

**Research Into Home Equity  
Lending In Texas:  
A Survey Of 1,201 Texas  
Homeowners**

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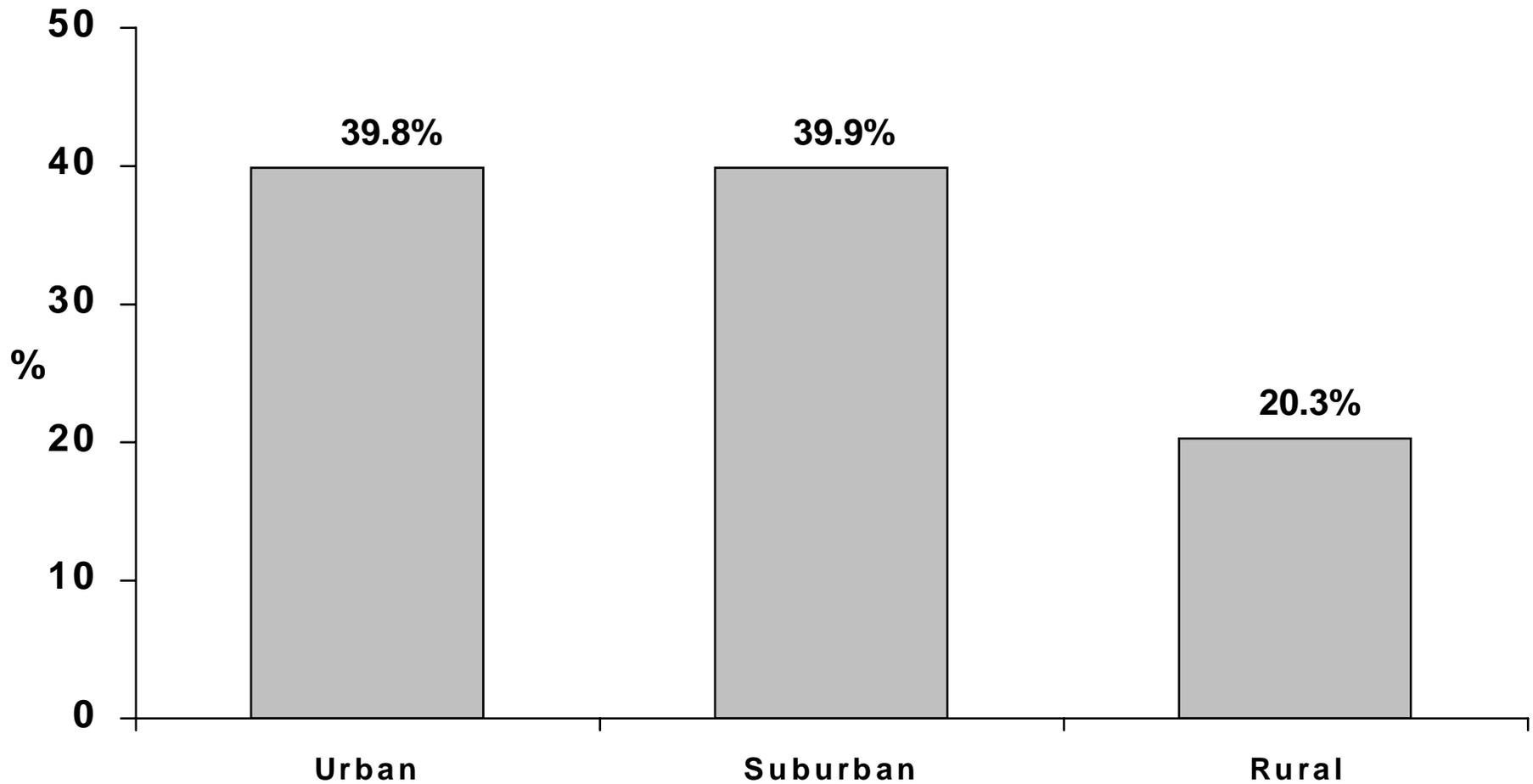
**Research Sponsored By:  
The Texas Finance Commission**

**Research Conducted By:  
Analytica, Inc.  
713-661-6878  
September, 1999**

# Methodology

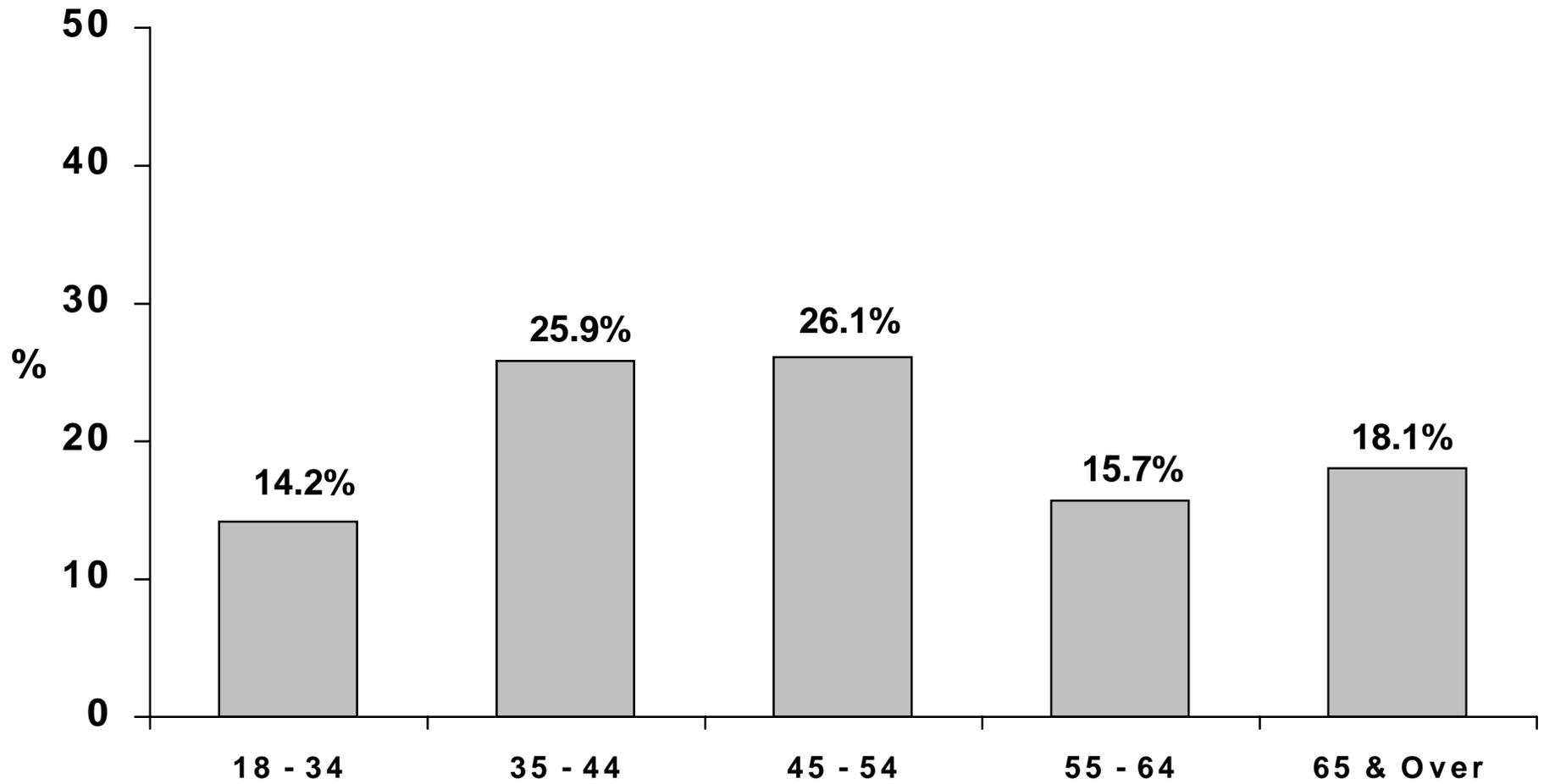
- **The Texas Finance Commission contracted with Analytica, Inc. to interview 1,200 Texas homeowners. The goal of the research was to develop a better understanding of the perceptions and experience of Texas consumers regarding the newly-passed home equity lending legislation.**
- **To make certain the sample was representative of the state, a random digit phone number sample was generated. Within the phone sample the proportion from each county was the same as that county's share of the state population as a whole. After contact was made with potential respondents, only those who owned their own home were interviewed.**
- **It was important to conduct enough interviews with homeowners who had some experience with the home equity lending process to feel comfortable presenting results. Therefore, a minimum of 300 such interviews was established. After the first 1,044 interviews, 144 were with individuals who had some experience with the home equity lending process and 900 were with individuals who had no such experience. From that point on, only individuals with such experience were interviewed. In this manner 1,201 interviews were conducted. In reporting all results which follow, however, the proper weighting criteria are applied to generate correct and representative percentages.**

