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Second Mortgage Survey, 1979

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SECOND MORTGAGE SURVEY, 1979

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Abstract

Second mortgage lending has grown rapidly in recent years as inflation has increased homeowner equity rapidly at the same time that creditors' protections have been eroded on many other types of consumer loans. The burgeoning growth in the second mortgage market has also kindled substantial interest in it. Thus, the National Second Mortgage Association (NSMA) commenced annual surveys of its members to learn more about the operations of the second mortgage market.

Only limited data were obtained in the 1978 survey. Thus, the NSMA collaborated with the Credit Research Center in 1979 to design a questionnaire and conduct a survey that would provide more comprehensive data on the second mortgage lending.

This study reports on major findings of that survey. Major findings were:

(1) Second mortgage lenders are experiencing extremely rapid growth in their credit outstanding. At year-end 1978, 45 NSMA members alone held $4 billion in second mortgages outstanding.

(2) Secondary market transactions are not uncommon in second mortgage lending but the majority of second mortgages are held by the originators.

(3) New second mortgages offered by most lenders had average maturities of six years, average homeowners equity of slightly over 20 percent, and average sizes ranging from slightly over $1,000 to over $27,000, depending on the institution.

(4) Losses on second mortgage loan portfolios were quite low, but delinquency rates were not.

(5) Second mortgage lenders were highly leveraged institutions that generally found their second mortgage lending to be quite profitable. They were profitable in spite of the fact that gross interest earnings averaged below 14.8 percent of average receivables.

(6) The overwhelming majority of second mortgage loans made by survey respondents were made to households, not businesses. Finally,

(7) The financial situation of second mortgage lenders varied substantially with the size of the lenders' second mortgage portfolio. For instance, the smallest lenders were the least leveraged and paid the highest rates to borrow, while the largest lenders made the smallest loans and paid the most to borrow.

The survey presents both aggregate results and results for each size group of lender for all items surveyed. Within each size group, data are presented to show-the highest, lowest, median, and average values for each item of information.

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Background

Because inflation has caused the market value of household equity to increase rapidly in recent years, many consumers are in a position to use the equity in their homes as collateral for loans. At the same time, rising costs of funds and operations, coupled with rate ceilings and restrictions on creditors' remedies have caused lenders to seek ways to make relatively large consumer loans at moderate rates, without taking excessive risk.

By pledging household equity under a second mortgage, consumers have found that they can borrow sufficient funds to meet their cash needs during inflationary times. Also, second mortgage loans provide one way for lenders to extend relatively large loans with low risks of default. Thus, second mortgage lending has grown rapidly in popularity with both borrowers and lenders in recent years.

In spite of its growth, there is a paucity of statistics on the nature and operations of the second mortgage market. Very little has been known about the characteristics of second mortgage instruments (their terms, sizes, and equity requirements), their delinquency and loss performance, and the nature and size of primary and secondary markets for second mortgages.

The National Second Mortgage Association (NSMA) has attempted to fill gaps in this information by asking all of its members to complete a survey describing their operations in the second mortgage markets for the business year 1978. A similar survey was conducted in 1978 for the business year 1977; however, only a limited number of useful responses to a narrow spectrum, of questions were obtained in that 1977 survey. Consequently, the NSMA entered into a cooperative arrangement with the Credit Research Center (CRC) of Purdue University to undertake a survey of its members during the last half of 1979.

CRC worked with the NSMA to develop a questionnaire in the spring of 1979. At mid-year, 107 questionnaires were mailed out. Two were undeliverable. Forty-five were completed. The number completed was nearly twice as great as in 1978. This fact, plus the fact that more detailed questions were asked in 1979, allowed more useful data and inferences to be drawn from the survey than was previously possible.

According to the NSMA, their analysis of a list of respondent's code numbers indicated that, at most, only two of their largest members had failed to respond to the survey by September. Later, two more responses from large second mortgage holders were received. Consequently, the data compiled in this survey apply to a substantial portion of the rapidly growing second mortgage markets. At year-end 1978, survey respondents held approximately $4 billion in second mortgages.

This summary of the survey results is divided into seven sections. Section II briefly describes the survey methodology. Section III discusses the volume of second mortgage loan originations, purchases, sales, and outstandings--both in total, and for survey members of different sizes. In addition, it draws inferences about the growth of second mortgage lending and the average size of second mortgage loans made, purchased, or sold by different sizes of second mortgage lenders.

Section IV focuses on key operating statistics provided by survey respondents. In particular, it looks at leverage and debt/equity ratios for second mortgage lenders, interest expenses on their borrowings, and gross returns on equity. Data provided by respondents in Section IV were not uniform. In particular, measures of amounts and costs of borrowings undoubtedly differed substantially for commercial banks, mortgage banking companies, and other second mortgage lenders. Yet, there was no way to determine which respondents were banks or mortgage banks. As a result, many data could not be used in the analysis, because they did not appear to apply solely to second mortgage lending.

Section V discusses the characteristics of second mortgage loans made to households and businesses, and the nature of institutions making each type of loan. Unfortunately, only a limited number of respondents were able to provide some of these data.

Section VI analyzes the divergent delinquency and loss statistics reported by the respondent firms. Finally, Section VII summarizes the data presented in the-survey and explains how they vary for different sizes of institutions in the second mortgage markets. Size-related differences in delinquencies, risk aversion, costs of funds, loan terms, loan sizes, business mortgage origination, secondary market participation, and leverage ratios are noted.

An Appendix presents the survey form used to obtain data for the survey. Suggestions for future improvement in the questionnaire are noted in the Appendix.

II. Survey Methodology

The NSMA mailed the questionnaire shown in the Appendix to all of its members in the middle of 1979. Each survey was accompanied by a letter with the return address of CRC. Each survey was identified only with an identification number, so the responses could be kept confidential.

The first responses to the survey were received at CRC in July. In August, the NSMA checked a list of respondent numbers against the list of members to whom it had sent questionnaires. They then called two large members who had not yet returned their questionnaires. Subsequently, additional survey responses were received, including two from large institutions. Thus, it is likely that all of the largest members of the NSMA responded to the request for information.

Coverage of the smaller members of the NSMA was not as complete. Many of the smaller firms were not able to provide detailed responses to a number of the questions. Also, several firms were able to respond only to certain parts of the questionnaire--for instance they only purchased or sold second mortgage paper. Finally, at least one NSMA member reported that it did not return the questionnaire as it held no second mortgage loans. Thus, the overall response rate to the questionnaire was slightly under 50 percent.

In total, 45 responses were received to the questionnaire. Of those, 41 were classed into groups according to the amount of their second mortgage outstandings. The four nonclassifiable responses included three institutions that primarily originated and sold second mortgage loans. Two of those three held no second mortgage balances outstanding at all, while the third held only a very nominal amount. The fourth unclassified response was from an institution that specialized in buying second mortgages. Since the servicing of their second mortgages was conducted by other institutions, it was able to provide only a few responses to the questionnaire.

Data were aggregated by the size of the institutions, in conformance with the procedure used in NSMA's 1978 survey. However, the size groupings were not the same. Because of the greater number of responses and the fact that a number of institutions held similar amounts of second mortgages, the survey data were divided into five groups according to the amount of second mortgage loans outstanding. Those categories and (in parentheses) the number of respondents in each were: $0-5 million (8), $5-15 million (9), $20-45 million (9), $50-125 million (6), and $199 million and over (9).

