CreditForecast.com
Your one-stop shop for actionable consumer credit, economics and demographic data, forecast and analysis

Consumers Get Their Groove Back

MOODY'S ANALYTICS
EQUIFAX

NOVEMBER 25, 2014
CRISTIAN DERITIS, SENIOR DIRECTOR, CONSUMER CREDIT ECONOMICS

First Take

Total U.S. household borrowing growth accelerated to 2.5% y/y in October from 1.3% in September. Total first-mortgage borrowing surged $24 billion in October and increased 1.54% y/y. Banks and car dealers issued a net new $11 billion in auto loans, putting year-to-date loan growth at $95 billion. Bankcard borrowing accelerated to 3.8% y/y, the highest pace in the post-recession period. The total dollar delinquency rate declined 30 basis points 3.4%, as did the total dollar delinquency rate on first mortgages. Annualized write-offs and bankruptcies rose to 1.6%.

The Numbers

- First-mortgage borrowing increased by a net $24 billion in October. The number of first-mortgage loans increased by 150,000 to 47.6 million, about 8 million less than the peak in 2008.
- Revolving credit is rebounding. The total outstanding balance of bankcards remained flat at $557 billion in October but increased by 3.8% year over year. Banks issued a net 2.5 million new cards ahead of the holiday shopping season.
- Auto loans continued to grow strongly. Banks added a net $10 billion total to their portfolios. U.S. banks' auto loan portfolio reached an all-time high of $462 billion, $120 billion more than before the recession.
- Auto loan lending from finance companies accelerated to 12% year over year. Year-over-year growth in auto loans from finance companies accelerated from 11% to 13.5% in the bottom-risk-score cohort. Growth in banks' auto segment was stronger in the middle score band.
- Home equity loan balances are still falling but more slowly. The total outstanding balance of home equity loans declined by 3.8% year over year, but surged by $1.5 billion month over month in October. The decline in the outstanding balance is faster in installment loans than in revolving loans.
- Dollar delinquencies in revolving credit segments rose, while those in housing-related loans retreated. The delinquency rate in bankcards surged to 2.6%. Rates on retail cards surged to 5.4%. Rates on home equity installment loans, on the other hand, declined to 3.3%.
- The sum of annualized write-offs and bankruptcies on bankcards rose from 2.9% to 3.2%. Annualized losses on auto loans increased to 2.5%. The total share of troubled mortgage loans, those either delinquent more than 90 days or somewhere in the foreclosure pipeline, by volume declined to 2.7%, the lowest level since the start of Great Recession.

Behind the Numbers

U.S. household debt grew in October as borrowing in all major loan segments accelerated. Households are borrowing in first mortgages, auto loans and credit cards as the economy's fundamentals have become stronger and growth has turned self-sustaining. Strong payroll growth will soon accelerate wage growth, adding to consumer sentiment. Subsequently, consumers will accelerate borrowing, particularly in revolving credit. Declining oil prices have improved households' purchasing power, which should become evident in the holiday shopping season.

Economic growth has accelerated in the second half despite weakness in the housing market. House price growth accelerated slightly in the third quarter after retreating in the first half, but the strength in house prices is mainly a result of low supply. Existing-home sales have barely offset the gap created by the pullback of potential homebuyers in summer 2013. Nevertheless, the better job market improves the prospects for a revival in the housing recovery. Mortgage credit is still tight, but it is slowly easing as policymakers work to bring down the regulatory impediment to more first mortgage lending. Mortgage borrowing will accelerate further when first-time buyers become more confident in their future income.

Creditforecast.com Monthly Report on Household Credit

	Oct 14	Sep 14	Aug 14	Jul 14	Jun 14	May 14	Apr 14	Mar 14
Credit growth, % change yr ago								
All Lines	2.5	1.3	1.3	1.6	1.3	1.6	2.9	3.2
Auto	11.2	10.3	10.8	10.3	10.5	10.8	10.8	10.3
Bankcard	3.8	3.3	3.2	2.5	2.6	2.1	2.0	1.0
Mortgage	1.1	-0.2	-0.1	0.2	-0.2	0.3	1.9	2.5
Delinquency rates, % of balances								
All Lines	3.41	3.71	3.69	3.47	3.65	3.47	3.74	4.00
Auto	3.13	3.22	3.16	2.94	2.91	2.67	2.72	2.84
Bankcard	2.56	2.45	2.41	2.41	2.35	2.39	2.48	2.64
Mortgage	3.31	3.66	3.65	3.39	3.65	3.43	3.77	4.07
Balances terminated through default or bankruptcy, % of balances								
All Lines	0.14	0.11	0.13	0.14	0.13	0.13	0.15	0.13
Auto	0.24	0.20	0.21	0.19	0.18	0.18	0.19	0.20
Bankcard	0.31	0.28	0.27	0.33	0.31	0.31	0.38	0.35
Mortgage	0.10	0.08	0.10	0.11	0.10	0.10	0.11	0.09

	14Q2	14Q1	13Q4	13Q3	13Q2	13Q1	12Q4	12Q3
New origination volume*, $ bil								
All Lines	509.4	404.9	485.4	686.4	763.5	664.8	718.6	744.1
Auto	131.0	116.9	112.8	124.1	121.5	107.3	101.6	108.6
Bankcard	14.3	13.9	14.1	13.3	12.2	11.5	11.5	11.2
Mortgage	316.5	237.9	316.4	474.2	602.8	518.2	569.5	543.9
Percent of originations with credit score < 620								
All Lines	10.6%	12.3%	10.1%	9.8%	7.6%	7.6%	6.6%	8.1%

*Note: New origination volume is subject to revision due to reporting lags.

Sources: Equifax and Moody's Analytics

CreditForecast.com, produced jointly by Equifax and Moody's Analytics, is a single source of actionable consumer credit and economic data for lenders, financial institutions and others who need to analyze the relationship between economic and consumer credit trends and react accordingly. Visit our website at CreditForecast.com to learn more.

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of $3 billion in 2013, employs approximately 8,400 people worldwide and maintains a presence in 31 countries. Visit our website at moodysanalytics.com to learn more.

Equifax is a global leader in information solutions, leveraging one of the largest sources of consumer and commercial data, along with advanced analytics and proprietary technology, to create customized insights that enrich both the performance of businesses and the lives of consumers. Customers have trusted Equifax for more than 100 years to deliver innovative solutions with the highest integrity and reliability. Businesses - large and small - rely on them for consumer and business credit intelligence, portfolio management, fraud detection, decision technology, marketing tools and much more. Equifax empowers individual consumers to manage their personal credit information, protect their identity and maximize their financial well-being.

Headquartered in Atlanta, Ga., Equifax, Inc. operates in the U.S. and 15 other countries throughout North America, Latin America, Europe and Asia. Equifax is a member of Standard & Poor's (S&P) 500® Index. Its common stock is traded on the New York Stock Exchange under the symbol EFX.

CONTACT US
For further information contact us at a location below:

U.S./CANADA
+1.866.275.3266

EMEA
+44.20.7772.5454 London
+420.224.222.929 Prague

ASIA/PACIFIC
+852.3551.3077

OTHER LOCATIONS
+1.610.235.5299

Email us: help@economy.com
Or visit us: www.economy.com