An Investigation of the Foreclosure Problem in South Jersey and Proposed Strategies for:

Turning Toxic Liabilities into Community Assets

Financial Wellness Institute and Land Dimensions
Financial Wellness Institute and Land Dimensions
South Jersey Housing Initiative

Knowing the Problem
Toxic Liabilities
REOs, Foreclosures,
Abandoned and Vacant Properties

Finding the Solutions
Community Assets
Housing for First Time Homebuyers,
Working and Middle Income Families

About This Report
This report examines key components of the housing market, including housing burden, cost of living factors, foreclosures, and REO homes. Additionally, the report examines the relationship between the housing market and the local economy, and outlines proposed strategies to address the issues adversely affecting housing and our local economies.

Acknowledgements
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Executive Summary
Toxic liabilities including vacant, abandoned, foreclosed, and REO residential properties, are littered throughout the South Jersey Region, from boarded up houses in Burlington County, to properties near collapse in Gloucester County and empty lots in Atlantic County. These residential properties have a negative impact on neighborhoods, undermining quality of life and diminishing the value of neighboring properties. While some vacant, abandoned and REO properties are well maintained, many are not, exacerbating housing issues in communities across the region. Thousands are sitting empty for several years and deteriorating to the point where major rehabilitation is required, while other properties are demolished, leaving behind vacant lots.

Over the last few years, municipalities and financial institutions across the region have seen their role as property managers increase as the number of foreclosed and abandoned homes has increased. The homes are targeted for vandalism and theft, and act as havens for squatters and drug dealers. Additionally, the properties cause financial hardship to local municipalities while costing the region hundreds of thousands of dollars in public safety, the cleaning and beautification of open lots, and the demolishing of derelict properties. These toxic liabilities can become community assets by repurposing them as residential properties for first-time homebuyers and working families, while at the same time fulfilling the demand for workforce housing at a sale or rental price that families can qualify for and afford.

Since the Great Recession of 2008, an unprecedented number of distressed foreclosed properties continue to weigh down the South Jersey region, far exceeding rates across the country. At the end of 2017, New Jersey led the nation in foreclosures. According to the real estate data firm ATTOM Data Solutions, in 2017 nearly 70,000 properties went through the foreclosure process in New Jersey. South Jersey bears the brunt of this burden; 6 of the 8 counties with the highest foreclosure rates in the state are in South Jersey, including Atlantic, Burlington, Camden, Cumberland, Gloucester, and Salem. These 6 counties accounted for 27% of foreclosures in 2017, which does not include the thousands of existing vacant and abandoned properties in the region. As of August 2018, of the 87,105 homes for sale in New Jersey, 41% or 35,754, are either in pre-foreclosure, foreclosure or are REO’s. Additionally, the aforementioned 6 counties account for 36%, or 12,866, of the distressed properties in the state (homes that owners cannot maintain and are suffering from neglect) in the region.

The following are some of the Report’s key findings:

- While New Jersey was not statistically the state hardest hit by foreclosures during the Great Recession, currently the state consistently ranks first or second in foreclosure rates across the United States. The New Jersey Judiciary has taken steps to decrease the amount of time that homes are in the judicial foreclosure process\(^1\); several variables still extend the length of time between a home entering the foreclosure process and a home returning to the market.

- The longer a house is in foreclosure, the more likely the house is to lose value and adversely affect the value of neighboring properties as well as the surrounding community. Of the 78 homes analyzed for this report, the average home value dropped by 51%, the property tax increased by an average of 19%, and the tax rate increased by 9%.

- The inability of entry level homebuyers and working and middle income families to compete with investors to acquire foreclosed homes that are REO properties negatively affects the housing market.

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- The average percentage of renters in Atlantic, Burlington, Camden, Cumberland, Gloucester and Salem counties that pay more than 30% of their gross income on housing is 57.4%, and of homeowners in those same counties, it is 42.4%.

- The average median household income in South Jersey counties is $62,930, while the average across the rest of New Jersey counties is $79,220 -- 26% higher. Also, the southern region has a higher poverty rate (11.3%) and child poverty rate (17.4%) than the state’s, 10.7% and 14.8% respectively.

- Historically, home building has been an economic driver in South Jersey. The home building industry in New Jersey has not recovered from the collapse of the real estate market.

- Part of the sustainable economic success of suburban and rural municipalities is tied to the success of their housing markets, including a strong homeowner base.

- An analysis of REO properties reveals that the foreclosure process adversely affects housing value, as well as the availability of homes that are affordable to the region’s workforce as well as first-time home buyers.

- The 78 homes examined in this report dropped an average drop of $83,439 in market value, an average decrease of 49%.

- The inability of potential homeowners to access REO homes is amplified by the shortage of entry level homes for moderate-income home buyers (e.g. working families, millennials, singles/divorced people, as well as boomers looking to downsize).

- New Jersey’s inability to address issues that increase the cost of living, including property tax, transportation cost, median housing cost, and health cost, play a role in the large number of foreclosures in the state.

While many municipalities and nonprofit organizations are working to address the problem, much more work remains to be done. Recovery may be possible through a coordinated effort of multi-sector stakeholders including nonprofit and community organizations, financial institutions, education, government, foundations, philanthropists and for profit entities, that can work together to turn toxic liabilities into community assets. Based on research and public feedback, proposed solutions include:

1. Convene a group of stakeholders, including elected officials and representatives from financial institutions, to discuss the impact of elements of the housing market on local economies. The recent Special Commission on Residential Foreclosures, addressing the judicial process, is a promising step. Topics should include:
   a. The length of time between when a homeowner vacates a property and when the property returns to the market.
   b. Create a mechanism by which nonprofit organizations working in collaboration with municipalities can acquire REO and abandoned properties in bulk.
   c. Develop a process that allows homeowners to voluntarily sign over their home to the mortgage lender, bypassing the longer foreclosure process, which would enable the family to recover more quickly and re-settle.
2. Work with tax lien holders and municipalities to acquire and rehab vacant and abandoned properties and repurpose the properties for owner occupancy or rental.

3. Create a South Jersey Revolving Loan Fund to provide nonprofit organizations with capital to acquire and rehab REO’s, abandoned and vacant properties.

4. Address the housing assessment process. The current process has far too often led to assessments of homes that exceed the market price and appraised value, which negatively affects taxpayers.

5. Support the creation of land banks. Land banks are governmental entities or nonprofit corporations that are focused on acquiring and developing vacant, abandoned, and tax delinquent properties for future development.

6. Foster more market-driven vacant property reuse programs to ensure that developers and contractors have quick access to suitable vacant properties at realistic prices with clear, marketable titles.

Finding creative solutions to the layers of problems that are inherent as a result of foreclosures throughout neighborhoods in our communities can support the creation of a sustainable future with a triple bottom line: people, planet and profit.
Introduction
The Great Recession (2007) triggered the collapse of the $8 trillion housing market which led to job loss, unemployment and underemployment, falling income, and rising poverty. Home prices across the country fell by roughly 30 percent and households and nonprofit organizations’ worth dropped from $69 trillion in 2007 to $55 trillion in 2009. The collapse of the housing market led to the doubling of the unemployment rate nationally and an increase of 5 million individuals living in poverty across the country. Although the Great Recession ended in June 2009, its effects on South Jersey’s housing market and economy are still being felt today. The outcomes include:

- Every year New Jersey is ranked in the top five states in the country in cost of living, which is tied closely to housing cost in the state.
- As of May 2018, the foreclosure rate in New Jersey was 1 in every 639 housing units, the highest in the country and far higher than the 1 in every 1835 ratio of foreclosure across the country.
- As of August 2018, according to Zillow.com, of the 87,105 homes for sale in New Jersey, 41% or 35,754, of the homes listed are either in pre-foreclosure, foreclosure or are REO’s. Six South Jersey counties account for 36%, or 12,866, of these distressed properties.
- The average percentage of renters in Atlantic, Burlington, Camden, Cumberland, Gloucester and Salem counties that pay more than 30% of their gross income for their housing needs is 57.4%, and of homeowners in those same counties is 42.4%.
- Six out of the eleven counties with the largest number of zombie foreclosures (distressed properties that have been left vacant) are in South Jersey.
- The average median household income in South Jersey counties is $62,930, while the average in the rest of New Jersey counties is $79,220 -- 26% higher. Also, the southern region has a higher poverty rate (11.3%), and child poverty rate (17.4%), than the rest of the State, 10.7% and 14.8% respectively.

