Bankrate

24 Million Homeowners Would Tap Into Home Equity to Keep up With Regular Household Bills

Home improvements, repairs are the most popular reasons to borrow

NEW YORK – September 19, 2018 – Twenty-four million homeowners believe that it's acceptable to tap into home equity to keep up with regular household bills, according to a new Bankrate.com report. The sentiment is highest amongst Millennials (ages 18-37), the lowest earners and the less educated. Click here for more information:

https://www.bankrate.com/mortgages/home-equity/survey-homeowners-best-uses-of-home-equity/

- Nearly 1 in 3 (31%) homeowners who earn less than $30K per year say it's okay to tap into home equity to cover ordinary bills, more than triple those who make $75K or more.

- Twenty-one percent of those with no more than a high school diploma agree, nearly doubling those who have furthered their education (11%).

- Twenty-two percent of Millennials think that borrowing from home equity to pay day-to-day bills is viable, compared to 12% of those who are older.

"The idea that nearly 1 in 6 American homeowners views 'keeping up with regular household bills' as an appropriate reason to borrow from home equity speaks to how far some households are stretched on a monthly basis," said Bankrate.com chief financial analyst Greg McBride, CFA. "This further exemplifies the importance of having an emergency fund, so when the unexpected happens – and it *will* happen – there is a savings cushion to fall back on."

The majority of homeowners (57%) believe the best reason to borrow against home equity is to make home improvements or repairs. Baby Boomers (ages 54-72) have the highest occurrence of saying such. Debt consolidation (19%) and education expenses (9%) are the next most popular choices as the best reason to borrow, with education expenses skewing towards Millennials.

Overall, 74% of homeowners think home improvements/repairs are an adequate circumstance to borrow from home equity. Other reasons include debt consolidation (44%), tuition or other education expenses (31%), keeping up with regular household bills (15%), making other investments (12%), purchasing big ticket items like furniture or appliances (9%), taking a vacation (3%), buying a boat (1%) and getting plastic surgery (<1%). Respondents could choose more than one reason.

"With the sorry state of emergency savings and increasing levels of consumer debt in a rising interest rate environment, it is a matter of when, not if, more homeowners turn to home equity to fund home improvements and repairs or consolidate debt," added McBride. "Many Americans may have more tappable equity than they realize, and as home values increase and mortgage principal is paid down, that equity is on the rise."

Home equity interest rates (https://www.bankrate.com/home-equity.aspx) tend to be lower than personal loans and credit cards, so responsible borrowers should keep their options open.

The study was conducted online in GfK's Omnibus using the web-enabled "KnowledgePanel," a probability-based panel designed to be representative of the US general population, not just the online population. The sample consists of 1,000 nationally representative interviews, 719 of which are homeowners, conducted between September 7-9, 2018 among adults aged 18+. The margin of error is +/-3.7 percentage points.

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