

PROSPECTUS

# Home Equity Loan Penetration

## By Zip, County, Metro Area & State

### Hard Numbers from the Census

- **Compute Your Share of Customers**
- **Improve Marketing Models & Strategies**
- **4 Excel Spreadsheets Available**

**Important information about new SMR Research data products**

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# SUMMARY

The growth of home equity lending has caught the attention of the U.S. Census Bureau. The result is a new opportunity for lenders.

In the 2000 Census “long form,” the Bureau asked home owners whether or not they had a second mortgage or home equity loan. Results from this and other pertinent questions recently became available by census tract, county, metro area, and state.

We have used the tract-level data to create zip code-level results. We’ve also tabulated the data at the county, metro area, and state levels. Results:

1. You now can get a “hard count” of numbers of home owners with home equity loans in each zip code, county, city, or state.
2. Using those numbers, you can compute your share of the customer market – simply by adding up your home equity borrowers by zip, county, city, or state and dividing them by the total number of borrowers.
3. Using numbers and percentages in our spreadsheets, you can measure precisely where home equity loans are most and least popular.

The opportunities here are huge in terms of improving your marketing success using media advertising, direct mail, or office locations.

4. To further enhance the data, we have added median home market values for each location – plus the average size of home equity loans originated in 2002.

Prior to this, no one has ever known exactly how many home equity customers exist in every geographic location. It’s a big breakthrough.

## Unique Products

Why not get these data yourselves, directly from the Census Bureau? You can’t, because the Bureau doesn’t have all the numbers we’ve produced.

Census doesn’t have any of the data at the postal zip code level. We built the zip-level data here from census tracts using a proprietary method. Also, SMR used the 2002 Home Mortgage Disclosure Act (HMDA) reports, spanning some 31 million records, to compute average originated home equity loan size. Census doesn’t offer those numbers, either.

The Bureau’s SF3 database has numbers of borrowers for larger geographies. But in raw form, SF3 fills 17 CD-ROMs with compressed files. It’s a job to use.

# Data Items Included

Unless otherwise noted, all items below came from (or were computed from) the 2000 Census. Each spreadsheet contains the following items:

**1. Geographic location**, with appropriate names and federal codes. (The geographic codes are included in case you want to match with other data sets.)

**2. Total number of 1-family owner-occupied homes.** The Bureau tabulated home equity borrowers only for these 1-family homes. It calls these “specified owner-occupied homes,” by which it means single-family homes, not including mobile homes. Note: Mobile home and multi-family home owners do not get many home equity loans anyway.

**3. Number of 1-family owner-occupied homes that have no mortgage debt of any kind.**

**4. Number of 1-family owner-occupied homes that do have at least some mortgage debt.**

**5. Number of 1-family owner-occupied homes that have a home equity loan** (defined by Census as either a “second mortgage” or “home equity” loan).

**6. Percentage** of 1-family owner-occupied homes with a home equity loan.

**7. Percentage** of mortgaged 1-family owner-occupied homes that have a home equity loan (denominator is only those homes with some mortgage debt). **Note:** This is the most important penetration rate for many applications.

**8. Median value, 1-family owner-occupied homes.**

**9. Average size of home improvement loans originated in 2002.** This item is a rough surrogate for all home equity loans. It comes from year 2002 HMDA reports, and we calculated it and merged it into the census data. **Note:** This item is not available for some thinly populated zips and counties.

## Coverage

**(Note: All spreadsheets include Puerto Rico)**

**Zip spreadsheet:** Covers 28,465 zip codes, or virtually all of them.

**County spreadsheet:** Covers all U.S. counties (more than 3,000 of them).

**MSA spreadsheet:** Covers all 337 metropolitan statistical areas that existed when the Census was done. Each is a city and its suburbs.

**State spreadsheet:** Covers all states, D.C., and Puerto Rico.

# Using the Data

## Market Share Calculations

Add up your customers by their zip, county, metro area, or state locations. Merge the numbers into the appropriate spreadsheet. Then, simply divide by the total number of homeowners with home equity loans. **That's your share.**

Note that because the Census Bureau does not count the non-owner-occupied homes, mobile homes, or multi-family homes, your market share percentages may not be exact. **But since you'll be treating all areas the same way, you certainly will see where your share is highest and lowest in your "footprint" areas.**

If you can isolate customers in single-family, owner-occupied homes, then your market share calculation should be precise, as of the year 2000 census.

## Marketing Applications

Why waste marketing dollars in places where home equity loans are very unpopular? And why not spend more where home equity loans are wildly popular? **Use the penetration rates we provide to make these decisions.**

You'll find wildly varying "popularity" figures – in some surprising places. The peak zip code is 55105 (Evansville, WI), where nearly 42% of all 1-family homes with mortgage debt also had home equity loans. Compare that to zip 35025, a well-populated zip in Lovington, NM, where penetration was below 5%.

For media advertising and office location decisions, use county or metro area spreadsheets. For direct marketing, be sure to check with legal counsel; use of zip code data may not be permitted.

**Important:** Texas voters have just passed a new law permitting open-end home equity lines of credit. Looking forward, Texas penetration rates should improve. Keep this in mind, because the numbers look very low in most of Texas from the 2000 Census.

## Modeling & Targeting Applications

If you re-sort the spreadsheet by median home value, you'll quickly see that higher-value places typically have higher home equity penetration rates and larger loan sizes. Accordingly, use these or other spreadsheet data to make improvements in your model or targeting method.

Again, be sure to check with legal counsel on the appropriate geographic level to use for statistical targeting models.