The foreclosure and housing problem in New Jersey is past, present and future. The inefficiencies of a system that is in part responsible for the distressed homes, neighborhoods and communities in the region, should be the foundation for an effective and efficient system to address the new wave of foreclosures. If the market is left to its own devices, the problem will likely get worse and the economic stagnation and population decline in some communities across the region will continue. The purpose of this report is to provide information on the urgency of foreclosures, abandoned homes, and the struggle of the local economy and housing market, as well as to detail some of the root causes of issues adversely affecting the health of the region. Additionally, the report provides strategies to address the abovementioned issues for the purpose of improving the quality of life of residents across the region.

2 https://www.federalreservehistory.org/essays/great_recession_of_200709
Background
Housing

December 2007 marked the official beginning of the longest economic downturn since World War II. While technically the Great Recession lasted from December 2007 to June 2009, similar to all economic depressions and recessions, the symptoms started well before the defined period of economic instability, and the adverse effects are being felt long after its official end date. Similarly, as every period of economic boom is spurred by an increase in production and output in a specific industry, like automobiles, or technology, economic downturns are triggered by the collapse of a market that plays a critical role in economic growth and stability.

Homeownership is a defining characteristic of the “American Dream,” and while lower income families have always struggled to reach the dream of homeownership, state and federal agencies have (with mixed results) developed programs to address the issue. Unfortunately, the struggle to achieve the dream of homeownership is increasingly becoming unattainable for middle and working class families. They are struggling to find housing at an affordable price. Recent research indicates that the collapse of the housing market, a preference to remain transient, and crushing debt, has turned millennials away from seeking homeownership with the same vigor as past generations. However, the fact remains that homeownership is one of the only opportunities for most people to build wealth, and homeownership, especially in New Jersey, is a central determinant of a prospering local economy. A strong homeowner base and a thriving housing market are central drivers of a healthy economy at the federal, state, and local levels. This report will examine the issues that are adversely affecting the New Jersey housing market and negatively impacting the local economy. These issues include:

- A number of properties are now assessed higher than their market value, leading to higher property taxes.
- Municipal real estate taxes continue to rise every year despite losses in the market value of homes.
- Foreclosed, abandoned and distressed homes are affordable to entry level homebuyers, but they cannot compete with investors to purchase the properties.
- Foreclosures are still coming on line – New Jersey, depending on the month, ranks first or second in foreclosure rates in the country.
- Foreclosed homes take too long to return to the market.
- Homeowners abandon homes in anticipation of homes being foreclosed on and becoming an REO property, negatively affecting the rest of the community as homes become distressed and neighborhoods are devalued.
- Homebuilders are not building entry level homes because they do not yield sufficient profit.
- Historically, home building has been an economic driver in South Jersey. The homebuilding industry in New Jersey has not recovered from the collapse of the real estate market.
- Banks and lending institutions do not efficiently dispose of their foreclosures/REO’s cases.

The above issues are adversely affecting the housing market, making it difficult for first time homebuyers, and distressing local economies.
Housing Market
The Local Economy

Improving the economic health of a community is essential to addressing the issues adversely affecting residents’ quality of life. Additionally, in many cases, a community’s economic health can impact regional growth. This phenomenon can be seen throughout the State of New Jersey, a densely populated state with 565 municipalities, of which 490 have a population of less than 30,000 people, 434 have a population less than 20,000, and 322 have a population less than 10,000. The population distribution in New Jersey is an important variable when discussing the economic health of municipalities in the state. Cities with high populations are generally economic stimulators, because they have increased access to the five types of capital that can be understood to drive an economy:

- **Manufactured capital.** The materials and goods that are components of the production process, as opposed to the finished products.
- **Natural capital.** The stock of natural assets such as water, air and geology.
- **Human capital.** A combination of people’s health, education, knowledge, and skills.
- **Social capacity.** The institutions that help develop human capital.
- **Financial capital.** The mechanisms that allow for goods and services to be owned, traded and acquired.

In New Jersey, at different points in our economic history, Newark, Jersey City, Paterson, Elizabeth, Trenton, Camden, and Atlantic City have acted as economic anchors in their respective regions. Many of the smaller municipalities in the region relied on the larger cities for employment and commerce, both important components to the economic health of smaller municipalities. That is not to say that the economic health of municipalities that are situated near larger cities (Audubon Park, Pennsauken, Lindenwold, City of Orange, East Orange. Egg Harbor City, Pleasantville) are exclusively tied to the economic health of the larger cities, but there are regional consequences when large cities struggle. In contrast, there are suburban and rural municipalities (Gloucester Township, Cherry Hill Township, Maplewood Township, Belleville Township, and Glen Ridge Borough), that are close in proximity to larger cities that seem to do well even when the larger, neighboring cities are struggling economically. Part of the sustainable economic success of these suburban and rural municipalities is tied to the success of their housing markets, including a strong homeowner base.

This report examines key components of the housing market, including housing burden, cost of living factors, foreclosures, and REO homes. Additionally, the report examines the relationship between the housing market and the local economy. Lastly, the report outlines proposed strategies to address the high cost of living, weather preferences, and lack of employment opportunities. It is well known that New Jersey has the highest property taxes in the country, but expecting the cost of living to be addressed through property tax reform seems unlikely in the near-term because state legislators have not foundationally changed the property tax system after years of understanding that it is a challenge. This section of the report includes a review of: current housing cost and burden for both homeowners and renters; negative determinants of a struggling housing market including REO, and distressed and foreclosed properties.

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Burden on Current Homeowners and Renters

Housing Cost Burden, as defined by the United States Department of Housing and Urban Development, exists when homeowners or renters pay 30% or more of their household income on housing. This calculation is based on gross income. Households paying more than thirty percent of their income on housing related costs are considered to be living in housing that is unaffordable. For renters, housing costs are defined as gross rent, or rent plus basic utilities (electricity, gas, water, and sewage). For homeowners, housing costs include mortgage payments, property taxes, homeowner’s insurance, condo fees, and basic utilities. When people are spending more than they should on housing, it weakens the broader economy. People have less discretionary income to spend at local businesses and retail outlets.

Current housing affordability data paints an unhealthy picture for renters and homeowners. As Figure 1 reveals, homeowners and renters throughout the region are living in housing that they technically cannot afford. Well over a third of homeowners (half of Atlantic City homeowners) and half of renters spend more than 30% of their income on housing. The high cost of housing hinders families and individuals’ ability to save money for the future and spend discretionary income. Discretionary spending plays an important role in the health of the local economy. Additionally, the more discretionary income a family has, the more they can save. The ability to save money provides families with security, especially in case of an emergency.

<table>
<thead>
<tr>
<th>Place</th>
<th>Renters</th>
<th>Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic County</td>
<td>60.7%</td>
<td>50.3%</td>
</tr>
<tr>
<td>Burlington County</td>
<td>53.3%</td>
<td>40.1%</td>
</tr>
<tr>
<td>Camden County</td>
<td>56.5%</td>
<td>36.5%</td>
</tr>
<tr>
<td>Cumberland County</td>
<td>60.8%</td>
<td>45.4%</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>53.8%</td>
<td>40.3%</td>
</tr>
<tr>
<td>Salem County</td>
<td>59.5%</td>
<td>42%</td>
</tr>
</tbody>
</table>

The economic realities of the current housing market have increased the demand for rentals, thereby driving up the rental market and presenting a severe challenge for many working families trying to stay afloat. A combination of price, production and location factors have fueled the high cost of housing. The situation is particularly difficult in Southern New Jersey where the rising cost of homes has made homeownership a struggle not just for the working poor, but also for the middle class, young families and senior households; even more significantly, it threatens the economic stability of municipalities and communities throughout the region. This economic issue is acute because it has a spillover effect on the quality of life for families. Their ability to clothe, feed and travel back and forth from work is, in part, dependent on how much a family pays for housing. Housing affordability not only affects the well-being of individual families, but also plays an important role in maintaining state and regional economic stability and, therefore, is a critical public policy issue. The high cost of living, the levels of housing burden, and the Great Recession have led to another set of problems in the region.

Foreclosures and Real Estate Owned Properties

New Jersey’s inability to address issues that increase the cost of living, including, but not limited to, property tax, transportation cost, median housing cost, and health cost, play a role in a large number of foreclosures in the state. While New Jersey was not statistically the state hardest hit by foreclosures
during the Great Recession, the state now routinely ranks first or second in foreclosure rates across the United States. For the purpose of this report, we define the foreclosure process as lasting from the time a homeowner is 30 days late on a mortgage payment until the home returns to the market. This should not be confused with the judicial process, which is only part of the foreclosure journey. It is important to understand the full process – pre-judicial, judicial, and post-judicial -- because a home in foreclosure impacts the community, families, and the local government beyond the time period that a complaint is filed and closed.

