NATIONAL SURVEY OF HOME EQUITY LOANS

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EXECUTIVE SUMMARY

Three national surveys were conducted by the Survey Research Center at the University of Michigan to investigate the use of home equity credit by American households. The samples for all three national surveys were scientifically selected to accurately represent all private households. The latest national survey included 3,001 interviews conducted from May to October of 1997. The earlier surveys included 2,537 interviews conducted from November 1993 to March 1994, and 3,010 interviews conducted from July to December of 1988.

The findings from the national surveys of home equity credit can be summarized as follows:

- Home equity lines of credit and second mortgages were held by 13% of all home owners in 1997, unchanged from the 1994 level, but remained above the 11% recorded in 1988. Home equity lines of credit were held by 8% of all home owners, and traditional second mortgages by 5%.

- Although the share of all home owners with either type of credit was unchanged, due to the growth in the absolute number of households over this time period, the number of home owners using this type of credit grew by about 10% since 1994 to a total of about 9 million households by 1997.

- Home owners with home equity lines of credit were older and had higher incomes than home owners with traditional second mortgages. From 1994 to 1997, home owners under age 35 shifted toward the use of traditional second mortgages, while home owners aged 35 to 54 shifted toward the use of home equity lines of credit.

- Home owners residing in the Northeast were the most likely to have either a home equity line of credit or a traditional second mortgage since 1988, while home owners residing in the South were the least likely. The difference across regions, however, has narrowed as the surveys have recorded repeated small declines in the Northeast and repeated increases in the West.

- The median amount of outstanding debt on traditional second mortgages rose from 1994 to 1997 by $4,000, while the median amount of outstanding debt on home equity credit lines remained unchanged. As a result, the median outstanding debt on traditional second mortgages and home equity lines of credit was identical in the 1997 survey ($15,000).

- The rise in outstanding debt on traditional second mortgages was accompanied by a comparable increase in the gross value of homes, so that the net home equity among home owners with second mortgages remained unchanged after taking account of the increases in debt. The unchanged amount of outstanding debt on home equity lines of credit was mirrored by an unchanged level of net home equity for this group.

- The highest median level of net home equity was recorded among home owners without any home related debt in 1997 ($80,000), closely followed by home owners with home equity lines of credit ($76,000). Median net equity was about half as much among home owners with traditional second mortgages ($35,000) or among home owners with just a first mortgage ($43,000).

- The median approved home equity line of credit rose to $30,000 in 1997 from $25,000 in 1994, which represented about one-third of the available net home equity in both years. The amount of outstanding debt as a proportion of the available credit line, however, fell slightly to 55% in 1997 from 62% in 1994. As a result, the median amount of outstanding debt on home equity credit lines accounted for 16% of available net home equity in 1997, down from 18% in 1994.

- Traditional second mortgages were used about as frequently to consolidate existing debt as finance new purchases of goods or services. In sharp contrast, home equity lines of credit were used about twice as frequently to make new purchases as to consolidate existing debt.

- Home improvements were the most common purpose for which funds were used for both second mortgages (50%) as well as home equity lines of credit (69%). Vehicle purchases were the next most commonly used, cited somewhat more frequently by those with home equity credit lines (39%) than traditional second mortgages (20%). Home equity lines of credit were used much more frequently for education expenses (20% versus 3% for second mortgages), and more frequently used for small business related expenses (18% versus 6%).

- The overall use of traditional second mortgages for the consolidation of existing debts declined slightly, mentioned by 61% in 1997 compared with 68% in 1994 (but remained well above the 34% recorded in 1988). The consolidation of credit card debt into second mortgages, however, has grown substantially, mentioned by 48% in 1997, up from 33% in 1994, and just 11% in 1988. In contrast, traditional second mortgages were used less frequently in 1997 to consolidate all other types of existing debts, except medical debt.

- The widespread consolidation of existing debt indicates that a substantial share of the amounts borrowed on home equity loans do not represent a net increase in household debt. Moreover, the greater extent of credit card debt consolidation for traditional second mortgages may simply represent a means for consumers to more flexibly manage their finances.

- The most common advantage of home equity credit lines cited by owners was its flexibility and convenience, allowing them to access funds as needed. Importantly, 87% of all home owners with home equity lines of credit reported that this type of loan made their finances easier to manage.

- The primary advantage cited by home owners with second mortgages was the lower interest rate on this type of loan—an important advantage since debt consolidation represents a significant use of these loans. Lower interest rates were also cited as an important advantage by those with home equity credit lines (by one-third, compared with half of those with second mortgages).

- The tax deductibility of interest charges for housing related debt rose in importance. Among home owners with traditional second mortgages, 40% cited the tax deductibility of interest changes in 1997, up from 28% in 1994, and just 19% in 1988. Among holders of home equity credit lines, 38% cited the tax advantages in 1997, up from 31% in 1994.

- Home owners with traditional second mortgages and home equity lines of credit were very aware of the possibility of foreclosure if they missed payments. There was near universal awareness among home owners with either second mortgages or home equity lines of credit that this type of debt involved a lien on their home. Nearly all consumers were also aware that they had the right to cancel the loan agreement within three days.

- Importantly, consumers were aware of the potential for debt over-extension. When asked to identify the most important disadvantages of home equity lines of credit, the possibility of debt over-extension was mentioned by one-in-four, the most frequently cited disadvantage.

- The vast majority of consumers could recall receiving a truth-in-lending statement from the financial institution at which they obtained the second mortgage or line of credit, and reported that they had saved a copy. Although two-thirds found the statement useful, very few consumers reported that this information affected their credit decision.

- Nearly all households with home equity lines of credit (99%) as well as traditional second mortgages (96%) reported that they were given all the information that they needed when they obtained the loan.

- When obtaining home equity lines of credit, consumers chose commercial banks much more frequently than any other type of financial institution. A growing share also chose commercial banks to obtain their traditional second mortgages, rising to 44% in 1997 from 29% in 1994. Fewer consumers obtained second mortgages from Savings & Loans or savings banks (19% in 1997, down from 30% in 1994) as well as from finance or mortgage companies (24%, down from 29%). For both types of home equity loans, credit unions gained share in the latest survey.

- Before obtaining either a home equity line of credit or a second mortgage, nearly half of all consumers reported that they had searched for additional information on different creditors and credit terms. Of those that sought additional information, nearly all reported that they obtained the information needed, and half reported that the added information affected their credit decision.

- Overall, 98% of all home owners with home equity lines of credit, and 94% of all those with traditional second mortgages reported that they were satisfied with the loans they obtained.

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INTRODUCTION

Home equity loans have become an increasingly important source of credit for home owners. In addition to first mortgages, two additional types of home equity loans are used by consumers: second mortgages and home equity lines of credit. Traditional second mortgages are loans for a fixed amount, the money is received as a lump sum, and the loan is repaid on a fixed schedule, normally in equal monthly installments. Home equity lines of credit are revolving credit lines that allow home owners to borrow money at their discretion up to their approved credit limit, and typically have more flexible repayment schedules than traditional second mortgages.

Home equity represents the largest component of accumulated wealth for many households. Home equity is defined as the market value of the home minus all outstanding debts that use the home as collateral. The use of home equity as collateral is the primary means that consumers can use to transform what is otherwise a relatively illiquid asset into spendable funds (other than downsizing or selling the home and becoming renters). Importantly, the use of traditional second mortgages and home equity lines of credit is significantly influenced by trends in first mortgage refinancing. Home owners frequently refinance existing first mortgages in amounts that allow them to consolidate other debts, including outstanding balances on second mortgages and home equity lines of credit. Consequently, changes in the amount of outstanding debt on second mortgages and home equity lines of credit are likely to vary along with refinancing activity.

This report documents the results from three national surveys designed to investigate the use of home equity loans by American households, conducted by the Survey Research Center at the University of Michigan. The latest national survey included 3,001 interviews conducted from May to October of 1997. The earlier surveys included 2,537 interviews conducted from November 1993 to March 1994, and 3,010 interviews completed from July to December of 1988. The samples for all three surveys were scientifically selected to accurately represent all private households in the United States (excluding Alaska and Hawaii).

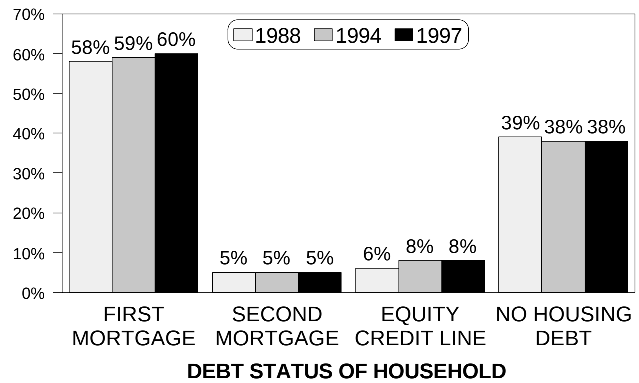
The goals of the surveys were to determine the extent to which home equity credit was being used by home owners, how their use of home equity credit has changed over time, the demographic and economic characteristics of the households that used home equity credit, the purposes for which the money was borrowed, the advantages and disadvantages of each type of home equity loan, including tax considerations, the types of financial institutions from which these accounts were obtained, whether the terms and conditions of home equity loans were clearly disclosed to consumers, and whether consumers understood the potential risks from default.

Comparisons of the results across the three surveys should take into consideration that all of the dollar amounts contained in this report are given in current dollars, not inflation adjusted constant dollars. Across the entire period covered by the surveys, the overall level of prices increased by about one-third (calculated using either the Consumer Price Index or the personal consumption deflator used in the National Income and Product Accounts). Most of the gain was recorded between the 1988 and 1994 surveys, when the overall price level increased by about 22% . In contrast, the overall level of prices increased to a much smaller extent between the 1994 and 1997 surveys, by about 9% to 10%.

OVERALL TRENDS IN HOME RELATED DEBT

Incidence of Debt. Among all households in each of the three national surveys, two-thirds owned their homes, covering all types of private dwelling units--including single and multiple family structures, condominiums, and mobile homes. The majority of home owners in each survey had some type of debt that used their home as collateral (see Chart 1). The data indicate that the overall incidence of home related debt has not significantly changed since 1988.

Figure 1: **PERCENT OF HOME OWNERS WITH OUTSTANDING MORTGAGE CREDIT**



The proportion of home owners without any type of debt that used their home as collateral was 38% in both the 1997 and 1994 surveys, down insignificantly from the 39% recorded in 1988. First mortgages were the most common type of home related debt by a wide margin. Among all home owners, 60% had a first mortgage in the 1997 survey. The incidence of first mortgage debt was barely above the level recorded in 1994 (59%) or in 1988 (58%). In comparison, the proportion of home owners with either a traditional second mortgage or home equity line of credit was 13% in both the 1997 and 1994 surveys, up from 11% in the 1988 survey.

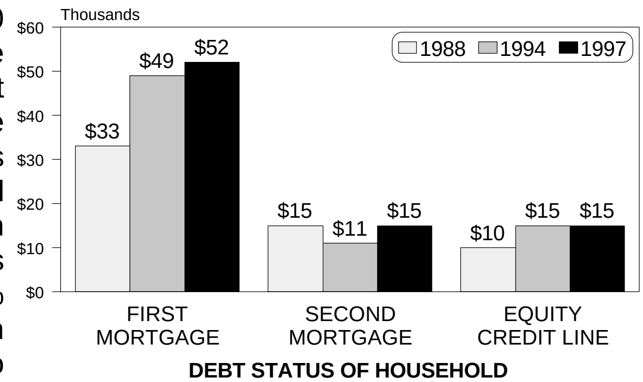
The proportion of home owners with traditional second mortgages remained unchanged, at 5% across all three surveys. The proportion of home owners that had established home equity lines of credit also remained unchanged from 1994 to 1997 at 8%, up slightly from the 6% recorded in 1988. Importantly, in each of the surveys, home equity lines of credit were more common among home owners than traditional second mortgages.

Although the percentage share of all home owners with either a second mortgage or home equity line of credit was unchanged from three years earlier, due to the growth in the absolute number of households the total number of home owners with either type of home equity loan has grown significantly. Over the time period covered by the surveys, the absolute number of households rose by about 1% per year. As a result, the total number of households with either type of home equity debt, rose to 9.0 million by the end of 1997, from 8.2 million in 1994 and 6.5 million in 1988.

It is important to note that not all of the home owners with home equity lines of credit had outstanding balances at the time of the surveys. Counting only those home owners with outstanding balances, the proportion of home owners with current debt on their home equity credit line fell to 5% in 1997 from 7% in 1994 (see Table 1). Thus, while the proportion of home owners that had established home equity lines of credit remained unchanged, the proportion that had outstanding debt on these credit lines actually declined. If only home owners with outstanding home equity debt are compared, the 1997 data indicate that traditional second mortgages and home equity credit lines were equally as prevalent among households (5%).

Amount of Outstanding Debt. The median amount owed on first mortgages rose only slightly since 1994, to $52,000 in 1997 from $49,000 in 1994. The relatively small increase of $3,000 followed a much more substantial rise of $16,000 from 1988 to 1994 (see Chart 2). It must be emphasized that all figures are given in current dollars, not inflation adjusted amounts. Indeed, the 1997 increase in first mortgage debt of 6.1% was smaller than the 9% - 10% gain in the price level from 1994 to 1997. In sharp contrast, the 48% gain in the median outstanding debt on first mortgages from 1988 to 1994 was twice as large as the 22% rise in prices during that period. In part, the much larger increase in first mortgage debt from 1988 to 1994, and the decline in outstanding balances on second mortgages, reflected the greater impact of refinancing of first mortgages in the earlier period. The recent growth in refinancing can again be expected to result in growth in first mortgage balances.

Figure 2: **MEDIAN OUTSTANDING DEBT**



Home owners were not only as likely to have outstanding debt on traditional second mortgages as home equity lines of credit (each at 5% of all home owners), the median amount of the outstanding balance on each type of home related debt was also equal ($15,000). This convergence was due to fewer homeowners using their home equity lines of credit and an increase in the outstanding balances on traditional second mortgages (see Chart 2 and Table 1). Although the median balance on home equity lines of credit was unchanged from 1994 to 1997, the number of home owners that had any outstanding balance fell from 7% to 5%. At the same time, while the number of home owners with second mortgages remained unchanged at 5%, the median amount of outstanding debt on these second mortgages rose by $4,000 during the past three years, returning to the same level recorded in 1988.

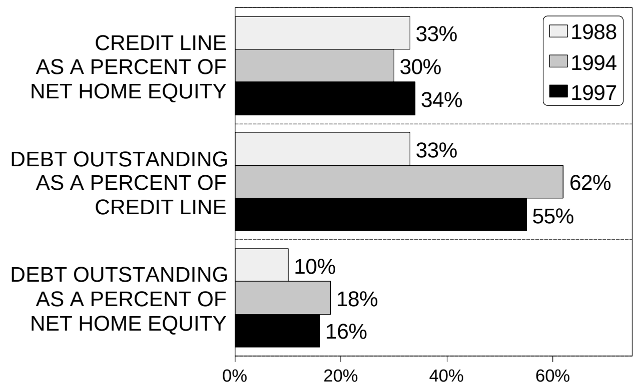
The patterns of change in the mean amounts of outstanding debt were similar (both sets of figures are shown in Table 1). The median figures indicate the amount of debt held by the typical household (half of all households are above the median, and half below the median). The mean amounts are higher than the medians since these figures give relatively greater weight to households with large outstanding balances. For example, the mean outstanding debt for first mortgages was $67,638 in 1997, compared with the median of $52,000. The same pattern of higher mean than median was recorded for outstanding balances on traditional second mortgages and home equity lines of credit.

