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New Jersey's ratio of subprime mortgages in foreclosure is the nation's fifth highest, and it exceeds the U.S. figure. However, there is considerable variation within the state, with most foreclosure activity concentrated in a few groups of ZIP codes with low to moderate household incomes.

A Look at New Jersey's Subprime Mortgages in Foreclosure

Across the country, there has been a rise in the number of owner-occupied homes with subprime mortgages in the foreclosure process.¹ This trend is prompting growing concern about the potential impact on individual homeowners as well as on the neighborhoods where these properties are concentrated, as these neighborhoods tend to be at the lower end of the household income range. This issue of *Facts & Trends* traces patterns of regional variation in, and neighborhood concentration of, New Jersey's subprime mortgages in the foreclosure process. In brief, New Jersey's ratio of subprime mortgages in foreclosure to housing units is not as high as that of some states, such as Florida and California, but the state ranks fifth in the nation and has a higher ratio than does the United States. Moreover, certain New Jersey ZIP codes have ratios that are more than double the state's, making them among the hardest hit in the nation.²

Severity of New Jersey's Subprime Mortgage Conditions

As of June 1, 2008, New Jersey had about 10,500 subprime mortgages in the foreclosure process. To compare New Jersey's conditions with those of other states, we scale the data to adjust for differences in population and housing density, using the ratio of owner-occupied houses in the foreclosure process per 1,000 housing units (Table 1). New Jersey has 3.0 such properties for every 1,000 units. Compared with other states, New Jersey's ratio ranks fifth, which is above the national ratio. However, the state's absolute number of properties in foreclosure and ratio are still considerably lower than those of the most severely affected states, such as Florida and California.

County-Level Variation

Within New Jersey, subprime mortgages in the foreclosure process are not evenly distributed. The counties with the largest share of the state's subprime mortgages in foreclosure—a combined 25 percent—are Essex and Union. These counties have not only the highest absolute numbers of foreclosed subprime mortgages, but also the highest ratios of foreclosed subprime mortgages to housing units (Table 2).

Table 1

States with Highest Ratio of Subprime Mortgages in Foreclosure Process, per 1,000 Housing Units

Ranking	State	Subprime Mortgages in Foreclosure Process	Housing Units (1,000s)	Ratio of Subprime Mortgages in Foreclosure Process, per 1,000 Housing Units
1	Florida	52,974	8,481	6.2
2	California	61,107	13,188	4.6
3	Nevada	3,857	1,055	3.7
4	Illinois	15,909	5,210	3.1
5	New Jersey	10,446	3,477	3.0
6	Ohio	14,582	5,029	2.9
7	Connecticut	3,971	1,435	2.8
8	Rhode Island	1,216	450	2.7
9	Arizona	6,661	2,585	2.6
10	Indiana	6,747	2,775	2.4
	United States	287,118	125,891	2.3

Sources: First American CoreLogic, LoanPerformance data; Geolytics.

Table 2

Counties with Highest Share of New Jersey's Subprime Mortgages in Foreclosure Process

Ranking	County	Subprime Mortgages in Foreclosure Process	Share of New Jersey's Subprime Mortgages in Foreclosure Process	Ratio of Subprime Mortgages in Foreclosure Process, per 1,000 Housing Units
1	Essex	1,551	14.8	5.0
2	Union	1,063	10.2	5.2
3	Passaic	842	8.1	4.8
4	Middlesex	768	7.4	2.7
5	Bergen	703	6.7	2.0
5	Hudson	695	6.7	2.8
7	Camden	667	6.4	3.2
8	Ocean	660	6.3	2.4
9	Monmouth	604	5.8	2.3
10	Burlington	557	5.3	3.3
	New Jersey	10,446		3.0

Sources: First American CoreLogic, LoanPerformance data; Geolytics.