**Foreclosures**

As of May 2018, the foreclosure rate in New Jersey was 1 in every 639 housing units, which is far higher than the 1 in every 1835 ratio of foreclosures across the country. As Figure 2 displays, in terms of foreclosure rates, South Jersey is disproportionately affected by foreclosures in comparison to the rest of the state. Five of the top 6 counties with the highest foreclosure rates in the New Jersey are located in South Jersey. They include, Camden (1 in every 376), Salem (1 in every 470), Atlantic (1 in every 395), Cumberland (1 in every 428), and Gloucester (1 in every 353), and another, Burlington (1 in every 467), is ranked 10th in the State in foreclosures. Additionally, 6 out of the 11 counties with the largest number of zombie foreclosures (distressed properties that have been left vacant) are in South Jersey, including Camden (563), Burlington (468), Ocean (400), Gloucester (237), Atlantic (232) and Cumberland (173) counties. The struggle of the housing market to recover has adversely affected the quality of life for residents and has negatively affected local economies across the region.

![Figure 2: Foreclosure Ratio](https://www.realtytrac.com/mapsearch/new-jersey-foreclosures.html)

<table>
<thead>
<tr>
<th>Place</th>
<th>As of May 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic County</td>
<td>1 in every 395</td>
</tr>
<tr>
<td>Burlington County</td>
<td>1 in every 467</td>
</tr>
<tr>
<td>Camden County</td>
<td>1 in every 376</td>
</tr>
<tr>
<td>Cumberland County</td>
<td>1 in every 428</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>1 in every 353</td>
</tr>
<tr>
<td>Salem County</td>
<td>1 in every 470</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1 in every 639</td>
</tr>
<tr>
<td>United States</td>
<td>1 in every 1835</td>
</tr>
</tbody>
</table>

The chart below displays foreclosure data as of May 2018. The foreclosure number is a combination of homes that are in the pre-foreclosure, auction, and bank owned phases of the foreclosure process, while the zombie foreclosure is a separate type of foreclosure. The number of people who are seeing their dream of homeownership slip away is troublesome. The public policy response to the foreclosure problem has yielded some results, but there is much more work to be done. The public, private, and nonprofit sectors have an opportunity to address other issues adversely affecting first time home buyers and other groups of people trying to achieve the “American Dream” of homeownership.

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4 https://www.realtytrac.com/mapsearch/new-jersey-foreclosures.htm
4 http://www.nj.com/news/index.ssf/2016/05/which_is_the_foreclosure_rate_in_every_county_nj.html
5 https://www.realtytrac.com/mapsearch/new-jersey-foreclosures.html
At times, foreclosure can be a long winding process for the soon to be former homeowner, the bank or other entity that provided the loan, as well as the people who live in the community in which the foreclosed home is located. The longer a house is in foreclosure -- not on the market and not occupied -- the more likely the house is to lose value and adversely affect the value of the neighboring properties as well as the surrounding community. New Jersey’s judicial foreclosure process has historically been slow moving. For example, in court year July 2010-June 2011 the average time from complaint to judgement was 1,360 days. According to court data the process has improved substantially in recent years, with an average of 248 days to judgement in the court year July 16-June 2017, and an average of 114 days to judgement in the first eight months of court year 2018. It makes sense to provide former homeowners with an opportunity to transition to a new living situation, nevertheless, the average time a home is in the foreclosure process in New Jersey exceeds the time it should take individuals to identify new living situations. Properties foreclosed on in New Jersey in the 4th quarter of 2016 spent an average of 1,400 days, close to four years, in the foreclosure process according to ATTOM. The foreclosure process includes not only the length of time a home is in the judicial process, but also pre- and post-judicial periods. The 1,400 days cited by ATTOM applies to homes that entered the foreclosure process prior to improvements New Jersey’s judiciary implemented to decrease the time between foreclosure filings and judgements. After a homeowner’s property is foreclosed upon, they can essentially abandon the home right away or stay in the home for most of the process.

In non-judicial states the process is less complex; owners whose homes enter foreclosure receive one of the following:

- a notice of default followed by a notice of sale;
- a combined notice of default and sale;
- a notice of sale stating that the property will be sold on a certain date, or
- notice by publication in a newspaper and posting on the property or in a public place.

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After receiving one of the above notices, homeowners are quickly given a date by which they are expected to leave the premise. The judicial process, described below, is more complex.\(^7\)

1. Technically, after missing one payment a homeowner is in default. While in the past missing three payments was sufficient for a lender to start the foreclosure process, federal laws officially set a 120-day delinquent benchmark.

2. As part of the New Jersey Fair Foreclosure Act, prior to filing a complaint in court lenders must send a notice to homeowners via certified mail with a return receipt request. The notice must be sent 30 days prior to filing a complaint. This notice must include\(^6\):
   
   a. A description of the lender's interest in the property.
   
   b. The reason that the lender is trying to foreclose on the property.
   
   c. Information about your right to reverse the default, and information on how to remedy, including expressly stating that a full payment of what is owed would restore the mortgage.
   
   d. Information about what is owed to avoid foreclosure and a statement informing the homeowner that they have 30 days to pay what is owed.
   
   e. A statement as to what will happen if the homeowner does not address the default of the loan.
   
   f. Language that explains the right of the homeowner to reverse the foreclosure process even after it has started.
   
   g. Language that outlines the homeowner’s right to sell or transfer the title to their property during any part of the foreclosure process.
   
   h. Language that advises the homeowner of the need to contact an attorney as well as the availability of the county lawyer for a referral.

The first two steps of the New Jersey foreclosure process provide a number of opportunities for homeowners to avoid losing their home or further extend the process. The final steps of the process are below.

3. If a homeowner cannot reverse the default process, the lender can file a foreclosure complaint that gives homeowners an option to join a foreclosure mediation program.

4. Homeowners are given 35 days to answer the complaint.

5. If the complaint is challenged by the homeowner, the judge will make a final decision. Prior to the judge making a final decision a homeowner can request 45 days to come up with the money that is owed to the lender.

6. If a judge confirms the foreclosure and the home is either transferred through a sale to a holding company, or sold at a Sheriff’s sale, the homeowner can request a postponement of the sale.

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In general, the New Jersey judicial foreclosure process provides a number of opportunities for homeowners to remedy the issues that led to their home entering into foreclosure. But, once it becomes clear they will not avoid foreclosure, the future of a homeowner can be muddled. The owner cannot begin to recover until 3 years after the foreclosure process is completed if they want to become homeowners again, including FHA loans, which contributes to high rental rates. Even if the owner declared Chapter 7 Bankruptcy, which indicates the surrender of the home, NJ still goes through the judicial process, delaying recovery for the owner. Only the USDA starts the clock directly after a bankruptcy and recognizes the surrender of the property even if the bank chooses not to foreclose for years. FHA does not, nor do banks. In addition, the houses fall into disrepair and cannot be mortgaged without a CO, and although the USDA does offer a purchase repair for low income homeowners, it does not offer it for guaranteed loans, and FHA 203K rehab loans require excellent credit records. People leaving a home should be able to voluntarily sign over the house, bypassing the lengthier process to enable them to recover and move on. Once that happens they could feasibly re-purchase a home in three or four years instead of the typically longer time frame. It is impossible to measure whether homeowners who are able to save their home after the beginning of the process are sincere about keeping their home, or if they are purposely taking advantage of all the opportunities and evading the inevitable, but either way the process can adversely affect the owner of the home and the surrounding community.

Data collected on 78 family homes analyzed in the REO section of this report reveal that the “market to foreclosure and back to market” cycle in New Jersey can be lengthy. The average home that entered the foreclosure process took 3.8 years for the process to be finalized with the longest period of time being 9 years (6 homes spent 8 years in the process). The average length of time from the start of the foreclosure process to being bought by a bank or investor was 5.1 years, and 33% of the homes took 8 years or more to become owner-occupied. The chart below is a sample of 20 of the 78 family homes analyzed for this report, and includes the foreclosure start year (FC Start Year), foreclosure end year (FC End Year), years between foreclosure start and end dates (Years Between FC Start and End Date), year sold to a presumed investor (Year Sold), and years between foreclosure start year and the year it was sold to an owner-occupant (Years Between FC Start Year and Sale to O-O).
The chart includes the 20 properties that had the longest time lapses between entering foreclosure and being sold. Based on the data we have, we can determine that most transfers were most likely investors as opposed to properties acquired by an owner occupant who intended to make the property their home. The data points we used to make this determination are listed below:

- Foreclosed homes that were sold at a sheriff’s sale, and then were quickly sold to an entity, then shortly after sold at rather large profit to the presumed investor/seller.

