NOVANTAS RESEARCH

2015 HELOC Consumer Survey

In the next expansion phase for the home equity line of credit, winners will succeed on the strength of segment-, channel- and market-informed strategies.

Inside

Design and production: Brigid Barrett

Executive Summary

Following years of retrenchment, the home equity line of credit is finally showing signs of life. Line origination is expected to approach $80 billion among all U.S. lenders this year, nearly double the 2012 nadir (Figure 1: HELOC Origination Trends). And balance growth is becoming more widespread as institutions shake off the recession detritus of non-performing loans.

This does not mark a return to business as usual, however. First, the market is quite uneven and much smaller compared with the expansion era of a decade ago, calling for more of a precision outreach and also foretelling intense competition for market share. Second, the expanding customer embrace of digital channels for shopping is shaking up the traditional marketing and sales dynamic centered on the branch. Third, trends in customer composition and product usage are changing the face of the business, requiring key adaptations to serve younger and more cash management-oriented borrowers.

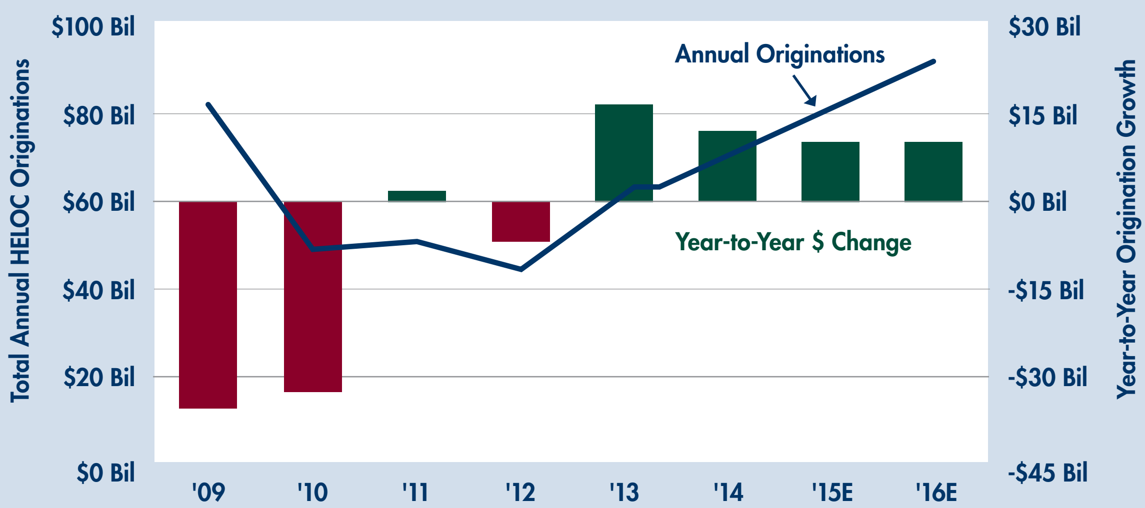
The situation presents a clear call to action on HELOC growth strategy. Winners in the next expansion phase will succeed on the strength of segment-, channel- and market-informed strategies. Progress will critically depend on refinements in product design, pricing and promotion, targeted marketing and distribution.

Fortunately banks have some strong advantages. As freshly confirmed by the Novantas 2015 HELOC Consumer Survey, households gravitate to the bank that provides the primary checking account when seeking a home equity line of credit, often applying to just one provider and making extensive use of the branch. Trust, familiarity and convenience factors will continue as valuable banking competitive assets.

But widespread receptivity does not translate into uniform opportunity, as underscored by a survey-based behavioral segmentation showing significant differences in how various customer groups use the HELOC product. Given the degree to which customers vary — demographic profiles, price sensitivity, utilization potential, borrowing

Figure 1: HELOC Origination Trends

The banking industry continues to expand HELOC origination, recovering from a deep post-recession trough. What will it take to assure profitable balance growth as well?



Source: Novantas 2015 Home Equity Survey

"One priority is improving responsiveness to customer segment differences."

purpose, shopping patterns — it is clear that a new orientation, skill set and level of preparation will be needed to optimize HELOC growth and profitability in what likely will be a constrained recovery in this line of business.

SEGMENT DYNAMICS

Going straight into action implications coming out of the study, one priority is improving responsiveness to customer segment differences. An in-depth segment understanding provides the basis for plans to optimize each subset of the overall book of business.

From the perspective of borrowing activity (frequency of borrowing vs. line utilization), current customers fall into four major groups:

Periodic Borrowers (50%). These are traditional HELOC customers who tend to borrow less frequently but carry higher balances.

Revolvers (28%). This behavioral segment is composed of generally younger customers with more of a "cash management" orientation for HELOC use.

Emergency Only (14%). This is an unprofitable segment largely composed of dormant accounts.

Pay-Downs (8%). This is a marginally profitable segment of accountholders who have worked down prior large balances or never borrowed much in the first place.

Overall, younger and wealthier customers skew toward Revolvers, while older customers skew toward Periodic Borrowers. As detailed in the body of this report, careful recognition of these and other differences in customer profiles and needs can provide many opportunities for performance improvement:

Marketing. Ramifications include a need to target messages by segment and also refine the media mix by segment.

Consultative Sales. HELOC needs to be couched within the credit product spectrum to help customers more fully understand the comparative advantages of this product and encourage line utilization.

Portfolio management. Segment insights can illuminate the drivers of HELOC profitability and growth. Benefits include a more precise identification of current strengths, upside potential and downside exposure, and improved resource allocation.

Borrowing purposes also matter. The intended purpose of the line is predictive of utilization potential and account profitability, as well as customer price sensitivity and product preferences and concerns. These factors suggest upside for banks that refine advertisements with purpose in mind, adjust pricing (both rates and fees) and credit structure based on purpose, and satisfy purpose-related customer requirements with improved product controls and flexibility.

That said, our research also indicates that borrowers often shift among purpose categories after obtaining their lines. In fact, in some cases the majority of actual usage attributed to a particular purpose category stems from households that had other initial reasons for acquiring a HELOC. Crossover among borrowing purposes has a significant bearing on line utilization over the life of the account relationship, making the case for ongoing customer education and promotion of HELOC's full utility.

EMERGING MARKET

Looking ahead, the Novantas HELOC survey highlights a changing environment for HELOC marketing and distribution, reflective of the digital migration in retail banking and a shifting composition of prospective HELOC customers.

Asked about preferred channels for product research, more than half of prospective applicants listed comparison shopping websites among their options, compared with less than a sixth of current HELOC holders. Similarly, more than half of prospects mentioned lender websites for shopping, compared to less than a quarter of recent purchasers.

Prospects also expressed widespread receptivity to online account application, particularly younger households. Including desktop, laptop, smart phone and tablet, 76% of prospects in the 21–34 age group specified digital as the preferred channel to apply for a HELOC from the bank supplying the primary checking account. There was a 58% preference in the 35–54 age group.

