Chicago has largest share of homeowners underwater on mortgages

Chicago more vulnerable to new foreclosures than other big cities
As the COVID-19 crisis dawned, the Chicago area had the largest share among 20 major cities of homeowners who were far underwater on their mortgages.

DENNIS RODKIN
Among big U.S. metro areas, Chicago may be the most vulnerable to a new round of foreclosures and homeowners walking away from their mortgages in the aftermath of the COVID-19 crisis.

Slightly over 10 percent of homeowners with a mortgage were seriously underwater on that debt at the end of the first quarter, according to data released May 7 by Attom Data Solutions, a property information service.

That’s the largest of any big metro area’s proportion of homeowners who entered the current crisis already in a delicate position on homeownership. In 14 of the 20 largest metro areas, the figure is less than 5 percent, and the only big metro that approaches Chicago’s rate is Philadelphia, where 8 percent of mortgage holders are seriously underwater.

In Attom’s terminology, “seriously underwater” means homeowners owe at least 25 percent more on the property than it’s worth on the market.

With tens of millions of Americans unemployed or taking sharp cuts in income, those who have no equity in their homes might choose to let the property fall into foreclosure, or to do a “strategic default,” abandoning the property and mailing the keys to the lender.

At the end of the first quarter, more than 189,000 Chicago-area property owners were seriously underwater, according to Attom. That’s more than the combined total of all the seriously underwater mortgages in the nation’s two largest metros, New York (119,646) and Los Angeles (42,053).
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