For each group, the following data were reported for each item: the average value for that size group, the high value for that group, the low value for that size group, and the median value for that size group. These data allow respondent institutions to compare their characteristics with the high, low, or median characteristics of other institutions with similar size holdings of second mortgages. However, each characteristic was treated independently. Hence, high, low or median value responses for different items do not necessarily apply to the same institution.

In addition to high, low, and mean values for each characteristic, average values are reported for that characteristic for each size group. For comparison purposes, overall averages (based on data from all respondents) are presented for each characteristic surveyed.

The total number of respondents that provided usable data for each item is summarized on the table providing data for the largest size group. In addition, the number of respondents whose data are included in group averages is reported with each average. Response rates to particular questions frequently are low because some respondents did not answer the questions. Also, some responses were not usable.

A number of adjustments had to be made in the data to make sure that responses given by various institutions were mutually consistent. In two cases the total number of second mortgage loans reported for the last quarter did not equal the sum of the household loans and non-household loans. In these cases the total was adjusted to make it equal to the sum of its parts.

Eight of the respondents reported figures for their average net receivables which were very low relative to their total year-end receivables. They may have reported year-end receivables divided by 12 for their average receivables. Rather than assume that this calculation had been made, we decided not to use their data in calculating the ratio of average borrowings to average net receivables.

Respondents often included unearned finance charges in reporting outstanding delinquent loans. It became apparent that unearned finance charges were included in outstandings because the amounts reported as current or delinquent exceeded the total amount of receivables outstanding. In these (17) cases, we calculated the ratio of reported total receivables to total (delinquent plus current) loan balances outstanding and used it to deflate each of the delinquent categories. Delinquency percentages should be little affected, because the same ratio was applied to total loan balances as to delinquent loan balances in each delinquency category. In general, it was our intent to calculate delinquent principal balances as a percentage of outstanding principal balances, excluding any unearned finance charges.

Finally, a number of institutions that engaged in several lines of business were unable to identify the revenues, interest costs, and profits that were applicable only to their second mortgage loans. However, many of them did estimate the relative importance of their second mortgage loans in their total loan portfolios, and provided data on their total operations. In those cases we prorated interest costs and total borrowings by the proportions of second mortgage loans in their portfolios before using the data.

Overall, the respondents did a conscientious job of filling out the questionnaires. The major problem was that some of them did not keep data in the manner that was requested by the questionnaire. The adjustments described above should facilitate accurate comparison among institutions. In subsequent years, modifications of the questionnaire should further enhance comparability.

III. Loan Volume

Table 1 presents data on the amounts of second mortgage loans outstanding that were owned or serviced by each institution and the amounts of second mortgage loans that were originated, purchased, or sold by institutions in 1978. It also provides data on average net loans receivable and on the ratio of quarterly loan originations to total balances outstanding.

Table 1 also provides data on numbers of second mortgage loans. Information on the number of loans was divided into total dollar volumes to calculate average sizes of second mortgage loans outstanding, serviced, originated, purchased, or sold by all respondents. The average size of second mortgage loans made by all respondents to the survey was calculated both on a per loan and on a per institution basis within each size category. Because the average size of loan per institution might be very high or low for some small institutions, giving equal weight to the average value of second mortgages held by each institution could suggest that the average size of second mortgage loans was (on average) larger or smaller than it actually was.

Outstanding Loans

The data summarized in Table 1 indicate that reporting NSMA members held an average of nearly $100 million in second mortgage loans outstanding at year-end 1978. On average, each institution held a portfolio of second mortgages that had an average outstanding balance of $7,500. However, the largest institutions held considerably smaller mortgages than the others. As a result, the average size of second mortgage loans held was slightly over $3,000.

Loan Servicing

Four institutions included in the tables serviced second mortgage loans for others. One of those institutions held a relatively small amount of second mortgage loans for its own account but serviced nearly $20 million worth of second mortgage loans. The other three institutions held substantial amounts of second mortgages for their own account and serviced additional mortgage loan portfolios with an average value of $16 million. In addition, three institutions only serviced second mortgages. They held zero or negligible amounts of second mortgage loans for their own account. Because they reported very little data, they were not included in the tables. Those institutions each serviced, on average, $6-1/4 million in second mortgage loans. Thus, respondent institutions, in total, serviced less than $100 million in second mortgages. This is very small relative to the nearly $4 billion in second mortgages that all NSMA respondents held in their loan portfolios.

The average size of a loan serviced, at $8800 per institution, was larger than the average size loan ($7700) held by institutions' in their own portfolios.

Loans Originated

The total amount of loans originated during the past year averaged $66 million per institution, a very substantial figure relative to the $92 million in loans outstanding at the end of the fiscal year. This suggests that NSMA members are rapidly expanding their holdings of second mortgage loans. Further, the average size of new second mortgage loans is larger than the average size of existing second mortgage loans. Newly originated second mortgage loans averaged $10,000 at the typical respondent institution. However, the largest respondents originated considerably smaller ($3,000) loans.

Loan Purchases

Second mortgage loans were not purchased by a large number of institutions. Most institutions that purchased second mortgage loans held $5 to $45 million in second mortgage outstandings. They had purchased, on average, slightly under $5 million of second mortgage loans during the year. Three of the largest institutions also purchased second mortgage loans, but their net purchases were even smaller, on balance, than those of the smaller NSMA members.

Loan Sales

Only seven of the respondent institutions (whose data are summarized in the table, plus the three whose data are not) reported selling second mortgage loans. Institutions of nearly all size categories sold second mortgage loans. However, it appears that second mortgage loan sales activity is not yet extensive. Only ten out of 45 institutions reported selling second mortgage loans and only 13 reported buying second mortgage loans. This indicates that there are active secondary markets for second mortgage loans but most of these institutions do not participate in them.

Loan Volume

Growth in second mortgage loans outstanding has been very rapid. The last quarters' volume equaled 30 percent of the amount outstanding at the reporting institutions. This rapid growth is primarily due to the fact that the institutions that hold the largest amount of second mortgage loans have grown very rapidly. The ratio of the last quarter's loan volume to loan outstandings averaged 34 percent for institutions with the largest ($199 million plus) second mortgage loan holdings. In contrast, most of the other institutions had quarterly volume to out- outstandings ratios closer to 20 percent--which is still substantial but far below the ratios applicable to the largest institutions.

Some of this volume may be due to refinancings of existing loans-particularly refinancings that occurred in the last quarter of the year. Thus, until data become available on refinancings, it will not be possible to determine what portion of this volume represents true growth and what portion merely represents refinancing of existing balances.

IV. Key Operating Statistics

From statistics reported by approximately half of the NSNA respondents on second mortgage outstandings, average amount borrowed, interest expenses, interest income and average equity, it is possible to draw a number of interesting conclusions. (Table 2).

The major conclusion that can be drawn from Table 2 is that second mortgage lending is a highly leveraged business. The average borrowings of second mortgage lenders, relative to their second mortgage loans outstanding at yearend, were close to 90 percent. This was true for every size category of lender analyzed. Relatedly, the average borrowings of survey respondents were almost four times average equity. While the average ratio of borrowings to receivables ranged only from 86.9 to 91.9 percent for various size categories of institutions, the ratio of borrowings to equity varied widely. The smallest size category of second mortgage holders had almost as much equity as debt, while the intermediate size categories held five times as much debt as equity.

The average borrowing ratio may have been lower for the smallest second mortgage market participants because they paid the highest ratio of interest to average borrowings (9.72%). In contrast, the holders of the largest amounts of second mortgages paid interest that was, on average, less than or equal to eight percent of their total average borrowings.

