Contact Information Below

Media Alert

First American CoreLogic Releases Q3 Negative Equity Data

First American CoreLogic, the first company to develop a national, state and city-level negative equity report, has released third quarter data that includes a proprietary model which factors in loan amortization and utilization rates for home equity lines of credit (HELOC), providing a more precise view of "underwater borrowers." According to First American CoreLogic, nearly 10.7 million, or 23 percent, of all residential properties with mortgages were in negative equity as of September, 2009. (As a point of comparison, using the previous methodology, which did not account for amortization or HELOC utilization, the Q3 negative equity rate would have been 33.8 percent.)

Negative equity, often referred to as “underwater” or “upside down,” means that borrowers owe more on their mortgage 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.

Data Highlights

- Nearly 10.7 million, or 23 percent, of all residential properties with mortgages were in negative equity as of September, 2009. An additional 2.3 million mortgages were approaching negative equity, meaning they had less than five percent equity. Together negative equity and near negative equity mortgages account for nearly 28 percent of all residential properties with a mortgage nationwide.

- The distribution of negative equity is heavily concentrated in five states: Nevada (65 percent), which had the highest percentage negative equity, followed by Arizona (48 percent), Florida (45 percent), Michigan (37 percent) and California (35 percent). Among the top five states, the average negative equity share was 40 percent, compared to 14 percent for the remaining states. In numerical terms, California (2.4 million) and Florida (2.0 million) had the largest number of negative equity mortgages accounting for 4.4 million or 42 percent of all negative equity loans

- The rise in negative equity is closely tied to increases in pre-foreclosure activity. At one end of the spectrum, borrowers with equity tend to have very low default rates. At the other end, investors tend to default on their mortgages once in negative equity more ruthlessly: their default rate is typically two to three percent higher than owner-occupied homes with similar degrees of negative equity. For the highest level of negative equity, investors and owners behave very similarly and default at similar rates (Figure 4). Strategic default on the part of the owner occupier becomes more likely at such high levels of negative equity.

- The bulk of ‘upside down’ borrowers, as a group, share certain characteristics. They:
    - Financed their properties between 2005 and 2008, with 2006 being the peak year where 40 percent of borrowers were in negative equity (Figure 5). Negative equity continues to be a

problem even for 2009 originations as evidenced by a negative equity share of 11 percent and another 5 percent near negative equity.

- Purchased newly built homes that are concentrated in a small number of states. For homes built between 2006 and 2008, the negative equity share is over 40 percent.

- Relied on adjustable rate mortgages (ARMs)

- Bought less expensive properties. The average value for all properties with a mortgage is $270,200, but properties in negative equity have an average value of $210,300 or 22 percent less (Figure 8). The average mortgage debt for properties in negative in equity was $280,000 and borrowers that were in a negative equity position were upside down by an average of nearly $70,000. The aggregate property value for loans in a negative equity position was $2.2 trillion, which represents the total property value at risk of default, against which there was a total of $2.9 trillion of mortgage debt outstanding.

"This enhanced methodology provides a more precise picture of this significant problem that so many homeowners are facing," said Mark Fleming, chief economist with First American CoreLogic. "Negative equity continues to be pervasive and to impact almost every segment of the housing market. The recent improvement in home prices this past spring and summer has slowed the increase in negative equity, but it will take a significant rebound in home prices, which we are not expecting, to offset the dampening effects of negative equity in the most depressed states."

Methodology:*

First American CoreLogic's data includes 47 million properties with a mortgage, which accounts for over 90 percent of all mortgages in the U.S.* The data was revised for Q3 2009 to adjust for amortization and HELOC utilization. The net impact of the revisions was an expected decline in negative equity. As a result, these estimates are not comparable to prior quarters.

First American CoreLogic used its public record data as the source of the mortgage debt outstanding (MDO) and it includes 1st mortgage liens and junior mortgage liens in order to capture the true level of mortgage debt outstanding for each property. The current value was estimated by using the First American CoreLogic Automated Valuation Models (AVM) for residential properties. The data was filtered to include only properties valued between $30,000 and $30 million because AVM accuracy tends to quickly worsen outside of this value range.

The amount of equity for each property was determined by subtracting the property's estimated current value from the mortgage debt outstanding. If the mortgage debt was greater than the estimated value, then the property is in a negative equity position. The data was created at the zip code level and aggregated to the state and U.S. totals.

* Only data for mortgaged residential properties that have an AVM value is presented. There are several states where the public record, AVM or mortgage coverage is very thin. Although coverage is thin, these states account for fewer than 5 percent of the total population of the U.S.

** The definition of pre-foreclosure is a Notice of Default, which is the first step in the public record filing process. It is very possible for borrowers with positive equity to be seriously delinquent and receive a pre-foreclosure notice, but if the amount of equity is enough, they typically will be forced to sell their home to avoid foreclosure.