# Percent Of The Sample Living In An Urban, Suburban, Or Rural Location



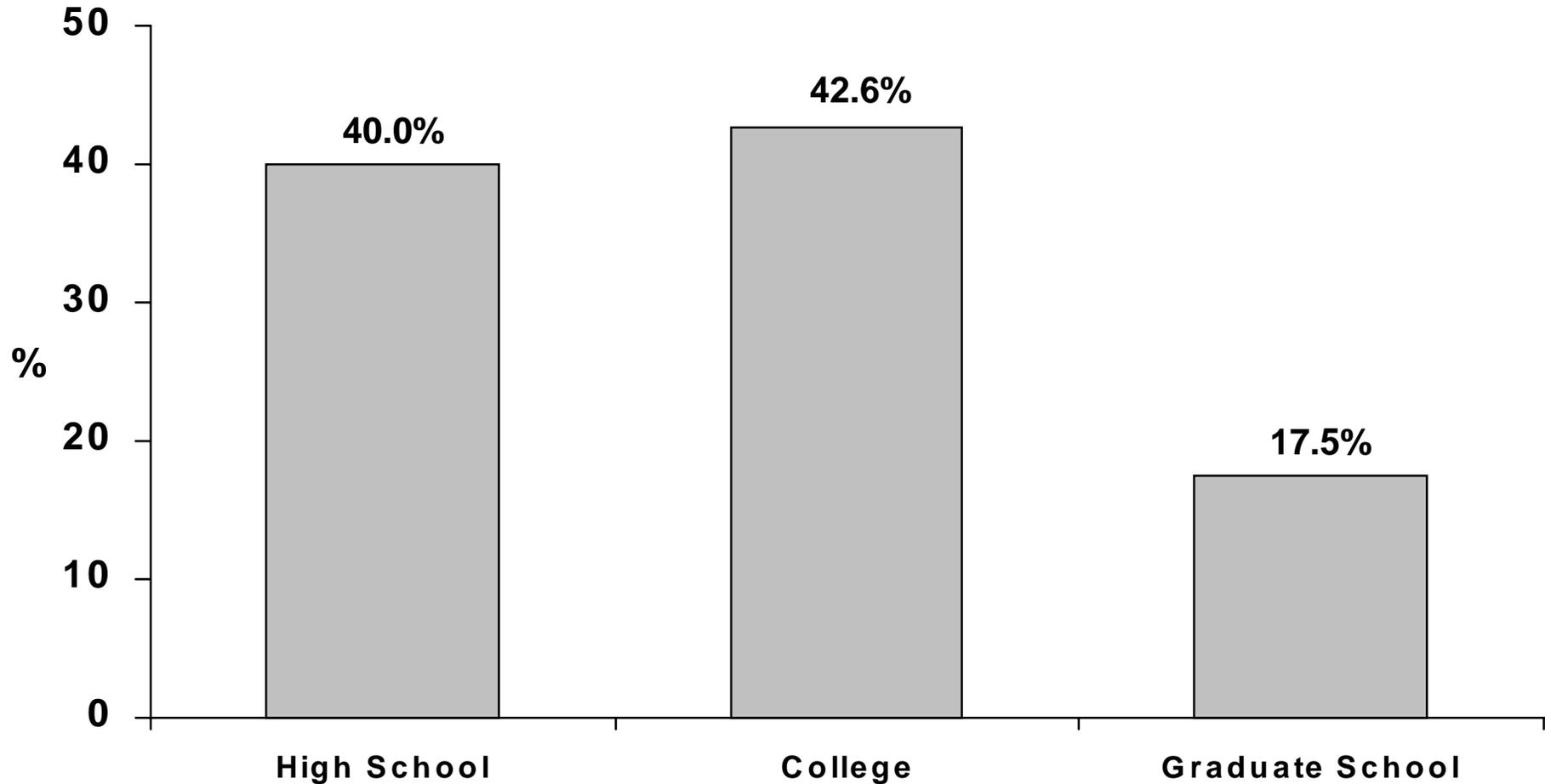
Sample Base: All 1,201 Respondents

# Percent Of The Sample In Each Age Category



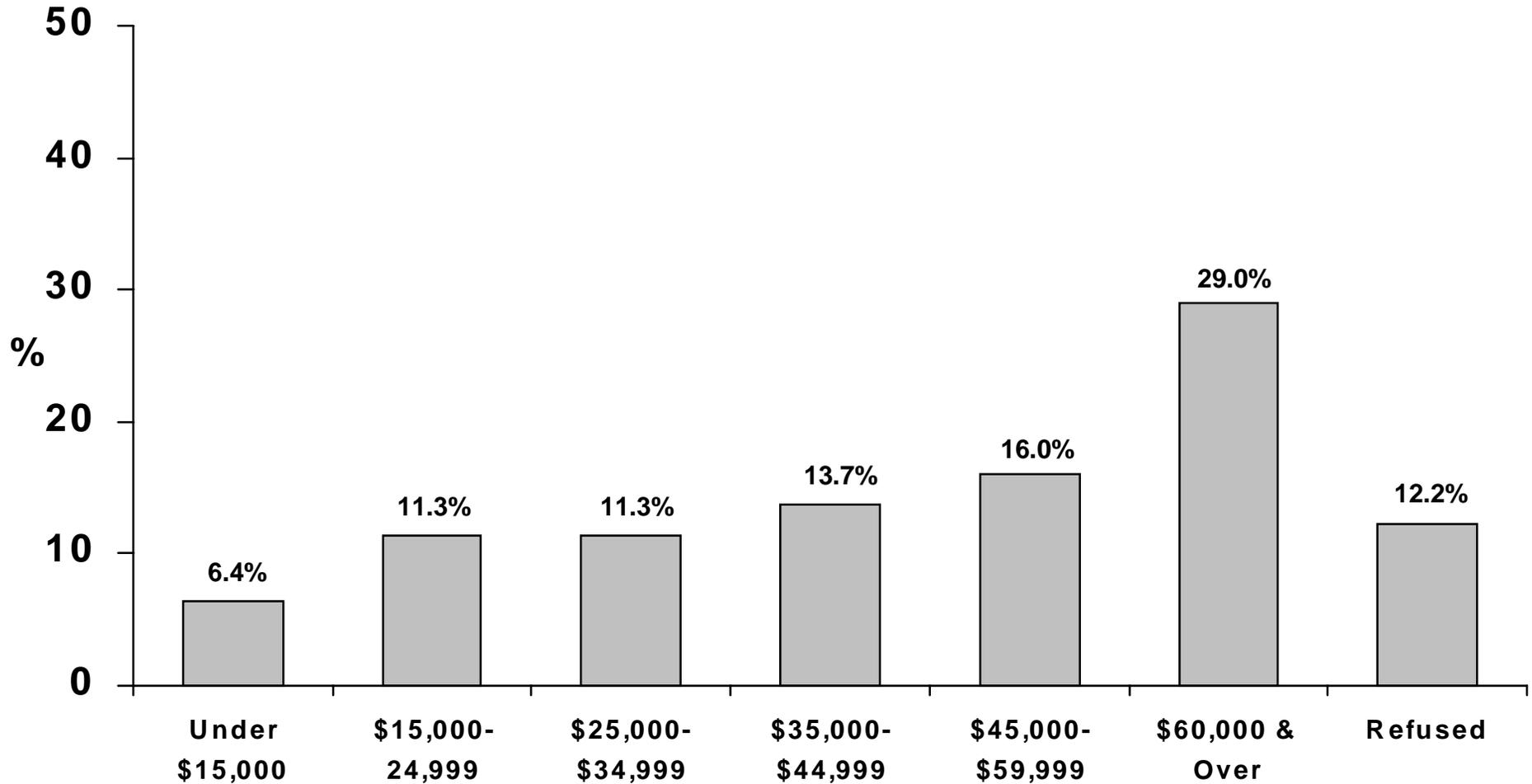
Sample Base: All 1,201 Respondents

# Percent Of The Sample Whose Highest Level Of Schooling Fell In Each Category



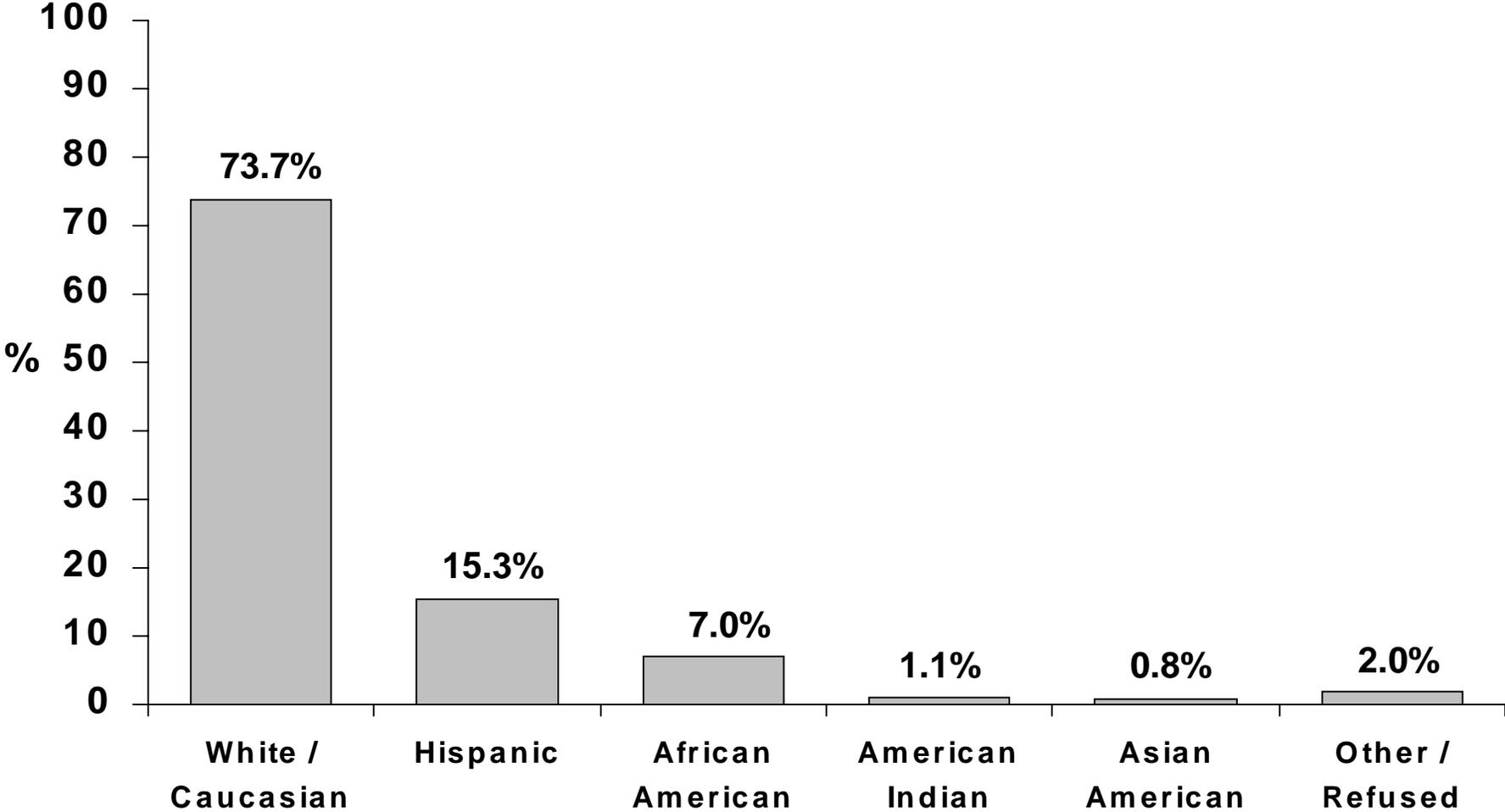
Sample Base: All 1,201 Respondents

# Percent Of The Sample In Each Income Category



Sample Base: All 1,201 Respondents

# Percent Of The Sample In Each Ethnic Group

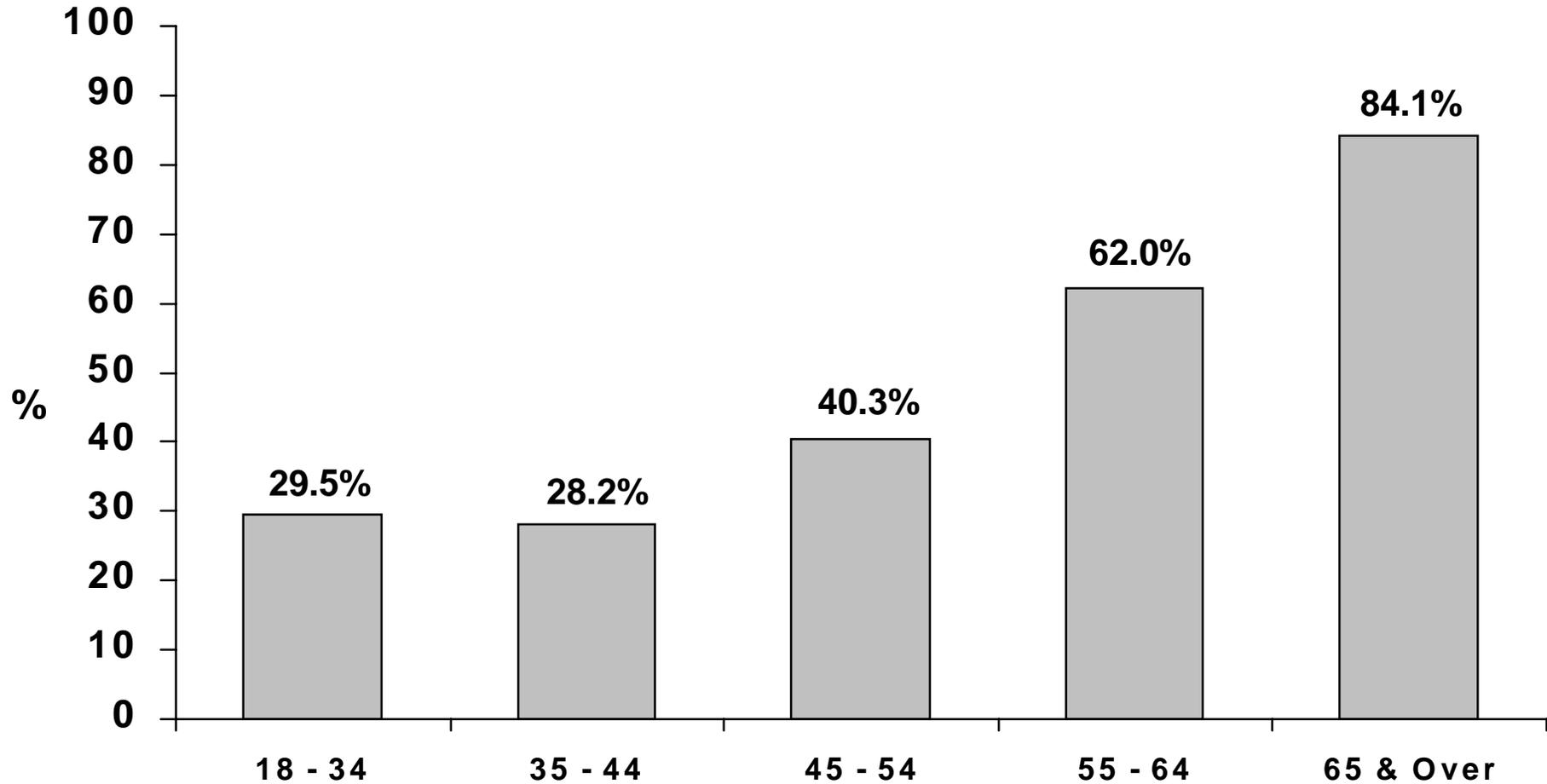


Sample Base: All 1,201 Respondents

# Other Sample Characteristics

- **74.2% of the sample was married and 25.8% was not.**
- **52.2% of the sample had a mortgage. The American Housing Survey conducted by HUD in 1997 estimated that 53.9% of homeowners in the South had a mortgage so our sample is very close to that estimate.**
- **The 1997 HUD survey established the median value of homes in the South as \$85,608. The median value for our sample was \$85,000.**