One implication is a need to strengthen online marketing and product presentation. While current customers expressed considerable loyalty to the primary DDA bank and the branch channel, that feedback is coming in a flat rate environment where households have little motivation to shop around. In addition to being far more comfortable with online shopping, the emerging generation of prospective applicants appears more likely to consider multiple providers in a future environment of rising rates.

"A new orientation, skill set and level of preparation will be needed to optimize HELOC growth and profitability in what likely will be a constrained recovery in this business."

Another implication is a need to revisit the sales system, given that increasing numbers of HELOC branch sales conversations and originations will trace back to successful interactions with online shoppers.

Again as with other product lines in retail banking, work is needed to sustain HELOC online shopping momentum and carry customer consideration all the way through to an application (primarily in the branch for the foreseeable future). This includes a different level of preparation for sales staff, who will need to keep abreast of the bank's digital outreach in order to maintain conversational continuity with online-informed shoppers coming through the door.

At a more basic level, banks can gain ground with prospective HELOC applicants by addressing two major concerns that surfaced in the study — fear of inadvertently overextending their debt and origination hassles. Through improvements in borrower education, account versatility and controls, banks can promote responsible usage of the product and also mitigate apprehension among potential borrowers.

EXECUTIVE AGENDA

Across multiple sectors of the retail banking industry, business units have encountered a dual challenge: adapting to the new realities of a post-recession climate while preparing for steadily intensifying competition in the digital marketplace. Tactical refinements to the current business model, though often necessary, have provided only partial answers, given a changed dynamic that emphasizes analytically-guided customer responsiveness as the key to gaining share of customer wallet in an overall wary consumer borrowing market. Inevitably, leaders find that a comprehensive review is needed to re-direct the business.

Such is the case with the HELOC business line. In many cases a strategy review will be the more logical next step. Groundwork includes drilling into the portfolio and customer base to clarify the segment-driven sources and circumstances of opportunity and drag, mapping trends in marketing effectiveness, shopping and sales, and re-evaluating market stance and distribution in light of multi-channel competition.

On the strength of the vision coming out of this exercise, institutions will have numerous potential avenues to capitalize on HELOC survey insights. These include segment-targeted marketing; rate and fee optimization; purpose- and useage-aligned product design; integration of the new sales funnel that extends from the digital space to the branch; improved resource allocation in line with market opportunity; and purpose-aware product education and promotion supported by new levels of flexibility and control.

Section I: Prospective Applicants

The quest for new accounts increasingly will require more attention to digital channels, borrower purposes and concerns, and product education

The Novantas HELOC survey highlighted changing profiles, preferences and behaviors in the new generation of prospective applicants. Today's prospects are more likely to use their lines of credit for cash management purposes (as opposed to simply home improvement). They are also more price-sensitive and more likely to shop online.

Many would benefit from an improved understanding of HELOC's advantages relative to other borrowing options — beneficial to customers and also helpful in account origination and encouraging subsequent line usage. Also banks need to address concerns about perceived risks and origination hassles.

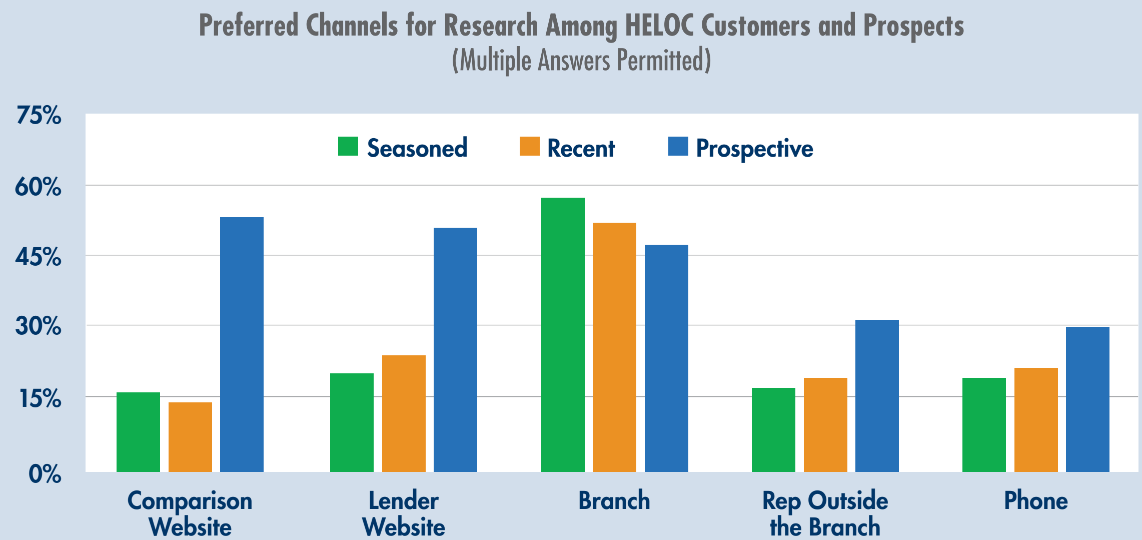
Asked about preferred channels for product research, 53% of prospective applicants listed comparison shopping websites among their options, compared with only a 14% mention among recent purchasers. Similarly, 51% of prospects mentioned lender websites, compared with 24% of recent purchasers (Figure 2: Channel Preferences for Product Research).

Importantly, however, the preference for branch interaction remains strong. A 47% response rate for the branch among prospective applicants is only a modest slide from 52% among recent purchasers whose accounts were originated between 2012 and 2014. As with other retail banking products, notably checking and savings, HELOC providers now face a balancing act between digital channels and the branch. One initial focus is learning how to harness the former to drive sales traffic to the latter.

As a mortgage-related product that often entails significant balances, the home equity line of credit will continue to require a more detailed and rigorous application process. Yet younger prospective applicants express a

Figure 2: Channel Preferences for Product Research

Prospective applicants across all age groups expressed a strong preference to apply online for a home equity line of credit.



Source: Novantas 2015 Home Equity Survey

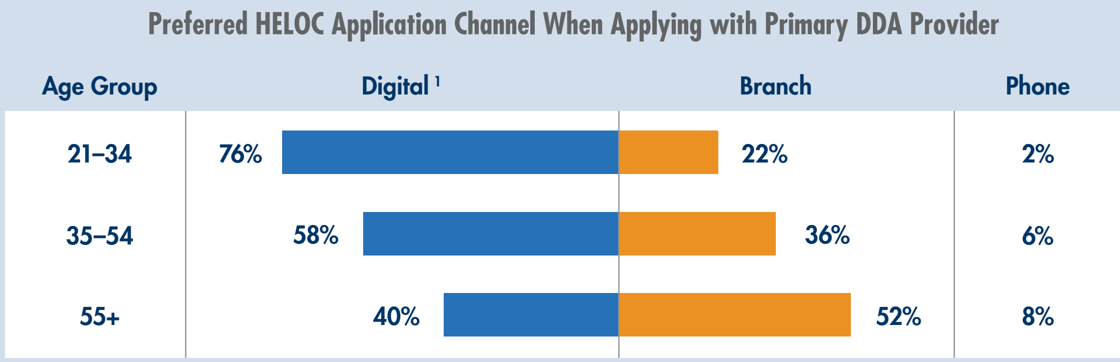
strong preference to apply for a HELOC via digital channels.

