PACIFIC LEGAL FOUNDATION

THE SIZE AND SCOPE OF HOME EQUITY THEFT:

Shining a Spotlight on New Jersey

Analysis covers 20% of the state.

Home equity theft has cost hundreds of New Jersey families their homes and all the savings built into them.[1]

Across the nation, property tax collectors can seize and sell homes to collect unpaid taxes if an owner misses a payment or miscalculates what they owe. In many states, property tax collectors also work with private investors who purchase liens on property. These liens are either paid off with additional interest or the investors can seize and sell homes to collect the unpaid taxes and interest on the debt. In most states, the party who seizes and sells property to collect a tax debt must return any surplus proceeds generated by the sale to the original owner.

In New Jersey, however, not only can a municipality or private investor collect the debt, they can also take the entire home. Tax collectors or private investors can seize everything, no matter how much equity the owner has in the home or how little tax is owed, which has devastating consequences for New Jersians.

Pacific Legal Foundation analyzed New Jersey tax foreclosure records in the first-ever analysis of the size and scope of home equity theft in New Jersey. The data we analyzed covers 19 of the largest cities in New Jersey (consisting of one-fifth of New Jersey's population) during a seven-year period (2014-2020).[2]

THE FACTS

- **683 homes were taken and sold in the cities reviewed.**
- **More than $140 million in savings/equity was stolen from those 683 homeowners after the tax debt was deducted.[3]**
- **On average, homeowners lost 92% of the value of their home, or $219,000, above the tax debt that was owed, which averaged $16,800.**

Though we cannot extrapolate this data to the whole state, 680 homes in just 20% of the state is a substantial loss and there are likely to be hundreds of additional homes and millions in equity lost in the remainder of the state.

The cities and private investors gain at the cost of New Jersians losing their homes and what is often their biggest source of savings. While the analysis is limited to residential property, the problem affects commercial property too, as illustrated by our case J*ohnson v. City of East Orange*.

Notes

1. Pacific Legal Foundation is representing one victim in New Jersey who has lost a commercial property, *Johnson v. City of East Orange*.
2. Data come from public records requests for foreclosed tax liens between 2014 and 2020 received from 19 New Jersey cities (Camden, Cherry Hill, Edison, Elizabeth, Hamilton, Hoboken, Jackson, Jersey City, Lakewood, Middletown, Newark, Parsippany-Troy Hills, Passaic, Paterson, Toms River, Union City, Union Township, Vineland, Woodbridge) and a bulk property data provider, Estated, which provides an estimated value of homes.
3. Lost savings in the home could only be calculated for 639 homes. Estated did not have estimated home values for the other 44 homes. The calculation is Estated's estimated value of the home minus the unpaid taxes from public records.