



MORTGAGE WHITE PAPER

Unlocking the Equity Era

Why 2025 is the Year of the HELOC

Homeowners Are Staying Put — and Smart Lenders Are Tapping into Trillions in Untapped Potential

Home equity lending represents a major opportunity for mortgage lenders in 2025. With elevated interest rates discouraging home purchases and historically low housing inventory limiting move-up options, many homeowners are choosing to stay put. As they remain in their homes longer, their equity continues to build, turning home equity into a powerful financial tool.

Despite the vast amount of home equity held by U.S. homeowners, **Home Equity Lines of Credit (HELOCs) remain an underutilized financial resource.** Misconceptions about how HELOCs work, and a general hesitancy to tap into home equity, often keep consumers from exploring this valuable option. Instead, many turn to high-interest credit cards or unsecured personal loans, which can strain household budgets with steep fees and compounding debt. However, with the right education and outreach, **HELOCs can become a smart financial solution, empowering homeowners to fund renovations, consolidate debt, or build a financial cushion for the future.**

This white paper explores why HELOCs are among today's **most versatile and effective borrowing options.** It offers actionable insights from Experian Housing to help lenders better position HELOCs as a smart solution for today's informed and financially aware consumers. By applying data-driven strategies and tailored messaging, lenders can unlock the untapped potential of home equity lending, driving stronger engagement, deeper customer relationships, and portfolio growth in 2025 and beyond.

The State of Home Equity in 2025

In 2025, homeowners are navigating economic uncertainty marked by employment fluctuations and stock market volatility. Despite these headwinds, the desire to relocate remains historically low. According to a recent survey (from Redfin), **61% of homeowners do not plan to sell or move within the next decade or longer.**

A key factor driving this trend is the “**rate lock**” effect: **77% of homeowners are locked into 6% or lower mortgage rates.** With current rates significantly higher, the idea of trading a low-rate mortgage for a more costly one deters many from reentering the housing market. As a result, housing inventory has stagnated, with homeowners choosing to stay put rather than give up favorable financing terms for the uncertainty of a new purchase.

Appreciating Property Values = Growing Home

Home values continue to climb, even if more slowly than in 2023, helping homeowners build record levels of wealth.