The same type of consideration applies when comparing figures across years: differences in the means are more heavily influenced by changes in the upper end of the distribution. For example, from 1994 to 1997 the mean outstanding debt on first mortgages rose by less than the percentage increase in the median, indicating relatively greater changes around the middle as compared with the top end of the distribution. The same trend was true for outstanding balances on traditional second mortgages: the increase in the mean was proportionately smaller than the increase in the median amount of outstanding debt. The opposite, however, was true for outstanding balances on home equity lines of credit, as the mean outstanding balance rose while the median remained unchanged. The text and included charts focus on the medians, since they more accurately represent the typical household. It will be noted in the text, however, whenever the changes in the mean amounts are not consistent with changes in the median amounts. The medians as well as the means are shown in the tables to provide a more complete description of the overall distributions.

Change in Home Equity Credit Lines. Home equity lines of credit differ from first mortgages and traditional second mortgages in that they allow home owners to borrow at their discretion any amount up to their approved credit limit. The amount of the approved credit line varies depending on the available amount of net home equity at the time the loan was obtained (market value of the home minus outstanding first and second mortgages). The median maximum line of credit reported by home owners with home equity lines of credit was $30,000 in the 1997 survey, an increase of $5,000 from 1994, returning to the same level recorded in 1988. The mean credit line also increased by a similar proportion in 1997, although it still remained somewhat below the 1988 level (see Table 2). It should be noted that although the nominal credit lines were largely unchanged from 1988 to 1997, if these figures were adjusted for changes in the overall price level from 1988 to 1997 (a rise of about one-third), both the median and mean credit lines were significantly lower in real terms.

The maximum approved home equity credit line has remained remarkably constant since 1988 at about one-third of the available net home equity. (Note that in this context net home equity is defined as the current market value of the home minus any first or traditional second mortgages.) The stability reflects in part the absence of any significant change in the criteria used by financial institutions to set maximum credit limits, and in part the lack of change in the preferences expressed by home owners when applying for home equity lines of credit.

Figure 3: **MAXIMUM CREDIT LINE AND DEBT OUTSTANDING AS PERCENT NET HOME EQUITY**



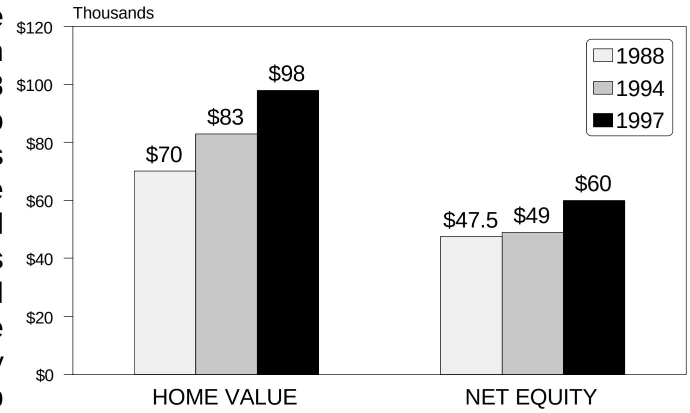
The most significant change since 1988 was in the actual amounts borrowed against the approved credit lines, with the entire rise recorded by 1994. Indeed, the 1997 survey recorded a small decline in the debt outstanding as a proportion of the credit line, falling to 55% in 1997 from 62% in 1994 (both figures exclude households with no outstanding balances at the time of the survey). The small overall decline was largely due to declines among home owners who made extensive use of their credit lines, as the number with outstanding debt equal to 75% or more of their approved credit line fell to 16% in 1997 from 22% in 1994, but still well above the 9% recorded in 1988 (see Table 3). It should be noted, however, that the small 1997 decline in the share of the credit line in use was also accompanied by an increase in the size of the credit line from 1994.

Overall, the median amount of outstanding debt on home equity credit lines amounted to 16% of available net home equity in 1997, just below the 18% recorded in 1994, but substantially above the 10% in 1988 (see Chart 3 and Table 2). Importantly, the number of home owners with outstanding balances equal to one-fourth or more of the available net home equity fell to 18% in 1997 from 21% in 1994, but still remained more than twice the 8% recorded in 1988 (see Table 3).

The small decrease in outstanding debt as a proportion of the available credit line understates the overall decline in that it excludes a larger number of home owners who had no outstanding debt at the time of the survey. In the 1997 survey, 35% of those with home equity lines of credit had no outstanding balances at the time of the survey, up from 19% in 1994, returning to near the 39% level recorded in 1988 (see Table 3). The data thus indicate that there is a significantly larger pool of untapped home equity credit available in 1997 than in 1994.

Net Home Equity. Substantial gains in net home equity have been recorded since 1994, as the market values of homes have increased by more than the amount of outstanding home related debt (Chart 4). The median market value of homes rose by comparable percentages in both periods—by 18.6% or $13,000 from 1988 to 1994, and by 18.1% or $15,000 from 1994 to 1997. Rather than resulting from shifting trends in home values, the gains in net equity have been due to smaller increases in home related debt. After deducting the outstanding amounts of debt on first mortgages, traditional second mortgages and home equity lines of credit, the median amount of net home equity rose by 22.4% or by $11,000 from 1994 to 1997, up from a gain of just 3.2% or by $1,500 from 1988 to 1994 (see Table 4). By 1997, the typical home owner owned a home with a median market value of $98,000, and had accumulated a median net equity of $60,000.

Figure 4: MEDIAN HOME VALUE AND NET EQUITY



Comparable percentage increases in home values were recorded in all regions of the country except the Northeast (see Chart 5). The median home values were the highest in 1997 among home owners residing in the West ($150,000), posting the largest absolute change from the 1994 level (up $25,000). Although home owners living in the Northeast recorded the second highest median home value ($110,000), the median value fell by $15,000 from 1994, returning to the same level recorded in 1988. While median home values were lower in the North Central and Southern regions, home owners in both these regions reported gains of $15,000 from 1994 to 1997.

After taking account of increases in home related debt, net home equity rose substantially among Western residents (up $20,000), followed by residents of the Southern states (up $10,000), and the North Central region (up $7,000). In contrast, among residents of the Northeast net home equity fell $10,000 from 1994 to 1997 (see Chart 6 and Table 4). Note that the decline in net home equity among home owners in the Northeast was somewhat smaller than the decline in home values ($10,000 versus $15,000), meaning that declines in home related debt partially offset the falloff in the market value of homes.

Figure 5: **MEDIAN HOME VALUE BY REGION**

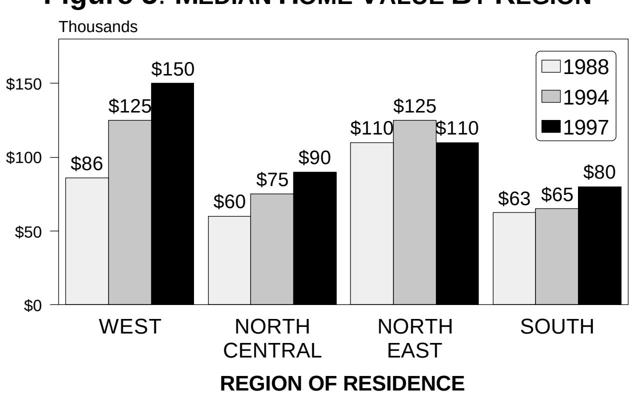
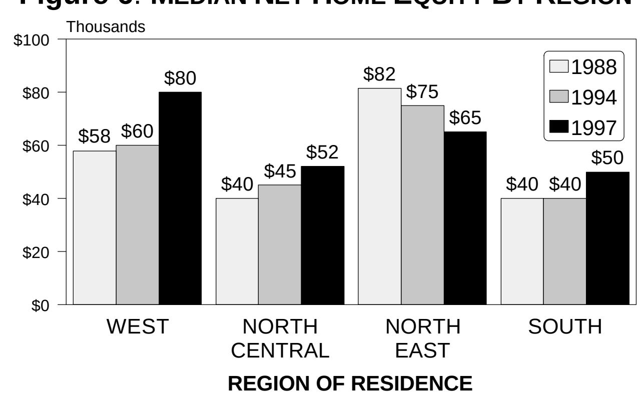
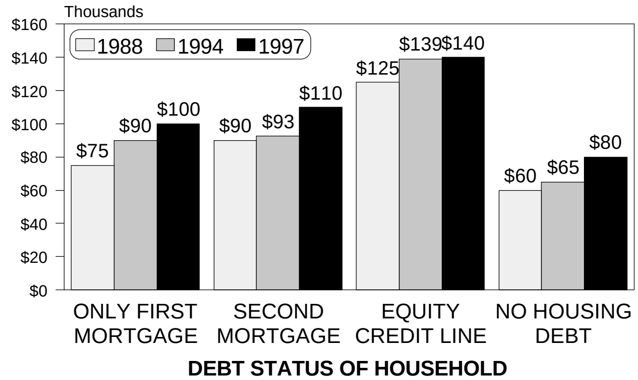


Figure 6: **MEDIAN NET HOME EQUITY BY REGION**



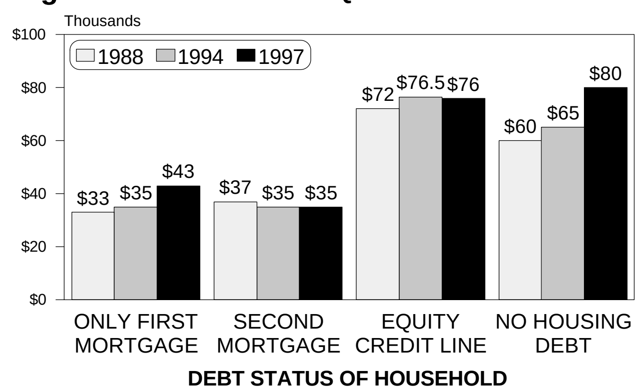
Home Net Equity by Debt Status. Given that larger balances of outstanding home related debt requires home owners to have larger amounts of available net home equity, it should not be surprising that gross home values are highest among those with any type of home related debt. In each of the three surveys, the highest median home values were reported by home owners with home equity lines of credit, followed by home owners with traditional second mortgages, those with only first mortgages, and finally among home owners without any home related debt (see Chart 7 and Table 5). Home owners with home equity lines of credit, however, reported the smallest increase in home values from 1994 to 1997 (just $1,000), while the median home value of those with traditional second mortgages increased the most (up $17,500), closely followed by home owners without any home related debt (up $15,000), and a smaller but still quite sizable gain among those with only a first mortgage (up $10,000).

Figure 7: **MEDIAN HOME VALUE BY DEBT STATUS**



The largest gains in net home equity from 1994 to 1997 were recorded among home owners with no home related debt (see Chart 8). Among those without any home related debt, the median net home equity (which is equivalent to the gross home value for this subgroup) rose by $15,000. The substantial gain meant that for the first time since 1988, the highest median net home equity was recorded by home owners without any home related debt.

Figure 8: **MEDIAN NET EQUITY BY DEBT STATUS**



Home owners with only first mortgages were the only other group to record increases in median net home equity from 1994 to 1997 (up $8,000). In contrast, no change in median net home equity was recorded among home owners with traditional second mortgages or among home owners with equity lines of credit.

The lack of change in net home equity for holders of home equity credit lines mirrored the unchanged level of gross home values for this group. In sharp contrast, among home owners with traditional second mortgages, whose gross home values recorded a substantial gain of $17,500, the median net home equity also remained unchanged. This indicates that the typical home owner with a traditional second mortgage increased home related debt to the full extent of the increase in the market value of homes.

Care needs to be taken in the interpretation of the changes in home values and net home equity since the data are significantly influenced by shifts in the upper end of the distributions. While the medians more accurately portray changes for the typical household, the means of the distribution are more heavily influenced by the very high end of the housing market. In most cases, both the median and mean levels show essentially similar patterns. There were small differences, however. The most important related to home owners with only first mortgages and home owners with traditional second mortgages.

For home owners with only a first mortgage, the median level of net equity increased by $8,000 from 1994 to 1997, while the mean level declined by $1,251. Rather than reflecting changes in first mortgage debt, this difference reflected the changes in the gross home values. For home owners with first mortgages, the median home value rose by $10,000, while the mean value fell by $2,782 from 1994 to 1997. This pattern of change suggests the primary gains were in the middle of the distribution, while home values weakened at the top end of the distribution. Such an interpretation, however, is confounded by shifts across time in the composition of home owners with only first mortgages and those with other types of home related debt. Indeed, the data suggest that it was confounded by shifts toward the addition of traditional second mortgages.

Among home owners with traditional second mortgages, the median level of net home equity was unchanged, while the mean net equity rose by $10,607 from 1994 to 1997. This difference was largely due to changes in gross home values, as the median gross home value for this group rose by $17,500, while the mean rose by a more substantial $53,226 from 1994 to 1997.

Overall Trends in Demographic Characteristics. The median age of home owners with only first mortgages was 41 in 1997, rising to 42 for those with traditional second mortgages, to 48 for equity line of credit holders, and 65 among home owners without any mortgage debt (see Chart 9 and Table 6). The small age increases recorded over the past years largely reflect the overall aging of the population. The most notable exceptions were for holders of home equity lines of credit, whose median age decreased two years since 1994, and home owners with second mortgages (whose median age declined by one year).

Median household income rose to $40,000 for all home owners in 1997, up from $35,000 in 1994. (see Chart 10 and Table 6). This 14% gain in median income was slightly above the 10% increase in the price level. Median household income was highest among those with home equity lines of credit ($60,000), and lowest among home owners without any home related debt ($27,500). The gain from 1994 to 1997 in median household income was largest among home owners with home equity lines of credit (up $10,000), followed by those with traditional second mortgages (up $5,000). While useful for characterizing the overall trends, the medians hide much of the shifting that has taken place among the demographic subgroups. The following sections document those shifts in greater detail.