First American CoreLogic

Table 1: Negative Equity by State*

State	Properties With a Mortgage Outstanding					$ Outstanding			
	Mortgages	Negative Equity Mortgages	Near** Negative Equity Mortgages	Negative Equity Share	Near** Negative Equity Share	Total Property Value	Mortgage Debt Outstanding	Net Homeowner Equity	Loan-to-Value Ratio
Alabama	323,363	23,950	13,437	7.4%	4.2%	64,211,995,221	41,066,979,451	23,144,883,447	64%
Alaska	84,726	8,651	4,906	10.2%	5.8%	22,581,000,177	15,119,410,632	7,461,552,041	67%
Arizona	1,368,572	655,540	61,621	47.9%	4.5%	287,685,256,518	260,930,735,982	26,753,945,273	91%
Arkansas	230,402	26,097	14,741	11.3%	6.4%	35,985,840,989	26,435,828,174	9,549,913,620	73%
California	6,934,505	2,407,889	270,439	34.7%	3.9%	2,898,370,652,854	2,087,963,760,624	810,404,039,649	72%
Colorado	1,126,882	214,436	87,727	19.0%	7.8%	307,419,525,068	219,938,041,045	87,480,986,096	72%
Connecticut	804,690	85,744	31,059	10.7%	3.9%	292,497,354,132	167,305,920,422	125,191,119,356	57%
Delaware	173,996	24,365	8,849	14.0%	5.1%	45,609,760,183	31,011,707,815	14,597,984,192	68%
Florida	4,561,689	2,038,063	180,178	44.7%	3.9%	906,227,140,097	792,754,976,135	113,470,209,693	87%
Georgia	1,573,628	376,954	130,616	24.0%	8.3%	326,266,456,872	253,577,714,203	72,688,049,523	78%
Hawaii	229,572	18,926	7,379	8.2%	3.2%	125,578,947,095	65,221,334,743	60,357,525,066	52%
Idaho	236,557	46,567	10,790	19.7%	4.6%	50,976,166,875	34,967,241,144	16,008,823,529	69%
Illinois	2,226,172	409,804	113,240	18.4%	5.1%	548,438,947,464	383,819,662,281	164,618,344,143	70%
Indiana	557,538	49,836	22,945	8.9%	4.1%	87,223,021,164	58,295,733,144	28,927,058,985	67%
Iowa	305,535	28,534	14,301	9.3%	4.7%	45,999,224,974	30,413,522,273	15,585,578,037	66%
Kansas	286,387	29,824	15,518	10.4%	5.4%	52,478,187,723	36,553,496,132	15,924,565,399	70%
Kentucky	262,287	24,089	13,931	9.2%	5.3%	44,792,497,951	29,917,071,331	14,875,320,146	67%
Louisiana	NA	NA	NA	NA	NA	NA	NA	NA	NA
Maine	NA	NA	NA	NA	NA	NA	NA	NA	NA
Maryland	1,360,048	292,820	66,605	21.5%	4.9%	441,335,180,706	301,264,670,486	140,069,926,475	68%
Massachusetts	1,480,209	231,223	54,514	15.6%	3.7%	538,627,379,903	325,415,567,370	213,211,231,057	60%
Michigan	1,374,458	513,278	83,861	37.3%	6.1%	203,774,863,141	170,907,256,555	32,867,033,302	84%
Minnesota	517,203	80,227	25,166	15.5%	4.9%	119,740,860,669	75,469,941,221	44,270,703,003	63%
Mississippi	NA	NA	NA	NA	NA	NA	NA	NA	NA
Missouri	769,582	105,837	41,015	13.8%	5.3%	140,248,938,263	97,999,126,231	42,249,480,238	70%
Montana	103,283	6,622	2,776	6.4%	2.7%	27,778,331,905	15,190,034,758	12,588,252,467	55%
Nebraska	217,399	20,341	11,773	9.4%	5.4%	35,038,127,595	25,177,350,824	9,860,681,423	72%
Nevada	604,665	393,112	22,093	65.0%	3.7%	116,768,920,280	132,633,221,347	-15,864,577,219	114%
New Hampshire	204,322	37,793	11,866	18.5%	5.8%	50,374,032,297	34,471,800,243	15,902,155,455	68%
New Jersey	1,886,961	290,838	81,113	15.4%	4.3%	684,535,731,652	421,242,864,729	263,292,114,448	62%
New Mexico	226,922	25,089	9,902	11.1%	4.4%	54,138,738,940	35,183,750,063	18,954,893,121	65%
New York	1,798,647	111,219	41,212	6.2%	2.3%	809,676,704,146	395,674,927,067	414,001,096,554	49%
North Carolina	1,456,128	130,587	82,154	9.0%	5.6%	311,067,344,410	215,185,300,367	95,881,445,711	69%
North Dakota	40,694	3,502	1,330	8.6%	3.3%	6,745,079,056	4,124,256,883	2,620,805,349	61%
Ohio	2,203,538	442,000	147,183	20.1%	6.7%	325,815,930,626	243,197,977,298	82,617,002,776	75%
Oklahoma	394,881	24,247	13,391	6.1%	3.4%	58,172,916,206	40,728,126,667	17,444,615,134	70%
Oregon	698,525	97,186	37,410	13.9%	5.4%	188,192,330,495	125,369,338,550	62,822,700,362	67%
Pennsylvania	1,765,129	131,878	56,297	7.5%	3.2%	397,202,585,977	244,025,236,176	153,176,623,917	61%
Rhode Island	224,650	36,439	6,987	16.2%	3.1%	64,030,416,719	34,641,060,959	29,389,266,786	54%
South Carolina	569,567	68,238	30,330	12.0%	5.3%	129,999,110,063	88,742,738,130	41,256,145,022	68%
South Dakota	NA	NA	NA	NA	NA	NA	NA	NA	NA
Tennessee	932,765	123,383	65,176	13.2%	7.0%	162,953,218,024	114,254,441,585	48,698,384,523	70%
Texas	3,168,016	348,208	189,218	11.0%	6.0%	580,942,759,135	400,507,399,525	180,433,964,328	69%
Utah	470,227	86,024	28,084	18.3%	6.0%	119,287,507,807	84,706,413,257	34,580,896,926	71%
Vermont	NA	NA	NA	NA	NA	NA	NA	NA	NA
Virginia	1,235,727	294,008	69,690	23.8%	5.6%	417,169,394,840	297,419,114,453	119,749,762,835	71%
Washington	1,402,209	199,905	74,164	14.3%	5.3%	451,089,987,058	295,477,095,247	155,612,289,578	66%
Washington, DC	100,050	15,899	4,557	15.9%	4.6%	48,442,762,101	28,790,943,142	19,651,778,498	59%
West Virginia	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wisconsin	568,529	80,497	29,752	14.2%	5.2%	111,007,096,015	74,102,079,961	36,904,784,980	67%
Wyoming	NA	NA	NA	NA	NA	NA	NA	NA	NA
Nation	47,354,699	10,698,024	2,301,649	22.6%	4.9%	12,795,512,047,914	8,897,671,312,552	3,897,820,918,898	70%