Overall, the average interest expense ratio was approximately eight percent, but this may have been understated. Some of the very largest respondents appeared to be commercial banks who stated their interest expense but did not include the costs of servicing deposits as a cost of obtaining funds. Because they paid relatively low rates on deposits, their inclusion in calculations of average interest expenses lowered the ratio of average interest expense to total borrowings.

The ratio of gross interest income to average equity generally was higher for institutions that were more highly leveraged. Of course, the more highly leveraged institutions had to pay more interest on their borrowings, in addition to mortgage service costs before they received a net return on their average equity. As a result, ratios of net earnings to average receivables did not vary widely among size categories--except for one category where one institution reported losses equal to one-quarter of its second mortgage receivables. Overall, net earnings equaled 3.6 percent of average receivables outstanding. However, only 18 institutions reported sufficient data for this statistic to be calculated. While the ratio of net earnings to average receivables did not vary widely (except as noted above) the ratio of pretax income to gross income varied widely for different institutions--even though the institution with large losses was excluded from the calculation.

V. Loan composition and Terms

Respondents to the survey were asked to segregate their second mortgage lending activities by household versus other purposes during the last quarter of their fiscal year. The household share of second mortgage lending predominated (Table 3). Of 28 institutions that were able to report this information in a usable form, only eight made loans for other than household purposes. Those eight still made over 90 percent of their loans and 75 percent of their dollar volume of second mortgage loans to households. Thus, overall, loans made for household purposes, as reported by the 28 respondents, accounted for 99 percent of the number (and 97 percent of the dollar volume) of their second mortgage lending.

Non-household loans, on average, were substantially larger than loans made to households. They averaged over $15,000 each in contrast to an average size household loan of about $4,200.

Respondents were also asked to describe the typical terms on their new second mortgage loans: the average maturity and the maximum ratio of loan to appraised equity. For all respondents combined, the average maturity of second mortgage loans offered was slightly in excess of six years. The average maturity was longest for the $50 to $125 million category of respondents. It averaged over eight years. It was the shortest for the $20 to $45 million category, with an average maturity of four and one-half years.

Institutions' maximum ratio of loans to appraised equity averaged slightly under eighty percent. It was over 80 percent only for the largest two categories of respondents and was only about 70 percent for the smallest category of respondents.

Based on the leniency of loan maturities and loan-to-equity ratios that were granted by institutions in the $50 to $125 million size category, one would expect that they were willing to take slightly more risk than other institutions. In the next section we analyze comparative delinquency and charge-off statistics for different size classes of institutions.

VI. Delinquency and Loss Statistics

Information obtained in the survey revealed a wide variety in the way firms calculate their delinquency statistics. Some institutions make no provision for "curing" delinquencies. If an individual misses a payment, that loan is subsequently considered delinquent until it is fully repaid. In contrast, other institutions consider a loan current so long as the borrower is making current payments regularly--even if total payments since its origination are one or two payments in arrears. In addition, some institutions report their delinquencies as principal balances delinquent, while other institutions report their delinquencies as the sum of principal balances plus unearned finance charges outstanding on delinquent loans. As previously noted, wherever we observed that the latter type of reporting had been used, we converted the delinquency statistics to a principal balance basis. Finally, it should be noted that delinquent loans tended to be smaller than other loans. Consequently, delinquent percentages based on the number of loans delinquent were much higher than delinquency statistics reported as a percentage of outstanding principal balances delinquent.

Uniform data were most readily available for delinquent balances at least 60 days past due. The data, reported in Table 4, indicate that less than two percent of all outstanding second montage loan balances were delinquent more than 60 days, and only 1-1/4 percent of outstanding second mortgage loan balances were delinquent more than 90 days.

Delinquency statistics varied substantially with the size of institution. The largest institutions had relatively high delinquencies. Their 60 day delinquencies exceeded four and one-half percent and their 90 day delinquencies equaled 3-1/4 percent. At the other extreme, the $50 to $125 million classification of respondents had the lowest delinquency statistics. This is surprising since members of that group reported that they made loans with the longest-maturities and highest loan to appraised equity ratios. Less, than one-half of one percent of their loans were delinquent for more than 60 days, and only about one quarter of one percent of their loans were delinquent over 90 days.

Charge-off experience tended to parallel delinquency experience. For all respondents, the ratio of charge-offs to average outstanding balances was .76 percent. This percentage was highest for the smallest and largest size categories of respondents, at eight- or nine-tenths of one percent. Charge-offs were smallest for holders of $5 to $15 million in outstanding receivables, at 0.12 percent.

Overall, recoveries on charged-off loans averaged 0.3 percent. Recoveries tended to be highest for those categories of second mortgage lenders that had the highest charge-off rates. The largest size category of respondents had a recovery rate of 0.37 percent, which left it with a net loss rate of slightly below 112 of one percent. The smallest size category *of* respondents had a recovery rate of 0.4 percent, which left it with a net charge-off rate of 0.4 percent. The $5 to $15 million size category *of* respondents had practically no recoveries, but also had miniscule charge-offs. Thus, their net loss rate was only slightly more than 0.1 percent.

Reserves for losses varied widely among institutions. The size categories with the lowest loss experiences tended to keep the smallest reserves for losses. Thus, the $50 to $125 million category kept loss reserves equal to 0.8 percent of outstandings. The largest category of respondents, which had the highest loss rate, maintained the largest reserve for losses--at 3.24 percent. This raised the full sample's average reserve for losses substantially (to 2.58 percent) due to the great influence of the large size category on the aggregate statistics.

The only exception to the rule that loss reserves paralleled recent loss experiences existed in the $0 to $5 million size category.

Overall, net loss experiences on second mortgage loans were relatively low--with net losses ranging from 0.1 to 0.5 percent of average receivables outstanding in the preceding year. Rapid growth in the amount of receivables outstanding, coupled with the fact that payment problems may not show up immediately after a loan is made, suggest that the loss ratio may rise somewhat in the future. Losses could also rise if home prices and equity values do not continue to rise as rapidly as they have in the past. Nonetheless, NSMA survey respondents had very favorable loss experience on their second mortgage loans. Their loss rate was no higher than the average loss rate experienced by commercial banks on their consumer installment lending. It also was substantially below loss rates reported by finance companies on their consumer installment lending.

VI. Variations Among Size Groups---Summary

Throughout this discussion it has been noted that there is substantial variation in the operations of different size classes of institutions. The largest size class showed the largest growth rate in second mortgage holdings. That group also tended to originate and hold relatively small average size second mortgage loans. They also made loans of relatively short maturity. Possibly because they had aggressively expanded into the second mortgage markets in recent years, as a group their loss experience was one of the highest. Their delinquency rates were also relatively high, which indicated their possible losses might be substantial in the future. However, they had prepared -for possible losses by setting aside substantial loss reserves. This group did not participate actively in the secondary mortgage markets. Finally, it had the lowest cost of funds of any group.

The $50 to $125 million size category of second mortgage holders extended loans on the most lenient terms, both as far as down payments and maturities were concerned. However, they did not experience substantial losses in spite of their leniency. In fact, their net asses were among the lowest of all categories of institutions surveyed.

The leverage ratio for institutions holding $50 to $125 million in mortgages was among the highest of all the institutions surveyed, but their interest expense was not excessively high. Their gross earnings indicated that they could well afford to pay the interest due on their borrowings and still retain a substantial net profit on their second mortgage loan operations.

