

# Home Equity Lines of Credit— Who Uses This Source of Credit?

Issued September 2007

## Census 2000 Brief

C2KBR-37

Since the mid-1980s, homeowners have used home equity lines of credit (HELOCs) to access cash at relatively low interest rates with certain tax advantages. HELOCs are credit lines extended by a financial institution to a homeowner based upon the equity in a home. They have become a source of credit for many homeowners who have experienced growth in their home's equity in recent years. The credit line debt is secured by using the home as collateral.

Based on data collected in the 2001 Residential Finance Survey, this brief profiles the 7.7 million single-family

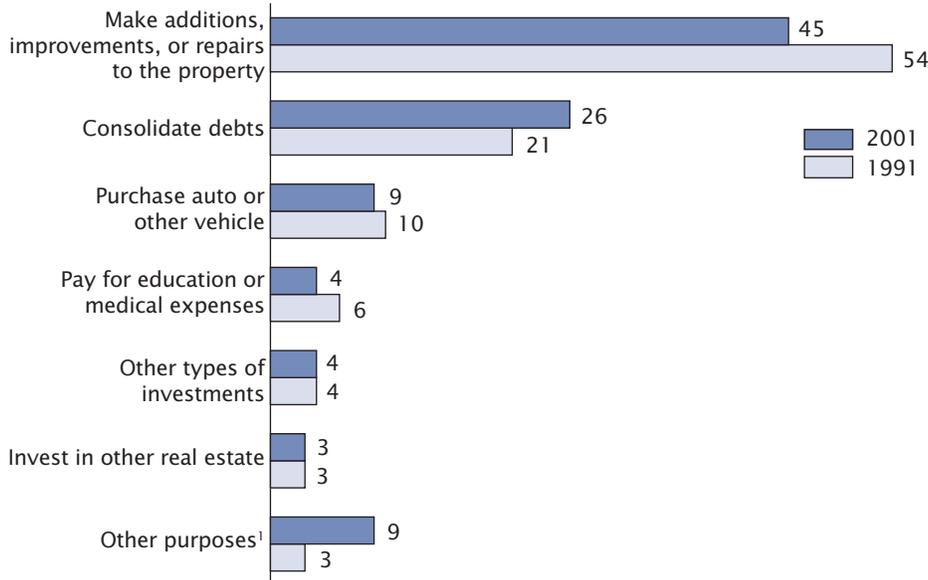
homeowners who had HELOCs in 2001 and compares them with the 3.4 million who had HELOCs in 1991. We analyzed characteristics of homeowners with HELOCs and compared them with the 29.8 million single-family homeowners who had other types of mortgages. (These data apply to single-unit property that these owners both owned and inhabited.) In addition, the 1.6 million owners whose HELOCs were their only mortgage are compared with the 6.2 million whose HELOCs were a *junior* mortgage (i.e., they also had at least one other mortgage on their property).

By  
Linda Cavanaugh

Figure 1.

### Why Homeowners Get a Home Equity Line of Credit (HELOC)

(Percent of single-family homeowners with a home equity line of credit)



<sup>1</sup> Includes response categories not used in 1991: "To start a business" (2 percent); "To purchase other consumer products" (1 percent); "To pay taxes" (1 percent); "To settle a divorce" (1 percent).

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

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## HELOCs decrease for home improvements, increase for debt consolidation.

Figure 1 provides a look at the reasons why homeowners took out HELOCs in 2001 and 1991. The main reason for obtaining a home equity loan in both 2001 and 1991 was to make additions, improvements, or repairs to the property. The next most popular reason in both surveys was to consolidate debts. While loans for additions, improvements, and repairs fell 9 percentage points during the decade (from 54 percent to 45 percent), loans to consolidate debts rose 5 percentage points (from 21 percent to 26 percent).

## The Midwest, South, and suburbs had the most HELOC borrowers.

Over one-half (59 percent) of owners with HELOCs lived in the Midwest and the South (29 percent each), 23 percent lived in the Northeast, while 18 percent of HELOC borrowers lived in the West. The percentage of loans in the Northeast dropped from about one-third or 35 percent in 1991 to less than one-fourth or 23 percent in 2001, while the percentage of HELOC borrowers in the South increased by 5 percentage points (29 percent in 2001 compared with 24 percent in 1991).

Nationally, most homeowners with HELOCs (85 percent) lived in metropolitan areas, usually in suburbs (64 percent) rather than in central cities (21 percent). Single-family homeowners with no HELOCs were less likely to live in metropolitan areas (83 percent) or in the suburbs (58 percent) than homeowners with HELOCs.

## HELOC borrowers were older and had higher income.

The median age of homeowners with HELOCs was 50 years, while the median age of all other mortgaged owners was 46 years. Compared with other mortgaged owners, those with HELOCs also:

- Had a higher median household income (\$68,300 compared with \$46,200).
- Were more likely to be White (91 percent compared with 86 percent) and less likely to be Black (4 percent compared with 9 percent) or Hispanic (5 percent compared with 9 percent).
- Were more likely to co-own the property with a person of the opposite sex (72 percent compared with 64 percent).
- Were more likely to have owned another home before they purchased their current home (64 percent compared with 56 percent).

## Age of the building and length of residency in the home were both higher for HELOC borrowers.

Homeowners with HELOCs lived in homes that were a median of 27 years old, three years older than the homes of other mortgaged owners.