- Homes that were in the foreclosure process but were remedied very quickly by way of a short sale or some other agreement of transfer.

- A review of the buyers of the foreclosed properties provided significant input. Many of the homes were bought and flipped by holding companies, or they were bought by quasi-government agencies.

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*Information collected from [https://www.realtytrac.com](https://www.realtytrac.com).*

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![Figure 3: Foreclosures (FC)](image)
Certainly, non-judicial foreclosures are not an ideal way to process foreclosures. The law leaves very little room or time for outgoing homeowners to develop a transitional plan. In contrast, judicial foreclosures provide more time for outgoing homeowners to save money and plan for their future. However, in certain scenarios judicial foreclosures can cause challenges, primarily for reasons tied to outgoing homeowners:

- staying on the premises, but due to resentment stemming from the foreclosure process, deciding not to put energy or resources towards the upkeep of the property;
- along with an inability to afford the carrying costs of the property, is the inability to afford any upkeep or maintenance of the home;
- or moving out immediately, or as soon as they have the minimum resources needed to transition to another place to live, leaving the property empty. This situation causes distress on the home, on the neighborhood and on the community. When left vacant and abandoned for months and years, these properties become ripe for vandalism and squatters. They are havens for drug users, negatively impact surrounding property values, and drain municipal resources.

The above scenarios do not represent the majority of foreclosed homes, but they do represent enough cases that there is a noticeable effect in some neighborhoods in which the foreclosed homes are located, particularly where there are multiple foreclosed homes. Specifically, abandoned homes, considered zombie foreclosures, are mostly a result of homeowner’s lack of knowledge concerning their ability to stay in a home even if it is in the foreclosure process. The length of time between foreclosure and the home being acquired by an actual homeowner occupant can be long., as the sample in Figure 3 displays. Recent improvements to the judicial process cannot fix this on their own. The challenge requires solutions inside and outside of the judicial stage. Effective solutions are important. An analysis of REO properties reveals that the foreclosure process adversely affects housing value, as well as the availability of homes affordable to the region’s workforce and are suitable to provide shelter for entry level buyers.

**Real Estate Owned (REO) Analysis**

Real Estate Owned (REO), is a term used in the United States to describe a class of property owned by a lender – typically a bank, government agency, or government insurer – after an unsuccessful sale at a foreclosure auction. Property types include single family homes, condominiums, townhouses, land and commercial real estate. The properties end up in the portfolios of a lender, usually a bank or another entity like Fannie Mae, Freddie Mac, or HUD, a government entity (city or state agency), or a holding company. Additionally, there is oftentimes an intermediary in the process which is the servicer of the loan, who then can become the owner of the mortgage, often making the process even more complex. REO properties can be problematic because the period between foreclosure and the return of the property to the market can be long as a result of some foreclosure laws and the varying problems that result in delinquent property owners remaining in the home during the foreclosure process. Meanwhile, as homes sit idle, communities are negatively affected by the loss in value of the home, and those seeking homes they can afford have less choices than they would if these homes were back on the market. As of May 2018, 24% of foreclosed homes are REO properties. This analysis of REO properties examines a partial transactional history of 78 recently sold homes in Atlantic, Burlington, Camden, Cumberland, Gloucester, and Salem counties that have gone through the foreclosure process and were considered REO properties. The data collected for each property includes:

- baseline date when the property was sold
- baseline sale price
- foreclosure start date
- foreclosure end date (the date could represent short sale date or date when settlement was reached outside of foreclosure to end foreclosure process)
- sale date after foreclosure
- 2012 and 2017 tax dollar number
- 2012 and 2017 housing assessment number

Additionally, for some properties, a deed transaction between the foreclosure end date and the latest sold date was captured. In most cases it was a sheriff sale transaction that was quickly flipped to a holding company or bank.

**Market Value**

<table>
<thead>
<tr>
<th>Place</th>
<th>BL Sold Date</th>
<th>BL Sold Price</th>
<th>Comp. Sold Date</th>
<th>Comp. Sold Price</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>105 Boston Ave, Egg Harbor City</td>
<td>2006</td>
<td>$112,500</td>
<td>2018</td>
<td>$60,000</td>
<td>-87.50%</td>
</tr>
<tr>
<td>212 Buchanan, Egg Harbor City</td>
<td>2009</td>
<td>$235,900</td>
<td>2018</td>
<td>$170,000</td>
<td>-38.76%</td>
</tr>
<tr>
<td>409 W Adams Ave, Pleasantville</td>
<td>2000</td>
<td>$129,000</td>
<td>2018</td>
<td>$81,000</td>
<td>-59.26%</td>
</tr>
<tr>
<td>143 E Linwood Ave, Maple Shade</td>
<td>2007</td>
<td>$204,000</td>
<td>2018</td>
<td>$96,000</td>
<td>-112.50%</td>
</tr>
<tr>
<td>58 S Poplar Ave, Maple Shade</td>
<td>2005</td>
<td>$226,500</td>
<td>2018</td>
<td>$72,000</td>
<td>-314.58%</td>
</tr>
<tr>
<td>515 N Lenola Rd, Moorestown</td>
<td>2008</td>
<td>$220,500</td>
<td>2018</td>
<td>$140,800</td>
<td>-56.61%</td>
</tr>
<tr>
<td>6608 Riverfront Dr, Palmyra</td>
<td>2010</td>
<td>$245,000</td>
<td>2017</td>
<td>$139,900</td>
<td>-57.13%</td>
</tr>
<tr>
<td>608 Chestnut St, Florence</td>
<td>2006</td>
<td>$169,900</td>
<td>2017</td>
<td>$159,900</td>
<td>-6.25%</td>
</tr>
<tr>
<td>146 Quiet Cres, Sicklerville</td>
<td>2005</td>
<td>$257,101</td>
<td>2018</td>
<td>$237,500</td>
<td>-8.25%</td>
</tr>
<tr>
<td>6 Zion Dr, Berlin</td>
<td>2005</td>
<td>$232,169</td>
<td>2018</td>
<td>$210,000</td>
<td>-10.56%</td>
</tr>
<tr>
<td>10 Oakton Dr, Atco</td>
<td>2006</td>
<td>$199,000</td>
<td>2018</td>
<td>$185,000</td>
<td>-7.57%</td>
</tr>
<tr>
<td>234 Hospital Rd, Greenwich</td>
<td>2006</td>
<td>$925,000</td>
<td>2018</td>
<td>$262,500</td>
<td>-252.38%</td>
</tr>
<tr>
<td>22 Tomasello Dr, Millville</td>
<td>2006</td>
<td>$431,521</td>
<td>2018</td>
<td>$226,500</td>
<td>-50.52%</td>
</tr>
<tr>
<td>3620 Oak Rd, Vineland</td>
<td>2008</td>
<td>$193,459</td>
<td>2018</td>
<td>$171,750</td>
<td>-12.64%</td>
</tr>
<tr>
<td>208 N New St, Clayton</td>
<td>2006</td>
<td>$165,750</td>
<td>2018</td>
<td>$135,000</td>
<td>-22.78%</td>
</tr>
<tr>
<td>626 Hardingville Rd, Monroeville</td>
<td>2008</td>
<td>$405,000</td>
<td>2018</td>
<td>$266,000</td>
<td>-52.26%</td>
</tr>
<tr>
<td>245 Applewood Ln, Carneys Point</td>
<td>2006</td>
<td>$147,900</td>
<td>2018</td>
<td>$139,000</td>
<td>-6.40%</td>
</tr>
<tr>
<td>1179 Lake Point Cv, Pittsgrove</td>
<td>2001</td>
<td>$240,000</td>
<td>2018</td>
<td>$222,000</td>
<td>-8.11%</td>
</tr>
</tbody>
</table>

Most of the properties analyzed as part of this report have baseline sold dates between 2004 and 2010. Consequently, the market value lost between the baseline price and the latest sale price is large. The Great Recession that started in December of 2007 led to sharp drops in property value. The average drop in market value of the 78 homes examined was $83,439 dollars, an average decrease of 49%. The chart above is a sample of the 78 homes and the percentage change in market values. The chart not only represents a decrease in the value of homes, but also a decrease in wealth and equity for those who owned the homes during the identified time period.

