HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Annual Equity Gains Neared $2 Trillion in Q1

It is hardly a surprise given the rapid increase in home prices, but homeowners gained another $1.9 trillion in equity in the first quarter of this year. CoreLogic's Homeowner Equity Report says homeowners with mortgages, (about 62 percent of all properties) saw an increase of 19.6 percent compared to the first quarter of 2020. This is **an average annual gain of $33,400 per household.**

At the same time, the number of homeowners who were underwater, owning more on their mortgages than the value of their home, decreased by 24 percent over the 12 months ending in March, 7 percent in the first quarter alone. **This meant that 450,000 properties emerged from negative equity** during the year, leaving 1.4 million homes, 2.6 percent of those with a mortgage, underwater.

The issue of negative equity has taken on additional importance with the large number of homeowners who have been in forbearance, some for over a year, as past due payment balances rise. This accumulation of equity has given these homeowners **some leeway in deciding on their post-forbearance options.** The company says, "In contrast to the financial crisis, when many borrowers were underwater, borrowers today who are behind on mortgage payments can tap into their equity and sell their home rather than lose it through foreclosure. These conditions are reflected in a recent CoreLogic survey, with 74 percent of current homeowners with mortgages noting they are not concerned with owing more on their home than it is worth within the next five years."

The national aggregate value of negative equity was approximately $273 billion at the end of the reporting period, approximately $8.1 billion less than at the end of the fourth quarter of 2020 and down year over year by about $13.3 billion from $286.3 billion in the first quarter of 2020.

Because equity is affected by home price changes, borrowers with equity positions near (+/- 5 percent) the negative equity cutoff are most likely to move out of or into negative equity as prices change, respectively. Looking at the first quarter of 2021 book of mortgages, **if home prices increase by 5 percent, 195,000 homes would regain equity**; if home prices decline by that same percentage, 260,000 would fall underwater.

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