

August 13, 2009

## NEW DATA SHOWS NEARLY ONE-THIRD OF ALL MORTGAGES UNDERWATER

### *More than \$3 Trillion Worth of Property at Risk of Default*

- More than 15.2 million U.S. mortgages, or 32.2 percent of all mortgaged properties, were in negative equity position as of June 30, 2009 according to newly released data from First American CoreLogic. June's negative equity share was slightly lower than the 32.5 percent as of the end of March 2009 and it reflects the recent flattening of monthly home price changes. As of June 2009, there were an additional 2.5 million mortgaged properties that were approaching negative equity. Negative equity and near negative equity mortgages combined account for nearly 38 percent of all residential properties with a mortgage nationwide.
- The aggregate property value for loans in a negative equity position was \$3.4 trillion, which represents the total property value at risk of default. In California, the aggregate value of homes that are in negative equity was \$969 billion, followed by Florida (\$432 billion), New Jersey (\$146 billion), Illinois (\$146 billion) and Arizona (\$140 billion). Los Angeles had over \$310 billion in aggregate property value in a negative equity position, followed by New York (\$183 billion), Miami (\$152 billion), Washington, DC (\$149 billion) and Chicago (\$134 billion).
- Negative equity, often referred to as "underwater" or "upside down," means the borrower owes more on their mortgage than the home is worth. Near negative equity is when mortgages are within five percent of being in a negative equity position. Negative equity can occur because of a decline in value, an increase in mortgage debt or a combination of both.
- The distribution of negative equity is heavily skewed to a small number of states as three states account for roughly half of all mortgage borrowers in a negative equity position. Nevada (66 percent) had the highest percentage with nearly two-thirds of mortgage borrowers in a negative equity position. In Arizona (51 percent) and Florida (49 percent), half of all mortgage borrowers were in a negative equity position. Michigan (48 percent) and California (42 percent) round out the top five states.
- The top five states' negative equity share was 47 percent, compared to 25 percent for the remaining states. In numerical terms, California (2.9 million) and Florida (2.3 million) had the largest number of negative equity mortgages, accounting for 5.2 million or 35 percent of all negative equity loans. Ohio (862,000), Texas (777,000) and Arizona (706,000) were also ranked among the top five states with the highest number of negative equity loans.

"Negative equity continues to be the dominant driver of the mortgage market because it leads to foreclosures in the event a borrower experiences some kind of economic shock such as a job loss, illness or other adverse situation. Given that negative equity did not increase this quarter and home prices declines are moderating or flattening, we may be at the peak of the negative equity cycle. However, until negative equity recedes and unemployment declines, mortgage risk will continue to be very elevated," said Mark Fleming, chief economist for First American CoreLogic.

### **Methodology\*:**

First American CoreLogic has created state- and CBSA-level negative equity estimates for all single-family residential properties in the U.S. The 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 2009 and the revisions included a large addition of junior liens (including multiple junior liens), additional residential property types that were previously excluded and a broader range of home values. The net impact of the revisions was a large increase in negative equity.

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 every residential property in the U.S. The data was filtered to include only properties valued between \$30,000 and \$30 million because AVM accuracy tends to quickly worsen outside of that 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, CBSA and U.S. totals.

\*Note: 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 five percent of the total population of the U.S. The mortgage debt outstanding was not adjusted for amortization, however the majority of mortgages were originated within the last six years where the difference between the original mortgage debt outstanding and current mortgage debt outstanding is not large.

