




More Americans Considering Home Equity Loans in 2023

A report on findings from a nationwide survey of 1,000 Americans about their recent use of home equity loans, their likelihood of taking out a home equity loan in the next 12 months, and their understanding of how home equity loans work

Summary

This report analyzes data from a survey conducted by MeridianLink® in November 2022 of more than 1,000 American adults. Respondents were asked if they took out a home equity loan in the past 12 months, if they were likely to take out a home equity loan in the next 12 months, and to rate their understanding of how home equity loans work.

Findings include:

Only 8% of respondents reported taking out a home equity loan in 2022, while 21% say they're likely to take out a home equity loan in the next 12 months.

- That percentage doubles to 42% among respondents with children in the household
- 7% of respondents say they're very likely to take out a home equity loan in the next 12 months
- Respondents in the Northeast are more likely to take out a home equity loan this year (31%) compared to those in the Midwest (22%), West (19%), and South (18%)
- Respondents ages 18–54 are much more likely to take out a home equity loan this year (23%) compared to those over age 55 (2%)
- Respondents living in urban areas say they're more likely to take out a home equity loan (36%) in the next 12 months compared to those living in rural (12%) or suburban areas (17%)



Slightly more than half of respondents (52%) reported a strong understanding of how home equity loans work.

- The other half of respondents (48%) scored their understanding below 7/10
- 13% of respondents had no understanding at all (scoring a 1) and 18% reported having a complete understanding of how home equity loans work (scoring a 10)
- The average response was a 6.3 of 10
- Although respondents under age 55 are more likely to take out a home equity loan in the next 12 months, they're less knowledgeable about how home equity loans work (30% scored a 1) compared to those over the age of 55 (only 9% scored a 1)

LET'S BEGIN!



The State of Home Equity Lending

As mortgage originations decline, more consumers are turning to [home equity loans and home equity lines of credit](#) (HELOCs).

“For established homeowners with good credit, home equity loans are a safe, predictable way to live well now based on the equity [they’ve] built and earned to date,” [according to Fortera Credit Union](#), a MeridianLink customer.

The [top five reasons](#) homeowners report for taking out home equity loans include:

- 1 Home improvement
- 2 Debt consolidation
- 3 Investment
- 4 Retirement income
- 5 Another purpose

“Approximately 84 million consumers have available equity in their homes, with a median equity of \$236K,” according to the Q3 2022 [TransUnion Credit Industry Insights Report](#). “Homeowners continue to tap that equity, with HELOC and home equity loan originations increasing [year over year] by 47% and 43%, respectively.”

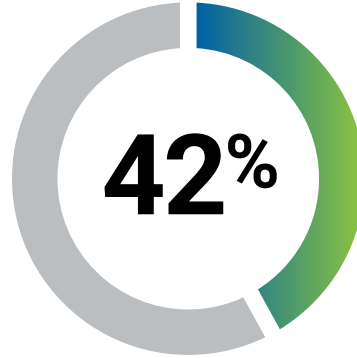
And, according to the recent MeridianLink survey, more Americans are considering taking out home equity loans in 2023.

Which Borrowers Are More Likely to Tap Home Equity in the Next 12 Months?

Those With Children in the Household

Homeowners with children in the household are nearly twice as likely (42%) to take out home equity loans in 2023, according to the MeridianLink survey.

