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Local Guides

759,000 homes regained equity in Q2, report says

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- Now nearly 91 percent of nation’s homes are “above water”
- Central Valley’s negative equity ranges from 8.7 percent to 16.8 percent
- “For much of the country, the negative equity epidemic is lifting”

There were 759,000 homes in the U.S. that regained equity in the second quarter of 2015, bringing the total number of mortgaged residential properties with equity at the end of Q2 2015 to approximately 45.9 million, or 91 percent of all mortgaged properties, according to a report Tuesday from financial information company CoreLogic Inc. (NYSE: CLGX) of Irvine.

In the Central Valley, which was the epicenter of the mortgage meltdown, the percentage of homes still “under water” – owing more on the mortgage than the home is worth – ranges from a low of 8.7 percent in metropolitan Sacramento to a high of 16.8 percent in Bakersfield, according to CoreLogic.

Nationwide, borrower equity increased year over year by $691 billion in Q2 2015. The total number of mortgaged residential properties with negative equity is now at 4.4 million, or 8.7 percent of all mortgaged properties. This compares to 5.1 million homes, or 10.2 percent, that had negative equity in Q1 2015, a quarter-over-quarter decrease of 1.5 percentage points. Compared with 5.4 million homes, or 10.9 percent, reported for Q2 2014, the number of underwater homes has decreased year over year by 1.1 million, or 19.4 percent.

"Home price appreciation and foreclosure completions both reduce the number of homeowners with negative equity, the latter because most homeowners who lost homes through foreclosure had some level of negative equity," says Frank Nothaft, chief economist for CoreLogic. "Between June 2014 and June 2015, the CoreLogic national Home Price Index rose 5.6 percent and we reported the number of homes completing foreclosure proceedings exceeded one-half million. Both of these factors helped reduce the number of homeowners with negative equity by one million over the year ending in June."

"For much of the country, the negative equity epidemic is lifting. The biggest reason for this improvement has been the relentless rise in home prices over the past three years which reflects increasing money flows into housing and a lack of housing stock in many markets," adds Anand Nallathambi, president and CEO of CoreLogic. "CoreLogic predicts home prices to rise an additional 4.7 percent over the next year, and if this happens, 800,000 homeowners could regain positive equity by July 2016."

While data for every Central Valley market were not available, here are CoreLogic’s summaries for the largest markets:

• 13.2 percent of Stockton-Lodi mortgages in negative equity

In Stockton-Lodi, 16,738, or 13.2 percent, of all residential properties with a mortgage were in negative equity as of Q2 2015 compared with 21,823, or 17.4 percent, in Q2 2014 and 19,347, or 15.4 percent, in Q1 2015.

An additional 2,924, or 2.3 percent, of properties were in near negative equity for Q2 2015 compared with 3,154, or 2.5 percent, in Q2 2014 and 3,080, or 2.5 percent, in Q1 2015.

• 16.4 percent of Fresno mortgages in negative equity

In Fresno, 24,890, or 16.4 percent, of all residential properties with a mortgage were in negative equity as of Q2 2015 compared with 30,100, or 20.1 percent, in Q2 2014 and 27,347, or 18.2 percent, in Q1 2015.

An additional 4,398, or 2.9 percent, of properties were in near negative equity for Q2 2015 compared with 4,764, or 3.2 percent, in Q2 2014 and 4,533, or 3.0 percent, in Q1 2015.

• 8.7 percent of metro Sacramento mortgages in negative equity

In metropolitan Sacramento, an area that includes the city of Roseville plus the unincorporated county area known as Arden-Arcade, 41,504, or 8.7 percent, of all residential properties with a mortgage were in negative equity as of Q2 2015 compared with 58,349, or 12.2 percent, in Q2 2014 and 49,429, or 10.3 percent, in Q1 2015.

An additional 10,126, or 2.1 percent, of properties were in near negative equity for Q2 2015 compared with 12,101, or 2.5 percent, in Q2 2014 and 11,256, or 2.4 percent, in Q1 2015.

• 12.2 percent of Visalia-Porterville mortgages in negative equity

In Visalia-Porterville, 8,418, or 12.2 percent, of all residential properties with a mortgage were in negative equity as of Q2 2015 compared with 12,312, or 17.9 percent, in Q2 2014 and 10,984, or 15.9 percent, in Q1 2015.

