LendingIntelligence.com
The Newswire of Consumer Credit

Mon, November 11
Online for 25 minut

News Items

News Items
Front Page
Conferences
Tips for Lende
Archive 2001
Archive 2002
All Stories

Archives

Member Opti
Invite a friend
Join Now!
Log on now!

PUBLICATIO
• RISK-FREE OFFER
• Lending Inte magazine
• Auto Finance
• Home Equity
• Loan Collect Technology
• Download O Form

SPONSORS
• CollectionIndu
• Automotive N

CAREER CEN
• Find a Job
• Post a Job

FREE ALERT
• Receive Ema Updates

DETAILS
• About Us

Top : **Front Page**

Subprime Borrowers To Blame For Delinquency Uptick

NEW YORK, Sept. 26 (LendingIntelligence.com) — Higher delinquency rates are being driven, in part, by lingering risks associated with years of lenders originating loans to too many borrowers with less-than-perfect credit. However, while economists say some lenders did not properly account for that risk in the past, adjustments made over the last few years should result in less credit-tightening as the economy pulls out of a recession.

“The chickens are continuing their march home to roost,” said Stuart A. Feldstein, president and founder of SMR Research Corp., Hackettstown, N.J. “There’s still a lot of risk that originally wasn’t properly priced for by lenders with liberal lending policies that looked to grow fast by going deeper into the subprime market. When the economy sinks into recession, the more of these borrowers you have in your portfolio, usually the more delinquencies and charge-offs you can expect.”

The American Bankers Association reported today the composite ratio of closed-end installment loans 30 days or more past due — gauging eight categories, from mortgages to credit cards to auto loans — rose to 2.17%, from 2.10% in the first quarter.

Credit card delinquencies rose to 3.91% in the second quarter of 2002 from 3.88% in the first quarter. Auto loan delinquencies rose to 2.36%, from 2.29%. Delinquencies for indirect auto loans also rose, to 2.06% from 1.98%. Mobile home loan delinquencies increased to 5.81% in the second quarter from 4.84% in the first quarter.

While some loan defaults increased, others decreased or held steady. Personal loan defaults dropped to 3.25% in the second quarter of 2002 from 3.50% in the first quarter.

The ABA also reports that delinquencies on home equity loans, based on the number of accounts, remain unchanged at 1.28%. Late payments on home equity lines of credit decreased from 0.64% in the first quarter to 0.58% in the second quarter.

“The problems stemmed from the subprime market, which wasn’t properly priced for risk in many instances,” said Richard J. DeKaser, chief economist, National City Corp. “Many of those loans are still on the books. However, since 1999 there‘s been much credit tightening, but you have to account for the lag in time it takes for them to clean out their portfolios.”

ABA Chief Economist James Chessen, said the rise in auto and other consumer loan delinquencies also reflects the avalanche of layoffs over the past year and a half.

"Until job growth gains upward momentum, relatively high levels of delinquencies will remain," Chessen said.

As for why some loans consistently exceed the composite average, DeKaser said, “Auto loan payments are like credit card bills. Unless there’s large collateral on the line, like a mortgage on a home, borrowers are more likely to skip a payment.”

GET EVEN MORE ANALYSIS AND INFORMATION ON WHAT’S HAPPENING IN CONSUMER CREDIT. CLICK HERE TO SUBSCRIBE TO OUR PUBLICATIONS.

Printer-friendly format

Login and voice your opinion!

Do you know someone else who would like this story?

Your Email:

Their Email:

Comment:

(Will be included with e-mail)

• Add Confere
Notice
• Advertising I
• Contact Us
• Free Email A
• Free Listing
• Job Opening
• The Editorial

Send to a friend

bondware ©2000 edgenet inc
all rights reserved

Terms of Use Privacy Policy