Figure 9: **MEDIAN AGE BY DEBT STATUS**

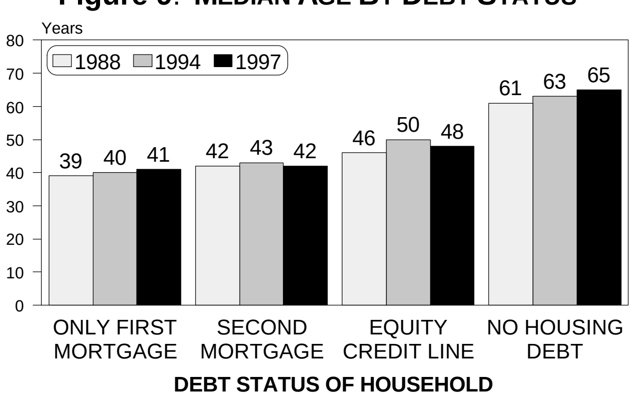
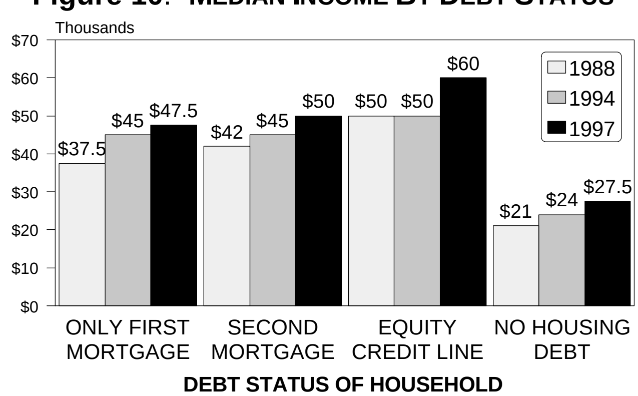


Figure 10: **MEDIAN INCOME BY DEBT STATUS**

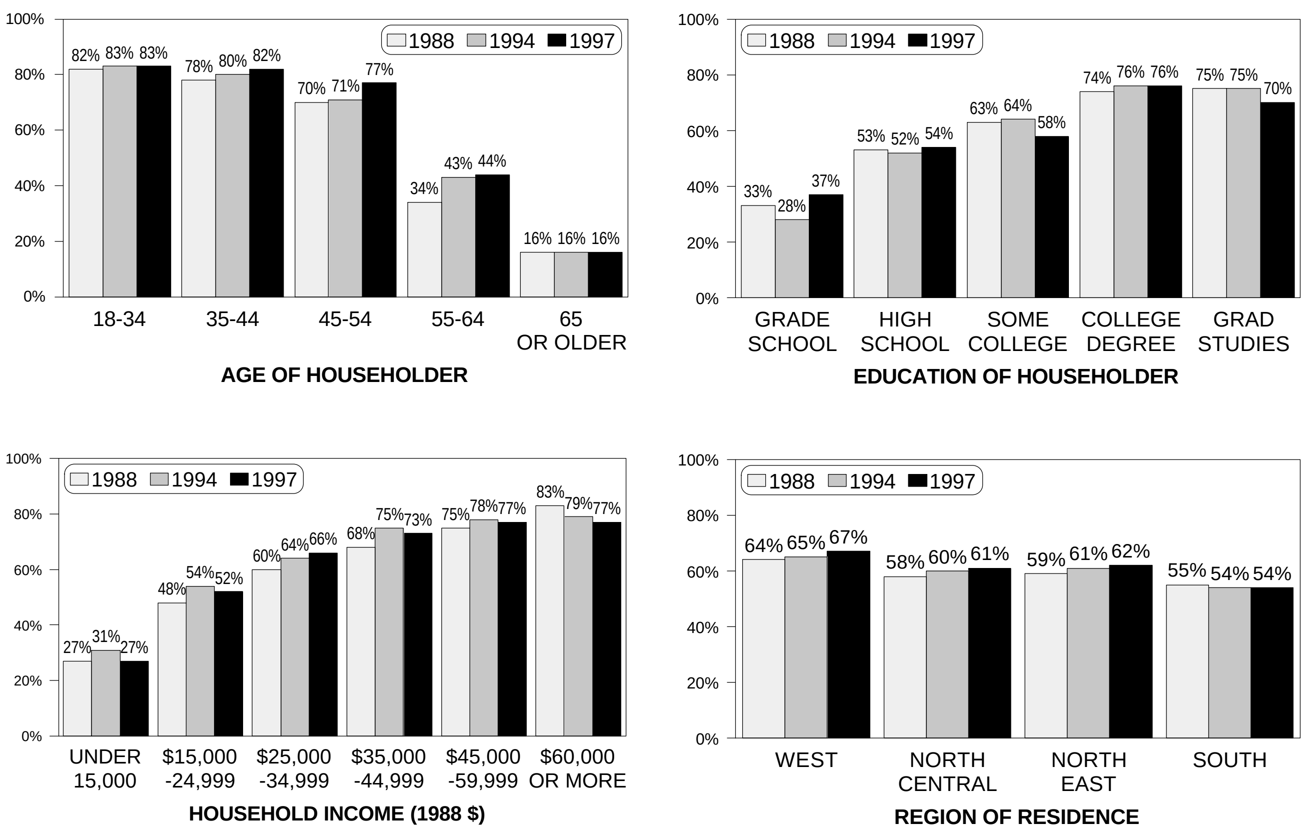


DEMOGRAPHIC CHARACTERISTICS OF FIRST MORTGAGE HOLDERS

The demographic characteristics of home owners with first mortgages showed very little change from 1988 to 1997. The proportion of home owners with first mortgages was highest among the younger age ranges, higher education and income levels, but differed only marginally across regions, being somewhat higher in the West and lower in the South (see Chart 11 and Table 7).

- **Age.** The proportion of home owners with first mortgages declined sharply after age 55, reflecting the growing proportion of home owners who had paid off their mortgage. While the 1997 recorded no change in the prevalence of first mortgages among those over age 55, the proportion with first mortgages rose slightly among home owners aged 35 to 54 years old.
- **Income**. The incidence of first mortgages rose along with household income, showing very similar patterns in all three surveys. Most of the increase was recorded as incomes rose up to the overall median, with very small further increases after household incomes reached $35,000. Interestingly, the percent with first mortgages in the highest income group fell slightly.
- **Education**. The highest education subgroups were the most likely to have first mortgages, reflecting the correspondence of education both with income and age. Also reflecting the 1997 shift, first mortgages among both the top income and top education groups fell slightly.
- **Region**. There was very little change within each of the four Census regions in the proportion of home owners with first mortgages. Southern residents were slightly less likely to have first mortgages, and residents of the Western region were somewhat more likely, largely reflecting differences in the age composition of the regions.

Figure 11: DEMOGRAPHIC CHARACTERISTICS OF HOME OWNERS WITH FIRST MORTGAGES

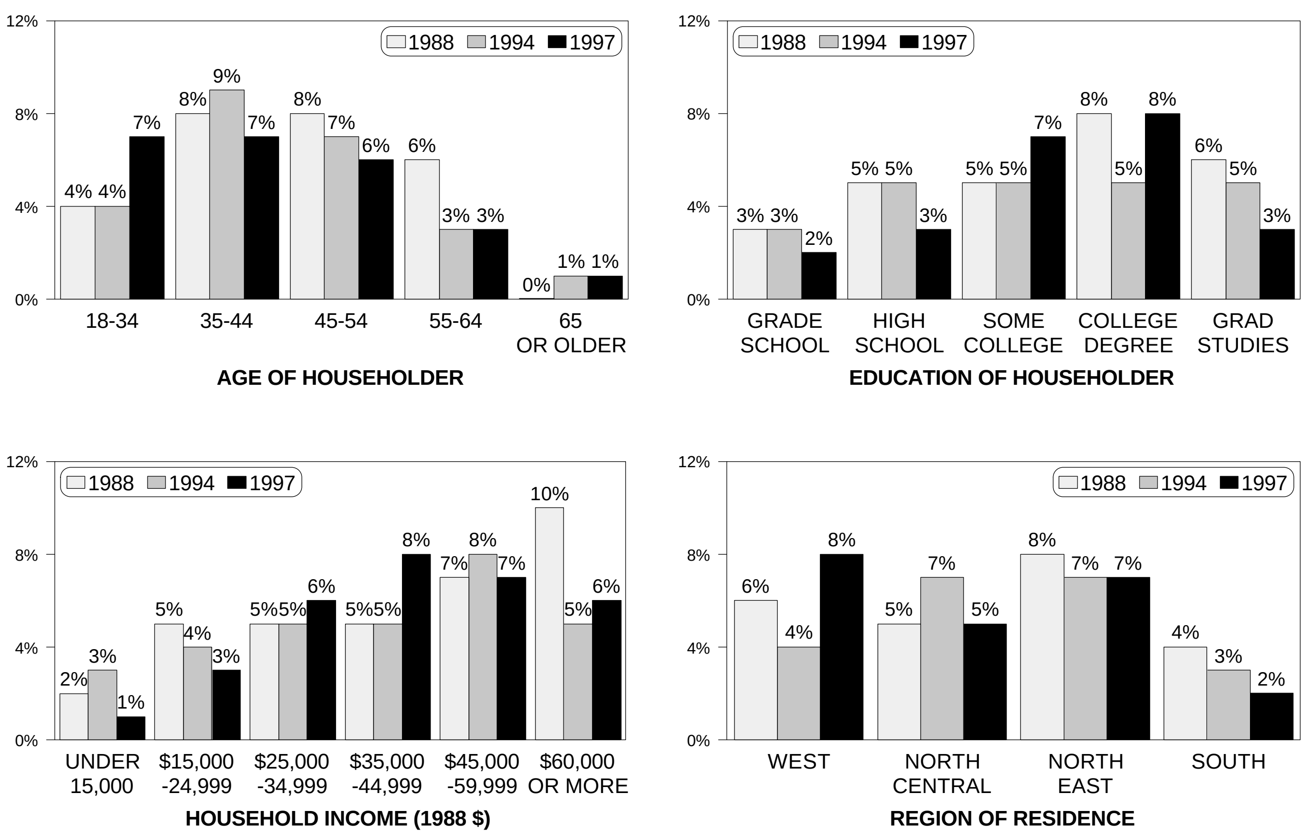


DEMOGRAPHIC CHARACTERISTICS OF TRADITIONAL SECOND MORTGAGE HOLDERS

Traditional second mortgages rose among middle income households, among those with some college education up to a BA degree, among home owners under age 35, as well as among residents of the West (see Chart 12 and Table 7). The changes in the age and educational characteristics of traditional second mortgages holders primarily reflect offsetting shifts in the use of home equity lines of credit rather than an overall increase in the use of home equity credit.

- **Age.** Home owners under age 35 were the only age group to record more frequent use of second mortgages in 1997 (which was offset by their declining use of home equity lines of credit). The opposite shift was recorded among home owners aged 35 to 54, as fewer of these home owners had second mortgages and more held home equity lines of credit.
- **Income**. The largest increase in the use of traditional second mortgages was among home owners just above median income—rising to 8% from 5% among households with incomes of $35 to $45 thousand dollars (1988 dollars).
- **Education**. The incidence of traditional second mortgages fell among the least and most educated householders. Among those with education beyond a college degree, as with those with a high school degree, the proportion with second mortgages fell to 3% in 1997 from 5% in 1994. In contrast, second mortgages among college degree holders rose to 8% from 5%.
- **Region**. The incidence of traditional second mortgages doubled from 1994 to 1997 among residents of the West, rising to 8% from 4%, the highest of any region. Residents of the North Central and Southern states were less likely to hold traditional second mortgages in 1997.

Figure 12: DEMOGRAPHIC CHARACTERISTICS OF HOME OWNERS WITH SECOND MORTGAGES

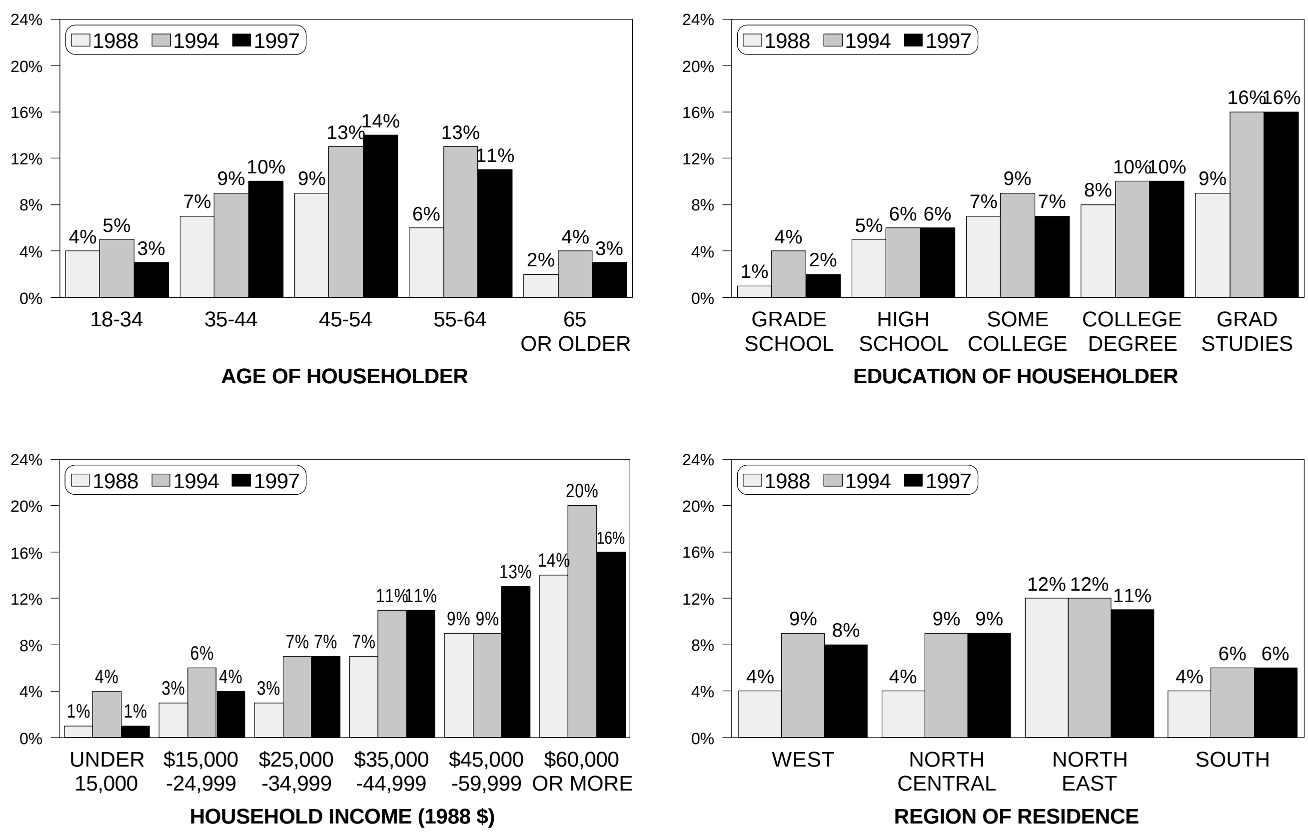


DEMOGRAPHIC CHARACTERISTICS OF HOME EQUITY LINES OF CREDIT HOLDERS

The proportion of home owners with home equity lines of credit remained most common among home owners in the middle age ranges, and among the highest income and educational subgroups (see Chart 13 and Table 7). The largest change from 1994 to 1997 was the decline in use of home equity credit lines among the highest income group (note that Table 7 provides income data in both constant 1988 dollars as well as in current dollar figures.

- **Age.** The incidence of home equity lines of credit rose among home owners aged 35 to 54 in 1997, building on increases recorded in 1994. In contrast, among home owners under age 35 and over age 55 the proportion with home equity lines of credit fell slightly in 1997.
- **Income**. The sharpest increase in home equity lines of credit was among upper-middle income households ($45 to $60 thousand 1988 dollars), rising to 13% in 1997 from 9% in 1994. The largest decline was among the highest income group, falling to 16% from 20%. Although the highest income subgroup (above $60,000 in 1998 dollars) was still the most likely to have home equity lines of credit, the difference across income groups narrowed in 1997.
- **Education**. The use of home equity lines of credit among educational subgroups showed very little change in 1997 from the levels recorded in 1994. Home owners with some schooling beyond a college degree remained the most likely to use home equity lines of credit.
- **Region**. Differences across regions in the use of home equity lines of credit have narrowed since 1988. The 1997 survey recorded slight declines in West and Northeast, while the use of home equity lines of credit was unchanged in the South and North Central regions.

Figure 13: DEMOGRAPHIC CHARACTERISTICS OF HOME OWNERS WITH EQUITY LINES OF CREDIT



DEMOGRAPHIC CHARACTERISTICS OF ALL HOME EQUITY LOAN HOLDERS

The proportion of home owners with either type of home equity debt--home equity credit lines or traditional second mortgages remained unchanged at 13% from 1994 to 1997. As a result, the shifts within demographic subgroups were offsetting. The use of either type of debt increased among upper-middle incomes, offset by declines among the lowest and highest income groups, a rise in the Western states was offset by declines in the North Central and Northeast (Chart 14 and Table 7).

