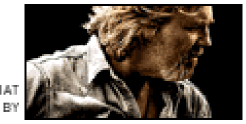

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In New Jersey, No Consensus on Foreclosure Problem

By ANTOINETTE MARTIN

IN gauging the severity of the foreclosure problem in New Jersey, the experts could hardly be farther apart. Some see the state as relatively unscathed at this point, with the situation about to improve; others see worsening conditions that may turn downright severe.

But then again these same experts are the first to admit that they are handicapped by extremely unreliable information. Real estate market analysts, lawyers, academics, public officials: there are clusters of them on either side of the debate.

“Precise numbers on foreclosures are very elusive,” said James W. Hughes, the dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University. But he said he was hearing reports from researchers in the field that foreclosure filings in some county courts were increasing. That trend may pick up steam as federal home-buyer stimulus programs expire, and high-paying jobs continue migrating out of state.

Jeffrey G. Otteau, whose Otteau Valuation Group provides real estate market analysis to the industry, sounded a similar note on the quality of available statistics. “The numbers from the various sources do not square,” was how he put it. Mr. Otteau quoted data from RealtyTrac, a company based in Irvine, Calif., that monitors court filings around the country, in characterizing New Jersey’s current foreclosure rate as very low — just .04 percent of households. He also predicted that foreclosure actions would decline as the overall economy improved. RealtyTrac, a subscriber service, is a primary source of information about distressed properties for investors.

As one of very few sources for up-to-date statistics detailed down to the local level, it also provides data to Congress, the Federal Reserve and the Federal Deposit Insurance Corporation. But its tracking and counting methods have been criticized, not only by Mr. Otteau in New Jersey but also by state officials in Colorado and Georgia, among others.

For instance, in 2008, when RealtyTrac reported that New Jersey’s rate of foreclosures increased 101 percent, Mr. Otteau accused the company of overcounting — in effect listing the same property repeatedly as it moved through the various steps in court. That might include a lender’s initial filing when an owner is 90 days delinquent on payments, as well as transfer of ownership to a lender, and a court-ordered sheriff's auction.

“All indications are that RealtyTrac has stopped doing that,” Mr. Otteau said last week. “But the accuracy can in no way be positively verified.”

In 2009, according to RealtyTrac's numbers, the rate of foreclosure filings in New Jersey increased by just 1 percent, to 1.8 percent, which equates to 18 of every 1,000 homeowners, Mr. Otteau noted. Nationally, foreclosures were reported to be up by 21 percent, for a foreclosure rate of 22.1 per 1,000 homeowners.

“That meant New Jersey ranked 39th of 50 states, plus the District of Columbia,” he said, “placing it in the better-of-the-pack.”

Cross-checking RealtyTrac numbers with other statistics often amounts to an “apples and oranges” problem, according to Mr. Otteau and Mr. Hughes. For instance, a report last month by the New Jersey court system estimated the number of foreclosure filings rose 29 percent from 2008. But the number is a raw count, not a calculation of rate.

Still, Mr. Otteau said, it does not jibe with RealtyTrac's report as best he can tell. Goldie Sommer, a real estate lawyer who specializes in short sales for the firm Sommer & Engelhart in Fairfield, said she had ended up relying on the anecdotal reports of brokers who list properties available for short sale — and on the fact that she is extremely busy — to infer that the number of homeowners facing foreclosure was “bouncing up again.”

Ms. Sommer said she had handled about 250 short sales in the last two years. In her view, the process benefits both sides: the bank can avoid higher court costs, the potential need to evict after foreclosure and the prospect of the low-bidding “sharks” who show up at sheriff's sales. And borrowers are saved from a damaging credit report, Ms. Sommer said. “Rather than show a foreclosure on a credit report, which takes off 200 points on a person's credit score,” she said, “with a short sale a person will be able to get another mortgage later on.”

Information on short sales is not published by the state Multiple Listing Services. But the tally of short sales is disclosed to brokers as members of the listing services, and some do try to keep track of trends.

For instance Michael Hawley, of the United Association of Realtors, said that 35 to 40 percent of Essex County homes currently listed in the $300,000-to-$350,000 price range were short sales. At $700,000 and above, he added, 10 to 15 percent of listings are short sales.

An office manager for Weichert in Caldwell estimated that 15 percent of all listings right now were delinquent-mortgage properties; at Unicasa United Realty in Newark, a manager estimated that more than 60 percent of the agency's listings were for properties whose owners were “underwater,” or owed more than the home was worth.

The short-sale alternative does complicate the calculating of foreclosure rates, Mr. Otteau said, because it means a large proportion of homes fall out of the process before actual foreclosure. He said that was why statisticians usually relied instead on the number of foreclosure filings — even though it too can be suspect, presenting “the potential for another type of miscounting.”

“It’s uneven,” Mr. Otteau said of all the estimates and anecdotes. “We do know that, but again, it’s a general sense of things, not a snapshot.”