# Percent Of Respondents With No Mortgage: By Age (P=.000)



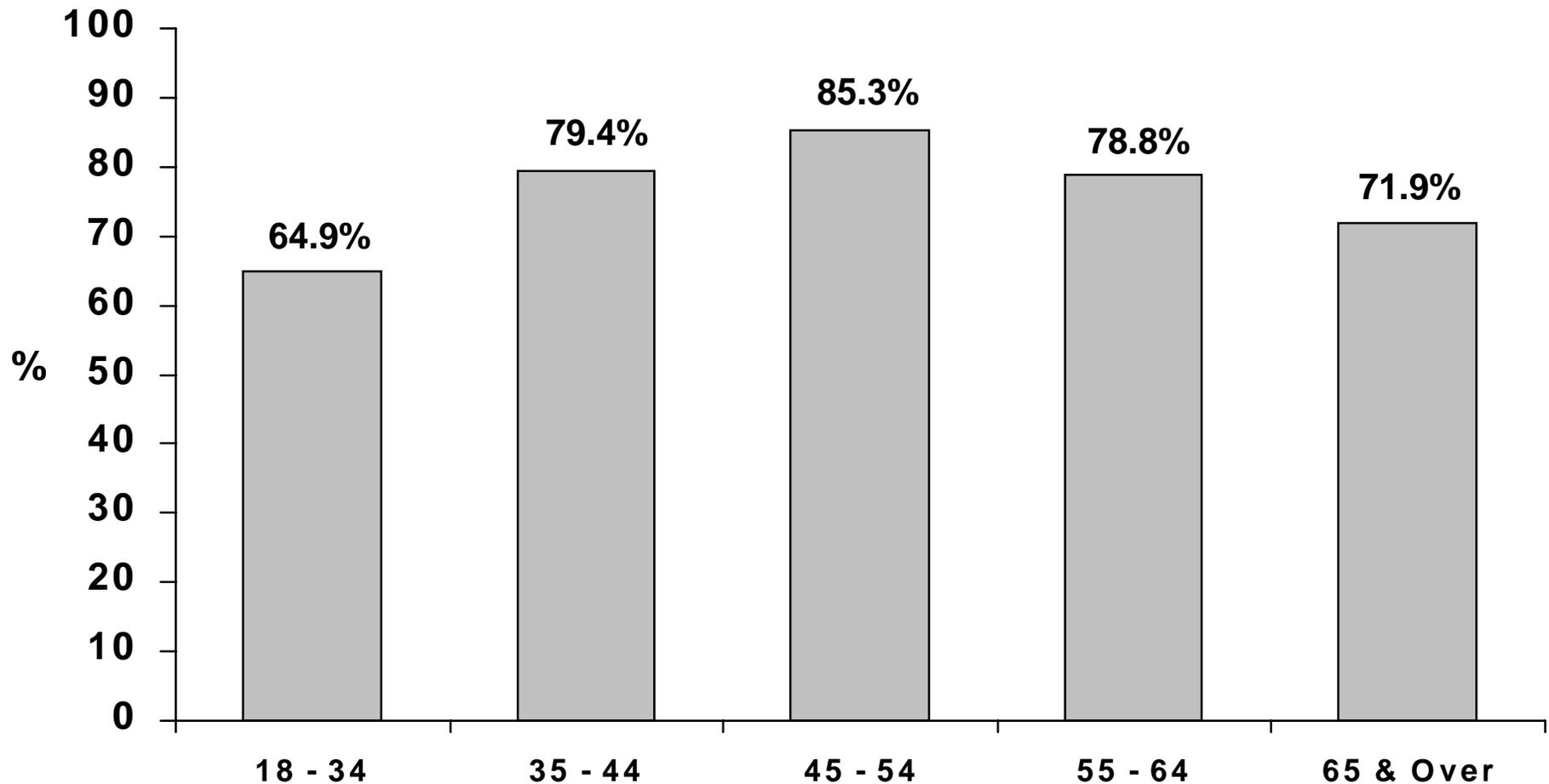
- Married respondents are more likely to have a mortgage (65.7%) than single respondents (44.9%).

Sample Base: All 1,201 Respondents

# Opening Question

- *1) As you may be aware, the Texas legislature recently changed the laws on home equity lending in the state. Now, when someone owns their home and has accumulated enough equity over and above any mortgage, they can borrow against that equity. This kind of borrowing was not possible in the state of Texas before January, 1998. Prior to 1998, if someone wished to get accumulated equity out of their home, they would have to sell it. Before I just now described the changes in the law, were you aware of those changes?*
  - ◆ **77.4% said yes and 22.6% said no.**

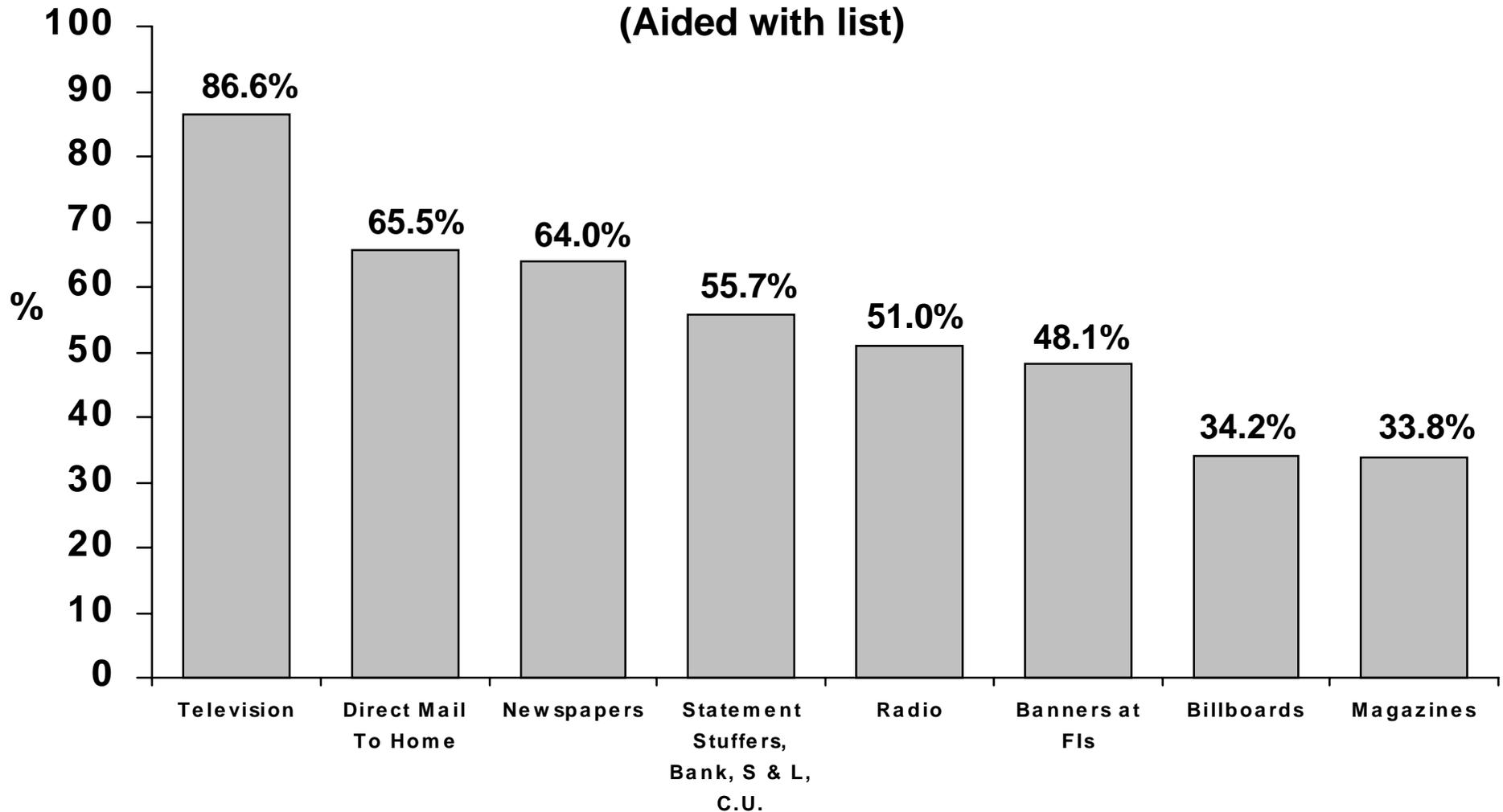
# Percent Of Respondents Who Were Aware Of Changes In Home Equity Laws: By Age (P=.000)



Sample Base: All 1,201 Respondents

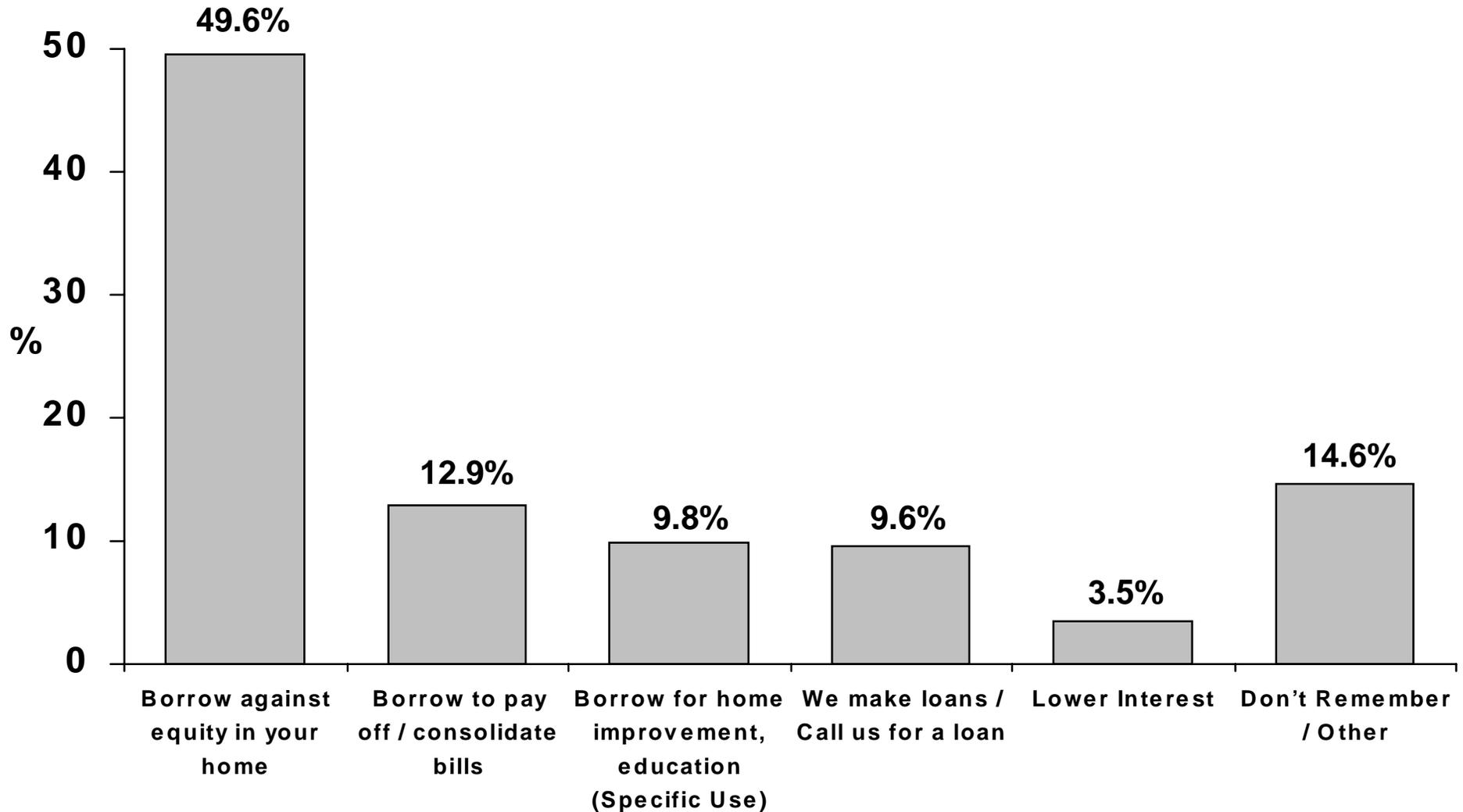
- 2a) *Do you remember noticing any advertising which specifically mentions home equity loans?*
  - 72.1% said they had noticed advertising which specifically mentioned home equity loans.