- **Age.** The overall incidence of home equity debt showed very little change across age subgroups. No change was recorded in the 1997 survey among home owners under age 45, while slight and insignificant declines were recorded among home owners over age 55.
- **Income**. Increases in home equity debt were recorded among middle income households (mainly traditional second mortgages) and upper-middle incomes (mainly home equity credit lines), but fell slightly among the highest income households. As a result, the difference in the incidence of home equity debt among households with above median incomes has narrowed.
- **Education**. The combined incidence of both types of home equity debt was similar for all education subgroups across all three surveys. The only exception was among the highest education group, whose overall use declined slightly in 1997.
- **Region**. The overall use of home equity debt posted slow but steady increases from 1988 to 1997 among Western residents, and has slowly decreased among home owners in the Northeast. No change was recorded in the Southern region in 1997, with these home owners remaining the least likely to use either type of home equity debt.

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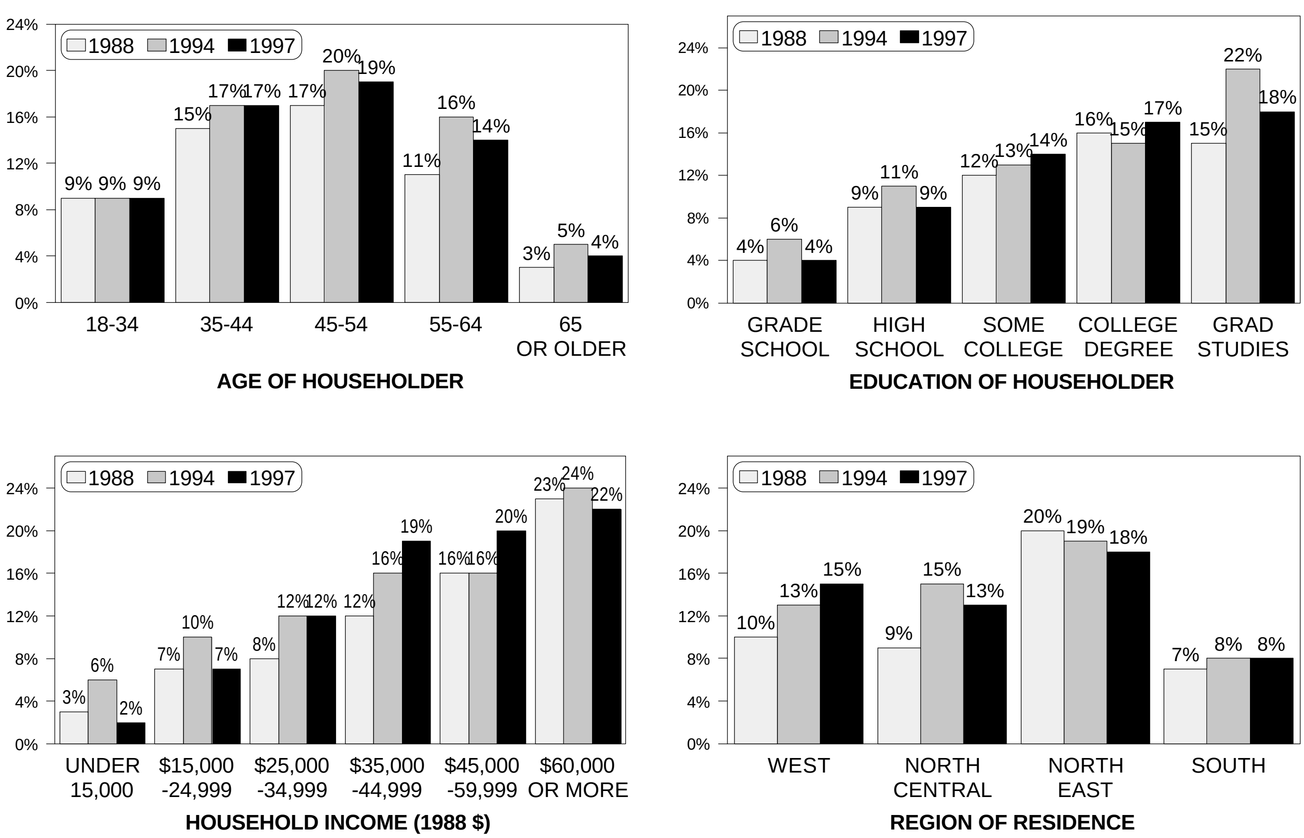
Figure 14: DEMOGRAPHIC CHARACTERISTICS OF HOME OWNERS WITH ANY HOME EQUITY LOAN

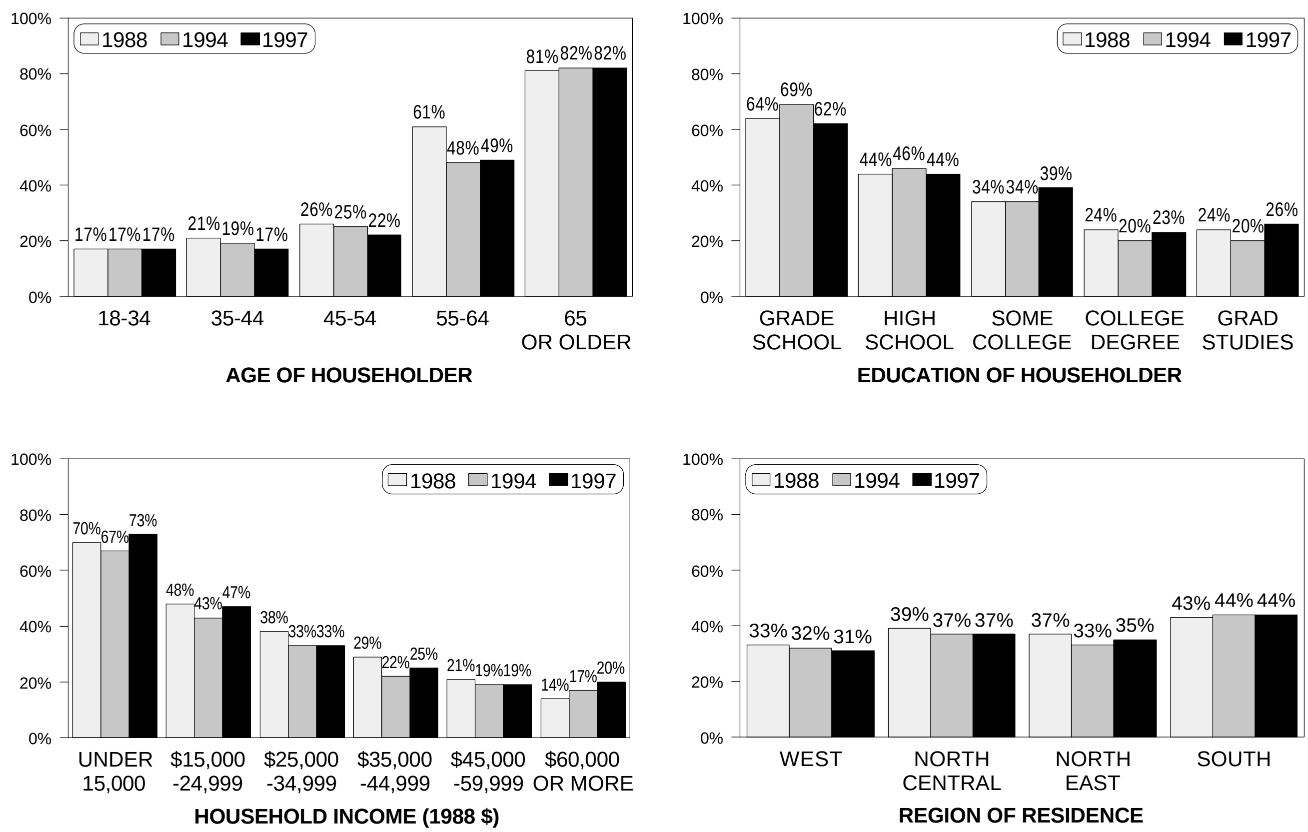


DEMOGRAPHIC CHARACTERISTICS OF HOME OWNERS WITH NO MORTGAGE DEBT

The demographic profile of home owners with no outstanding home related debt showed very little change from 1988 to 1997 (see Chart 15 and Table 7). The absence of home related debt was highest among those over age 65 and among households in the lowest income and education groups.

- **Age.** The proportion of home owners without any home related debt rose only slightly as the age of the home owner increased toward 55, but then rose rapidly as increasing numbers paid off their mortgage debt. In the years immediately prior to retirement, 49% had no home related debt; among home owners age 65 or older, 82% had no home related debt.
- **Income**. The absence of home related debt declined sharply as income rose toward the overall median, falling from nearly three-in-four among home owners with incomes below $15,000 (1988 dollars) to just one-in-four among households with incomes of $35 to $45 thousand dollars. Above median income, the absence of home related debt fell more slowly—to about one-in-five in the highest income group.
- **Education**. As the education of the home owner increased, the absence of home related debt declined. This relationship reflects the correspondence between education, income and the age of home owners: older home owners are more likely to have paid off their mortgages, and generally have lower levels of formal education as well as lower incomes.
- **Region**. There were relatively small differences across regions in the proportion of home owners without any home related debt. Southern residents were slightly more likely to have no home related debt, and residents of the West were slightly less likely to have no debt.

Figure 15: DEMOGRAPHIC CHARACTERISTICS OF HOME OWNERS WITH NO MORTGAGE DEBT



USES OF HOME EQUITY LOANS

Households have used home equity lines of credit and traditional second mortgages for substantially similar purposes. Information on both the direct and initial use as well as the indirect and ultimate use of these loans was collected. The direct use was defined by how the loan proceeds were initially used, classified as to whether they went to consolidate other existing debts or were used to directly finance the purchase of some newly acquired good or service. For those households that used the money to consolidate existing debts, the indirect use of these loans was defined as the type of good or service that the existing debt was used to purchase. Of course, many households used the proceeds from home equity lines of credit and traditional second mortgages to both consolidate existing debts as well as to make new outlays.

Direct Initial Uses. Traditional second mortgages were as likely to be initially used to consolidate existing debts as to finance new purchases in 1997—approximately two-thirds of those with second mortgages used some of the proceeds for each purpose. Following the substantial increase from 1988 to 1994 in the use of traditional second mortgages to consolidate existing debts, this use of second mortgages decreased slightly in 1997. Correspondingly, the use of traditional second mortgages to finance new outlays inched upward by a similar small amount in 1997 from 1994 (see Chart 16 and Table 8).

The initial uses of home equity lines of credit were more clearly dominated by new outlays rather than debt consolidation (see Figure 17 and Table 9). Overall, financing new purchases on home equity credit lines were reported twice as frequently as debt consolidation in each of the three surveys. Note that the number of home owners with home equity lines of credit that had not yet made any use of the credit rose slightly in 1997 from the 1994 level, but was still well below the 1988 reading. Even when those who had not yet made use of their home equity credit line are excluded, the data indicate the same results: home equity lines of credit were much less frequently used for debt consolidation than new purchases (49% versus 93% in 1997), and less frequently used for debt consolidation than traditional second mortgages (49% versus 61% in 1997).

The greater emphasis on debt consolidation for second mortgages as well as the more frequent use of home equity lines of credit to finance new purchases simply reflect the unique characteristics of these loans. Home owners with traditional second mortgages find it more cost effective to consolidate an accumulation of existing debts than to repeatedly refinance these loans for small

Figure 16: **OVERALL USES OF TRADITIONAL SECOND MORTGAGES**

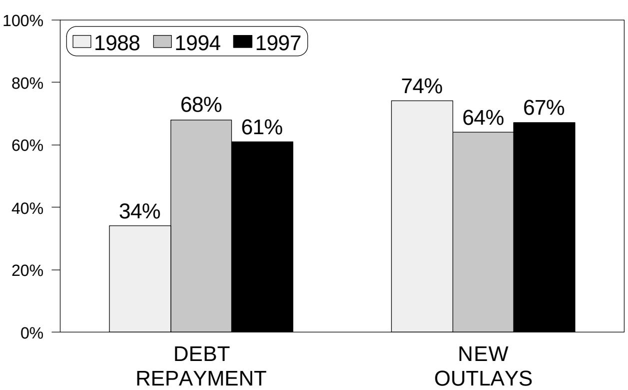
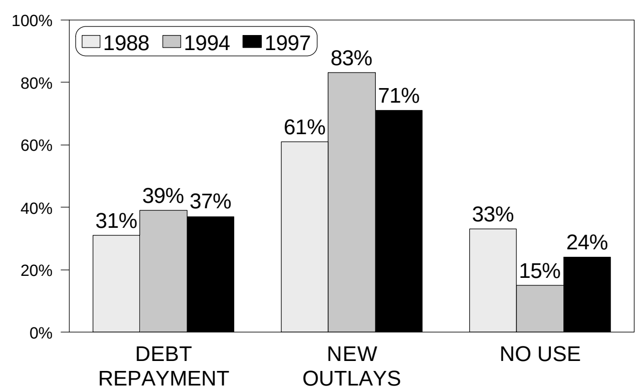


Figure 17: **OVERALL USES OF HOME EQUITY LINES OF CREDIT**



additional amounts. Since second mortgages are one-time lump sum loans, they offer less flexibility to match irregular spending flows with the loan proceeds. In contrast, the greater flexibility of home equity credit lines allows home owners to directly use their credit lines to finance purchases.

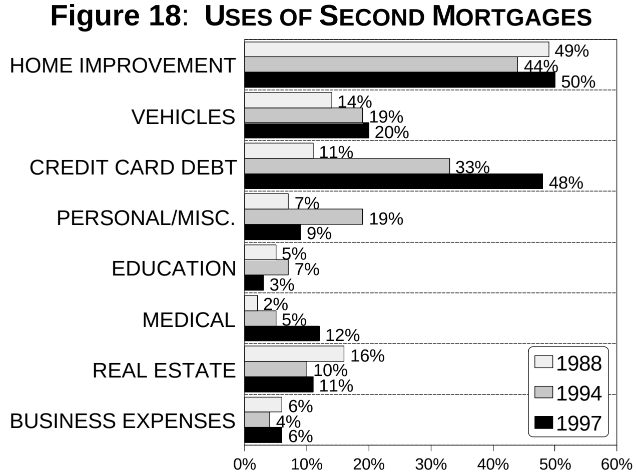
This difference is perhaps no where clearer than in the use of traditional second mortgages compared with home equity lines of credit for the purchase of vehicles. While second mortgages were much more frequently used to pay off existing vehicle loans than to finance their initial purchase (14% versus 6% in the 1997 survey, see Table 8), home equity lines of credit were much more frequently used to finance the initial purchase of vehicles than to pay off existing vehicle loans (28% versus 3%, see Table 9).

The number of home owners that have not made any use of their approved home equity credit lines rose slightly in the 1997 survey (see Figure 17). For some of these households, the planned use of the line of credit may not yet have occurred by the time of the survey. For other households, the line of credit may have simply been obtained as a precautionary step to provide for future contingencies by allowing quick access to funds in case of an emergency. The type of precautionary demand for credit is common. Households have long found that an advantage of bank credit cards was that they provided ready access to funds when unexpected needs arose. Unlike bank credit cards, a home equity line of credit provides a substantially larger credit line--for most consumers the largest credit line that they could obtain. It can be expected that the precautionary use of home equity lines of credit, like bank credit cards, will be responsive to the cost of maintaining an unused financial account compared with the sense of increased security that it provides to consumers.

Overall Uses. Financing home improvements was the most common use of traditional second mortgages (see Chart 18). After taking account of both new outlays as well as the original purpose of incurring the existing debts that were consolidated into the equity loans, 50% of all households with second mortgages and 54% of those with home equity credit lines reported using their equity loans for home improvements in 1997 (see Table 8). Financing home improvements have been the most common use of traditional second mortgages in all three surveys, showing very little change over time.

