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Owners clueless about home equity: Study

Despite three years of solid recovery in home prices, a surprising number of homeowners don't realize what they've gained.

Most underestimate what their home is worth and, consequently, the amount of home equity that they could draw upon. **Even more striking**, just more than half of homeowners with a mortgage don't expect to gain any equity in 2016, despite rising home prices. It may be why home equity lines of credit are far less popular today than they were even before the housing boom.

"Homeowners who bought during the housing boom are regaining equity many thought was lost forever, yet too many are not aware of the equity they have gained or they are unclear about how to determine changes in their equity," said Bryan Sullivan, chief financial officer at loanDepot, an independent, nonbank lender.

Fifty-seven percent of homeowners said they believe their home value has improved in the last three years, but the majority, **80 percent**, underestimated the amount of value it has gained, according to a new survey conducted by Omniweb and commissioned by loanDepot. The survey was based on interviews with 1,000 borrowers, split evenly between men and women.

More than a quarter of those surveyed, who do believe their homes have gained value, said it had increased between 1 and 5 percent since 2013. While that may be the case in certain local markets, nationally home values have gained **about 10 percent** in that time, according to the S&P/Case Shiller Home Price Index.

This misperception may be behind a still **very low volume** of new home equity lines of credit. These second loans allow borrowers to draw from their home equity, beyond their primary mortgages, much like a checking account. A recent survey by TD Bank found just 9 percent of borrowers surveyed would definitely consider applying for a HELOC. Sixty-one percent would not consider it at all.

During the first three quarters of 2015, lenders originated **976,000 new HELOCs**, the most since 2008, but dollar volumes are still barely a third of what they were at the last peak in 2005, according to a new report from CoreLogic.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

Those who are taking money out of their homes are doing so at a very conservative rate. Total home equity nationwide has increased by **nearly \$1 trillion** in just the last year, the highest since 2007, according to Black Knight Financial Services; borrowers, however, are not tapping it. Those who are taking out home equity lines of credit, are not withdrawing as much cash from their homes as is available to them.

	Value	Change
Builder Confidence	51	+6.25%

"There is no question that HELOCs being originated today are of **exceptional credit quality**," said Ben Graboske, Black Knight Data & Analytics senior vice president. "In fact, HELOC originations in Q1 2015 had the highest weighted average credit score on record. In addition, HELOC delinquency rates are at the lowest level since April 2007."

The epic housing crash of the last decade has divided perceptions among borrowers as well. Those who purchased a home after the crash (2009 and beyond) are more inclined to believe their home values have gone up. Those who weathered the crash are less. Newer buyers are also more bullish on the prospects for their home values over the next year than those who lost considerable equity during the housing crash.