HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Underwater Homeowners Effectively Bailed-Out By Equity Surge

Homeowner equity **grew $2.9 trillion** nationwide from the **second quarter** of 2020 to the same quarter this year. CoreLogic's Homeowner Equity Report shows U.S. homeowners who have mortgages (which account for roughly 63 percent of all residential properties) saw their equity increase by 29.3 percent over that period, an average borrower gain of $51,500.

With over 1.5 million homeowners in forbearance and 5 million consumers unemployed, current equity figures have added import. A recent CoreLogic survey found 59 percent of respondents feel **extremely confident** in their ability to keep current on their mortgage payments in the coming year.

CoreLogic says, "Thanks to ongoing government provisions, increased vaccine availability - enabling many to return to work and a steady income - and record homeowner equity gains, most borrowers have been able to remain current on their mortgage payments.

Frank Martell, president and CEO of CoreLogic adds, "The growth in homeowner equity provides a strong financial cushion for tens of millions of Americans. For those most impacted by the pandemic, equity gains will help play a critical role in staving off foreclosure. Based on projected increases in economic activity and home values over the next year, we expect to see further gains in equity and a corresponding drop in negative equity, forbearance rates and foreclosure."

Many upside down or underwater homeowners, those who owe more on their mortgages than their homes are currently worth, have been **bailed out** by recent surges in home values. In the second quarter of 2020, 1.8 million homes were in negative equity. That number declined by 30 percent or 520,000 properties in a year. In the second quarter of this year alone, there was a 12 percent decline in underwater homes. The number is now 1.2 million or 2.3 percent of mortgaged properties.

The national aggregate value of negative equity at the end of the first quarter of 2020 was $273.2 billion. At the end of Q2 it had declined $5.2 billion to $268 billion. The year over year decrease is approximately $18.9 billion.

Borrowers with equity positions within 5 percent, either higher or lower, of the negative equity cutoff are most likely to be affected by home price changes. CoreLogic says, based on second quarter data, a price increase of 5 percent would lift 160,000 out of negative equity. If prices were to fall by 5 percent, 211,000 homeowners would go underwater.

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