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Complete Creditors' Rights Service for NJ & PA

CREDIT & COLLECTION MATTERS

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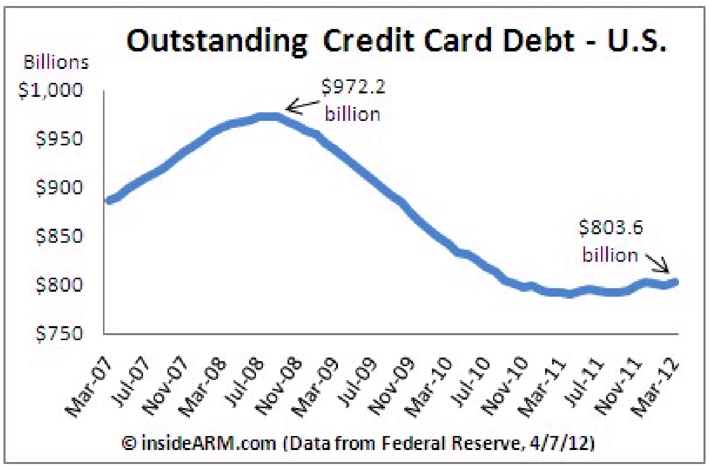
Let the Big Dogs Handle Your Collections ...

CONSUMER DEBT SOARS IN MARCH



U.S. consumer credit outstanding in March grew at the fastest rate since 2001 as Americans used their credit cards and took out other loans at a dizzying pace, the Federal Reserve reported this week. Overall credit expanded by $21.4 billion – or at a 10.2% annualized rate — in March, the most in a single month since November 2001. Much of the gain was attributable to increases in non-revolving debt outstanding, mostly comprised of auto and student loans. These closed-end loans grew at an 11.3% annual rate in March.

The federal government saw the fastest growth of major debt holders in the Fed's monthly consumer credit report (called the G.19). Due to the expansion of growth in non-revolving loans held by the government, student loans appear to be the main driver of the March gains.

Credit card debt also expanded at a near-record rate. Consumers added some $5.1 billion to credit card balances in March – an annual growth rate of 7.8% – after beginning 2012 with two straight months of decline. Going back to 2008, there has been only one month (November 2011) with faster credit card debt growth.

Total credit card debt outstanding was $803.6 billion at the end of March 2012, still far below the peak of $972.2 billion in September 2008. After the credit crisis of that year, credit card debt outstanding plunged as bank maniacally charged-off old card balances and tightened lending standards, stunting card growth. Total credit card debt outstanding has struggled to stay above $800 billion since late 2010.

Source: Inside ARM

MORTGAGE DELINQUENCIES AT LOWEST LEVEL SINCE 2009

The national mortgage delinquency rate (60+ days past due) declined in the first quarter of 2012 to 5.78%, according to TransUnion. This improvement ends 2 quarters of increases that began in the third quarter of 2011. Prior to Q3 2011, 60-day mortgage delinquencies rates had dropped for six consecutive quarters. This latest quarter brings the mortgage delinquency rate to its lowest point since Q1 2009. The delinquency rate in the first quarter of 2012 was 3.83% lower than in the fourth quarter of 2011 and 6.62 percent lower than the first quarter of 2011.

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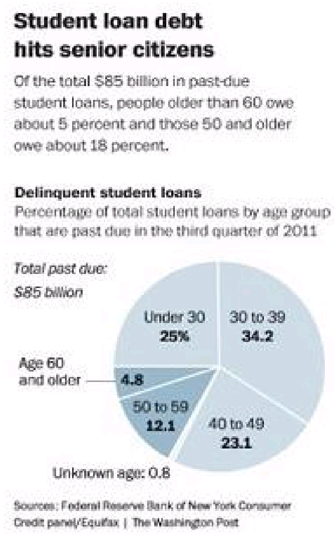
“(This) is certainly welcome news,” said Tim Martin, of TransUnion’s financial services business unit. “Before this, we saw two quarters of delinquency increases and while we are still about three-times above the pre-recession norm, this should mark the start of consistent improvement each quarter.”
House prices continue to face downward pressure and unemployment remains high, but many see the economic environment beginning to show modest improvement. TransUnion said its forecast predicts mortgage delinquency rates to drift downward in 2012 as more homeowners are able to repay their mortgage debt obligations.
TransUnion said its forecast is based on various economic assumptions, such as gross state product, consumer sentiment, unemployment rates, real personal income, and real estate values. The forecast would change if there are unanticipated shocks to the economy affecting recovery in the housing market or if home prices fall more than expected.

Source: Inside ARM

SENIORS HAVE $36 BILLION IN STUDENT LOANS

Recent research from the New York Fed shows Americans 60 years and older owe a collective $36.5 billion in outstanding student loans. More than 10% of these indebted seniors are delinquent on their loans, which means they may field calls from persistent debt collectors and be forced to offer up parts of their Social Security checks to satisfy their decades-old debts, the Washington Post reports.
Most people with student loans are under 40, but because this type of loan cannot be discharged in bankruptcy, the debt can follow a person around for life. The average amount due from all student loan borrowers is $23,300, according to the New York Fed's data, while the median amount is $12,800.
On average, college graduates make significantly more over their lifetimes than high school graduates and face a lower unemployment rate. But college costs have skyrocketed over the past 30 years, and the potential payoff of a college education varies widely, depending on which subject a person majors in and the value and reputation of the college.
Source: The Lookout Blog



U.S. GASOLINE DEMAND DIPS - PRICES FALL TOO

U.S. gasoline demand fell in the latest week, even though pump prices fell further below levels seen a year ago, MasterCard's weekly SpendingPulse data showed this week. Gasoline consumption in the week to May 4 was down 0.7% from the previous week and declined 5.8% from the same week in 2011, MasterCard data showed. Meanwhile, prices at the pump fell 3 cents from the previous week to $3.81 a gallon, 4.3 percent lower than a year earlier.
"While prices have fallen 13 cents in the past four weeks, keep in mind that although falling gasoline prices are positive for gasoline consumption growth they do not always translate to an instantaneous pick-up, and sluggishness in some economic drivers continues to put pressure on gasoline demand," said John Gamel, gasoline analyst for MasterCard Advisors SpendingPulse. The four-week moving average for demand fell for the 59th straight time, down 6.1% from the comparable period a year ago, MasterCard's report showed.

Source: Reuters

CONSUMERS NOT USING CREDIT CARDS BUT SPENDING IS UP

According to recent figures released by the Federal Reserve, consumers are spending more. Yay! Recovery! However, they’re not using credit cards to do it. In February, consumer credit card debt totaled $799 billion, a 15% decrease from December 2007. We’re still taking baby steps out of the Recent Troubles, and these updated numbers point to some residual fear and anxiety about the economy and the dangers of overextending via debt.
While credit card debt may be on something of a decline, student loan debt is still on the rise and shows no sign of stopping. Where it was at $117 billion in 2011, 2012 is seeing that number around the $1 trillion mark. More than 80% of individuals ages 18 to 34 who took out student loans still carry a balance, and more than 30% of those owe more than $20,000. The Fed said in April that it “expects economic growth to remain moderate over coming quarters and then pick up gradually.”
Source: Inside ARM