



In Response to an Escalating Crisis, the Institute Develops Model Legislation



LAST YEAR, THERE WERE MORE THAN 53,000 FORECLOSURE FILINGS in New Jersey. Just under one in every 100 New Jersey households were affected. That's the highest foreclosure start rate the state has seen since the industry began tracking data in 1979. This year is shaping up to be as bad or worse: in the second quarter of 2008, New Jersey's foreclosure rate was the 12th highest in the nation and 140% higher than for the same period last year.

The foreclosure crisis affects all New Jersey residents, by destabilizing neighborhoods, lowering property values and increasing the pressure on public services. As one measure of the costs, the state is expected to lose \$99 million per year in property tax revenue as a result of the crisis.

The New Jersey Legislature is expected to pass the New Jersey Homeownership Preservation Act before the end of the calendar year. The Institute partnered with New Jersey Citizen Action and the Housing and Community Development Network to develop and advocate for the bill. It was introduced in early March by Senator Ronald L. Rice and Assembly Majority Leader Bonnie Watson Coleman.

Two of the important protections in the bill are a provision giving homeowners with adjusting interest rates the option of a 6-month forbearance period and a provision which makes it easier for municipalities to hold lenders responsible for abandoned properties creating health and safety dangers.

The Act also includes two new programs advocated by the administration that provide funds to support reductions in principal balance for some loans and support to non-profit organizations engaged in homeownership preservation activities. These programs are part of a concerted effort by the legislature and the administration to address the foreclosure crisis. On December 1st, the Governor signed an appropriations bill that will fund statewide the mandatory foreclosure mediation program currently being piloted in foreclosure actions in Middlesex County.

The Institute applauds these efforts, but believes that more is still needed. While every county in New Jersey is affected, our cities are particularly hard hit due to a history of disinvestment, redlining and predatory lending practices. The Newark metro area accounted for more than 35% of the state's foreclosure filings in the most recent quarter. The ongoing state response to the crisis should recognize and address the history of racial and economic disparities in lending.