,446

When the household income of the borrower is considered and loans are examined for mortgages with 2 signers on the loan, African Americans showed even more adverse impact, compared to white and Latino borrowers.

- For households with income of \$50,000 up to \$75,000 and 2 signers on the mortgages, 82% of whites obtained regular loans, as did 60% of Latinos, compared to only 31% of African Americans.

**Home Purchase Mortgages Obtained by City of Households with 2-Signers
and \$50,000 up to \$75,000 Income for Owner-Occupied Housing**

<u>Type of Mortgage Obtained, 2006 HMDA Data</u>	RACE OF BORROWERS:			
	<u>African American</u>	<u>Latino</u>	<u>White</u>	<u>All</u>
Subprime mortgage	26%	14%	5%	12%
High-interest rate loan (non-subprime lender)	43%	26%	13%	22%
Regular loan (not subprime, not high-interest rate)	31%	60%	82%	66%
ALL	100%	100%	100%	100%
N =	203	134	502	912

2006 HMDA Analysis by Median Income of the Neighborhood

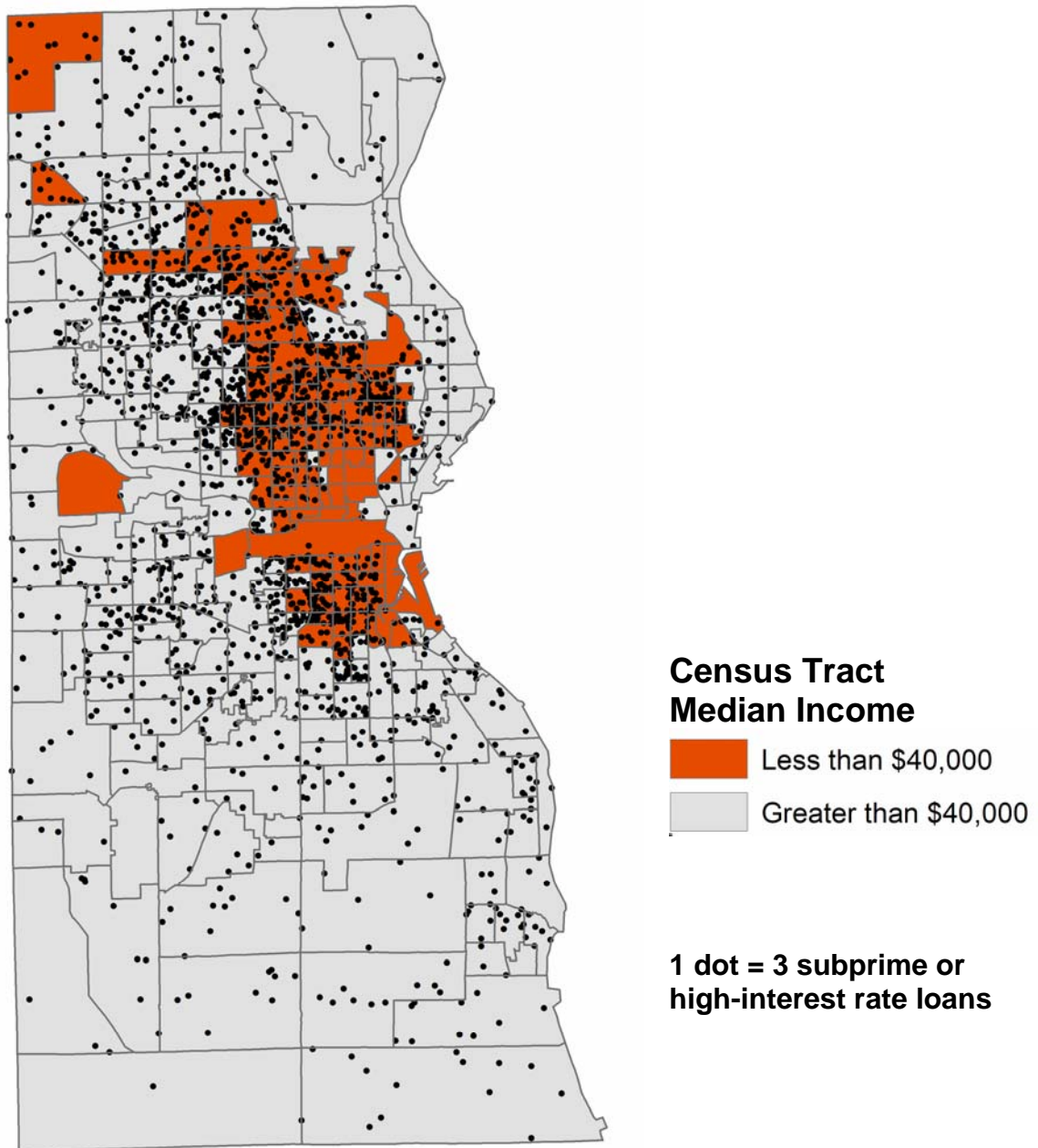
The HMDA mortgage data was examined by census tract to determine the concentration of subprime and high-interest rate loans in the poorer neighborhoods of Milwaukee County. For this analysis city tracts were identified where the median household income was below \$40,000. (No Milwaukee County suburban tracts had median household income below \$40K.) All loans (for home purchase, refinancing, and home repair) were analyzed within each of those tracts.

- While subprimes exist throughout Milwaukee County, low-income city neighborhoods have the highest concentration of subprime and high-interest rate loans.
- The second highest concentration of higher-cost loans is in the city neighborhoods with median household income at or above \$40,000.
- Mortgages for housing in suburban areas were least likely to have subprime loans (making up 10% of mortgages issued in 2006) or high-interest rate loans (making up 13%), with most loans (77%) non-subprime and at regular interest rates.

