



Data Points to HELOC Opportunity from Consumer Urgency Boom

INTRODUCTION

U.S. homeowners now have access to an average of \$178,000 in tappable equity. Now, though, with rising rates anticipated to curb home prices, and thereby equity, consumer urgency is building for

home equity lines of credit (HELOC). Here are the data indicators banks and credit unions can use to find and serve borrowers for whom a HELOC is an excellent fit.



The HELOC Opportunity: Record Levels of Homeowner Equity²

Homeowners have witnessed year-over-year equity increase for the past 10 years.



Homeowners Favor Home Equity Lines over Equity Loans³

HELOCs far more popular with consumers.

9x more popular than equity loans

138% since 2018

of consumers use equity loans, down from 3% in 2020.



How can banking organizations identify prime HELOC candidates in their data?

Consumers wanting to use equity financing can either obtain a low-or-no fee, floating-rate HELOC that can be used at any time, or obtain a cash-out mortgage refinance with a fixed rate with an origination fee. With so many homeowners so recently paying an origination fee for a new mortgage – many at historic low rates – many consumers will prefer an equity line to a new fee and higher 30-year mortgage rate. Banks and credit unions can use data to identify customers or members with the following five data sets.

EQUITY

Home equity has **grown by** \$51,000 per household.4

MORTGAGE CLOSE DATE

24.6 million borrowers refinanced or purchased in 2020 and 2021.5

MORTGAGE TYPE

9.6 million recent homebuyers are potential renovators.⁵

CREDIT SCORE

The average credit score is **695**, a 13-year high.⁶

SAVINGS

35% of consumerswould borrow
\$1,000 for a
surprise expense.⁷

4 What need/motivation can lenders use to nurture HELOC candidates?

EQUITY

Leverages home equity for renovation, debt consolidation, and more.

CLOSING DATE

HELOC are a no-or-low fee option for equity financing to recent homebuyers.

LOAN TYPE

Propose HELOCs for home improvements to recently closed purchasers.

CREDIT SCORE

Needs education on new options as score improves.

SAVINGS

Needs advice on the cheaper forms of credit to handle surprise expenses.

Sources

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- 2. Black Knight, Analysis published by The Basis Point. November 2021.
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- 4. Marketplace, "Could home equity lines of credit come back in 2022?" December 6, 2021
- 5. HousingWire, "Purchase mortgage volume projected to clear \$2.1T in '22, '23." January 21, 2022
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 Despite Pandemic Challenges." September 7, 2021
- 7. Bankrate, "Survey: Less than half of Americans have savings to cover a \$1,000 surprise expense."

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