The largest change has been the growing use of second mortgages for the consolidation of existing credit card debt. Traditional second mortgages were used to consolidate credit card debt by 48% in 1997, up from 33% in 1994 and just 11% in 1988 (see Chart 18 and Table 8). Indeed, by 1997 traditional second mortgages were used to consolidate credit card debt nearly as frequently as used to finance home improvements (48% versus 50%). It is important to note that the reported increase in consolidation of credit card debt was offset by declines in the consolidation of nearly all other types of debt. The one exception was for medical debt, which rose to 10% in 1997, up from 5% in 1994 and just 2% in 1998 (see Table 8). Overall, traditional second mortgages were used slightly less often in 1997 for debt consolidation than in 1994 (61%, down from 68%), but it still remained about twice as frequent as in the 1988 survey (34%).

Figure 18: **USES OF SECOND MORTGAGES**



When debt consolidation and new outlays are combined, the third most common use of second mortgages was to finance vehicle purchases, accounting for about one-in-five uses in 1997, the same as in prior years. The next most frequent use of second mortgages was for medical expenses, totaling 12% when both debts and new outlays are combined, up from just 2% in 1988, which represented the second largest increase in use after credit card debt consolidation (Chart 18).

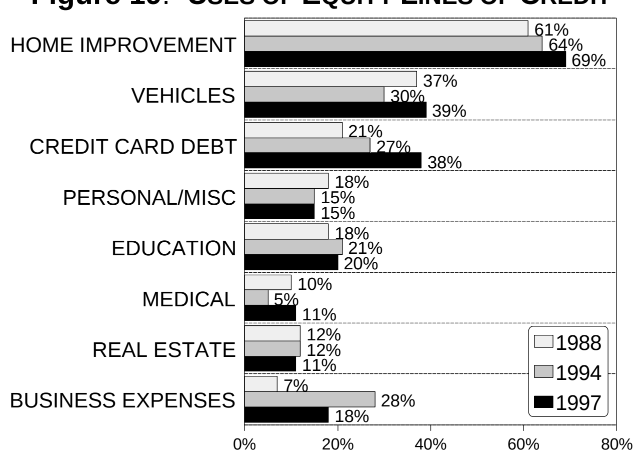
Like traditional second mortgages, the most frequent use of home equity lines of credit was for home improvements. The dominance of home improvements, however, was even larger for home equity lines of credit than traditional second mortgages when only those home owners who had actually made some use of the equity credit line by the time of the survey (see Chart 19 and Table 9). Overall, about two-thirds of all home owners who made use of their home equity lines of credit did so to finance home improvements in the 1997 survey (compared with half of those with traditional second mortgages).

The use of home equity lines of credit for debt consolidation was less frequent than for traditional second mortgages: among those that had already made use of their home equity line of credit, 49% reported debt consolidation compared with 61% for traditional second mortgages. The difference was largely due to the frequency of credit card debt consolidation, with 38% of home equity credit lines used for this purpose compared with 48% for traditional second mortgages.

It is important to again stress that the characteristics of these two types of credit make debt consolidation more common for traditional second mortgages, and new outlays more common for home equity lines of credit. For both types of equity loans, the reduction of interest charges from shifting credit card debt to these loans was a significant motivation. Indeed, the use of home equity credit lines for consolidation of credit card debt has increased significantly over the years, rising from 21% in 1988 to 38% in 1997 (see Chart 19).

Overall, home equity lines of credit were used more frequently for a wider range of purposes than were traditional second mortgages (compare Charts 18 and 19). Home equity lines of credit were used much more frequently for education expenses (20% versus 3% for second mortgages), to finance the purchase of vehicles (39% versus 20% for second mortgages), and more frequently used for small business related expenses (18% versus 6%). Both types of credit were used about as frequently for medical expenses and real estate purchases.

Figure 19: **USES OF EQUITY LINES OF CREDIT**



The only use of home equity credit lines that declined significantly in the 1997 survey was for business related expenses, which fell to 18% from 28% in 1994, but remained well above the 7% recorded in 1988. This decline may reflect an increase in the availability of other sources of credit for small businesses as the economic expansion of the 1990's lengthened. It nonetheless still represents a widespread use of home equity credit lines.

APPEAL OF HOME EQUITY LOANS

Advantages and Disadvantages. Home owners with traditional second mortgages and home equity lines of credit were asked to describe in their own words what they thought were the advantages and disadvantages of these loans. The advantages cited for traditional second mortgages and home equity lines of credit were similar, but differed substantially in emphasis (compare Charts 20 and 21).

The most frequently cited advantage for home equity lines of credit was the ease in which they could obtain money when needed, reported by half of all those with credit lines in each of the three surveys. Home owners also frequently cited that both types of loans were easy and convenient to obtain. The convenience of obtaining home equity lines of credit was cited with equal frequency across all three surveys—by just over one-in-five owners (see Table 10). In contrast, the convenience of obtaining a traditional second mortgage was cited by fewer owners in 1997 than in 1994 (18%, down from 32%).

The most frequently cited advantage of traditional second mortgages was the lower interest rates on these loans compared with other types of consumer credit. In the 1997 survey, the advantage of lower interest rates was mentioned by half of all home owners with traditional second mortgages. The advantage of low interest rates was cited somewhat less frequently by those with home equity lines of credit, by about one-in-three in the 1997. The relatively greater frequency of references to advantageous interest rates on traditional second mortgages compared with home equity credit lines was unchanged from the 1994 survey.

The largest change in perceived advantages involved the tax deductibility of interest charges. Among home owners with traditional second mortgages, the proportion that cited the advantages of tax deductibility rose to 40% in 1997, up from 28% in 1994 and 19% in 1988. The doubling of these favorable references since 1988 meant that by 1997 the tax deductibility of interest charges became the second most frequently cited advantage of traditional second mortgages.

Figure 20: ADVANTAGES CITED FOR TRADITIONAL SECOND MORTGAGES

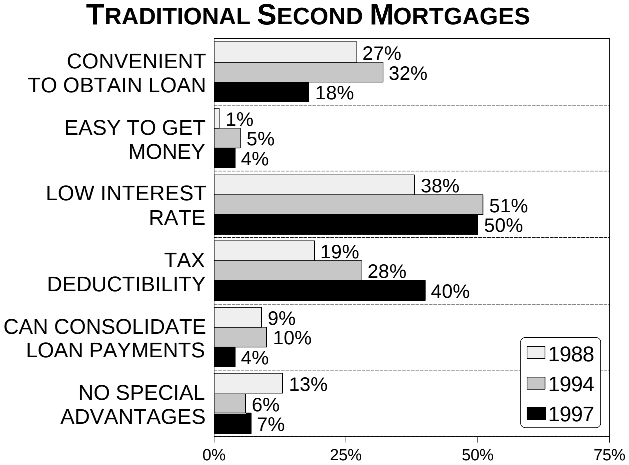
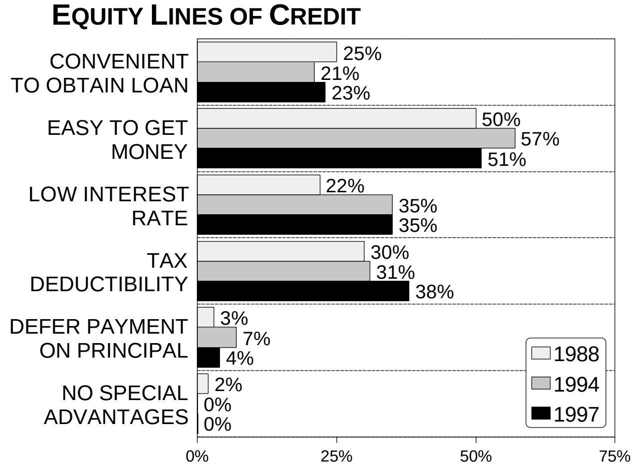


Figure 21: ADVANTAGES CITED FOR HOME EQUITY LINES OF CREDIT



The advantage of tax deductibility was just as important for home owners with home equity lines of credit. While the 1997 survey also recorded increases in the frequency of references to the tax advantage of home equity lines of credit, the increase from prior surveys was much smaller than for second mortgages. Among those with home equity lines of credit, the tax advantage was cited by 38% in 1997, up from 31% in 1994 and 30% in 1988.

The primary disadvantages cited by consumers about both second mortgages and home equity lines of credit were the risks of foreclosure and debt over-extension (see Charts 22 and 23, and Table 10). The risk of foreclosure and the loss of the home was cited by 22% of home owners with traditional second mortgages as well as by home owners with home equity lines of credit in the 1997 survey.

Reflecting the different characteristics of home equity lines of credit, the risk of debt over-extension was cited much more frequently than by home owners with traditional second mortgages (26% versus 8%). It is important to note that households that had home equity lines of credit were both more likely to cite the ease of obtaining additional funds as an advantage, as well as more frequently recognize the risks that accompany that easy access as the primary disadvantage.

Interestingly, from 1994 to 1997 for both types of loans the frequency of references to the risks of foreclosure rose, and the number of consumers that cited the risk of debt over-extension fell. The decline in concerns about potential debt over-extension was concentrated among those with traditional second mortgages (falling to 8% from 20%), while the increase in references to the risk of foreclosure was mainly among those with home equity credit lines (rising to 22% from 13%).

Given the recent trends in mortgage rates, it is not surprising that interest rates were cited as a disadvantage about half as frequently as they were cited as an advantage for both types of loans. Moreover, many of the unfavorable references to interest rates in 1997 focused on the risks of rising rates on variable rate loans, rather than that interest rates were currently high.

Figure 22: **DISADVANTAGES CITED FOR TRADITIONAL SECOND MORTGAGES**

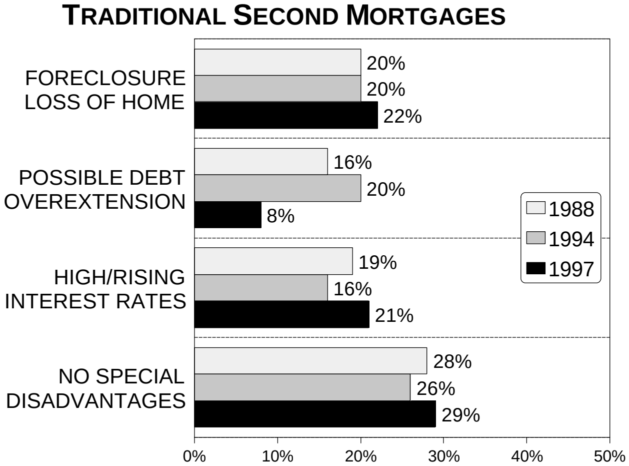
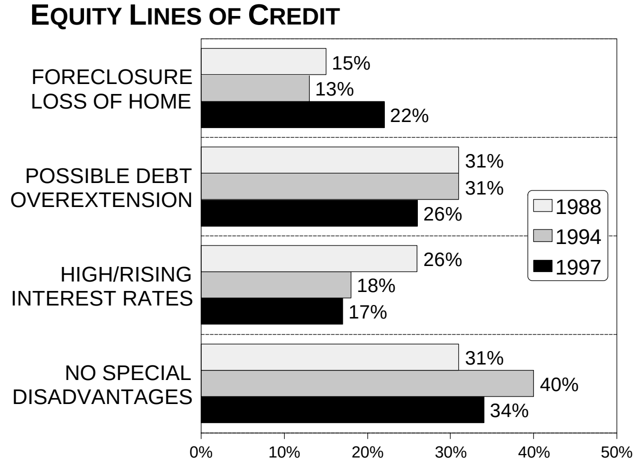


Figure 23: **DISADVANTAGES CITED FOR HOME EQUITY LINES OF CREDIT**



Tax Deductibility. The importance of the tax deductibility of interest charges on second mortgages and home equity lines of credit was indicated by the number of consumers who mentioned this as one of the primary appeals of these loans. In addition, households were directly asked about whether they itemized deductions on their federal income tax returns, and whether they thought the deductions for interest charges on home related debt was important to them.

Not surprisingly, home owners with any type of outstanding home related debts were about twice as likely to report that they itemized deductions on federal tax returns than home owners without any outstanding mortgages or home equity loans. From 1988 to 1997 there was very little change in the number of households that itemized deductions, although the change that was recorded indicated a small decline in the number of itemizers (see Chart 24 and Table 11). Home owners with home equity lines of credit were somewhat more likely to itemize deductions, followed by those with second mortgages, and home owners with first mortgages. Nearly all home owners who had home related debt and itemized deductions, viewed the deduction of interest charges as important in each of the surveys, ranging between 94% and 99% (see Chart 25).

Figure 24: **PERCENT OF HOME OWNERS THAT ITEMIZE FEDERAL INCOME TAX DEDUCTIONS**

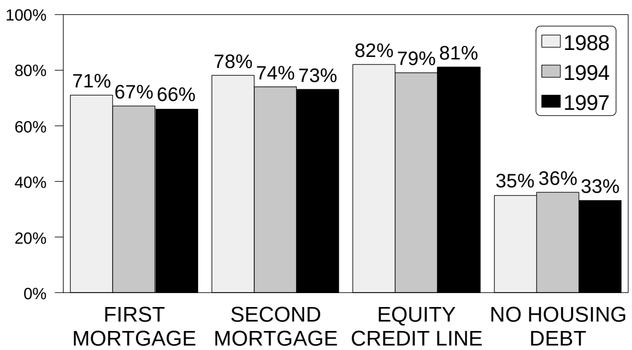
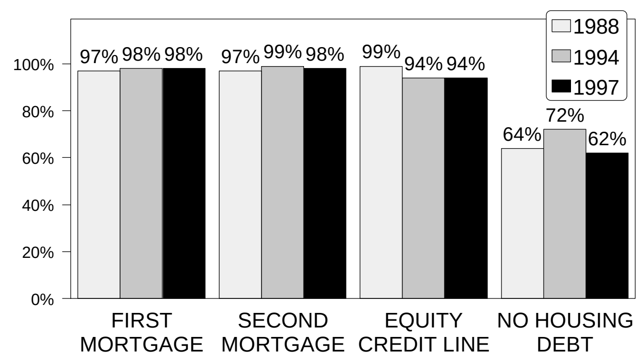


Figure 25: **PERCENT OF ITEMIZERS THAT RATE FEDERAL TAX DEDUCTIONS AS IMPORTANT**



AWARENESS OF CREDIT TERMS

Consequences of Default. To assess how well consumers understood the potential risks involved with default, home owners with traditional second mortgages and home equity credit lines were asked to describe in their own words what they thought would be the consequences of missing several payments. In each of the three surveys, more than eight-in-ten home owners with either type of loan cited the possibility of losing their home through foreclosure if they missed payments (see Charts 26 and 27, and Table 13). Other legal actions, such as lawsuits, the attachment of wages or other accounts at the financial institution, were the next most commonly mentioned responses to missed payments. Combined, about 95% of all home owners mentioned either foreclosure or other legal actions as a consequence of missed payments. Clearly, most consumers with home equity loans were well aware of the risks of default. Just as importantly, this awareness has not diminished during the past ten years.

Very few respondents thought that the worst that could happen would simply be the imposition of late charges or reminder notices, or said that they didn't know of the consequences of missing several payments for either type of loan. Even among the small numbers that thought the likely consequence of missed payments would simply be reminder notices from the financial institution, it may not reflect a misperception of risks as much as their view that the financial institution would recognize that the missed payment was a matter of happenstance rather than inability to pay; and the financial institution expected that a reminder notice would quickly be followed by the payments needed to bring the account up to date.