* This data only includes properties with a mortgage. Non-mortgaged properties are by definition not included.

** Defined as properties in negative equity or within 5% of being in a negative equity position.

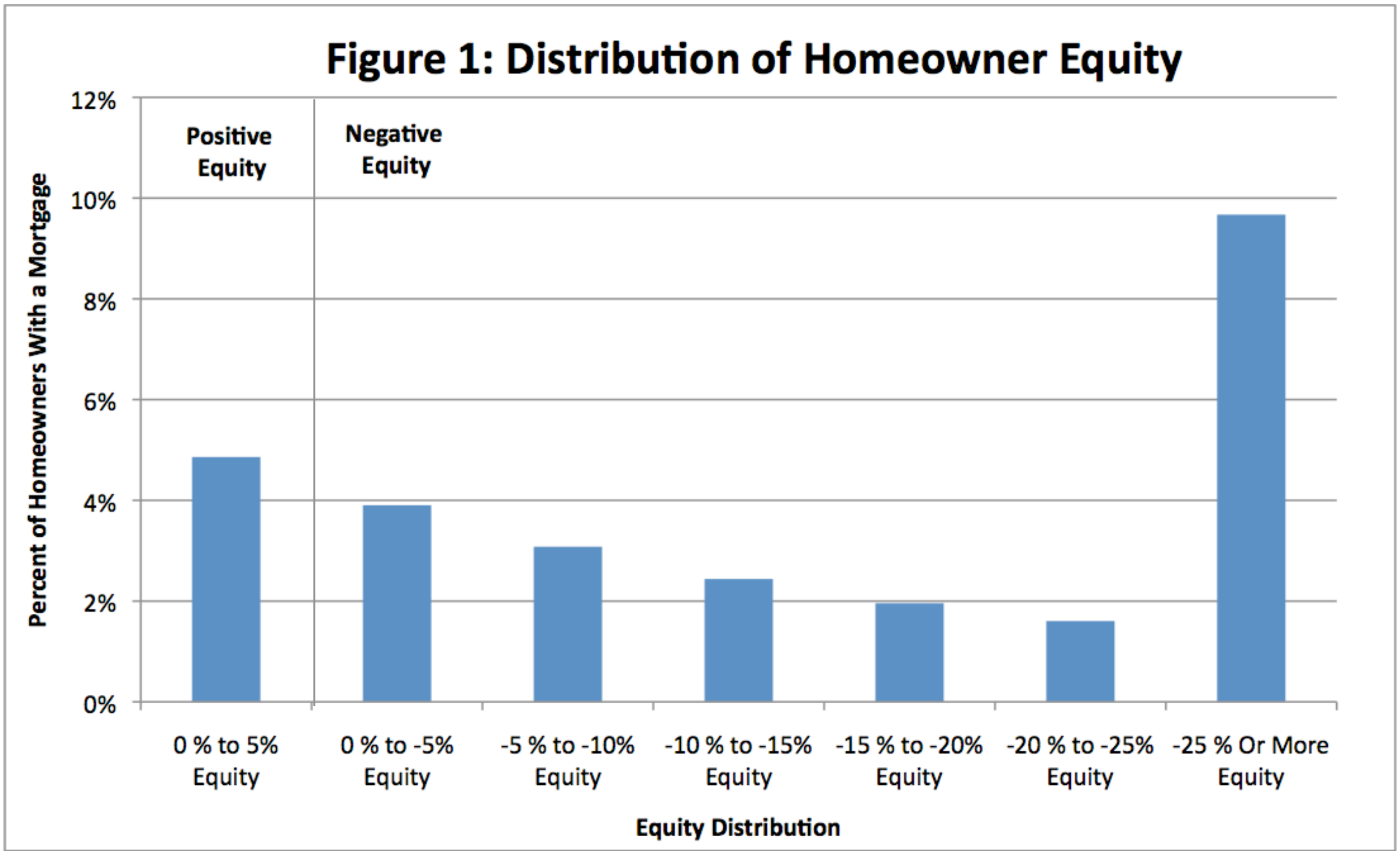
Figure 1: Distribution of Homeowner Equity
12%
10%
8%
6%
4%
2%
0%
Percent of Homeowners With a Mortgage
Positive Equity
Negative Equity
0 % to 5% Equity
0 % to -5% Equity
-5 % to -10% Equity
-10 % to -15% Equity
-15 % to -20% Equity
-20 % to -25% Equity
-25 % Or More Equity
Equity Distribution