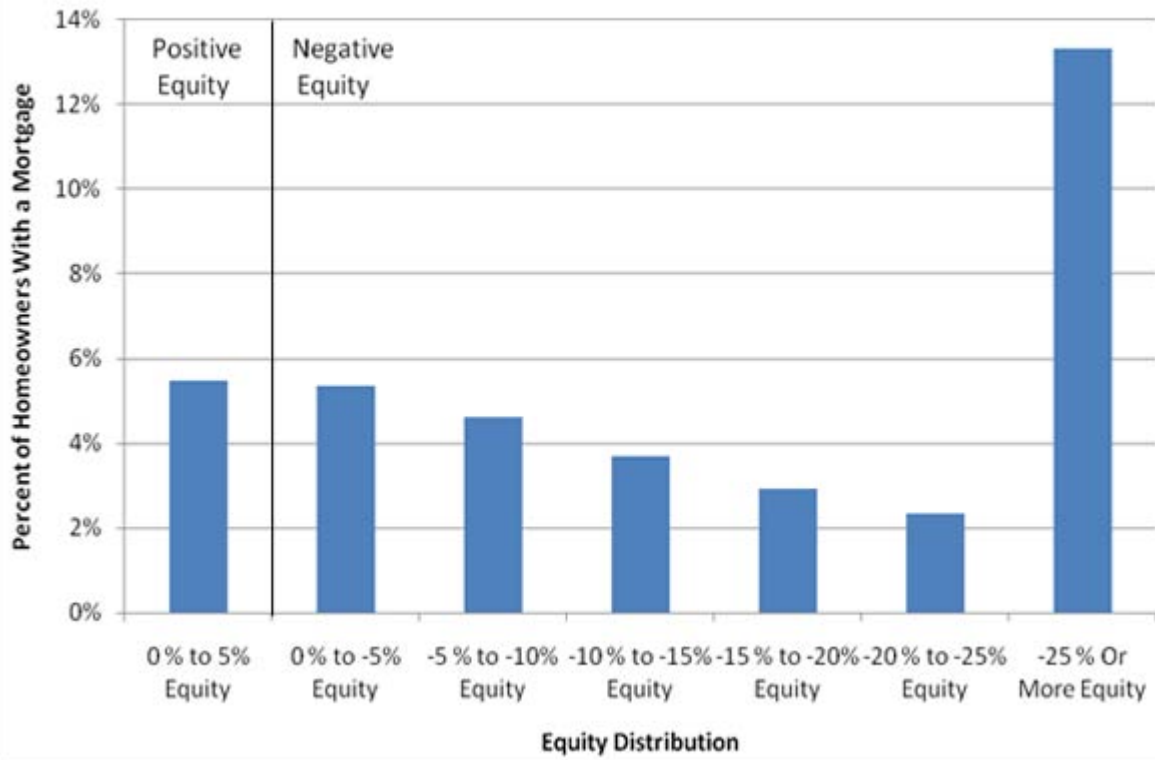
State	Properties With a Mortgage Outstanding					\$ Outstanding			
	Mortgages	Negative Equity Mortgages	Near** Negative Equity Mortgages	Negative Equity Share	Near** Negative Equity Share	Total Property Value	Mortgage Debt Outstanding	Net Homeowner Equity	Loan-to-Value Ratio
Alabama	320,616	51,937	75,451	16.2%	23.5%	64,479,771,692	46,142,936,492	18,336,835,200	72%
Alaska	84,288	16,864	22,289	20.0%	26.4%	22,814,752,718	16,775,725,373	6,039,027,345	74%
Arizona	1,384,520	705,713	764,882	51.0%	55.2%	314,145,000,000	296,233,000,000	15,912,424,279	95%
Arkansas	224,766	56,826	77,327	25.3%	34.4%	35,339,307,696	28,641,935,660	6,697,372,036	81%
California	6,997,213	2,937,160	3,197,670	42.0%	45.7%	2,959,720,000,000	2,409,430,000,000	550,292,000,000	81%
Colorado	1,128,971	389,805	470,994	34.5%	41.7%	306,747,000,000	246,200,000,000	60,547,785,681	80%
Connecticut	797,535	137,696	172,338	17.3%	21.6%	292,724,000,000	185,061,000,000	107,663,000,000	63%
Delaware	174,767	41,370	50,607	23.7%	29.0%	47,475,935,309	37,310,529,504	10,165,405,805	79%
Florida	4,661,202	2,303,467	2,474,083	49.4%	53.1%	981,236,000,000	922,928,000,000	58,308,099,136	94%
Georgia	1,562,697	558,201	685,662	35.7%	43.9%	332,469,000,000	281,963,000,000	50,505,262,802	85%
Hawaii	231,597	33,498	41,941	14.5%	18.1%	125,711,000,000	74,446,148,823	51,264,736,781	59%
Idaho	215,989	54,333	65,571	25.2%	30.4%	48,869,119,829	36,585,386,087	12,283,733,742	75%
Illinois	2,211,022	650,720	784,941	29.4%	35.5%	558,014,000,000	447,003,000,000	111,011,000,000	80%
Indiana	449,151	71,615	98,590	15.9%	22.0%	68,960,834,571	50,600,014,702	18,360,819,869	73%
Iowa	300,899	73,404	101,421	24.4%	33.7%	45,226,475,594	34,152,832,356	11,073,643,238	76%
Kansas	284,175	86,599	86,454	23.4%	30.4%	52,578,287,358	41,024,210,392	11,554,076,966	78%
Kentucky	257,128	62,696	85,667	24.4%	33.4%	43,831,944,864	33,583,423,100	10,248,521,764	77%
Louisiana	NA	NA	NA	NA	NA	NA	NA	NA	NA
Maine	NA	NA	NA	NA	NA	NA	NA	NA	NA
Maryland	1,369,887	391,628	457,302	28.6%	33.4%	456,503,000,000	339,787,000,000	116,716,000,000	74%
Massachusetts	1,472,846	319,019	380,058	21.7%	25.8%	539,613,000,000	353,531,000,000	186,082,000,000	66%
Michigan	1,369,311	655,912	731,268	47.9%	53.4%	214,473,000,000	198,927,000,000	15,545,809,580	93%
Minnesota	505,760	124,976	151,319	24.7%	29.9%	120,473,000,000	84,627,899,164	35,845,247,294	70%
Mississippi	NA	NA	NA	NA	NA	NA	NA	NA	NA
