**The Return of the HELOC: The Number of Consumers Opening HELOCs May Double During the Next Five Years**
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CHICAGO, Oct. 24, 2017 (GLOBE NEWSWIRE) -- Approximately 10 million consumers are expected to originate a home equity line of credit (HELOC) between 2018 and 2022. This would more than double the 4.8 million HELOCs originated in the previous five-year period (2012-2016). The projection is part of a new TransUnion (NYSE:TRU) study that evaluated recent dynamics in the HELOC industry, and was released today during the Mortgage Bankers Association's Annual Convention & Expo.

"With aggregate home equity surpassing that of the housing boom in the mid 2000s, TransUnion is projecting between nine and 11 million consumers will originate HELOCs over the next five years," said Joe Mellman, senior vice president and mortgage line of business leader at TransUnion. "While long-term projections such as this are difficult, broadly we expect there will be approximately 10 million HELOCs originated between 2018 and 2022, driven primarily by continued home equity growth and a relatively robust economy."

TransUnion projects 1.4 million new HELOC borrowers in 2017 and 1.6 million in 2018, about a 30% increase from the previous two-year period of 2015 (1.1 million) and 2016 (1.2 million).

**HELOC Originations – 2017-2022 Include Projections**

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019-2022 |
|---|---|---|---|---|---|---|---|---|
| HELOC Originations (In Millions) | 0.7 | 0.8 | 1.0 | 1.1 | 1.2 | 1.4 | 1.6 | 8.4 |

The TransUnion HELOC study found that rising home prices and the resulting increase in equity is beginning to fuel interest in HELOCs. The Case-Shiller home price index rose as high as 180 in 2005 and 185 in 2006 before dropping to 134 in 2012. By July 2017 it had risen again to 194, and is expected to rise in the next few years to well over 200.

"While HELOC originations often track with home equity, which is correlated to rising home prices, we found that the rebound in HELOCs diverged from the recovery in home values following this past recession," said Mellman.

According to the study, there were 4.9 million HELOC originations in 2005 when home equity stood at $13.3 Trillion. HELOC originations dropped to a mere 600,000 in 2011 as home equity declined to $6.3 Trillion. Home equity has once again risen to $13.3 Trillion in 2016, yet HELOC originations continued to be low at 1.2 million.

"There are many dynamics in play as to why consumers were not opening HELOCs at a higher rate. One driver may be the 'hangover effect' of a once-in-a-lifetime mortgage crisis. Another factor could be limitations in supply, as many lenders exited or reduced their HELOC operations during and after the last recession. Other factors such as competition from other credit products—like the remarkable surge in personal loans over the past few years—doubtless also have had some impact," said Mellman. "But we believe those effects have and will continue to abate, allowing for a resurgence of this compelling credit product."

***Who are the HELOC borrowers?***

A better understanding of HELOC borrowers is critical for lenders, especially because TransUnion research found that over two-thirds of homeowners could be eligible for one, and their scores skew strongly to the lowest-risk tier. "This amounts to approximately 65 million potential borrowers who meet current eligibility requirements, such as having under 80% loan-to-value in their homes—an extremely large market for lenders to consider," said Mellman.

The study explored the primary reasons why consumers open HELOCs and estimated the percentage of HELOCs opened under each motivating reason.

**Types of HELOC Borrowers**

| HELOC Category | Defining this Type of HELOC Borrower | Percentage of HELOCs |
|---|---|---|
| **Debt Consolidation** | *"Consolidate balances from other credit products, usually to a lower interest rate"* | 30 % |
| **Large Expense** | *"Finance a large credit need (e.g., home renovation project)"* | 29 % |
| **Refinance** | *"Refinance a HELOC, often to change terms or to get a better rate"* | 25 % |
| **Piggyback** | *"Concurrent with a mortgage origination, often used as part of a down payment"* | 9 % |
| **Undrawn** | *"Standby, undrawn line of credit for a 'rainy day'"* | 7 % |

"HELOCs have traditionally been a popular credit product because their interest rates are generally low, the interest is usually tax deductible and consumers can receive large lines of credit," said Mellman. "One of the reasons these lines dried up is that a consumer must have both home equity and good credit—the former of which virtually evaporated during and post-recession, but both of which have improved greatly in the last few years."

Borrowers opening HELOCs may be of particular interest to lenders, as they exhibit many positive characteristics compared to the rest of the population. For instance, the study found that consumers who open a HELOC are more credit-active than non-borrowers, carry higher levels of credit card and non-revolving debt and demonstrate more credit-responsible behavior, i.e. lower delinquency.

### *Consumer Insights*

A number of consumers locked or froze their credit files in response to the recent Equifax data breach. Those actions, while a potentially important step toward reducing fraud risks, can result in an extra step or a delay in the application process for consumers interested in HELOCs.

Specifically, consumers will need to unlock or lift the freeze on their credit reports prior to securing a HELOC or another loan, so that the lender can access the consumer's credit file to evaluate their risk. Consumers who chose to freeze can temporarily lift the freeze, using the PIN provided at the time they placed the freeze. This can be accomplished online at TransUnion's credit freeze page or via mail or telephone, and the consumer may elect to lift his freeze for a period of time, or may request an access code to provide to a lender to lift the freeze for the transaction.

Consumers who chose a lock can instantly unlock and re-lock their file on TransUnion's TrueIdentity website or using the TrueIdentity app. Consumers also will need to unlock or lift their freeze on their credit report at other credit bureaus such as Equifax and Experian if they locked or froze their report at more than one credit bureau.

### About the Study

TransUnion studied 60 million consumers who were eligible for a HELOC to understand their propensity to open one. The observation period for consumer credit characteristics took place between June 2015 and May 2016. Consumers were identified as HELOC-eligible in May 2016, while the observation period for opening a new HELOC was between June 2016 and January 2017.

For more information about the TransUnion HELOC study, please visit www.transunion.com/HELOCs.

### About TransUnion (NYSE:TRU)

Information is a powerful thing. At TransUnion, we realize that. We are dedicated to finding innovative ways information can be used to help individuals make better and smarter decisions. We help uncover unique stories, trends and insights behind each data point, using historical information as well as alternative data sources. This allows a variety of markets and businesses to better manage risk and consumers to better manage their credit, personal information and identity. Today, TransUnion has a global presence in more than 30 countries and a leading presence in several international markets across North America, Africa, Latin America and Asia. Through the power of information, TransUnion is working to build stronger economies and families and safer communities worldwide. www.transunion.com/business


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|---|---|
| **Contact** | Dave Blumberg<br>TransUnion |
| **E-mail** | dblumberg@transunion.com |
| **Telephone** | 312-972-6646 |

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