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4 in 10 Homeowners Would Consider Walking Away from Under Water Mortgage

By Paul Owers May 20, 2010 12:01 PM

More than 40 percent of homeowners with a mortgage say they would consider abandoning an "underwater" property, according to a national online survey released Thursday. The study conducted this month by Harris Interactive for real estate firms Trulia and RealtyTrac touched on a topic that affects many South Floridians.

More than 371,000 homes in Palm Beach, Broward and Miami-Dade counties were worth less than the mortgage amount at the end of the first quarter, Zillow.com said recently.

Pete Flint, chief executive of Trulia, said on a conference call with reporters he "absolutely expects" more homeowners to walk away in the coming years as the stigma of foreclosure fades.

This is the fifth such survey of consumer attitudes since 2008, but the first time questions about underwater mortgages were included, Flint said.

Because South Florida home prices have fallen by more than 40 percent since the peak of the housing boom in 2005, underwater borrowers here may have to stay put for a decade or more until they can break even in a sale, housing experts say.

Some of these homeowners say they're unwilling or unable to wait that long.

RealtyTrac executive Rick Sharga said many borrowers are disgusted with their lenders, feeling as though the banks are "stonewalling" their attempts to seek mortgage modifications and stay in the homes.

"There's a lot of visceral anger at the banks right now," Sharga said, adding that there may be fewer people walking away from homes if they felt lenders were negotiating in good faith.

Lenders insist they are, pointing to the mortgage modification offices they've set up across the country to help borrowers who can demonstrate actual need.

"With people who can afford their payments but their home is worth less than what they owe, that is not considered a hardship," said Nancy Norris, a spokeswoman for banking giant Chase.

Sharga says the nation's housing market is in the process of a "long, slow, relatively flat recovery that probably won't feel much better until about 2013."

The Mortgage Bankers Association issued a report Wednesday that sent mixed signals about delinquencies and foreclosures. Some figures indicating a drop in the rate of distressed loans weren't seasonally adjusted, but other numbers that were adjusted showed minor increases in late payments.

Jay Brinkmann, chief economist for the trade group, said in a statement that Florida is getting worse when it comes to delinquencies and foreclosures.

Meanwhile, Sharga and Flint said lenders are doing a good job of managing inventories of foreclosed homes.

RealtyTrac has as many as 800,000 bank-owned homes in its database, but less than 30 percent are for sale. Gradually putting those on the market helps prevent major price declines, Sharga said.