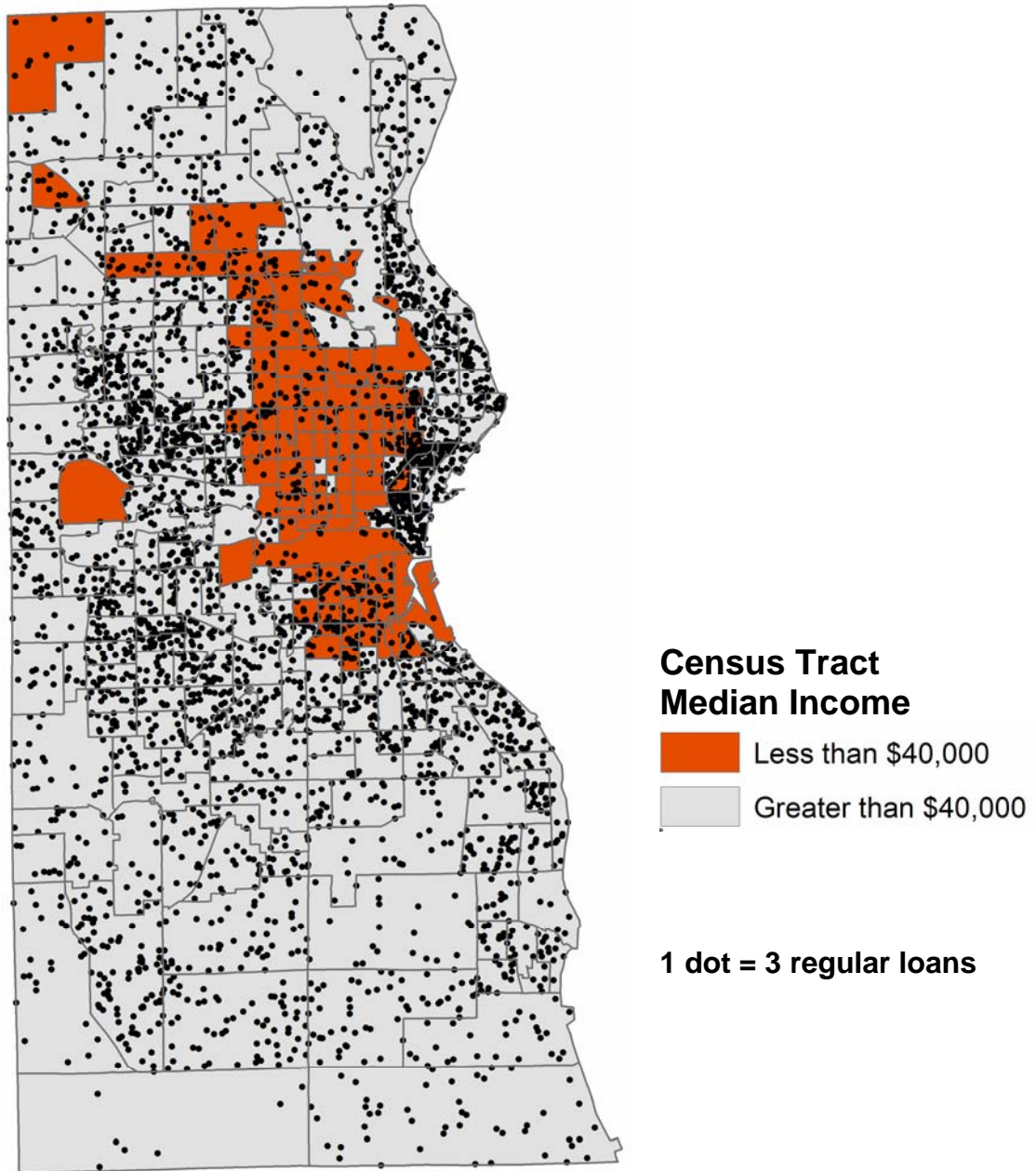
Types of Mortgages Obtained in Poorer vs. Better Off Neighborhoods, 2006

<u>Type of Mortgage Obtained,</u>	MEDIAN HOUSEHOLD INCOME IN TRACT:		
	City of Milwaukee, Below \$40,000	City of Milwaukee, \$40,000+	Suburbs, \$40,000+
Subprime mortgage	43%	19%	10%
High-interest rate loan (non-subprime lender)	32%	21%	13%
Regular loan (not subprime, not high-interest rate)	36%	60%	77%
ALL	100%	100%	100%
N =	2,447	8,804	10,739

High-Cost Mortgages Issued in Milwaukee County in 2006



Regular Mortgages Issued in Milwaukee County in 2006



Housing Loans to Owner-Occupants: HMDA 1993-2006

Total housing loans (including regular, subprime and high interest rate loans) issued for owner occupants in Milwaukee County increased from \$2.1 billion (for 33,786 mortgages) in 1993, to \$4.7 billion (for 40,369 mortgages) in 2005, and then dropped to \$4.2 billion (for 35,446 mortgages) in 2006.