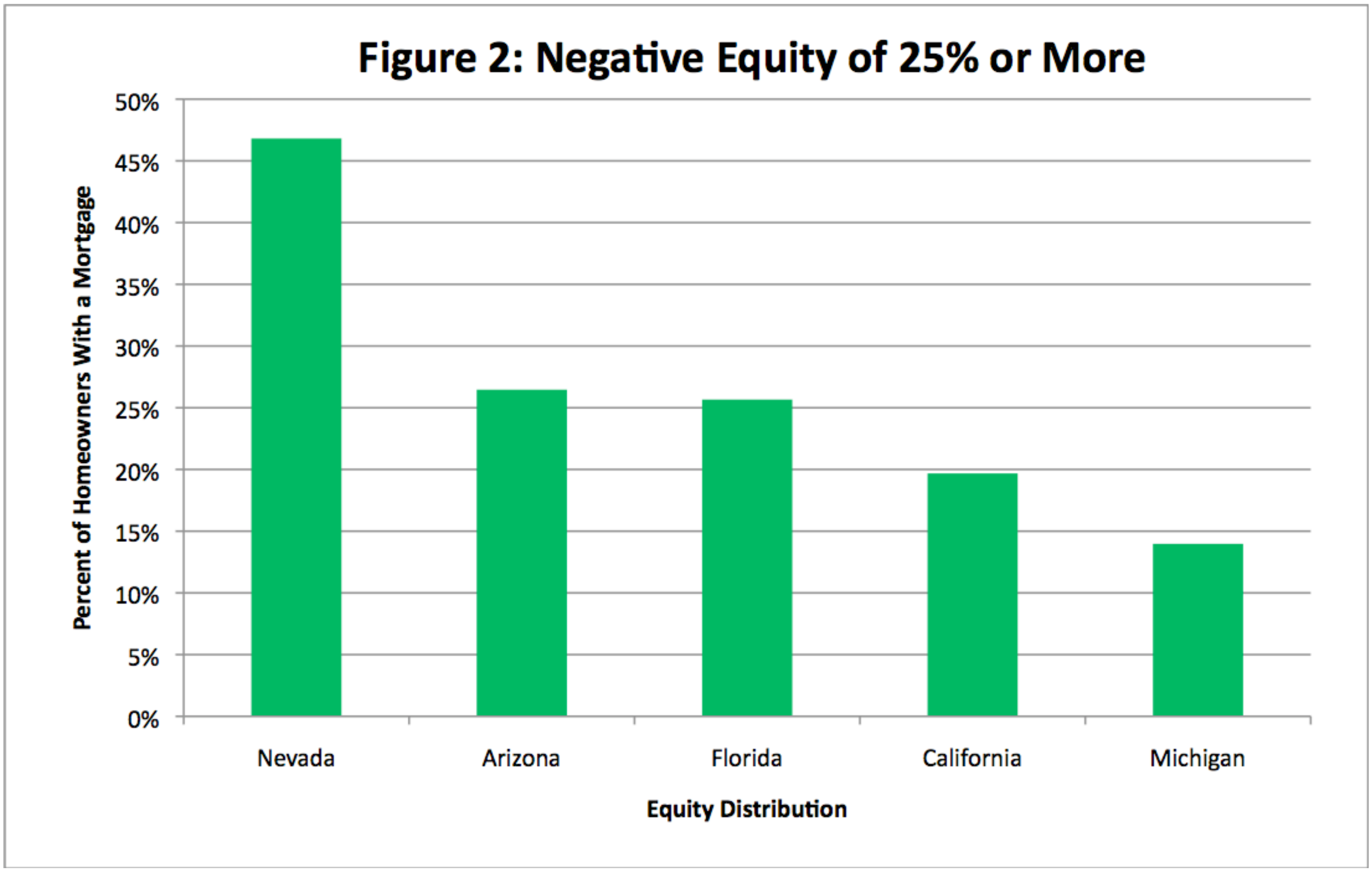
Figure 2: Negative Equity of 25% or More
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Percent of Homeowners With a Mortgage
Nevada
Arizona
Florida
California
Michigan
Equity Distribution

