

## 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 made, loans brokered, and loans receivable.

### Loans Made

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In 2007, 1<sup>st</sup> lien home equity loans continued to decrease from the prior years figures in the number of loans made, and loan amount, while the average amount loaned has stayed relatively level. The total number of 1<sup>st</sup> lien home equity loans made was 28,761 in 2007 down from 34,639 in 2006. The total dollar amount loaned in 2007 was \$2,711,992,192 compared to \$3,440,727,696 in 2006.

The number and amount loaned of 2<sup>nd</sup> lien home equity loans made during 2007 significantly decreased from 2006. The number of 2<sup>nd</sup> lien home equity loans made was 6,351 with a dollar amount of \$259,010,850 in 2007.

The number and amount loaned in 2007, under the home improvement/purchase money category, decreased significantly (approximately 47%) from the 2006 figures in the number of loans made, and loan amount, while the average amount loaned increased. The number of 2<sup>nd</sup> lien home improvement/purchase money loans made in 2007 was 15,941 and \$1,100,645,348.

### Loans Brokered

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The 80<sup>th</sup> Legislature amended the TEXAS FINANCE CODE allowing a company licensed by the Texas Department of Savings and Mortgage Lending and brokering 2<sup>nd</sup> lien mortgage transactions, to no longer be required to hold an OCCC license. This amendment was effective September 1, 2007. The data in this report includes information only from OCCC licensees. If a broker only negotiates first lien transactions for others, the data from those lenders is also not reported to the OCCC.

The number of 2<sup>nd</sup> lien home equity loans brokered in 2007 declined slightly from the previous year. In 2007, the number of 2<sup>nd</sup> lien home equity loans brokered was 4,186 with a dollar amount of \$276,732,097, as compared to 4,819 loans with a dollar amount of \$310,165,680, in 2006.

In 2007 the number of 1<sup>st</sup> lien home equity loans brokered showed a decrease of approximately 32% compared to 2006, from 8,661 brokered in 2006 to 5,881 brokered in 2007. Although, the average dollar amount loaned slightly increase from \$134,164 in 2006 to \$142,950 in 2007.

The number and amount loaned for brokered home improvement/purchase money loans, in 2007, decreased by about half from the previous year. In 2007, the number of home improvement/purchase money loans brokered was 5,424 with a dollar amount of \$360,775,962, as compared to 11,879 loans with a dollar amount of \$616,194,824, in 2006.

### **Loans Receivable**

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For 1<sup>st</sup> and 2<sup>nd</sup> lien home equity loans, the receivables categories saw slight decrease over 2006. While the home improvement/purchase money loans receivables category decreased by about half. As of December 31, 2007, lenders had receivables totaling \$612,603,926 under 2<sup>nd</sup> lien home equity loans, \$6,772,146,757 under 1<sup>st</sup> lien home equity loans, and \$523,709,052 under home improvement/purchase money loans.

## Home Equity Lending Data

<b>LOANS MADE</b>	<b>CY2007</b>	<b>CY2006</b>	<b>CY2005</b>	<b>CY2004</b>	<b>CY2003</b>
Number of 2nd lien home equity loans	6,351	14,189	12,719	7,532	7,043
Dollar amount loaned	\$259,010,850	\$594,450,249	\$515,690,443	\$295,995,420	\$232,296,432
Average loan amount	\$40,783	\$41,895	\$40,545	\$39,298	\$32,983
Number of 1st lien home equity loans	28,761	34,639	77,359	69,157	80,114
Dollar amount loaned	\$2,711,992,192	\$3,440,727,696	\$8,168,373,316	\$6,613,895,199	\$9,133,082,414
Average loan amount	\$94,294	\$99,331	\$105,590	\$95,636	\$114,001
Number of 342.G loans	15,941	47,909	57,246	40,425	24,899
Dollar amount loaned	\$1,100,645,348	\$2,314,459,541	\$1,880,754,976	\$1,589,814,025	\$1,102,541,563
Average loan amount	\$69,045	\$48,309	\$32,854	\$39,327	\$44,281
<b>LOANS BROKERED</b>	<b>CY2007</b>	<b>CY2006</b>	<b>CY2005</b>	<b>CY2004</b>	<b>CY2003</b>
Number of 2nd lien home equity loans	4,189	4,819	7,535	3,611	3,370
Dollar amount loaned	\$276,732,097	\$310,165,680	\$584,059,011	\$251,901,934	\$219,882,931
Average loan amount	\$66,109	\$64,363	\$77,513	\$69,760	\$65,247
Number of 1st lien home equity loans	5,881	8,661	12,561	8,091	9,092
Dollar amount loaned	\$840,686,497	\$1,161,992,104	\$1,918,241,297	\$981,792,199	\$1,013,352,964
Average loan amount	\$142,950	\$134,164	\$152,714	\$121,343	\$111,455
Number of 342.G loans	5,424	11,879	7,434	4,020	4,351
Dollar amount loaned	\$360,775,962	\$616,194,824	\$396,603,270	\$254,056,113	\$459,147,851
Average loan amount	\$66,515	\$51,873	\$53,350	\$63,198	\$105,527
<b>LOANS RECEIVABLE</b>	<b>CY2007</b>	<b>CY2006</b>	<b>CY2005</b>	<b>CY2004</b>	<b>CY2003</b>
Number of 2nd lien home equity loans	23,660	28,692	27,860	19,321	17,211
Dollar amount loaned	\$612,603,926	\$940,119,192	\$958,968,559	\$945,155,658	\$507,848,214
Average loan amount	\$25,892	\$32,766	\$34,421	\$48,919	\$29,507
Number of 1st lien home equity loans	121,689	109,009	115,683	127,014	119,952
Dollar amount loaned	\$6,772,146,757	\$7,488,924,701	\$8,581,320,040	\$8,724,643,630	\$7,732,218,336
Average loan amount	\$55,651	\$68,700	\$74,180	\$68,690	\$64,461
Number of 342.G loans	16,391	35,872	21,603	11,202	8,497
Dollar amount loaned	\$523,709,052	\$1,242,540,307	\$636,603,593	\$370,088,622	\$228,587,431
Average loan amount	\$31,951	\$34,638	\$29,468	\$33,038	\$26,902
Number of companies reporting	974	1,089	1,034	1,023	975