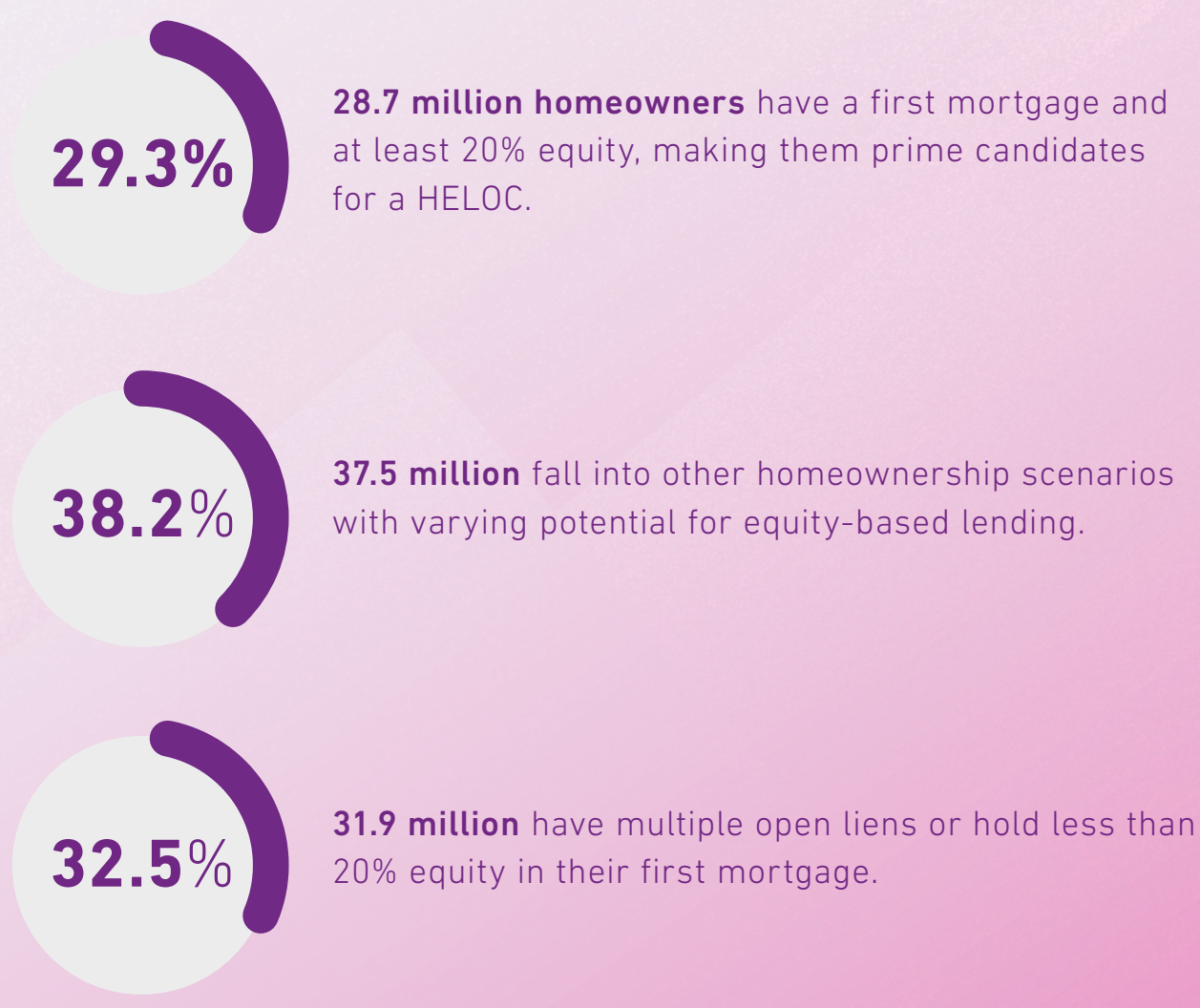
As of February 2025, U.S. homeowners collectively hold

\$29.3 trillion in home equity, making it one of the largest and most underutilized financial assets in the country.

This equity represents a powerful source of funding for everything from debt consolidation and home improvements to education and emergency expenses. But how many homeowners are actually in a position to tap into this growing resource? Let's take a look at the data.

The Numbers Behind the HELOC Opportunity

The market potential for HELOCs is substantial. Today, **98.1 million consumers own residential property in the United States**, and many are well-positioned to tap into their home equity. Experian Housing data reveals a clear breakdown:



29.3%

28.7 million homeowners have a first mortgage and at least 20% equity, making them prime candidates for a HELOC.

38.2%

37.5 million fall into other homeownership scenarios with varying potential for equity-based lending.

32.5%

31.9 million have multiple open liens or hold less than 20% equity in their first mortgage.

These segments represent a powerful opportunity for lenders to tailor outreach and expand home equity lending strategies in 2025 and beyond.

HELOCs: Overcoming Common Misconceptions

Despite record home equity levels, many homeowners fail to leverage it effectively. Experian Housing data highlights a concerning pattern: **A significant number of consumers who could benefit from HELOCs instead opt for higher-interest alternatives like credit cards.** This trend is largely driven by persistent misconceptions about HELOCs — misunderstandings that vary across age groups and financial profiles.

Credit card companies are quick to capitalize on this gap. They market pre-approved offers with minimal friction — no paperwork, easy activation, and instant access to funds.

For many borrowers, this convenience outweighs the long-term cost, leading them to choose credit cards without exploring more sustainable options like a HELOC. As an example, one missed payment on a \$5,000 balance on a credit card can cost the consumer up to **three times more** in fees; whereas, HELOC lenders often offer reduced rates.

