Everything Jersey

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Census: More N.J. homeowners are overextended

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BY MARY JO PATTERSON AND ROBERT GEBELOFF
Star-Ledger Staff

Within an avalanche of statistics unleashed yesterday by the Census Bureau is an eye-popping estimate: Nearly one in every six home-owning households in New Jersey spent at least 50 percent of its income on housing costs last year.

Fully 17.1 percent of all New Jersey homeowners used half or more of their income to pay mortgages, property taxes and utilities in 2006, the Census reported. The percentage of householders in that category was up from previous years; in 2005, they represented 15.3 percent of mortgage holders, in 2004, 13.8 percent.

Fueling the trend were looser lending standards, plus consumer confidence in the ever-rising value of real estate, housing analysts said yesterday. But because the current housing climate is less robust than it was in 2006, with stagnating prices and tighter credit standards, some of these overextended homeowners could conceivably lose their homes in the future, analysts said.

"A lot of people are buying too much house. They're willing to spend enormous shares of their income to get all the shelter they want," said James W. Hughes, a Rutgers University professor who closely follows regional economic and housing trends.

"None of this bodes well for the economy next year. Within this group are people who are really subprime borrowers, and those whose interest rates will be reset. A lot of people will be at risk," he said.

In New Jersey, where housing costs have been growing faster than income, the share of homeowners spending at least half of their income on housing costs is significantly higher than in the U.S. overall, the Census found. Nationwide, the figure is 13.9 percent.

That's not surprising, given that the Census ranks New Jersey's median monthly housing costs ($2,130) as the nation's second highest, after California.

These numbers came from the Census Bureau's 2006 American Community Survey, a detailed annual demographic profile of the nation covering everything from how well we speak English to how long we spend getting to work. Two sections of the survey have been released so far this summer; a third is due out later this month.

Yesterday's survey portion uncovered some notable trends within New Jersey, including these:

- The share of residents ages 65 to 74 in the labor force is rising. In 2006, it was 25.9 percent, up from 21.4 percent in 2000.

- People here delay marriage. In 2006 the median age of men who married for the first time was 29.5. The median age for New Jersey women was 27.6.

- New Jersey residents are not mobile. Residents were found less likely to have moved in the 12 months preceding the survey than residents in any other state.

- Time spent commuting continues to consume a major part of workers' days, with the average commute lasting 29.13 minutes. By far most New Jersey commuters -- more than seven out of 10 -- drive to work alone.

The Census report analyzed housing economics for renters as well as for homeowners. New Jersey rentals were ranked the third most expensive in the country, behind Hawaii and California. The median cost of an apartment in 2006 was $974 per month.

Like homeowners, many tenants spend a huge proportion of their income on shelter. Around one-fourth of New Jersey renters also spent 50 percent of their income on rent last year, according to the Census.

"That's what people need to pay in this very expensive housing market," said Arnold Cohen, policy analyst with the Housing & Community Development Network of New Jersey, a statewide association of nonprofit organizations that develop affordable housing.

While keenly aware of high housing costs, few people actually calculate the percentage of their income spent on housing, he said.

"You don't know what you pay, until it starts hurting. That's when it hits you," he said. "Otherwise, if you're comfortable and able to pay all your expenses, you probably are not sure."

In recent years, people have "over-leveraged" themselves when buying homes because borrowing money has become easier, said Keith Gumbinger of HSH Associates in Pompton Plains, a mortgage information publisher.

Traditionally, lenders dictated that no more than 28 percent of a homebuyer's gross income could be used for a mortgage payment, and no more than 36 percent of his total monthly income for all debts combined, he said.

In recent years, "Your ability to leverage yourself into a house has increased, certainly through 2006," he added. "That 36 percent has given way to numbers as high as 55, 56 percent."

But that is now changing, and credit is tighter, Gumbinger said.

"More prudence has invaded the marketplace, especially in the last five to six weeks. It's become much harder to be able to borrow that much money against your income, unless you have tremendous asset strength or a huge credit score," he said.

Jeffrey G. Otteau, president of the Otteau Valuation Group in East Brunswick and a housing analyst, predicted New Jersey faces a future with declining homeownership rates. According to the Census, the rate of homeownership in the state is 67.3 per cent -- the same as the national average.

"New Jersey has been steadily losing its economic vitality. Income doesn't match up with home prices," he said. "New construction projects will be retooled to come to market as rental product. Essentially, what we'll be following is a European model."

Mary Jo Patterson may be reached at mpatterson@starledger.com or (973) 392-4215; Robert Gebeloff at rgebeloff@starledger.com or (973) 392-1753.