



First American CoreLogic's Negative Equity Data Report

(as of September 30, 2008)

Overview:

The First American CoreLogic Negative Equity Report is the industry's first state-level assessment of negative equity estimates for all single-family residential properties in the U.S. The data includes nearly 42 million properties that have a first and/or second mortgage, which account for over 80% of all mortgages in the US. The first report looks at negative equity and near-negative equity as of September 30, 2008. First American CoreLogic will update this report on a quarterly basis.

Summary of findings:

- Over 7.5 million mortgages or 18% of all properties with a mortgage were in a negative equity position as of the end of September 2008. There are an additional 2.1 million mortgages that are approaching negative equity. These are defined as mortgages within 5% of being in a negative equity position. Negative-equity and near-negative equity mortgages combined account for over 23% of all properties with a mortgage.
- The distribution of negative equity is heavily skewed to a small number of states. Nevada and Michigan have the highest percentages of negative equity - Nevada led the nation with an estimated 48% and Michigan was second with 39%. Five other states have negative equity shares in excess of 20%: Florida (29%), Arizona (29%), California (27%), Georgia (23%), and Ohio (22%).
- The top 6 states in terms of negative equity account for over 58% of all negative equity mortgages, although they only account for 36% of all mortgages. The average negative equity share among the top 6 states is 29% compared to 18% for the US overall.
- Excluding the top 6 states reveals that the remaining states' average negative equity is 12%, well below the national average. New York contains the lowest share of mortgages in negative equity at 4%, followed closely by Hawaii (6%), Pennsylvania (6%) and Montana (7%).
- The states with high negative equity shares tend to fall in three groups. The first group is composed of states that experienced a rapid housing-price boom and speculative investments and are now experiencing rapid price depreciation. These states include Nevada, Arizona, California and Florida. The second group is made up of Midwestern states, such as Michigan and Ohio, that have experienced manufacturing-driven economic stagnation and have had distressed housing markets for some time. A third group is emerging: Southern states that did not necessarily experience a large housing boom, but have higher negative equity rates than the majority of states. These include Texas, Georgia, Arkansas, and Tennessee.



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Methodology:

First American CoreLogic used its industry-leading public record data as the source of the mortgage debt outstanding (MDO), and includes first mortgage liens and junior mortgage liens in order to capture the true level of mortgage debt outstanding for each property. The current value was estimated by using First American CoreLogic's Automated Valuation Models (AVM). Certain data was filtered to exclude properties outside of AVM accuracy confidence levels.

The amount of equity for each property was determined by subtracting the property's estimated current value from the mortgage debt outstanding. If the mortgage debt was greater than the estimated value, then the property is in a negative equity position.

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