



03/17/2010

More homeowners consider walking away

According to an article published by the Los Angeles Times today more and more homeowners are considering "strategic defaults" instead of paying their mortgages. Almost a quarter of all U.S. mortgages are "underwater", meaning the owners owe more than the property is worth. This trend is forcing homeowners to reconsider their commitment to continue paying their mortgages.

Brent T. White, a law professor at the University of Arizona, recently published a paper that explores these occurrences. "There is a growing sense of anger, a growing recognition that there is a double standard if it's OK for financial institutions to look after themselves but not OK for homeowners," he recently said.

A recent study by the Kellogg School of Management at Northwestern University found that homeowners are more willing to voluntarily default on their loans if someone they know has already done so. Additionally, research from First American CoreLogic indicates that homeowners consider walking away once the value in their homes have dropped 25 percent less than the value of their debt.

Homeowners who want to stay in their homes run the risk of keeping their underwater mortgages for years while the struggling housing market attempts to recover.