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Equifax Data Show U.S. Consumer Payment Trends Continue to Deteriorate

Bank card, home equity, mortgage delinquencies all up

ATLANTA, Dec. 22 /PRNewswire-FirstCall/ -- Consumer delinquency rates for bankcards, first mortgages and home equity lines of credit again rose month-to-month in November, according to Equifax Inc.'s (NYSE: EFX) monthly Credit Trend Report.

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Home mortgages at least 30 days late reached another record of 7.91 percent in November (in total dollars), up from 7.76 percent in October and 7.65 percent the previous month. This record rate is a significant increase over the 5.83 percent rate of November 2008 and the 3.93 percent rate of November 2007.

In addition, home equity lines of credit (HELOC) available to consumers are now an estimated $68 billion lower and the number of accounts is an estimated 855,000 lower than the September 2008 peak of approximately 14.5 million accounts. This represents an improvement from October when outstandings were $77 billion lower and accounts were lower by approximately 934,000. Delinquency rates have crept up from 3.39 percent in October to 3.43 percent in November. These rates far exceed the 2.95 percent rate of November 2008 and the 1.92 percent rate ofNovember 2007.

"The story of 2009 continues to be one of consumer retrenchment and credit tightness as people strive to pay down debt or are forced to abandon it, and lenders more aggressively manage risk in their portfolios," said Dann Adams, president of Equifax's U.S. Consumer Information Solutions.

U.S. consumers reduced their debt by more than five percent or$575 billion from a year ago. First mortgage debt dropped 5.4 percent; credit cards by 7.3 percent and auto loans by 9.5 percent. The declines put overall consumer debt at September 2007, pre-recession levels of about $11 trillion.

Bankcard issuers continued a year-long trend of closing accounts and reducing credit lines. Card risk management programs have accelerated since July of 2008, reducing card credit lines by $803 billion and the number of accounts by 93 million. Delinquency rates for bankcards picked up notably since the end of 2008 in tandem with rising unemployment. The November 2009 60-days-past-due rate of 4.62 percent is almost a full percent higher than the November 2008 rate of 3.76 percent. However, the rate still remains below the peak of 4.79 percent in May 2009.

In addition, the number of bankcard accounts opened in September -- 2.4 million -- was 45 percent lower than September 2008. Year-to-date, the number of new accounts is down 46 percent from the same period in 2008. Also, lenders are being more selective about who they give credit to as the percent of cards issued to those with credit scores greater than 740 grew from about 30 percent in 2007 to almost 51 percent so far this year.

With U.S. home prices declining, originations for home equity lines of credit are also declining. In September of this year (the most recent month that data is available) originations were 75,600, 36% below the September 2008 total of 117,800. Year-to-date 2009 new home equity lines opened -- 761,000 -- were 47 percent below 2008 year-to-date totals of 1.5 million. This continues a trend from 2008 when total originations were 1.7 million lines, 41% below the total for 2007 (2.9 million lines).

Furthermore, home equity lines have primarily been issued to lower-risk consumers. Eighty-one percent of the consumers who received HELOCs in September 2009 were considered low-risk (Equifax Risk Scores of 740 and above) an increase from 66% in September of 2007. In conjunction with declining home prices and home equity, average home equity lines are 25% lower over the past two years, declining from approximately $105,000 to $79,000 today.

"The contraction in home equity lines is a reflection of the credit crunch both consumers and small businesses are facing," said Adams. "Restrictions in this traditional source of financing make finding credit harder than ever."

Regionally, home equity line originations have diminished in states where home price values have been the most volatile, notably California and Florida. California comprised almost 20% of line originations two years ago with nearly 38,000 originations in September 2007 but dropped to second with about 7% or 5182 originations in September 2009. Florida, once the second top state by originations has dropped to ninth.

The dramatic impact of these shifts is illustrated by new credit lines available in California declining from $6 billion in September 2007 to well under $1 billion today.

Data for the Credit Trends Monitor Report is sourced from Equifax's nearly 200 million files of US consumers using credit.

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