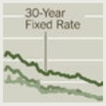
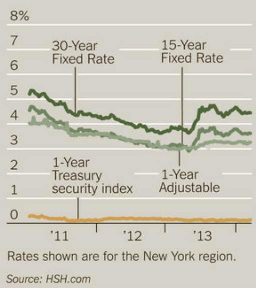


REAL ESTATE

House Payments a Priority Again

MARCH 27, 2014



	Week ended:	N.Y.	N.Y. CO-OPS	N.J.	CONN.
30-YEAR	**March 21**	**4.45%**	**4.41%**	**4.42%**	**4.33%**
	March 14	4.46	4.35	4.43	4.36
15-YEAR		**3.62%**	**3.55%**	**3.46%**	**3.46%**
		3.63	3.54	3.50	3.49
ADJUSTABLE		**3.26%**	**N.A.**	**2.89%**	**2.48%**
		3.26	N.A.	2.89	2.48

INDEX FOR ADJUSTABLE RATE MORTGAGES 1-year Treasury rate	*Week ended* **March 21**	**0.14%**
	March 14	0.12

Rates on most adjustable mortgages are set 2 or 3 percentage points above this index.

The New York Times

Mortgages

By LISA PREVOST

The recession turned the typical consumer debt hierarchy upside down: Faced with unemployment and plummeting home values, consumers began paying down their credit cards ahead of their mortgages.

This unusual pattern lasted for five years, according to a new study from TransUnion, a credit information service based in Chicago. As of September 2013, however, the trend had reversed. In a more normalized market, consumers are once again putting the mortgage before the credit card bill.

The findings contradict conventional wisdom that consumers will always put their mortgage first, said Ezra Becker, TransUnion's vice president for research and consulting. But it took the extraordinary circumstances of a housing-market collapse and a prolonged recession to shift these debt priorities.

The study examined the spread between the 30-day delinquency rates for both mortgages and credit cards over the last decade. In September 2004, the first year of the study, the mortgage delinquency rate of 1.26 percent was a whole percentage point lower than the credit card delinquency rate. In September 2008, however, as economic conditions deteriorated and delinquencies rose, the default pattern flipped. The mortgage default rate rose to 3.32 percent, surpassing the credit card rate of 3.29. A year later, the gap widened.

The flip was closely correlated with home price depreciation, according to Mr. Becker. "When peoples' home values go underwater," he said, "they are much less likely to pay that loan."

The shift was most pronounced in areas hardest hit by the mortgage crisis — in Chicago, for example, the flip occurred in June 2008, and things have yet to revert to normal. But in Dallas, where housing was more stable, the flip didn't come until 2011, and it only lasted a little over a year.

Factors contributing to the shift in patterns included the high unemployment rate and the length of joblessness, Mr. Becker said. Consumers who were worried about cash flow needed to remain in good standing with their credit card companies, in order to maintain some liquidity.

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The stigma attached to mortgage delinquency also eased somewhat, so that stopping payment began to seem more of a business decision, at least to some consumers. For borrowers who considered their house an investment, not paying the mortgage when the house's value dipped below the mortgage balance was a way of cutting their losses, Mr. Becker said.

Tracy Becker, the president of North Shore Advisory, a credit repair company in Tarrytown, N.Y., agreed that "the level of what's acceptable clearly changed during that period." But, she added, mortgage lenders also helped fuel the higher rate of default. "Many people who needed a loan modification or a short sale had to be late on their payments for the bank to even talk to them about their mortgages."

As of December 2013, the delinquency rate had dropped back down to 1.7 percent, a reflection of improving conditions.

According to CoreLogic, a residential property information service, roughly 6.5 million homes were still underwater at the end of last year, about half the number at the peak of "negative equity" in 2009.

The TransUnion study also tracked another payment pattern that has remained remarkably consistent over the last decade: In both good times and bad, consumers have paid their auto loans ahead of both mortgage and credit card.

Mr. Becker reasons that people forced to choose between paying the mortgage and paying the auto loan knew that if they lost their homes, they could probably rent. But the alternative to owning a car is public transit, which may not be an option outside of major metropolitan areas.

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