



Mortgage Lending White Paper

Strategies to Win in the Booming Home Equity Lending Market

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Introduction

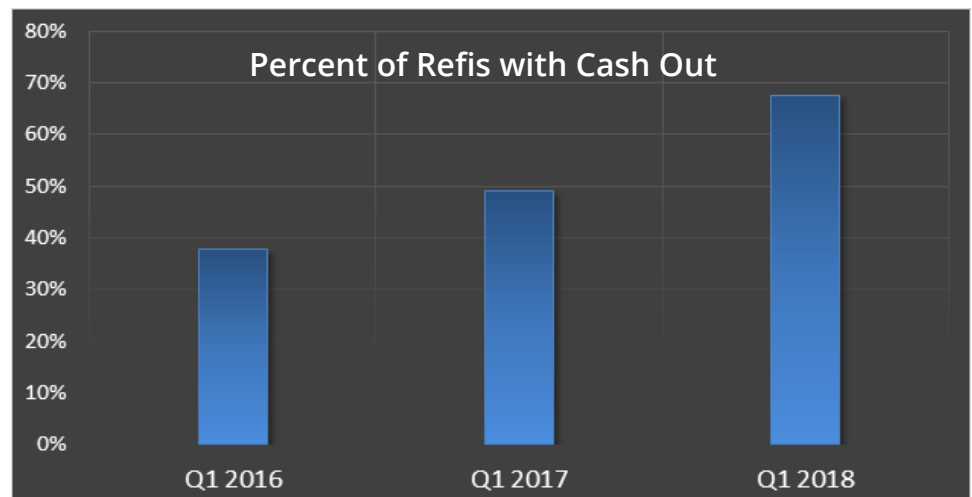
Over the last five years, the home equity lending and home equity line of credit (HELOC) markets have changed. The financial crisis is now squarely behind us, unemployment is at the lowest level in years and homeowners have been experiencing price and equity gains at a much more rapid pace than they were eight to 10 years ago. According to the [National Association of Realtors](#)[®], median existing-home prices in March 2018 were up 5.8 percent from a year prior, marking the 73rd straight month of year-over-year price gains.

With interest rates and home prices on the rise, homeowners today are more likely to stay in their current residence and tap into their home equity for renovations and improvements, help with college tuition, medical expenses or to buy a new car. Many of these borrowers are well-educated, well-off, and want to leverage the equity they have built in their homes. However, identifying and connecting with these borrowers requires more attention than ever before from lenders.

Approximately 10 million consumers are expected to originate a home equity line of credit (HELOC) between 2018 and 2022.

The Demand for Home Equity Loans is Growing

Home equity lending isn't just back — it's booming! And what is really important — consumers are taking notice. After 26 consecutive quarters of year-over-year house price growth, according to the [Federal Housing Finance Agency's \(FHFA\)](#) house price index (HPI), borrowers are more frequently tapping into their equity through cash-out refinances or home equity loans. According to the [Freddie Mac Refinance Report](#), in the first quarter 2018 refinances that resulted in a higher loan amount, or cash out refinances, made up a whopping 68 percent of all refinance origination volume, up a considerable 19 percentage points from the year prior. This resulted in an estimated \$14.7 billion in total equity cashed out in Q1 2018. And the trend is similar for home equity lines of credit. According to TransUnion, approximately 10 million consumers are expected to originate a home equity line of credit between 2018 and 2022. This would more than double the 4.8 million HELOCs originated in the previous five-year period (2012-2016). Additionally, TransUnion's research indicates that two-thirds of homeowners could be eligible for an equity line, and their scores skew strongly to the lowest-risk tier.



Target the Right Candidates

With HELOC and home equity financing more readily within reach of homeowners, lenders need to step up marketing efforts and improve overall communication with borrowers to engage them in a conversation about the benefits of leveraging their home equity.

There is a lot of opportunity available for smart lenders who have the right home equity marketing in place. According to the [J.D. Power 2018 U.S. Home Equity Line of Credit Satisfaction StudySM](#), 88 percent of HELOC borrowers say they began their search without prompting from a lender, demonstrating that marketing efforts are not the main driver of demand.

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Use data intelligence to your advantage and target homeowners who, indicators show, are more likely to refinance or obtain a HELOC.

Consumers need to be directly presented with the opportunity and nurtured about the advantages of leveraging their home equity. And that means targeting the right homeowners — those with sufficient equity and potential to borrow. A lenders' current customer list is a cost-effective place to start. Using their in-house database along with a property research database, lenders can verify homeownership status and identify all current liens against the property. After identifying homeowners with sufficient equity, originators can then target these customers with specific offers and education about equity loans, as well as reach out to them personally to discuss their goals. To bypass the competition, marketing efforts can be significantly enhanced by incorporating data intelligence. [Home Finance Prediction Scores](#) can be appended to in-house customer or prospect lists or created for a new market list, giving lenders a way to further refine the marketing approach by scoring each homeowner's likelihood to:

- Refinance their mortgage for cash-out in the coming months
- Apply for a HELOC or equity loan in the coming months

Armed with this insight, it makes it much easier to hone in on who you want to target and precisely what the right message will be for each recipient.