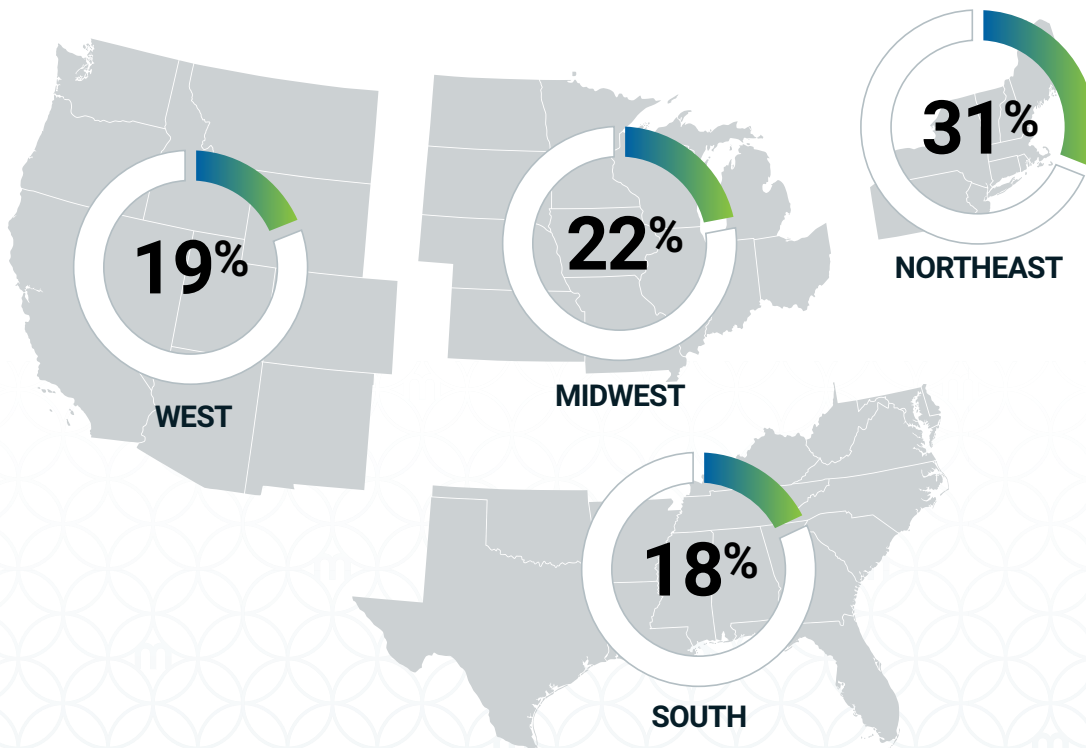
Parents can use home equity loans for their children's college tuition, and they can often get [better interest rates](#) than with other loans. In addition, since a home equity loan has a fixed interest rate, parents will know exactly how much they'll have to pay every month for the life of their loan.



Homeowners with children in the household reported being twice as likely (42%) to take out a home equity loan in 2023.

Those Living in the Northeast

People in the Northeast are more likely to take out home equity loans in 2023 (31%) compared to those in the Midwest (22%), West (19%), and South (18%).

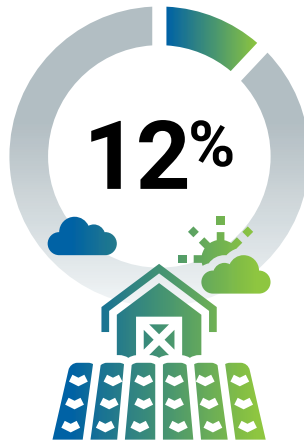


Those Living in Urban Areas

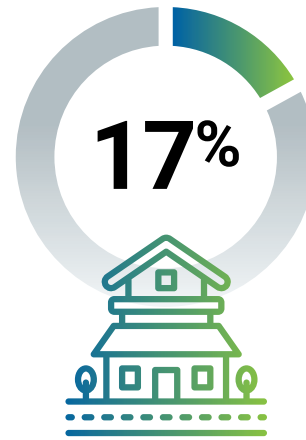
Urban dwellers are more likely to take out home equity loans (36%) in 2023 compared to those living in rural (12%) or suburban (17%) areas. This supports data that borrowers in the Northeast are more likely to tap home equity in 2023 because 6 of the 10 [most urbanized states](#) are in the Northeast region.



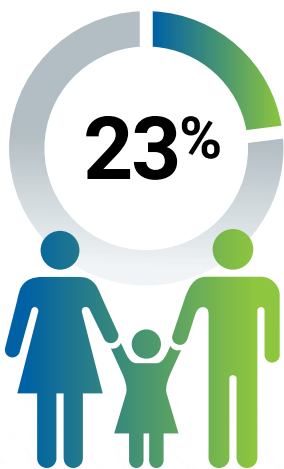
Urban Areas



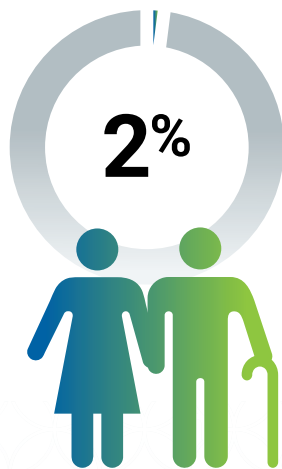
Rural Areas



Suburban Areas



Ages 18 - 54



Ages 55+

Those Under Age 55

Respondents to the MeridianLink survey ages 18–54 say they're much more likely to take out home equity loans in 2023 (23%) compared to those over age 55 (2%).