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Market Value vs. Assessed Value

The drastic drop in market value that can happen when homes are foreclosed on is one facet of a prolonged foreclosure process. As Figure 4 displays, the homes we examined lost value as they went through the process. The data on the REO properties also revealed that despite the substantial loss of market value in homes over the time period examined for this report, the assessed values of the homes were stagnant or increased over the same time period. We were able to obtain assessment data dating back to 2008 for most of the 72, but a few fall between 2008 and 2010. The average home value dropped 51%, while the property tax increased by an average of 19% and the tax rate increased by an average of 9%. Figure 5 below is a sample of the properties analyzed and includes data on the percentage change in homes’ market value, percentage change in property tax paid, and percentage change in assessed value of homes.

The sample of the properties in Figure 5 reinforces the discrepancy between the home value and the assessed value of the homes, as well as the increase in the property tax that was levied. Later in this report, the role property taxes play in the health of local government is examined, but it should be noted that the discrepancy in changes over time between the market value of homes, and the property tax levied and assessed value of homes, is mostly a result of municipalities’ reliance on property taxes to balance their budgets. Property taxes fund services for residents, a funding need that fluctuates less than the
housing market. That is to say that the level to which municipalities rely on property taxes either stays the same or increases, at taxpayers’ expense, without any deference to the decline in the housing market. Such increases reduce taxpayers’ discretionary income.

Costs to Communities

While homeownership, and other methods utilized to construct housing that could positively affect homeownership, such as redeveloping blighted housing, are proven economic stimulators, abandoned homes are costly to the local economy. As referenced by Community Blight Solutions, Harvard University’s Joint Center for Housing Studies found, “Vacant and abandoned housing is a fundamental indicator of neighborhood distress, serving to depress local property values, encourage the spread of crime, and strain municipal budgets by imposing higher service costs while reducing property tax revenues. A single, foreclosed, vacant or abandoned home that is improperly secured can result in economic loss for not only the property itself, but also to neighbors surrounding the property, as well as the broader community. Specifically, for the median home worth approximately $200,000, the foreclosed and abandoned house itself loses $70,000 in value, imposes close to $100,000 in property value loss to its surrounding neighbors, is responsible for $14,000 worth of crime per year in the immediate community, and is associated with $1,500 in police and fire department costs per year in municipal budgets.

Opportunities: Banks, Private Investors and Holding Companies vs. The Public Need

In the period leading up to the Recession, banks and lenders, partially armed by the deregulation of the banking industry, and a federal government that seized on Americans emotional attachment to the dream of owning a home, began, in large quantities, to loan money at levels that people could not afford. In large part, this led to the Great Recession and the collapse of the housing market and the collapse of, and near collapse of some of the largest banks in the country. Lucky for the banks, many of them were saved by the federal government, which believed that the collapse of some of the country’s biggest banks would sink both the American and global economies. Homeowners did not have the same luck as the banks. Neither the Emergency Economic Stabilization Act of 2008 (bank bailout), or the American Recovery and Reinvestment Act of 2009, properly provided homeowners with adequate relief to save their homes. Many people across the country, and a disproportionate number of New Jerseyans, lost their homes. At the same time, a number of banks, holding companies and investors have taken advantage of the residual results of the Recession.

The rise of foreclosures has increased the number of REO properties. The manner in which these affordable properties transfer ownership makes it difficult for individuals and families to acquire them. Individual people and families are disadvantaged in the process due to lack of resources and knowledge. Adding to the plight of moderate-income homebuyers (e.g. working families, millennials, singles/divorced people, as well as boomers looking to downsize), there is a shortage of entry level homes on the market. Some foreclosed properties are in established communities with high achieving school systems and are convenient to retail establishments.

For the most part, the majority of bank owned properties will not transfer ownership directly to a moderate-income buyer. The biggest obstacle to selling an REO directly to a home buyer is the bank requirement that the property be bought with cash, in “as is” condition. Also, it is unlikely that another lending institution will offer a mortgage on a foreclosed property because of its likely condition. If a home
buyer were to have the cash to purchase a foreclosure, they may not be willing to take on the risk of potential issues, which will only compound the financial risk of becoming a new homeowner. They also may not have the resources to turn a derelict property into their new home. Investors continue to snatch up the foreclosures that have the most potential for resale. The home that could have been an entry level property may be just out of reach of the entry level buyer, and in some cases the investors are now renting these homes to the would-be entry level buyer, and the newly minted renter now has less ability to save money for a down payment based on the economic issues adversely affecting the region. Figure 6 below is a sample of the 22 out of 44 properties that were sold directly to investors rather than owner occupants after foreclosure. The “First Transfer” are a mix of sheriff’s sales, which generally happened within a year of the first transfer and were a lot closer to the market value, and the buyer was an investor. The figure reveals that the properties generated a large profit between the first and second transfer (which is to an owner occupant); investors made an average profit of 66%. The profit margin is large, but that is not the only important data point in the figure.

<table>
<thead>
<tr>
<th>Address</th>
<th>First Transfer</th>
<th>Second Transfer</th>
<th>% Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 Morning Glory CT Egg Harbor Township</td>
<td>$225,750</td>
<td>$375,000</td>
<td>39.8%</td>
</tr>
<tr>
<td>203 N Montpelier Ave, Atlantic City</td>
<td>$1,000</td>
<td>$77,168</td>
<td>98.7%</td>
</tr>
<tr>
<td>309 N Richmond Ave, Atlantic City</td>
<td>$1,000</td>
<td>$104,000</td>
<td>99%</td>
</tr>
<tr>
<td>421 N Harrisburg Ave, Atlantic City</td>
<td>$100</td>
<td>$80,000</td>
<td>99.9%</td>
</tr>
<tr>
<td>105 Boston Ave, Egg Harbor City</td>
<td>$1,000</td>
<td>$60,000</td>
<td>98.3%</td>
</tr>
<tr>
<td>212 Buchanan Ave, Egg Harbor City</td>
<td>$1,000</td>
<td>$170,000</td>
<td>99.4%</td>
</tr>
<tr>
<td>322 Elm Avenue, Pleasantville</td>
<td>$35,000</td>
<td>$79,900</td>
<td>56.2%</td>
</tr>
<tr>
<td>225 Chalfonte Ave, Pleasantville</td>
<td>$94,500</td>
<td>$155,000</td>
<td>39%</td>
</tr>
<tr>
<td>248 W Ridgewood Ave, Pleasantville</td>
<td>$20,000</td>
<td>$118,500</td>
<td>83.1%</td>
</tr>
<tr>
<td>7 Peppercorn Dr, Lumberton</td>
<td>$125,000</td>
<td>$145,000</td>
<td>13.8%</td>
</tr>
<tr>
<td>223 W 3rd St, Florence</td>
<td>$129,099</td>
<td>$177,500</td>
<td>27.3%</td>
</tr>
<tr>
<td>6608 Riverfront Dr, Palmyra</td>
<td>$86,000</td>
<td>$139,900</td>
<td>38.5%</td>
</tr>
<tr>
<td>608 Chestnut St, Florence</td>
<td>$37,000</td>
<td>$159,900</td>
<td>76.9%</td>
</tr>
<tr>
<td>603 Catalina Ct, Somerdale</td>
<td>$74,000</td>
<td>$157,102</td>
<td>52.9%</td>
</tr>
<tr>
<td>15 Bridge Dr, Turnersville</td>
<td>$172,000</td>
<td>$249,900</td>
<td>31.2%</td>
</tr>
<tr>
<td>137 S Logan Ave, Audubon</td>
<td>$109,000</td>
<td>$215,000</td>
<td>49.3%</td>
</tr>
<tr>
<td>67 Wilson Dr, Sicklerville</td>
<td>$120,000</td>
<td>$182,000</td>
<td>34.1%</td>
</tr>
<tr>
<td>166 Lake Dr, Atco</td>
<td>$70,000</td>
<td>$189,900</td>
<td>63.1%</td>
</tr>
<tr>
<td>225 Roberts Ave, Bellmawr</td>
<td>$83,000</td>
<td>$167,000</td>
<td>50.3%</td>
</tr>
<tr>
<td>6 Zion Dr, Berlin</td>
<td>$100</td>
<td>$210,000</td>
<td>99.9%</td>
</tr>
<tr>
<td>22 Tomasello Dr, Millville</td>
<td>$2,000</td>
<td>$226,500</td>
<td>99.1%</td>
</tr>
<tr>
<td>3620 Oak Rd, Vineland</td>
<td>$1,000</td>
<td>$171,750</td>
<td>99.4%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>$63,070.41</strong></td>
<td><strong>$164,137.27</strong></td>
<td><strong>66%</strong></td>
</tr>
</tbody>
</table>
The “First Transfer” amount provides information about housing stock that could be obtained for a reasonable price and, essentially, could be provided at a reasonable cost to working families and first-time buyers. Unfortunately, given the economic realities of areas throughout the region, the current systemic obstacles, and the drive for bankers, investors and holding companies to maximize their profit, the average prospective homeowner cannot compete to acquire housing they can afford. When a high percentage of current homeowners are burdened by high cost and potential homeowners cannot buy homes at a reasonable cost, then local economies struggle to grow and/or sustain. In reviewing the availability of entry level and workforce housing, REO housing should be a central part of the discussion. Relying on new construction to address the issue of housing that is affordable to working families and the middle class is problematic for two reasons:

- The cost of new construction is high and banks, municipalities, and developers are not incentivized to build homes that meet the demand for entry level and workforce housing.