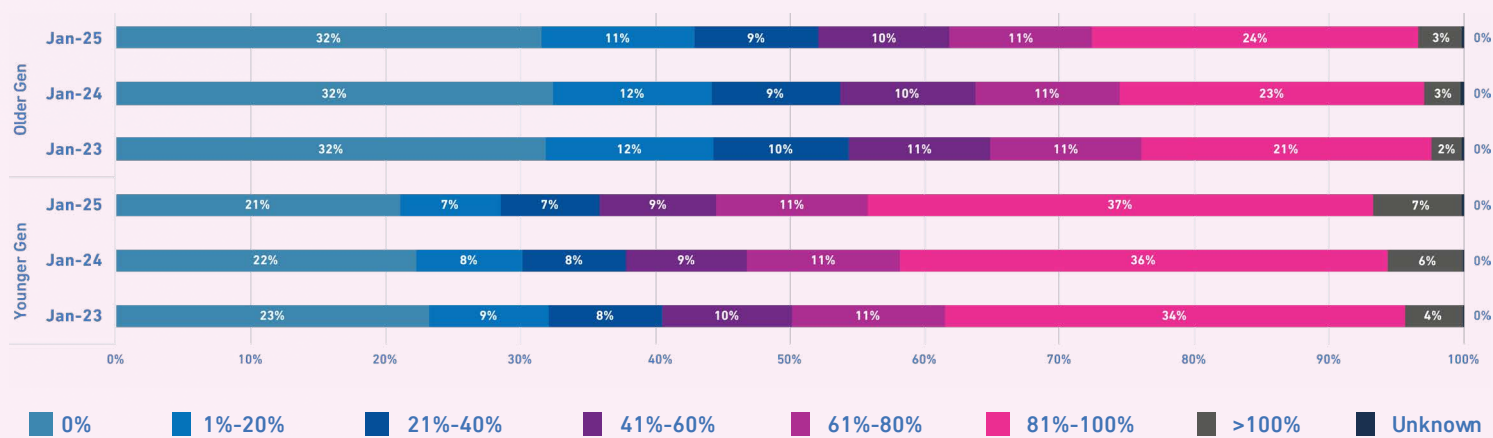
Generational patterns also reveal stark differences in HELOC behavior. **Older homeowners tend to be more conservative, with a 32% non-utilization rate of their approved HELOC funds.**

In contrast, **younger borrowers are more inclined to tap into their credit lines fully**, often using 81% to 100%, and in some cases even **exceeding their available limits.**

While younger consumers increasingly recognize the utility of HELOCs, older homeowners, despite holding more equity, remain less likely to use this powerful financial resource. Similarly, our data shows that the younger HELOC trades, those that have been opened in the past four years, have a higher utilization ratio, compared to the HELOCs that have been open for longer than four years.

In addition to improved marketing strategies by lenders, another possible reason for this is ongoing affordability challenges due to **high mortgage rates and home prices**, which impact consumers' debt burden.

HELOC Utilization Trend by Generation



Non-Bank Lenders Are Raising the Bar on HELOC

As the HELOC market grows, non-bank lenders are setting new expectations for speed and simplicity. These digital-first providers are leveraging technology to streamline the borrowing experience, **offering approvals in minutes** compared to the industry average of 21 days and closing loans in as little as one week compared to the typical 36-day timeline.

Traditional lenders, while trusted and relationship-driven, now have an opportunity to evolve alongside these shifting consumer expectations. By adopting similar digital tools and process efficiencies, they can remain highly competitive and continue to serve borrowers with both speed and confidence.

Traditional Banks Must Reinvent Their Approach to Win More Consumers

To capture more HELOC business, traditional banks need a strategic approach that leverages data-driven insights, emphasizes speed and convenience, and reshapes consumer perceptions of HELOCs.

By targeting the right consumer segments, streamlining approval processes, and educating borrowers, banks can position themselves as leaders in this competitive market. With the advantage of a large existing customer base, these institutions are well-positioned for cross-selling opportunities. They can take things a step further by using tools to identify homeowners likely to be shopping for a HELOC soon. By analyzing patterns in how people manage their money, including spending and payment habits, lenders can send more relevant and personalized offers that truly match each borrower's needs.

