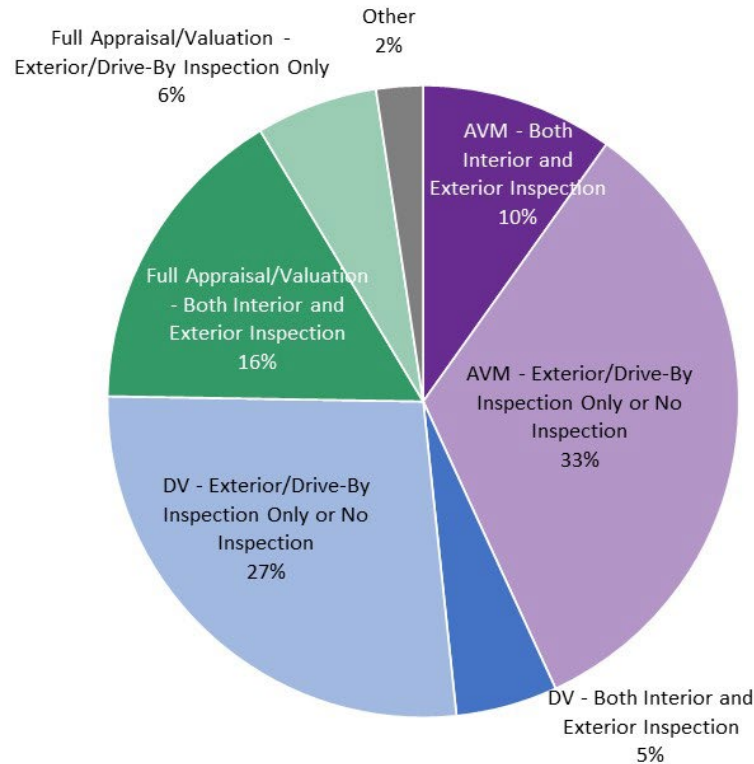


## Chart of the Week – July 19, 2024 2023 HELOC and Home Equity Origination Volume by Property Valuation Method (% of #)



Source: MBA's 2024 Home Equity Lending Study (2023 Data): [www.mba.org/heloc](http://www.mba.org/heloc)

MBA recently completed its [2024 Home Equity Lending Study](#) (covering 2023 data) tracking trends in origination and servicing operations for home equity lines of credit (HELOCs) and home equity loans. While there are opportunities in this space given the substantial accumulated home equity of many existing homeowners, lenders cited challenges in originating these types of loans: the slow speed in processing and underwriting, the high cost to originate relative to revenues, low closings-to-applications pull-through, and competition in the unsecured lending space.

In this week's [Chart of the Week](#), we examine one way that home equity lenders are addressing these challenges, through the method by which they conduct property valuations. For this year's study, the three major valuation methods – Automated Valuation Model (AVM), Desktop Valuation (DV), and Full Appraisal/Valuation – were further differentiated by interior inspections or exterior/drive-by or no inspections. In 2023, over 75 percent of HELOCs and home equity loan originations were subject to an AVM or DV method, with the majority of both categories entailing only an exterior/drive-by or no inspection at all. Conversely, 22 percent of originations required a full appraisal with the majority entailing both an interior and exterior appraisal. Individual lender practices differed depending on property condition and characteristics, location, credit profile of the borrower, loan amount, and general approach to risk.

In the past several years, AVM usage has nearly doubled from a low of 22 percent of originations in 2020 to a high of 43 percent in 2023. Meanwhile, full appraisals/valuations have shrunk from a high of 36 percent of volume in 2019 to a low of 22 percent in 2023. As AVMs are tested for accuracy and fairness and further refined, they have the potential to improve efficiency and reduce cost for home equity lenders.

### Definitional Notes:

- Automated Valuation Models (AVMs): Use of statistical modeling only to derive property value, with little or no human intervention.
- Desktop Valuations (DVs): Desktop valuation performed by a licensed appraiser and includes review of existing data such as comparable properties and MLS listings.
- Full Valuations: Performed by a licensed appraiser without statistical modeling and requiring a physical inspection of the property.
- Exterior/Interior inspections: Inspections may be through remote video or in-person.
- Other: Broker Price Opinions (BPOs) or other means.

A highlights summarizing key findings from the MBA's 2024 Home Equity Lending Study is [now available for purchase](#).

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