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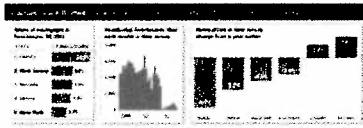
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Homes Under Pressure

By JOSH BARBANEL

Those looking for signs of a recovery in New Jersey home values may need to take the long view, as more than 100,000 homeowners are dealing with foreclosures that are stalled in court and another 48,000 are way behind on mortgage payments.



The numbers were among the results of a national mortgage delinquency survey released this week that suggest a backlog of unresolved foreclosures in New Jersey could be a drag on home prices for years to come.

"Foreclosures place downward pressure on neighborhoods," said Jeffrey G. Otteau, an appraiser and housing consultant. "Home prices are falling fastest in those urban and rural markets most affected by foreclosures."

Sarah G. Laks, who runs a real estate and construction business, fought in court to head off a foreclosure auction on her five-bedroom home in Lakewood, N.J. She said the backlog of foreclosures was "hurting the building industry," and she blamed the backlog on the difficulties in negotiating reduced payments with banks.

The delinquency survey, by the Mortgage Bankers Association, found that 8.1% of homes in New Jersey were in foreclosure in the third quarter.

It ranked second, after Florida, in the percentage of mortgages in foreclosure, surpassing Nevada, which was hard hit during the downturn. New York ranked fifth among all states, with 5.7% of homes in foreclosure, while Connecticut ranked ninth, with 4.8% reported in foreclosure. The figures are based on a survey of all homes with mortgages.



A backlog of unresolved foreclosures could be a drag on home prices for years to come.

The high rankings were reported even though the region was spared the worst of the housing downturn, and has shown strong signs of stabilization: The shares of homeowners with newly delinquent mortgages were below average in the region, and a small fraction of those in Florida and Nevada.

The foreclosure figures were so high in the region because New York, New Jersey and Connecticut all require that foreclosures be handled through court proceedings. These in turn were delayed by complaints about robo-signing: bank employees signing documents without knowing they were accurate.

In New Jersey, major banks suspended most mortgage filings last December, until banks could demonstrate that there were no irregularities in their foreclosure practices. The banks were permitted to resume mortgage activity in August and September, but an appellate court decision in August added new requirements and uncertainty for banks, further delaying many foreclosures,

court officials said.

Ms. Laks, representing herself in court, prevailed in the appellate case against several major banks, including [Bank of America](#), which serviced her loan. The court ruled that her foreclosure notice—and thousands of others—should have named the entity that actually owned the mortgage at the time. It directed the bank to begin the foreclosure filing again.

Ms. Laks and her husband paid \$400,000 for their home in 2004. They stopped paying a \$5,000 payment for mortgage taxes and insurance in 2008, when their business ran into difficulties.

A Bank of America spokeswoman said the bank had made repeated efforts to negotiate with Ms. Laks over several years.

John McWeeney Jr., president of the New Jersey Bankers Association, said a foreclosure surge, once mainly confined to poor urban and rural neighborhoods with subprime mortgages, has spread across the state to middle-class neighborhoods.

He said the backlog in foreclosures "is a major economic issue for the state....We can't begin to have an economic recovery if we can't get the housing market back on track."

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