

# **Texas Department of Banking**

## **Press Release**

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### **Texas Finance Commission Begins Statewide Study of Home Equity Lending In Texas**

Date: July 19, 1999

Texas Finance Commission Chairman W. D. Hilton, Jr. announced today that the Finance Commission is commencing a study of home equity lending throughout the State of Texas.

This study is part of a broader mandate in the Texas Finance Code requiring the Finance Commission to conduct research on: (1) the availability, quality, and prices of financial services, including lending and depository services, offered to individual consumers, agricultural businesses, and small businesses; and (2) the practice of business entities in this state that provide financial services to individual consumers, agricultural businesses, and small businesses.

Because of the broad scope of the mandate, research is being conducted in phases. The first phase of research, conducted in 1998, focused on consumer depository and cash services provided to individuals throughout the State of Texas. The report issued on that study in December 1998 concluded that adequate access to cash and depository services is available, but that citizens could be better informed regarding the costs and benefits of the different service options. The Consumer Depository and Cash Services Study is available on the website of the Texas Department of Banking ([www.banking.state.tx.us](http://www.banking.state.tx.us)).

The second phase of the study will focus on home equity lending across the state. The Finance Commission has retained a Houston-based marketing research firm, Analytica, Inc., to lead this phase of the study. As part of this study, a random sample of lenders and Texas citizens will be contacted to provide input on their home equity loan experience in Texas. A minimum of 1,200 consumers will be surveyed through telephone interviews. Approximately 90 telephone interviews will also be conducted with lenders operating in Texas.

Chairman Hilton states, "It will be important that the researchers receive the cooperation of the financial services providers as well as the general public in order to gather the most accurate and reliable data regarding home equity loan activity. We believe that the Legislature will be very interested in the experiences of our citizens and lenders with this new financial product."

A constitutional amendment was passed in 1997 authorizing home equity loans in Texas for the first time. Revisions have been proposed by the 1999 Legislature, which are slated for a constitutional vote by the citizens of Texas in November. If enacted, these revisions would remedy problems that have arisen in connection with reverse mortgages and loans on urban homesteads with lot sizes that exceed one acre.

Any questions, comments or suggestions regarding this study should be directed to Consumer Credit Commissioner Leslie Pettijohn at 512-936-7600.