Home values help owners

More are able to use equity from property

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More American homeowners will be able to use their properties as cash machines again after real estate equity jumped last year by the most in 65 years.

Property owners recaptured $1.6 trillion as home values climbed to the highest levels since 2007. The amount by which the value of the houses exceeds their underlying mortgages rose to $8.2 trillion last year, a gain of 25 percent, according to Federal Reserve data.

An expanding group of homeowners is able to get cash from their properties as banks show more willingness to make home equity loans with the market's recovery. Originations for so-called junior, or second, mortgages should rise 10 percent to almost $83 billion this year, from about $75 billion in 2012, said Shaun Richardson, a vice president at Icon Advisory Group, a mortgage analytics firm in Greensboro, N.C. About 6 percent of lenders eased equity-mortgage standards at the end of 2012, the most in 18 months, according to the Fed.

"Lenders are starting to come back into the marketplace," said Greg McBride, a senior financial analyst at Bankrate. "We're not going back to the wild Wild West we saw during the real estate boom, but we are going to see more people spending their equity."

Americans went on a spending spree in the five years before the 2006 peak of the real estate market, tapping about $800 billion of their rising equity to spend on everything from cars and televisions to debt consolidation and college tuition.

At the beginning of the financial crisis in 2008, close to $1 trillion of the loans were outstanding at U.S. banks and credit unions, an all-time high, according to the Fed. In the housing crash that followed, banks wrote off, or declared worthless, about $251 billion of home equity loans, according to the Federal Deposit Insurance Corp.

The year-old real estate recovery is helping to ease defaults.