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Bucks

Making the Most of Your Money



January 27, 2010, 11:57 am

Should You Walk Away From Your Mortgage?

By [JENNIFER SARANOW SCHULTZ](#)

The New York Times has run a couple of [articles](#) in recent weeks about whether it makes sense to walk away from a mortgage that is bigger than the house is now worth. In a recent paper cited in an article on Sunday, “[Underwater, but Will They Leave the Pool?](#)” a University of Arizona law professor, Brent White, explained how the vast majority of underwater homeowners continue to make mortgage payments even if it might make more financial sense for them to strategically default and walk away.

One reason is that figuring out whether to stay or walk requires calculations too complicated and time consuming for the average homeowner to perform. ([View the paper](#) to see the calculations.)

For those who don’t want to do the calculations themselves, the online “[Does It Make Financial Sense To Walk Away & Rent?](#)” calculator at [YouWalkAway.com](#) can help.

Just enter in your home’s value, what rent you would pay for a comparable home, your annual mortgage tax savings, your housing debt and mortgage interest only payment, how long you plan to stay in your home and expected depreciation or appreciation of your home, among other figures. To estimate your home’s value, the site [Zillow.com](#) and this [Home Price Calculator](#) can help. To estimate depreciation or appreciation, the average of how much your property would go up or down over the designated years you would plan on staying in the home, you may want to stick with the historical appreciation rate of around 3 to 4 percent, Professor

White said.

The calculator will then tell you how much you'll save or lose by walking away. You'll need to decide whether the savings, if any, are worth walking away. In making your decision, you may also want to consider foreclosure costs and the impact on your credit as well as other factors in the equation.

According to Professor White, even if it would make financial sense to walk away, many people don't because of emotional constraints, including the desire to avoid shame and guilt as well as an exaggerated fear of the consequences of foreclosure — emotions encouraged by everyone from the government to the media. “This moral norm is perpetuated by all kind of institutions and individuals,” Professor White said.

How much would you save or loss if you walked away? Will you stay or walk?

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New Smyrna Beach, FL

January 27th, 2010

9:15 am

Corporations seem to have no qualms walking away from their multi-million/billion-dollar obligations as a normal part of business.

Since they have now been accorded the same rights as humans, it only makes sense that we humans have no qualms about walking away from our obligations.

I really don't see the difference.

The banks don't care about their customers, why should customers care about their banks?

Go find your bonuses somewhere else, you greedy fools.

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Arkansas

January 27th, 2010

9:39 am

I wish I lived in a non-recourse state. The best strategy I have seen is when people in California bought another house in their neighborhood at half price and then their first house go into foreclosure. Utterly brilliant.

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[Chris](#)

USA

January 27th, 2010

9:44 am

Were I hypothetically in such a situation, it'd take only modest savings to make me walk away were it only myself and my wife. With a family however, it would take substantial savings to make me walk away.

Either way, I see no moral imperative to stay.

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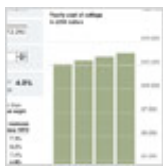
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