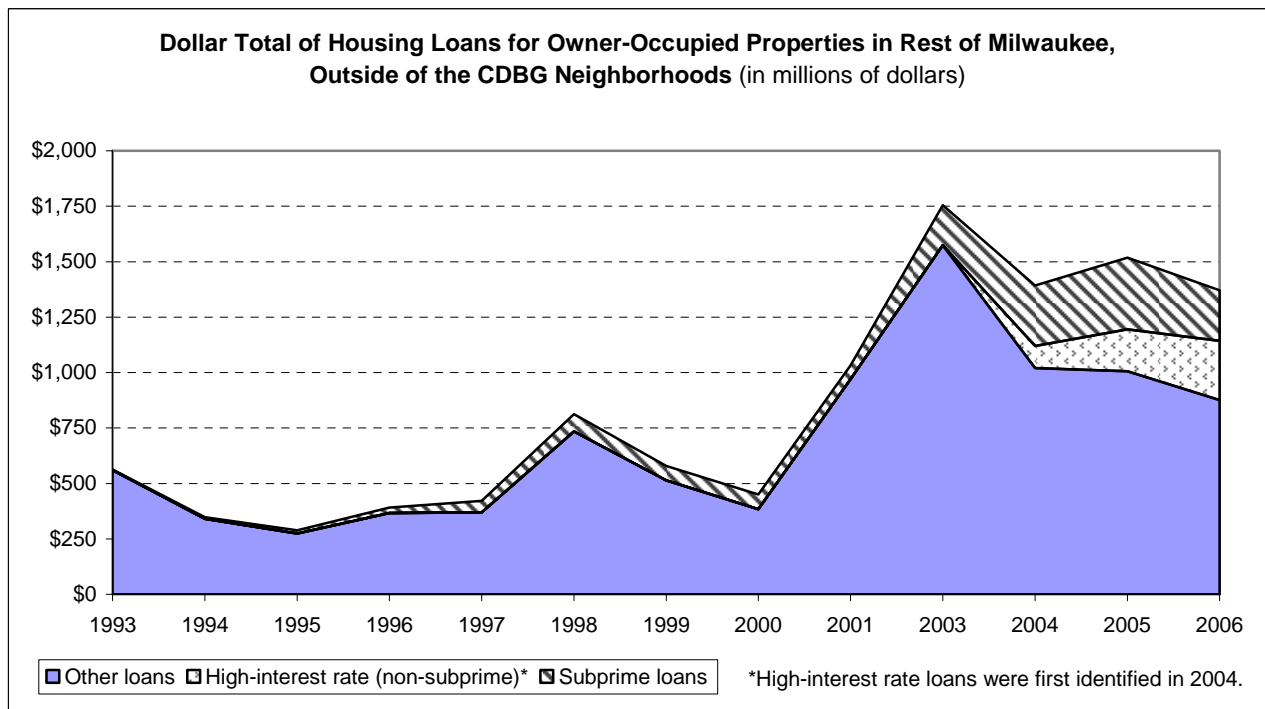
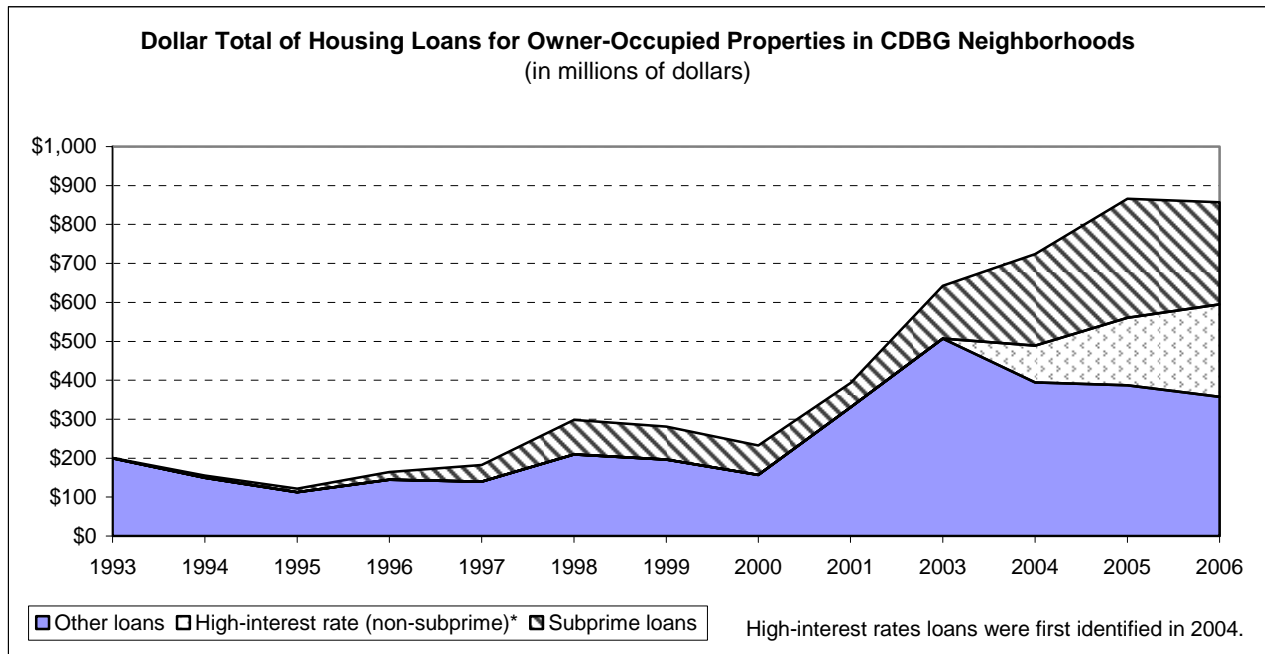
- In Milwaukee County subprime loans to owner occupants rose from 184 loans (for \$6.9 million) in 1993 to 8,926 mortgages totaling \$927 million in 2005. By 2006 subprime loans dropped to 6,270 mortgages valued at \$681 million. In 2006 an additional 7,094 loans totaling \$733 million were high-interest rate loans (with non-subprime lenders), showing interests rates at least 3 to 5 points above prime.
- The reliance on subprime and high-interest lending varied widely by location within the county. In the CDBG neighborhoods subprime loans to owner occupants accounted for 30% of all housing loans to owner occupants in the neighborhoods (down from 36% in 2005). Another 30% of mortgage loans were high-interest rate loans in 2006 (up from 21% of loans in 2005). In sharp contract, subprime loans to owner occupants in the suburbs accounted for 10% of housing loans to owner occupants in the suburbs, with higher-interest loans making up another 13% of loans issued.

