

For the Young, Giving the House 'Back to the Bank' Is No Biggie

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By Dawn Wotapka

The housing crash has come to this: With so many Americans owing more than their homes than they're worth - in some cases hundreds of thousands of dollars - more are debating walking away, or halting payments they can afford and waiting for foreclosure.

Statistics don't exist because no one declares their reasons for walking away, but [a handful of papers](#) have suggested that there's something to the anecdotal reports about borrowers "strategically" defaulting on their mortgages.

A top industry consultant suggested today during a meeting with Developments that such defaults may be more common with the younger set (under 30) that didn't grow up with the pay-your-mortgage-before-everything-else mentality. This generation is more likely to view owning simply as an investment, says John Burns, president of John Burns Real Estate Consulting. Culturally, "it's more acceptable than it was" during previous downturns, he says.

Indeed. A few months ago in Las Vegas, I met a 26-year-old man who said that in 2007, he put no money down for a \$250,000 loan that got him a 1,400-square-foot, four-bedroom home in Northwest Las Vegas. When he spotted a nearby home with the same floor plan-but with a pool and guesthouse - for \$100,000, he moved out in January and gave it "back to the bank."

"Why would I keep paying on a \$250,000 loan?" he asked. "I would not ever buy a house again." (We tried to follow up with this guy, but his number had been disconnected.)

Think about it: If you're young and unattached, relocating into a rental isn't that big of a deal. And it may be another seven years before you're ready to buy again—by then the [black-mark is off your credit score](#). But families have to think about children in local schools, and community ties are more important. For them, a monthly mortgage similar to rent might make staying put - and not having to move an entire household - more logical.

But, should housing prices continue to fall, things could change. Last month, we told you about a professor who argues it's OK to [walk away](#).

"Homeowners should be walking away in droves," Brent T. White, an associate professor of law at the University of Arizona, wrote in a discussion paper. "The real mystery is not—as media coverage has suggested—why large numbers of homeowners are walking away, but why, given the percentage of underwater mortgages, more homeowners are not."

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