

Home equity slips below 50%

Federal Reserve says homeowners' debt on their houses exceeds their equity for the first time since 1945.

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NEW YORK (AP) -- Americans' percentage of equity in their homes has fallen below 50 percent for the first time on record since 1945, the Federal Reserve said Thursday. Homeowners' percentage of equity slipped to a revised lower 49.6% in the second quarter of 2007, the central bank reported in its quarterly U.S. Flow of Funds Accounts, and declined further to 47.9% in the fourth quarter - the third straight quarter it was under 50%. That marks the first time homeowners' debt on their houses exceeds their equity since

the Fed started tracking the data in 1945.

The total value of equity also fell for the third straight quarter to \$9.65 trillion from a downwardly revised \$9.93 trillion in the third quarter.

Home equity, which is equal to the percentage of a home's market value minus mortgage-related debt, has steadily decreased even as home prices jumped earlier this decade due to a surge in cash-out refinances, home equity loans and lines of credit and an increase in 100% or more home financing.

Economists expect this figure to drop even further as declining home prices eat into the value of most Americans' single largest asset.

Moody's Economy.com estimates that 8.8 million homeowners, or about 10.3% of homes, will have zero or negative equity by the end of the month. Even more disturbing, about 13.8 million households, or 15.9%, will be "upside down" if prices fall 20% from their peak.

The latest Standard & Poor's/Case-Shiller index showed U.S. home prices plunging 8.9% in the final quarter of 2007 compared with a year ago, the steepest decline in the 20-year history of the index. ■