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Negative Equity Falls in Second Quarter; Nearly Half of Borrowers Under 40 Remain Underwater

Nation's Cumulative Negative Equity Falls by \$42 Billion as Home Values Rise; Now Totals \$1.15 Trillion

SEATTLE, Aug. 23, 2012 /PRNewswire/ -- Negative equity declined in the second quarter, with 30.9 percent of U.S. homeowners with mortgages — or 15.3 million — underwater, according to the second quarter Zillow® Negative Equity Report¹. That was down from 31.4 percent of homeowners with mortgages, or 15.7 million, underwater in the first quarter.

The total amount of negative equity in the country declined by \$42 billion in the second quarter to \$1.15 trillion.

Among age groups, young people are more affected by negative equity than other groups, with nearly half (48 percent) of all borrowers under the age of 40 underwater. However, younger borrowers are less likely than older populations to be delinquent on their mortgages. Underwater borrowers between the ages of 20 and 24 are the least likely to be delinquent, with 5.9 percent more than 90 days late, compared with a 9.2 percent delinquency rate for all underwater borrowers.

"Rising home values in the second quarter caused a decline in the number of underwater borrowers, but young homeowners continue to be disproportionately affected by negative equity," said Zillow Chief Economist Dr. Stan Humphries. "We hear about tight inventory in many markets, and it's clear where this is coming from. Negative equity is trapping young people in their homes, preventing them from selling. These homes are likely the very starter homes potential first-time homebuyers are seeking."

Percent of Homeowners with Mortgages in Negative Equity -- by Age												
	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-74	75-84	85+
Negative Equity (%)	39.4%	47.6%	50.8%	46.3%	39.4%	32.9%	28.1%	24.7%	22.1%	18.2%	12.4%	12.4%

Of the 30 largest markets tracked by Zillow, negative equity fell the most from the first to the second quarter in the Phoenix metro (from 55.5 percent to 51.6 percent) and the Miami-Ft. Lauderdale metro (from 46.4 percent to 43.7 percent). The Las Vegas metro continues to see the highest negative equity rate, with 68.5 percent of borrowers underwater. That was down from 71 percent in the first quarter.

These results are from the second edition of the new Zillow Negative Equity Report, which looks at current outstanding loan amounts for individual owner-occupied homes and compares them to those homes' current estimated values. Loan data are provided by TransUnion®, a global leader in credit and information management. This is the only report that uses current outstanding loan balances on all mortgages when calculating negative equity. Other reports estimate current outstanding loan balance based on the most recent loan on a property (i.e., the original loan amount at time of purchase or refinance).

Metropolitan Area	Q1 2012:	Q2 2012:
	% of Homeowners w/ Mortgages in Negative Equity	% of Homeowners w/ Mortgages in Negative Equity
United States	31.4%	30.9%
New York	21.3%	20.7%
Los Angeles	30.0%	28.6%
Chicago	41.1%	39.2%
Dallas-Ft. Worth, Texas	30.7%	28.9%
Philadelphia	25.0%	25.4%
Washington DC	32.4%	31.3%
Miami-Fort Lauderdale, Fla.	46.4%	43.7%
Atlanta	55.2%	54.4%
Boston	22.0%	19.6%
San Francisco	30.7%	28.5%
Detroit	49.8%	48.3%
Riverside, Calif.	53.4%	51.2%
Phoenix	55.5%	51.6%
Seattle	39.6%	37.8%
Minneapolis-St. Paul, Minn.	39.9%	38.7%
San Diego	35.6%	33.9%
Tampa, Fla.	48.3%	46.6%

St. Louis	30.7%	30.2%
Baltimore	31.4%	30.8%
Denver	29.0%	27.1%
Pittsburgh	16.7%	15.6%
Portland, Ore.	34.3%	33.2%
Sacramento, Calif.	51.2%	49.3%
Orlando, Fla.	53.9%	51.9%
Cincinnati	31.5%	30.3%
Cleveland	33.9%	32.9%
Las Vegas	71.0%	68.5%
San Jose	22.7%	20.3%
Columbus	34.2%	33.4%
Charlotte	36.6%	36.4%

About Zillow, Inc.

Zillow (NASDAQ: Z) is the leading [real estate](#) information marketplace, providing vital information about homes, real estate listings and [mortgages](#) through its website and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. In addition, Zillow operates an industry-leading economics and analytics bureau led by Zillow's Chief Economist [Dr. Stan Humphries](#). Dr. Humphries and his team of economists and data analysts produce extensive housing data and research covering more than 150 markets at [Zillow Real Estate Research](#). Zillow, Inc. operates [Zillow.com](#)®, [Zillow Mortgage Marketplace](#) , [Zillow Mobile](#), Postlets® and Diverse Solutions™. The company is headquartered in Seattle.

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¹ The data in the Zillow Negative Equity Report incorporates mortgage data from TransUnion, a global leader in credit and information management, to calculate various statistics. The report includes, but is not limited to, negative equity, loan-to-value ratios, and delinquency rates. To calculate negative equity, the estimated value of a home is matched to all outstanding mortgage debt and lines of credit associated with the home, including home equity lines of credit and home equity loans. All personally identifying information ("PII") is removed from the data by TransUnion before delivery to Zillow. Overall, this report covers over 800 metros, 2,100 counties, and 22,200 ZIP codes across the nation.

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