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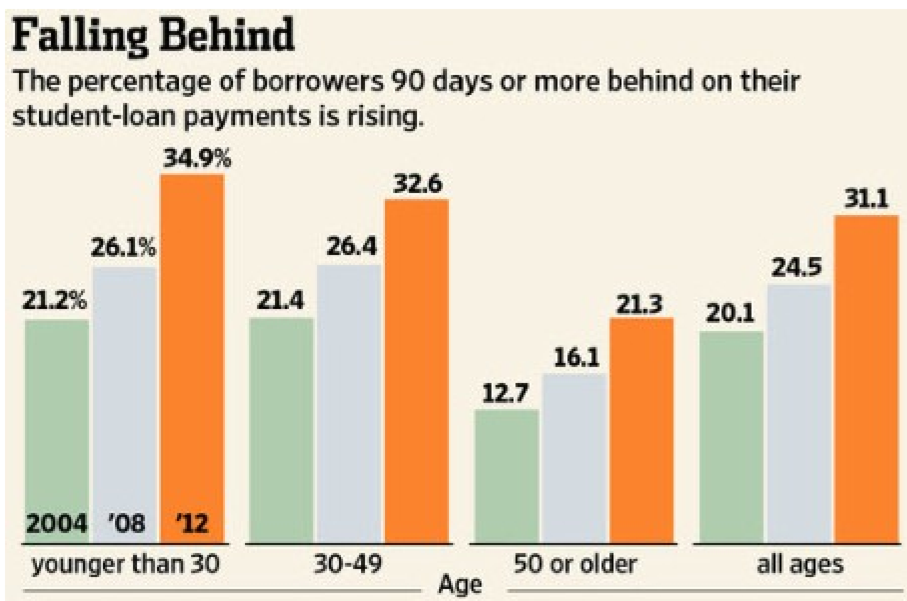
CREDIT & COLLECTION NEWS

SEPTEMBER 2013

MORE THAN 7MILLION STUDENT LOANS IN DEFAULT



There are more than **7 million** borrowers in default on federal or private student loans, according to the Consumer Financial Protection Bureau. According to the CFPB, about 6.5 million of those 7 million borrowers had defaulted on two federal loan programs as of June 30. The agency does not have regulatory jurisdiction over federally-backed loans but they make up more than 83% of the roughly $1.2 trillion loan market.

"While there's been a lot of discussion about changes to federal student loan interest rates on new loans, many have asked: what's happening with the trillion that's already been borrowed," said Rohit Chopra, the CFPB's student loan ombudsman.

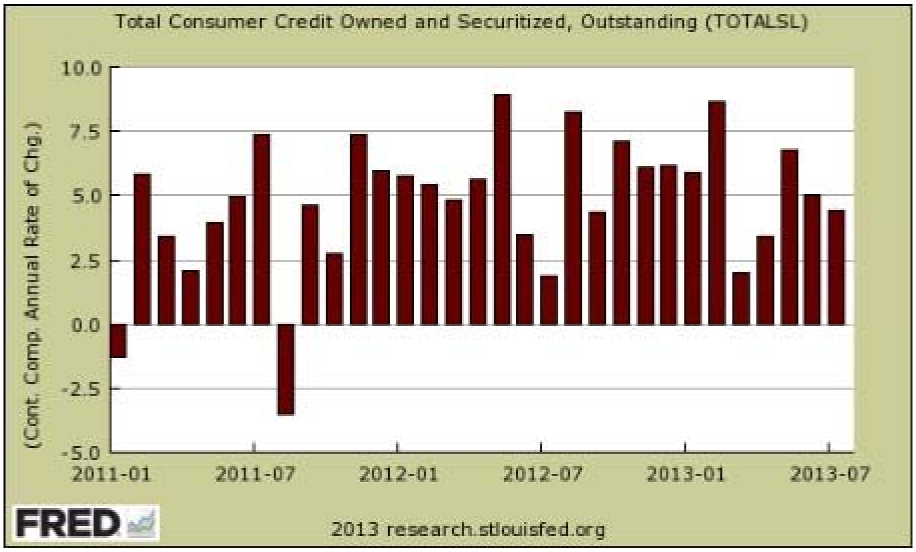
The CFPB pulled data from the Department of Education and found that of **$486 billion** in direct federal and Federal Family Education loans, about **$30 billion** and **$59 billion** are in default, respectively. Though those figures only represent 5% and 14% of each program, the amount of loans being deferred or in forbearance is far greater - showing potential stress to the student loan market coming down the pike.

