Sink or swim? Whether to strategically default on a home loan

As homeowners are being consumed by the negative equity trend inverting the value of their assets, the number of people choosing to *walkaway* from their underwater properties is on the rise. Those choosing to **walkaway** or **strategically default** (read: voluntarily default on their home loan when they have the means to pay) account for nearly one out of every four defaults in California today.

An irrational social stigma has long been cast on individual wage earners who default on a loan. Not so for investors or businessmen or corporate officers who default, as they are considered to be acting rationally and in their best interests. While shame and embarrassment have traditionally been tied to wage-earning individuals who have been unable to pay off their debts, these societal labels devised wholly by lenders need to be ignored given the negative equity circumstances experienced by over 35% of California homeowners.

The concept of a homeowner walking away from an underwater property that is burdened with a purchase-assist loan in excess of the property's current fair market value (FMV) is pragmatic and logical – these are non-recourse no liability loans for just this reason. In California alone, over 35% of all homeowners are making mortgage payments on an underwater property with very little chance of building a positive equity within the next ten to fifteen years, or longer.

Homeowners should consult with their real estate agent and discuss their home's value and mortgage situation instead of growing depressed as they watch their hard-earned money – money that could be used to rent a comparable property for half or even a third of the mortgage payment – become consumed month after month by a nonperforming asset – their home.