Including desktop, laptop, smart phone and tablet, 76% of prospects in the 21–34 age group specified digital as their preferred channel when applying for a HELOC. There was a 58% preference in the 35–54 age group, and even the 55+ crowd expressed a 40% preference (Figure 3: Channel Preferences for Account Application).

The home mortgage industry has seen a growing trend of online shopping and account

Figure 3: Channel Preferences for Account Application

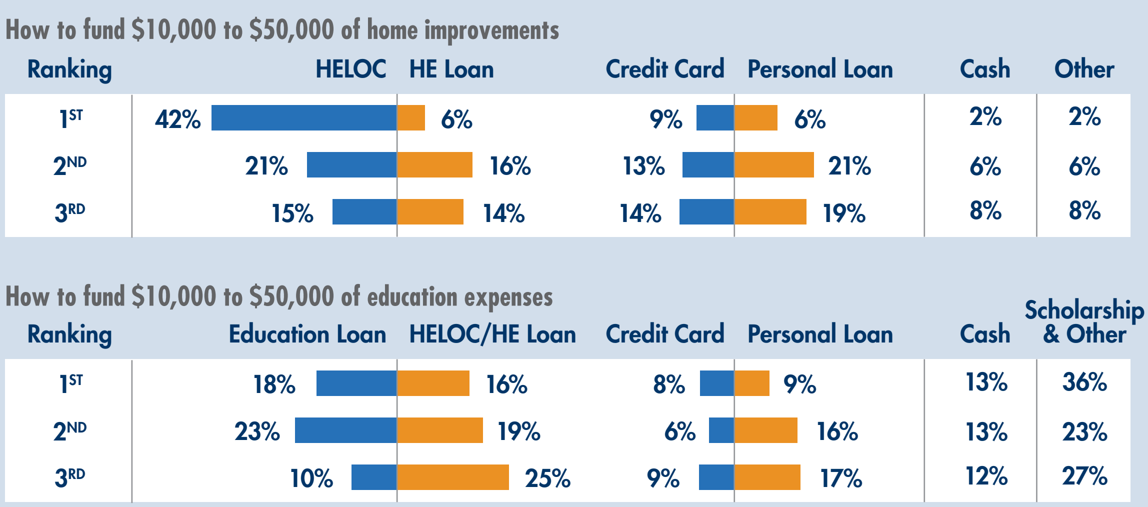
Among prospective applicants, younger prospects expressed a strong preference to apply online for a home equity line of credit, and older groups expressed strong interest as well.



[1] *Includes desktop, laptop, smart phone and tablet.*
Source: Novantas 2015 Home Equity Survey

Figure 4: Tradeoffs Among Credit Options

Prospective applicants view credit options differently depending on borrowing purpose, and it appears that HELOC advantages often are not fully recognized



Source: Novantas 2015 Home Equity Survey

application, tilting the marketing and sales dynamics of that business. Quicken Loans, for example, now positions itself as "America's largest online lender, helping two million American families finance their homes." Mortgage provider skills and brand strengths in the digital space increasingly will be leveraged for HELOC account applications as well. A complication in this trend is the occasional tendency of the digital space to attract lower quality applications, with implications for the preparations that will be required of HELOC providers.

When considering the spectrum of financing options for projects, prospective applicants give a strong nod to HELOC for home improvement, with 42% citing it as their first choice. But many people still tend to use more expensive options such as credit cards and personal loans, with others having a "cash only" mentality, suggesting there is more work to be done in building awareness of HELOC's advantages (Figure 4: Tradeoffs Among Credit Options).

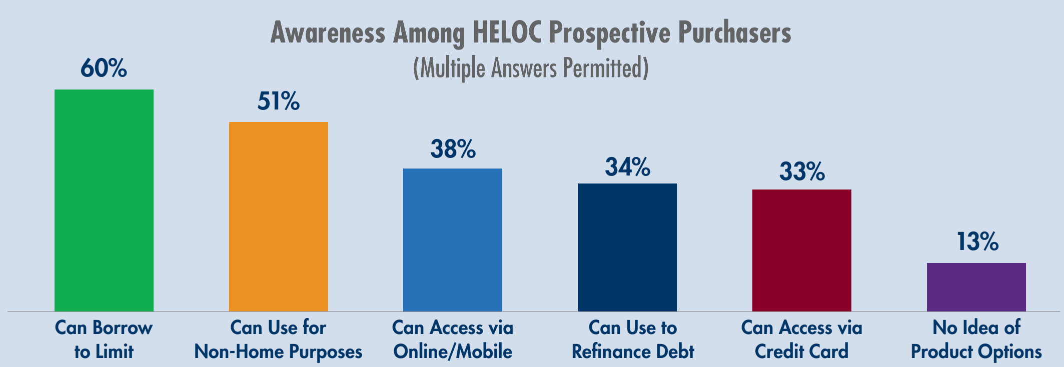
A prime example is how prospective applicants view the options for funding education expense, a big ticket item not associated with home improvement. To the extent that scholarships typically cannot close the gap, many prospects think first of an education loan, the credit card or a personal loan — all more expensive on an after-tax basis than the home equity line of credit.

Asked specifically about their knowledge of product possibilities, 49% of prospective applicants said they were unaware that they could use a HELOC for non-home purposes, and 66% said they were unaware that it could be used to refinance debt. Thirteen percent of prospects said they had no idea of HELOC product options (Figure 5: Awareness of Product Possibilities).

On the question of why prospective applicants hesitate in considering the home equity

Figure 5: Awareness of Product Possibilities

Prospective applicants often have limited awareness of the full range of HELOC usage possibilities, pointing to a broader need for product education.



Source: Novantas 2015 Home Equity Survey

"People have lots of negative imagery about the HELOC application process, including paperwork, complexity, delays and sales pressure. Both realities and perceptions need to be addressed in order to expand the base of customer receptivity."