This ensures that several things occur:

- Reduce marketing costs associated with equity loans by only targeting the most qualified customers
- An opportunity to build customer loyalty and your share-of-wallet by offering valuable solutions to your qualified customers
- Build awareness among your customer base about the availability of these low-cost options, increasing the chances you'll capture the additional business

DataTree.com is a good tool that offers a way to generate these highly targeted marketing lists so lenders can minimize costs and improve relations with their customers in accessing, educating, and closing on home equity loans.

Banks and lenders can also gain an edge by targeting the specific geographic market areas where they have a branch location. J.D Power found that 66 percent of all borrowers gathering information about a HELOC did so in person. Using a property and ownership research database, lenders can create a mailing list of nearby homeowners who have the desired equity levels, and market to these properties. This effort also assures that marketing funds are spent on homeowners with the greatest potential to respond and likelihood to qualify.

Nurture Potential Borrowers and Mitigate Apprehensions

After identifying viable borrower candidates, it is important to educate these prospects about the value and varied uses of home equity loans. A significant percentage of homeowners may not consider home equity for their more frequent lending needs such as cash management, education or for refinancing debt. By focusing advertising and

64 percent of all borrowers in the J.D. Power survey said they were concerned about the variable nature of the loan or over extending themselves.

marketing communications on the different purposes of HELOCs or cash out refinance for potential borrowers, lenders can help position home equity as a flexible funding option. Also, since borrowers may not be aware of the potential tax and cost advantages of HELOCs versus the other loan options, it's a good idea to provide comparisons of costs and benefits for all of the various credit options.

It's also important to address potential borrowers' concerns about home equity lending. 64 percent of all borrowers in the J.D. Power survey said they were concerned about the variable nature of the loan or over extending themselves. To address borrowers' fears about home debt risk, lenders should educate borrowers about equity lending while instituting product controls that prevent overextension of debt. Borrowers also want fast access to funds. When it takes four to six weeks to close the loan, borrowers often get anxious. Lenders can reduce application hassles and fears of a lengthy process by putting the application process online, where [59 percent of Millennials surveyed](#) said they begin their research for a HELOC.

However, this desire for an easier process and less paperwork does not mean that customers do not value interaction with the branch. As we covered earlier, many borrowers will apply in person, and branch locations have the advantage of leveraging the trust that their customer and depository relationships engender. But by reducing application hassles and the fears that customers have, lenders will be able to expand their customers' use of HELOCs or equity lending. To help reduce the origination hassles further, use a property research tool to evaluate loan applications more quickly. The use of an online property research database allows originators to quickly verify property ownership, all current liens and get a value estimation, which are needed to determine the qualification of both the property and homeowner, as well as to eliminate potential mortgage risks.

Explore Solutions for Fast, Efficient Equity Lending

The ultimate goal for lenders is to increase originations and improve the lending process for refinancing, HELOC or equity loans for both current customers as well as potential new borrowers. To accomplish this, educate homeowners about the value these loans offer, minimize the fears associated with them and streamline the process.

DataTree by First American is the data-driven solution that offers transparency, speed, and confidence with a comprehensive set of [equity lending solutions](#). Using DataTree, you have the ability to quickly identify and qualify borrowers, thus speeding up the origination process and improving efficiency with a goal of keeping current and future customers satisfied.

Use data intelligence to your advantage and target homeowners who, indicators show, are more likely to refinance or obtain a HELOC.

Qualify More Quickly with the TotalView Report

The TotalView report in DataTree can provide much of the information necessary, within moments, to quickly evaluate a borrower's qualifications for a refinance or HELOC, including:

- All open mortgages and voluntary liens in place on the property
- A property value estimation
- All involuntary liens on the property including state and federal liens, mechanics liens and judgments
- Property tax status including paid or unpaid, delinquent, amount, due date, and assessed value
- HOA Information
- Sales Comparables
- Foreclosure Status
- Local Market Statistics

TotalView Report
123 Main St., Anytown, CA 00000
Orange County Data as of: 09/25/2016

Owner Information
Owner Name: John Doe / Jane Doe
Mailing Address: 123 Main St., Anytown, CA 00000
Estimated Value: \$407,200

Current Listing Status
Listing Status: Off Market
Last Price: \$407,200
Days on Market: 0

Active Foreclosure Status
Status: Pending
Filing Date: 08/10/2014
Sale Price: N/A
Auction Date: 09/10/2014

Association Information
Type: HOA
Name: Market Street Association
Address: 254 Market St., Anytown, CA 00000
Phone/Fax: 714-555-1234
AMT: \$120/mo

Property Details - Public Record
Lot Size: 7,770 Sq. Ft.
Living Area: 2,070 Sq. Ft.
Stories: 2
Rooms: 3
Bathrooms: 2
Rooms of Use: 2/1
Range: 2
Parking Type: Attached
Garage/Cover: Garage/Carport
Exterior Wall: Stucco
Roofing: Hard / Concrete
Flooring: Hardwood / Carpet
Estimated Equity: 67%
\$267,369

Open Liens - Current Owner
Owner 1: John Doe
Owner 2: Jane Doe
Combined Loan To Value: 67%
\$267,369

Prior Loan History - Current Owner
Date: 09/25/2016
Type: Refinance
Amount: \$417,000
Lender: Anytown Mortgage Corp.
Loan To Value: 100%
Term: 30 Years

Document Images
09/25/2016 through 09/25/2016
Document: 1234 Main St.

