



Defaulting on the Dream:
States Respond to America's Foreclosure Crisis

New Jersey

ONE IN 37 NEW JERSEY HOMEOWNERS is projected to face foreclosure, primarily in the next two years, as a result of subprime loans made in 2005 and 2006—just slightly better than the U.S. average of one in 33 homeowners. As a result, more than 50 percent of the state's homeowners will likely experience an average decline of about \$11,000 in their property values resulting from nearby foreclosures. The accumulated cost to the state and local tax base could be almost \$20 billion.



ASSESSMENT: New Jersey has taken some promising steps to try to address its foreclosure problems. New Jersey's 2002 Home Ownership Security Act stands out as one of the most comprehensive high-cost lending laws. The state has set \$30 million aside for its refinance program. And at the end of March 2008, New Jersey state senators proposed a bill calling for a six-month moratorium on foreclosures. If passed, the bill would also provide consumer counseling and small emergency loans and require a \$2,000 charge to lenders to foreclose on properties.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 37** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **24 percent** of all loans made in 2005-2006 were subprime
- **54 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$10,987** on average in property values
- **\$19.6 billion** is projected to be lost from the combined state and local tax base

How severe is the state's challenge?

Four filled houses represent the most severe challenge.



THE RESPONSE: Preserving a piece of the dream

GOALS	ACTIONS	STATUS*
Avoiding foreclosure	State-funded refinance program	<input checked="" type="checkbox"/>
	Loan modification	<input type="checkbox"/>
	Preventing rescue scams	<input type="checkbox"/>
	Counseling available	<input type="checkbox"/>
Using all your tools	Task force	<input type="checkbox"/>
Pre-empting high-cost lending	High-cost lending laws	<input checked="" type="checkbox"/>
	Aligns mortgage broker to consumer interests	<input type="checkbox"/>

= action taken = no action taken

How responsive has the state been?

Four filled houses represent the most responsive.



*As of January 31, 2008

THE FORECLOSURE NUMBERS:

The projections above are from the Center for Responsible Lending's subprime spillover research. These estimates focus on foreclosures resulting from subprime loans made to owner-occupants in 2005 and 2006. For a full description of the methodology, please see *Defaulting on the Dream: States Respond to America's Foreclosure Crisis*.



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