



**Testimony before the Senate Economic Growth Committee**  
*NJ's Residential Foreclosure Transformation Act, S.1566*  
*February 16, 2012*

Good morning. Thank you Chairman Lesniak, Vice Chairman Vitale and members of the Committee for the opportunity to testify today in support of this important legislation. My name is Staci Berger, and I am the Director of Policy and Advocacy at the Housing & Community Development Network of New Jersey. The Network, as you may know, is the statewide association of nonprofit community developers working to the create homes and jobs New Jersey needs. Our members include more than 150 community development corporations that have been on the front lines of the foreclosure crisis.

Since the housing market crashed in 2008, the Network and our members have been advocating for mechanisms and resources to keep families in their homes and to stabilize neighborhoods hit by the economic downturn. We hoped that we saw the peak of foreclosure filings in 2009, with 65,000 foreclosures, but the numbers continue to be very high. In our state's urban centers, this creates a troubling situation for residents, community groups and local, many of which were just on the verge of rebounding. However, falling local revenues and reductions in municipal aid have exacerbated the situation, resulting in a growing cycle of disinvestment in many neighborhoods.

Recently, the HMFA enlisted a team of graduate students from the Woodrow Wilson School of Public and International Affairs at Princeton University analyze the foreclosure situation in New Jersey. Their report found the following:

Given the wide variation in housing market conditions across the state, it should come as no surprise that distressed loans are concentrated in certain areas. As of 2010, the highest rates of serious delinquency (defined as loans that are 90 days past due or in foreclosure proceedings) occurred in Essex, Passaic, Hudson, and Union Counties in the northern part of the state. High rates of serious delinquency were also recorded in Atlantic and Camden Counties in the southern part of the state.

Statewide, the Center for Responsible Lending projects a total of over 235,800 foreclosures in New Jersey during 2009-2012. The statewide inventory of homes (the stock of homes that are in some stage of foreclosure but not listed for sale) amounted to a 24-month supply as of the third quarter of 2010. According to October 2011 estimates by RealtyTrac, foreclosures in New Jersey take an average of over 31 months, the second-longest process in the nation.

Policy makers should anticipate that the number of homes entering foreclosure will increase significantly in coming years. New Jersey's unemployment situation has not improved since 2010, suggesting that a growing number of households are missing loan payments because of financial pressures.

Non-profits have a long history in efficiently and effectively working with municipal government and the private sector to help to developing a variety of housing choices. Given our expertise, we think there are three essential elements in this bill that will make it work well for residents and communities:

- First, using nonprofit community development financial institutions (CDFIs) to facilitate paper refinancing and property purchasing. CDFIs, and nonprofit developers, have been working already to turn neighborhoods around. Having the opportunity to develop a broad range of homes in hard hit communities is critical, and we are glad to see that mechanism included in the bill.
- Second, permitting towns that have a demonstrable foreclosure crisis, and have not yet spent their local trust fund dollars, to use those dollars for this effort. We agree with Sen. Lesniak that this bill will help create jobs, and that is in part, because the funds in these communities could be used to rehabilitate homes. We need to put every effort into economic growth, and making sure that these dollars are spent with that intent, and not returned to the state, will help.
- Last, the legislation encourages a strong partnership between nonprofit developers and municipalities. We support giving towns a “first look” at the foreclosed homes and our members stand ready to work with them. In the bill, municipalities can opt to buy those properties or, if they’d prefer not to, nonprofits can step in and turns the task over to a nonprofit developer, who have the experience and commitment to the community to get the job done so that everyone wins. We think this is an important provision that reinforces the need for community participation in the future of every neighborhood.

As you know, we have made a few suggestions about ways to make this legislation be more effective, which we have communicated directly to your office, Senator Lesniak. And we appreciate your consideration of them. We agree that the lack of homes New Jerseyans can afford is harming our residents and stifling our economy. Community developers, housing advocates and our state’s leaders need to work together to restore balance to our housing market and to our neighborhoods. New Jersey can and should be affordable and safe for all of our residents and attractive to employers. We need to take advantage of the current supply of vacant and foreclosed homes to ensure neighborhood prosperity and opportunity in our state. We believe that this proposal can help create an appropriate mix of housing choices, and help boost New Jersey’s economic prospects for the future.

We applaud the efforts of all of those involved in helping to shape this bill and deal with this crisis. We are happy to help in any way we can to restore vibrancy and economic vitality to distressed and struggling neighborhoods around the state. Thank you for the opportunity to share our thoughts with you today.