Targeting the Right Borrowers: Who's Most Likely to Engage?

Experian Housing data reveals valuable insights into the consumer segments most likely to respond to HELOC offers — empowering lenders to focus their marketing efforts where they'll have the greatest impact. Two distinct borrower profiles stand out: "Transactors," who typically pay off their balances monthly, and "Revolvers," who carry balances over time.



Revolvers consistently demonstrate higher engagement and activation rates across all credit tiers — from **Super Prime to Deep Subprime**.

Revolvers have a **73%** higher HELOC Response rate than Transactors. The response rate is much more pronounced within the **Prime (4.7x)** and **NearPrime (4.4x)** segments.

Super Prime Revolvers activate their line at a rate of **73%**, while Prime and Near Prime borrowers activate at even higher levels — **90% and 91%, respectively**. Even Subprime Revolvers show strong performance, with an activation rate of **91%**.

HELOC Response Rate

Response Rate	Super Prime	Prime	Near Prime	Subprime	Deep Subprime
Transactors	0.17%	0.05%	0.02%	0.00%	0.00%
Revolvers	0.28%	0.24%	0.10%	0.01%	0.00%

HELOC Activation Rate

Activation Rate	Super Prime	Prime	Near Prime	Subprime	Deep Subprime
Transactors	60%	76%	84%	69%	0%
Revolvers	73%	90%	91%	91%	88%

This data makes a compelling case for prioritizing Revolvers — particularly those in Super Prime, Prime, and Near Prime categories — as key targets for HELOC growth. These consumers are highly responsive and often motivated by a need for smarter credit solutions such as debt consolidation.

At the same time, Transactors, especially older homeowners with substantial untapped equity and low utilization rates, represent an opportunity for education. Many in this segment may not fully understand the advantages of HELOCs over higher-interest alternatives. With the right messaging, lenders can position HELOCs as a financially sound and flexible option for everything from home improvements to educational expenses.

Lenders Can — and Will — Accelerate the HELOC Experience

Lenders have a clear opportunity to modernize and streamline the HELOC approval process to meet rising consumer expectations. **Tools like automated valuation models (AVMs) can significantly reduce appraisal timelines.** At the same time, **Remote Online Notarization (RON) simplifies and accelerates closings,** both critical to delivering the fast, convenient experience today's borrowers demand.

Consumers increasingly expect the same ease and speed they receive with personal loans, including instant pre-approvals and rapid access to funds. With home equity at record levels, borrowers want to tap into the value they've built, without delays or friction.

By investing in technologies that prioritize speed and simplicity, lenders can stand out in a competitive market, improve borrower satisfaction, and capture a larger share of the growing HELOC opportunity.

Financial institutions can better align offers with needs by applying a **data-driven targeting strategy and segmenting campaigns by borrower behavior** — maximizing campaign efficiency, improving engagement, and driving meaningful growth in their HELOC portfolios.



Differentiation Through Education

To compete effectively in the HELOC market, banks must lead with education, reshaping perceptions and helping consumers understand the true value of their home equity. Many borrowers remain unaware of the flexibility and potential cost savings HELOCs offer compared to high-interest credit alternatives.

By leveraging customer insights, **banks can tailor messaging to demonstrate how HELOCs provide low-interest, flexible financing for home improvements, debt consolidation, and other significant financial needs.** Educating consumers that a strong FICO® Score can unlock faster approvals, and a more seamless digital experience further reinforces HELOCs as a smart and accessible choice.

Borrower Profile

Avg FICO ————— 761

Avg DTI ————— 39%

Avg CLTV ————— 70%

Avg credit limit ————— \$64k

Avg utilization ————— 91%

Secondary education ————— 77%

Avg annual income ————— \$140k

With a deep understanding of their existing customer base, banks are well-positioned to proactively cross-sell HELOCs, **especially to current mortgage holders with low debt-to-income ratios and higher-than-average annual incomes.**

When financial institutions combine data-driven segmentation, streamlined processes, and targeted education, they can successfully position HELOCs as a powerful, often overlooked financial tool, driving greater engagement and deeper customer relationships.