This size group also appeared to include the most aggressive lenders in the non-household area--albeit for them, as for all institutions--their non-household loan second mortgage lending accounted for a relatively small fraction of their second mortgage loan portfolio.

The $20 to $45 million size category of respondents made loans with about the same maturities, delinquencies, and losses as other respondents. However, their loans were of shorter than average maturities. Also, they participated more extensively than other size classes of institutions in buying and selling second mortgage loans in the secondary mortgage market. Two-thirds of the institutions in the $20 to $45 million category had purchased loans in the secondary mortgage markets in the last year.

Institutions in the $20 to $45 million category were highly leveraged. They paid relatively high rates on their borrowed funds, yet they still reported the highest net rate of return on their second mortgage loan operations. The ratio of their gross interest income to average receivables (at 15.4 percent) was among the highest of any size category. This fact undoubtedly had favorable effect on their net earnings ratio.

The $5 to $15 million size category of institutions was substantially below average both in the rate at which it charged-off consumer loans and in total delinquency rates. This was so in spite of the fact that the average respondent in this group granted relatively long average maturities on new consumer loans.

The $5 to $15 million in receivables group paid slightly higher than average interest relative to their receivables, and were substantially less leveraged than average (as measured by the ratio of their borrowings to their average equity). Because of high losses at one institution, their average net profits were the lowest *of* any group.

Members in the smallest size category of respondents were among the least leveraged *of* all the respondents. They also had the highest interest expense ratio on their borrowings. Their high interest expense could explain why they were more reluctant to take on debt to finance second mortgage acquisitions than other institutions in the survey.

The smallest holders had average net rates of return on second mortgages, even though the ratio of their gross interest income to their receivables was the highest of any group. Their delinquencies were somewhat above average, and their loss rate was about average. These institutions participated very little in the secondary mortgage markets, though two out of the eight institutions in this size category were net sellers of second mortgages. Not surprisingly, this size category so had the lowest rate of growth of all the size categories analyzed.

Overall, the statistics provided by the NSMA survey respondents indicate that considerable diversity exists in the type of operations engaged in by NSMA members. Significant variations exist among members with respect to their participation in secondary mortgage markets, credit terms, delinquency and loss experience, leverage ratios, and cost of borrowing. However, the uniformly high ratio of originations to year-end receivables suggests that all size categories of second mortgage holders experienced rapid growth in the survey year.

Table 1. Second Mortgage Loan Flows and Outstandings

Category: Respondents with $199 Million or Over in Outstandings Total – 9 Responses*

		High	Low	Median**	Average	Full Sample/Overall Average +
Year-end Net Outstandings	**(8)**	$579,789,900	199,130,000	359,836,500	361,747,113	92,301,530 (40)
Owned	**(9)**	# 361,511	27,058	58,293	116,396	30,320 (40)
Avg./Institution	**(8)**	$ 9,677	894	8,000	6,121	7,496 (39)
Overall Avg./Loan	**(8)**	$			2.872	3,135 (39)
Serviced Only		$				16,180,550 (4)
	(0)	#				2,104 (4)
Avg. Institution		$				8,838 (4)
		$				7,689 (4)
Amt. Originated	**(7)**	$440,532,000	180,231,000	296,530,000	292,431,286	66,616,912 (39)
	(8)	# 344,645	16,342	34,676	90,104	21,245 (39)
Avg./Institution	**(7)**	$ 11,165	1,278	8,841	6,680	9,697 (38)
Overall Avg./Loan	**(7)**	$			1 2,937	3,225 (38)
Amt. Purchased	**(3)**	$ 7,284,000	32,000	760,0001	2,692,000	4,105,767 (12)
	(3)	# 4,878	79	955	1,971	1,372 (11)
Avg./Institution	**(3)**	$ 1,493	405	796	898	6,723 (11)
Overall Avg./Loan	**(3)**	$			1,366	2,690 (11)
Amt. Sold	**(2)**	$ 12,230,000	1,546,000		6,888,000	11,621,491 (7)
	(1)	# 11,067				3,031 (6)
Avg./Institution	**(1)**	$ 1,105				9,569 (6)
Overall Avg./Loan		$				4,403 (6)
Average Net Loans Receivable	**(6)**	$609,239,200	167,370,000	320,467,500	333,711,533	87,946,593 (29)
Quarterly Originations Outstandings	**(6)**	72.0	17.0	29.0	34.3	30.97 (31)

*The number of useful responses to each survey item is shown in parentheses by the item.

**For an even number of responses, the median is the average of the middle two.

+The number included in the average is shown in parentheses.

Table 1. Continued
Category: $50 - $125 Million in Second Mortgages Outstandings Total – 6 Responses*

		High	Low	Median**	Average	Full Sample/Overall Average +
Year-end Net Outstandings	(6)	$107,675,000	52,890,000	61,299,000	67,968,333	92,301,530
Owned	(6)	#39,457	4,283	8,239	13,212	30,320
Avg./Institution	(6)	$14,935	2,729	6,482	7,456	7,496
Overall Avg./Loan	(6)	$			5.144	3.135
Serviced Only	(1)	$ 26,769,000				16,180,550
	(1)	#2,279				2,104
Avg. Institution	(1)	$11,746				8,838
		$				7,689
Amt. Originated	(6)	$ 66,461,000	28,910,000	46,8539500	47,223,500	66,616,912
	(6)	# 26,726	2,789	4,650	8,682	21,245
Avg./Institution	(6)	$ 16,266	2,240	8,234	8,780	9,697
Overall Avg./Loan	(6)	$			5,439	3,225
Amt. Purchased	(0)					4,105,767
						1,372
Avg./Institution						6,723
Overall Avg./Loan						2,690
Amt. Sold	(1)	$ 28,800,000				11,621,491
	(1)	# 2,382				3,031
Avg./Institution	(1)	$ 12,091				9,569
Overall Avg./Loan						4,403
Average Net Loans Receivable	(4)	$101,118,000	47,569,000	48,944,500	65,562,250	87,946,593
Quarterly Originations Outstandings	(6)	% 40.0	14.0	18.5	20.23	30.97

* The number of useful responses to each survey item is shown in parentheses by the item.
** For an even number of responses, the median is the average of the middle two.

Table 1. Continued

Category: $20 - $45 Million in Second Mortgages Outstandings Total – 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Year-end Net Outstandings	(9)	$ 43,987,000	23,939,000	34,800,000	32,473,556	92,301,530
Owned	(9)	# 31,999	1,765	3,538	7,900	30,320
Avg./Institution	(9)	$ 24,922	1,187	7,787	8,595	7,496
Overall Avg./Loan	(9)	$			4,110	3,135
Serviced Only	(2)	$ 11,121,200	8,019,000		9,570,100	16,180,550
	(2)	# 2,846	850		1,848	2,104
Avg. Institution	(2)	$ 13,084	2,818		7,951	8,838
	(2)	$			5,179	7,689
Amt. Originated	(9)	$ 40,246,000	2,369,000	19,977,000	21,059,000	66,616,912
	(9)	# 30,850	132	11900	4,957	21,245
Avg./Institution	(9)	$ 27,589	1,305	10,578	11,860	9,697
Overall Avg./Loan		$			4,248	3,225
Amt. Purchased	(6)	$ 23,995,000	127,200	1,454,500	4,958,700	4,105,767
	(6)	# 4,998	5	1,054	1,493	1,372
Avg./Institution	(5)	$ 25,440	875	3,824	8,118	6,732
Overall Avg./Loan	(6)	$			3,321	2,690
Amt. Sold	(2)	$ 11,121,200	7,284,000		9,202,600	11,621,491
	(2)	# 2,189	850		1,520	3,031
Avg./Institution	(2)	$ 13,084	3,328		8,206	9,569
Overall Avg./Loan	(2)	$			6,056	4,403
Average Net Loans Receivable	(8)	$ 38,078,000	14,439,000	26,989,500	26,875,500	87,946,593
Quarterly Originations Outstandings	(8)	% 66.0	2.7	21.5	23.67	30.97

*The number of useful responses to each survey item is shown in parentheses by the item.

