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Insurance.com Shows States with Most and Least Underwater Homes

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Midwestern and southern states top charts in 2020 as having most upside-down mortgages

Foster City, CA – December 15, 2020 – PRNewswire – Insurance.com releases a new study detailing the states (and counties) where the largest percentage of upside-down mortgages exist.

The new research, Underwater or upside-down mortgages: What you need to know, highlights five states with the most and least underwater homes and discusses what homeowners should know about the phenomenon.

"In difficult times, many homeowners face mortgage challenges, possibly through no fault of their own," explains Michelle Megna, editorial director for Insurance. "Though the pandemic has caused many challenges, underwater mortgages existed before the pandemic; 4.5 million Americans were upside-down on their mortgages in 2018."

Five states with the highest percentage of underwater homes:

- Louisiana: 19.3%
- Illinois: 15.6%
- Iowa: 15.5%
- West Virginia: 14.3%
- Arkansas: 13.8%

Five states with the lowest percentage of underwater homes:

- Vermont: 2.6%
- Nevada: 3.3%
- Hawaii: 3.4%
- Washington: 3.6%
- District of Columbia: 3.8%

The report includes an interactive map enabling readers to view the counties with the highest percentages of seriously underwater homes within each state. Readers can also enter their state and county into a convenient tool to discover the percentage of underwater homes in their area of interest.

A variety of factors cause homeowners to owe more than their home is worth. Understanding them and how to avoid them is essential. Common causes of upside-down mortgages include:

- Housing market bubble burst: There is no guarantee that a home will appreciate. When a home purchase is made during a period of above average price growth (bubble), followed by a sharp drop (burst) in home prices, homeowners can be left with mortgages higher than their home's current value.
- Low/No down-payment loan: While great for aspiring homeowners with little money in the bank, these loans don't accelerate building equity.
- Missed payments: Financial consequences of missing payments can compound, ultimately increasing a mortgage's principal balance.
- **Excessive refinancing or borrowing against the home:** Money in hand now means a reduction in equity.
- **Location:** A decline in the local economy or neighborhood can cause a reduction in property value. Insurance combined 2020 data to create a tool to show locations with the most and least underwater homes.

"When underwater on a home, the best thing to do, when possible, is to stay put and pay down the mortgage," adds Megna.

It's also important to prevent damage and destruction while paying down the mortgage. Consider the impact on home insurance. While the insurance company only insures the house for the replacement value based on the current market, if a homeowner is upside-down, the insurance payout may not cover the full amount owed to the bank in the event of a major loss, such as fire or tornado.

For those unable to stay in the home, it's advised to speak to a lender about a short sale before facing bankruptcy or foreclosure.

Methodology

Throughout 2020, Insurance commissioned quarterly surveys of counties with at least 2,500 properties with mortgages derived from publicly recorded mortgage and deed of trust data. Seriously underwater homes are defined as having a loan to value ratio of 125% or higher, meaning the property owner owed at least 25% more than the estimated market value of the property.

Megna is available to elaborate on this research and answer questions about home insurance options for those with underwater mortgages.

About Insurance

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