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STANDING UP TO A CRISIS

As foreclosures batter communities across America, a coalition forms to fight back in Newark.

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BY BRAD PARKS
Star-Ledger Staff

The van turned down 11th Street in Newark and Kathe Newman started shouting out house numbers again: "107, 114, 127, 126."

Then on 10th Street: "186, 182, 169."

And Norwood Street in Irvington: "25, 46, 64, 66, 72."

Then Ellis Avenue: "311, 324, 315, 312."

It almost sounds like a game of real estate bingo, except Newman is reading off a list of addresses that have gone into foreclosure in the last two years.

In Newark, about 1,400 owner-occupied houses -- out of 21,295 in the city -- are under foreclosure, according to preliminary data from Rutgers University's Bloustein School for Planning and Public Policy, where Newman is an assistant professor. City officials expect at least another 1,000 foreclosures within the next 18 months.

In response, an unprecedented coalition of government officials, community development corporations, financial institutions and nonprofit groups have formed a task force to address the growing crisis. Rising vacancy levels could imperil or even reverse progress the city has made toward renewal in the last decade.

"This is a real threat to our communities," said Newman, whose research group is part of the Essex-Newark Foreclosure Task Force. "Right now we have a moment to intervene before there is too much additional decline. But if we don't intervene quickly, we're going to lose that moment."

Tuesday in Trenton, state Sen. Ronald L. Rice (D-Essex) will introduce modifications to the state's foreclosure laws and the establishment of a crisis fund -- financed by a new, $2,000 fee charged to lenders when they begin foreclosure proceedings -- that will at least attempt to close the proverbial barn doors before too many more horses escape.

But even the measure's biggest advocates admit it is a mild breeze compared with the financial hurricane that's been created as a once-superheated housing market goes into a deep freeze and the bills for years of frenzied real estate speculation and reckless loan origination finally come due.

The Mortgage Bankers Association, which began tracking foreclosures in 1979, said Thursday that new foreclosures in New Jersey rose to 0.68 percent, the highest rate ever recorded. The Federal Reserve Bank of New York, the arm of the Federal Reserve that covers New Jersey, reports that of the 54,965 subprime adjustable-rate mortgages in the state, 14 percent were in foreclosure and 15 percent were 60 days or more in arrears as of December, the most recent month for which data are available.

The Center for Responsible Lending now estimates 57,083 homes in New Jersey will face foreclosure by the end of 2009.

And, as usual in matters of real estate, it's all about location, location, location. The Fed's numbers show that while suburban ZIP codes are relatively unscathed so far, urban ZIP codes are getting hammered.

"We don't have it as bad as some cities," said Mike Meyer, Newark's housing director. "But we are still deeply concerned about the potential for disinvestment and neglect."

Preliminary data also show Irvington, East Orange and Orange facing similar troubles. A majority of blocks in those towns have at least one house in foreclosure and some blocks have two or three.

"Owning a home has always been the American Dream," said Mike Taylor, Essex County's housing director. "If we don't take aggressive action to stop this problem, the American Dream is going to turn into the American Nightmare."

THE TELLTALE SIGN

As members of the city and county task force toured Newark, East Orange and Irvington on Tuesday, it wasn't hard to tell when they were in an area hard-hit by foreclosure.

They just had to look for the mattresses. Unable to pack them in cars, foreclosed homeowners have simply left them behind, piled against the side of the house or in the front yard.

It's just one of a myriad of issues, great and small, the task force is looking to address in the coming months. The task force -- spearheaded by the City of Newark and Essex County and organized by Stephanie Greenwood, a principal planner for Newark --includes 27 organizations, ranging from federal agencies to community organizers and has been meeting roughly twice a month since November.

"I've been doing this kind of stuff for 35 years and I've never seen a group like this come together," said Norman Glickman, a Rutgers professor who, along with Newman, heads the Bloustein School's research effort. "It's really quite extraordinary, but it also tells you how severe the problem is."