**For an even number of responses, the median is the average of the middle two.

Table 1. Continued

Category: $5 - $15 Million in Second Mortgages Outstandings Total – 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Year-end Net Outstandings	(9)	$ 13,773,000	5,869,000	7,054,000	8,603,989	92,301,530
Owned	(8)	# 2,177	444	1,084	1,092	30,320
Avg./Institution	(8)	$ 14,000	4,734	7,919	8,805	7,496
Overall Avg./Loan	(8)	$			7,286	3,135
Serviced Only		$				16,180,550
	(0)	#				2,104
Avg. Institution		$				8,838
		$				7,689
Amt. Originated	(9)	$ 8,523,000	2,405,000	5,685,000	5,414,663	66,616,912
	(8)	# 1,359	182	615	635	21,245
Avg./Institution	(8)	$ 16,867	6,272	9,505	10,551	9,697
Overall Avg./Loan	(8)	$			9,060	3,225
Amt. Purchased	(3)	$ 11,007,000	364,000		4,615,333	4,105,767
	(2)	# 182	39		111	1,372
Avg./Institution	(2)	$ 13,214	9,333		11,274	6,723
Overall Avg./Loan	(2)	$			12,529	2,690
Amt. Sold		$				11,621,491
	(0)	#				3,031
Avg./Institution		$				9,569
Overall Avg./Loan		$				4,403
Average Net Loans Receivable	(5)	$ 9,632,000	3,580,000	6,798,000	6,971,400	87,946,593
Quarterly Originations Outstandings	(8)	%32.0	13.0	19.5	20.69	30.97

*The number of useful responses to each survey item is shown in parentheses by the item.

**For an even number of responses, the median is the average of the middle two.

Table 1. Continued
Category: $0 - $5 Million in Second Mortgages Outstandings Total – 8 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Year-end Net Outstandings	(8)	$ 4,908,000	682,000	1,920,204	2,572,051	92,301,530
Owned	(8)	# 3,280	61	239	825	30,320
Avg./Institution	(8)	$ 11,689	1,118	7,807	7,285	7,496
Overall Avg./Loan	(3)	$			3,119	3,135
Serviced Only	(1)	$ 18,813,000				16,180,550
	(1)	# 2,442				2,104
Avg. Institution	(1)	$ 7,704				8,833
		$				7,689
Amt. Originated	(8)	$ 5,282,789	295,000	3,025,000	3,679,599	66,616,912
	(8)	# 3,195	16	369	739	21,245
Avg./Institution	(8)	$ 18,438	1,278	10,280	9,773	9,697
Overall Avg./Loan	(8)	$			4,977	3,225
Amt. Purchased		$				4,105,767
	(0)	#				1,372
Avg./Institution		$				6,723
Overall Avg./Loan		$				2,690
Amt. Sold	(2)	$ 11,236,000	9,133,241		10,184,621	11,621,491
	(2)	# 1,127	512		820	3,031
Avg./Institution	(2)	$ 17,838	9,970		13,904	9,569
Overall Avg./Loan	(2)	$			12,428	4,403
Average Net Loans Receivable	(6)	$ 23,092,000	941,000	2,852,797	6,015,266	87,946,593
Quarterly Originations Outstandings	(3)	$ 20.0	13.0	13.7	14.50	30.97

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.

Table II. Operating Statistics
Size: Year End Outstanding $199 Million or Over Total – 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Avg. Borrowings	(4)	$385,896,000	187,327,000	252,775,500	269,693,500	64,063,023 (24)
as % of Avg. Receivables	(4)	% 105.0	76.0	85.0	88.02	88.66 (18)
as % of Avg. Equity	(4)	5.75	2.84	4.66	3.69	3.88 (21)
Int. Expense	(4)	$ 32,354,000	12,255,000	19,926,500	21,115,500	4,755,986 (26)
as % of Avg. Borrowings	(6)	% 8.4	5.2	7.0	7.83	7.96 (26)
Int. Income	(3)	$ 92,952,000	3,917,000	33,903,000	43,590,667	7,479,805 (26)
as % of Avg. Equity	(3)	% 112.0	10.2	58.8	63.8	61.11 (22)
as % of Avg. Receivables	(3)	% 25.2	1.8	11.9	15.0	14.8 (16)
Pretax Income as % of Avg. Receivables	(3)	% 6.1	1.0	1.7	3.4	3.6 (18)
as % of Interest Income	(5)	%55.1	12.2	17.4	17.0	17.8 (20)

* The number of useful responses to each survey item is shown in parentheses by the item.
** For an even number of responses, the median is the average of the middle two.
* The number included in the average is shown in parentheses.

Table II. Operating Continued
Category: $50-$125 Million in Second Mortgage Outstanding Total - 6 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Avg. Borrowings	(5)	$ 77,930,000	38,500,000	53,317,000	56,527,400	64,063,023
as % of Avg. Receivables	(4)	% 142.0	77.0	82.5	91.1	88.66
as % of Avg. Equity	(5)	20.95	2.78	6.10	5.11	3.88
Int. Expense	(5)	$ 7,352,000	3,567,000	3,911,000	4,553,000	4,755,986
as % of Avg. Borrowings	(5)	10.2	4.0	7.9	8.05	7.96
Int. Income	(5)	$ 11,652,000	451,000	7,773,000	7,298,400	7,479,805
as % of Avg. Equity	(5)	391.0	7.1	74.0	65.95	61.11
as % of Avg. Receivables	(5)	18.1	11.5	11.9	13.2	14.8
Pretax Income as % of Avg. Receivables	(3)	% 5.3	2.9	4.5	4.2	3.6
as % of Interest Income	(3)	% 39.1	24.1	29.2	31.9	17.8

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.

Table II. Operating Continued
Category: $20-$45 Million in Second Mortgage Outstandings Total - 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Avg. Borrowings	(6)	$ 33,052,000	1,303,700	27,003,000	23,598,783	64,063,023
as % of Avg. Receivables	(5)	% 100.0	70.7	91.2	88.28	88.66
as % of Avg. Equity	(3)	% 11.36	2.91	6.58	5.14	3.88
Int. Expense	(6)	$ 2,498,731	183,405	2,449,500	1,630,689	4,795,986
as % of Avg. Borrowings	(6)	% 14.0	7.56	8.65	8.65	7.96
Int. Income	(6)	$ 5,520,000	305,000	4,718,476	3,464,806	7,479,805
as % of Avg. Equity	(3)	110.0	7.7	15.2	40.98	61.11
as % of Avg. Receivables	(3)	% 16.7	14.5	15.3	15.4	14.8
Pretax Income as % of Avg. Receivables	(5)	% 5.6	2.2	5.0	4.4	3.6
as % of Interest Income	(4)	% 34.5	11.6	17.9	21.0	17.8

* The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.