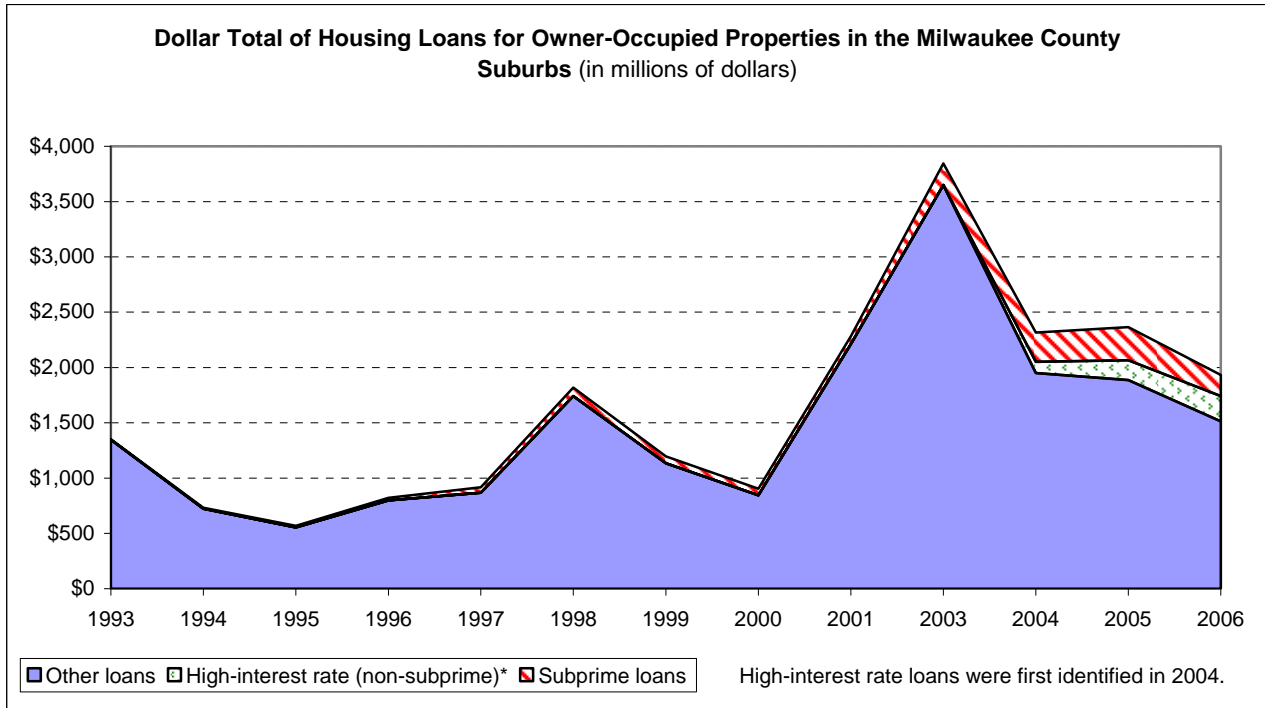
Type of Housing Loans Issued to Owner Occupants in 2006 by Location

	<u>Regular</u>	<u>High-Interest Rate</u>	<u>Subprime Loans</u>	<u>TOTAL</u>
CDBG Neighborhoods	3,728 41%	2,667 39%	2,803 31%	9,198 100%
Rest of Milwaukee	7,614 62%	2,611 21%	2,105 17%	12,330 100%
Milw. County Suburbs	10,740 77%	1,816 13%	1,362 10%	13,918 100%
Milwaukee County	22,082 62%	7,094 20%	6,270 18%	35,446 100%

- The monetary amount of the subprime lending to owner occupants in Milwaukee County rose dramatically from \$6.94 million in 1993 to \$243.7 million in 1998. By 2005 the total of subprime housing loans in the county had reached \$927 million, and then declined to \$733 in 2006.
- There were almost no subprime loans (71 loans) issued in the central city Milwaukee Community Development Block Grant (CDBG) neighborhoods in 1993, and these loans made up only 1% of housing loans issued. Subprime loans began increasing steadily through the 1990s. By 1998 the number of subprime loans had already risen to 2,811 and by 2005 the number had reached 4,573 in the CDBG neighborhoods. In 2005 the subprime housing loans issued to owner occupants in the CDBG neighborhoods reached \$305 million, but in 2006

subprime loans fell to 2,803 mortgages worth \$262 million. Meanwhile high cost loans jumped to 2,667 and \$237 million in mortgages.





Mortgages Issued in Milwaukee County
(HMDA Data Files)

Year	<u>Number of Mortgage Loans:</u>			Total Loans	Total Loan Amounts (in billions)	% of loans that are subprime or high-cost
	Subprime Loans	High- Interest Rate Loans	Other Loans			
1993	206		35,870	36,076	\$2.3	
1994	629		23,507	24,136	\$1.4	
1995	1,044	<i>(included</i>	17,927	18,971	\$1.1	
1996	1,862	<i>in</i>	23,775	25,637	\$1.6	
1997	3,683	<i>"other"</i>	21,489	25,172	\$1.9	
1998	5,612	<i>category</i>	34,037	39,649	\$3.3	
1999	4,292	<i>until</i>	25,551	29,843	\$2.4	
2000	3,921	<i>2004)</i>	19,060	22,981	\$1.9	
2001	2,912		38,932	41,844	\$4.2	
2003	5,940		57,904	63,844	\$7.2	
2004	8,618	3,865	32,884	45,367	\$5.3	28%
2005	10,451	6,616	30,409	47,476	\$5.9	36%
2006	7,371	8,969	25,419	41,759	\$5.3	39%

Mortgages Issued in the Milwaukee County Suburbs
(HMDA Data Files)

Year	<u>Number of Mortgage Loans:</u>			Total Loans	Total Loan Amounts (in billions)	% of loans that are subprime or high-cost
	Subprime Loans	High- Interest Rate Loans	Other Loans			
1993	65		18,626	18,691	\$1.46	
1994	187		10,358	10,545	\$0.82	
1995	298	<i>(included</i>	7,849	8,147	\$0.64	
1996	416	<i>in</i>	11,375	11,791	\$0.93	
1997	856	<i>"other"</i>	10,379	11,235	\$1.08	
1998	1,084	<i>category</i>	18,352	19,436	\$1.98	
1999	860	<i>until</i>	12,391	13,251	\$1.33	
2000	807	<i>2004)</i>	8,980	9,787	\$0.99	
2001	703		20,095	20,798	\$2.47	
2003	1,590		30,289	31,879	\$4.16	
2004	2,043	869	15,148	18,060	\$2.53	16%
2005	2,310	1,547	13,896	17,753	\$2.62	22%
2006	1,426	1,985	11,456	14,867	\$2.26	23%

Mortgages Issued in Milwaukee CDBG Neighborhoods
(HMDA Data Files)