- Banks and developers are profit driven, and municipalities are driven by the tax ratable race.

The number of REO properties in the region provides a unique opportunity to address the need for entry level and workforce housing in communities across the region.

**Economic Benefits of Investing in the Housing Market**

As mentioned in the *Cost to Communities* section of the report, the existence of foreclosed and abandoned homes has a direct, adverse effect on the local economy. In contrast, an increase in the availability of affordable workforce housing and an increase in homeownership has a positive impact on local economies. The areas in which homeownership (and the process of increasing access to affordable workforce housing) directly influences local economies include employment, retail spending, and local government revenue.

### Figure 7: Income/Employment Impacts of Residential Construction on Economy\(^9\)

<table>
<thead>
<tr>
<th></th>
<th>Full Time Equivalent Jobs</th>
<th>Wages and Salaries</th>
<th>Proprietors Profits</th>
<th>Corporations Profits</th>
<th>Wages and Profits Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per New Single-Family Home</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All industries</td>
<td>2.97</td>
<td>$162,080</td>
<td>$61,273</td>
<td>$57,081</td>
<td>$280,433</td>
</tr>
<tr>
<td>Construction</td>
<td>1.76</td>
<td>$95,875</td>
<td>$38,661</td>
<td>$16,965</td>
<td>$151,501</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>.37</td>
<td>$19,063</td>
<td>$1,679</td>
<td>$15,681</td>
<td>$36,422</td>
</tr>
<tr>
<td>Wholesale</td>
<td>.38</td>
<td>$16,721</td>
<td>$2,659</td>
<td>$7,772</td>
<td>$27,151</td>
</tr>
<tr>
<td>Others</td>
<td>.46</td>
<td>$30,421</td>
<td>$18,274</td>
<td>$16,663</td>
<td>$65,359</td>
</tr>
<tr>
<td><strong>Per $100,000 Spent on Remodeling/Rehabbing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All industries</td>
<td>.89</td>
<td>$48,212</td>
<td>$17,975</td>
<td>$17,215</td>
<td>$83,402</td>
</tr>
<tr>
<td>Construction</td>
<td>.55</td>
<td>$29,975</td>
<td>$12,833</td>
<td>$5,631</td>
<td>$48,439</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>.10</td>
<td>$5,550</td>
<td>$434</td>
<td>$4,872</td>
<td>$10,855</td>
</tr>
<tr>
<td>Wholesale</td>
<td>.12</td>
<td>$990</td>
<td>$24</td>
<td>$577</td>
<td>$1,591</td>
</tr>
<tr>
<td>Others</td>
<td>.12</td>
<td>$11,697</td>
<td>$4,684</td>
<td>$6,135</td>
<td>$22,517</td>
</tr>
</tbody>
</table>

\(^9\) NAHB estimates.
The housing and employment markets are linked, and both are determinants of the health of local economies. New construction and remodeled/rehabbed homes have a far-reaching impact on the economy. The chart below provides data on jobs created, wages and salaries earned, profits per new single-family homes built, and per $100,000 spent on remodeling/rehabbing. Investment in housing construction and rehabilitation has a trickle-down effect on other occupations and industries, including building material suppliers, cabinet makers, architecture firms, trucking companies, retail stores and the food and beverage industry.\(^\text{10}\) In addition to jobs, wages, and profit gains that result from investing in the housing market, there are other factors that link housing and employment. Whether or not a business moves to or decides to stay in a place is influenced by a number of factors, including facility space, operating cost, proximity to suppliers or natural resources, access to a better labor pool and an improved quality of life. Two of the abovementioned reasons can be linked to a thriving housing market that includes affordable workforce housing. A municipality’s ability to provide a high quality of life for its residents and a highly skilled labor pool is influenced by the existence of a thriving housing market in which a high percentage of residents are living in housing deemed affordable. The availability of workforce housing, near the places people work, is a key element of attracting first time home buyers and plays a role in the ability of business owners to retain employees. In a national survey of 300 companies conducted by Harris Interactive, more than half (55%) of the largest companies (more than 100 employees) surveyed stated that there was an, “inefficient level of affordable housing in their proximity”, and that it, “is having a negative impact on retaining qualified entry-level, and mid-level employees”.\(^\text{11}\) Since investment in housing increases population and economic growth, it also increases local government tax revenue.

The economic reward for investing in housing development and homeownership has been studied by a number of different entities, both pre and post construction. The chart below provides information on investments in housing development (both new and rehab) from research on three programs.

<table>
<thead>
<tr>
<th>Figure 8: Research Findings on Housing Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where</td>
</tr>
<tr>
<td>Minnesota</td>
</tr>
<tr>
<td>Rhode Island</td>
</tr>
<tr>
<td>Dekalb County Atlanta</td>
</tr>
</tbody>
</table>

In the examples above, the findings reveal rewards from investing in the housing market. The Dekalb

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\(^{12}\) ibid  
\(^{13}\) ibid  
County example particularly relevant to the South Jersey region, because their initiative was a direct response to the high number of foreclosures the county has faced since the Great Recession, and provides evidence of the impact that can be made when investing in a housing plan that streamlines a process for addressing foreclosed and abandoned homes. The $28.7 million in expenditures led to $8.6 million in programmatic income, 164 homes rehabbed and sold, 168 rental units restored, and 12 acres of blight removed. Additionally, $7.4 million in local income and $625,000 in tax revenue was generated. Lastly, the surrounding community saw a $141 million increase in property value.

The housing and job markets have substantial impact on the local economy. When either market is struggling the other is likely to struggle, lowering the quality of life in a community. When the housing market in a community is struggling with a high number of foreclosures, combined with a high cost of living that is influenced by high housing cost, the local economy cannot grow or sustain. There is an upfront cost to addressing these issues and, given what we know about the issues adversely affecting the housing market, the open market alone has not, and will not likely solve the problems. But, targeted investments in the housing market by public and private partnerships can positively affect the local economy.
Southern New Jersey Economy
Despite its relatively small size (New Jersey is the fifth smallest state in square miles in the US) the state has substantial regional differences. Southern New Jersey is distinct from the north in several ways, including population size and density and social and economic outcomes. The Southern New Jersey region (the eight southern-most counties) is less populated than the rest of the state. The average county in South Jersey has a population of 303,791 while the average of the other 13 counties is 502,129. The eight southern counties comprise 27% of the state’s population while representing 38% of the state’s counties. The population density in the north largely accounts for New Jersey’s status as the most densely populated state in the country. Southern New Jersey’s population density is 623.3 persons per square mile while the rest of the state’s population density is 1624.6 per square mile. There are 272.3 houses per square mile in South Jersey and 613.1 houses per square mile in the rest of the state. The population difference impacts social, economic, and health outcomes in the region. The region realizes lower tax revenue, challenges attracting businesses, and has disproportionately less resources from the State and the philanthropic community. The philanthropic community currently seems less inclined to invest in rural areas than in densely populated areas, despite persistent economic and health challenges.