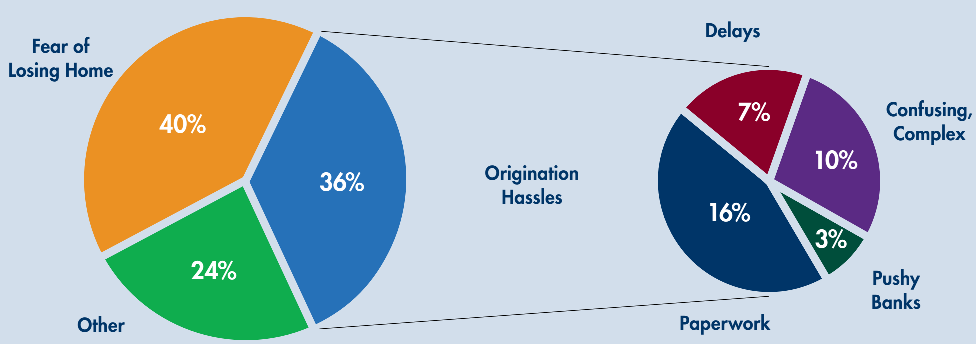
line of credit, 40% of respondents expressed concerns about extra indebtedness that might place their home ownership at risk, an issue that has both a financial and an emotional component, especially given the recent real estate crisis (Figure 6: Reasons for Avoiding HELOC). Banks can promote responsible usage of the product by providing stronger product controls and improving borrower education to mitigate debt apprehension.

The second largest category of objection to HELOC — origination hassles — is clearly addressable by banks. It turns out that people have lots of negative imagery about the HELOC application process, including paperwork, complexity, delays and sales pressure. Both realities and perceptions need to be addressed in order to expand the base of customer receptivity.

One response is doing a better job of leveraging internal information. In the typical instance where the applicant is already a customer (checking, savings, credit cards, etc.), banks can expedite the HELOC origination process by making use of credit and asset data already on hand. The key is gleaning pertinent, reliable data that can speed decision-making while upholding credit underwriting standards.

Figure 6: Reasons for Avoiding HELOC

Prospective applicants cite two main concerns that would cause them to avoid a HELOC, including fear of losing their home and origination hassles.



Source: Novantas 2015 Home Equity Survey

Segment differences among HELOC customers are significant, with implications for marketing, line utilization and relationship profitability.

Traditional core HELOC customers focus on home-related projects. But the business is changing as newer accountholders increasingly use their lines for the general purpose of household cash management. This expansion of borrowing context holds great potential for expanding line utilization and can be further encouraged through product education and promotion, along with a segment-informed outreach that considers customer needs and tradeoffs among credit products.

Looking at age composition, the current customer base is skewed toward older accountholders overall, with only roughly a fourth of HELOC customer survey participants saying they are under 45 years of age (Figure 7: Demographics). Parsing the survey set by vintage, however, recent purchasers tend to be younger, with 42% of survey respondents in this vintage under age 45. By contrast, only 12% of seasoned borrowers are under 45 years of age.

Looking at income, wealthier younger accountholders (i.e., annual household income of at least $100,000 per year) comprised 19% of recent purchasers, compared with 5% among seasoned borrowers. The concentration of wealthier older accountholders ranges from 32% of seasoned borrowers to 22% of recent purchasers to 14% of prospective applicants. Looking across age groups, nearly three-fourths of prospective applicants have less than $100,000 of annual household income, compared with 60% of recent purchasers.

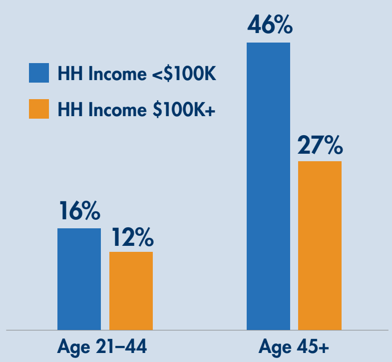
From the perspective of borrowing activity (frequency of borrowing vs. line utilization), current customers fall into four major groups (Figure 8: HELOC Behavioral Segmentation).

Periodic Borrowers (50%). These are traditional HELOC customers who tend to borrow less frequently but carry higher balances. They borrow mostly for home renovation but also for other big-ticket items. This is a profitable segment that skews somewhat to older customers who are

Figure 7: Demographics

Among HELOC owners today, nearly three-fourths are at least 45 years old; younger households are more concentrated among recent purchasers and prospects.

HELOC Owner Demographic Distribution



Demographics vs. Tenure of HELOC Owners, Compared with Prospects

	HH Annual Income	Own HELOC >3 Years	Own HELOC 1–3 Years	Prospects
Age 21–44	<$100K	7%	23%	**28%**
	$100K+	5%	19%	**13%**
Age 45+	<$100K	56%	37%	**45%**
	$100K+	32%	22%	**14%**

Source: Novantas 2015 Home Equity Survey

more oriented to visiting the branch.

Revolvers (28%). Generally younger customers with more of a cash management orientation, Revolvers borrow more frequently, conduct more product research online and are more price-sensitive. Credit ratings are mixed but the potential for long-term relationship profitability is high.

Emergency Only (14%). This is an unprofitable segment largely composed of dormant accounts. Some are held by people who have latent borrowing potential, but many other accounts are held by people who passively responded to a sales offer but likely never will use their lines.

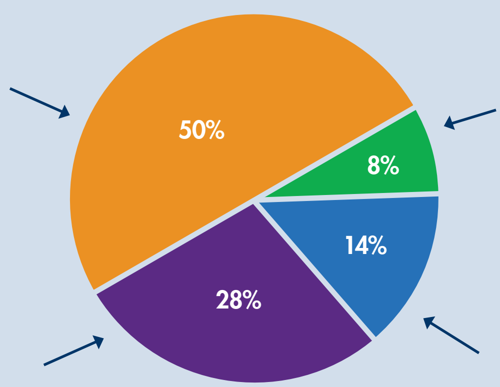
Pay-Downs (8%). This is a marginally

Figure 8: HELOC Behavioral Segmentation

Segmenting customers by HELOC usage (both frequency of borrowing and line utilization) reveals distinctly different profitability dynamics within the overall portfolio.

Periodic Borrowers
Infrequent, high balance
Who/why: Skew older, borrow mostly for home renovation, branch-oriented
Profitability: Good

Revolvers
Frequent, high balance
Who/why: Skew younger, cash management oriented, price sensitive
Profitability: Good



Pay-Downs
Infrequent, low balance
Who/why: Tenured customers focused on balance reduction, may respond to education
Profitability: Marginal

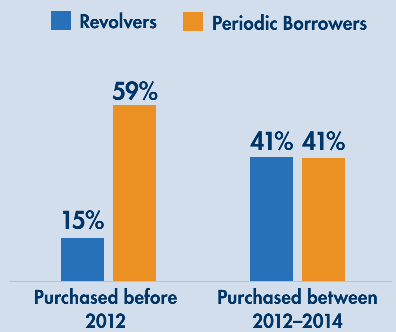
Emergency Only
Seldom borrow
Who/why: Skew older, limited knowledge or need, generally insensitive to price
Profitability: Negative

Source: Novantas 2015 Home Equity Survey

Figure 9: Shift in Customer Composition

Among recent HELOC customers, more are Revolvers and the trend is expected to continue, with significant implications for how the product is priced, positioned and used.