Year	<u>Number of Mortgage Loans:</u>			Total Loans	Total Loan Amounts (in billions)	% of loans that are subprime or high-cost
	Subprime Loans	High- Interest Rate Loans	Other Loans			
1993	71		5,909	5,980	\$0.24	
1994	205		5,376	5,581	\$0.20	
1995	317	<i>(included</i>	3,974	4,291	\$0.16	
1996	773	<i>in</i>	4,631	5,404	\$0.22	
1997	1,534	<i>"other"</i>	4,183	5,717	\$0.25	
1998	2,811	<i>category</i>	5,069	7,880	\$0.39	
1999	2,095	<i>until</i>	4,879	6,974	\$0.37	
2000	1,896	<i>2004)</i>	3,968	5,864	\$0.32	
2001	1,246		6,432	7,678	\$0.53	
2003	2,230		8,808	11,038	\$0.88	
2004	3,558	1,754	6,579	11,891	\$1.05	45%
2005	4,573	2,799	6,212	13,584	\$1.29	54%
2006	3,597	3,844	5,168	12,609	\$1.24	59%

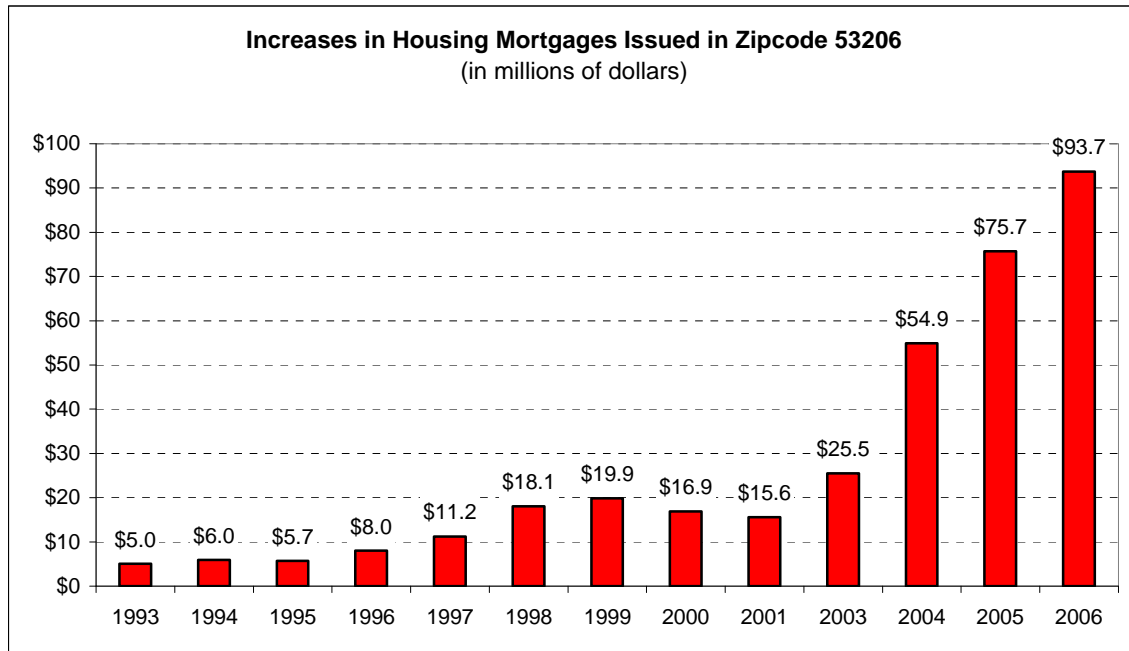
Mortgages Issued in the City of Milwaukee Outside of the CDBG Neighborhoods
(HMDA Data Files)

Year	<u>Number of Mortgage Loans:</u>			Total Loans	Total Loan Amounts (in billions)	% of loans that are subprime or high-cost
	Subprime Loans	High- Interest Rate Loans	Other Loans			
1993	70		11,335	11,405	\$0.60	
1994	237		7,773	8,010	\$0.38	
1995	429	<i>(included</i>	6,104	6,533	\$0.31	
1996	673	<i>in</i>	7,769	8,442	\$0.45	
1997	1,293	<i>"other"</i>	6,927	8,220	\$0.57	
1998	1,717	<i>category</i>	10,616	12,333	\$0.94	
1999	1,337	<i>until</i>	8,281	9,618	\$0.70	
2000	1,218	<i>2004)</i>	6,112	7,330	\$0.59	
2001	963		12,405	13,368	\$1.21	
2003	2,120		18,807	20,927	\$2.16	
2004	3,017	1,242	11,157	15,416	\$1.71	28%
2005	3,568	2,270	10,301	16,139	\$1.99	36%
2006	2,348	3,140	8,795	14,283	\$1.80	38%

Part Three: Update on the Housing Crisis in ZIP Code 53206

The housing crisis appears to be unabated in pockets of the central city. The 13-year analysis of mortgage lending in zipcode 53206, Milwaukee's poorest central city neighborhood, showed continued borrowing and reliance on subprime and high-interest cost loans.