Over the last century, New Jersey has been one of the five wealthiest states in the country. Despite the cultural differences between the Southern and Northern regions that date back to the settlement of the state, both regions prospered economically throughout the late 18th, 19th and early 20th centuries. Northern New Jersey's economy was propelled by the Industrial Revolution in the late 18th and 19th centuries which increased the region’s production of textile and other manufacturing commodities, while Southern New Jersey’s burgeoning economy was largely agrarian, but also depended on the glass industry and large food manufacturers. The state’s economic success continued into the 20th century despite the setbacks caused by the Great Depression. The state’s recovery from the Great Depression was largely influenced by industrial growth spurred by World War II. In the 1960’s, comparable to the rest of the country, Southern and Northern Jersey began to experience a dramatic shift in their economies. The 1960’s saw the emergence of a post-industrial society. Central to the economic shifts was the loss of manufacturing jobs to both cheaper labor overseas and to new technologies in this country.

While both regions experienced large losses of manufacturing and industrial jobs, Northern Jersey was better positioned to replace the lost jobs and industries mostly based on its proximity to New York City. Northern Jersey replaced blue collar manufacturing jobs with more advanced manufacturing jobs (chemical, computer and electronic); finance and insurance employers; technology employers; transportation and logistics jobs; and bio/pharmaceutical companies. Southern Jersey was hit hard by the loss of manufacturing jobs and its groundbreaking glass making industry and was unable to replace the industries with new emerging industries as effectively as Northern Jersey. Critical to the inability to replace industries is Southern Jersey’s inadequate transportation system, which puts the region at a competitive disadvantage compared to neighboring regions. The region utilized the early success of the casino and gaming industry to combat the structural deficits, but the return on the investment was not as sustainable as the industries that sprouted in North Jersey. Consequently, the current struggles of the casino and gaming industry has exemplified the economic struggles of the region.

Southern New Jersey’s social, economic, and health outcomes lag well behind the rest of the State, while the region has disproportionately less resources to address the issues that influence those outcomes. The average median household income in South Jersey Counties is $62,930, while the average in the rest of the State’s Counties is $79,220 -- 26% higher. Also, the southern region has a higher poverty rate (11.3%), and child poverty rate (17.4%), than the rest of the State, 10.7% and 14.8% respectively.
New Jersey’s Reliance on Homeownership and Property Tax

Homeownership and the health of local economies are intrinsically linked, especially in the State of New Jersey. Strong municipal economies correlate with high homeownership. A strong job market can influence high homeownership, and vice versa, a strong homeownership base can increase the number of businesses willing to locate or relocate in a particular municipality. It is imperative that we begin to think critically about how the region can reverse the trend of people moving out of the state as well as improving outputs related to the housing market with the intention of growing the local economies.

Economically, a municipality’s ability to collect taxes directly influences their ability to provide services to residents. Municipalities in New Jersey are more dependent on property tax than cities in other states. Property taxes in New Jersey fund the police, roads, schools, and other less costly services at the municipal level, and roads, parks, and elections at the county level. Property tax revenue spurred by strong homeownership is important for the reasons below:

- Education: Slightly over half of all property taxes collected in the state go to fund education. Consequently, New Jersey usually ranks 3rd or 4th in education spending per student (slightly under $18,000) and ranks in the top 3 in K-12 education achievement.
- 47.5% of all taxes collected in the state come from property tax, second only to New Hampshire, at 66.1%.
- The State does not have a statewide special treatment tax on things like candy and soda, and municipalities are not allowed to levy special taxes in those areas.
- The state ranks 25th or lower in spirits, beer, cell phone tax collections, which could all contribute funding directly to local governments.
- Our general reliance on property tax: County and municipal governments depend largely on property taxes to pay their expenses. Municipalities in the state are not allowed to levy local income or sales taxes (in contrast to cities and towns in other states). Additionally, while the state ranks 1st in the country in state and local property tax collections per capita, it ranks 35th in state and local excise tax collections per capita.

The role property tax plays in the economic health of municipal and county government ensures that homeownership will always play a role in improving local economies. When local economies in New Jersey are substantially less dependent on property taxes, the critical component of homeownership will once again benefit the health of municipalities in the state.

Homeownership and the Local Economy

Research points to a number of other ancillary benefits of homeownership including personal satisfaction, higher academic achievement by children of homeowners, less behavioral issues, and increased civic participation. Figure 9 shows a strong correlation between homeownership and economic outcomes in six South Jersey counties. It is important to note that there is a difference between correlation and

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causation, but clearly homeownership is linked to increased income, and lower poverty and crime rates.

The variables feed off each other, and when adverse outcomes concerning each variable are not addressed, distressed communities arise. Complicating the homeownership issue is the lack of available entry level and workforce housing, which adversely affects the ability of the middle class, working class, and lower income individuals/families to find housing they can afford. The National Association of Home Builders (NAHB) noted, “With widely fluctuating home prices and stagnating or declining wages, homeowners are struggling to stay in their homes. In today’s economic climate, more people not traditionally perceived as seeking “affordable housing” are facing affordability issues. A new term, “workforce housing,” has been coined to describe these households. This group may include teachers, police officers and fire fighters as well as health care workers, retail clerks, administrative personnel, and other moderate-income workers who receive little or no public assistance and are essential to local economic growth.”

Finding a way to address the REO properties as well as the abandoned home issue could be a boost to the local economy. The NAHB noted that for every “$1 million spent on residential remodeling in a typical local area would have an estimated, positive impact of $841,000 in local income, $71,000 in taxes and other revenue for local governments, and 11.5 jobs”.

<table>
<thead>
<tr>
<th>Place</th>
<th>% Owner Occupied</th>
<th>Median Housing Income</th>
<th>% Poverty</th>
<th>Crime Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic County</td>
<td>67%</td>
<td>$55,456</td>
<td>14.3%</td>
<td>32.3</td>
</tr>
<tr>
<td>Burlington County</td>
<td>77%</td>
<td>$80,034</td>
<td>6.5%</td>
<td>16.2</td>
</tr>
<tr>
<td>Camden County</td>
<td>63%</td>
<td>$63,028</td>
<td>13.3%</td>
<td>28.8</td>
</tr>
<tr>
<td>Cumberland County</td>
<td>66%</td>
<td>$49,573</td>
<td>18.5%</td>
<td>41.5</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>80%</td>
<td>$78,592</td>
<td>8.1%</td>
<td>19.7</td>
</tr>
<tr>
<td>Salem County</td>
<td>72%</td>
<td>$61,341</td>
<td>13.3%</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Figure 9: Homeownership and Economic Indicators

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16 Data is from the 2016 American Community Survey and Uniformed Crime Report.
Working Families and Housing

Traditionally, housing affordability has been viewed as a problem for individuals living in poverty. However, entry level and workforce housing for America’s workforce and especially first time home buyers is rapidly emerging as a major issue. Along with the rising price of gas and food, the sharp increase in the cost of housing over the last ten years is having an adverse effect on lower and middle income families, as well as the middle class in New Jersey. Even factoring in the decline in the housing market following the Great Recession, home prices and mortgage costs continue to make up far more of the family budget than is comfortable, leaving many families and households in the position of paying more than 30 percent of their household net income on housing costs.

<table>
<thead>
<tr>
<th>Place</th>
<th>Housing Cost</th>
<th>Monthly Total Cost</th>
<th>Hourly Wage Needed to Survive</th>
<th>Annual Income Needed to Survive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic County</td>
<td>$1,139</td>
<td>$5,420</td>
<td>$32.52</td>
<td>$65,040</td>
</tr>
<tr>
<td>Burlington County</td>
<td>$1,135</td>
<td>$5,530</td>
<td>$33.18</td>
<td>$66,360</td>
</tr>
<tr>
<td>Camden County</td>
<td>$1,135</td>
<td>$5,369</td>
<td>$32.21</td>
<td>$64,428</td>
</tr>
<tr>
<td>Cumberland County</td>
<td>$1,071</td>
<td>$5,467</td>
<td>$32.80</td>
<td>$65,604</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>$1,135</td>
<td>$5,523</td>
<td>$33.14</td>
<td>$66,276</td>
</tr>
<tr>
<td>Salem County</td>
<td>$1,135</td>
<td>$5,453</td>
<td>$32.72</td>
<td>$65,436</td>
</tr>
</tbody>
</table>

Figure 10 presents data from the ALICE (Asset Limited, Income Constrained, Employed) report. The report provides data on the struggles of working families and their inability to afford the basic necessities like housing, child care, food, transportation, and health care. In the above chart, notice the basic income necessary to afford basic necessities. The hourly wage and annual income needed for a family of four to survive is certainly high, especially for residents in Camden, Cumberland, and Salem counties, whose median household income can be found below, in Figure 11.