Figure 26: **WORST CONSEQUENCE OF MISSED PAYMENT ON TRADITIONAL SECOND MORTGAGES**

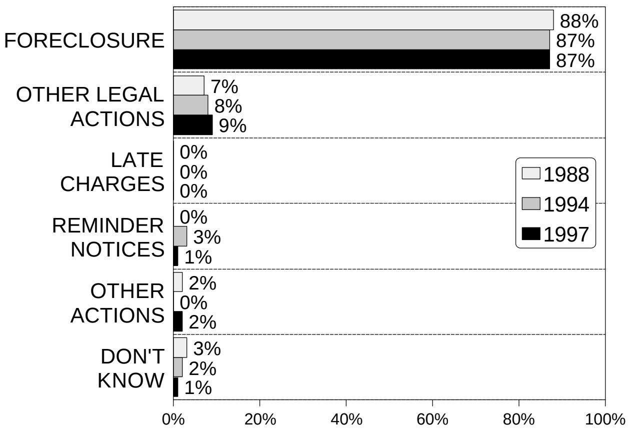
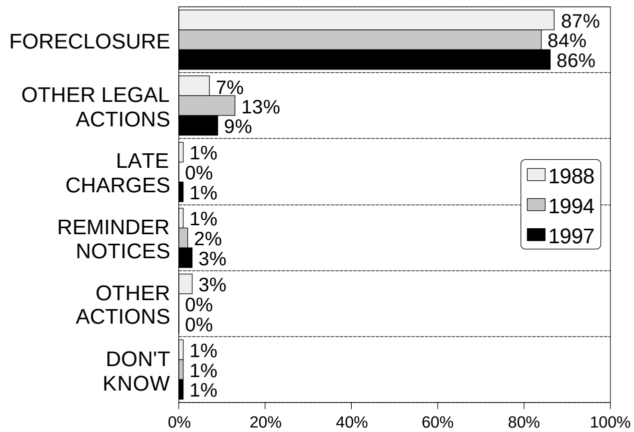


Figure 27: **WORST CONSEQUENCE OF MISSED PAYMENT ON HOME EQUITY LINE OF CREDIT**



Disclosure of Credit Terms. In addition to asking home owners what they expected as the likely consequences of missed payments, all households with either type of home equity loan were specifically asked about whether they knew or were informed by the financial institution that the loan involved a lien on their home at the time they obtained the credit. In response, virtually every home owner with either a traditional second mortgage or a home equity line of credit said they knew or were informed that the loan involved a lien on their home (see Charts 28 and 29 and Table 14).

Consumers were also asked if they knew or were informed that they had the right to cancel the loan agreement within three days. Although awareness of this provision was somewhat less frequent than the existence of the lien, about 95% of all home owners that had either a traditional second mortgage or a home equity line of credit could recall being informed or knowing of this right to cancel at the time they obtained the loan. Importantly, the proportion that reported that they knew of this right to cancel edged upward in the 1997 survey.

Figure 28: **AWARENESS OF CREDIT TERMS ON TRADITIONAL SECOND MORTGAGES**

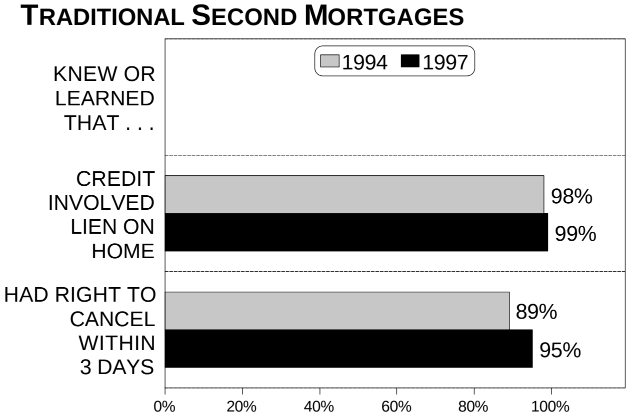
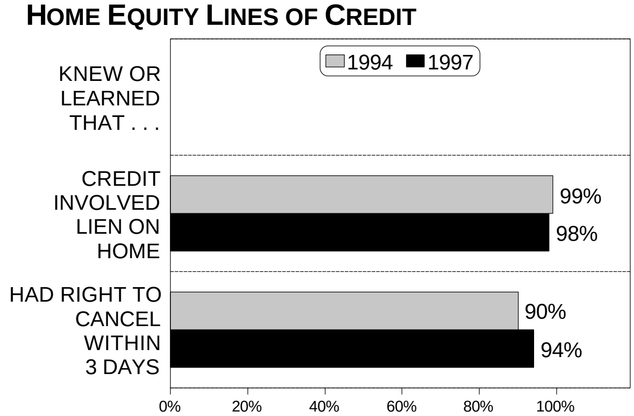


Figure 29: **AWARENESS OF CREDIT TERMS ON HOME EQUITY LINES OF CREDIT**



Truth-in-Lending Statements. Households with home equity loans were also asked whether they recalled receiving a Truth-in-Lending statement at the time they obtained the loan. These statements specify information about the terms of the loan, including the annual percentage rate of interest. Although home owners with traditional second mortgages were slightly less likely to recall receiving this statement than equity line holders, more than eight-in-ten could recall having received these statements.

Of those that did recall receiving these statements, about 95% in 1997 reported that they saved a copy for their records, and about two-thirds reported that they found this information useful (see Charts 30 and 31 and Table 14). Although relatively few consumers reported that the information affected their decision to obtain the traditional second mortgages, about one-in-eight of those who obtained home equity lines of credit reported in 1997 that the Truth-in-Lending statement did affect their credit decision.

Figure 30: **TRUTH-IN-LENDING STATEMENTS ON TRADITIONAL SECOND MORTGAGES**

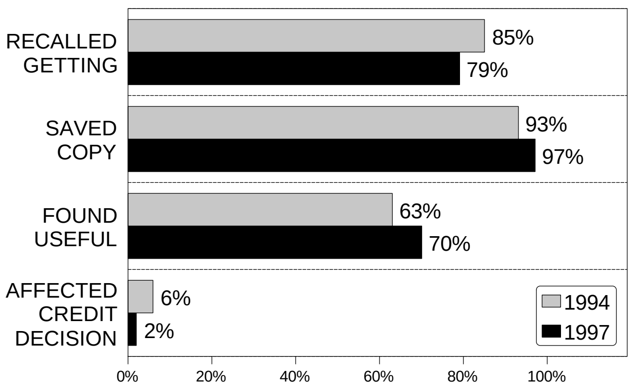
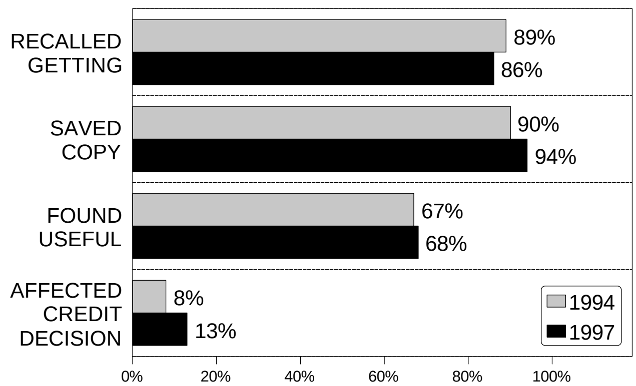
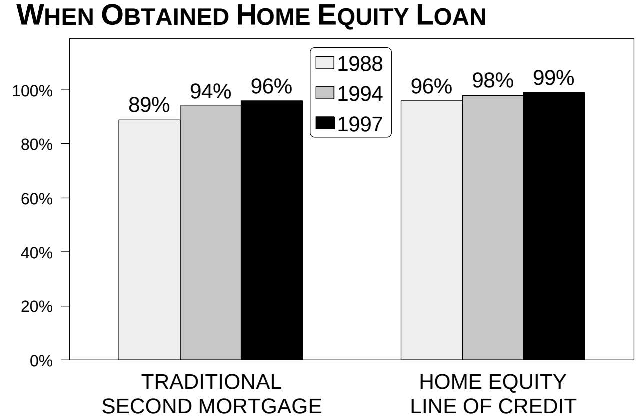


Figure 31: **TRUTH-IN-LENDING STATEMENTS ON HOME EQUITY LINES OF CREDIT**



Completeness of Information Received. Nearly all home owners with either type of home equity loan thought that the financial institution had provided them with all the information that they needed about the account when it was obtained. From 1988 to 1997, the number of consumers that thought they had received all the needed information rose slightly for both types of loans, reaching 96% of all those with second mortgages and 99% of those with home equity lines of credit (see Chart 32 and Table 15).

Figure 32: **RECEIVED ALL NEEDED INFORMATION WHEN OBTAINED HOME EQUITY LOAN**

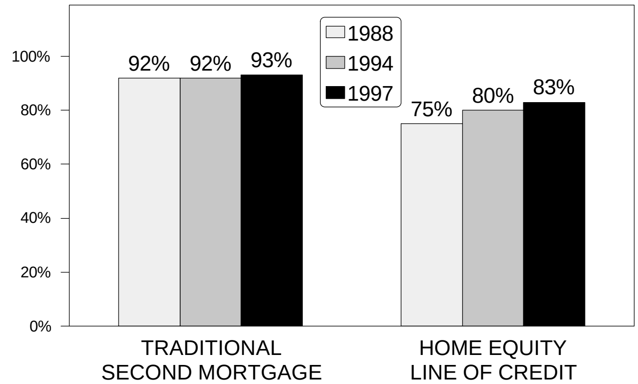


The near universal levels of satisfaction with information may in part reflect the outcome of their credit decisions. It is reasonable to expect that home owners in part choose the particular financial institution where they obtained the loan because they were provided with the information they thought was needed, or choose the particular type of home equity loan because they felt insufficient information was provided on other types of loans.

SOURCES OF HOME EQUITY LOANS

Awareness of Credit Availability. Nearly all home owners reported that they were aware of the availability of traditional second mortgages in each of the three surveys--regardless of whether the home owner had a second mortgage (see Chart 33). The high and unchanged level of awareness of the availability of traditional second mortgages was found across all major demographic subgroups (see Table 16).

Figure 33: **AWARENESS OF THE AVAILABILITY OF SECOND MORTGAGES AND EQUITY CREDIT LINES**



Awareness of the availability of home equity lines of credit was also widespread among home owners, with the proportion rising to 83% in 1997, from 80% in 1994 and 75% in 1988. The increase between 1988 and 1997 in the level of awareness of the availability of home equity lines of credit was concentrated among home owners age 55 or older, among respondents with less than a college degree, and the lowest incomes (see Table 16).

Financial Institutions. When obtaining home equity lines of credit, households chose commercial banks much more frequently than any other type of financial institution. In comparison, traditional second mortgages were more likely to be obtained by households from a wider range of financial institutions (see Charts 34 and 35, and Table 17). The 1997 survey did indicate, however, that commercial banks now account for a significantly larger share of traditional second mortgages, rising to 44% in 1997 from 29% in 1994. Declines in the share of traditional second mortgages were recorded for Savings and Loans and savings banks, as well as for finance and mortgage companies.

While the dominance of commercial banks as a source for home equity loans remained largely unchanged since 1994, the data indicated a continuing shift away from Savings and Loans and savings banks and toward Credit Unions. Indeed, by 1997 the share of home equity credit lines at Savings and Loans and savings banks was equal to that recorded at Credit Unions (16%).

Figure 34: **SOURCES OF SECOND MORTGAGES**

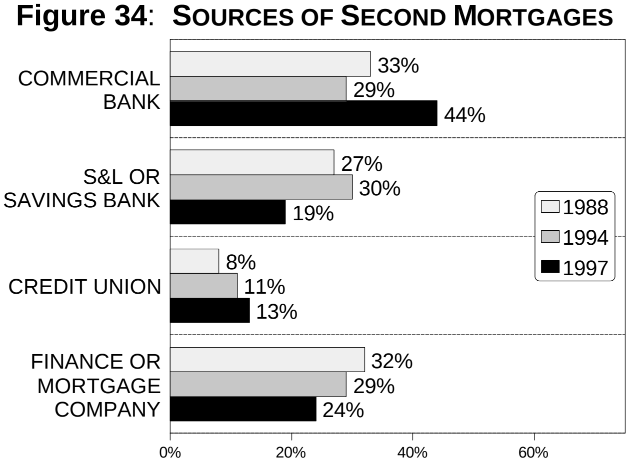
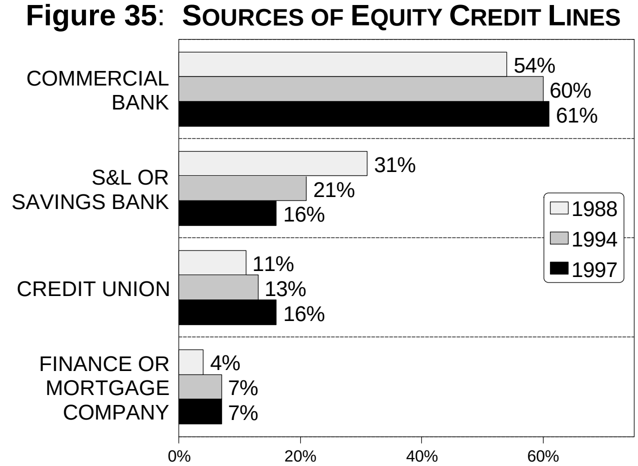


Figure 35: **SOURCES OF EQUITY CREDIT LINES**



Selection Criteria. Interest rates and other costs were the dominant factors mentioned by home owners when asked why they chose the type of financial institution to obtain their home equity loans. Interest rates, fees, and other costs were mentioned by 48% of all those with traditional second mortgages, and by 46% of those with home equity lines of credit in the 1997 survey. The importance consumers place on interest rates and other costs in selecting the type of financial institution to obtain their home equity loan was unchanged from the 1994 survey.

Prior experience and familiarity with the financial institution were nearly as important factors as cost. Obtaining the loans from the same institution where they had their first mortgage or other accounts was mentioned by 37% of those with traditional second mortgages in 1997, and by 49% of those with home equity lines of credit. The slightly lower level for traditional second mortgages mirrors the wider range of financial institutions at which consumers obtained their second mortgages.

Of course, cost considerations and prior experience with the financial institution are not completely separate factors, as the home owner may have originally selected the particular financial institution for their first mortgage based on cost comparisons, and some fees and loan processing costs may have been reduced by obtaining the home equity loan from the same institution as the first mortgage.

Home owners also mentioned service and convenience as a factor in selecting the financial institution. For both home owners with traditional second mortgages and home equity lines of credit, about one-in-five mentioned service and convenience in choosing the type of financial institution.

Difficulties in qualifying for home equity loans were also mentioned by some home owners as a reason for the selection of the financial institution. This factor was rarely mentioned by those with home equity lines (2%), and only slightly more frequently mentioned by those with traditional second mortgages (4%).

Credit Shopping. Consumers were also asked whether they had searched for information about other creditors or credit terms before they obtained their home equity loans. About half of all home owners with either type of loan responded that they had sought out information about other creditors and credit terms (Charts 36 and 37 and Table 18).

Information on interest rates was by far the most commonly reported piece of information that home owners sought, mentioned by 75% of those with either traditional second mortgages or home equity lines of credit. The focus on obtaining information on interest rates in the 1997 survey was even more dominant than in the 1994 survey, when information on interest rates was sought by 57% of all those with traditional second mortgages and 64% of those with home equity lines of credit.

When interest rate information was combined with information on fees and other more general references to the costs of borrowing, nine-in-ten consumers with either type of credit in the 1997 survey sought information on costs. Clearly, among the half of consumers that sought additional information on other creditors, price was the overwhelming single most important item of information sought.

Nearly all of those that sought additional information reported that they had obtained the information they wanted, most typically by simply contacting various financial institutions. Importantly, half of all those that sought additional information reported that the information they received did have an impact on the outcome of their credit shopping decision (see Charts 36 and 37 and Table 18).