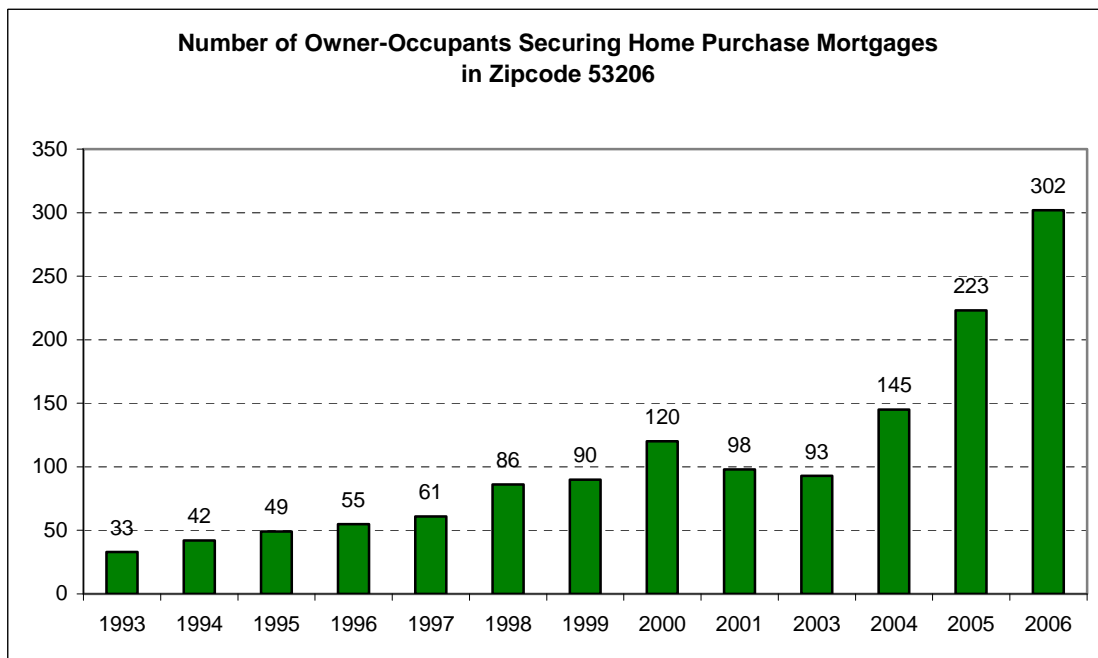
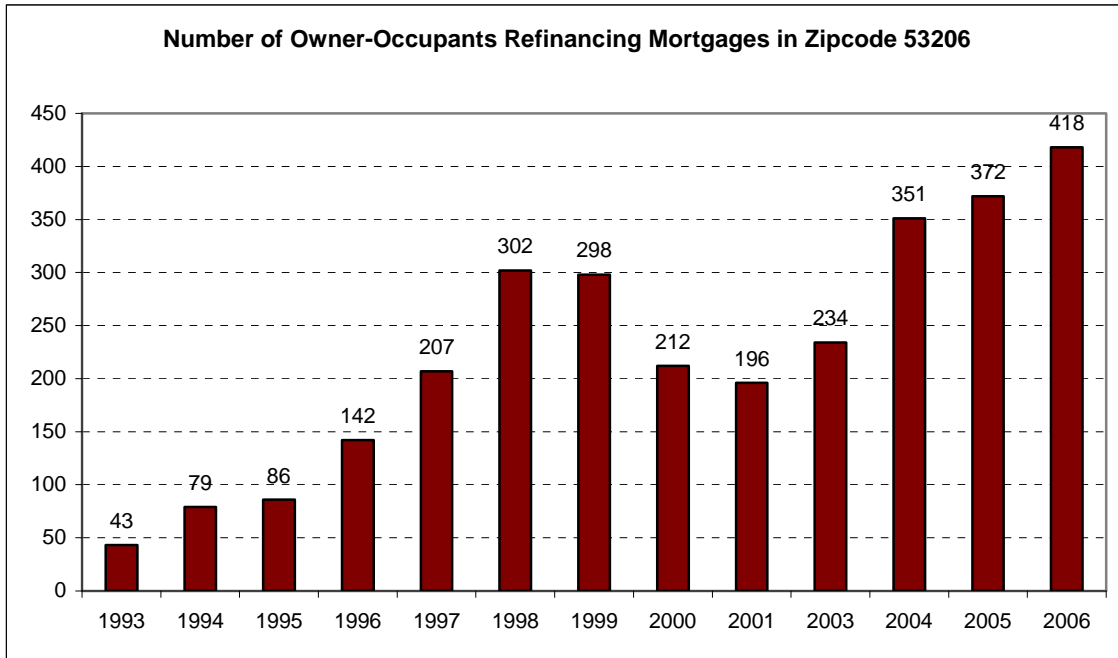
1. Borrowing escalated dramatically in 53206, where mortgages totaled \$93 million in 2006, up from \$75 million in 2005, \$55 million in 2004, and \$25 million in 2003.



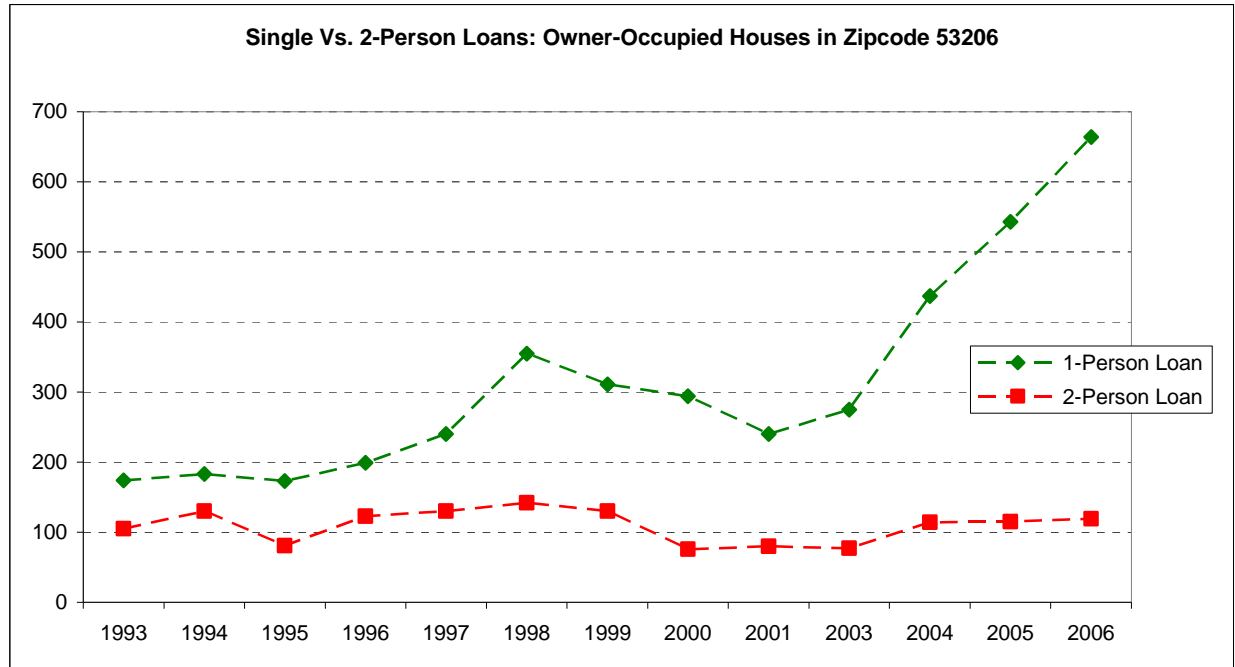
Mortgages Issued in Milwaukee Zipcode 53206
(HMDA Data Files)