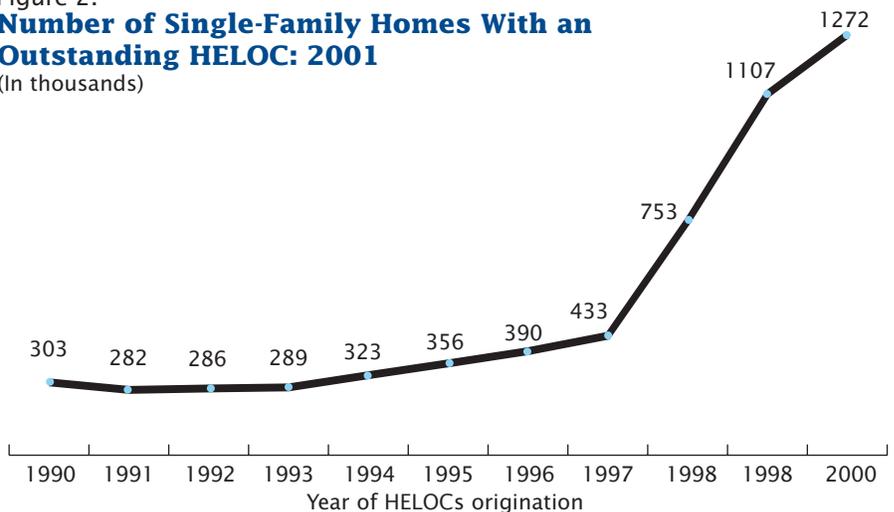
Additionally, those with HELOCs had been living in their homes for a median of 8 years, while other mortgaged owners had lived in their homes for a median of 5 years.

## Mortgage debt was lower and home value was higher for owners with HELOCs.

The median total outstanding mortgage debt on the property for HELOC borrowers (\$87,100) was lower than for other mortgaged owners (\$91,800), while the median value of their homes was higher (\$155,600 compared with \$134,400). Homeowners with HELOCs and those with other types of mortgages had similar median first mortgage amounts (\$88,500 compared with \$86,200).

Figure 2.  
**Number of Single-Family Homes With an Outstanding HELOC: 2001**

(In thousands)



Note: Some of the single years of data were averaged to smooth out fluctuations in the data series.

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## Homeowners 55 years and older were equally likely to have a HELOC or another type of mortgage.

The survey was expanded in 2001 to include questions on homeowners aged 55 and older. Among homeowners who lived in a subdivision, a building, or an immediate neighborhood where most of the residents were aged 55 and older, the proportion with a HELOC (7 percent) was the same as the proportion with other types of mortgages. A similar question asked if the property was *restricted* to those 55 and older. In this case, more homeowners had HELOCs (6 percent) than had other mortgages (5 percent).

## Owners whose HELOCs were stand-alone mortgages were older.

Owners whose HELOC was their only mortgage were a median of 60 years old, more than a decade older than those whose HELOC was a junior mortgage (median age 48). Compared with owners whose HELOC was a junior mortgage, owners whose HELOC was their only mortgage also:

- Were less likely to have owned another home before they bought their current one (57 percent compared with 66 percent).
- Were less likely to co-own the property with a person of the opposite sex (62 percent compared with 74 percent).

- Lived in lower-valued homes (median value of \$121,300 compared with \$162,800).
- Had lower median household income (\$47,400 compared with \$72,900).
- Were more likely to live in an older home (median age of 37 years compared with median age of 21 years).
- Had lived in their homes longer (a median of 19 years compared with 3 years).

## Women were more likely to have a stand-alone HELOC.

As mentioned earlier, 5.5 million of the 7.7 million HELOC borrowers co-owned the property with a member of the opposite sex. The remaining 2.2 million either co-owned with a member of the same sex or had no co-owner. Fifty-four percent of these 2.2 million owners were women. Of the 1.5 million owners who did not co-own the property and whose HELOC was a junior mortgage, 52 percent were women. Among the 537,000 owners who did not co-own the property and who had stand-alone HELOC's, about three-fifths were women.

## More Information

The data in this brief were collected by the 2001 Residential Finance Survey (RFS), a survey of about 70,000 residential property owners, conducted as a follow-up to Census 2000. Results of the survey are located on the Census Bureau's Web site at <[www.census.gov/hhes/www/rfs/rfs.html](http://www.census.gov/hhes/www/rfs/rfs.html)>.

## Contacts:

Home equity lines of credit—  
Linda Cavanaugh  
301-763-3199

Census Briefs—  
Robert Bernstein  
301-763-3030

Information on population and housing topics is presented in the Census 2000 Brief series, located on the Census Bureau's Web site at <[www.census.gov/prod/www/abs/briefs.html](http://www.census.gov/prod/www/abs/briefs.html)>. For additional information on housing, including reports and survey data, visit the Census Bureau's Web site at <[www.census.gov/hhes/www/housing.html](http://www.census.gov/hhes/www/housing.html)>.

*The data in this release are based on a sample survey and therefore are subject to both sampling and nonsampling error. Sampling error is a result of not surveying the entire population. Nonsampling error occurs because accurate information cannot always be obtained. The Census Bureau has taken steps to minimize errors and analytical statements have undergone statistical testing with all comparisons being significant at the 90-percent confidence level. However, because of methodological differences, use caution when comparing these data with data from other sources.*