

# 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 2004 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 2004, 1<sup>st</sup> lien home equity loans showed a slight decrease from the 2003 figures in the number of loans made, the dollar amount loaned, and the average amount of the loans. The total number of 1<sup>st</sup> lien home equity loans made was 69,157 in 2004 down from 80,114 in 2003. The total dollar amount loaned in 2004 was \$6,613,895,199, a 28% decrease from 2003.

After showing a decline in 2003, the number of 2<sup>nd</sup> lien home equity loans reveal a slight increase in 2004 with a total dollar amount loaned of \$295,995,420, an average loan of \$39,298.

The loan values for 2004 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 \$44,281 to \$39,327.

## 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.

The number of 2<sup>nd</sup> lien home equity loans brokered in 2004 has generally stabilized with only a slight 6% increase between 2003 and 2004. In 2004, the number of 2<sup>nd</sup> lien home equity loans brokered was 3,611 with a dollar amount of \$251,901,934, an average loan of \$69,760.

While the number of 1<sup>st</sup> lien home equity loans brokered showed a slight 11% decrease in 2004, from 9,092 brokered in 2003 to 8,091 brokered in 2004, the average dollar amount loaned rose from \$111,455 in 2003 to \$121,343 in 2004.

### **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 2004, lenders counted a total of \$8,724,643,630 under 1<sup>st</sup> lien home equity receivables and \$945,155,658 under 2<sup>nd</sup> lien home equity receivables.

## Home Equity Lending Data

| LOANS MADE                           | CY2004          | CY2003          | CY2002          | CY2001          | CY2000          |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Number of 2nd lien home equity loans | 7,532           | 7,043           | 11,450          | 5,865           | 9,069           |
| Dollar amount loaned                 | \$295,995,420   | \$232,296,432   | \$753,966,127   | \$191,993,120   | \$275,260,598   |
| Average loan amount                  | \$39,298        | \$32,983        | \$65,849        | \$32,735        | \$30,352        |
| Number of 1st lien home equity loans | 69,157          | 80,114          | 66,617          | 39,252          | 41,795          |
| Dollar amount loaned                 | \$6,613,895,199 | \$9,133,082,414 | \$6,854,394,325 | \$3,003,634,029 | \$2,500,942,239 |
| Average loan amount                  | \$95,636        | \$114,001       | \$102,893       | \$76,522        | \$59,838        |
| Number of 342.G loans                | 40,425          | 24,899          | 15,704          | 13,227          | 17,838          |
| Dollar amount loaned                 | \$1,589,814,025 | \$1,102,541,563 | \$740,497,774   | \$387,215,876   | \$656,449,513   |
| Average loan amount                  | \$39,327        | \$44,281        | \$47,153        | \$29,275        | \$36,801        |
| <b>LOANS BROKERED</b>                | <b>CY2004</b>   | <b>CY2003</b>   | <b>CY2002</b>   | <b>CY2001</b>   | <b>CY2000</b>   |
| Number of 2nd lien home equity loans | 3,611           | 3,370           | 3,543           | 2,263           | 3,164           |
| Dollar amount loaned                 | \$251,901,934   | \$219,882,931   | \$173,012,930   | \$105,487,171   | \$142,132,894   |
| Average loan amount                  | \$69,760        | \$65,247        | \$48,832        | \$46,614        | \$44,922        |
| Number of 1st lien home equity loans | 8,091           | 9,092           | 10,093          | 5,075           | 3,030           |
| Dollar amount loaned                 | \$981,792,199   | \$1,013,352,964 | \$1,278,641,501 | \$452,947,247   | \$252,342,447   |
| Average loan amount                  | \$121,343       | \$111,455       | \$126,686       | \$89,251        | \$83,281        |
| Number of 342.G loans                | 4,020           | 4,351           | 3,779           | 3,959           | 3,359           |
| Dollar amount loaned                 | \$254,056,113   | \$459,147,851   | \$264,794,327   | \$202,201,614   | \$171,914,361   |
| Average loan amount                  | \$63,198        | \$105,527       | \$70,070        | \$51,074        | \$51,180        |
| <b>LOANS RECEIVABLE</b>              | <b>CY2004</b>   | <b>CY2003</b>   | <b>CY2002</b>   | <b>CY2001</b>   | <b>CY2000</b>   |
| Number of 2nd lien home equity loans | 19,321          | 17,211          | 14,294          | 17,670          | 17,839          |
| Dollar amount loaned                 | \$945,155,658   | \$507,848,214   | \$397,573,355   | \$496,587,136   | \$489,514,227   |
| Average loan amount                  | \$48,919        | \$29,507        | \$27,814        | \$28,103        | \$27,441        |
| Number of 1st lien home equity loans | 127,014         | 119,952         | 107,586         | 77,465          | 84,858          |
| Dollar amount loaned                 | \$8,724,643,630 | \$7,732,218,336 | \$6,173,725,040 | \$3,968,524,232 | \$4,129,879,095 |
| Average loan amount                  | \$68,690        | \$64,461        | \$57,384        | \$51,230        | \$48,668        |
| Number of 342.G loans                | 11,202          | 8,497           | 7,550           | 5,863           | 11,612          |
| Dollar amount loaned                 | \$370,088,622   | \$228,587,431   | \$192,824,006   | \$154,478,235   | \$457,299,782   |
| Average loan amount                  | \$33,038        | \$26,902        | \$25,540        | \$26,348        | \$39,382        |
| Number of companies reporting        | 1,023           | 975             | 936             | 903             | 888             |