

Home Equity Lending Report

Section 50(s), Article XVI of the Texas Constitution requires that home equity lending data be reported. Mortgage activity has long been used by economists as an economic indicator. This section presents data on some of the mortgage activity conducted by lenders licensed by the Office of Consumer Credit Commissioner (OCCC), including information about home equity and 342.G (second lien mortgage) loans. Home equity loans fall into two broad categories: second mortgage and first mortgage. A second mortgage home equity loan typically is made at a higher interest rate than a first lien transaction. A first mortgage home equity loan allows a consumer to refinance an existing mortgage and receive cash (traditionally called a Cash Out Refinance). Section 342.G loans are usually home improvement or purchase money loans and do not involve a borrower receiving cash.

The information is reported by the regulated lenders at the company level, and is not location specific; therefore, the data can be presented only on a statewide basis. The TEXAS FINANCE CODE, Section 342.559 requires these lenders to annually submit key financial information to the OCCC. The information is not audited or reviewed for accuracy. However, upon receiving the information, the OCCC enters the information into a database and reviews it for reasonableness.

The data collected by the Office of Consumer Credit Commissioner is broken out into three categories, based on data reported by licensees, and includes information on loans brokered, loans made, and loans receivable.

Loans Made

In last year's report, 2001 data generally reflected the maturation of the home equity lending market in the state. As expected, an initial push of lending activity occurred following passage of the Home Equity Lending Amendment. That push, however, was followed by a decrease in the number of home equity loans made from 1999 to 2001. The data in 2002 reflect a drastically different marketplace.

In 2002, 2nd lien and 1st lien home equity loans showed dramatic increases over the 2001 figures in the number of loans made, the dollar amount loaned, and the average amount of the loans. In 2001, \$191,993,120 in 2nd lien home equity loans were made with the average loan being \$32,735. In 2002, \$753,966,127 in 2nd lien home equity loans were made, while the \$65,849 average loan amount was more than double the previous year.

The market for 1st lien home equity loans also showed measurable increases. In 2001, \$3,003,634,029 in 1st lien home equity loans were made. In 2002, that total reached \$6,854,394,325. The average loan in 2002 was \$102,893, an increase of 35% over the 2001 figure.

The loan values for 2002 under the home improvement/purchase money category also saw increases in the number made, the amount loaned, and the average amount of the loans.

All this data seems to reflect what might have been expected as a result of the overall economic climate in 2002. Generally, people may have taken advantage of lower interest rates and the equity in their homes to borrow money against that value to pay higher interest debt, to buy new homes, or to make improvements on existing property. Not only did more consumers borrow more money in this fashion, but they took out larger loans as well.

Loans Brokered

Only those brokering 2nd lien home equity transactions require licensing by the OCCC. This data includes information only from OCCC licensees. If a broker only negotiates first lien transactions for others, the data from those lenders is not reported to the OCCC.

Between 2001 and 2002, the number of 2nd lien home equity loans brokered saw a 64% increase in the total amount loaned and a 5% increase in the average amount of each loan. The number of loans made also increased from 2,263 made in 2001 to 3,543 made in 2002.

Although the data reflects increases in the dollars borrowed with 2nd lien home equity loans, those rises are meager when compared to the figures for 1st lien home equity loans. In 2002, there were 10,093 1st lien home equity loans made compared to the 5,075 made the previous year. The total amount loaned increased 182% over 2001 to a total brokered standing at \$1,278,641,501. The average loan amount brokered increased 42% over the same period.

Again, the declining interest rates for these types of loans combined with some weakened economic factors may have contributed to the dramatic increases in 2002 over 2001.

Loans Receivable

For 1st lien home equity loans, the receivables category saw increases in the number of loans made, the total amount loaned, and the average amount of the loans. In 2002, lenders counted a total of \$6,173,725,040 under 1st lien home equity receivables. Moreover, the total receivables for 1st lien loans increased by \$2,205,200,808, while the total receivables for 2nd lien home equity loans decreased by \$99,013,781. The total amount lenders counted under receivables for 2nd lien home equity loans dropped to \$397,573,355.

Home Equity Lending Data

LOANS MADE	CY2002	CY2001	CY2000	CY1999	CY1998
Number of 2nd lien home equity loans	11,450	5,865	9,069	60,374	28,500
Dollar amount loaned	\$753,966,127	\$191,993,120	\$275,260,598	\$2,280,018,737	\$505,781,004
Average loan amount	\$65,849	\$32,735	\$30,352	\$37,765	\$17,747
Number of 1st lien home equity loans	66,617	39,252	41,795	77,882	114,823
Dollar amount loaned	\$6,854,394,325	\$3,003,634,029	\$2,500,942,239	\$6,623,009,057	\$10,771,649,420
Average loan amount	\$102,893	\$76,522	\$59,838	\$85,039	\$93,811
Number of 342.G loans	15,704	13,227	17,838	22,091	15,101
Dollar amount loaned	\$740,497,774	\$387,215,876	\$656,449,513	\$630,046,155	\$339,862,592
Average loan amount	\$47,153	\$29,275	\$36,801	\$28,520	\$22,506

LOANS BROKERED	CY2002	CY2001	CY2000	CY1999	CY1998
Number of 2nd lien home equity loans	3,543	2,263	3,164	569	3,204
Dollar amount loaned	\$173,012,930	\$105,487,171	\$142,132,894	\$21,604,830	\$116,394,652
Average loan amount	\$48,832	\$46,614	\$44,922	\$37,970	\$36,328
Number of 1st lien home equity loans	10,093	5,075	3,030	5,530	6,475
Dollar amount loaned	\$1,278,641,501	\$452,947,247	\$252,342,447	\$546,128,280	\$869,137,037
Average loan amount	\$126,686	\$89,251	\$83,281	\$98,757	\$134,230
Number of 342.G loans	3,779	3,959	3,359	2,700	1,199
Dollar amount loaned	\$264,794,327	\$202,201,614	\$171,914,361	\$98,152,333	\$34,075,031
Average loan amount	\$70,070	\$51,074	\$51,180	\$36,353	\$28,420

LOANS RECEIVABLE	CY2002	CY2001	CY2000	CY1999	CY1998
Number of 2nd lien home equity loans	14,294	17,670	17,839	17,900	13,845
Dollar amount loaned	\$397,573,355	\$496,587,136	\$489,514,227	\$644,145,104	\$275,953,772
Average loan amount	\$27,814	\$28,103	\$27,441	\$35,986	\$19,932
Number of 1st lien home equity loans	107,586	77,465	84,858	48,853	50,316
Dollar amount loaned	\$6,173,725,040	\$3,968,524,232	\$4,129,879,095	\$3,295,036,946	\$3,634,186,378
Average loan amount	\$57,384	\$51,230	\$48,668	\$67,448	\$72,227
Number of 342.G loans	7,550	5,863	11,612	13,484	5,104
Dollar amount loaned	\$192,824,006	\$154,478,235	\$457,299,782	\$260,064,265	\$185,817,101
Average loan amount	\$25,540	\$26,348	\$39,382	\$19,287	\$36,406

Number of companies reporting 936 903 888 831 898