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# Equifax Study Reveals Impact of Shadow Inventory and Real Estate Owned Properties on Economic Recovery

ATLANTA, June 30, 2011 /PRNewswire/ -- Despite steady gains in key industry sectors, the nation's housing market continues to exert pressure on the overall rate of economic recovery. While financial conditions across multiple financial sectors suggest economic stabilization and growth, delinquencies still exceed pre-recession levels due to continued turbulence in the mortgage marketplace, according to Equifax (NYSE: **EFX**) national credit trend research for May 2011.

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Slowing today's economic recovery are the challenges posed by high shadow inventory levels, which are contributing to the continued rise of severe mortgage delinquencies and write-offs. According to Equifax research, write-off dollars for home finance, which includes first mortgage and home equity installment loans as well as home equity revolving accounts, are still climbing and have yet to show signs of peaking. In fact, home finance write-offs reached $304.6 billion in 2010 compared to a combined total of$126.7 billion for 2006 and 2007.

Equifax data shows that severe delinquencies among these loan vintages have remained nearly constant since the first quarter of 2010. Further analysis reveals that as of May 2011 there are approximately $319.7 billion in 2006 and 2007 first mortgage vintages that are in the initial foreclosure process - many of which may be written off.

Real estate owned (REO) properties represent another roadblock to recovery. According to Equifax, first mortgage REO rates remain high as lenders struggle to divest of properties unsuccessfully sold through a short sale or foreclosure auction. While various factors over the last few years have led to fluctuations in the number of REO properties, REO rates since March 2011 are on the rise and causing continued economic strain. Equifax data shows that in May 2011:

- -- Three percent of all U.S. first mortgages representing $21.8 billion were REO properties.
- -- Foreclosure complete rates of 1.45 percent were almost in lock step with bankruptcy rates of 1.6 percent - suggesting that the majority of REO properties are the result of bankruptcy proceedings.

"Shadow inventory and real estate owned properties are still playing a dominant role in today's mortgage market and slowing the pace of economic recovery. While we are seeing stabilization across multiple sectors of lending, there remains a significant volume of delinquent first mortgage loans, which has slowed the foreclosure process. Until these foreclosures are processed, the mortgage market will continue to impact economic growth," said Craig Crabtree, senior vice president and general manager, Equifax Mortgage Services.

Equifax's national analysis is sourced from data on more than 585 million consumers and 81 million businesses worldwide. Conducted on a monthly basis, the research provides detailed levels of consumer credit information from various vertical markets including, bank and retail credit cards, mortgage, automotive, student loans and bank and retail cards. Additional findings from the most recent mortgage analysis include:

-- Almost two-thirds of past-due balances are sourced from loans originated from 2005 to 2007, with home equity revolving potential foreclosures totaling $11.9 billion in May 2011.
-- Even though first mortgage 30+ delinquency rates hit a pivot point in March 2010, roll rates continue to rise on 60 to 90+ balances - suggesting minimal improvement in first mortgage payment performance.
-- While home equity line originations in March 2011 increased for the first time in four years, the average credit limit on a home equity line dropped 15.07 percent over the same time period.
-- Home equity line of credit given to prime borrowers totaled $6.4 billion in March 2011 - more than 98 percent of the $6.5 billion in new home equity loans awarded during this time period. Sub-prime loans accounted for only $100 million of this total - reflecting the impact of tighter underwriting strategies.

**About Equifax, Inc.**

Equifax is a global leader in commercial and consumer information solutions, leveraging one of the largest sources of business credit intelligence, portfolio management, income, employment and wealth verification, identity authentication/fraud detection and marketing demographic data worldwide.

Through its unique data and analytical insights, powered by proprietary technology, Equifax delivers customized, high-value decisioning solutions to more than 4.4 billion accounts in 81 million businesses and provides millions of individual consumers with information and services to support management of their personal credit information and protection of their identity that are vital to their financial well-being. Headquartered in Atlanta, Ga., Equifax Inc. spans four continents and 16 countries, is a member of Standard & Poor's (S&P) 500® Index and its common stock is traded on the New York Stock Exchange under the symbol EFX. For more information, please visit www.equifax.com.

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