

# The Negative Equity Timeline

## *Brief Description of Methodology*

The following chart presents household incidence and age group distribution of negative equity over the past 16 years. Each value represents a mean from one or more regional samplings rounded to the nearest percent.

The source data is derived from consumer survey research qualifiers of household respondent's incremental declaration of income, fair market value of assets, secured debt and unsecured debt. The incidence figure represents only those households in which the increment of debt exceeds the increment of assets by an amount equal to or greater than the increment of annual household income. The aggregate represents over 7,000 US households and 30 separate samplings conducted between 1981 and 1996.

## *Key findings from analysis:*

The incidence of negative equity in the 35-54 boomer segment has reduced from a peak of 9% in 1992 to a current level of 5%. Nothing in our data, however, suggests that this is a result of debt reduction. Rather it appears to be the result of increased valuation of assets and, specifically, the respondent's valuation of securities and investments.

Relating to increases in negative equity in the 18-34 category. This is predominantly the result of increases in levels of unsecured debt. Those in the 18-34 category with high levels of secured debt (ie. homeowner/mortgagees) appear to be less representative of the negative equity index.

This is in sharp contrast to the 35-54 group where a preponderance of those who fall into a negative equity classification are homeowners.

Food for thought.

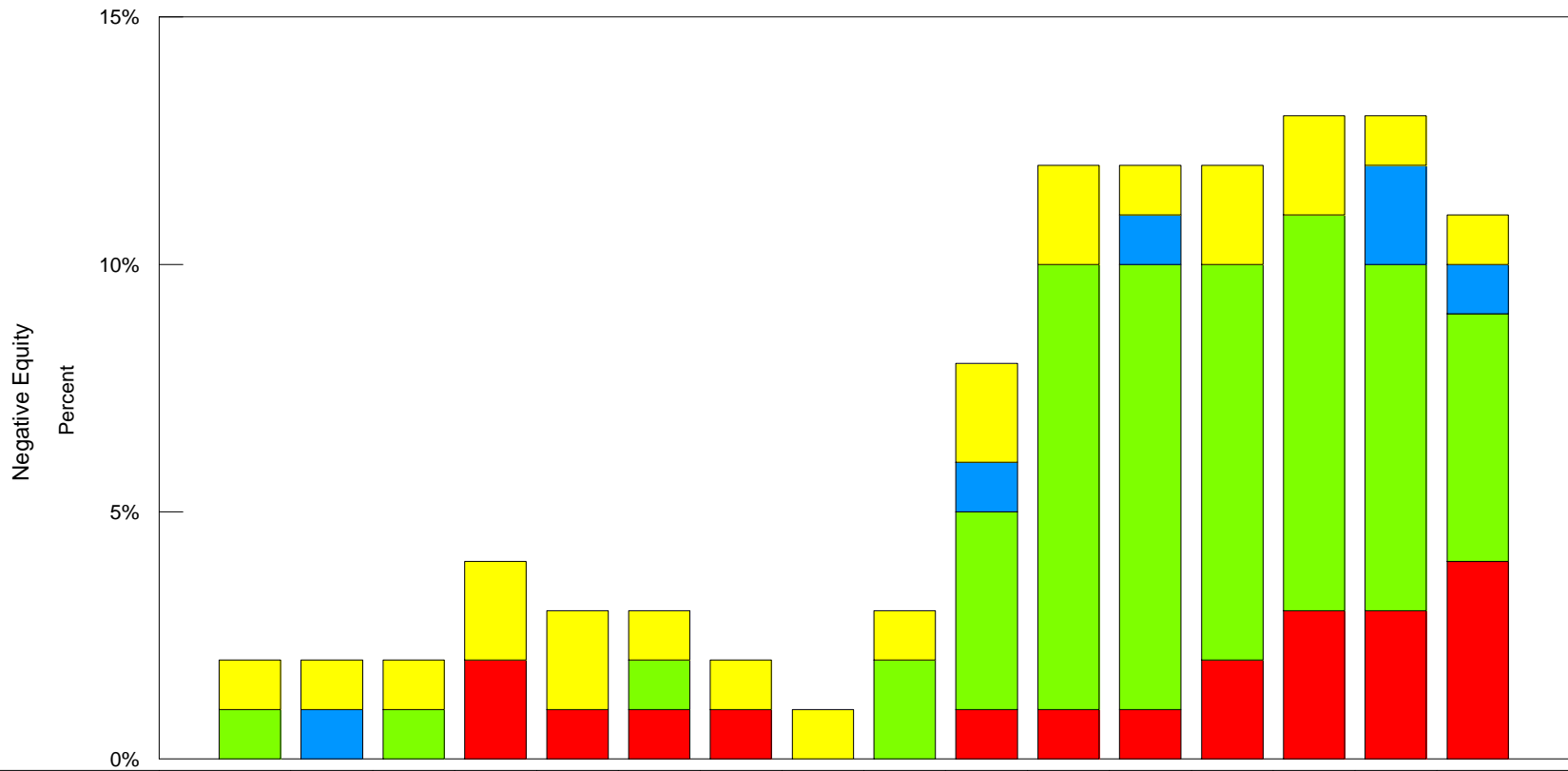
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# US Domestic Negative Equity Households

1981 through 1996



| Age Group/Year | 1981  | 1982  | 1983  | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 18-34          |       |       |       | 2.00% | 1.00% | 1.00% | 1.00% |       |       | 1.00% | 1.00% | 1.00% | 2.00% | 3.00% | 3.00% | 4.00% |
| 35-54          | 1.00% |       | 1.00% |       |       | 1.00% |       |       | 2.00% | 4.00% | 9.00% | 9.00% | 8.00% | 8.00% | 7.00% | 5.00% |
| 55-64          |       | 1.00% |       |       |       |       |       |       |       | 1.00% |       | 1.00% |       |       | 2.00% | 1.00% |
| 65+            | 1.00% | 1.00% | 1.00% | 2.00% | 2.00% | 1.00% | 1.00% | 1.00% | 1.00% | 2.00% | 2.00% | 1.00% | 2.00% | 2.00% | 1.00% | 1.00% |

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