Number of Mortgage Loans:					Total Loan Amounts (in millions)	% of loans that are subprime or high-cost
Year	Subprime Loans	High-Interest Rate Loans	Other Loans	Total Loans		
1993	11		327	338	\$5.023	
1994	15		391	406	\$5.954	
1995	43	<i>(included</i>	276	319	\$5.704	
1996	111	<i>in</i>	293	404	\$8.011	
1997	229	<i>"other"</i>	273	502	\$11.172	
1998	441	<i>category</i>	236	677	\$18.060	
1999	332	<i>until</i>	274	606	\$19.874	
2000	281	<i>2004)</i>	255	536	\$16.917	
2001	141		315	456	\$15.603	
2003	223		407	630	\$25.533	
2004	399	261	355	1,015	\$54.907	65%
2005	533	356	372	1,261	\$75.705	70%
2006	542	481	335	1,358	\$93.694	75%

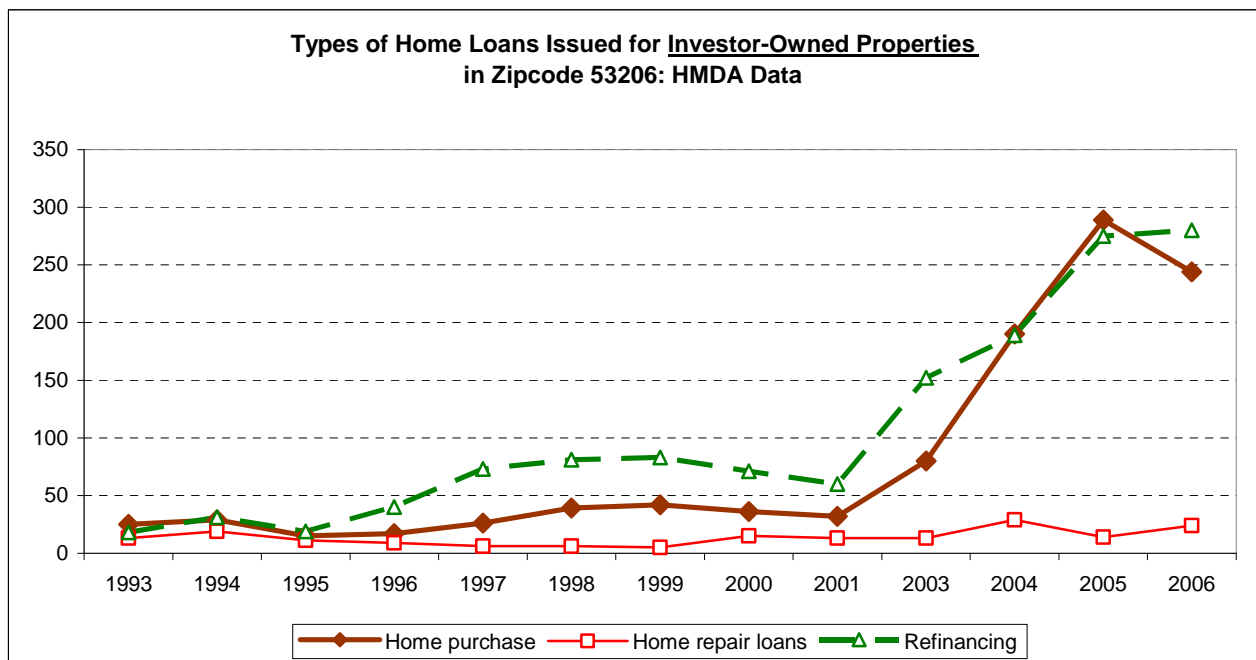
2. A majority of lending activity for owner-occupied housing in the 53206 zipcode area in 2006 was for home refinancing loans, although there continue to be significant numbers of home purchases. In 2006, zipcode 53206 recorded 418 refinancing loans (a high for the twelve years analyzed), followed by 302 home purchase loans (another 12-year high). Home repair loans, which had totaled 204 loans in 1993, were down to 73 in 2006.



