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REALTY CHECK

with Diana Olick

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May.15
10:50 AM ET

Thursday, 15 May 2008

Homeowner "Walkaways": Are They Fact Or Fiction?

Posted By: [Diana Olick](#)

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There's a growing debate in the real estate community concerning the phenomenon of homeowner "walkaways": Borrowers who can afford their mortgages, but decide to stop making their monthly payments because their home is now worth less than the value of their mortgage.

Some are even calling it "jingle mail" because of the sound your keys supposedly make when you mail them back to your lender. Do these borrowers really represent a meaningful percentage of today's foreclosure numbers?

There is no real hard data yet, but analysts, bankers and even government types like Treasury Secretary Henry Paulson are warning about the supposed new trend. There was a fascinating article in the Financial Times back on January 31st that discussed the new mindset of today's borrowers: "...it has become culturally more acceptable this decade for people to abandon houses or stop paying in the hope of renegotiating their home loans. The shame that used to be associated with losing a house may, in other words, be ebbing away."

An article in the LA Times last Sunday points out that the numbers are "hard to quantify," and not even the [Mortgage Bankers Association](#) can produce any figures. That's why some call it an urban legend, perpetuated by all sorts of folks who rejoice in scaring everyone about the housing market.

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Some would argue that your car loses value the minute you drive it all the lot, but millions of Americans happily continue to make car payments because they

need to drive. Same thing with your house, because you need somewhere to live. I put that scenario to Rick Sharga, an exec with online foreclosure sale site RealtyTrac.com:

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LOAN TYPES	RATE	LAST WEEK	APR
30 yr fixed	5.76%	▲	5.91%
30 yr fixed jumbo	7.05%	▲	7.15%
15 yr fixed	5.35%	▲	5.57%
15 yr fixed jumbo	6.49%	▲	6.69%
5/1 ARM	5.20%	▲	5.46%
5/1 jumbo ARM	6.07%	▲	5.71%

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You're not paying 3k a month for your car – and you're not locked into that contract for the next 30 years – it's a little different scenario. And when you start layering in the fact that that house that you bought 3 years ago for \$1,000 a month is now costing you \$3k a month, and it's worth 100k less than you paid for it – the dynamics change a little bit. People don't look at a car the way they look at a house.

You could argue, however, that homeowners who can afford to keep their homes, even when the value has depreciated, wouldn't want to ruin their credit ratings by walking away. But then you see a company like **Youwalkaway.com**, which opened up this year to counsel borrowers on how to restore their credit. It's apparently gaining customers.

If it's true, and people are walking away from homes they can afford just because they're worth less on paper, then that says something pretty disappointing about American sentiment today, that is: A lot of folks don't think homes are going to regain their lost value anytime soon.

REALTY CHECK POLL

Are homeowner "walkaways" fact or fiction?

- Fact
- Fiction
- Not sure

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Current Housing Indicators

	CURRENT		PREVIOUS
Existing Home Sales	5.03m	▲	4.89m
New Home Sales	590,000	▼	601,000
Housing Starts	1.065m	▼	1.071m
Building Permits	978,000	▼	1.061m
HMI	20	UNCH	20
Existing Home Prices	\$195,900	▼ (annually)	\$213,500
New Home Prices	\$244,100	▼ (annually)	\$250,800

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SYMBOL	LAST	CHANGE	% CHANGE
BZH	8.15	▲ 0.01	+0.12
CTX	21.81	▼ -1.26	-5.46
DHI	14.32	▼ -0.69	-4.6
HOV	8.88	▼ -0.24	-2.63
KBH	23.15	▼ -1.34	-5.47
LEN	18.83	▼ -0.49	-2.54
MTH	18.78	▼ -1.12	-5.63
PHM	13.62	▼ -0.64	-4.49
RYL	31.81	▼ -1.21	-3.66
TOL	23.15	▼ -1.25	-5.12

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