HELOC Customer Tenure by Segment, Revolver vs. Periodic



Segment Income Composition by Age Group

	Age 21–44		Age 45+	
Annual Income	<$100K	$100K+	<$100K	$100K+
Revolvers	52%	73%	15%	19%
Periodic	32%	21%	60%	55%
Emergency	4%	3%	10%	10%
Pay-Downs	11%	4%	15%	16%

Source: Novantas 2015 Home Equity Survey

profitable segment of accountholders who have worked down prior large balances or who never borrowed much in the first place.

Revolvers have become more prominent in the customer mix, rising from a 15% concentration among seasoned borrowers to comprise 41% of recent purchasers, placing them on par with Periodic Borrowers (Figure 9: Shift in Customer Composition).

Among all younger customers, Revolvers by far have the highest concentration of higher-income households — 73% of younger/wealthier customers in the total customer survey base. By contrast, Periodic Borrowers are prominent in the 45+ crowd, comprising 55% of higher-income households in that age group. Growth in the Revolver segment should foster growth in profitable originations so long as pricing discipline is upheld.

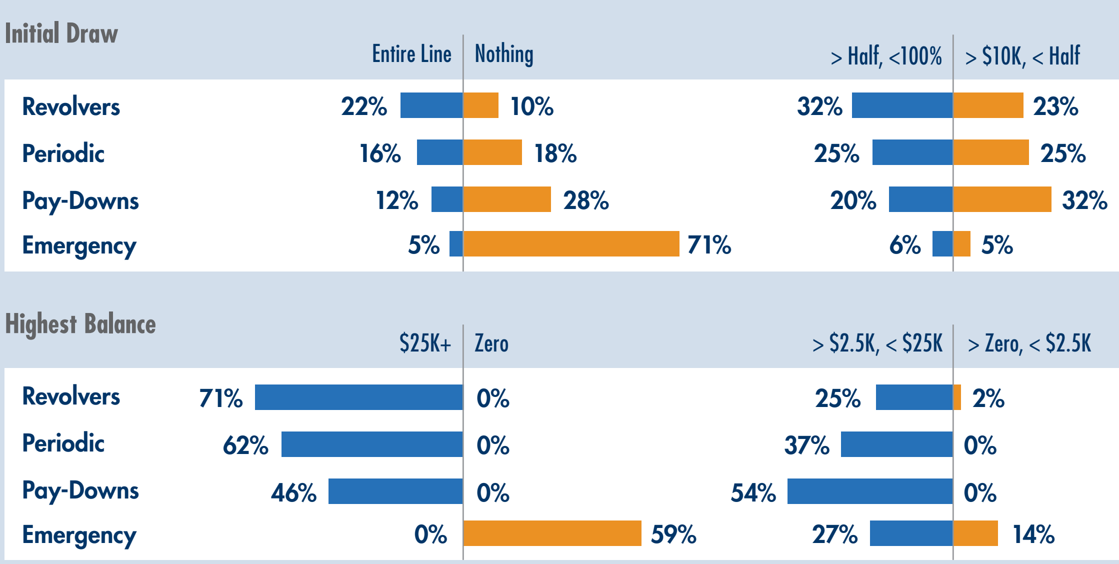
Elsewhere, if the pain point of origination hassle can be eased via faster approval and funding, banks will feel less pressure to accept low-potential accounts simply because they cleared application hurdles. Providers will be in a better position to dissuade some of the hollow Emergency Only account growth by limiting open lines for these applicants and assuring them of rapid approval for requested line increases when they are truly ready to use a line of credit – in addition to usage encouragements such as waived annual fees or discounts for immediate draws.

Turning to line usage, Revolvers have the highest likelihood for immediate large draws, and they also are most likely to reach balance peaks of at least $25,000 (Figure 10: Segment Variations in Line Usage). Periodic Borrowers are less aggressive initially but also tend toward higher balance peaks. Pay-Downs are much more

"Revolvers have become more prominent in the customer mix, rising from 15% of seasoned borrowers to 41% of recent purchasers."

Figure 10: Segment Variations in Line Usage

Customer segments exhibit different behaviors with line usage, with implications for marketing and sales prioritization, long-term account profitability and capital management.

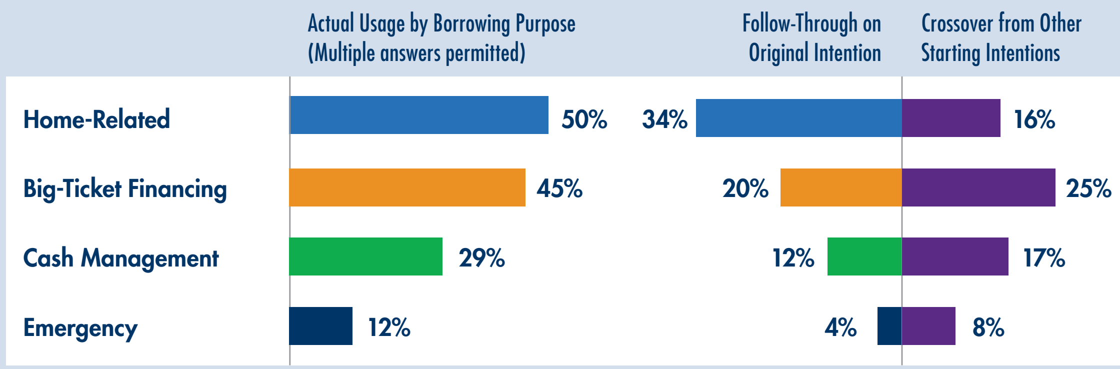


Source: Novantas 2015 Home Equity Survey

"The potential for still greater usage appears high. Through product promotion and education over the life of the account relationship, households can realize fuller benefits from their HELOC, leading to higher line utilization."

Figure 11: Borrowing Purposes

*While HELOC is viewed as closely related to home renovation, borrowers often make significant use for other purposes, migrating among needs categories as they go along.**



** Survey respondents were asked to specify their primary intended purpose in acquiring a HELOC and then list all the actual purposes for subsequent usage.*
Source: Novantas 2015 Home Equity Survey

conservative in their reported line usage, with 28% borrowing nothing immediately. The bottom drops out with the Emergency Only segment.

Going into this next section, it is important to note that the phrases "cash management" and "emergency" are used in two different segmentation schemes for survey respondents. In the behavioral segmentation already presented, Revolvers are described as having a prominent cash management orientation, and Emergency Only customers were identified on the basis of borrowing activity.