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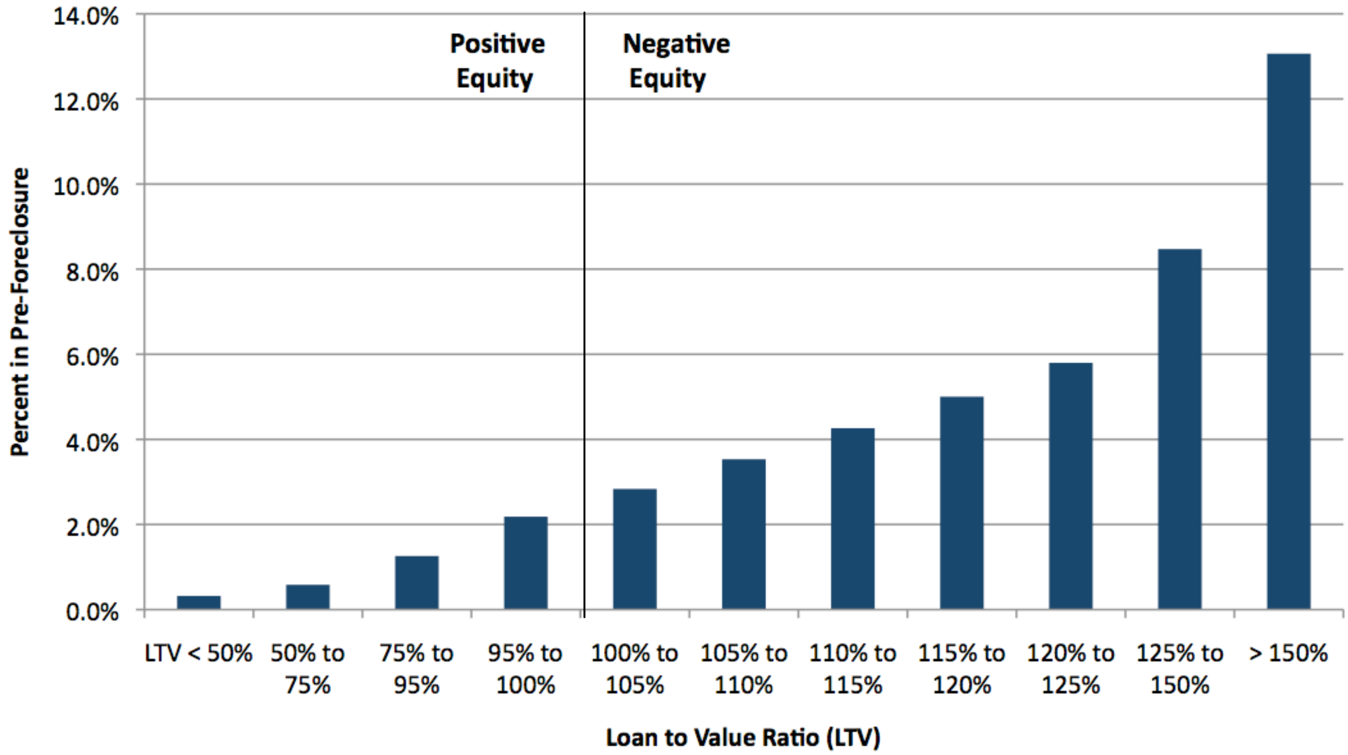
Figure 3: Pre-Foreclosure* Rate by Equity Segment



* A pre-foreclosure is a Notice of Default (NOD) or the first step in the public recordation of default. There are some NODs for loans with LTVs below 100% which is indicative of distress, but that does not necessarily mean those borrowers will proceed to foreclosure and REO given the borrower has equity.