Table II. Operating Continued
Category: $5-$15 Million in Second Mortgage Outstandings Total - 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Avg. Borrowings	(5)	$ 9,557,200	2,087,000	5,244,000	5,861,925	64,063,023
as % of Avg. Receivables	(3)	% 106.0	76.0	77.0	89.06	88.66
as % of Avg. Equity	(5)	3.51	1.00	3.10	2.71	3.88
Int. Expense	(6)	$ 380,000	118,000	542,000	501,580	4,755,986
as % of Avg. Borrowings	(5)	% 9.7	2.6	9.2	8.24	7.96
Int. Income	(5)	$ 1,630,195	51,000	430,000	672,439	7,479,805
as % of Avg. Equity	(5)	% 74.8	3.5	20.7	36.27	61.11
as % of Avg. Receivables	(3)	% 18.2	.8		13.2	14.8
Pretax Income as % of Avg. Receivables	(4)	15.7	-24.2	6.1	.2	3.6
as % of Interest Income	(3)	% 48.9	4.4	21.1	28.9	17.8

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.

Table II. Operating Continued
Category: $0-$5 Million in Second Mortgage Outstandings Total - 8 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Avg. Borrowings	(4)	$ 3,056,000	300,000	2,447,834	2,062,917	64,063,023
as % of Avg. Receivables	(3)	% 92.0	81.8		86.90	88.66
as % of Avg. Equity	(4)	% 6.37	.439	1.23	1.03	3.88
Int. Expense	(5)	$365,000	38,269	249,768	233,407	4,755,986
as % of Avg. Borrowings	(4)	% 12.8	8.1	10.2	9.72	7.96
Int. Income	(7)	$ 899,000	83,000	230,000	437,128	7,479,805
as % of Avg. Equity	(6)	% 269.0	1.20	107.5	31.21	61.11
as % of Avg. Receivables	(4)	% 38.9	13.1	21.2	22.9	14.8
Pretax Income as % of Avg. Receivables	(3)	% 7.1	2.1	2.2	3.6	3.6
as % of Interest Income	(5)	% 29.2	8.0	17.9	14.4	17.8

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.

Table III. New Loan Composition and Terms in the Last Quarter
Category- $199 Million or Over in Year-end Outstandings Total - 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Household, #	(4)	#98,582	6,913	22,407	36,327	6,152 (28)
% of total loans	(4)	%100.00	100.00	100.00	100.00	99.01 (29)
$ volume	(4)	$ 303,889,000	36,807,000	124,062,500	147,205,250	26,550,750 (28)
% of total volume	(4)	%100.00	100.00	100.00	100.00	97.0 (27)
Avg./Institution	(4)	$ 11,933	1,301	7,102	6,859	9,499 (27)
Overall Avg.	(4)				4,052	4,239 (27)
Other Purposes , #						215 (8)++
% of total loans						0.99 (8)++
$ volume	(0)					3,496,000 (7)
% of total volume						3.0 (7)
Avg./Institution						35,709 (7)
Overall Avg.						15,384 (7)
Total , #	(6)	# 107,642	6,913	22,407	43,575	9,358 (31)
$ volume	(7)	$ 303,889,000	36,807,000	121,789,000	133,639,143	34,669,969 (32)
Avg./Institution	(6)	$ 11,933	1,197	7,101	6,708	11,375 (30)
Overall Avg.	(6)	$			3,122	3,255 (30)
Loan Terms on Consumer Loans						
Avg. Maturity	(7)	mos. 114	36	52	70.1	74.9 (32)
Avg. Ratio Loan/Appraised Equity	(5)	% 85.00	78.00	80.00	81.60	77.3 (27)

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of 'he middle two.
+ The number included in the average is shown in parentheses.
++ For the 8 respondents who originated loans for other than consumer purposes, the # of loans averaged 9.4% of their total portfolio. The $ volume reported by 7 of these respondents averaged 25%' of their portfolios.

Table III. Continued
Category: $50-$125 Million in Second Mortgage Outstandings Total - 6 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Household, #	(6)	6,252	628	1,028	2,009	6,152
% of total loans	(6)	100.00	72.00	89.8	88.83	99.01
$ volume	(6)	18,408,000	7,691 000	10,036,000	10,865,167	26,055,750
% of total volume	(6)	100.00	40.7	81.4	74.16	97.0
Avg./Institution	(6)	16,479	1,230	10,198	9,845	9,499
Overall Avg.	(6)				5,409	4,239
Other Purposes , #	(5)	# 817	97	2 39	303	215
% of total loans	(5)	% 28	7.3	11.6	11.89	0.99
$ volume	(5)	$ 11,201,000	789,000	4,024,000	4,543,600	3,496,000
% of total volume	(5)	% 59.3	7.4	21.8	29.25	3.0
Avg./Institution	(5)	$ 21,423	8,134	13,710	14,636	35,709
Overall Avg.	(5)	$			14,995	15,384
Total , #	(6)	# 7,069	759	1,100	2,261	9,358
$ volume	(6)	$ 23,528,000	10,232,000	12,501,000	14,651,500	34,669,969
Avg./Institution	(6)	$ 16,483	2,673	10,536	10,290	11,375
Overall Avg.	(6)				6,480	3,255
Loan Terms on Consumer Loans						
Avg. Maturity	(4)	mos. 127	56	103	97.25	74.9
Avg. Ratio Loan/Appraised Equity	(4)	% 100.00	80.00	82.5	86.5	77.3

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.

Table III. Continued
Category: $20-$45 Million in Second Mortgages Outstandings Total - 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Household, #	(8)	# 7,747	18	484	1,641	6.152
% of total loans	(8)	% 100	75.6	100	98.50	99.01
$ volume	(7)	$ 20,161,000	247,000	6,240,000	8,095,407	26,055,750
% of total volume	(7)	% 100	23.8	100	95.71	97.0
Avg./Institution	(7)	$ 17,517	1,420	11,408	10,308	9,499
Overall Avg.	(7)				4,393	4,239
Other Purposes , #	(3)	# 122	5	73	67	215
% of total loans	(3)	% 24.4	4	21.7	5.93	0.99
$ volume	(2)	$ 1,730,000	813,000		1,271,500	3,496,000
% of total volume	(2)	% 76.7	7.9		11.08	3.0
Avg./Institution	(2)	$ 162,600	14,180		88,390	35,709
Overall Avg.	(2)	$			20,024	15,384
Total , #	(8)	# 7,747	23	484	1,666	9,358
$ volume	(8)	$ 21,891,000	1,060,000	6,807,425	8,396,856	34,669,969
Avg./Institution	(8)	$ 46,087	1,420	12,729	16,431	11,375
Overall Avg.	(8)	$			5,041	3,255
Loan Terms on Consumer Loans						
Avg. Maturity	(8)	mos. 82.2	33	48	53.15	74.9
Avg. Ratio Loan/Appraised Equity	(6)	%80	63.3	77.5	75.7	77.3

* The number of useful responses to each survey item is shown in parentheses by the item.
** For an even number of responses, the median is the average of the middle two.

Table III. Continued
Category: $5-$15 Million in Second Mortgages Outstandings Total - 9 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Household, #	(7)	# 354	71	138	170	6,152
% of total loans	(8)	% 100.00	100.00	100.00	100.00	99.01
$ volume	(8)	$ 2,696,000	910,000	1,891,500	1,821,770	26,055,750
% of total volume	(8)	100.00	138	100.00	100.00	97.0
Avg./Institution	(7)	16,139	5,912	10,291	11,380	9,499
Overall Avg.	(7)				9,982	4,239
Other Purposes , #						215
% of total loans						0.99
$ volume	(0)					3,496,000
% of total volume						3.0
Avg./Institution						35,709
Overall Avg.						15,384
Total , #	(7)	# 354	71	138	170	9,358
$ volume	(8)	$ 2,696,000	910,000	1,891,500	1,821,770	34,669,969
Avg./Institution	(7)	$ 16,139	5,912	10,291	11,380	11,375
Overall Avg.	(7)	$			9,982	3,255
Loan Terms on Consumer Loans						
Avg. Maturity	(7)	mos. 150	61.1	84	93.5	74.9
Avg. Ratio Loan/Appraised Equity	(6)	%85	60	77.5	75.5	77.3

*The number of useful responses to each survey item is shown in parentheses by the item.
** For an even number of responses, the median is the average of the middle two.