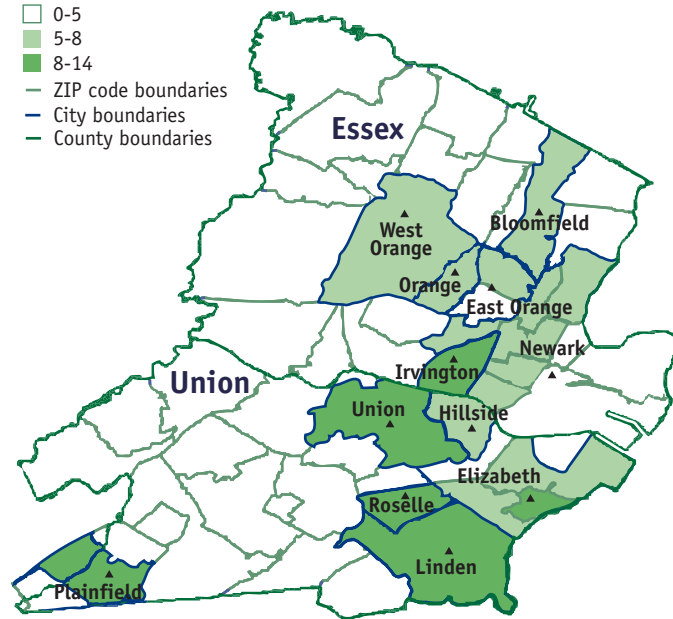
ZIP-Code-Level Variation

In Essex and Union counties, properties with subprime mortgages in the foreclosure process are concentrated in groups of adjacent ZIP codes (see map). In each county, about 75 percent of foreclosure activity in owner-occupied

subprime mortgages is located in about a third of the ZIP codes, which contain roughly 50 percent of the housing units. Furthermore, these ZIP codes are grouped together, forming pockets of high subprime foreclosure activity.

ZIP-Code–Level Variation in Essex and Union Counties

Percentage of Counties' Subprime Mortgages in Foreclosure



Sources: First American CoreLogic, LoanPerformance data; GeoLytics.

Essex County

- ▶ About seventy-five percent of subprime mortgages in the foreclosure process—a total of 1,127 loans—are concentrated in eleven of the county's thirty-one ZIP codes. The eleven ZIP codes are in Bloomfield, East Orange, Irvington, Newark, Orange, and West Orange.
- ▶ Together, the eleven ZIP codes have 6.7 subprime mortgages in foreclosure per 1,000 housing units.

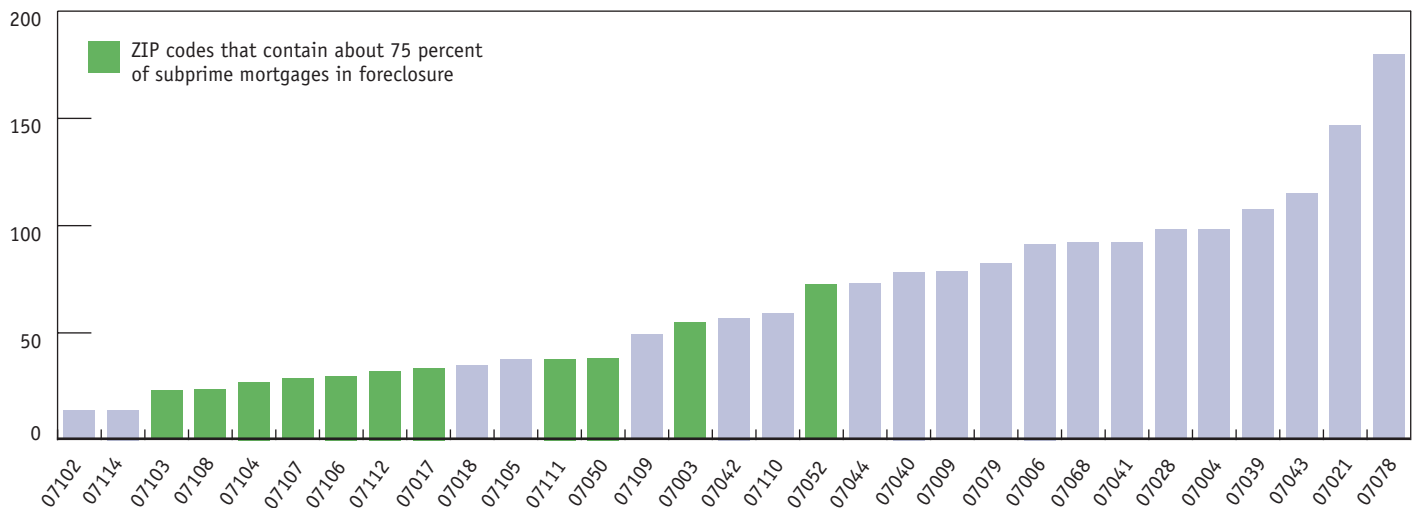
Union County

- ▶ About seventy-five percent of subprime mortgages in the foreclosure process—a total of 789 loans—are concentrated in eight of the county's twenty-six ZIP codes. The eight ZIP codes are in Elizabeth, Hillside, Linden, Plainfield, Roselle, and Union.
- ▶ Together, the eight ZIP codes have 8.1 subprime mortgages in foreclosure per 1,000 housing units.

