

## 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 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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In 2005, 1<sup>st</sup> lien home equity loans showed a modest increase (approximately 11%) from the 2004 figures in the number of loans made, and the average loan amount. The total dollar amount loaned increase by approximately 24%. The total number of 1<sup>st</sup> lien home equity loans made was 77,359 in 2005 up from 69,157 in 2004. The total dollar amount loaned in 2005 was \$8,168,373,316 compared to \$6,613,895,199 in 2004.

The number and amount loaned of 2<sup>nd</sup> lien home equity loans made during 2005 significantly increased from 2004. The number of loans made increased by approximately 69% and 74%, respectively, over the number made in 2004. The number of 2<sup>nd</sup> lien home equity loans made was 12,719 with a dollar amount of \$515,690,443 in 2005.

The number and amount loaned in 2005, under the home improvement/purchase money category, has continued to rise and has more than quadrupled over the number and amount loaned in 2001. The number of 2<sup>nd</sup> lien home improvement/purchase money loans made in 2005 was 57,246 and \$1,880,754,976.

### 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 2005 more than doubled from previous years. In 2005, the number of 2<sup>nd</sup> lien home equity loans brokered was 7,535 with a dollar amount of \$584,059,011, an average loan of \$77,513.

In 2005 the number of 1<sup>st</sup> lien home equity loans brokered increased by over 55% compared to 2004, from 8,091 brokered in 2004 to 12,561 brokered in 2005, the average dollar amount loaned also rose from \$121,343 in 2004 to \$152,714 in 2005.

## **Loans Receivable**

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For both types of home equity loans, the receivables category stayed fairly stable compared to the prior year. The 2<sup>nd</sup> lien home improvement/purchase money receivables category saw a significant increase over the last year, almost doubling. As of December 31, 2005, lenders had receivables totaling \$8,581,320,040 under 1<sup>st</sup> lien home equity loans, \$958,968,559 under 2<sup>nd</sup> lien home equity loans, and \$636,603,593 under home improvement/purchase money loans.

## Home Equity Lending Data

LOANS MADE	CY2005	CY2004	CY2003	CY2002	CY2001
Number of 2nd lien home equity loans	12,719	7,532	7,043	11,450	5,865
Dollar amount loaned	\$515,690,443	\$295,995,420	\$232,296,432	\$753,966,127	\$191,993,120
Average loan amount	\$40,545	\$39,298	\$32,983	\$65,849	\$32,735
Number of 1st lien home equity loans	77,359	69,157	80,114	66,617	39,252
Dollar amount loaned	\$8,168,373,316	\$6,613,895,199	\$9,133,082,414	\$6,854,394,325	\$3,003,634,029
Average loan amount	\$105,590	\$95,636	\$114,001	\$102,893	\$76,522
Number of 342.G loans	57,246	40,425	24,899	15,704	13,227
Dollar amount loaned	\$1,880,754,976	\$1,589,814,025	\$1,102,541,563	\$740,497,774	\$387,215,876
Average loan amount	\$32,854	\$39,327	\$44,281	\$47,153	\$29,275
<b>LOANS BROKERED</b>	<b>CY2005</b>	<b>CY2004</b>	<b>CY2003</b>	<b>CY2002</b>	<b>CY2001</b>
Number of 2nd lien home equity loans	7,535	3,611	3,370	3,543	2,263
Dollar amount loaned	\$584,059,011	\$251,901,934	\$219,882,931	\$173,012,930	\$105,487,171
Average loan amount	\$77,513	\$69,760	\$65,247	\$48,832	\$46,614
Number of 1st lien home equity loans	12,561	8,091	9,092	10,093	5,075
Dollar amount loaned	\$1,918,241,297	\$981,792,199	\$1,013,352,964	\$1,278,641,501	\$452,947,247
Average loan amount	\$152,714	\$121,343	\$111,455	\$126,686	\$89,251
Number of 342.G loans	7,434	4,020	4,351	3,779	3,959
Dollar amount loaned	\$396,603,270	\$254,056,113	\$459,147,851	\$264,794,327	\$202,201,614
Average loan amount	\$53,350	\$63,198	\$105,527	\$70,070	\$51,074
<b>LOANS RECEIVABLE</b>	<b>CY2005</b>	<b>CY2004</b>	<b>CY2003</b>	<b>CY2002</b>	<b>CY2001</b>
Number of 2nd lien home equity loans	27,860	19,321	17,211	14,294	17,670
Dollar amount loaned	\$958,968,559	\$945,155,658	\$507,848,214	\$397,573,355	\$496,587,136
Average loan amount	\$34,421	\$48,919	\$29,507	\$27,814	\$28,103
Number of 1st lien home equity loans	115,683	127,014	119,952	107,586	77,465
Dollar amount loaned	\$8,581,320,040	\$8,724,643,630	\$7,732,218,336	\$6,173,725,040	\$3,968,524,232
Average loan amount	\$74,180	\$68,690	\$64,461	\$57,384	\$51,230
Number of 342.G loans	21,603	11,202	8,497	7,550	5,863
Dollar amount loaned	\$636,603,593	\$370,088,622	\$228,587,431	\$192,824,006	\$154,478,235
Average loan amount	\$29,468	\$33,038	\$26,902	\$25,540	\$26,348
Number of companies reporting	1,034	1,023	975	936	903