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60% of mortgages on Stanislaus homes underwater

J.N. Sbranti
jsbranti@modbee.com
and Alex Veiga
The Associated Press

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Nearly 60 percent of Stanislaus County's homeowners with mortgages owe more than their property is worth, just-released statistics shows.

Underwater or upside-down loans are more than twice as prevalent in Stanislaus than nationwide.

CoreLogic data through June showed 59.6 percent, or 58,892, of Stanislaus' residential properties with a mortgage had negative equity. An additional 4.9 percent, or 4,875 properties, had less than 5 percent equity.

Nationwide, 23 percent of residential properties with mortgages were in negative equity, and an additional 5 percent had very little equity. Underwater mortgages represent about $2.9 trillion in mortgage debt nationwide.

The situation in San Joaquin County is particularly bad: 62.4 percent, or 80,505 residential properties there, had negative equity. An additional 4.1 percent, or 5,257 properties, had very little equity.

Data for Merced County was not available.

Five years of falling home values combined with longtime homeowner borrowing against home equity has left millions owing more on their homes than they are worth.

Negative equity is concentrated in five states: Nevada (68 percent), Arizona (50 percent), Florida (46 percent), Michigan (38 percent) and California (33 percent).

There were fewer upside-down mortgages this spring than last fall nationwide, but CoreLogic said the decline primarily was because of foreclosures, not housing market stabilization.

Besides driving foreclosures, negative equity reduces homeowner mobility. Since the peak in home sales in 2005, nondistressed sales have declined dramatically. CoreLogic said there is a clear relationship between the decline in nondistressed sales and negative equity.

"Negative equity continues to both drive foreclosures and impede the housing market recovery. With nearly 5 million borrowers currently in severe negative equity, defaults will remain at a high level for an extended period of time," said Mark Fleming, chief economist with Core-Logic, which analyzes financial and property information.

When a mortgage is underwater, the homeowner often can't qualify for mortgage refinancing and has little recourse but to continue making payments in hopes the property eventually will regain its value.

The slide in nationwide home prices began stabilizing last year, but prices are expected to continue falling in many U.S. markets because of still-high levels of foreclosures and near-double-digit unemployment.

That means homes purchased at the height of the real estate boom are unlikely to recover lost value for years.

Many late on payments

Faced with that situation, homeowners sometimes stop making payments and walk away from their homes in so-called strategic defaults. Others end up losing their homes to foreclosure because of missed payments, job loss or medical bills.

Through June, CoreLogic calculated 14.9 percent of Stanislaus homes with mortgages were more than 90 days late on payments.

Underwater mortgages also dampen home sales because homeowners who otherwise might sell their home refuse to take a loss or can't get the bank to agree to a short sale. Such short sales require a lender to allow a borrower to sell the property for less than the amount owed on the mortgage.

Since the foreclosure mess started in the fall of 2006, about 21,000 Stanislaus properties have been lost to foreclosure.

Bee staff writer J.N. Sbranti can be reached at jsbranti@modbee.com or 578-2196.

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Phone: (209) 578-2000.