

TransUnion Cautions Those Expecting Abrupt Delinquency Turnaround Next Year

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CHICAGO — TransUnion is predicting that auto loan delinquencies, or borrowers 60 or more days past due, will climb by about 7 percent by the end of 2010.

Given that this statistic is expected to come in at 0.86 percent at the end of 2009, this means that TransUnion is forecasting the figure to reach 0.92 percent by the end of 2010.

Only one state, California, is actually expected to see a decline in delinquencies by the end of 2010. In fact, the company says this state's rate should decrease by 3.55 percent, or from about 1.40 percent to 1.35 percent by the end of the year.

"Our forecast indicates we will see auto loan delinquencies drop in the first and second quarters of 2010 due to many factors such as Cash for Clunkers and tightening lending standards," explained Peter Turek, automotive vice president in TransUnion's financial services group.

"Delinquencies will rise in the second half of 2010 as economic pressures, along with traditional spending patterns of summer vacations, back-to-school and the holidays, will continue to strain consumers. While the rate of increase should be relatively mild, it is a cautionary number to those expecting an abrupt turnaround in the auto finance industry," he continued.

The expected increase will be the fifth straight year the nation's 60-day auto loan delinquency rate will have either remained the same or increased from the previous year.

Between 2004 and 2005 the nation's delinquency rate dropped 4.35 percent from 0.69 percent to 0.66 percent. In addition, the first-half decrease in delinquency rates followed by a second-half-in-the-year increase also is consistent with the cyclical pattern of previous years, with a new baseline being set with each yearly increase, according to the company.

Areas in the country expected to experience the highest year-over-year auto delinquency increases include the Midwest and Southeast. Indiana (27.23 percent), Michigan (26.74), Kentucky (22.31) and Georgia (18.71) are among the states expected to see the greatest spikes in auto delinquency.

In addition to California, other parts of the country that have been hit hard by the mortgage crisis look to be slowly improving their credit picture on the auto side as many auto loans reach maturity. Both Florida (4.55 percent increase expected) and Nevada (4.05 percent increase) are among the top 10 states expected to see the least amount of increase in auto loan delinquencies.

At the conclusion of 2010, Mississippi (1.76 percent), Georgia (1.46 percent) and Alabama (1.4 percent) are expected to have the highest auto loan delinquency rates.

Meanwhile, the District of Columbia (0.34 percent), North Dakota (0.39 percent) and South Dakota (0.45) should have the lowest delinquency rates during that same time period.

Editor's Note: For a more detailed perspective on auto loan delinquencies, including an interview with Turek, look for the article early next year when SubPrime News Update picks back up after the holidays.