

UNDERWATER AMERICA

HOW THE SO-CALLED HOUSING “RECOVERY” IS
BYPASSING MANY AMERICAN COMMUNITIES

Milwaukee, Wisconsin

Nationally, there are widespread reports about a housing recovery. However, the Haas Institute’s report, *Underwater America: How the So-Called “Recovery” Is Bypassing Many American Communities*, shows that this recovery has left behind the hardest-hit neighborhoods in cities like Milwaukee. In these housing “hot spots” too many homeowners are still underwater on their mortgage, which means they owe more than their homes are worth. These communities have already seen millions in wealth wiped out as a result of the foreclosure crisis, but for the homeowners who live in these hot spots, there is no relief in sight.

Moreover, even within these cities, working class communities of color are bearing a disproportionate share of the impact of the ongoing crisis. The same communities that were targeted for predatory mortgages in the first place and saw generations of wealth stripped away through foreclosures, are now concentrated in these housing hot spots, where they are more likely to be underwater on their mortgages.

The Housing Crisis in Milwaukee

Rank	ZIP Code	Percent of Homes Underwater	Percent Below Peak Home Prices	Home in Default or Foreclosure in 2013	Percent African American and Latino	Median Household Income
1	53218	54%	43%	476	70%	\$34,356
2	53209	51%	42%	468	69%	\$33,656
3	53203	49%	N/A	7	21%	\$42,593
4	53216	48%	43%	368	85%	\$32,756
5	53204	48%	45%	169	82%	\$26,265
6	53225	47%	37%	173	56%	\$39,125
7	53223	46%	37%	263	52%	\$44,394
8	53206	44%	25%	189	96%	\$23,121
9	53215	42%	36%	443	68%	\$35,323
10	53224	42%	35%	139	61%	\$43,136
11	53210	40%	35%	279	78%	\$33,382
12	53222	39%	30%	189	28%	\$53,001
13	53219	36%	27%	229	17%	\$47,947
14	53233	36%	N/A	13	41%	\$14,386
15	53212	34%	28%	155	65%	\$28,951
16	53202	30%	20%	42	12%	\$43,993
17	53205	30%	32%	42	84%	\$21,355
18	53208	29%	23%	178	53%	\$32,701
19	53221	27%	25%	189	22%	\$47,094
20	53207	22%	16%	190	18%	\$53,381
	Citywide*	40%	32%	4,998	59%	\$35,823

Key facts about the housing crisis in Milwaukee

- 40 percent of Milwaukee homeowners were still underwater on their mortgages at the end of 2013, making it the third hardest-hit city in the country with more than 500,000 people, and the 16th hardest-hit more than 100,000.
- Milwaukee home prices remain 32 percent below their peak levels.
- Nearly 5,000 homeowners in Milwaukee went into default or foreclosure in 2013.
- 59 percent of Milwaukee residents are African American and Latino, and they have been disproportionately impacted by the housing crisis. Underwater homes in Milwaukee are more heavily concentrated in neighborhoods with larger African American and Latino populations.

Recommendations

The housing crisis is far from over for the families living in hard-hit cities like Milwaukee. We need action to ensure that any recovery does not leave behind the communities living in these hot spots. Local officials in these cities should explore all options at their disposal to more effectively address the crisis. Here are some key steps that should be taken immediately to ensure an equitable recovery for all homeowners:

1. Loan holders – banks, government sponsored enterprises (i.e., Fannie Mae and Freddie Mac, which are regulated by the Federal Housing Finance Agency, FHFA), and investors – should reduce the principal on underwater mortgages to current market values.
2. If loan holders are unwilling or unable to reduce the principal on underwater mortgages to current market values, they should allow these loans to be purchased by publicly-owned or nonprofit entities that are willing to restructure them with fair and affordable terms.
3. Local municipalities should use all options at their disposal to facilitate the goal of resetting mortgages to current market values, including the use of “reverse eminent domain” (the program proposed in Richmond, California and elsewhere) to acquire mortgages in order to restructure them with fair and affordable terms.
4. Banks, government sponsored enterprises like Fannie Mae and Freddie Mac, and investors that own *vacant homes* that have already been foreclosed upon should sell them to publicly-owned or nonprofit entities that can convert them to affordable housing units for residents of the community instead of selling them to speculators.
5. Local municipalities should use all options at their disposal to facilitate the goal of turning vacant, foreclosed homes into affordable housing. This includes the use of “reverse eminent domain” to acquire properties in order to convert them to affordable housing units for residents of the community and to prevent them from being purchased by speculators.

**ZIP codes for which Zillow did not have underwater mortgage data are not included in this table, but they are included in the total citywide counts. The citywide data on defaults and foreclosures was obtained by adding up the data for each individual ZIP code in the city. However, ZIP codes do not correspond exactly with city boundaries, so some of the ZIP codes included in the table or included in the citywide totals may not lie completely within Milwaukee city limits.*