Many [seniors shy away from home equity loans](#) to supplement their income because they worry about not owning their home during retirement.

Those Who Least Understand How Home Equity Loans Works

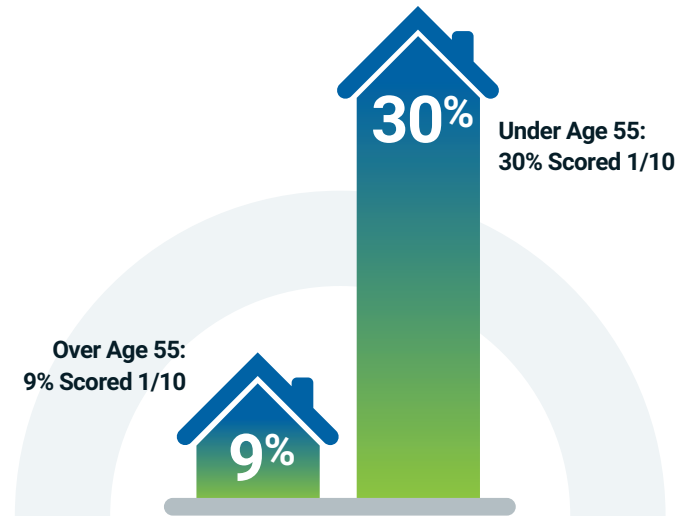
Although respondents under age 55 say they're more likely to take out home equity loans in 2023, they also admit they don't know much about how these loans work.

On a scale from 1 to 10, 13% say they don't know anything about home equity loans (scoring a 1), while 18% report having a complete understanding of how home equity loans work (scoring a 10). The average response was 6.3 of 10.

What Borrowers Need to Know

[Fortera Credit Union advises lenders](#) to educate prospective borrowers about the following before they take out a home equity loan:

- **Loan terms beyond the interest rate.**
Help consumers understand that home equity loans and lines of credit are complex loan products with a variety of features and benefits. Caution them to carefully review and compare product features, fees, and interest rates to ensure selection of the right product for their individual needs.
- **The effect of a rate increase.**
If the loan has a variable rate feature, consumers should review when and how rates will adjust. Then, they must carefully consider what impact a rate increase could have on the monthly payment obligation and how a change in payment affects the family budget.
- **Future plans.**
Consumers should contemplate any relocation plans, career moves, changes in family circumstances, and any other anticipated adjustments that may impact their income and how those life events could impact home ownership. The bottom line: Use only the equity needed.



- **Disclosures and closing requirements.**
Emphasize the importance of understanding terms and requirements, as well as requirements for closing costs and other documents. Most importantly, advise them to not sign anything they don't understand.

What Lenders Need to Know

Financial institutions can capitalize on the home equity market, meet consumer demand, and maintain a competitive advantage by providing:

- Targeted outreach to help younger borrowers understand how home equity loans work and to ensure older borrowers understand options and benefits
- Personalized offers for home equity loans to key demographics
- A frictionless digital experience that enables borrowers to apply for home equity loans online within minutes




About MeridianLink

MeridianLink® (NYSE: MLNK) powers digital lending and account opening for financial institutions and provides data verification solutions for consumer reporting agencies. MeridianLink's scalable, cloud-based platforms help customers build deeper relationships with consumers through data-driven, personalized experiences across the entire lending life cycle.

MeridianLink enables customers to accelerate revenue growth, reduce risk, and exceed consumer expectations through seamless digital experiences. Its partner marketplace supports hundreds of integrations for tailored innovation. For more than 20 years, MeridianLink has prioritized the democratization of lending for consumers, businesses, and communities.

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