Figure 4: Pre-Foreclosure* Rate by Equity and Owner Type

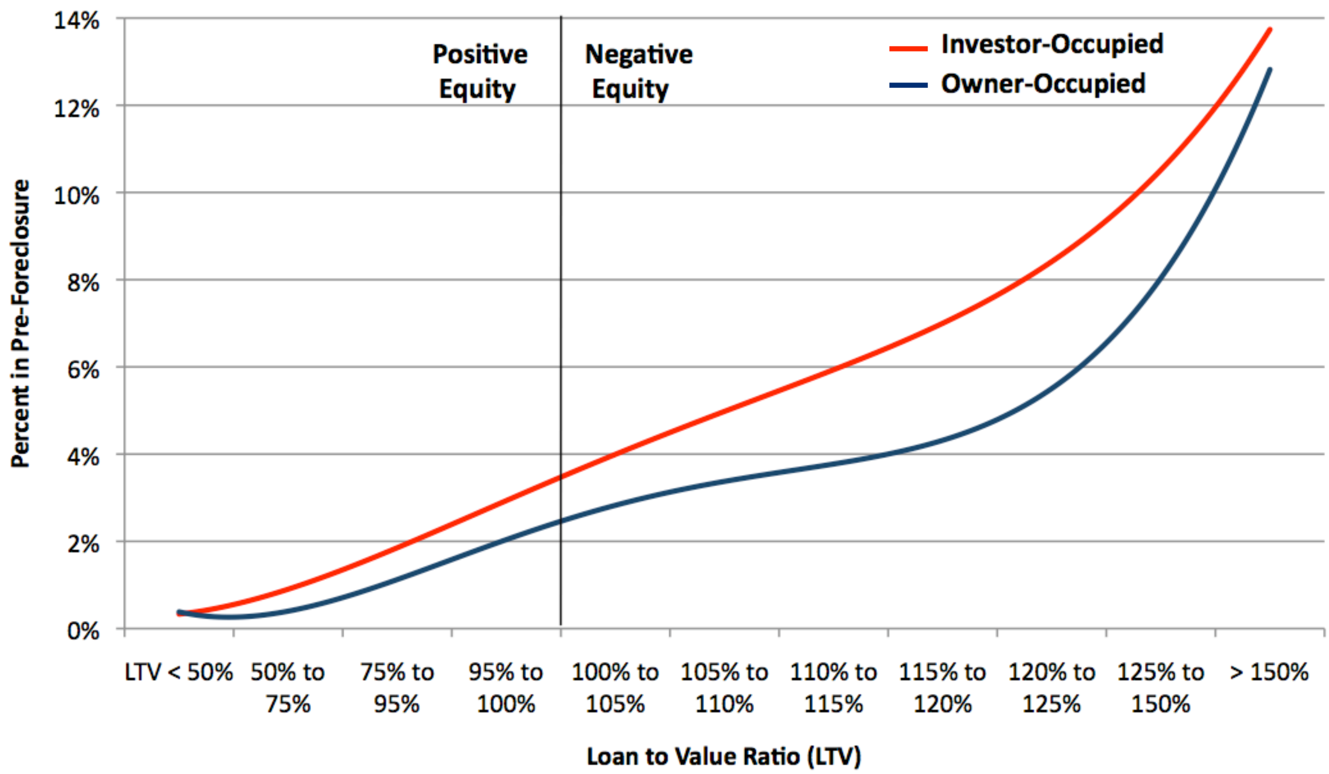


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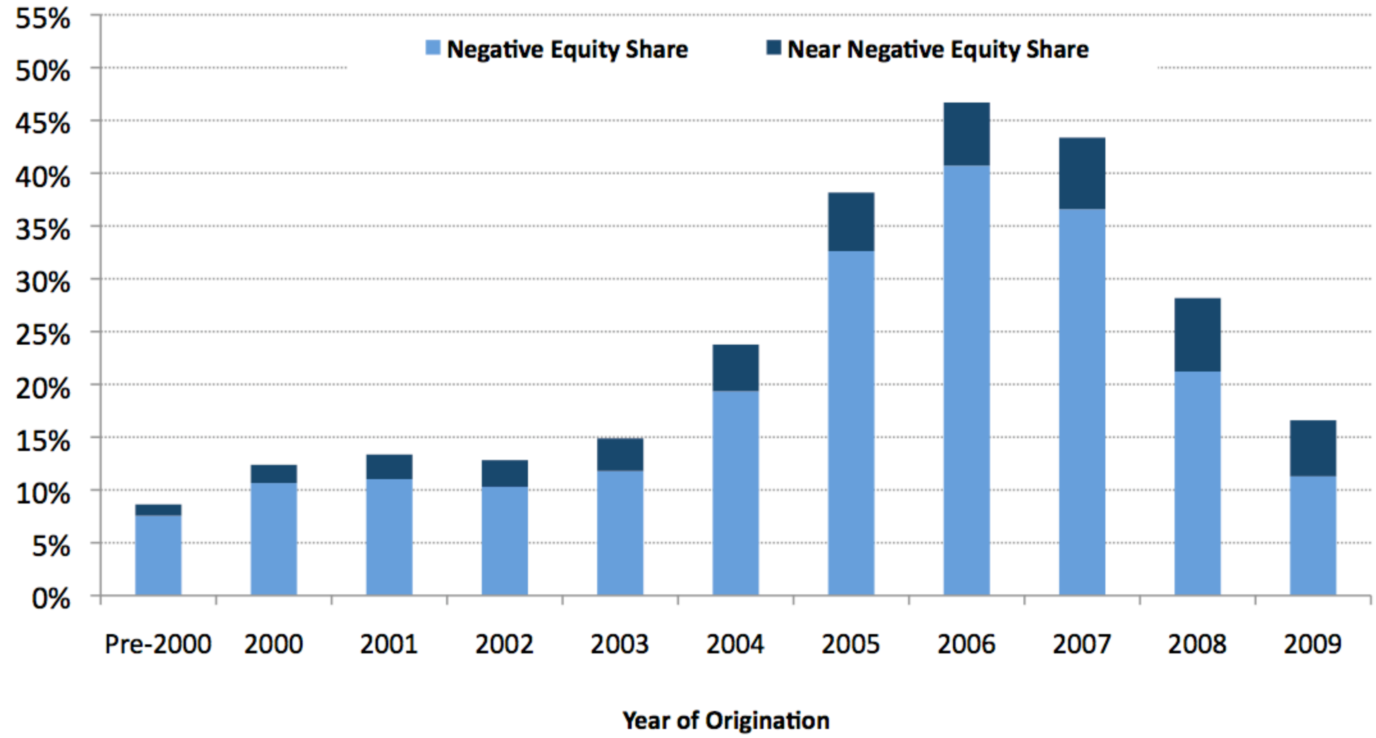
Figure 5: Negative Equity by Vintage Year