For direct federal loans, about 22%, or **$123.9 billion**, are in deferment or forbearance. Another **$89.3 billion**, or 21% of the current Federal Family Education loans, are in deferment or forbearance. "Defaulting on a federal student loan has serious consequences," Chopra said. "Unlike other consumer credit, borrowers in default on a federal student loan might see their tax refund taken and their wages garnished without a court order."

However, about a third of federal direct loan borrowers in repayment, deferment or forbearance have chosen alternative repayment plans to lower their payments, Chopra said. Most of these repayment plans also did not require income documentation, which concerns the CFPB. "It's possible that many borrowers in plans not based on income might be better off with an income-based plan," Chopra said. "If borrowers were aware of and able to easily enroll in income-based plans through their servicer, many federal student loan defaults could have been avoided."

Source: American Banker

CREDIT CARD BALANCES INCREASE YEAR-OVER-YEAR



According to Equifax's latest National Consumer Credit Trends Report, the total balance of bank credit cards increased slightly over the year ending July 2013 (from $533.3 to $536.5 billion), realizing the first year-over-year increase in 5 years.

For other verticals, year-over-year changes in balances include:

- Student loan: increased 11.3% (from $794.6 billion to $884.2 billion)
- Auto: Increased 10.9% (from $745.3 billion to $826.8 billion)
- First mortgage: decreased 0.9% (from $7.79 trillion to $7.72 trillion)
- Home equity installment: decreased 4.1% (from $142.3 billion to $136.5)
- Home equity revolving: decreased 8.9% (from $553.2 billion to $504.1 billion).

"Only two major consumer credit segments are currently growing: auto financing and student loans," said Equifax Chief Economist Amy Crews Cutts. "In all other segments, consumers are reducing their debt burdens, either negatively, through foreclosures and bankruptcies, or positively, through payoffs. We expect mortgage balances to begin rising again over the next several months as new home purchase loans overtake foreclosures and payoffs."

Other highlights from the most recent data include:

Bankcard

- Serious delinquencies represent 1.86% of outstanding balances in July 2013, a decrease of more than 11% year-over-year
- Total of new credit opened between January-May 2013 is the highest since 2008 and an increase of more than 6% from same time a year ago ($72.9 billion to $77.7 billion)
- From January-May 2013, the total number of new loans also increased more than 6% from same time a year ago, from 15.6 million to 16.6 million
- Both new loans and new credit year-to-date in May 2013 are four-year highs.

Student Loans

- The total number of student loans originated January-May 2013 is 4.2 million, a decrease of 9.3% from same time a year ago
- The total balance of new credit is $24.3 billion, an increase of nearly 4% from same time a year ago
- More than 60% of new student loans in May 2013 were distributed to borrowers between the ages of 24 and 39, a modest decrease from the same period last year
- The total amount of write-offs year to date in July 2013 is $11.6 billion, an eight-year high and an increase of more than 58% from same time a year ago.

Home Finance

- The total balance of home finance write-offs year-to-date in July 2013 is $96.3 billion, a decrease of more than 22% from same time a year ago and the lowest since 2007
- First mortgages in severe delinquency (30-days past due) represent 6.24% of outstanding balances, a decrease of 22% from the same time last year
- Total balance of first mortgages 90-days past due or in foreclosure is less than $310 billion, a five-year low and a decrease of more than 25% from same time a year ago
- Severely delinquent balances (90-days past due or in foreclosure) for home equity revolving ($8.3 billion) and home equity installment ($4.4 billion) in July 2013 are five-year lows.

