

## CREDIT CARDS: Debt rising, but delinquencies drop to near-record lows

Nonprime  
borrowers get a bigger slice of a bigger pie

Average  
credit card debt per borrower increased from \$4,699 in the second quarter of 2011 to \$4,971 in the quarter just ended--a rise approaching 6%. So says TransUnion, which notes that the new average is still relatively low compared to the \$5,719 average hit in the second quarter of 2009.

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The second quarter saw the national  
credit card delinquency rate fall to 0.63%, down ten percentage points from the first quarter, according to TransUnion's latest figures.

TransUnion notes that this is the  
lowest level hit since the second quarter of last year, when delinquencies stood at 0.60%. Beforehand, the credit card delinquency rate hadn't been so low since the final quarter of 1994, when it came in at 0.61%.

The credit reporting company  
classifies credit card debt as delinquent when it hits 90 days past due. This performance level was achieved even though the American love affair with plastic seems to have resumed.

"It's a positive situation, because  
average borrower balances have increased over the past year as new card originations have grown," comments Ezra Becker, TranUnion vice-president of research and consulting. These delinquency rates reflect both continued conservatism in lender underwriting and the ongoing prioritization of card payments among consumers."

This last comment refers to recent TransUnion research that indicates that consumers have increased the priority of credit card payments in their repayment hierarchy. The company's research indicates that consumers place more importance on the cars and associated credit, because of the need to get to work, and on credit cards, as a form of ready liquidity, as opposed to mortgage debt, somewhat tainted in their minds due to drastically shrunken property values.

As seen in the auto lending area, nonprime borrowers have been gaining in share of the credit card sector. Talking to ABA Banking Journal, Becker notes that part of this is due to the growing size of the credit card "pie," as evidenced by Federal Reserve figures that indicate new overall growth after the contractions seem in the wake of the credit crisis and the Great Recession.

TransUnion reported that total card originations grew 4% in the second quarter, compared to the previous year's second quarter. The share of nonprime consumers stood at 26.1%, slightly below the 27% of the year-earlier quarter. However, this was more than six percentage points higher than the 20.6% share of 2010's second quarter.

"While nonprime borrowers made up a slightly smaller percentage of all new trades in this latest quarter, they continue to gain more access to credit," Becker says. The fact that their rising share has not hurt performance further supports TransUnion's read of the evolving credit hierarchy, he argues.

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