The task force has concentrated its efforts in four areas: Research and analysis from Bloustein, so everyone has the most up-to-date data; outreach and education, so homeowners learn how to avoid scams; property reclamation, so entire neighborhoods don't become blighted by vacancies; and loan crisis counseling, so those in foreclosure can work out deals with lenders to stay in their homes or get out with their credit intact.

For many task force members, the problems they're encountering in these areas are entirely new.

"Crisis counseling used to be a very small part of what we did," said Phyllis Salowe-Kaye, executive director of New Jersey Citizen Action. "Now I can look at some of our counselors' schedules and see half of their time is being spent in crisis counseling."

Brand New Day, a community development corporation and community organizer that serves Essex and Union counties, currently has 150 active foreclosure cases.

"Two or three years ago, we had none," said Krishna Garlic, Brand New Day's executive director. "We weren't even doing this. But people kept walking into our door saying, 'What do we do?'"

"It's depressing. I have two counselors and I need a lot more."

Each case can take dozens of hours to untangle. Once upon a time, mortgages came in just two flavors, fixed rate and adjustable, and they were owned by the lending institution that originated them. If a homeowner got in trouble, they went to the originator and tried to work out a deal.

Now there are seemingly more mortgage "products" than anyone could possibly count -- everything from mortgages with 1 percent "teaser" rates, to exotic mortgages where the borrower picks his own payment each month -- and many loans have been divided into what are called "mortgage-backed securities" and traded among investors across the globe. In many cases, the system has become so complex the borrower can't figure out who owns the loan when things go bad.

"The loan servicers either can't contact the investors or they won't," said Linda E. Fisher, a professor at Seton Hall Law School's Center for Social Justice and a task force member who represents foreclosed homeowners pro bono. "We have cases where the trustees for a securitized trust have hired local lawyers to represent the servicers, but when you try to negotiate with them they tell you, 'I have no authority to settle.'"

Task force members say only a small percentage of those currently in foreclosure have been able to work out deals.

"At this point, it's not really about the individual family in foreclosure," Taylor said. "It's about the neighborhood that's about to be negatively affected by massive foreclosure. Because, sure, it's your neighbor's irresponsibility that leads to him being foreclosed, but it's your property value that's going to be in trouble when the block goes downhill. And if the house goes vacant and can't pay taxes, it's your property taxes that are going to go up to compensate."

'TIME IS THE ENEMY'

In the meantime, the clock keeps ticking. Empty houses in urban areas are an open invitation for scrap metal scavengers, window thieves or squatters who quickly turn once-tidy homes into eyesores.

"Time is the enemy. Nothing good is happening to these houses while they stay empty," said Pat Morrissey, executive director of Housing and Neighborhood Development Services (HANDS) in Orange, a nonprofit agency that specializes in rehabilitating vacant and problem properties.

"The problem we're finding is there's no sense of urgency on the part of the lenders," Morrissey said. "There's no sense of reality as to how much a property is worth and how fast the value is going down while it sits vacant."

Alongside the vacant houses are the other ubiquity in high-foreclosure areas: The plastic signs that have been illegally posted on telephone polls and trees, offering cash for houses, salvation from foreclosure or cost-free home renovations.

"I hate to say this, but they're pretty much all scams," said Meyer, the city housing director. "We're really trying to get out the message these advertisers are not a viable or appropriate place for people to turn."

Authorities say most of the numbers are attached to call centers that act as fronts, carefully vetting the calls and only passing along customers who sound the most desperate -- and, therefore, are most vulnerable -- onto less-than-scrupulous lenders or outright scammers.

The task force is planning a sign tear-down day. At one point on this past week's tour, several task force members hopped out of the van on 7th Avenue in Newark and began ripping them down.

"It's one small step," said Arielle Cohen, a fellow at the New Jersey Institute for Social Justice.

"One down," Newman said, "3,000 to go."

Brad Parks may be reached at bparks@starledger.com or (972) 392-7961.