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Document: 1234 Main St.

Get access to Property Reports today!
Call 866.377.6639 or visit DataTree.com

The TotalView report offers comprehensive property and lien information, but at a fraction of the time and cost compared to using a title company. A title search may take up to five days to complete whereas a TotalView report is available in minutes.

Discover All That DataTree Can Do For You:

- Lenders can now source leads more effectively and inexpensively by utilizing data from DataTree to learn more about their customer database. This ensures a cost-effective solution for marketing HELOC and home equity loans to customers, often saving the financial institution thousands of dollars.
- Because there is no long wait and high cost for verification of property title, ownership, value estimations and lien information when using DataTree, the time to process the loan is significantly improved. This creates a scenario in which the lender can meet the expectations that today's borrowers have for a quick, streamlined process.

DataTree
HOME FLEXSEARCH ORDER PORTAL
ED DAVID

Search By: Address
2340 CORTE LEVANTO, COSTA MESA, CA 92626-1676

Advanced Search

My Favorites
True Legal & Vesting

Property Data Reports
TotalView Report
Open Lien Report
HOA Lien Report
Property Detail Report
Sales Comparables
Title Chain & Lien Report
Foreclosure Report
Transaction History Basic
Transaction History Report
Neighbors Report
True Legal & Vesting

Document Images
Automated Valuations
Fraud & Verification
DataTree Report

Property Detail Report
2340 Corte Levanto, Costa Mesa, CA 92626-1676
Orange County Data as of: 02/26/2018

Owner Information
Owner Name: Smith, John T
Mailing Address: 2340 Corte Levanto, Costa Mesa, CA 92626-1676

Location Information
Legal Description: N-Tract, 16416 Block, Lot 47
APN: 414-281-56
Munic / Terr: Alameda APN
Subdivision: 16416
County: Orange, CA
Census Tract / Block: 063907 / 2031
Legal Lot / Block: 47 /

Last Transfer / Conveyance - Current Owner
Transfer / Rec Date: 09/28/2011 / 09/30/2011
Price: \$730,000
Transfer Doc #: 2011-485026
Buyer Name: Smith, John T
Seller Name: Beck, Christopher
Deed Type: Deed

Last Market Sale
Sale / Rec Date: 09/28/2011 / 09/30/2011
Sale Price / Type: \$730,000 / Full
Value: \$313
1st Mtg Amt / Type: \$417,000 / Conventional
2nd Mtg Amt / Type: \$313 / Fwd
Seller Name: Beck, Christopher
Lender: AmeriSave Mortgage Corp
Title Company: Stewart Title

Prior Sale Information
Sale / Rec Date: 02/11/2009 / 02/27/2009
Sale Price / Type: \$660,000 / Full
Value: \$518,000 / Fwd
1st Mtg Amt / Type: \$518,000 / Conventional
Prior Sale Doc #: 2009-93103
Prior Lender: Provident Funding Assoc LP

Property Characteristics
Gross Living Area: 2,330 Sq. Ft.
Living Area: 2,330 Sq. Ft.
Total Rooms: 3
Bedrooms: 3
Year Built / Est. Stories: 2004 / 4

DataTree affords a comprehensive method that is easy to implement, affordable to use, and highly effective in gathering and reporting data for home equity loans and lines of credit.

- There is no longer the need to work with numerous third-party resources to gather key property and lien information. It's all available in DataTree and accessible almost instantly to lenders. This reduces costs while also improving the timeline for gathering information.
- Borrowers easily learn of the benefits offered by HELOC and home equity loans and, as a result, are more likely to take advantage of these offers to meet the variety of expenses they have. Ultimately, this creates a scenario of improved originations and happier customers.

DataTree affords a comprehensive method that is easy to implement, affordable to use, and highly effective in gathering and reporting data for home equity loans and lines of credit. In the hands of any lender, this valuable information is working to answer questions and encourage more originations of these profitable loan products. Lenders that implement DataTree solutions spend fewer hours marketing to homeowners who have yet to be qualified, realize improved origination speed, reduce overall customer dissatisfaction with the inability to quickly approve loans, and improve overall education of borrowers.

For a limited time, First American is offering a free trial of DataTree. Visit **DataTree.com** to learn more.

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