Bureau of the Census Statistical Brief

Home Equity Lines of Credit —
A Look at the People Who Obtain Them

Starting in the mid-1980's, home mortgage interest payments became the *only* interest payments the average homeowner was allowed to claim as an itemized tax deduction. This made *home equity lines of credit (HEL's)* popular. HEL's are credit lines extended by a financial institution to a homeowner based upon the equity in a home.

This Brief profiles the 3.4 million single-family home owners who had HEL's in 1991 and compares them to the 26.5 million single-family home owners who had other types of mortgages. (These data apply to the single-unit property these owners both owned and lived on.) In addition, the 646,000 owners whose HEL was their only mortgage are compared to the 2.7 million whose HEL was a *junior* mortgage (i.e. they also had at least one other mortgage on their property).

HEL borrowers were concentrated in the Northeast and in the suburbs.

One-third (35 percent) of owners with HEL's resided in the Northeast, a region that contained only 20 percent of the Nation's single-family home owners. Conversely, 24 percent of owners with HEL's lived in the South, which contained 35 percent of the Nation's single-family home owners.

Nationally, most homeowners with HEL's (89 percent) lived in metropolitan areas, usually in suburbs (68 percent) rather than in central cities (21 percent). All single-family home owners were both less metropolitan (79 percent) and less suburban (53 percent).

Persons with HEL's were older and made more money.

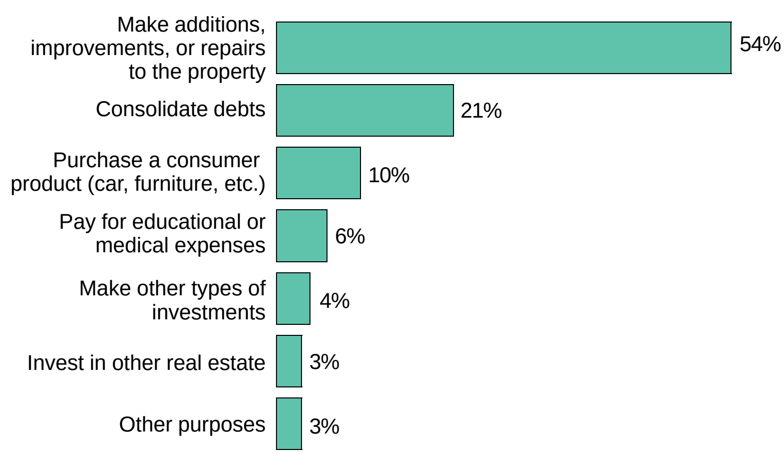
Homeowners with HEL's were slightly older than other mortgaged owners (a median of 46 years old versus 43 years). Compared with other mortgaged owners, those with HEL's also —

- Were more likely to be White (93 percent versus 89 percent) and less apt to be Hispanic (3 percent versus 6 percent).
- Were more apt to co-own the property with a person of the opposite sex (79 percent compared with 71 percent).
- Had a higher median household income ($57,211 versus $43,985).
- Were more likely to have owned another home before they purchased their current home (60 percent versus 55 percent).

Why Homeowners Get a Home Equity Line of Credit

Percent of single-family home owners with a home equity line of credit (HEL), by why they took out the HEL: 1991

(Reasons are mutually exclusive. The universe includes only those who reported a reason.)



Note: Percentages do not add to 100 due to rounding.

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Owners with HEL's not only lived in older homes, but had been living in them longer.

Homeowners with HEL's lived in homes that were a median of 27 years old, while other mortgaged owners resided in homes that were a median of 24 years old. Additionally, those with HEL's had been living in their home for a median of 13 years, 5 years longer than other mortgaged owners.

Debt was a smaller share of home value for owners with HEL's.

For owners with HEL's, median total outstanding mortgage debt on the property was *slightly* higher ($48,145) than it was for other mortgaged owners ($43,495). But the median value of their homes was *considerably* higher ($137,145 compared with $88,885). As a result, their total debt was a much smaller percentage of their home's value (a median of 41 percent compared with 55 percent). Since homeowners with HEL's had owned their homes longer, they would have more equity built up to borrow against.

Homeowners with HEL's were more apt to have multiple mortgages on the property (81 percent, 79 percent of which were an HEL plus a first mortgage) than other mortgaged owners (11 percent). They also had bigger first mortgages ($52,074 versus $47,064).

Owners whose HEL's were stand-alone mortgages were even older.

Homeowners whose HEL was the only mortgage on the property were a median of 54 years old, about a decade older than those whose HEL was a junior mortgage. They also —

- Were less likely to have owned another home before they bought their current one (45 percent versus 63 percent).

- Were less likely to co-own the property with a person of the opposite sex (68 percent versus 82 percent).

- Lived in much less expensive homes (median value of $94,072 compared with $147,506).

- Had lower median household income ($40,887 versus $61,777).

- Were less likely to have owned a home built after 1980 (7 percent compared with 19 percent) and to have acquired the home after 1980 (26 percent versus 49 percent).

- Had lived in their homes longer (a median of 21 years versus 12 years).

Women were more likely to have a stand-alone HEL.

As mentioned earlier, most HEL borrowers (2.7 million of the 3.4 million) co-owned the property with a person of the opposite sex. But the remaining 703,000 did not; about 50 percent of these borrowers were women. Among the 499,000 owners who did not co-own the property and whose HEL was a junior mortgage, around half were women. However, among the 204,000 owners who didn't co-own the property and had stand-alone HEL's, two-thirds were women. This suggests that a significant proportion of homeowners with stand-alone HEL's may have been widows or divorcees with an earlier first mortgage that had been paid off.

More information:

The data in this Brief were collected by the 1991 Residential Finance Survey (RFS), a survey of about 70,000 residential property owners, conducted as a follow-up to the Census of Population and Housing. A printed report with RFS data, *Residential Finance*, Series CH-4-1, is available. Microdata files from the RFS are available on both computer tape and CD-ROM. Contact Customer Services (301-457-4100) for ordering information.

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Most Outstanding Home Equity Lines of Credit Were Originated After 1987

Number (in thousands) of single-family homes with an outstanding HEL, by year of HEL origination: 1991