An additional 1,904, or 2.8 percent, of properties were in near negative equity for Q2 2015 compared with 2,373, or 3.5 percent, in Q2 2014 and 2,198, or 3.2 percent, in Q1 2015.

• 16.8 percent of Bakersfield mortgages in negative equity

In Bakersfield, 25,062, or 16.8 percent, of all residential properties with a mortgage were in negative equity as of Q2 2015 compared with 30,209, or 20.3 percent, in Q2 2014 and 27,424, or 18.3 percent, in Q1 2015.

An additional 4,199, or 2.8 percent, of properties were in near negative equity for Q2 2015 compared with 4,521, or 3.0 percent, in Q2 2014 and 4,301, or 2.9 percent, in Q1 2015.

• 13.4 percent of Modesto mortgages in negative equity

In Modesto, 12,719, or 13.4 percent, of all residential properties with a mortgage were in negative equity as of Q2 2015 compared with 16,262, or 17.1 percent, in Q2 2014 and 14,013, or 14.7 percent, in Q1 2015.

An additional 2,316, or 2.4 percent, of properties were in near negative equity for Q2 2015 compared with 2,449, or 2.6 percent, in Q2 2014 and 2,372, or 2.5 percent, in Q1 2015.

Negative equity, often referred to as "underwater" or "upside down," refers to borrowers who owe more on their mortgages than their homes are worth. Negative equity can occur because of a decline in home 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 $309.5 billion at the end of Q2 2015, falling approximately $28.5 billion from $338 billion in Q1 2015. On a year-over-year basis, the value of negative equity declined overall from $350 billion in Q2 2014, representing a decrease of 11.6 percent in 12 months.

Of the more than 50 million residential properties with a mortgage, approximately 9 million, or 17.8 percent, have less than 20 percent equity (referred to as "under-equitied"), and 1.1 million, or 2.3 percent, have less than 5 percent equity (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.

Other highlights from CoreLogic as of Q2 2015

Nevada had the highest percentage of mortgaged residential properties in negative equity at 20.6 percent, followed by Florida (18.5 percent), Arizona (15.4 percent), Rhode Island (13.8 percent) and Illinois (13.1 percent). Combined, these five states accounted for 31.7 percent of negative equity in the U.S.

Texas had the highest percentage of mortgaged residential properties in positive equity at 97.9 percent, followed by Alaska (97.6 percent), Hawaii (97.5 percent), Montana (97.2 percent) and Colorado (96.7 percent).

Of the 25 largest Core Based Statistical Areas (CBSAs) based on mortgage count, Tampa-St. Petersburg-Clearwater, Fla., had the highest percentage of mortgaged residential properties in negative equity at 20.2 percent, followed by Phoenix-Mesa-Scottsdale, Ariz., (15.4 percent), Chicago-Naperville-Arlington Heights, Ill., (15.3 percent), Riverside-San Bernardino-Ontario in Southern California (12.3 percent) and Warren-Troy-Farmington Hills, Mich., (11.8 percent).

Of the same largest 25 CBSAs, Houston-The Woodlands-Sugar Land, Texas, had the highest percentage of mortgaged properties with positive equity at 98.1 percent, followed by Portland-Vancouver-Hillsboro, Ore.-Wash., (97.8 percent), Dallas-Plano-Irving, Texas, (97.8 percent), Anaheim-Santa Ana-Irvine, (97.5 percent) and Denver-Aurora-Lakewood, Colo., (97.5 percent).

Of the total $309 billion in negative equity, first liens without home equity loans accounted for $168 billion, or 54 percent, in aggregate negative equity, while first liens with home equity loans accounted for $142 billion, or 46 percent.

Approximately 2.6 million underwater borrowers hold first liens without home equity loans. The average mortgage balance for this group of borrowers is $239,000 and the average underwater amount is $64,000.

Approximately 1.7 million underwater borrowers hold both first and second liens. The average mortgage balance for this group of borrowers is $303,000 and the average underwater amount is $82,000.

The bulk of positive equity for mortgaged properties is concentrated at the high end of the housing market. For example, 95 percent of homes valued at greater than $200,000 have equity, compared with 87 percent of homes valued at less than $200,000.