Missouri	768,487	196,959	246,349	25.6%	32.1%	141,132,000,000	112,079,000,000	29,052,659,076	79%
Montana	102,941	13,124	17,374	12.7%	16.9%	27,685,820,495	17,057,797,742	10,628,022,753	62%
Nebraska	215,807	60,058	78,633	27.8%	36.4%	34,930,264,770	28,574,931,596	6,355,333,174	82%
Nevada	614,847	403,242	423,492	65.6%	68.9%	129,264,000,000	148,755,000,000	-19,490,564,575	115%
New Hampshire	197,542	58,023	69,720	29.4%	35.3%	49,821,410,043	38,340,685,369	11,480,724,674	77%
New Jersey	1,891,591	459,568	547,221	24.3%	28.9%	701,865,000,000	493,873,000,000	207,993,000,000	70%
New Mexico	227,495	41,959	53,707	18.4%	23.6%	55,217,400,707	39,722,629,095	15,494,771,612	72%
New York	1,797,978	231,727	303,007	12.9%	16.9%	825,811,000,000	459,805,000,000	366,006,000,000	56%
North Carolina	1,432,884	329,764	456,689	23.0%	31.9%	309,309,000,000	242,985,000,000	66,323,931,569	79%
North Dakota	38,646	6,498	8,803	16.8%	22.8%	6,474,157,932	4,423,829,724	2,050,328,208	68%
Ohio	2,206,398	861,528	1,005,341	39.0%	45.6%	327,208,000,000	287,048,000,000	40,160,147,082	88%
Oklahoma	388,287	76,082	116,385	19.6%	30.0%	56,792,076,183	44,893,892,270	11,898,183,913	79%
Oregon	704,303	162,999	203,051	23.1%	28.8%	195,446,000,000	144,340,000,000	51,106,854,905	74%
Pennsylvania	1,741,040	277,847	366,380	16.0%	21.0%	396,172,000,000	277,396,000,000	118,776,000,000	70%
Rhode Island	223,535	45,589	52,574	20.4%	23.5%	64,938,056,320	37,513,866,447	27,424,189,873	58%
South Carolina	560,524	138,107	183,097	24.6%	32.7%	129,854,000,000	99,506,767,205	30,347,572,543	77%
South Dakota	NA	NA	NA	NA	NA	NA	NA	NA	NA
Tennessee	914,300	261,867	334,510	28.6%	36.6%	160,675,000,000	127,100,000,000	33,574,514,162	79%
Texas	3,146,828	777,356	1,011,483	24.7%	32.1%	581,751,000,000	455,286,000,000	126,465,000,000	78%
Utah	468,003	118,636	146,880	25.3%	31.4%	121,963,000,000	93,616,010,268	28,347,295,443	77%
Vermont	NA	NA	NA	NA	NA	NA	NA	NA	NA
Virginia	1,228,451	406,660	469,413	33.1%	38.2%	422,075,000,000	335,744,000,000	86,330,753,699	80%
Washington	1,402,891	327,300	410,477	23.3%	29.3%	464,341,000,000	335,776,000,000	128,564,000,000	72%
Washington, DC	101,923	24,252	29,011	23.8%	28.5%	49,181,815,560	32,888,232,982	16,293,582,578	67%
West Virginia	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wisconsin	544,549	145,769	178,481	26.8%	32.8%	106,747,000,000	81,049,260,172	25,697,353,268	76%
Wyoming	NA	NA	NA	NA	NA	NA	NA	NA	NA
Nation	47,194,790	15,168,497	17,763,951	32.2%	37.6%	13,044,870,566,437	10,148,481,179,104	2,896,392,355,690	78%

