

## 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 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). Other 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

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The 2003 data generally reflect the maturation of the home equity lending market in the state. The initial push of lending activity that occurred following passage of the Home Equity Lending Amendment has generally stabilized. Both increases and decreases in specific categories over the prior year were generally small.

In 2003, 1<sup>st</sup> lien home equity loans showed modest increases over the 2002 figures in the number of loans made, the dollar amount loaned, and the average amount of the loans.

In 2003, \$232,296,432 in 2<sup>nd</sup> lien home equity loans were made, the average loan being \$32,983. The average loan amount in 2002 was higher than in 2003. The 2003 average loan number better reflects the history of the 2<sup>nd</sup> lien home equity loan market, so the 2002 figures could actually represent an anomaly rather than an actual trend in that year.

The loan values for 2003 under the home improvement/purchase money category also saw increases in the number made and the amount loaned, over the prior year, but the average amount of the loans fell from \$47,153 to \$44,281.

### Loans Brokered

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Those brokering 2<sup>nd</sup> lien mortgage 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 2002 and 2003, the total amount of 2<sup>nd</sup> lien home equity loans brokered increased 27%, with an accompanying 34% increase in the average amount of each loan. The number of loans made decreased slightly from 3,543 made in 2002 to 3,370 in 2003.

After significant increases in the dollars loaned, loans made, and average loan amount brokered for 1<sup>st</sup> lien home equity loans from 2001 to 2002, the market stabilized in 2003. In 2003, there were 9,092 1<sup>st</sup> lien home equity loans made, compared to 10,093 in 2002. The total amount loaned and the average loan amount brokered decreased slightly over the prior year.

### **Loans Receivable**

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For all types of loans, the receivables category saw increases in the number of loans made, the total amount loaned, and the average amount of the loans. In 2003, lenders counted a total of \$7,732,218,336 under 1<sup>st</sup> lien home equity receivables and \$507,848,214 under 2<sup>nd</sup> lien home equity receivables.

## Home Equity Lending Data

LOANS MADE	CY2003	CY2002	CY2001	CY2000	CY1999
Number of 2nd lien home equity loans	7,043	11,450	5,865	9,069	60,374
Dollar amount loaned	\$232,296,432	\$753,966,127	\$191,993,120	\$275,260,598	\$2,280,018,737
Average loan amount	\$32,983	\$65,849	\$32,735	\$30,352	\$37,765
Number of 1st lien home equity loans	80,114	66,617	39,252	41,795	77,882
Dollar amount loaned	\$9,133,082,414	\$6,854,394,325	\$3,003,634,029	\$2,500,942,239	\$6,623,009,057
Average loan amount	\$114,001	\$102,893	\$76,522	\$59,838	\$85,039
Number of 342.G loans	24,899	15,704	13,227	17,838	22,091
Dollar amount loaned	\$1,102,541,563	\$740,497,774	\$387,215,876	\$656,449,513	\$630,046,155
Average loan amount	\$44,281	\$47,153	\$29,275	\$36,801	\$28,520
<b>LOANS BROKERED</b>	<b>CY2003</b>	<b>CY2002</b>	<b>CY2001</b>	<b>CY2000</b>	<b>CY1999</b>
Number of 2nd lien home equity loans	3,370	3,543	2,263	3,164	569
Dollar amount loaned	\$219,882,931	\$173,012,930	\$105,487,171	\$142,132,894	\$21,604,830
Average loan amount	\$65,247	\$48,832	\$46,614	\$44,922	\$37,970
Number of 1st lien home equity loans	9,092	10,093	5,075	3,030	5,530
Dollar amount loaned	\$1,013,352,964	\$1,278,641,501	\$452,947,247	\$252,342,447	\$546,128,280
Average loan amount	\$111,455	\$126,686	\$89,251	\$83,281	\$98,757
Number of 342.G loans	4,351	3,779	3,959	3,359	2,700
Dollar amount loaned	\$459,147,851	\$264,794,327	\$202,201,614	\$171,914,361	\$98,152,333
Average loan amount	\$105,527	\$70,070	\$51,074	\$51,180	\$36,353
<b>LOANS RECEIVABLE</b>	<b>CY2002</b>	<b>CY2002</b>	<b>CY2001</b>	<b>CY2000</b>	<b>CY1999</b>
Number of 2nd lien home equity loans	17,211	14,294	17,670	17,839	17,900
Dollar amount loaned	\$507,848,214	\$397,573,355	\$496,587,136	\$489,514,227	\$644,145,104
Average loan amount	\$29,507	\$27,814	\$28,103	\$27,441	\$35,986
Number of 1st lien home equity loans	119,952	107,586	77,465	84,858	48,853
Dollar amount loaned	\$7,732,218,336	\$6,173,725,040	\$3,968,524,232	\$4,129,879,095	\$3,295,036,946
Average loan amount	\$64,461	\$57,384	\$51,230	\$48,668	\$67,448
Number of 342.G loans	8,497	7,550	5,863	11,612	13,484
Dollar amount loaned	\$228,587,431	\$192,824,006	\$154,478,235	\$457,299,782	\$260,064,265
Average loan amount	\$26,902	\$25,540	\$26,348	\$39,382	\$19,287
Number of companies reporting	975	936	903	888	831