

*Determining the Choice Between HELOC and Credit Card  
Borrowing  
Research Executive Summary*



*The Ohio State University's  
Consumer Finance Monthly Survey*

**Business Problems:** You have numerous customers who have taken out home equity lines of credit but are not borrowing money on these lines.

You have customers who have taken out home equity lines, but are only using a small portion of what they are entitled to borrow.

**Solutions:** Using data from the Ohio State University's Consumer Finance Monthly Survey combined with a two-step statistical procedure outlined in this research, lenders can improve their predictions of whether a customer will use their equity line and how much they will borrow.

Additionally, the quantitative results from the two-step model show lenders the demographics of customers who use home equity lines. Knowing the makeup of more likely customers enables advertising and marketing programs to be tailored for maximum effectiveness.

**Research Details:** This research paper first shows a theoretical model that determines when people who need to borrow money will use a home equity loan. Using a large set of variables, all tracked by the Consumer Finance Monthly Survey, the theoretical model is fitted to real world data to determine exactly how home equity line and borrower characteristics influence the decision to carry or not carry home equity debt. Then the research estimates the amount of home equity debt actually borrowed by individuals.

A second part of the research shows when customers switch from borrowing money on their home equity line to borrowing on their credit cards. The research shows not only that the two lines of credit are substitutes, but also shows lenders how to calculate the switching point, which is the combination of rates and costs that make borrowers change from one type of lending to the other.

**Research Title:** *Consumer Lines of Credit: The Choice between Credit Cards and Home Equity Lines of Credit*

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