Table III. Continued
Category: $0-$5 Million in Second Mortgages Outstandings Total - 8 Responses*

		High	Low	Median**	Average	Full Sample/ Overall Average +
Household, #	(4)	# 280	24	140	146	6,152
% of total loans	(5)	% 100.00	100.00	100.00	100.00	99.01
$ volume	(3)	$ 3,059,000	248,000	1,000,000	1,435,667	26,055,750
% of total volume	(5)	$ 100.00	100.00	100.00	100.00	97.0
Avg./Institution	(3)	$ 10,925	6,897	10,333	9,385	9,499
Overall Avg.	(3)				9,592	4,239
Other Purposes , #		#				215
% of total loans		%				0.99
$ volume		$				3,496,000
% of total volume		%				3.0
Avg./Institution		$				35,709
Overall Avg.		$				15,389
Total , #	(4)	# 280	24	140	146	9,358
$ volume	(3)	$ 3,059,000	248,000	1,000,000	1,435,667	34,669,969
Avg./Institution	(3)	$10,925	6,897	10,333	9,385	11,375
Overall Avg.	(3)	$			9,592	3,255
Loan Terms on Consumer Loans						
Avg. Maturity	(6)	mos. 92	57	72	78.8	74.9
Avg. Ratio Loan/Appraised Equity	(6)	%87	50	75	71	77.3

* The number of useful responses to each survey item is shown in parentheses by the item.
** For an even number of responses, the median is the average of the middle two.

Table IV. Delinquencies and Charge-offs
Category: $0-$5 Million in Second Mortgages Outstandings I Full Sample Total - 8 Responses*

		High No.	High $	Low No.	Low $	Median** No.	Median ** $	Average No. ++	Average $	Full Sample/ Overall Average No.++	Full Sample/ Overall Average $
Current and < 60 days	(5)	99.76	99.72	85.09	89.20	94.78	95.63	93.04	95.4	92.96(32)	98.08(34)
60-89 days	(5)	3.87	3.06	0	0	2.0	.94	1.63	1.29	1.97(31)	.60(33)
90 + days	(5)	11.98	7.74	.24	.28	3.10	2.44	5.33	3.25	5.06(31)	1.27(33)
60 + days	(5)	14.91	10.80	.24	.28	5.22	4.37	6.96	4.53	7.04(32)	1.91(34)
Total Unpaid Net Balances over 60 days	(5)	33,771,632		1,604,064		15,169,198		15,165,761		2,527,734(34)	
Charge Offs as % of Average Receivables	(5)	3.44%		.23%		1.24%		.855%		.76% (26)	
Recoveries as % of Avg. Receivables	(3)	.62%		.285%		.29%		.37%		.3% (24)	
Reserve for Losses--% of Year End Receivables	(4)	3.99%		2.27%		3.47%		3.24%		2.58% (34)	

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.
++ The average # of the delinquent loans is a weighted average/outstanding loans. In contrast the $ amount of delinquencies is a nonweighted average of the amounts reported by each institution.

Table IV. Continued
Category: $5-$15 Million in Second Mortgages Outstandings I Full Sample Total - 8 Responses*

		High No.	High $	Low No.	Low $	Median** No.	Median ** $	Average No. ++	Average $	Full Sample/ Overall Average No.++	Full Sample/ Overall Average $
Current and < 60 days	(6)	100.00	100.00	89.3	93-89	98.0	98.3	93.62	97.46	92.96	981.08
60-89 days	(6)	3.0	2.14	0	0	.68	.23	1.84	.73	1.97	.60
90 + days	(6)	7.8	3.97	0	0	1.72	1.61	4.54	1.81	5.06	1.27
60 + days	(6)	10.7	6.11	0	0	1.9	1.70	6.38	2.49	7.04	1.91
Total Unpaid Net Balances over 60 days	(6)	285,741		0		55,633		97,871		2,527,734	
Charge Offs as % of Average Receivables	(4)	2.11%		.04%		.475%		.80%		.76%	
Recoveries as % of Avg. Receivables	(4)	.66%		0%		.26%		.40%		.3%	
Reserve for Losses--% of Year End Receivables	(7)	4.323%		.02%		1.27%		.19%		2.58%	

*The number of useful responses to each survey item is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.
++ The average # of delinquent loans is a weighted average/outstanding loans. In contrast, the $ amount of delinquencies is a nonweighted average of the amounts reported by each institution.

Table IV. Continued
Category: $20-$45 Million in Second Mortgages Outstandings Total - 9 Responses*

		High No.	High $	Low No.	Low $	Media n** No.	Media n ** $	Avera ge No. ++	Average $	Full Sample/ Overall Average No.++	Full Sample/ Overall Average $
Current and < 60 days	(8)	99.23	99.73	90.32	96.63	97.92	98.27	95.43	98.13	92.96	98.08
60-89 days	(7)	3.2	1.76	0	0	.55	.43	1 .22	.59	1.97	.60
90 + days	(7)	6.48	2.83	.34	.13	.92	.815	2.81	1.07	5.06	1.27
60 + days	(8)	9.68	3.37	.77	.27	2.08	1.79	4.57	1.87	7.04	1.91
Total Unpaid Net Balances over 60 days	(8)	1,376,530		172,982		669,930		744,066		2,527,734	
Charge Offs as % of Average Receivables	(8)	2. 35%		0%		.19%		.64%		.76%	
Recoveries as % of Avg. Receivables	(8)	.91%		0%		.04%		.22%		.3%	
Reserve for Losses--% of Year End Receivables	(9)	3.36%		0%		1.66%		1.56%		2. 58%	

*The number of useful responses to each survey item is shown in parentheses by the item.
** For an even number of responses, the median is the average of the middle two.
++ The average # of delinquent loans is a weighted average/outstanding loans. In contrast, the $ amount of delinquencies is a nonweighted average of the amounts reported by each institution.

Table IV. Continued
Category: $50-$125 Million in Second Mortgages Outstandings Total - 6 Responses*

		High No.	High $	Low No.	Low $	Media n** No.	Media n ** $	Avera ge No. ++	Average $	Full Sample/ Overall Average No.++	Full Sample/ Overall Average $
Current and < 60 days	(6)	99.93	99.90	98.65	98.78	99.65	99.66	99.18	99.56	92.96	98.08
60-89 days	(6)	.37	.27	.02	.01	.19	.18	.26	.15	1.97	.60
90 + days	(6)	.98	.95	0	0	.20	.21	.56	.28	5.06	1.27
60 + days	(6)	1.35	1.22	.07	.1	.30	.36	.82	.43	7.04	1.91
Total Unpaid Net Balances over 60 days	(6)	1,560,052		53,000		234,815		440,108		2,527,734	
Charge Offs as % of Average Receivables	(4)	.47%		.1%		.185%		.27%		.76%	
Recoveries as % of Avg. Receivables	(4)	.27%		.006%		.15%		.14%		.3%	
Reserve for Losses--% of Year End Receivables	(5)	1.2%		.27%		1.00%		.80%		2.58%	

*The number of useful responses to each survey is shown in parentheses by the item.
**For an even number of responses, the median is the average of the middle two.
++The average # of delinquent loans is a weighted average/outstanding loans. In contrast, the $ amount of delinquencies is a nonweighted average of the amounts reported by each institution.