Figure 36: **SEARCHED FOR ADDITIONAL CREDIT INFORMATION FOR SECOND MORTGAGES**

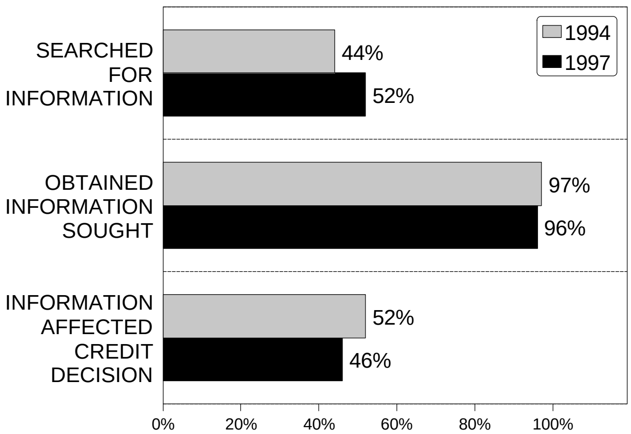
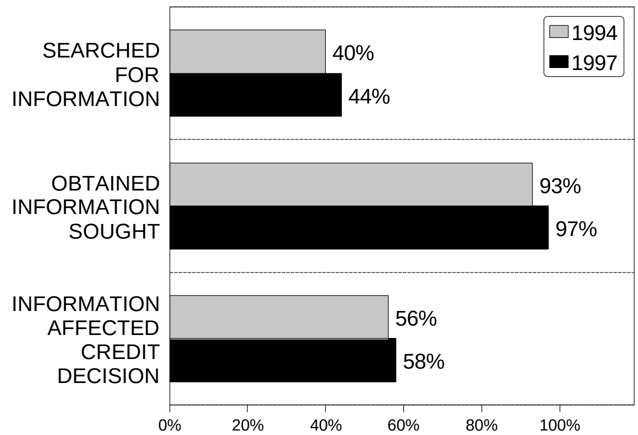
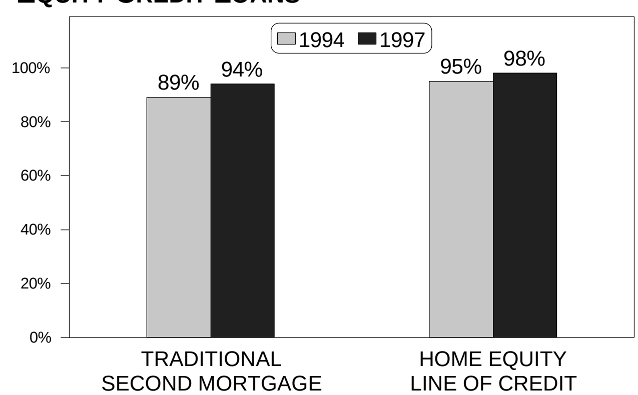


Figure 37: **SEARCHED FOR ADDITIONAL CREDIT INFORMATION FOR EQUITY LINES OF CREDIT**



Overall Satisfaction With Loan. A substantial degree of satisfaction with their loans was expressed by home owners with both traditional second mortgages and home equity lines of credit in the 1997 survey (Chart 38 and Table 18). Although overall satisfaction with credit lines was somewhat higher than with traditional second mortgages, the difference was small. By way of comparison, 92% of all households with outstanding installment loans reported that they were satisfied with those loans (see Table 18).

Figure 38: **OVERALL SATISFACTION WITH HOME EQUITY CREDIT LOANS**



Home owners with home equity lines of credit were also asked whether they thought the credit line made it easier or more difficult to manage their finances. Overall, 87% of all those with home equity credit lines in the 1997 survey reported that this type of loan had made their finances easier to manage. The main reasons given when asked to explain how home equity credit lines made their finances easier to manage were: convenient access to funds when needed (54%), fewer monthly payments needed to be made due to consolidation of debts (26%), and lower interest rates and other costs (19%)

TABLE 1

MARKET VALUE OF HOMES AND AMOUNT OF OUTSTANDING DEBT
(All Home Owners)

	Proportion with Debt Outstanding			Dollar Values					
				Mean			Median		
	1988	1994	1997	1988	1994	1997	1988	1994	1997
Home Value	-	-	-	$104,833	$117,725	$124,324	$70,000	$83,000	$98,000
First Mortgage	58%	59%	60%	$46,542	$66,884	$67,638	$33,000	$49,000	$52,000
Traditional Second Mortgage	5%	5%	5%	$19,036	$16,199	$17,956	$15,000	$11,000	$15,000
Home Equity Line of Credit[a]	4%	7%	5%	$12,983	$18,459	$20,155	$10,000	$15,000	$15,000
Home Net Equity[b]	-	-	-	$75,672	$74,499	$79,837	$47,500	$49,000	$60,000

[a]Excludes families with no outstanding balances. The proportion of home owners that had a home equity line of credit, including those with no outstanding balance at the time of the survey, was 5% in 1988, 8% in 1994, and 8% in 1997.

[b]Defined as home value minus outstanding balances on first mortgage, second mortgage, and home equity line of credit.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 2

HOME EQUITY LINE OF CREDIT, MAXIMUM LIMITS AND AMOUNT USED
(All Home Owners with Home Equity Lines of Credit)

	Dollar Values					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
Home equity credit line	$51,539	$38,788	$45,287	$30,000	$25,000	$30,000
Credit line as a proportion of net home equity[a]	40%	34%	39%	33%	30%	34%
Debt outstanding as a proportion of credit line[b]	42%	58%	53%	33%	62%	55%
Debt outstanding as a proportion of net home equity[ab]	14%	20%	20%	10%	18%	16%

[a]Defined as home value minus outstanding balances on first and second mortgage.

[b]Excludes families with no outstanding balances on their home equity line of credit.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 3

HOME EQUITY LINE OF CREDIT, MAXIMUM LIMITS AND AMOUNT USED
(All Home Owners with Home Equity Lines of Credit)

	Credit Line as a Proportion of Net Home Equity[a]			Debt Outstanding as a Proportion of Credit Line			Debt Outstanding as a Proportion of Net Home Equity[a]		
	1988	1994	1997	1988	1994	1997	1988	1994	1997
None	-	-	-	39%	19%	35%	39%	19%	35%
1% - 9%	4%	8%	3%	7%	5%	4%	25%	21%	18%
10% - 24%	21%	20%	18%	14%	6%	6%	23%	24%	20%
25% - 49%	32%	36%	37%	10%	10%	15%	8%	18%	13%
50% - 74%	12%	14%	20%	10%	24%	12%	-	3%	4%
75% - 100%	10%	4%	4%	9%	22%	16%	-	-	1%
DK, NA	21%	18%	19%	11%	14%	12%	5%	15%	9%
TOTAL	100%	100%	101%	100%	100%	100%	100%	100%	100%

[a]Defined as home value minus outstanding balances on first and second mortgage.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 4

HOME VALUE BY REGION
(All Home Owners)

	Home Value					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
All Home Owners	$104,833	$117,725	$124,324	$70,000	$83,000	$98,000
Region of Residence						
West	$153,753	$172,126	$171,685	$86,000	$125,000	$150,000
North Central	$73,490	$95,371	$105,467	$60,000	$75,000	$90,000
Northeast	$154,800	$148,473	$151,740	$110,000	$125,000	$110,000
South	$81,077	$88,777	$103,124	$62,500	$65,000	$80,000

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 4 (continued)

NET EQUITY BY REGION
(All Home Owners)

	Net Equity[a]					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
All Home Owners	$75,672	$74,499	$79,837	$47,500	$49,000	$60,000
Region of Residence						
West	$101,806	$93,012	$102,312	$58,000	$60,000	$80,000
North Central	$52,044	$65,141	$67,569	$40,000	$45,000	$52,000
Northeast	$125,366	$98,913	$102,071	$81,500	$75,000	$65,000
South	$59,929	$58,640	$68,774	$40,000	$40,000	$50,000

[a]Defined as home value minus outstanding balances on first mortgage, second mortgage, and home equity line of credit.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 5

HOME VALUE BY DEBT STATUS
(All Home Owners)

	Home Value					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
All Home Owners	$104,833	$117,725	$124,324	$70,000	$83,000	$98,000
Debt Status of Home Owners:						
No Mortgage Debt	$85,350	$90,987	$104,746	$60,000	$65,000	$80,000
First Mortgage Only	$107,539	$129,174	$126,392	$75,000	$90,000	$100,000
Traditional Second Mortgage	$151,168	$113,282	$166,508	$90,000	$92,500	$110,000
Home Equity Line of Credit	$180,760	$165,838	$171,113	$125,000	$139,000	$140,000

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 5 (continued)

NET HOME EQUITY BY DEBT STATUS
(All Home Owners)

	Net Equity[a]					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
All Home Owners	$75,672	$74,499	$79,837	$47,500	$49,000	$60,000
Debt Status of Home Owners:						
No Mortgage Debt	$85,350	$90,987	$104,746	$60,000	$65,000	$80,000
First Mortgage Only	$59,886	$59,000	$57,749	$33,000	$35,000	$43,000
Traditional Second Mortgage	$98,228	$43,302	$53,909	$37,000	$35,000	$35,000
Home Equity Line of Credit	$123,690	$109,564	$111,475	$72,000	$76,500	$76,000

[a]Defined as home value minus outstanding balances on first mortgage, second mortgage, and home equity line of credit.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 6

AGE BY DEBT STATUS OF HOME OWNERS

	Age of Householder					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
All Home Owners	48	49	51	46	47	48
Debt Status of Home Owners:						
No Mortgage Debt	58	60	62	61	63	65
First Mortgage Only	42	42	43	39	40	41
Traditional Second Mortgage	44	44	42	42	43	42
Home Equity Line of Credit	46	49	49	46	50	48

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 6 (continued)

FAMILY INCOME BY DEBT STATUS OF HOME OWNERS

	Household Income					
	Mean			Median		
	1988	1994	1997	1988	1994	1997
All Home Owners	$36,492	$45,603	$50,764	$30,000	$35,000	$40,000
Debt Status of Home Owners:						
No Mortgage Debt	$26,132	$33,688	$38,854	$21,000	$24,000	$27,500
First Mortgage Only	$43,432	$51,756	$55,346	$37,500	$45,000	$47,500
Traditional Second Mortgage	$49,453	$46,162	$65,966	$42,000	$45,000	$50,000
Home Equity Line of Credit	$56,537	$61,234	$67,290	$50,000	$50,000	$60,000

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 7

HOUSING RELATED DEBT AMONG U.S. HOUSEHOLDS
(All Home Owners)

	Debt Status of Home Owners														
	No Mortgage Debt			First Mortgage			Traditional Second Mortgage			Home Equity Line of Credit			2nd Mortgage or Home Equity Line of Credit		
	1988	1994	1997	1988	1994	1997	1988	1994	1997	1988	1994	1997	1988	1994	1997
All Home Owners	39%	38%	38%	58%	59%	60%	5%	5%	5%	6%	8%	8%	11%	13%	13%
Age of Householder															
18-34	17	17	17	82	83	83	4	4	7	4	5	3	9	9	9
35-44	21	19	17	78	80	82	8	9	7	7	9	10	15	17	17
45-54	26	25	22	70	71	77	8	7	6	9	13	14	17	20	19
55-64	61	48	49	34	43	44	6	3	3	6	13	11	11	16	14
65 or older	81	82	82	16	16	16	*	1	1	2	4	3	3	5	4
Education of Householder															
Less than high school	64	69	62	33	28	37	3	3	2	1	4	2	4	6	4
High school	44	46	44	53	52	54	5	5	3	5	6	6	9	11	9
Some college	34	34	39	63	64	58	5	5	7	7	9	7	12	13	14
College graduate	24	20	23	74	76	76	8	5	8	8	10	10	16	15	17
Graduate studies	24	20	26	75	75	70	6	5	3	9	16	16	15	22	18
Region of Residence															
West	33	32	31	64	65	67	6	4	8	4	9	8	10	13	15
North Central	39	37	37	58	60	61	5	7	5	4	9	9	9	15	13
Northeast	37	33	35	59	61	62	8	7	7	12	12	11	20	19	18
South	43	44	44	55	54	54	4	3	2	4	6	6	7	8	8

TABLE 7 (continued)

HOUSING RELATED DEBT AMONG U.S. HOUSEHOLDS
(All Home Owners)

	Debt Status of Home Owners														
	No Mortgage Debt			First Mortgage			Traditional Second Mortgage			Home Equity Line of Credit			Second Mortgage or Home Equity Line of Credit		
	1988	1994	1997	1988	1994	1997	1988	1994	1997	1988	1994	1997	1988	1994	1997
Household Income in Current Dollars															
Under $15,000	na	72%	76%	na	26%	23%	na	3%	1%	na	4%	2%	na	6%	3%
$15,000-24,999		50	61		48	38		3	2		4	2		7	3
$25,000-34,999		41	40		57	59		5	4		6	4		11	8
$35,000-49,999		32	33		65	66		5	5		9	7		15	12
$50,000-74,999		18	20		79	76		7	9		9	13		17	21
$75,000 or more		19	21		79	77		5	5		20	15		24	20
Household Income in 1988 Dollars															
Under $15,000	70	67	73	27	31	27	2	3	1	1	4	1	3	6	2
$15,000-24,999	48	43	47	48	54	52	5	4	3	3	6	4	7	10	7
$25,000-34,999	38	33	33	60	64	66	5	5	6	3	7	7	8	12	12
$35,000-44,999	29	22	25	68	75	73	5	5	8	7	11	11	12	16	19
$45,000-59,999	21	19	19	75	78	77	7	8	7	9	9	13	16	16	20
$60,000 or more	14	17	20	83	79	77	10	5	6	14	20	16	23	24	22

*=Less than one-half of a percent.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 8

USES OF TRADITIONAL SECOND MORTGAGES
(All Home Owners with Traditional Second Mortgages)

Percentage of Households that Used Their Second Mortgage for . . .	Used for Debt Repayments			Used for New Outlays			Total		
	1988	1994	1997	1988	1994	1997	1988	1994	1997
Home Improvements	5%	11%	7%	44%	38%	45%	49%	44%	50%
Vehicles	10	17	14	6	3	6	14	19	20
Credit Card Debt	11	33	48	NA	NA	NA	11	33	48
Personal/Misc.	4	12	6	3	10	4	7	19	9
Education	3	3	1	2	4	2	5	7	3
Medical	2	5	10	*	1	2	2	5	12
Real Estate	NA	3	2	16	8	9	16	10	11
Business Expenses	NA	3	2	6	*	4	6	4	6
Repay Other Bank Loans	7	11	3	NA	NA	NA	7	11	3
Financial Investments	NA	NA	NA	*	1	*	*	1	*
All Uses[a]	34%	68%	61%	74%	64%	67%	100%	100%	100%

*=Less than one-half of a percent. NA=not applicable.
a=Sum of item percentages add to more than total due to multiple uses.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 9

USES OF HOME EQUITY LINES OF CREDIT
(All Home Owners with Home Equity Credit Lines)

Percentage of Households that Used Their Home Equity Line of Credit for . . .	Debt Repayments			New Outlays			Total			MEMO: Total Among Owners with 1 or More Uses		
	1988	1994	1997	1988	1994	1997	1988	1994	1997	1988	1994	1997
Home Improvements	5%	2%	1%	39%	55%	53%	41%	55%	54%	61%	64%	69%
Vehicles	15	3	3	16	25	28	25	27	30	37	30	39
Credit Card Debt	14	23	29	NA	NA	NA	14	23	29	21	27	38
Personal/Misc.	4	5	2	10	10	10	12	13	11	18	15	15
Education	3	1	*	10	18	15	12	18	15	18	21	20
Medical	1	1	1	7	5	8	7	5	8	10	5	11
Real Estate	NA	4	1	8	10	7	8	13	8	12	12	11
Business Expenses	NA	2	1	5	24	14	5	24	14	7	28	18
Repay Other Bank Loans	5	3	*	NA	NA	NA	5	3	*	7	3	1
Financial Investments	NA	NA	NA	3	*	1	3	*	1	4	*	1
All Uses[a]	31%	39%	37%	61%	83%	71%	67%	85%	76%	100%	100%	100%

