Editor's Note

A Slow Recovery

As usual our politicians let us down. The so-called Super Committee was anything but. Their inaction will no doubt hurt our economy and add further strain to the mortgage market. Beyond the politician being, well politicians, Equifax put out some research that also leads me to believe that future market recovery will be slow. Their research showed that while total consumer debt has nearly returned to pre-recession levels, the amount of total new credit issued still lags behind pre-recession levels by a full 45%, according to the most recent Equifax National Credit Trends Report.

Bank credit card origination volumes continue to remain strong, with the total number of new bank credit cards opened from January-August 2011 representing a 25% increase over the same period in 2010. Retail credit card origination growth continues to rebound after bottoming out in 2010 and is up more than 7% during that period and headed into the holiday season when origination volume tends to spike even more.

Conversely, Home Equity Lending continues to retract. In 2006-2007, the number of total new home equity lines exceeded the number of total new bank credit card originations. This has now reversed, with total new bank credit cards now exceeding total new home equity lines for January-August 2011. Consumer Finance has been slow to recover to pre-recession levels as well, demonstrated by the average consumer finance amount for August 2011($2.902) at its lowest in 6 years (versus the highest in August 2006 of $4.133).

"On the whole, the lending industry is experiencing dramatically mixed results depending on sector," said Michael Koukounas, Senior Vice President of Special Client Services for Equifax. "Bank credit card and auto lending, in particular, have consistently performed strongly this year, providing some ground for optimism, but the severe retraction within home equity lending continues to underscore the level of impact that declining home values are having on the economy."

As I read all this, it says to me that we're not out of the woods. We've got a lot more pain ahead. When I'm in pain I go to the doctor to get a cure. For mortgage lenders the cure is smart automation. You may not want to deal with new technology Mr. Lender, but you need to get that Automation Injection to get past the pain. It might pinch at first, but a pain-free/profitable future is worth it, wouldn't you say? ❖

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