Insufficient and Negative Equity

Lack Of Equity Impedes The Real Estate Market

Mark Fleming
Chief Economist

December, 2011
Negative Equity Highly Concentrated

Negative Equity Share, Q3 2011

• 10.7 million households
• Nearly $700 billion dollars of mortgage debt
• Top 5 states account for 5.5 million households, $329 billion dollars

US Average 22%
Twenty two Million Households Have “Insufficient” Equity

Distribution of Home Equity, Q3 2011

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Leverage and Property Type are Differentiating Characteristics

Negative Equity Share by Loan Characteristic, Q3 2011
Typically Negative Equity Loan is No Junior, SFR, Refinance, Owner Occupied

Number of Negative Equity Loans, Q3 2011

- 1st Only: 6,400,000
- 1st and Junior: 4,400,000
- Purchase: 4,000,000
- Refi: 5,400,000
- SFR: 9,300,000
- Condo: 1,200,000
- Owner: 7,100,000
- Investor: 1,300,000
Majority of Negative Equity Dollars in SFR, Refinance, Owner Occupied

Aggregate Dollar Value of Negative Equity, Q3 2011

Billions

- 1st Only
- 1st and Junior
- Purchase
- Refi
- SFR
- Condo
- Owner
- Investor

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Existence of Junior Liens Significantly Increases Negative Equity

Average CLTV By Price Tier and Leverage Type, Q3 2011

- 1st Only LTV
- 1st and Junior LTV

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Nine Million Negative Equity Households In 100K-400K Price Range

Number of Negative Equity Households by Price Tier, Q3 2011

Millions of Negative Equity Households by Price Tier:
- 0 to $100k
- $100k to $200k
- $200k to $300k
- $300k to $400k
- $400k to $500k
- $500k to $600k
- $600k to $700k
- $700k to $800k
- $800k to $900k
- $900k to $1M
- $1M+
Depth of Price Declines Eventually Caught Up With Non-Leveraged

Number of Negative Equity Households by Leverage Type, Q3 2011

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Negative Equity Risk Has Shifted to Owner Occupied Households

Number of Negative Equity Households By Occupancy Status, Q3 2011
Negative Equity Severely Restricts Refinancing Opportunities
Percent of Loans with Rates Above 5%, Q3 2011

<table>
<thead>
<tr>
<th>Current Combined LTV Segment</th>
<th>Positive Equity</th>
<th>Negative Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 80</td>
<td>55%</td>
<td>40%</td>
</tr>
<tr>
<td>80 - 85</td>
<td>60%</td>
<td>45%</td>
</tr>
<tr>
<td>85 - 90</td>
<td>65%</td>
<td>50%</td>
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<tr>
<td>90 - 95</td>
<td>70%</td>
<td>55%</td>
</tr>
<tr>
<td>95 - 97</td>
<td>75%</td>
<td>60%</td>
</tr>
<tr>
<td>97 - 100</td>
<td>80%</td>
<td>65%</td>
</tr>
<tr>
<td>100 - 110</td>
<td>85%</td>
<td>70%</td>
</tr>
<tr>
<td>110 - 125</td>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>125+</td>
<td></td>
<td>80%</td>
</tr>
</tbody>
</table>
Negative Equity Reduces Good Sales
Non-distressed sales volumes are lower for deeply indebted markets

Source: CoreLogic Q2 2011
Negative Equity Projection

When Marker Increases Past Zero = Positive Equity, Q1 2010 Projection


Atlanta-Sandy Springs-Marietta GA
Boston-Quincy MA
Cape Coral-Fort Myers FL
Dallas-Plano-Irving TX
Detroit-Livonia-Dearborn MI
Las Vegas-Paradise NV
Lancaster PA
Pittsburgh PA
Riverside-San Bernardino-Ontario CA
Washington-Arlington-Alexandria DC
Will Prices Ever Grow Again?
House Price Appreciation Expected to Turn Positive in 2013

Source: CoreLogic, Sept 2011
Depth and Duration of Housing Recessions

Significant current and past state level housing recessions

Cumulative Price Movement Since Inception of Price Decline

Source: CoreLogic, September 2011