CoreLogic Reports 946,000 Residential Properties Regained 1 Trillion Dollars in Total Equity in Q2 2014

September 25, 2014, Irvine, Calif. –

––5.3 Million Properties Remain in Negative Equity—

CoreLogic® (NYSE: CLGX), a leading global property information, analytics and data-enabled services provider, today released new analysis showing nearly 950,000 homes returned to positive equity in the second quarter of 2014, bringing the total number of mortgaged residential properties with equity in the U.S. to more than 44 million. Nationwide, borrower equity increased year over year by approximately $1 trillion in Q2 2014. The CoreLogic analysis indicates that approximately 5.3 million homes, or 10.7 percent of all residential properties with a mortgage, were still in negative equity as of Q2 2014 compared to 6.3 million homes, or 12.7 percent, for Q1 2014*. This compares to a negative equity share of 14.9 percent, or 7.2 million homes, in Q2 2013, representing a year-over-year decrease in the number of homes underwater by almost 2 million (1,962,435), or 4.2 percent.

Negative equity, often referred to as “underwater” or “upside down,” means that borrowers owe more on their mortgages than their homes are worth. Negative equity can occur because of a decline in value, an increase in mortgage debt or a combination of both.

For the homes in negative equity status, the national aggregate value of negative equity was $345.1 billion at the end of Q2 2014, down $38.1 billion from approximately $383.2 billion in the first quarter 2014. On a year-over-year basis, the value of negative equity declined from $432.9 billion in Q2 2013, representing a decrease of 20.3 percent in 12 months.

Of the 44 million residential properties with positive equity, approximately 9 million, or 19 percent, have less than 20-percent equity (referred to as “under-equitied”) and 1.3 million of those have less than 5 percent (referred to as near-negative equity). Borrowers who are “under-equitied” may have a more difficult time refinancing their existing homes or obtaining new financing to sell and buy another home due to underwriting constraints. Borrowers with near-negative equity are considered at risk of moving into negative equity if home prices fall. In contrast, if home prices rose by as little as 5 percent, an additional 1 million homeowners now in negative equity would regain equity.

“The increase in borrower equity of $1 trillion from a year earlier is evidence that things are moving solidly in the right direction,” said Sam Khater, deputy chief economist for CoreLogic. “Borrower equity is important because home equity constitutes borrowers’ largest investment segment and, as a result, is driving forward the rise in wealth for the typical homeowner.”

“Many homeowners across the country are seeing the equity value in their homes grow, which lifts the economy as a whole,” said Anand Nallathambi, president and CEO of CoreLogic. “With more and more borrowers regaining equity, we expect homeownership to become an increasingly attractive option for many who have remained on the sidelines in the aftermath of the great recession. This should provide more opportunities for people to sell their homes, purchase a different home or refinance an existing mortgage.”

Highlights as of Q2 2014:

- Nevada had the highest percentage of mortgaged properties in negative equity at 26.3 percent, followed by Florida (24.3 percent), Arizona (19.0 percent), Illinois (15.4 percent) and Rhode Island (14.8). These top five states combined account for 32.8 percent of negative equity in the United States.
- Texas had the highest percentage of mortgaged residential properties in an equity position at 97.3 percent, followed Alaska (96.5 percent), Montana (96.4 percent), North Dakota (96.0 percent) and Hawaii (96.0 percent).
- Of the 25 largest Core Based Statistical Areas (CBSAs) based on population, Tampa-St. Petersburg-Clearwater, Fla., had the highest percentage of mortgaged properties in negative equity at 26.2 percent, followed by followed by Phoenix-Mesa-Scottsdale, Ariz. (19.5 percent), Chicago-Naperville-Arlington Heights, Ill. (17.9 percent), Riverside-San Bernardino-Ontario, Calif. (15.4 percent) and Atlanta-Sandy Springs-Roswell, Ga. (15.3 percent).
- Of the largest 25 CBSAs based on population, Houston-The Woodlands-Sugar Land, Texas had the highest percentage of mortgaged properties in an equity position at 97.5 percent; followed by Dallas-Plano-Irving, Texas (97.0 percent); Anaheim-Santa Ana-Irvine, Calif. (96.4 percent); Portland-Vancouver-Hillsboro, Ore. (96.1 percent) and Seattle-Bellevue-Everett, Wash. (95.4 percent).
- Of the total $345 billion in negative equity, first liens without home equity loans accounted for $180 billion aggregate negative equity, while first liens with home equity loans accounted for $165 billion.
- Approximately 3.2 million underwater borrowers hold first liens without home equity loans. The average mortgage balance for this group of borrowers is $227,000. The average underwater amount is $57,000.
- Approximately 2.1 million underwater borrowers hold both first and second liens. The average mortgage balance for this group of borrowers is $297,000.The average underwater amount is $77,000.
- The bulk of home equity for mortgaged properties is concentrated at the high end of the housing market. For example, 94 percent of homes valued at greater than $200,000 have equity compared with 84 percent of homes valued at less than $200,000.

*Q1 2014 data was revised. Revisions with public records data are standard, and to ensure accuracy, CoreLogic incorporates the newly released public data to provide updated results.

The full Equity Report with additional charts is available: **CoreLogic Q2 2014 Equity Report**

For ongoing housing trends and data, visit the CoreLogic Insights Blog: http://www.corelogic.com/blog.

Methodology

The amount of equity for each property is determined by comparing the estimated current value of the property against the mortgage debt outstanding (MDO). If the MDO is greater than the estimated value, then the property is determined to be in a negative equity position. If the estimated value is greater than the MDO, then the property is determined to be in a positive equity position. The data is first generated at the property level and aggregated to higher levels of geography. CoreLogic data includes 49 million properties with a mortgage, which accounts for more than 85 percent of all mortgages in the U.S. CoreLogic uses its public record data as the source of the MDO, which includes both first-mortgage liens and second liens, and is adjusted for amortization and home equity utilization in order to capture the true level of MDO for each property. The calculations are not based on sampling, but rather on the full data set to avoid potential adverse selection due to sampling. The current value of the property is estimated using a suite of proprietary CoreLogic valuation techniques, including valuation models and the CoreLogic Home Price Index (HPI). Only data for mortgaged residential properties that have a current estimated value is included. There are several states or jurisdictions where the public record, current value or mortgage coverage is thin. These instances account for fewer than 5 percent of the total U.S. population.

Source: CoreLogic

About CoreLogic

CoreLogic (NYSE: CLGX) is a leading global property information, analytics and data-enabled services provider. The company's combined data from public, contributory and proprietary sources includes over 3.5 billion records spanning more than 40 years, providing detailed coverage of property, mortgages and other encumbrances, consumer credit, tenancy, location, hazard risk and related performance information. The markets CoreLogic serves include real estate and mortgage finance, insurance, capital markets, and the public sector. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and managed services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. Headquartered in Irvine, Calif., CoreLogic operates in North America, Western Europe and Asia Pacific. For more information, please visit www.corelogic.com

Bill Campbell
Campbell Lewis
(212) 995-8057
Email Industry and Trade Media Contact

Lori Guyton

Crosby-Volmer International Communications

(901) 277-6066

Email General News Media Contact

This article can be found on line at CoreLogic.

Write up on the article for the Twin Cities housing market by Home Destination can be read: Twin Cities Housing Market Home Price Appreciation Fall 2014.