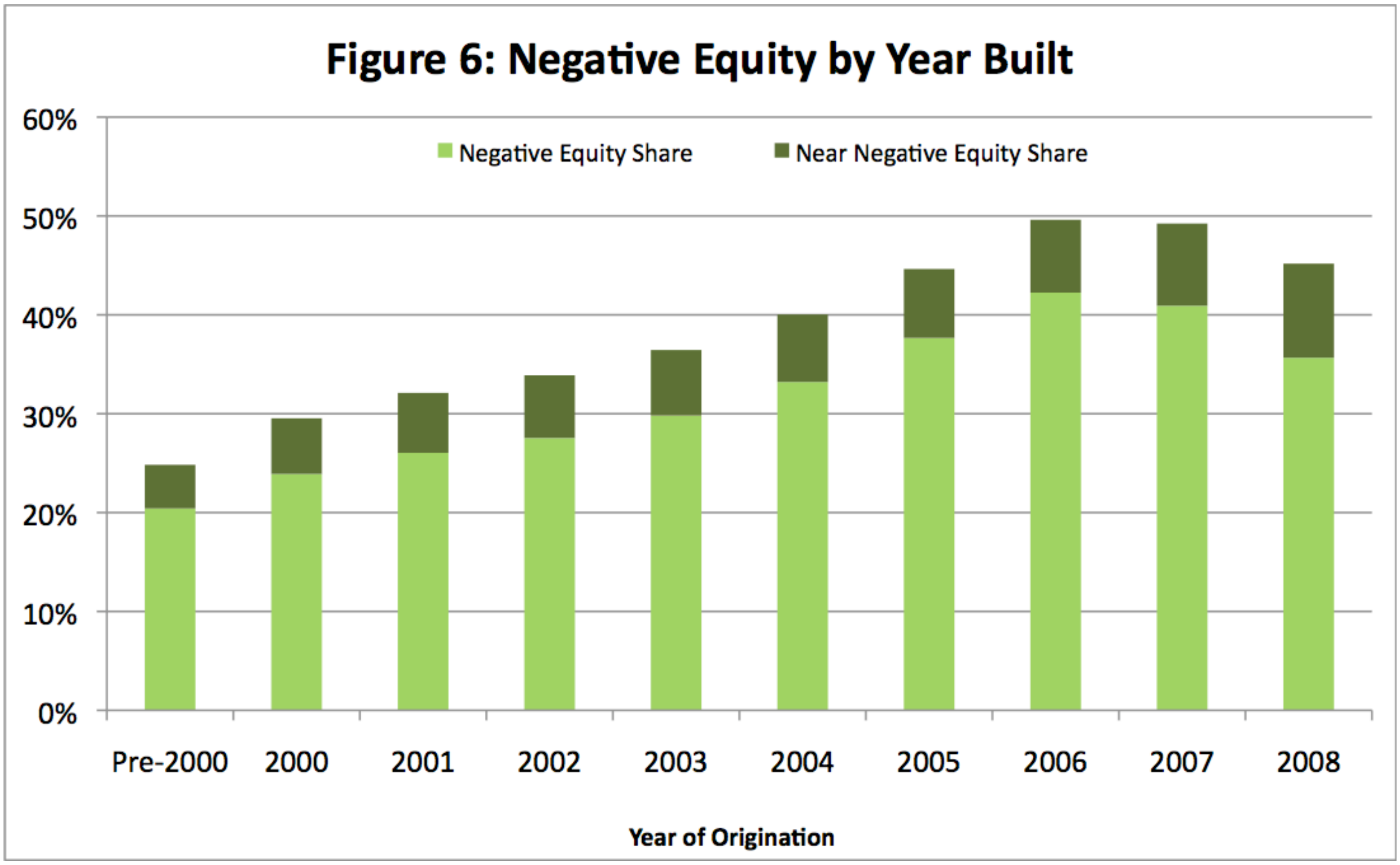


Figure 6: Negative Equity by Year Built
60%
50%
40%
30%
20%
10%
0%
Negative Equity Share
Near Negative Equity Share
Pre-2000
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year of Origination