### Percent Who Said They Remembered Noticing Each Type Of Advertising (Aided with list)



Sample Base: All 1,201 Respondents

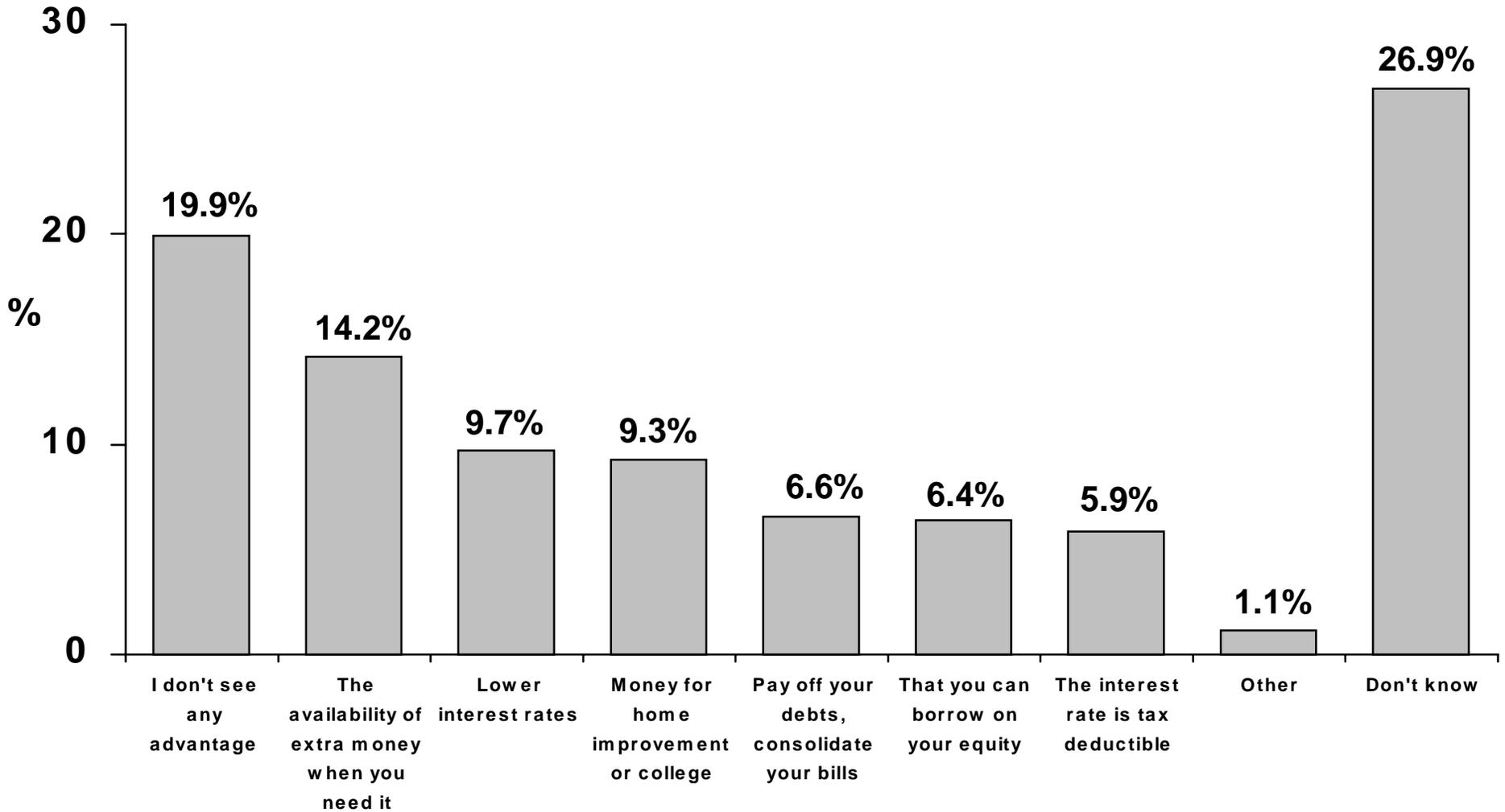
# Percent Citing Each Message As The Main One In The Ad (Unaided)



Sample Base: 866 Respondents Who Remembered Noticing Advertising

- 3) Thinking now about differences in borrowing against the built up equity in your home, versus other types of loans, what would you list as the biggest advantages of a home equity loan?

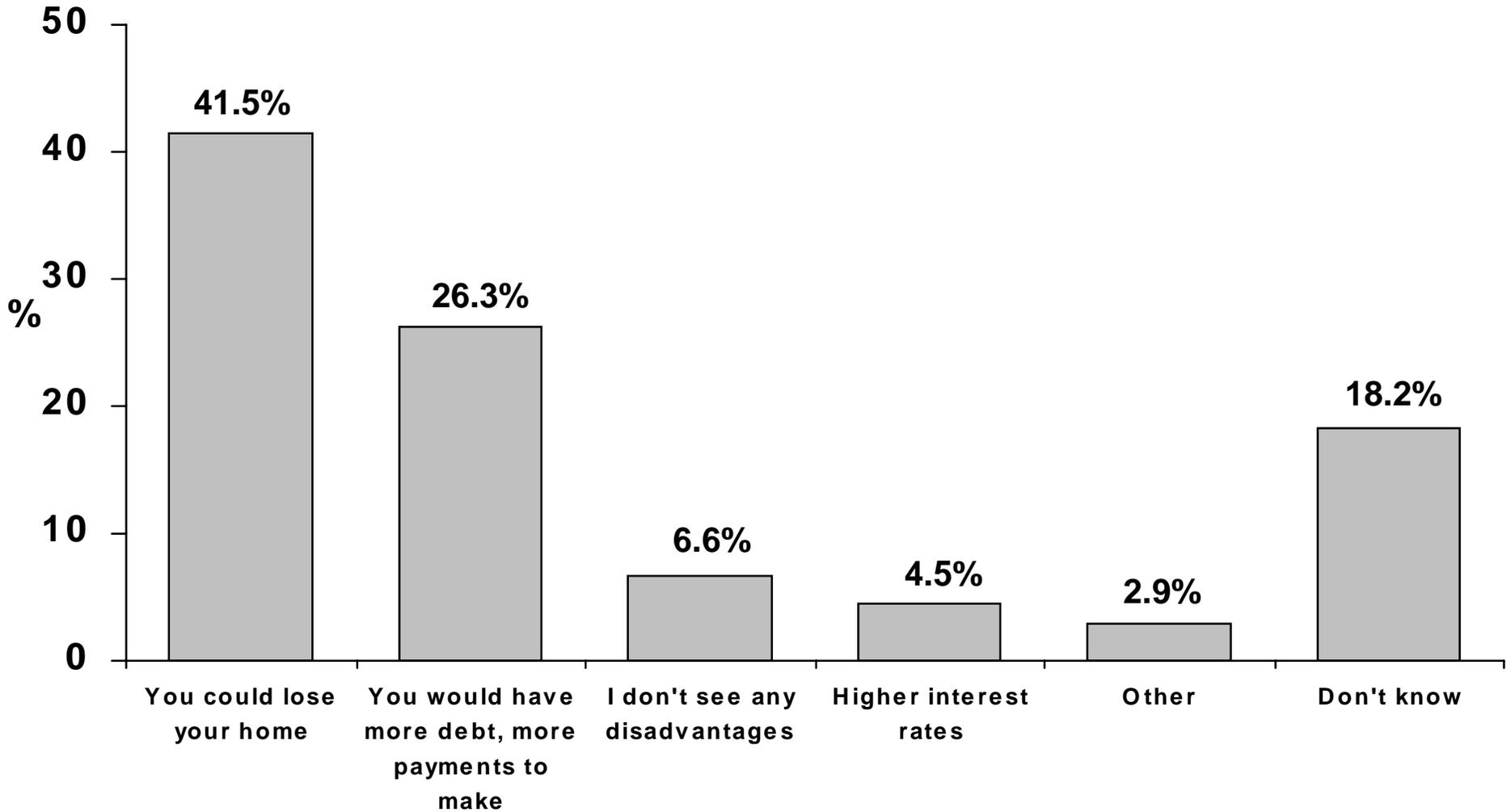
## Percent Citing Each Advantage



Sample Base: All 1,201 Respondents

■ 4) And what would be the biggest disadvantages?

## Percent Citing Each Disadvantage



Sample Base: All 1,201 Respondents

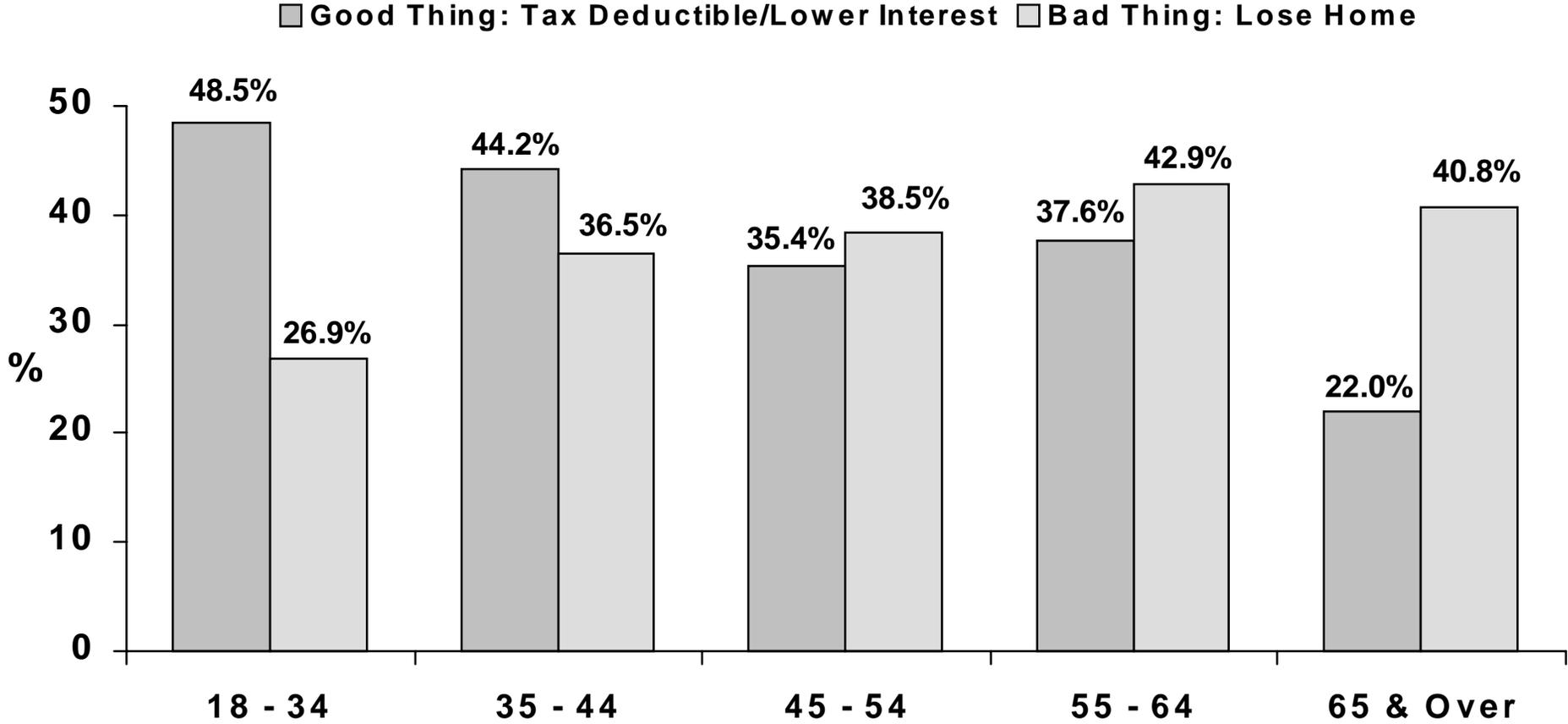
- *5) Which of the following three statements best describe how you feel about the change in the law that allows home equity loans?*

**37.4%**      It is a good thing because it creates a new borrowing source that is often tax deductible and at a lower interest rate

**37.4%**      It is a bad thing because it allows people to borrow more money against their home and they might lose it in a foreclosure if they get behind in their payments

**25.1%**      I really don't have an opinion, one way or the other

# Percent Of Respondents Choosing Each Sentiment To Express Their Feelings About Home Equity Borrowing: By Age (P=.000)



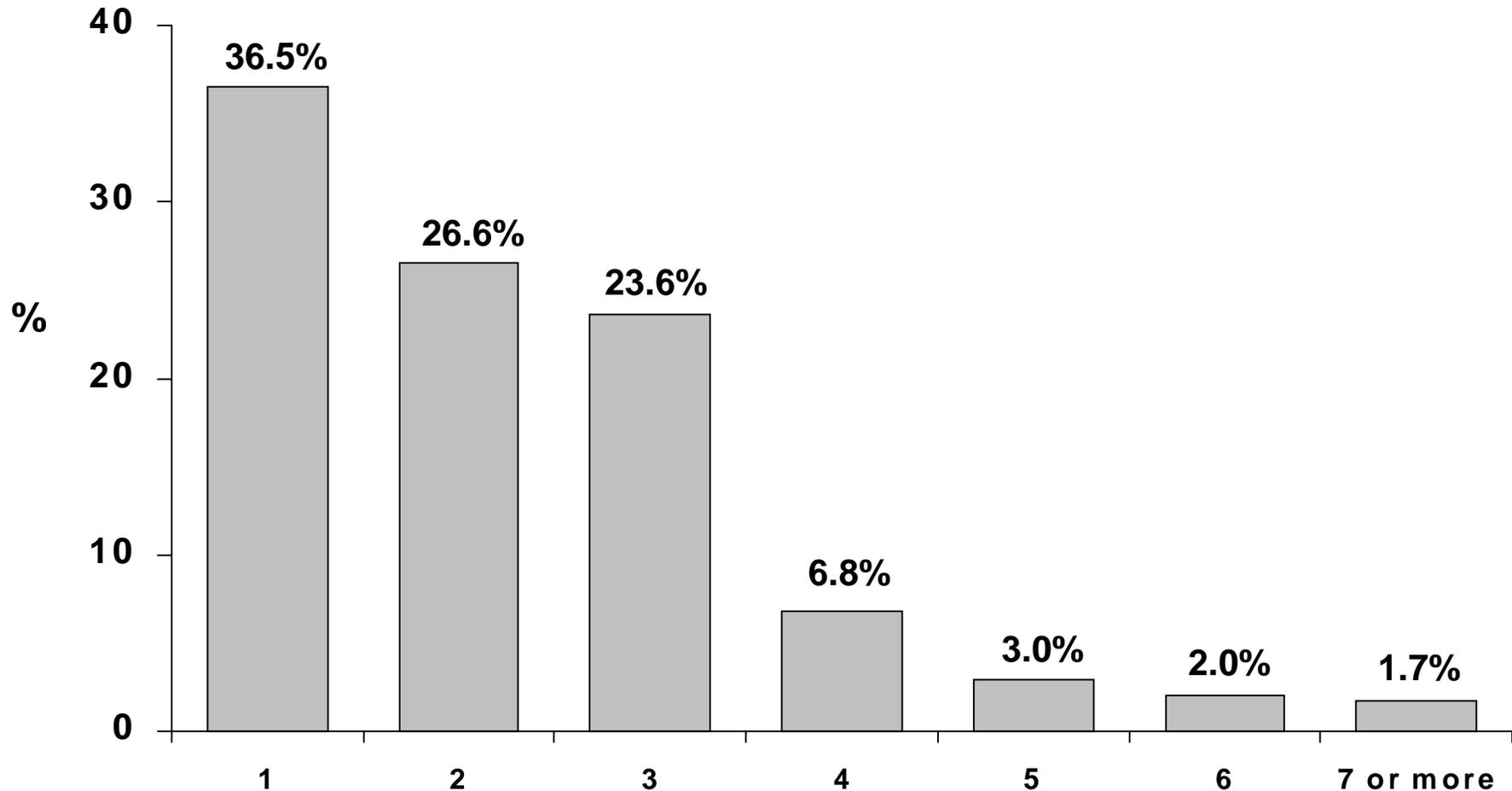
Sample Base: All 1,201 Respondents

- *6) Since January, 1998 when home equity loans were first allowed in the state of Texas have you investigated the possibility of taking out a home equity loan?*

◆ **13.8% said Yes**

- 7a) How many sources did you contact about a home equity loan?