*=Less than one-half of a percent. NA=not applicable.
a=Sum of item percentages add to more than total due to multiple uses.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 10

ADVANTAGES AND DISADVANTAGES OF SECOND MORTGAGES AND HOME EQUITY LINES OF CREDIT (All Home Owners with Type of Debt Indicated)

	Type of Debt					
	Traditional Second Mortgage			Home Equity Line of Credit		
	1988	1994	1997	1988	1994	1997
ADVANTAGES						
Convenient To Obtain Loan	27%	32%	18%	25%	21%	23%
Easy To Obtain Money	1	5	4	50	57	51
Low Interest Rate	38	51	50	22	35	35
Tax Deductibility	19	28	40	30	31	38
Can consolidate loan payments	9	10	4	*	*	3
Can defer payment on principal	*	*	*	3	7	4
Other Advantages	6	10	11	8	5	1
No Special Advantages	13	6	7	2	*	*
DISADVANTAGES						
Foreclosure, loss of home	20	20	22	15	13	22
Possible debt overextension	16	20	8	31	31	26
High/rising interest rates	19	16	21	26	18	17
Other Disadvantages	33	39	31	9	7	8
No Special Disadvantages	28	26	29	31	40	34

*=Less than one-half of a percent.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 11

HOME OWNERS THAT ITEMIZE FEDERAL INCOME TAX DEDUCTIONS
(All Home Owners)

	Percent that Itemize Federal Income Tax Deductions			Percent of Itemizers that Rate Deductions as Important		
	1988	1994	1997	1988	1994	1997
All Home Owners	56%	55%	54%	89%	92%	90%
Debt Status of Home Owner:						
No Mortgage Debt	35	36	33	64	72	62
First Mortgage	71	67	66	97	98	98
Traditional Second Mortgage	78	74	73	97	99	98
Home Equity Line of Credit	82	79	81	99	94	94

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 12

HOME OWNERS THAT ITEMIZE THEIR FEDERAL TAX DEDUCTIONS AND THE PERCEIVED IMPORTANCE OF THOSE DEDUCTIONS (All Home Owners)

	Proportion of Home Owners that . . .					
	Itemize Federal Income Tax Deductions			Itemizers That Rate Federal Deductions Important		
	1988	1994	1997	1988	1994	1997
All Home Owners	56%	55%	54%	89%	92%	90%
Age of Householder						
18-34	59	54	50	96	97	98
35-44	70	59	66	94	94	97
45-54	65	70	65	91	95	93
55-64	50	56	55	82	89	86
65 or older	32	39	32	66	76	60
Education of Householder						
Less than high school	30	31	26	85	86	73
High school	47	43	41	87	92	89
Some college	66	62	58	89	92	90
College graduate	72	67	67	93	92	93
Graduate studies	82	82	77	89	90	89
Region of Residence						
West	65	64	58	91	93	92
North Central	55	54	54	87	91	91
Northeast	58	57	60	93	91	91
South	52	50	48	89	91	86

TABLE 12 (continued)

HOME OWNERS THAT ITEMIZE THEIR FEDERAL TAX DEDUCTIONS AND THE PERCEIVED IMPORTANCE OF THOSE DEDUCTIONS (All Home Owners)

	Proportion of Home Owners that . . .					
	Itemize Federal Income Tax Deductions			Itemizers That Rate Federal Deductions Important		
Household Income in Current Dollars	1988	1994	1997	1988	1994	1997
Under $15,000	na	28%	14%	na	79%	61%
$15,000-24,999		36	22		94	80
$25,000-34,999		47	44		92	93
$35,000-49,999		55	57		88	91
$50,000-74,999		73	71		95	91
$75,000 or more		85	82		91	91
Household Income in 1988 Dollars						
Under $15,000	21	31	15	76	83	68
$15,000-24,999	41	43	37	83	94	90
$25,000-34,999	57	52	56	90	86	91
$35,000-44,999	68	65	64	93	93	93
$45,000-59,999	81	76	75	91	95	90
$60,000 or more	85	85	83	94	91	90

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 13

AWARENESS OF CONSEQUENCES OF MISSING REPAYMENTS ON LOANS
(All Home Owners with Type of Debt Indicated)

Worst Consequence of Missed Payments	Type of Debt					
	Traditional Second Mortgage			Home Equity Line of Credit		
	1988	1994	1997	1988	1994	1997
Foreclosure	88%	87%	87%	87%	84%	86%
Other Legal Actions[a]	7	8	9	7	13	9
Late Charges	*	*	*	1	*	1
Reminder Notices Only	*	3	1	1	2	3
Other actions	2	*	2	3	*	*
Don't Know	3	2	1	1	1	1
Total	100%	100%	100%	100%	100%	100%

[a]Includes: lawsuit, attach pay, deduct from other accounts, and revoke loan.

*=Less than one-half of a percent.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 14

CONSUMER KNOWLEDGE AND EXPERIENCE WITH SECOND MORTGAGES, HOME EQUITY LINES OF CREDIT, AND INSTALLMENT LOANS
(All Home Owners with Type of Debt Indicated)

PROPORTION OF CONSUMERS WITH TYPE OF DEBT INDICATED AND . . .	Type of Debt					
	Traditional Second Mortgage		Home Equity Line of Credit		Installment Loan	
	1994	1997	1994	1997	1994	1997
Knew or learned that the credit involved a lien on home	98%	99%	99%	98%	NA	NA
Knew or learned that they had right to cancel within three days	89	95	90	94	NA	NA
Recalled receiving the Truth-in-Lending statement	85	79	89	86	67	80
Saved copy of the Truth-in-Lending statement[a]	93	97	90	94	91	89
Reported that the Truth-in-Lending statement was helpful[a]	63	70	67	68	63	73
Reported that the Truth-in-Lending statement affected their credit decision[a]	6	2	8	13	12	7

[a]Proportion of those who recalled receiving Truth-in-Lending statement.

SOURCE: Survey Research Center, The University of Michigan. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 15

WHETHER BORROWERS RECEIVED ALL NEEDED INFORMATION ON HOME EQUITY LOANS (All Home Owners with Type of Debt Indicated)

	Percent That Received All Needed Information When Obtained Loan		
	1988	1994	1997
Traditional Second Mortgage	89%	94%	96%
Home Equity Line of Credit	96%	98%	99%

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 16

AWARENESS OF AVAILABILITY OF SECOND MORTGAGES AND HOME EQUITY LINES OF CREDIT (All Home Owners)

	Aware of Availability of . . .					
	Traditional Second Mortgage			Home Equity Line of Credit		
	1988	1994	1997	1988	1994	1997
All Home Owners	92%	92%	93%	75%	80%	83%
Age of Householder						
18-34	94	94	94	76	79	82
35-44	95	93	95	82	84	88
45-54	93	94	95	83	84	89
55-64	91	92	94	71	84	87
65 or older	86	85	85	63	71	74
Education of householder						
Less than high school	83	79	78	53	65	60
High school	91	92	91	70	74	81
Some college	95	95	97	81	83	90
College graduate	96	94	94	89	88	88
Graduate studies	98	97	97	91	93	93
Region of Residence						
West	94	91	95	80	85	90
North Central	92	94	93	77	81	84
Northeast	94	95	93	83	89	87
South	90	88	91	68	73	79

TABLE 16 (continued)

AWARENESS OF AVAILABILITY OF SECOND MORTGAGES AND HOME EQUITY LINES OF CREDIT (All Home Owners)

	Aware of Availability of . . .					
	Traditional Second Mortgage			Home Equity Line of Credit		
	1988	1994	1997	1988	1994	1997
Household Income in Current Dollars						
Under $15,000	na	79	80	na	63	65
$15,000-24,999		86	87		69	74
$25,000-34,999		93	92		78	81
$35,000-49,999		96	94		87	85
$50,000-74,999		97	98		87	92
$75,000 or more		97	97		95	93
Household Income in 1988 Dollars						
Under $15,000	85	81	82	55	63	65
$15,000-24,999	93	91	90	70	76	81
$25,000-34,999	93	97	94	80	85	84
$35,000-44,999	94	96	96	84	88	92
$45,000-59,999	96	97	98	85	87	91
$60,000 or more	97	97	97	90	95	93

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 17

TYPE OF FINANCIAL INSTITUTION WHERE HOUSEHOLD OBTAINED SECOND MORTGAGE OR HOME EQUITY LINE OF CREDIT (All Home Owners with Type of Debt Indicated)

	Type of Debt					
	Traditional Second Mortgage			Home Equity Line of Credit		
TYPE OF FINANCIAL INSTITUTION	1988	1994	1997	1988	1994	1997
Commercial Bank	33%	29%	44%	54%	60%	61%
Savings & Loan or Savings Bank	27	30	19	31	21	16
Credit Union	8	11	13	11	13	16
Other creditors[a]	32	29	24	4	7	7
Total	100%	100%	100%	100%	100%	100%

[a]Includes finance and loan companies, brokerage firms, mortgage companies, and individuals.

SOURCE: Survey Research Center, The University of Michigan. The 1988 survey was conducted from July to December 1988. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

TABLE 18

CONSUMER KNOWLEDGE AND EXPERIENCE WITH SECOND MORTGAGES, HOME EQUITY LINES OF CREDIT, AND INSTALLMENT LOANS
(All Home Owners with Type of Debt Indicated)

PROPORTION OF CONSUMERS WITH TYPE OF DEBT INDICATED AND . . .	Type of Debt					
	Traditional Second Mortgage		Home Equity Line of Credit		Installment Loan	
	1994	1997	1994	1997	1994	1997
Searched for information on other creditors or credit terms before they obtained the credit	44%	52%	40%	44%	37%	33%
Were able to obtain the information that they had sought[a]	97	96	93	97	95	88
Reported that the information obtained affected their credit decision[a]	52	46	56	58	53	40
Reported overall satisfaction with the credit	89	94	95	98	88	92

[a]Proportion of those who searched for information on other creditors or credit terms.

SOURCE: Survey Research Center, The University of Michigan. The 1994 survey was conducted from November 1993 to March 1994. The 1997 survey was conducted from May to October 1997.

APPENDIX A: CENSUS REGIONS

NORTHEAST	NORTH CENTRAL	SOUTH	WEST
Connecticut	Illinois	Alabama	Alaska
Maine	Indiana	Arkansas	Arizona
Massachusetts	Iowa	Delaware	California
New Hampshire	Kansas	Dist. of Columbia	Colorado
New Jersey	Michigan	Florida	Hawaii
New York	Minnesota	Georgia	Idaho
Pennsylvania	Missouri	Kentucky	Montana
Rhode Island	Nebraska	Louisiana	Nevada
Vermont	North Dakota	Maryland	New Mexico
	Ohio	Mississippi	Oregon
	South Dakota	North Carolina	Utah
	Wisconsin	Oklahoma	Washington
		South Carolina	Wyoming
		Tennessee	
		Texas	
		Virginia	
		West Virginia	

APPENDIX B: Confidence Intervals for Estimated Percentages

PERCENT		SAMPLE SUBGROUP: Traditional Second Mortgage	Home Equity Line of Credit	Second Mortgage or Home Equity Line of Credit	First Mortgage	No Home Related Debt	All Home Owners	Total Sample
1%	-	0.8	0.8	0.7	0.4	0.4	0.4	0.3
	+	4.8	3.1	2.2	0.8	0.7	0.6	0.5
5%	-	2.9	2.5	2.1	1.1	1.1	0.9	0.8
	+	6.5	4.6	3.5	1.5	1.4	1.1	0.9
10%	-	4.6	3.8	3.2	1.6	1.5	1.3	1.1
	+	7.8	5.7	4.4	1.9	1.8	1.5	1.2
20%	-	6.9	5.5	4.5	2.3	2.1	1.8	1.5
	+	9.3	6.9	5.5	2.5	2.3	1.9	1.6
30%	-	8.4	6.6	5.4	2.6	2.5	2.1	1.8
	+	10.0	7.6	6.0	2.8	2.6	2.2	1.8
40%	-	9.4	7.3	6.0	2.9	2.7	2.3	1.9
	+	10.2	7.8	6.3	2.9	2.7	2.3	1.9
50%	-	10.0	7.7	6.2	3.0	2.8	2.3	2.0
	+	10.0	7.7	6.2	3.0	2.8	2.3	2.0
60%	-	10.2	7.8	6.3	2.9	2.7	2.3	1.9
	+	9.4	7.3	6.0	2.9	2.7	2.3	1.9
70%	-	10.0	7.6	6.0	2.8	2.6	2.2	1.8
	+	8.4	6.6	5.4	2.6	2.5	2.1	1.8
80%	-	9.3	6.9	5.5	2.5	2.3	1.9	1.6
	+	6.9	5.5	4.5	2.3	2.1	1.8	1.5
90%	-	7.8	5.7	4.4	1.9	1.8	1.5	1.2
	+	4.6	3.8	3.2	1.6	1.5	1.3	1.1
95%	-	6.5	4.6	3.5	1.5	1.4	1.1	0.9
	+	2.9	2.5	2.1	1.1	1.1	0.9	0.8
99%	-	4.8	3.1	2.2	0.8	0.7	0.6	0.5
	+	0.8	0.8	0.7	0.4	0.4	0.4	0.3

NOTE: The figures in this table, when subtracted or added to the observed percentage, forms the 95% confidence interval. Interpolate for observed percentages other than those listed in the table.

APPENDIX C: SURVEYS OF CONSUMERS

The National Survey of Home Equity Loans was conducted as part of the Surveys of Consumers, conducted by the Survey Research Center at the Instituted for Social Research. The Institute for Social Research was established at the University of Michigan in 1946, and is one of the largest university-based social science research institutions in the world. The Institute incorporates four individual centers: The Survey Research Center, the Research Center for Group Dynamics, the Center for Political Studies, and the Center for Population Studies.

The Survey Research Center conducts multidisciplinary studies of large populations, organizations, and special segments of society. Its interests include the properties of mass publics, social aggregates, organized and structured social units, and the behavior of individuals in various social roles and settings. The Survey Research Center maintains the facilities and resources to carry out such large-scale research enterprises. The four major objectives of the Survey Research Center are: to conduct surveys of social importance; to conduct research on survey methodology; to foster interdisciplinary research; and to provide training in all phases of survey research.

Since the Survey Research Center's results are widely sought and used to provide a basis for evaluating important policy issues and for predicting the probable effects of various policy alternatives, the scientific validity of survey results is a critical consideration that has guided the development of the Center's survey activities.

In the supportive context of the Institute's extensive array of research services, researchers from a number of disciplines provide the expertise necessary to design and conduct a wide range of projects relevant to major public policy issues, and to ensure the scientific validity of their results. The senior staff currently includes about 90 PhD-level research scientists, some 50 researchers at the Master's level, a dozen or so postdoctoral trainees, several hundred research support personnel, and a nationwide field interviewing staff of more than 300 people.

The Surveys of Consumers were initiated in 1946, one of the first projects established at the Survey Research Center. These periodic surveys provide regular assessments of consumer attitudes and expectations, as well as detailed information on the financial characteristics of households, and are used to evaluate economic trends and prospects. Results from these surveys are used by a wide range of analysts in both the private and public sectors, and are included in the Leading Indicator Composite Index devised by the U.S. Department of Commerce.