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Good, bad news for N.J. housing

Foreclosures shoot up, but total is fairly small

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The number of homes foreclosed on by mortgage lenders in New Jersey shot up in July compared with both the previous month and the year-ago period, but the number remains small enough that it shouldn't further weaken the state's sluggish housing market, a real estate expert said.

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AND 52Banks took possession of 215 homes in the state last month, a 25 percent increase from June and a 65 percent increase from July 2006, according to the latest figures from RealtyTrac, a California firm that tracks real estate data.

Jeffrey Otteau, president of the Otteau Valuation Group, a leading real estate research firm in New Jersey, said while the increase appears large, the number of homes foreclosed on is still quite small.

In Michigan, lenders took possession of 4,739 homes in July, while California had 4,444 homes foreclosed on, according to RealtyTrac.

In New Jersey, the July foreclosure number was below what it was back in March, Otteau noted, when lenders took possession of 270 homes. The number dipped to 162 in April and 147 in May before increasing to 172 in June.

"It's never a good idea to draw a broad-based conclusion on a single month of data," Otteau said yesterday. "If that were to continue, that would be significant. But there's no way to know until we see the August numbers."

Otteau called the number of New Jersey foreclosures last month fairly insignificant considering there are about 72,000 homes for sale around the state. Adding 215 more to the total has little, if any, effect on the real estate market, he said.

Otteau said he recognized the housing market, both in New Jersey and nationally, remains in a slump.

"The problem is worsening and will continue to worsen for about the next 12 months in terms of delinquencies and foreclosures," Otteau said.

Helping fuel the foreclosure train are homeowners with adjustable-rate mortgages who are seeing their interest rates -- and mortgage payments -- increase as rates adjust higher, he said. The process is even more acute for subprime borrowers, typically people who don't have good credit or solid incomes.

Those highly leveraged mortgages were sold through late last year, and the interest rate "resets" often come about two years later, Otteau said.

RealtyTrac's latest data found foreclosure filings for July swelled 93 percent nationwide, to 179,599, compared with July 2006. In New Jersey, filings jumped 52 percent from the previous July.

However, many in the industry question the reliability of those figures, which include filings for various stages in the foreclosure process -- meaning the same property can be counted two or three times.

"That creates a scare, a panic for those in the housing market, because it paints a picture far worse than it really is," Otteau said.

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