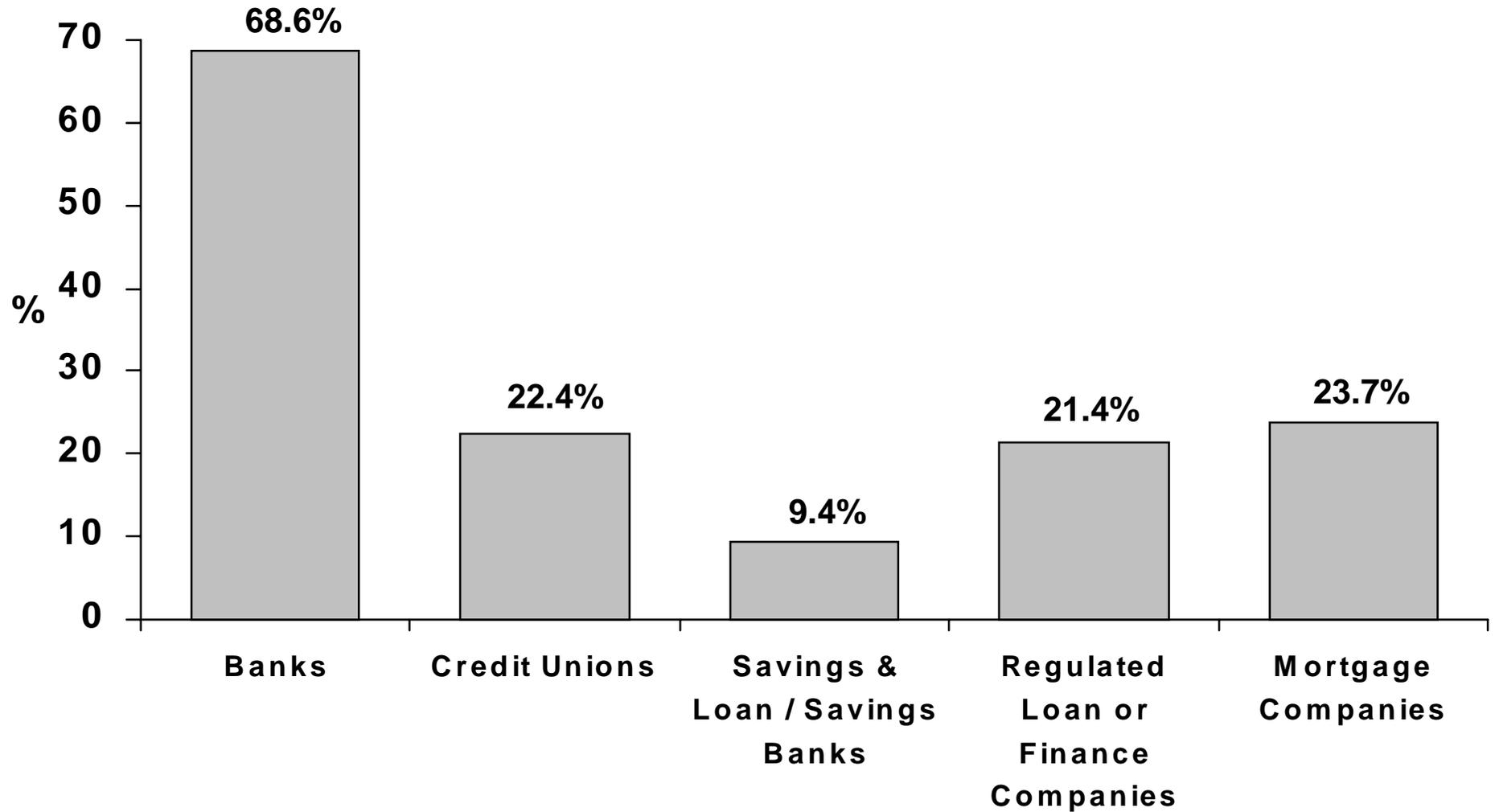
## Percent Of Respondents Reporting Having Contacted Each Number Of Sources



- The number of contacts ranged from 1 to 10 and averaged 2.3.

Sample Base: 301 Respondents who investigated taking out a home equity loan

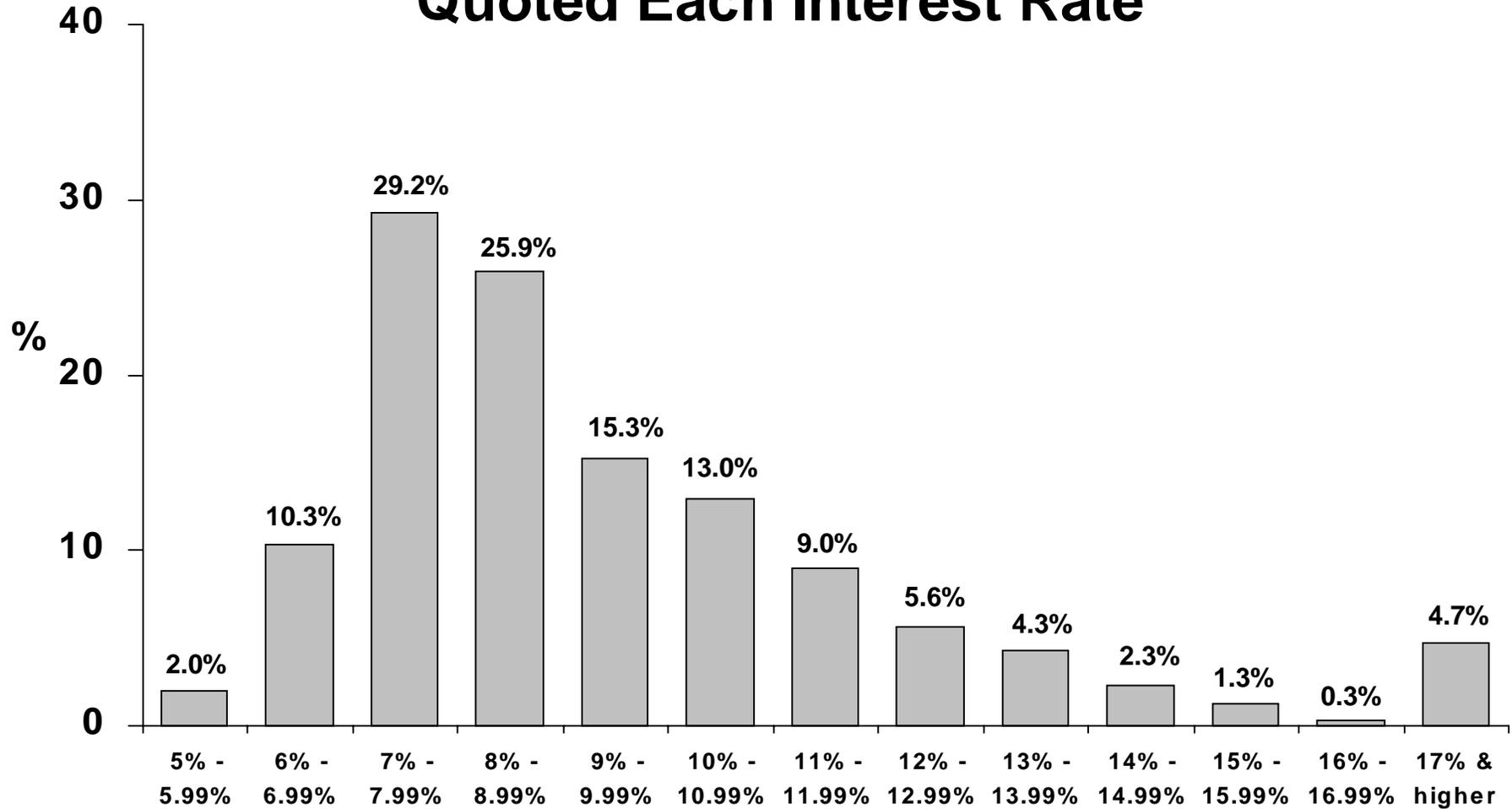
# Percent Who Said They Contacted Each Type Of Financial Institution



Sample Base: 301 Respondents who investigated taking out a home equity loan

- 8) To the best of your memory, what different interest rates were you quoted? (Check any that interviewee remembers)

## Percent Of Respondents Who Said They Were Quoted Each Interest Rate

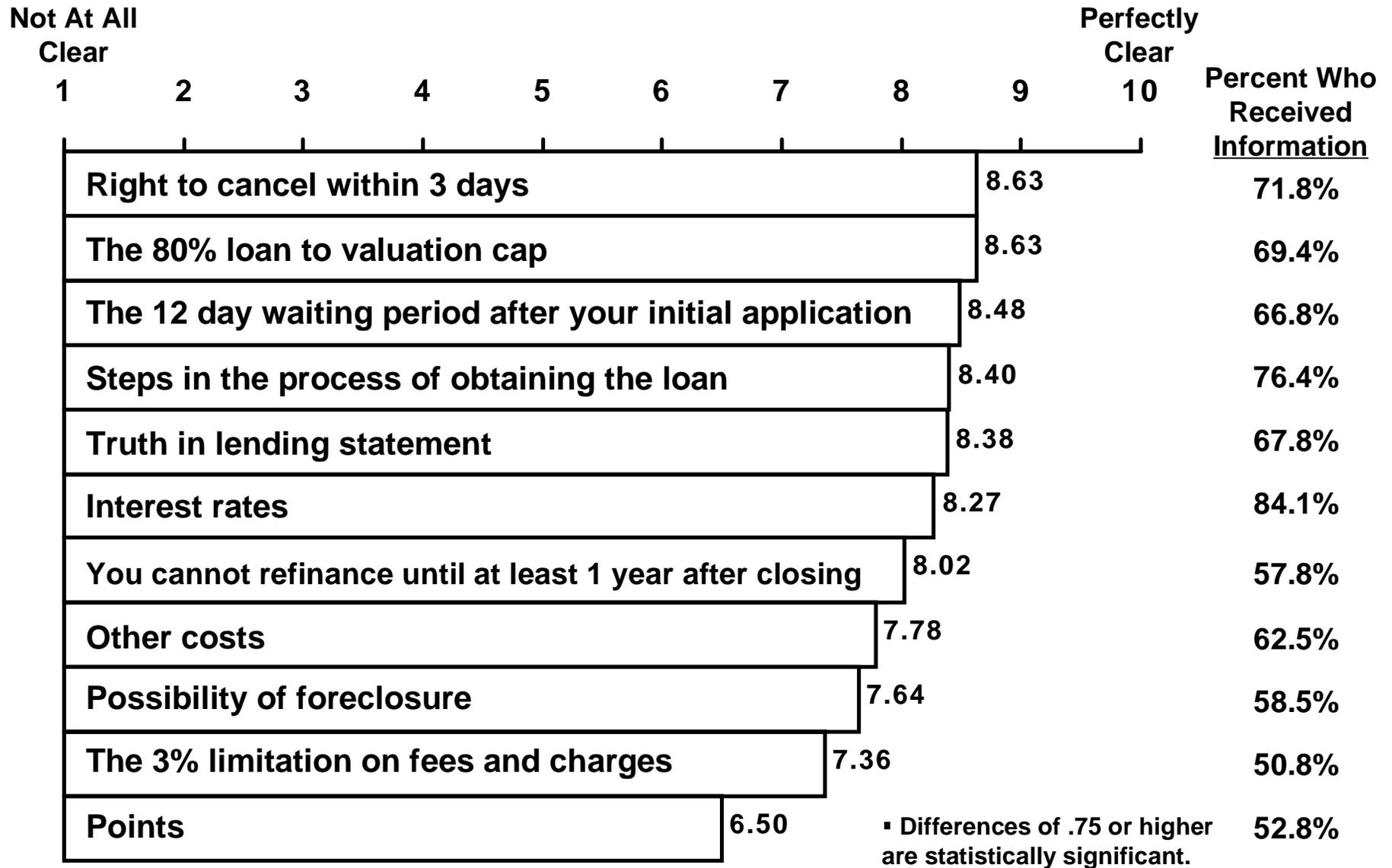


- 26.9% said they didn't know / could not remember.