In Essex and Union Counties, foreclosure-related effects may be compounded in neighborhoods with high concentrations of subprime mortgages in the foreclosure process, because residents in these neighborhoods are mostly at the lower end of the household income range for each county (Charts 1 and 2).

Chart 1
Essex County Median Household Income by ZIP Code

Thousands of dollars

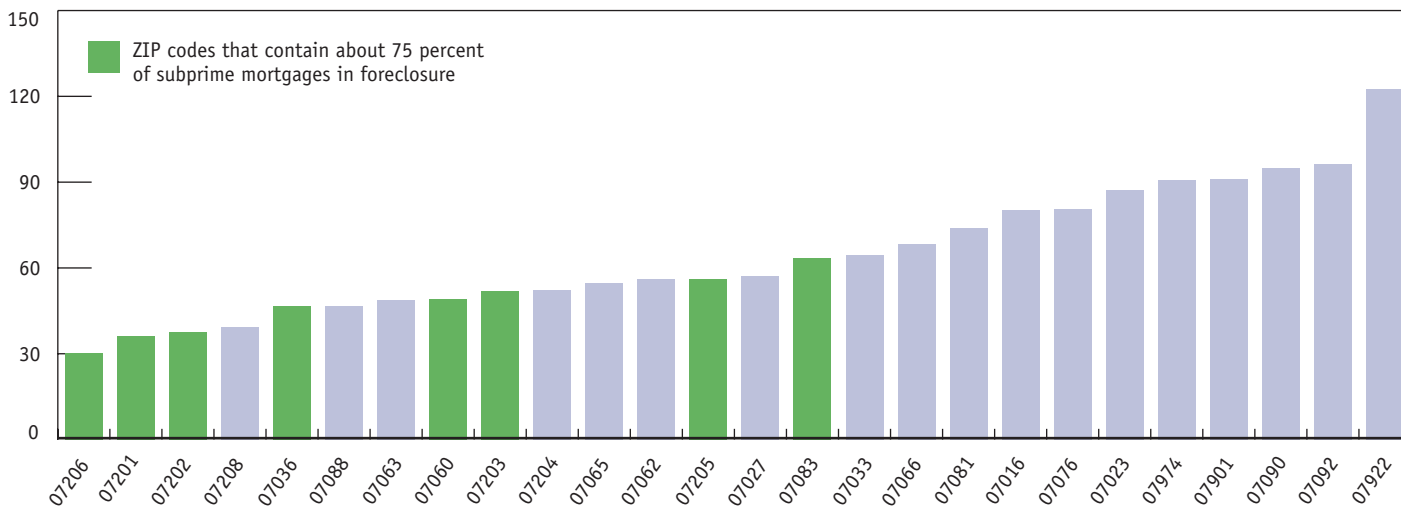


Sources: First American CoreLogic, LoanPerformance data; GeoLytics.

Chart 2

Union County Median Household Income by ZIP Code

Thousands of dollars



Sources: First American CoreLogic, LoanPerformance data; GeoLytics.

About the Numbers

The loan data source is First American CoreLogic (for more information, see <http://www.newyorkfed.org/regional/subprime.html>). The loan figures are based on June 1, 2008, data for owner-occupied mortgages placed into a security assigned a grade of subprime. The underlying data do not include every subprime mortgage. Vacant and total housing units and median household income data are 2007 estimates prepared by GeoLytics (<http://www.geolytics.com>). The map was created using ESRI software (<http://www.esri.com>).

Notes

1. Subprime mortgages are typically given to borrowers with a blemished credit history or with only limited documentation of income or assets.

Subprime mortgages in the foreclosure process/in foreclosure include subprime mortgage loans on owner-occupied properties

(which could be multi-unit) in which the lender has initiated the foreclosure process but has not completed it. The length of the process varies by state, so two otherwise similar areas in different states could record different foreclosure densities if the process takes longer in one state. The foreclosure process does not always end in a sale, for example, if the property is pre-sold by the owner or retained through a work-out plan, payment of arrears, or other resolution. Thus, we measure the stock of loans at some stage in the foreclosure process at a particular time, not the rate of completed foreclosures.

2. We use ZIP codes as a proxy for neighborhoods. In seven cases in New Jersey, data were provided for a ZIP code even though a base map was not available. This affected thirty-seven loans, and the loan data were apportioned to a neighboring ZIP code. We exclude data for which the ZIP code was determined to be invalid. Such ZIP codes could not be placed in a particular county or on the base map. Forty-seven such properties in New Jersey were affected.



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