<table>
<thead>
<tr>
<th>Place</th>
<th>Median Household Income</th>
<th>Median Housing Value</th>
<th>Median rent</th>
<th>Median Housing Cost with a Mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic County</td>
<td>$55,456</td>
<td>222,200</td>
<td>$1,054</td>
<td>$1,917</td>
</tr>
<tr>
<td>Burlington County</td>
<td>$80,034</td>
<td>$248,600</td>
<td>$1,207</td>
<td>$1,988</td>
</tr>
<tr>
<td>Camden County</td>
<td>$63,028</td>
<td>$197,400</td>
<td>$1,013</td>
<td>$1,866</td>
</tr>
<tr>
<td>Cumberland County</td>
<td>$49,573</td>
<td>$165,900</td>
<td>$976</td>
<td>$1,556</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>$78,592</td>
<td>$218,600</td>
<td>$1,136</td>
<td>$2,009</td>
</tr>
<tr>
<td>Salem County</td>
<td>$61,341</td>
<td>$183,400</td>
<td>$956</td>
<td>$1,612</td>
</tr>
</tbody>
</table>

The median household income of Atlantic, Camden, Cumberland and Salem counties are well below the state’s level ($76,126), and the state’s median housing value of $322,600 is far higher than all five identified South Jersey counties.

18 https://www.unitedwayalice.org/new-jersey
Southern New Jersey Trends
The issues adversely affecting New Jersey are not new; the state has long been one of the most expensive places to raise a family. According to U.S. News and World Report, New Jersey ranks 2nd in education and 5th in public health in the country. Nevertheless, many parts of the state struggle with cost of living concerns, stagnant wages, and a housing market that is pricing out working families and first time buyers, in turn, pricing many out of the State. This section provides a short profile of housing trends in Southern New Jersey counties.
Atlantic County

Homeownership in Atlantic County has steadily declined since 2011.\(^1\)
Total foreclosures in Atlantic County fluctuates month to month.

\(^1\) All homeownership data is from the Atlantic Region.
Burlington County has seen a steady decline in homeownership rate before leveling out from 2015 to 2016. Total foreclosures in Burlington County fluctuates month to month.\(^2\)

\(^2\) Total foreclosure and percentage charts are from www.realtytrac.com
Camden County

Homeownership in Camden County has steadily declined since 2011. Total foreclosures in Camden County fluctuates month to month.¹

¹ Total foreclosure and percentage charts are from www.realtytrac.com
Gloucester County

Homeownership in Gloucester County has steadily declined since 2012. Total foreclosures in Gloucester County fluctuates month to month.\(^5\)

\(^5\) Total foreclosure and percentage charts are from www.realtytrac.com
Salem County

Salem County had a sharp decline in homeownership from 2011 to 2014 before increasing from 2014 to 2015. While Salem County's total foreclosures fluctuates, it is much lower than it was a year ago.
The trends in South Jersey, for the most part, reveal that there has not been enough progress in addressing the foreclosure issue or improvement in the area of homeownership. Additionally, South Jersey is performing worse than the rest of the state and the country in terms of foreclosures.
Strategies, Policies and Practices for Addressing Housing Affordability and Cost of Living Issues that Weaken Local Economies
The issues outlined in this report are complex and have long plagued the region and state. While some policies have sought to address different aspects of the foreclosure and housing issues outlined in this report, none have gone far enough to address the challenges. Without a holistic approach to addressing the issues, the future economic health of the State is at risk. In this section of the report, we identify strategies for nonprofit and for profit partnerships, as well as for legislators and elected officials to address the underlying issues.

Public/Private Strategies

We cannot assume that the government is going to have the capacity to address the issues on its own. Shrinking budgets, lack of public will, and an expectation that some of the issues need to be addressed by the market and not through government intervention, help explain the government’s tentative response to some of the issues outlined in this report. However, there are methods to address the issue without comprehensive legislation, including through partnerships between the nonprofit and for profit sectors. Below is a list of potential strategies and practices to address the housing issues that are adversely affecting the regional economy:

1. Convene a group of stakeholders that includes local and regional elected officials and leaders of financial institutions to address housing issues that are adversely affecting local economies. The recent Special Commission on Residential Foreclosures, addressing the judicial process, is a promising step. Areas to be addressed include the:
   a. length of time between a home being foreclosed on and returning to the market, including expediting the foreclosure process if a homeowner abandons a property;
   b. establishment of a collaboration of a diverse set of stakeholders representing different sectors to work on an initiative to address the foreclosure problem;
   c. and the development of a process by which a multi-sector stakeholder initiative may advance the purchase of properties in bulk to provide housing for potential homeowners who cannot compete with investors on the open market.

2. Stakeholder initiative to work with financial institutions and all other owners of REO and vacant and abandoned properties to expedite short sales and the transfer of REO properties in a concentrated geographic area (by neighborhood or municipality). In addition, the stakeholder initiative can work with tax lien holders and municipalities to acquire and rehab vacant and abandoned properties that they acquire.

3. Create a South Jersey housing revolving loan fund with contributions coming from lending institutions, philanthropists, CDFIs, and businesses that would be managed by a regional foundation. Through a loan vetting process, NPOs will have the ability to apply for capital to acquire REO properties and repurpose these properties to provide entry level and workforce housing at prices that families can afford. This method is used in urban areas across the country to address high rates of foreclosed and abandoned homes, but the need for a similar program has increased in rural areas and suburbs as a result of the foreclosure rates in places like South Jersey. The program is critical to stabilizing housing markets and increasing homeownership. (The Housing Network of Rhode Island is a relevant example of a CDC in place that resembles South Jersey).
4. Explore the possibility of Opportunity Zone funds to be utilized for the acquisition and rehabilitation of foreclosed properties.

5. Address the property tax issue, which continues to be a burden on homeowners. There are 565 municipalities and 600 school districts in the geographically small State of New Jersey. Municipality’s reluctance to share services and/or consolidate municipalities adversely affects taxpayers.

6. Change the housing assessment process. Currently, in too many cases, housing assessments far exceed the market price.

7. Scattered site single family rentals, owned, managed and operated by a single entity, as a means to provide lease to purchase opportunities. Explore the possibility of establishing a fund that could be utilized for rent to own situations.

8. Foster more market-driven vacant property reuse programs to ensure that developers and contractors have quick access to suitable vacant properties at realistic prices.

9. Support the creation of land banks. Land banks are governmental entities or nonprofit corporations that focus on the conversion of vacant, abandoned, and tax delinquent properties into productive use.

10. Develop a process to help former homeowners transition into new living conditions to avoid homelessness. Consideration of renovated foreclosures to be utilized as transitional housing.

Issues pertaining to housing affordability, low homeownership rates and the strain these issues have on the local economy are not going away without intentional intervention. New Jersey has battled these issues for decades. The public, nonprofit and for profit sectors have all tried, with both failures and successes. It is time to think creatively and push to implement practices, programs and policies that will make buying a home in the State of New Jersey more affordable for working/middle income families.

This report has endeavored to shine a spotlight on a quality of life issue for families as well as communities. The benefits of homeownership are not just financial. The social benefits of homeownership – what economists call positive externalities – can justify policies that support sustainable homeownership. Simply, a community that both emphasizes homeownership, and has a higher percentage of homeownership, reaps the benefits in outcomes related to:

- Educational achievement
- Civic participation
- Health
- Crime
- Public assistance
- Property maintenance and improvement

The impact of stable housing (as opposed to transitory housing and homelessness) has social outcomes that not only benefit homeowners, but can positively impact neighborhoods, communities and the region.
Final Note:
The Potential for Economic Impact
There is a need to create a coordinated effort to help financial institutions and investors become more efficient in the disposition of properties that are delinquent and have no likelihood of a homeowner remaining in the home because there is an imminent foreclosure proceeding.

A revolving loan housing fund can support nonprofit organizations in the acquisition and renovation of hundreds of foreclosures that would translate into a coordinated scattered housing development throughout the South Jersey community. A coordinated scattered site housing development has the potential to become a $200,000,000 housing project in South Jersey, creating jobs, housing stability for families and community revitalization.

**Concluding Remarks**

For South Jersey to recover from the negative effects of foreclosures, we recommend implementing measures to prevent further damage to our neighborhoods and communities. In tandem with that recovery, the availability of workforce housing for moderate-income buyers would yield multiple economic benefits for the region. When multi sector stakeholders – nonprofit and community organizations, healthcare, financial institutions, education, government, foundations, philanthropists and corporations – collaborate, they can build community wealth by turning toxic liabilities into community assets.