Sample Base: 301 Respondents who investigated taking out a home equity loan

- **9) During your investigation of home equity loans, information on interest rates, costs and procedures may have been made available to you. For each type of information we list, please indicate whether it was made available to you during your search. If you remember receiving the information we would also like you to rate how clear the information was by using a "1" to "10" scale. Use a "10" to indicate "Perfectly Clear" and a "1" to indicate "Not At All Clear". Use as much of the scale as is necessary to indicate what you really think.**

# Average Rating Of Clarity Of Information And Percent Who Remember Seeing Each Type



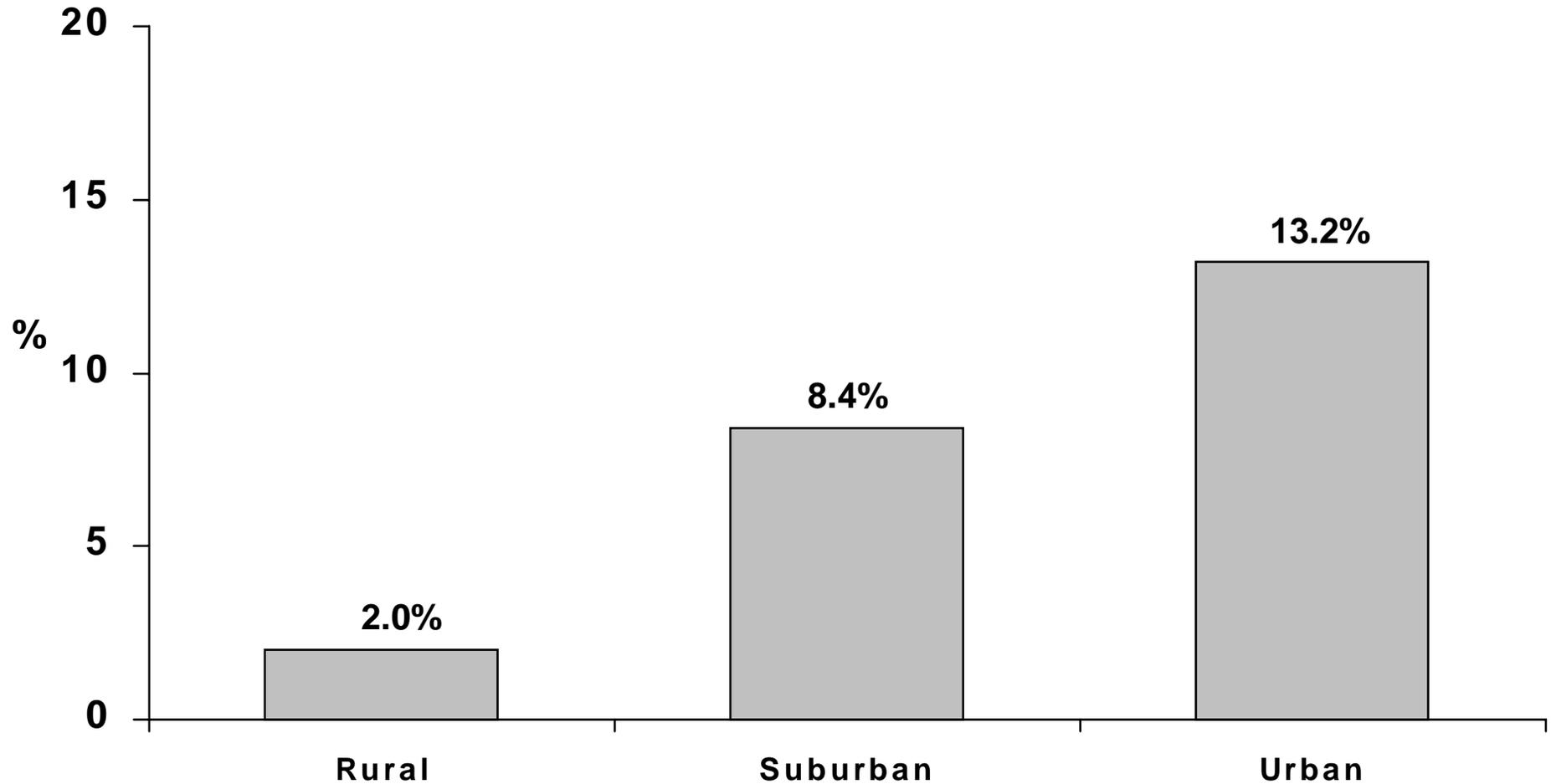
Sample Base: 301 Respondents who investigated taking out a home equity loan

- **10) Is there anything about the home equity laws in Texas that you would like to see changed?**

<b>Percent</b>	<b>Comment</b>
<b>50.2%</b>	<b>I feel that the home equity laws in Texas are fine / I don't want to see anything changed</b>
<b>18.3%</b>	<b>I can't think of anything / I don't know enough about it to comment</b>
<b>5.0%</b>	<b>I would like to borrow the full amount / 100% instead of 80%</b>
<b>5.0%</b>	<b>I would like to see lower interest rates</b>
<b>3.7%</b>	<b>I think they should do away with it / It's a good possibility you could lose your home / It's not worth the risk</b>
<b>2.3%</b>	<b>Shorten the 12 day waiting period</b>
<b>1.7%</b>	<b>You should not lose your home</b>
<b>1.7%</b>	<b>Wording should be made clearer</b>
<b>0.7%</b>	<b>Remove the one acre restriction</b>
<b>0.7%</b>	<b>Remove one year wait to refinance</b>
<b>0.7%</b>	<b>Remove the agriculture restriction</b>
<b>10.3%</b>	<b>Other (1 per person)</b>

- **Best estimates for the state based on the survey:**
  - ◆ **13.8% of Texas homeowners have investigated the possibility of taking out a home equity loan.**
  - ◆ **10.4% of Texas homeowners have actually applied for a home equity loan.**
  - ◆ **8.9% of Texas homeowners have actually obtained a home equity loan.**

# Percent Of Respondents Who Actually Obtained A Home Equity Loan: By Rural, Suburban, Urban (P=.000)



Sample Base: 195 Respondents who obtained a loan

- **13) Please use a "1" to "10" scale to indicate how satisfied you were with the home equity lending process. Use a "1" to indicate "Not At All Satisfied" and a "10" to indicate "Extremely Satisfied".**

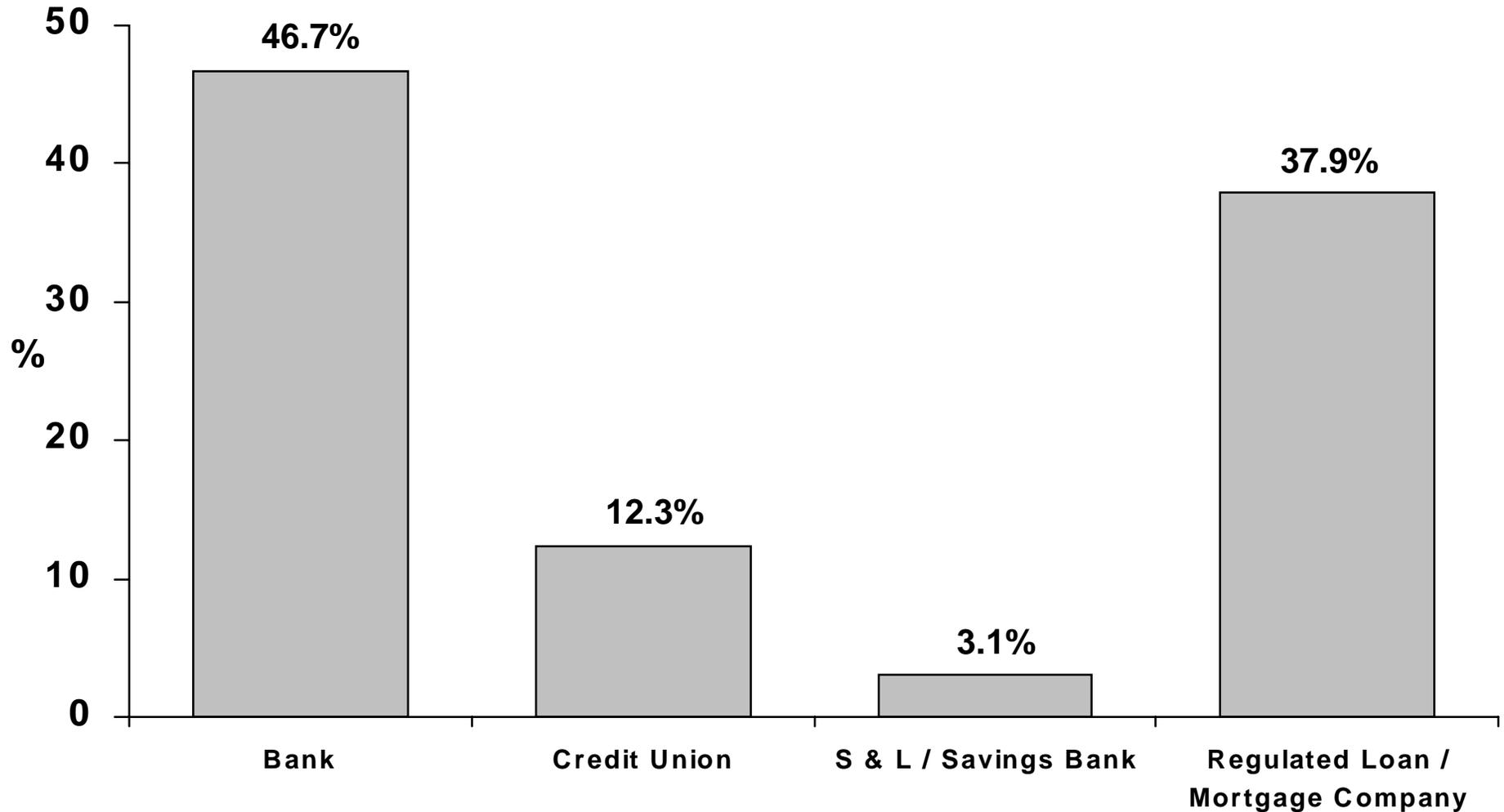
	Not At All Satisfied										Extremely Satisfied										
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	
<b>Overall Satisfaction With The Process</b>																					

- ◆ **Ratings ranged from 1 to 10 and averaged 8.13. The median rating was 9 and 63.6% rated their satisfaction with the process a "9" or a "10".**
- **92.3% have a fixed interest rate. Fixed rates varied from 5.5% to 17.0% and averaged 8.88%.**

## Relevant Costs

- ◆ **86.2% said they paid 0 points.**
- ◆ **Of the 13.8% who paid some points, they ranged from 1 point to 10 points and averaged 3.6 points.**
- ◆ **Including those that paid 0 points, the average is .5 points.**
- ◆ **76.4% said an appraisal was done on their home.**
- ◆ **Of the 76.4% whose home was appraised, 42.8% said they did not pay for the appraisal.**
- ◆ **Of those who paid, the appraisal costs ranged from \$35 to \$500 and averaged \$259.**
- ◆ **Including those that did not pay for appraisals, the average is \$148.**

