

THE FORECLOSURE CRISIS IS DEVASTATING NEW JERSEY

The Impacts of the Foreclosure Crisis on New Jersey

April 2013

Wall Street's toxic lending practices and recklessness created the housing crisis, and now New Jersey homeowners, taxpayers and their families are paying the price. The banks created the housing bubble that led to the economic crash in 2008. Now, without immediate action at the state and local level, residents are facing a multi-billion dollar hit to neighborhoods, communities and schools, undermining our children's future and the economic recovery we desperately need.



New Jersey has the second highest rate nationally of homes currently in foreclosure:

- There have been 88,000 foreclosures in the state since 2008, with twice that many in the pipeline due to a substantial backlog.
- One in six mortgages taken out in New Jersey between 2004 and 2008 are currently in the process of or have completed foreclosure; and in low income communities the percentage rises to more than one in four.
- Nearly one in four New Jersey mortgage holders are underwater, owing more on their mortgage than the home is worth.
- There are nearly 340,000 vacant homes in New Jersey, 38% more than the number a decade ago.

The foreclosure crisis is devastating our communities:

- **Foreclosures harm all homeowners:** New Jersey homeowners are estimated to have lost \$2.2 billion in home values as a direct result of the 88,000 foreclosures for 2008-2012.
- **Foreclosures erode the property values, while property taxes go up:** While property values have declined, New Jersey's average property tax has increased 15% over four years.
- **Foreclosures cost local governments:** The typical foreclosure costs local governments more than \$19,000 for increased costs of safety inspections, police and fire calls, trash removal, and maintenance. In New Jersey these costs are estimated to be nearly \$700 million.
- **Foreclosures undermine an economic recovery and cost jobs:** More than 375,000 New Jersey homeowners owe on average \$70,000 more on their mortgages than what their homes are worth. Together that adds up to \$82 billion in underwater debt that is strangling the New Jersey economy. If banks wrote down those mortgages, it could pump \$2.7 billion into the local economy in New Jersey and create nearly 40,000 new jobs each year.

This is just the tip of the iceberg due to a substantial backlog in the courts. If foreclosures were simply to maintain their 2012 level without any speed ups, the cost to New Jersey homeowners and taxpayers over this year would be an additional \$4.5 billion.

Gov. Christie's inaction has made matters worse:

New Jersey's foreclosure problem has been aggravated by the state's failure to distribute funds designated specifically to help homeowners. In 2010, the state received \$300 million from the federal government's Hardest Hit Program to help unemployed and underemployed families struggling to keep up with their mortgages. As of December 2012, the program had accepted only 1922 applicants. New Jersey is among the states with the worst record, having dispersed a mere 8.9% of its allocated funds, which is far below the national state average of 17.6%.