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Bankcards Leading Way for New Credit Trend According to Equifax

Delinquency Rates Lower for All Industry Groups

ATLANTA, Dec. 29, 2010 /PRNewswire/ -- Bankcards continued to lead the flow of new credit into the market in November as delinquency rates continued to fall, according to Equifax Inc.'s (NYSE: EFX) monthly Credit Trend Report.

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Total consumer debt (mortgage, auto, credit card, etc.) also continued to decline hitting $10.6 trillion in November, down 8.2 percent from its peak of $11.5 trillion in October of 2008.

Bankcard balances have been declining for more than two years; however, new card (originations) growth has returned and defaults have peaked. The number of accounts opened in September – 2.8 million – is up 17.3 percent on a year-over-year basis for the month. And, lenders are again underwriting subprime borrowers on a limited basis after the severe pullbacks during the recession. Growth in subprime (Equifax Risk Score of 660 or less) started in May and the 800,000 cards issued in September is a more than 54 percent year-over-year increase for the month.

"The gradual recovery in the economy, the improvement in loan performance, combined with the effects of both consumer and lender deleveraging of debt, is opening up the market to the availability of more credit," explained Michael Koukounas, Senior Vice President - Special Client Services. "But while there is more credit being made available, particularly in the bankcard segment, and while consumers are spending more, they are continuing to deleverage and not add to their credit card debt."

Auto loans have been an area of consistent growth in 2010, even compared with 2009 and the U.S. governments sponsored incentives (cash-for-clunkers). Auto loans increased in number by 11.5 percent in September 2010 from the year ago period, and were up 16.2 percent for the same period in new auto loan balances.

The number of home mortgages at least 30 days late in November dropped for the sixth consecutive month to 7.0 percent from 7.17 percent. November 2009's rate was 7.91 and November 2008 was at 5.83 percent. The peak was inJanuary 2010 at 8.24 percent.

New home equity lines continued to contract in lockstep with the housing correction, though the delinquency rate for the category also is declining.

September originations for home equity lines of credit were 74,300, 1.7 percent below September 2009's 75,600. This is only 24 percent of September 2006's 275,000 originations. The 30-day delinquency rate decreased year-over-year in November from 7.08

percent to 6.59 percent. This rate peaked in February 2010 at 7.34 percent.

Home equity lines continue to be issued primarily to lower-risk consumers. Almost 82 percent of the consumers who received HELOCs in September were considered low-risk (Equifax Risk Scores of 740 and above) an increase from about 62 percent from September 2006. Trailing declining home prices, average home equity lines have dropped over the past two years from approximately $97,072 in September 2008 to about $79,566 this September.

Home forfeiture actions continued to grow at the same pace as last month, increasing 68 percent over the past year. Short sales increased 127 percent and completed foreclosures increased 54 percent. Home retention actions are off their peaks, up 61 percent year-over-year, but 28 percent lower than Q3 2009's peak. Trial modifications decreased 65 percent. Permanent modifications increased 24 percent from Q3 2009's peak.

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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With a strong heritage of innovation and leadership, Equifax continuously delivers innovative solutions with the highest integrity and reliability. Businesses – large and small – rely on us for consumer and business credit intelligence, portfolio management, fraud detection, decisioning technology, marketing tools, and much more. We empower individual consumers to manage their personal credit information, protect their identity, and maximize their financial well-being.

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