Separately, respondents were also segmented by their stated purposes for borrowing and subsequent reported usage. This led to redundant "cash management" and "emergency" descriptors, with the other two purpose-defined categories being "home-related" and "big-ticket financing" (Figure 11: Borrowing Purposes).

The main headline here is that HELOC customers do a lot of crossing among categories of borrowing purpose, frequently using their lines in ways that differ from their primary stated intention going in. As an example, while 50% of respondents reported actual line usage for home-related purposes (multiple answers permitted), roughly a third of that usage came from households that acquired a HELOC for a different original purpose. A more dramatic example is big-ticket financing, where more than half of the actual reported usage came from households that had another original HELOC borrowing purpose in mind.

Given this degree of spontaneous crossover among purpose categories, the potential for still greater usage appears high. Through product promotion and education over the life of the account relationship, households can realize fuller benefits from their HELOC, leading to higher line utilization over the life of the account relationship.

Section III: Current Customers — Shopping & Sales

Banks hold the home court advantage in HELOC sales but will face challenges in an environment of rising rates and digital shopping.

Overall, banks seem comfortably positioned in the HELOC business, with the majority of customers tied to their primary DDA provider. Expansion within the established retail banking customer base looms as the primary opportunity for growth. The branch will continue to play a major role in the HELOC line of business, especially sales, but faces increasing pressure in a setting of multi-bank and multi-channel shopping.

The Novantas survey underscores the importance of the primary checking relationship in bank HELOC sales. Among current accountholders, nearly three-fourths said they acquired their lines at the primary DDA bank (Figure 12: Bank Advantage in HELOC Sales).

Among these purchasers, trust was cited as the top motivation to go through the bank to obtain a home equity line of credit (Figure 13: Decision Factors When Choosing a Bank for a HELOC). Other relationship/convenience drivers included active involvement with the provider via day-to-day banking; ease of HELOC access via bank channels; the prospect of a smoother application process; and an enhanced likelihood of approval owing to lender familiarity with the household.

It should be noted, however, that bank HELOC purchasers are also sensitive to price. An advantaged rate ranked second among decision factors in going with the current bank, closely following trust, and purchasers also cited low application fees and low annual fees as inducements.

This presents an interesting paradox because most customers say they do not shop around even though many say they care about rate. Such complacency may be reflective of the prolonged low-rate environment. As rate rise, price-shopping will clearly increase, but HELOC likely will remain a relatively less-shopped product.

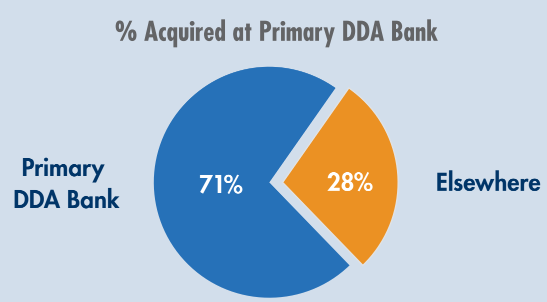
Overall, HELOC customers tended to consider just one provider, generally two at most. And when it came time to make an application, only a sixth of respondents said they submitted to more than one lender (Figure 14: Provider Alternatives).

Turning to shopping channels, the branch was the most-used shopping channel among current customers, including people who considered only one bank and people who considered multiple providers. However, people who considered multiple providers made heavy use of alternative shopping channels as well (Figure 15: Shopping Channels Used by Current Customers).

Slightly more than half of surveyed HELOC customers said they had decided beforehand on the product when making their purchase (Figure 16: Purchase Context). Another third selected a HELOC in consultation with a bank representative. The remainder

Figure 12: Bank Advantage in HELOC Sales

The HELOC traditionally has not been heavily shopped, and most customers choose their primary DDA bank.

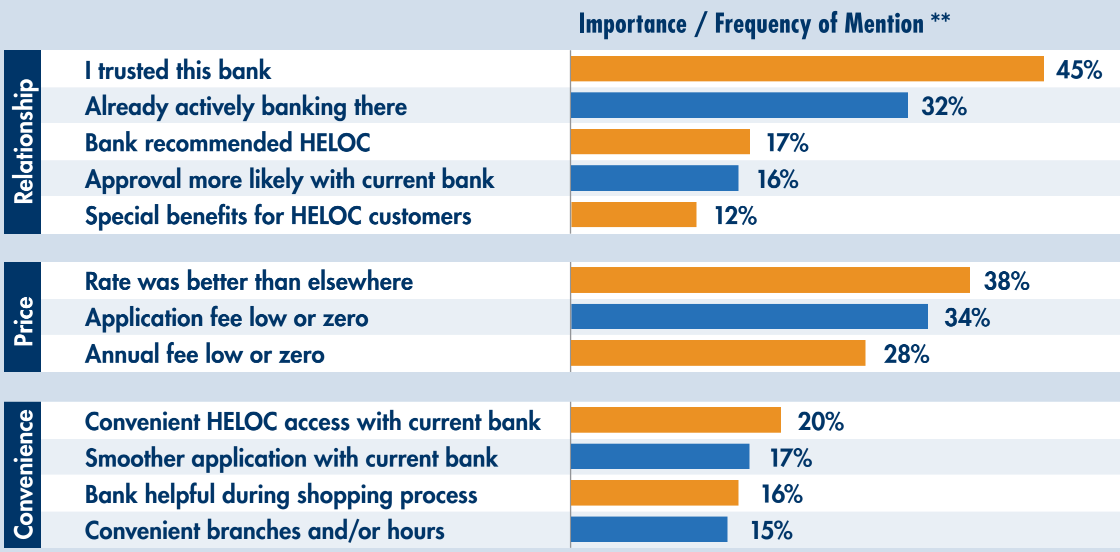


Source: Novantas 2015 Home Equity Survey

"The branch will continue to play a major role in the HELOC line of business, especially sales, but faces increasing pressure in a setting of multi-bank and multi-channel shopping."

Figure 13: Decision Factors When Choosing a Bank for a HELOC *

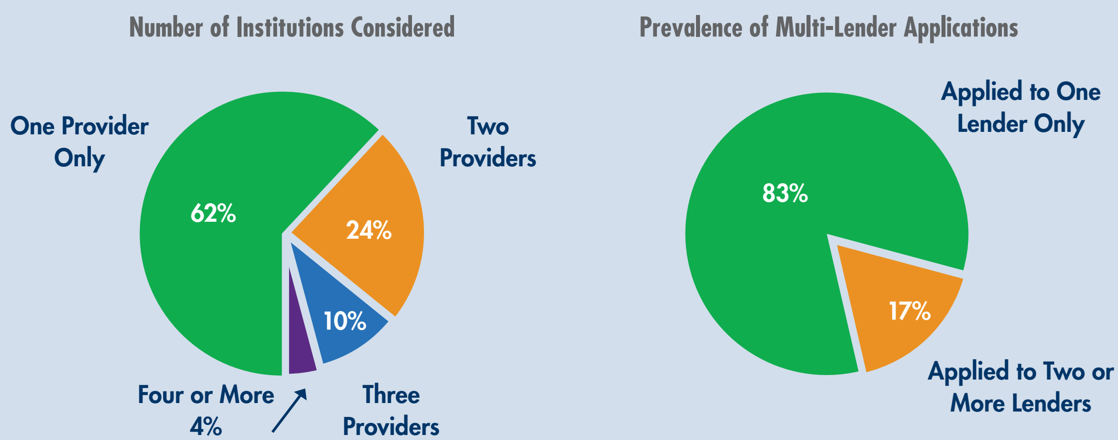
In explaining why they purchased a HELOC from their bank, surveyed customers cited relationships, price and convenience, with trust ranking as the top factor overall.