Source: Inside ARM

AMERICANS HAVE BEST CREDIT IN DECADES

S&P/Experian Consumer Credit Default Indices

National Indices

Index	August 2013	July 2013	August 2012
Composite	1.34	1.35	1.50
First Mortgage	1.23	1.25	1.40
Second Mortgage	0.57	0.54	0.72
Bank Card	3.12	3.22	3.77
Auto Loans	1.11	1.03	1.09

According to data from the recent S&P/Experian Consumer Default Indices, August 2013 showed a decrease in national default rates. The report, a comprehensive measure of changes in consumer credit defaults, was released by S&P Dow Jones Indices and Experian.

The national composite was **1.34%** in August, marginally down from 1.35% in July. The first mortgage default rate was 1.23% this month, down from 1.25% posted last month. The second mortgage posted 0.57% in August, up from 0.54% July rate. The auto loan default rate reported 1.11% in August, up from a 1.03% previous month's level. The bank card rate hit a new low of 3.12% in August; it was 3.22% in July.

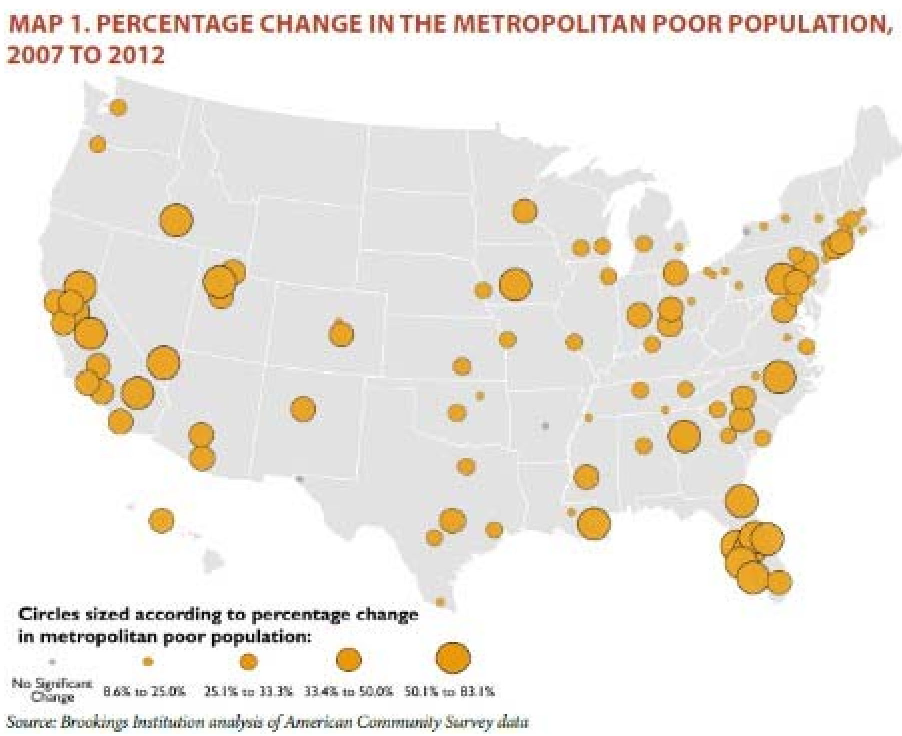
"Consumer credit quality continues to look healthy," says David M. Blitzer of the Index Committee for S&P Dow Jones Indices. "The indices are back to pre-financial crisis levels and are stable. The national composite and the first mortgage posted recent lows in August; they were 1.34% and 1.23%, marginally down from the last month's rates. Bank card default rate hit a new low of 3.12%, ten basis points down from July level and 65 basis points down from the level posted in August 2012. All loan types remain below their respective levels a year ago."

