



Next Wave of American Foreclosures Crisis



Background

In 2009, Common Ground created our Milwaukee Rising Campaign after 100 leaders walked door-to-door in the Sherman Park neighborhood to talk with neighbors about their concerns. The number one worry was the abandoned houses that had become the site of blight and illicit activity. When Common Ground dug in to figure out who owned those abandoned homes, we learned that Bank of America, Deutsche Bank, Wells Fargo, JP Morgan Chase, and US Bank were the culprits. We leveraged our voice and pushed these banks to invest \$33.8 million dollars to rehab 100 homes in Sherman Park.

To date, we have rehabbed and sold 54 homes and have 40+ home repair rebate participants. This work is transforming the Sherman Park neighborhood.

Unfortunately the challenge of abandoned, deteriorating foreclosed homes continues to be a big problem for the City of Milwaukee. During 2010, city departments estimate that they expended \$1.2 million to respond to the problem of foreclosed, lender-owned properties in the city. "The city incurs the most substantial costs during the post-foreclosure phase. These costs include razing uninhabitable properties, securing the properties, renovating the properties, mowing lawns, removing snow, addressing other maintenance, and marketing the properties. Uncollected tax revenue is an additional cost incurred during the pre- and post-foreclosure phases"¹

As of October 1st 2014, the City of Milwaukee had 1248 foreclosed properties – 10 times more than in 2008. **After surveying the 300 foreclosed and real-estate-owned properties controlled by Nationstar Mortgage Holdings, we have found that dozens of them are abandoned, deteriorating blights on neighborhoods throughout the north side of Milwaukee. The majority of these properties are located in aldermanic districts 1,2,6,7, and 15. In order to deal with the scale of this challenge, Common Ground is requesting a face-to-face meeting with Mr. Wes Edens, majority owner and director of Nationstar who is also a majority owner of the Milwaukee Bucks.**

Nationstar's neglect of these properties is inexcusable and must be addressed with the same fervor that Mr. Edens has for securing public money to build a new Bucks Arena. Nationstar properties are *destroying* blocks and neighborhoods even as Common Ground continues to work to *transform* neighborhoods through Milwaukee Rising and the Fair Play campaign.

The Common Ground Fair Play campaign seeks to invest \$70 million in its first round of projects that will upgrade outdoor recreational spaces in schools and parks such as Washington High School and Lincoln Park.

Current Foreclosure Situation

Since 2009, big mortgage-originating banks like Bank of America, Wells Fargo, and JP Morgan Chase are "facing stricter capital requirements in the wake of the financial

¹ Strategies for Reducing In Rem Foreclosures in the City of Milwaukee
<http://www.lafollette.wisc.edu/images/publications/workshops/2013-Milwaukee.pdf>

crisis, and have been increasingly offloading rights to manage residential mortgages to lightly-regulated non-bank entities ... little-known companies, including Ocwen Financial and Nationstar” These non-bank mortgage servicing companies have added hundreds of billions of dollars of mortgage servicing rights to their portfolios. Regulators are concerned that lightly regulated non-bank companies like Nationstar could focus on profits over keeping homeowners in their homes.² The question remains, who will hold Nationstar accountable for keeping people in their homes or reducing the blight of abandoned properties in our neighborhoods?

Who is Nationstar?

Nationstar Mortgage Holdings Inc. (NSM), majority owned by Fortress Investment Group LLC (FIG), increased its servicing portfolio by 94 percent in 2013 to \$198 billion through a series of asset purchases. Its portfolio rose by more than \$300 billion in September of 2014 after the firm completed part of a deal for \$215 billion of contracts from Bank of America Corp. according to a 2014 fall earnings report.

Nationstar services 2,000 known mortgages for homes throughout Southeast Wisconsin. The company offers servicing, origination, and transition-based real estate services. Nationstar is one of the largest, fastest-growing mortgage servicers with a servicing portfolio in excess of \$375 billion and over two million customers. Its customers include homeowners, homebuyers, home sellers, investors and other real estate market participants.

Nationstar's Majority Owner

Wes Edens is the Chairman of the Board and majority owner of Nationstar Mortgage Holdings Inc. and has been its director since 2012. As of June 30, 2014 Mr. Edens owns over 67 million shares of Nationstar Mortgage Holdings Inc., at a value of \$2.4 billion.

Conclusion

Common Ground is a pragmatic, solutions-based organization that has a track record of creating real results. We want to see Milwaukee prosper and be a place where all of its residents, young and old, have great public spaces. The negative impact of deteriorating foreclosed homes in our neighborhoods brings down our communities and affects our home values and pride. We call on Mr. Edens to meet with Common Ground to address the role his company is playing in creating a harmful environment in our neighborhoods. He has an interest in downtown and in neighborhoods and he must address both with the same energy and intensity. Wesley Edens is asking taxpayers to help fund his dream downtown; we are asking him to meet with us to develop a plan to realize our dream in our neighborhoods.

² SHADOW BANKS

Many American homeowners have probably never heard of the company managing their mortgage

<http://qz.com/177915>

Mark DeCambre