# Percent Receiving Their Loan From Each Type Of Financial Institution

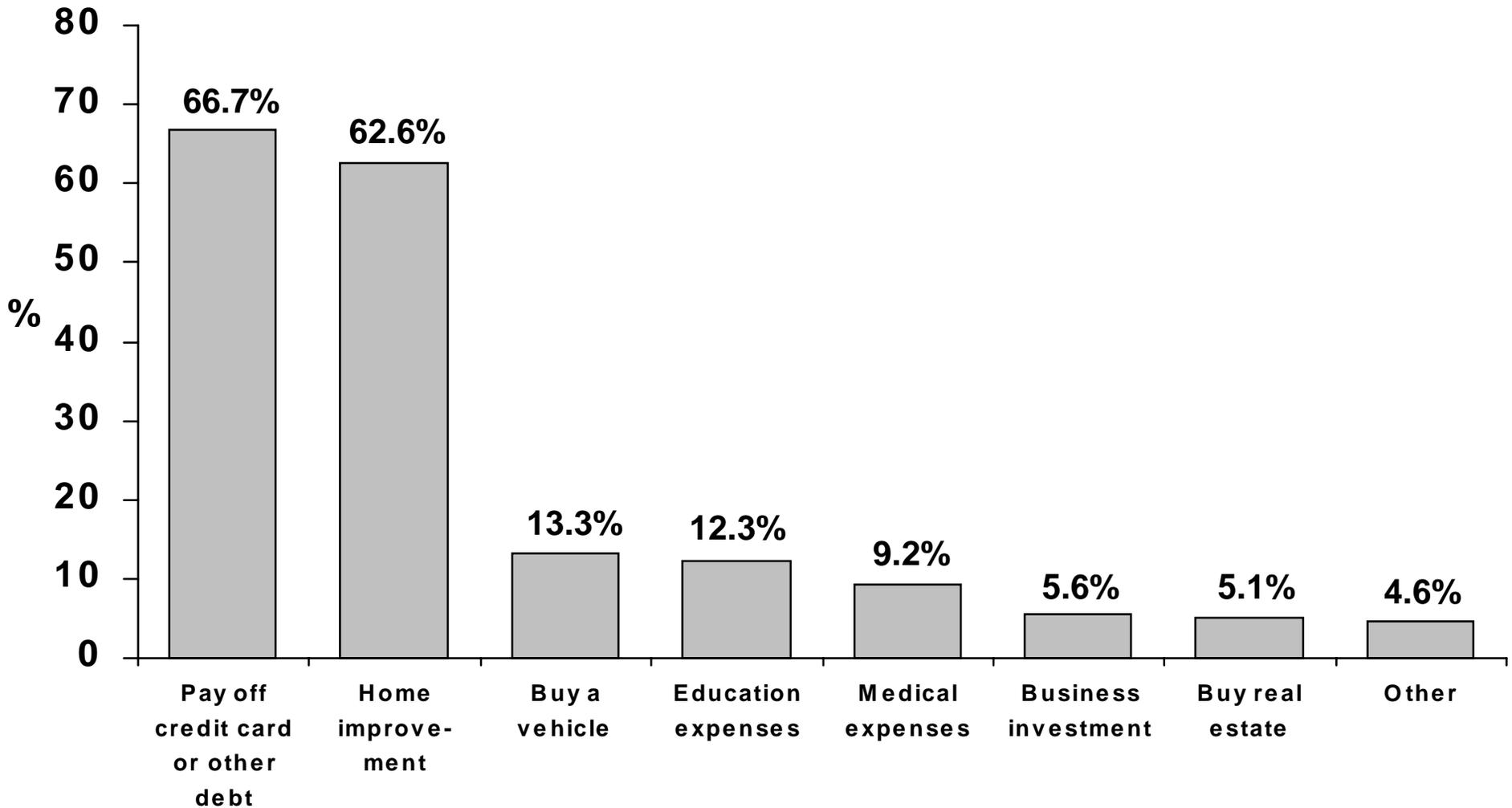


Sample Base: 195 Respondents who obtained a loan

- *14f) At the closing of the loan were there any costs that surprised you? (If Yes) What were they?*
- **Only 7.7% said they were surprised by some of the costs at closing.**
- **Items mentioned included: Closing costs (by 2.1%); Appraisal costs (by 1.5%); Interest rates (by 1.5%); Lender errors (by 1.5%); and Filing fee, Inspections and Credit Report (by 1.5%).**

- 15) When you received the money from your loan what did you use it for? (Check all that apply)

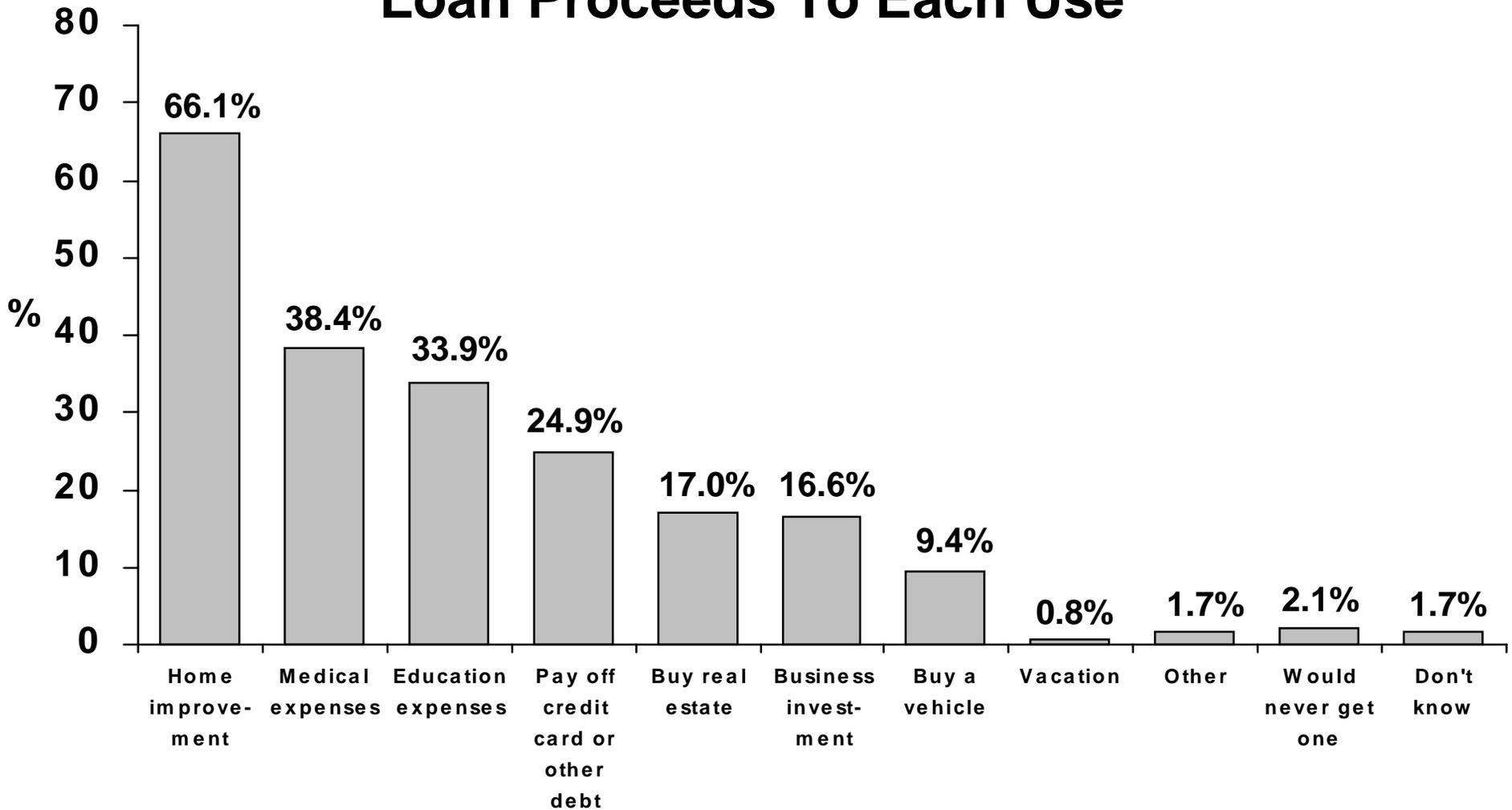
## Percent Who Said They Had Put The Loan Proceeds To Each Use



Sample Base: 195 Respondents who obtained a loan

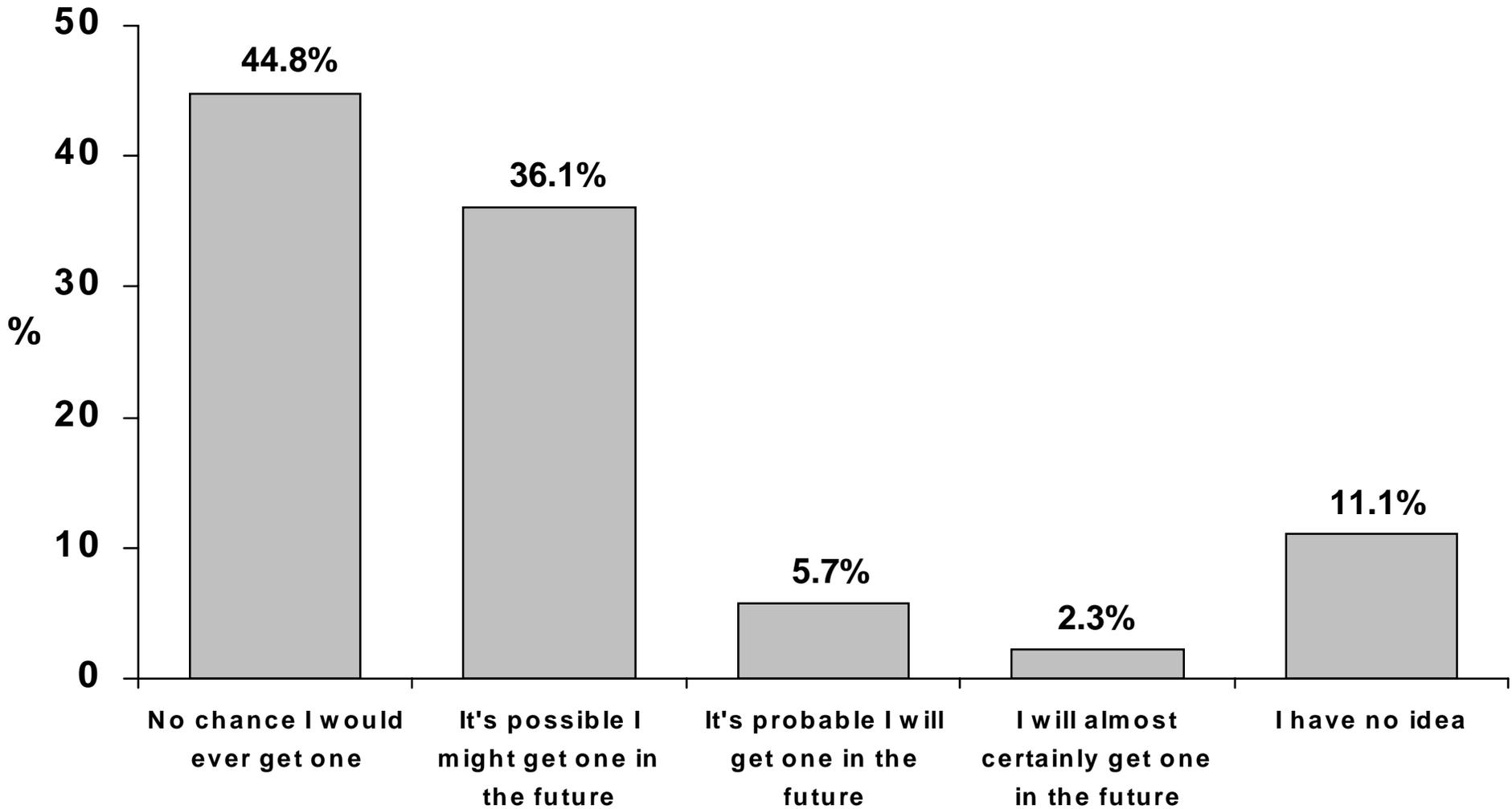
- 16) If you were to ever get a home equity loan we would like to know what uses you might make of the funds. Which of the following would probably be a way you would use the funds from a home equity loan? (Check all that apply)

## Percent Who Said They Would Probably Put The Loan Proceeds To Each Use



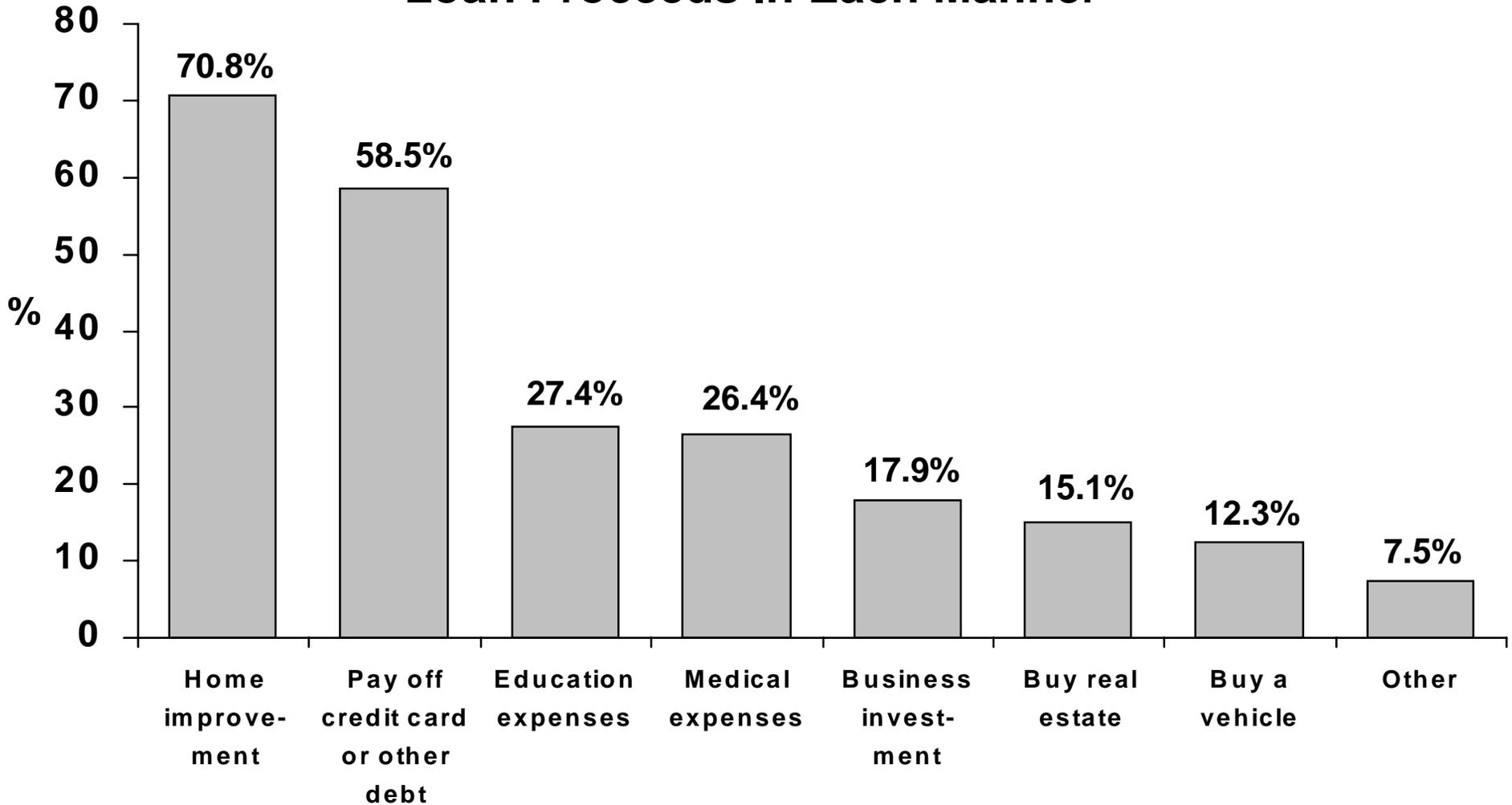
- 17) Which of the following phrases best describes how likely it is that you might ever get a home equity loan in the future?