Accordign to Blitzer, "Two cities, New York and Los Angeles, saw their default rates drop in August while three cities – Chicago, Dallas and Miami – saw increases. All moves were small. All five cities remain below default rates they posted a year ago, in August 2012."

The table above summarizes the August 2013 results for the S&P/Experian Credit Default Indices. These data are not seasonally adjusted and are not subject to revision.

Source:Inside ARM

POVERTY LEVEL REMAINS HIGH, INCOMES STAGNATE



The number of Americans living in poverty remained close to a two-decade high as the nation struggled to fully recover from the economic recession according to Census Bureau data. The proportion of those living in poverty was **15%** in 2012, while median household income was $51,017, both little changed from the previous year. Almost 22% of Americans under age 18 were in poverty in 2012, according to the agency.

The data show the economic expansion hasn't broadened to all Americans. Rising stock prices and home values have boosted the finances of the more affluent, while those on the lowest tiers contend with high unemployment and stagnant wages. "Unless we find ways to strengthen job opportunities and enhance the social safety net, we'll continue to get disappointing news about the poverty rate from the Census Bureau each September," said Sheldon Danziger of the Russell Sage Foundation.

One bright spot: Fewer people are uninsured. The agency reported modest good news in the area of health care: The number of Americans who lack insurance declined to **48 million** last year from 48.6 million in 2011, as many under the age of 26 took advantage of a provision in President Barack Obama's 2010 health-care law that allowed them to be covered under their parents' plans.

The Census data showed that while Americans' situation didn't improve much over the year, things at least stopped getting worse in 2012 for the world's largest economy. "For the first time in five years, neither median household income decreased nor the percent of the population in poverty increased," said David Johnson of the Census Bureau.

There were **46.5 million** people living in poverty, including **16.1 million** children, the agency said. The poverty rate remains 2.5 percentage points higher than in 2007, the last year before the worst of the recession. It was at or above 15% from 2010-2012, the highest level since 1993, when it was at 15.1%. The poverty threshold for a family of four in 2012 was **$23,283**, according to the report. "The poverty rate is still very high by historical standards," said Isabel Sawhill of the Brookings Institution. "(It is) unlikely to get back to its 2007 level - 12.5% - until the middle of the next decade, according to our projections." The poverty rate varied widely among racial and ethnic groups, the census data show. For non-Hispanic whites, it was 9.7%, while for blacks it was 27.2%, for Hispanics 25.6% and for Asians 11.7%.

Unemployment, which hovered at or above 8% for much of 2012, dropped to 7.3% in August. The slow and uneven recovery has left millions dependent on government assistance. The U.S. Department of Agriculture reported earlier this month that food stamps were used by **47.8 million** people in June, close to a record high.

Source: Bloomberg.com

NEWS OF THE WEIRD: SANTA CALLED FOR JURY DUTY

Santa Claus might be the most beloved man in the world — but he still gets called to jury duty. A Long Island man who legally changed his name to **Santa Claus** in 2012 was summoned to jury duty last week. The 54-year-old Claus, previously known as Frank Pascuzzi, showed up to Suffolk County Criminal Court without his red suit and sleigh.

"I wore blue jeans and my green sneakers, a red dress shirt that just happened to have me, my sleigh and the eight reindeer on the back – nothing overboard," he told the newspaper. "I wasn't going to wear the suit – they'd lock me up," he recalled. "I'm not going to tempt fate."

Claus continued: "When I got there, the police asked, 'Am I on the naughty or nice list?' My reply was, 'If you have to ask, you already know.'" But the alleged murder case Claus was called for was dismissed.

Claus said he changed his name in early 2012 to match his appearance. “I look like Santa Claus. Everybody knows me as Santa Claus,” he explained. While it might not have gotten him out of showing up for jury duty, being named Santa Claus does have its perks. In October, Claus accidentally rear-ended another driver on the Long Island Expressway. The responding officer was so amused, he did not issue Claus a ticket.

Source: Yahoo News