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

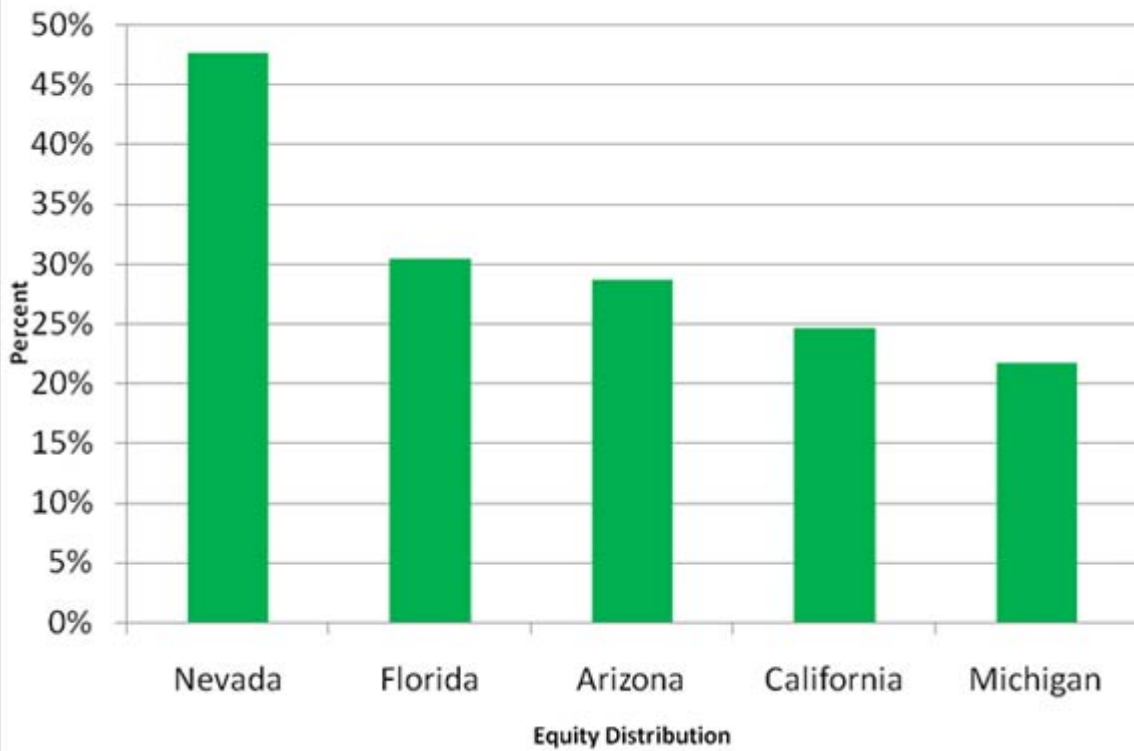
\*\* Defined as properties in negative equity or within 5% of being in a negative equity position.

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### Figure 1: Distribution of Homeowner Equity



### Figure 2: Negative Equity of 25% or More



**Figure 3: Aggregate Property Value of Homes in Negative Equity**