Table IV. Continued
Category: $199 Million and Over in Second Mortgage Outstandings Total - 9 Responses*

		High No.	High $	Low No.	Low $	Median** No.	Median ** $	Average No. ++	Average $	Full Sample/ Overall Average No.++	Full Sample/ Overall Average $
Current and < 60 days	(9)	100.00	100.00	96.1	96.59	99.1	99.43	98.27(7)	98.92	92.96	98.08
60-89 days	(9)	2.52	1.69	0	0	.26	.23	.93(7)	.43	1 .97	.60
90 + days	(9)	1.38	3.4	0	0	.38	.45	.80(7)	.64	5.06	1.27
60 + days	(9)	3.90	3.41	0	0	.66	.57	1.73(7)	1.07	7.04	1.91
Total Unpaid Net Balances over 60 days	(9)	269,419		0		51,099		103,748		2,527,734	
Charge Offs as % of Average Receivables	(5)	.38%		0%		.05%		.12%		.76%	
Recoveries as % of Avg. Receivables	(5)	.01%		0%		0%		.004%		.3%	
Reserve for Losses--% of Year End Receivables	(9)	4.8%		.56%		1.57%		1.76%		2.58%	

*The number of useful responses to each survey is shown in parentheses by the item.

**For an even number of responses, the median is the average of the middle two.

++ The average # of delinquent loans is a weighted average/outstanding loans. In contrast, the $ amount of delinquencies is a nonweighted average of the amounts reported by each institution.

The survey form used to obtain the data summarized in this paper is presented as Exhibit 1. A number of improvements can be made in the survey that would make it more useful in future years.

Our first suggestion is that, while confidentiality should be maintained, boxes should be included in which each survey respondent could indicate whether it was a commercial bank, commercial bank holding company affiliate, mortgage banking company, finance company, or other type of financial institution. This would allow data to be clustered by similar type of institution and would eliminate some disparities that we found in reported costs of funds and leverage ratios. The survey data would probably be more useful to respondents in analyzing their own operations if they could compare their operations more directly to the operations of similar institutions.

Second, it would be most useful if every item of information that related to dollar figures applied only to the principal balances of loans outstanding. If the information did not apply to the principal balance of loan outstandings, but also included unearned finance charges, a box should be provided for respondents to check. They could then indicate the approximate percentage or dollar amounts of unearned finance charges included in the balance reported. If this were done, better pro rata adjustments could be made to eliminate the effect of the inclusion of unearned finance charges in some of the outstanding balance figures.

Third, it should be emphasized throughout the questionnaire that the requested information applies only to the second mortgage loan portion of each lender's portfolio. this is especially true with respect to operating statistics. If information appropriate to the second mortgage loan portion of the portfolio cannot be provided, overall operating statistics should be provided. However, provision should be made for providing prorated figures, so that overall interest expenses and income, etc., can be allocated appropriately to the second mortgage loan portion of the lender's portfolio.

Fourth, changes need to be made in some of the definitions used in the survey form. The request for "average income" was confusing. Instead, the respondents should have been requested to provide their total gross income for their last fiscal year. Also, they should have been asked to report average 12-month receivables figures for the same fiscal year for which they reported year-end outstandings. Finally, the average net loan receivables figure should have been defined as being equal to the sum of total net receivables outstanding at the end of each reporting month, divided by the number of reporting months included in the <u>last fiscal year</u>. This needs to be emphasized on all surveys.

Finally, data on loan extensions would be more useful if they were reported net of refinancing, as they would more closely reflect true cash flows and growth rates. Further, data on refinancings may be of considerable interest in their own right. They can be used to answer questions regarding the rate of turnover of second mortgage portfolios and indicate whether such mortgages are more frequently being used to provide households with short-term as opposed to long-term financing.

1979 Questionnaire

NATIONAL SECOND MORTGAGE ASSOCIATION
in cooperation with
CREDIT RESEARCH CENTER, PURDUE UNIVERSITY

FINANCIAL QUESTIOINNAIRE

Identifying number of firm: ___________________________
(Assigned by NSMA)

This questionnaire applies to entities engaged in marking loans secured principally by junior liens on real property.

Complete questionnaire and send in the enclosed, self-addressed envelope by to:

Dr. Richard L. Peterson
Senior Research Associate
Credit Research Center
Krannert Graduate School of Management
Purdue University
West Lafayette, Indiana 47907

The responses to the questionnaires will be summarized by the staff of the Credit Research Center under the direction of Dr. Peterson and will remain confidential. Results will be reported to participants in a composit format.

Any questions regarding the completion of this questionnaire should be directed to Dr. Peterson at the above address or by telephone (317) 494-6173.

QUESTIONNAIRE

Instructions

1. Show dollar figures to the nearest $1,000.
2. See definitions at the end of the questionnaire.

The following information is for the fiscal year ended ________________
(Specify date)

I. Volume indicators

	Number	Amount $ (-000)
1. Net loans receivable outstanding and owned at end of fiscal year shown above	_______	_______
2. Net loans receivable outstanding of fiscal year that are serviced, not owned	_______	_______
3. Volume of loans originated during preceding 12 months	_______	_______
4. Volume of loans purchased during preceding 12 months	_______	_______
5. Volume of loans sold to other than affiliated company during the preceding 12 months	_______	_______
6. Average net loans receivable	xxxxx	______

II. Contractual Delinquencies and charge-offs

7. Contractual Analysis (Based on terms in effect at statement date and applicable to precompute, add-on, discount, and interest bearing accounts)	_______	_______

Accounts current and with installments past due less than 60 days from due date	Number	Unpaid Balance	% of Related Receivables Outstanding
60 – 89 days			
90 – 179 days			
180 – 269 days			
270 days or more			
Total			

8. What portion of a full payment must be received in order that the payment be recognized as received in making the computation above? If less than 100% of full payment required, would this be true on consecutive payments or limited to the most recent?	_______	_______
9. How many consecutive full payments must be received for the purpose of taking an account off the contractual list?	_______	_______
10. Gross charge-offs during fiscal year	XXXXX	_______

11. Recoveries during fiscal year XXXXX _______

12. Allowance for possible loan losses at end of fiscal year XXXXX _______

III. Sources of funds and profitability

13. Average borrowings during fiscal year _______

14. Average stockholders' equity during fiscal year _______

15. Interest expense for the fiscal year _______

16. Average gross interest income for the fiscal year _______

17. Income before income taxes for the fiscal year _______

IV. Operating policies

These data should be reported for the quarter ending with the end of the fiscal year shown on the previous page. The data reported should relate to originated loans only, not purchased loans.

18. Number and dollar volume of loans originated for personal, family, or household purposes during quarter. _______ _______

19. Number and dollar volume of loans originated for other than consumer purposes _______ _______

19. Number and total dollar volume of loans originated during the quarter (should be equal to sum of 018 and #19) _______

21. With respect to consumer loans:
   a. Average ratio of loan to appraised equity: _______
   b. Average maturity:_________months

THANK YOU FOR YOUR COOPERATION. Comments and suggestions for improvement would be welcome.