Unlock HELOC Growth with Predictive Models and Alternative Data

In a competitive lending landscape, precision is everything. Financial institutions can gain a decisive edge by leveraging predictive models, trended credit data, and alternative datasets to power highly targeted, data-driven marketing campaigns.

These advanced tools enable lenders to identify high-potential HELOC borrowers, deliver personalized offers, and optimize campaign performance, driving greater engagement and maximizing return on investment (ROI). With the right data strategy, marketers can reach the right audience at the right time with the right message.

A SUITE OF POSSIBILITIES

In the Market ModelsSM predicts a consumer's propensity to open a new account within a one- to four-month window, with individual models offered for each of the following account types:

- Automotive
- Bankcard
- Home equity
- Mortgage
- Personal loan + loan consolidation
- Retail
- Student loan

Enhancing Campaign Performance with Trended 3DTM Attributes

When used by the lender, trended attributes can further amplify the effectiveness of HELOC marketing campaigns. Trended 3D attributes synthesize the 24-month history of five key fields in the borrower's credit report: balance, credit amount, scheduled payment, actual payment, and

last payment date. With these data points, you can understand what a consumer looks like now and how they got there. These attributes provide a deeper understanding of consumer behavior and financial trends, enabling marketers to craft highly personalized and relevant offers.

Trended 3D is a comprehensive set of more than 2,000 attributes across various industries

- Auto loans and leases
- Bankcards
- Collections
- Credit union accounts
- Installment loans
- Mortgages and home equity lines of credit
- Revolving trades
- Retail cards
- Student loans
- Unsecured personal loans

Leveraging propensity models that inherently include all the predictive attributes and have shown robust performance across different economic conditions, such as **Experian's in-the-market model, which predicts the propensity of opening a new HELOC trade in the next one to four months provide a simple but effective audience selection strategy.** When applied to a HELOC marketing campaign, these robust attributes have significantly increased open rates, ensuring the message reaches and resonates with the intended audience.

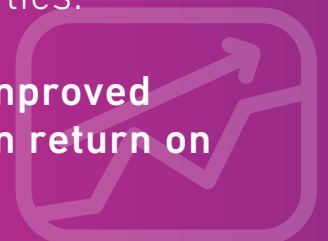
Reaching the Right Consumer at the Right Time

Effective HELOC marketing hinges on timing, targeting, and continuous optimization. Success requires more than launching a campaign — it demands ongoing analysis to ensure the right offer is delivered to the right consumer at the right moment. Key components of this approach include:

- **Optimize:** Continuously optimize targeting strategies, messaging, and audience segmentation by leveraging real-time campaign performance and insights. Use data strategically, incorporating demographic, property, and credit information where it adds value.
- **Advanced Intelligent Services (AIS) Targeting:** Leverage AIS to identify high-potential borrowers and tailor messaging to resonate with each unique consumer segment.
- **Lost Lead Analysis:** Study non-responders to understand why certain audiences didn't convert to uncover opportunities to improve future outreach and messaging.

Financial institutions can fine-tune every aspect of their HELOC marketing strategy by integrating predictive modeling, trended data, and alternative datasets with robust campaign analytics.

The result: **Stronger engagement, improved response, open rates, and maximum return on marketing investment.**



HELOC Lending: A Promising Path Forward in 2025

With **\$25.6 trillion in home equity sitting largely unused**, the opportunity is clear: Lenders who act now can redefine their position in a rapidly shifting market.

HELOCs have emerged as more than just a financing option — **they now represent one of the most flexible and cost-effective borrowing solutions** in a market where home equity is abundant. As competition intensifies, lenders who invest in innovation, streamline the borrower experience, and prioritize consumer education are well-positioned to unlock the full potential of home equity lending in 2025 and beyond.



Discover how you can lead in the evolving lending landscape at experian.com/mortgage.



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