** Multiple answers permitted. ** Ranked 1st, 2nd or 3rd in importance.*
Source: Novantas 2015 Home Equity Survey

Figure 14: Provider Alternatives

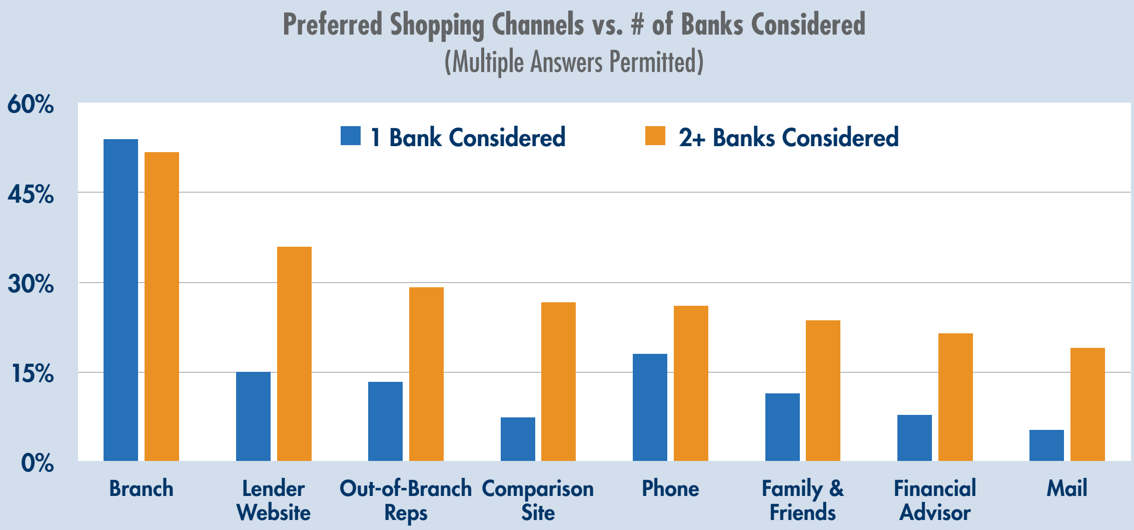
Among current HELOC accountholders, most considered only one provider, generally two at most. Applications were even more concentrated, usually submitted to only one lender.



Source: Novantas 2015 Home Equity Survey

Figure 15: Shopping Channels Used by Current Customers

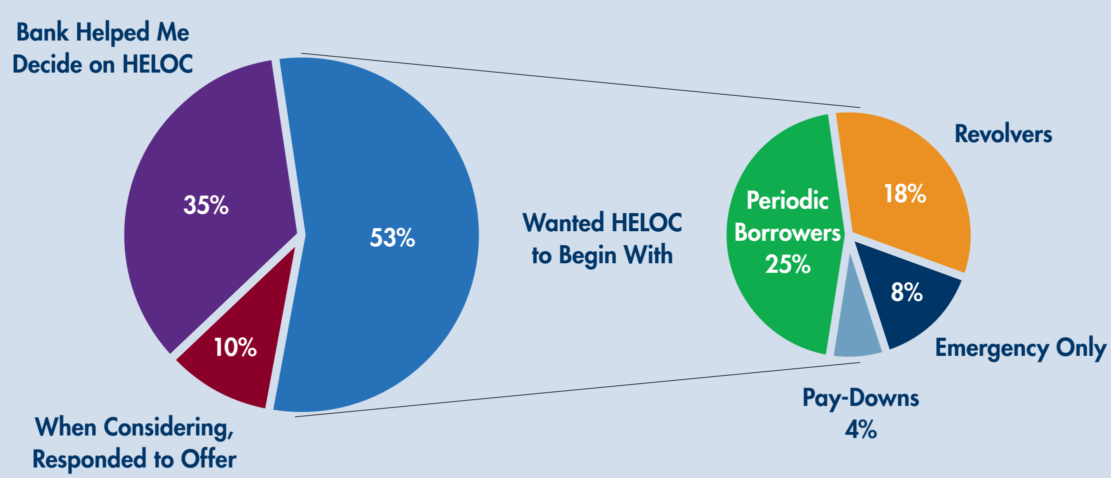
No matter how many banks that customers originally considered, the branch served as the primary shopping channel, but multi-bank shoppers heavily used alternative channels as well.



Source: Novantas 2015 Home Equity Survey

Figure 16: Purchase Context

More than half of HELOC purchasers knew what they wanted to begin with, another third wanted to borrow and were guided into the product, and others passively responded to offers.

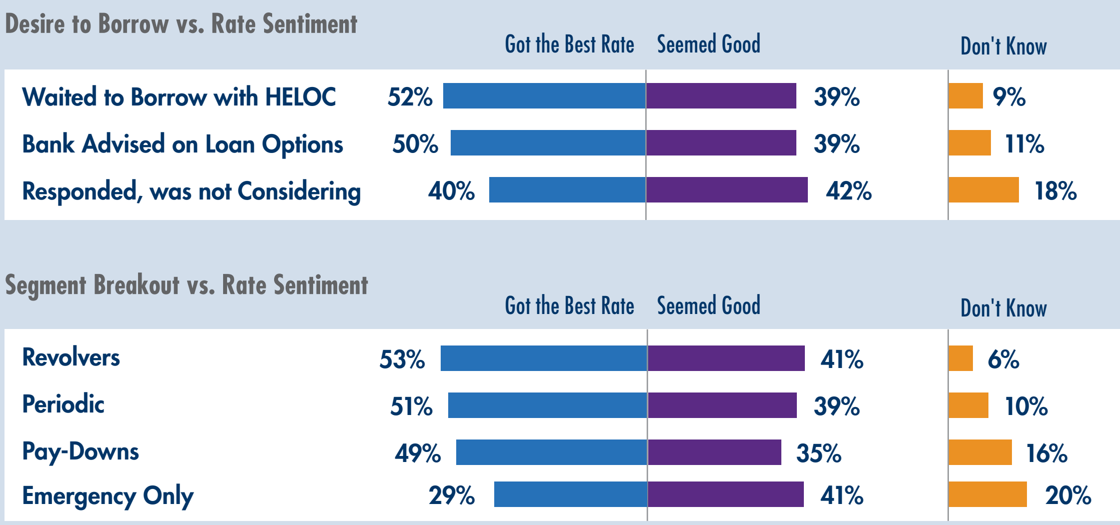


Source: Novantas 2015 Home Equity Survey

"Banks should be considering which pricing and fee levers would help to address dormant accounts, which, with new liquidity and capital charges, are even less profitable. While utilization among emergency only users is low, so too is price sensitivity, with implications for the line size, rate, fees and usage teasers."