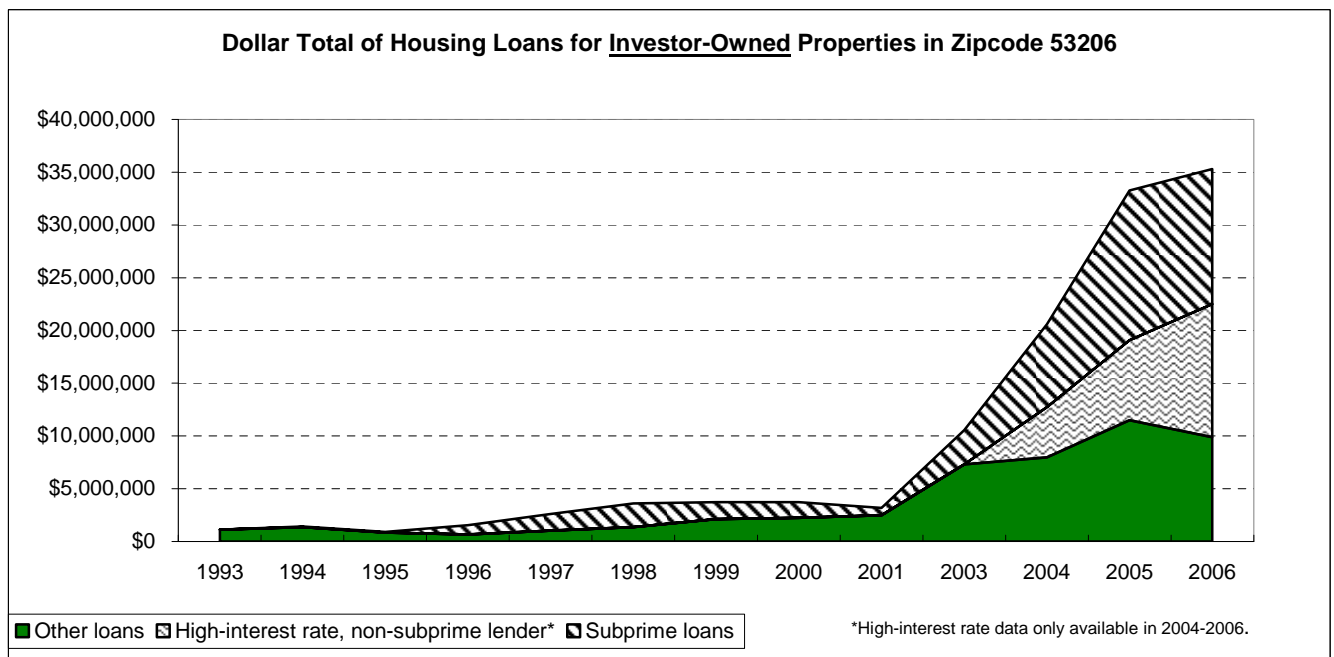
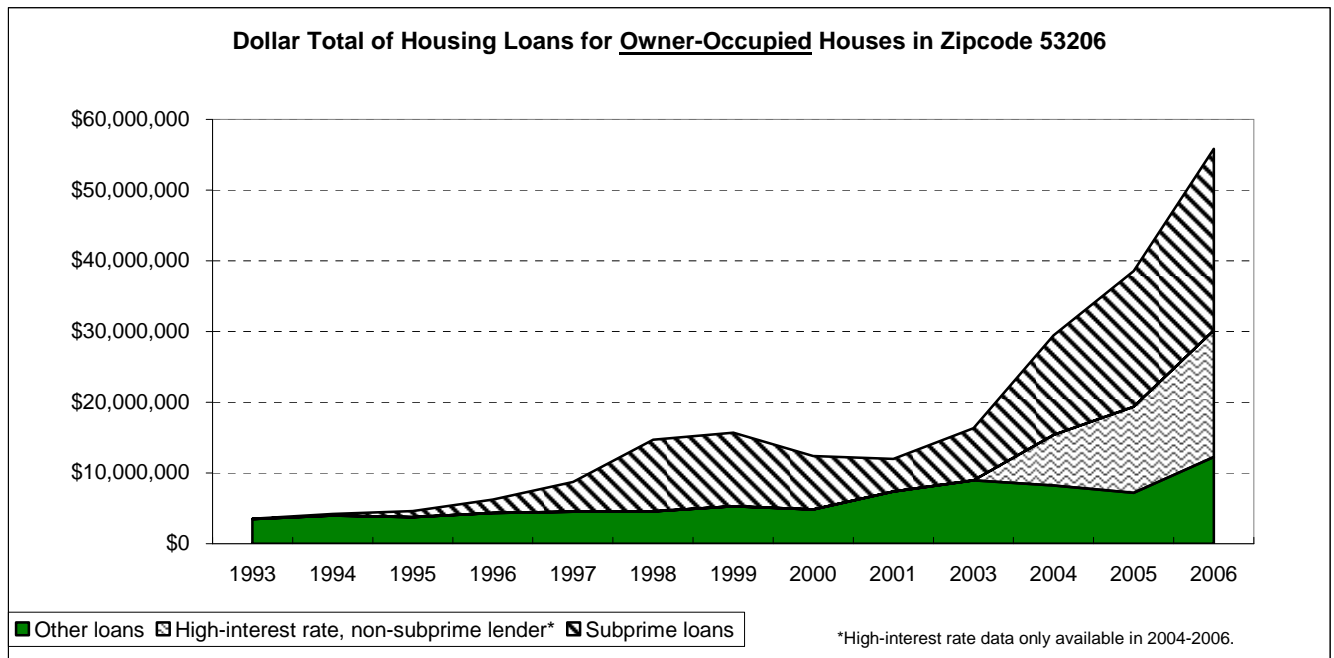
- The vast majority (85%) of housing loans to owner-occupants in zipcode 53206 were made to single purchasers rather than 2-person co-signers. These trends are consistent with concerns about the largely single-parent families of the neighborhoods seeking out or being targeted for housing loans (including refinancing loans) they can ill-afford.



- Investors are continuing to obtain housing loans for properties in zipcode 53206 at record levels.



5. The dollar total of housing loans in zipcode 53206 is at an all time high both for owner-occupants and for investors, with most of the money borrowed through high-risk loans.



Background Notes

HMDA (Home Mortgage Disclosure Act) data is collected federally from lending institutions in metropolitan areas on loans for home purchases, refinancing and home repairs. (Home equity loans taken out for consolidation of credit card debt are not reported in this database unless some part of the loan proceeds is intended for home improvements or home purchase.) See www.ffiec.gov/hmda for definitions of loans included in the database and www.huduser.org/datasets/manu.html for the methodology used by the Department of Housing and Urban Development (HUD) to define subprime lenders.

U.S. Census data from the 2000 decennial census and the 2006 American Community Survey (ACS) were used to compare changes in housing costs for Milwaukee County households. In both years, PUMS (Public Use Micro Sample) census data files were used to analyze subpopulations.

Employment and Training Institute studies on the impact of subprime and mortgage lending practices on Milwaukee neighborhoods, workers and elderly are posted at www.eti.uwm.edu. These include:

- **Milwaukee's Housing Crisis: Housing Affordability and Mortgage Lending Practices**
- **Legal Action of Wisconsin Report on Milwaukee's Housing Crisis: Evictions, Foreclosures, Evictions, and Subprime Lending.**
- **Legal Action of Wisconsin Report on Mortgage Lending Practices in Milwaukee County: Part Two.**
- **New Indicators of Neighborhood Need in Zipcode 53206.**

For more information, contact John Pawasarat, Director, Employment and Training Institute, University of Wisconsin-Milwaukee, 161 W. Wisconsin Avenue, Suite 6000, Milwaukee, WI 53203, 414-227-3380, email eti@uwm.edu, www.eti.uwm.edu and John Ebbott, Executive Director, Legal Action of Wisconsin, Inc., 230 W. Wells Street, Room 800, Milwaukee, WI 53203-1866, 414-278-7722, email law@legalaction.org, www.legalaction.org.