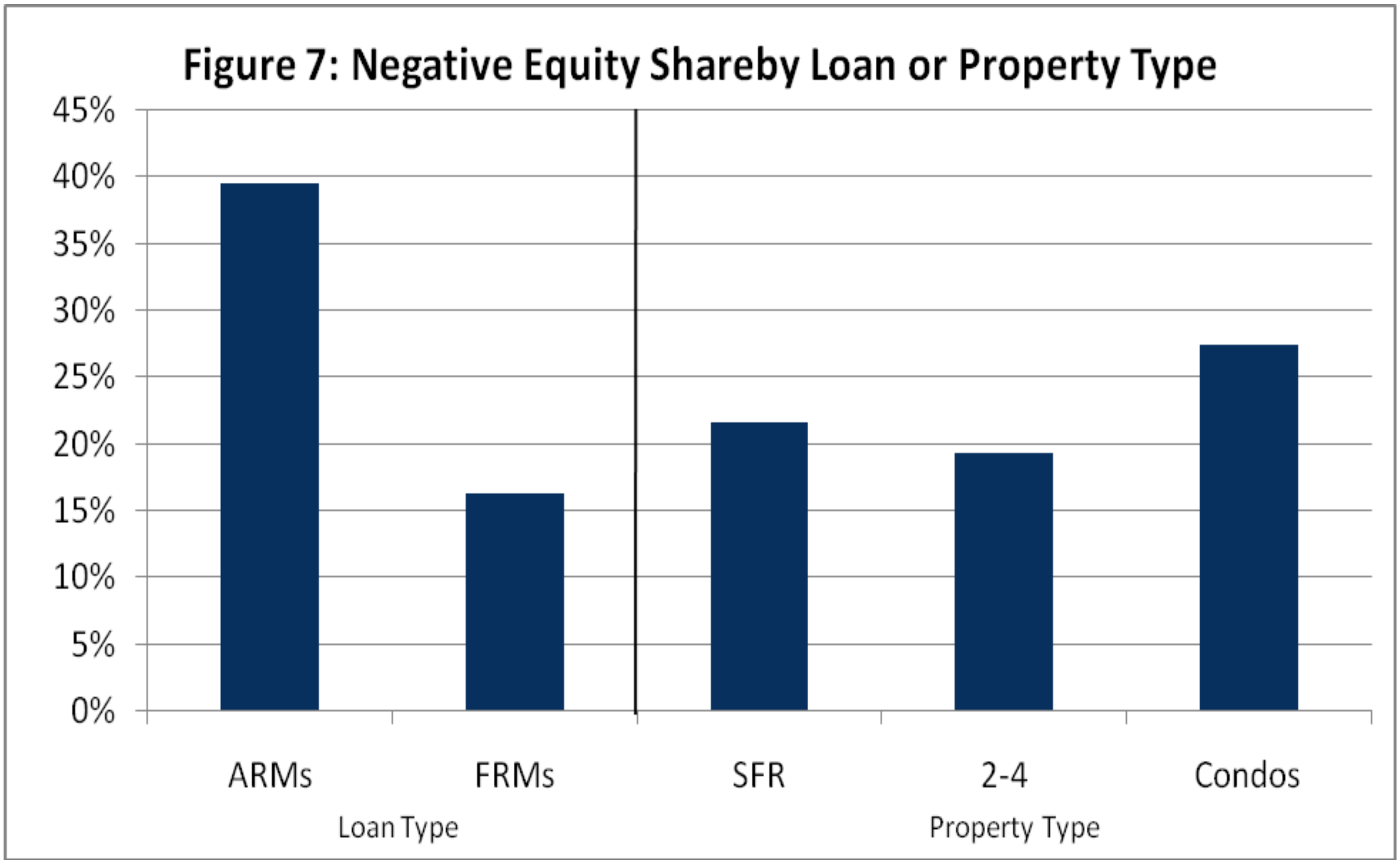


Figure 7: Negative Equity Shareby Loan or Property Type
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ARMs
FRMs
SFR
2-4
Condos
Loan Type
Property Type

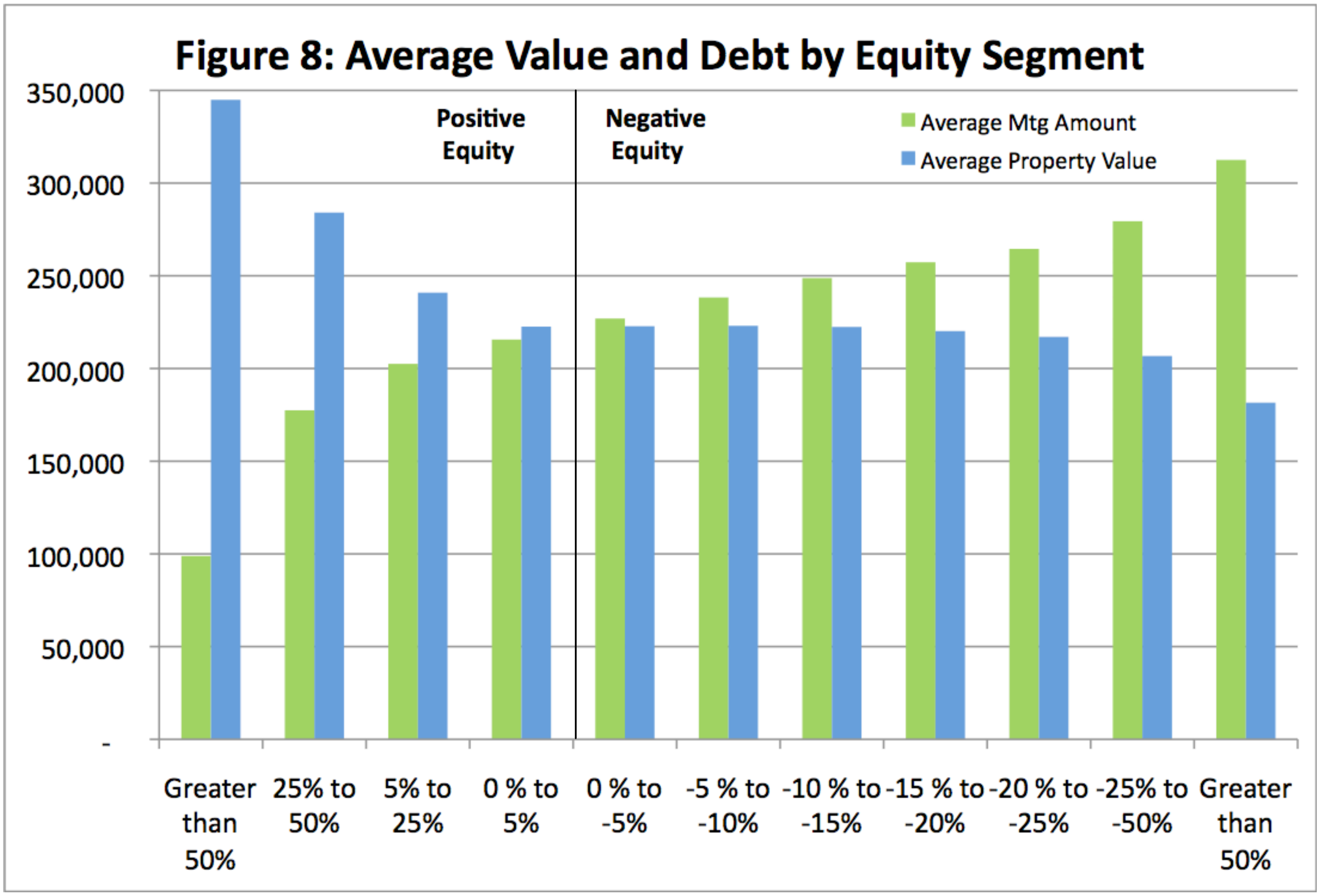


Figure 8: Average Value and Debt by Equity Segment

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