Figure 17: Rate Sensitivity

Overall, roughly half of the survey participants expressed higher sensitivity to rates. Roughly 40% were satisfied with a "good" rate and the remainder were unaware of their HELOC rate.



Source: Novantas 2015 Home Equity Survey

said they had not been considering borrowing before responding to a bank offer, and this category is a major source of dormant accounts.

One implication is a need for a better customer dialogue on borrower intentions and purposes. Also banks should be considering which pricing and fee levers would help to address dormant accounts, which, with new liquidity and capital charges, are even less profitable.

While utilization among emergency only users is low, so too is price sensitivity, with implications for the line size, rate, fees and usage teasers for which this type of backup credit is provided. For example, modest fee provisions may be appropriate for accounts that sit unused for extended periods of time.

Among customers who either decided beforehand on a HELOC or selected it after reviewing borrowing options with a bank representative, about half expressed confidence that they got the best rate. Another roughly 40% said their rate “seemed good,” and the remainder did not know (Figure 17: Rate Sensitivity). From a segment perspective, these percentages held up among Revolvers and Periodic Borrowers as well. Rate sensitivity was somewhat lower among customers who passively responded to offers, and among Emergency Only accountholders.

About This Study

The Novantas 2015 HELOC Consumer Survey is a continuation of our ongoing commitment to illuminate banking performance issues and opportunities from the customer's point of view. Intended as a reference and discussion tool for providers of home equity lines, the study examined the needs, attitudes, profiles and behaviors of 1,692 current and prospective HELOC customers nationwide.

Recent purchasers comprised 30% of the survey panel, with account origination fairly evenly spaced across 2012, 2013 and 2014. Another 27% of the panel encompassed seasoned borrowers, with about a fourth of their accounts originated between 2010 and 2011 and the remainder originated in 2009 and earlier. These two groups still maintain their HELOC accounts, either open, partly or fully utilized. Finally, at 43%, prospective applicants comprised the largest cohort of survey respondents, including homeowners already thinking about a HELOC or open to the idea (Figure 18: HELOC Survey Participants).

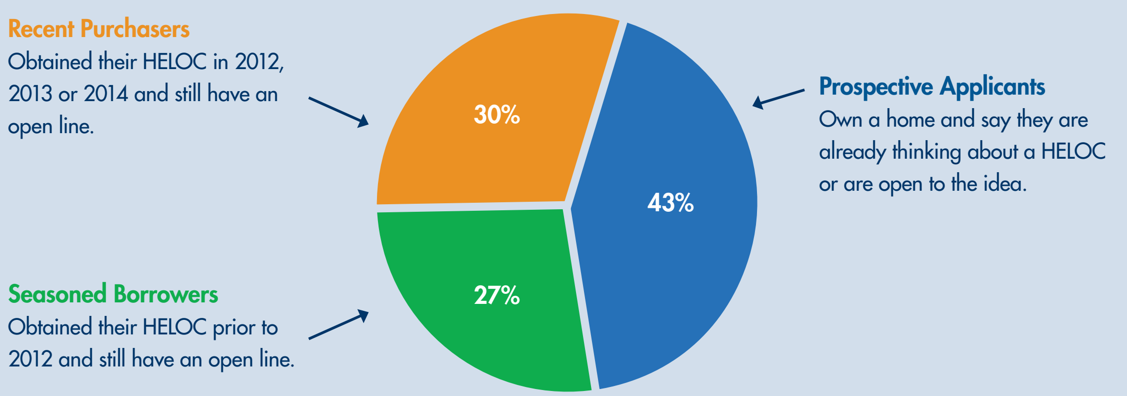
For a behavioral segmentation, we considered the frequency of draw vs. balance carry among current customers, which yielded four groups consisting of Revolvers, Periodic Borrowers, Pay-Downs and Emergency Only. We then compiled additional survey information (e.g., demographic, product usage, shopping and price sensitivity, etc.) along these four dimensions to identify segment-specific issues and opportunities. Other cuts of the data looked at age and income groups, shopping channels, borrowing purposes and sales context. Particular attention was given to prospective applicants, given the relevance of their feedback in refining HELOC customer acquisition.

Respondents were drawn from all areas of the United States and represented a wide spectrum of age groups, household income and home values. More than half maintain their primary checking account with one of the top five U.S. banks.

For more information please contact Lee Kyriacou, Zach Wise or Jenny Cheng, respectively Managing Director, Principal and Senior Associate at Novantas, Inc. They can be reached at lkryiacou@novantas.com, zwise@novantas.com, or jcheng@novantas.com.

Figure 18: HELOC Survey Participants

The Novantas 2015 HELOC Consumer Survey included 1,692 participants drawn from recent purchasers, seasoned borrowers, and prospective applicants across all age and income groups.



Source: Novantas 2015 Home Equity Survey

Contributors

LEE KYRIACOU

Lee Kyriacou is a Managing Director in the New York office, specializing in lending and payments; he also serves as the banking industry analyst for the Firm.

ZACH WISE

Zach Wise is a Principal in the Charlotte, N.C. office, advising on pricing and strategy for secured credit products. Zach is an expert in mortgage and home equity pricing, valuation, and customer analytics.

JENNY CHENG

Jenny Cheng is a Senior Associate in the New York office. She is a specialist in lending products, with a particular focus on developing customer analytics-driven pricing strategy and product design.

STEVE KLINKERMAN

Steve Klinkerman is Editor-in-Chief at Novantas, responsible for the *Novantas Review* and other research and publishing activities that support thought leadership at the Firm. He has more than 25 years of experience in content development and publishing in the banking and financial services industry.

ABOUT NOVANTAS

Novantas, Inc. is the leader in customer science and revenue management strategy for the financial industries. A FinTech 100 Company, its Advisory Services, Analytical Solutions, Research and Marketing Services specialize in investigating and interpreting customer needs, attitudes, and behaviors to help banks refine pricing,marketing decisions, customer strategies, and sales and service activities, and to accelerate their immediate and ongoing economic performance. For more information, visit www.novantas.com.

To contact these contributors, call 212.953.4444 or email info@novantas.com.

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