## Percent Choosing Each Phrase



- 18) Even though you did not end up taking out a home equity loan we would like to know how you probably would have used the funds if you had received a home equity loan. Which of the following would probably be a way you would have used the funds from a home equity loan? (Check all that apply)

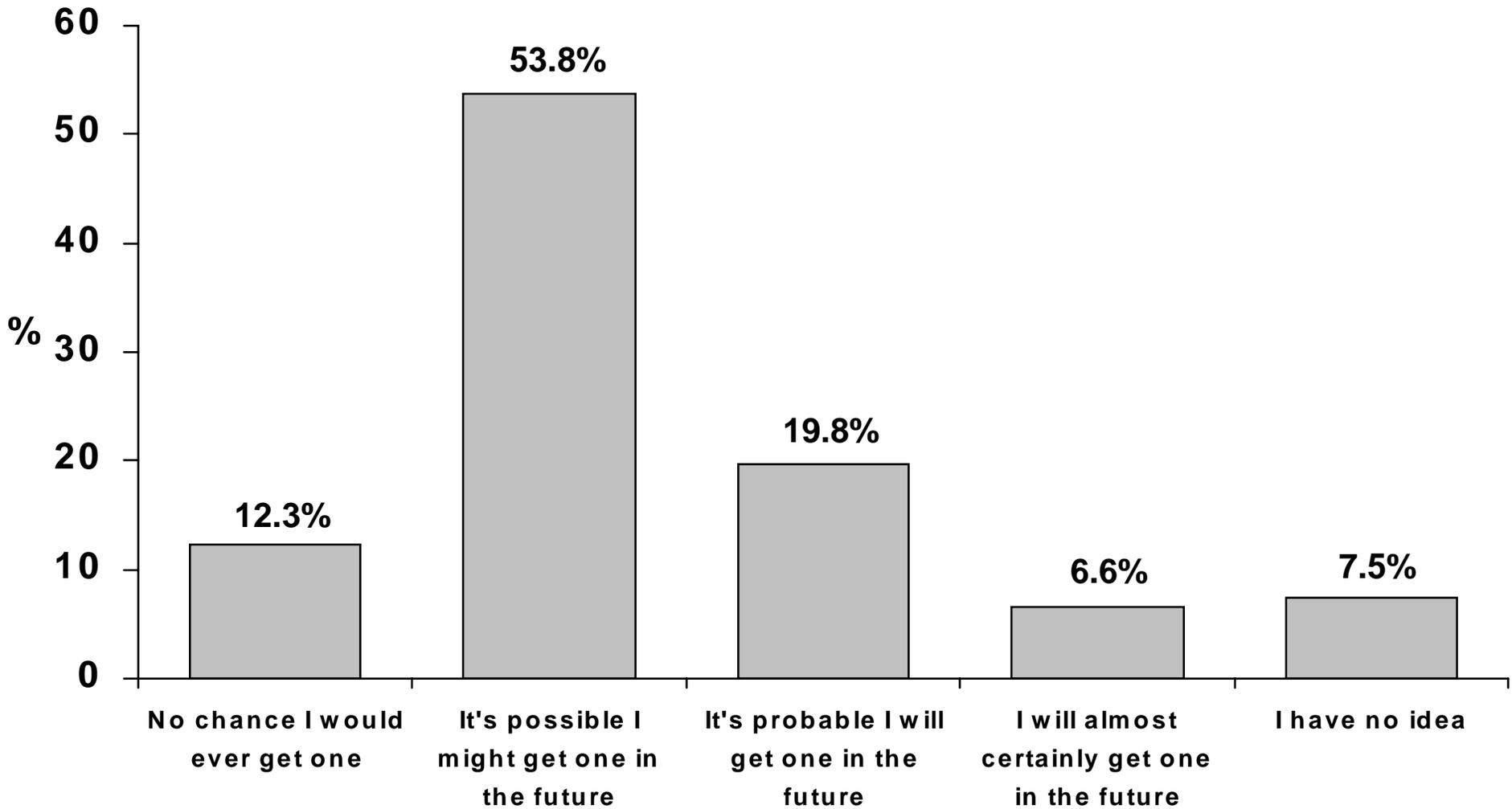
## Percent Who Said They Would Probably Have Used The Loan Proceeds In Each Manner



Sample Base: 106 Respondents who investigated, but did not obtain, a home equity loan 34

- 19) Which of the following phrases best describes how likely it is that you might ever get a home equity loan in the future?

## Percent Choosing Each Phrase



## Significant Differences In Answers By Age

<u>Among All Respondents</u>	<u>Age</u>					<u>Probability Different By Chance</u>
	<u>18-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65 &amp; Over</u>	
1) % Aware Of Change In Home Equity Laws	64.9	79.4	85.3	78.8	71.9	.000
2a) % Who Remember Noticing Advertising	73.1	77.4	78.9	66.7	59.0	.000
5) How You Feel About Allowing Home Equity Loans						.000
% Saying Good Thing: Tax Deductible/Lower Interest	48.5	44.2	35.4	37.6	22.0	
% Saying Bad Thing: Might Lose Home	26.9	36.5	38.5	42.9	40.8	
6) % Who Investigated Home Equity Loans	13.5	17.4	16.9	12.2	6.0	.001
24) % With No Mortgage	29.5	28.2	40.3	62.0	84.1	.000

# Significant Differences In Answers By Age

<b><u>Among Respondents With No Home Equity Loan Experience</u></b>	<b><u>Age</u></b>					<b><u>Probability Different By Chance</u></b>
	<b><u>18-34</u></b>	<b><u>35-44</u></b>	<b><u>45-54</u></b>	<b><u>55-64</u></b>	<b><u>65 &amp; Over</u></b>	
<b>16) Potential Use Of Loan Proceeds</b>						
16a) Home improvement	76.0	67.7	69.5	68.1	51.1	.000
16c) Pay off credit card, debt	38.8	30.0	23.9	17.4	15.7	.000
16d) Education expenses	47.3	52.5	32.7	17.4	15.7	.000
16f) Buy real estate	25.6	20.2	17.7	16.0	6.7	.000
16g) Business investment	24.0	20.2	18.1	11.8	8.4	.001
<b>17) Likelihood Of Ever Getting A Home Equity Loan</b>						<b>.000</b>
- No chance I would ever get one	27.9	32.3	42.0	54.2	68.5	
- Possible might get one in future	45.7	46.6	38.5	32.6	15.7	
- Probable might get one in future	13.2	8.5	5.3	0.7	1.1	
- Almost certainly get one in future	4.7	2.2	3.1	0.7	1.1	
- I have no idea	8.5	10.3	11.1	11.8	13.5	

# Significant Differences In Answers By Schooling

<u>Among All Respondents</u>	<u>Highest Schooling</u>			<u>Probability Different By Chance</u>
	<u>High School</u>	<u>College</u>	<u>Graduate School</u>	
1) % Aware Of Change In Home Equity Laws	66.5	83.4	88.1	.000
2a) % Who Remember Noticing Advertising	63.1	77.5	79.5	.000
3) Biggest Advantages Of A Home Equity Loan				.000
Interest rate is tax deductible	2.9	6.4	11.4	
I don't know	34.4	23.8	17.1	
4) Biggest Disadvantages Of A Home Equity Loan				.000
You could lose your home	34.3	45.4	48.3	
I don't know	26.8	13.5	10.0	

# Significant Differences In Answers By Schooling

<u>Among All Respondents</u>	<u>Highest Schooling</u>			Probability Different By Chance
	<u>High School</u>	<u>College</u>	<u>Graduate School</u>	
5) How You Feel About Allowing Home Equity Loans				.000
% Saying Good Thing: Tax Deductible/Lower Interest	30.3	40.9	45.2	
% Saying Bad Thing: Might Lose Home	35.7	38.2	39.5	
% With no opinion	34.0	20.9	15.2	
24) % With No Mortgage	64.8	36.3	32.4	.000

# Significant Differences In Answers By Income

<u>Among All Respondents</u>	<u>Income</u>							<u>Probability Different By Chance</u>
	<u>Under \$15,000</u>	<u>\$15,000- \$24,999</u>	<u>\$25,000- \$34,999</u>	<u>\$35,000- \$44,999</u>	<u>\$45,000- \$59,999</u>	<u>\$60,000- &amp; over</u>	<u>Refused</u>	
1) % Aware Of Change In Home Equity Laws	53.2	65.9	66.9	79.4	85.4	88.8	70.7	.000
2a) % Who Remember Noticing Advertising	52.6	60.7	69.1	70.9	78.6	83.1	61.9	.000
3) Biggest Advantages Of A Home Equity Loan								.000
Availability of extra money when you need it	21.8	15.3	15.6	17.6	13.4	10.9	12.9	
Lower interest rates	1.3	1.5	8.1	12.1	15.5	12.9	6.1	
Interest rate is tax deductible	1.3	2.9	2.2	4.8	6.2	10.0	4.8	
I don't know	48.7	33.6	28.1	23.0	26.3	18.1	34.0	

# Significant Differences In Answers By Income

<u>Among All Respondents</u>	<u>Income</u>							Probability Different By <u>Chance</u>
	<u>Under \$15,000</u>	<u>\$15,000- \$24,999</u>	<u>\$25,000- \$34,999</u>	<u>\$35,000- \$44,999</u>	<u>\$45,000- \$59,999</u>	<u>\$60,000- &amp; over</u>	<u>Refused</u>	
5) How You Feel About Allowing Home Equity Loans								.000
% Saying Good Thing: Tax Deductible/Lower Interest	27.3	37.0	35.3	39.4	41.7	41.8	26.7	
% Saying Bad Thing: Might Lose Home	29.9	40.0	33.1	41.2	39.1	37.0	37.7	
% With no opinion	42.9	23.0	31.6	19.4	19.3	21.2	35.6	
24) % With No Mortgage	77.9	69.6	52.2	38.7	44.0	25.6	71.1	.000
<u>Among Respondents With No Home Equity Loan Experience</u>								
16) Potential Uses Of Loan Proceeds								
16a) Home improvement	73.3	76.4	72.5	74.6	73.9	56.4	51.3	.000
16b) Buy a vehicle	18.3	16.0	15.7	4.2	11.6	3.1	10.1	.000

# Significant Differences In Answers By Ethnicity

<u>Among All Respondents</u>	<u>Ethnicity</u>				<u>Probability Different By Chance</u>
	<u>White</u>	<u>Hispanic</u>	<u>African American</u>	<u>Other</u>	
1) % Aware Of Change In Home Equity Laws	82.7	58.7	62.4	77.1	.000
<u>Among Respondents With Home Equity Loans</u>					
15) Use Of Loan Proceeds					
15f) Buy real estate	4.1	4.0	0.0	33.3	.001

## Significant Differences In Answers By Urban/Suburban/Rural

<u>Among All Respondents</u>	<u>Rural</u>	<u>Suburban</u>	<u>Urban</u>	<u>Probability Different By Chance</u>
6) % Who Investigated Home Equity Loans	5.7	12.3	19.5	.000
24) % With No Mortgage	66.7	37.9	46.1	.000
 <u>Among Respondents With Home Equity Loan Experience</u>				
9) % Who Remember Receiving Information On:				
9e) Possibility of foreclosure	26.9	57.0	64.3	.001
9f) Right to cancel within 3 days	30.8	72.9	77.4	.000
9g) Truth in lending statement	34.6	68.2	72.6	.001