Now, Let's Talk Mortgages

We got an improving report on the state of credit in America last month. According to Equifax's National Consumer Credit Trends Report, new credit generated during January-February 2013 posted at $141 billion, the highest balance for that time period in five-years, and an increase of more than 33% over recession lows of $94 billion originated during January-February 2010.

Year-over-year, new credit balance changes year-to-date in February 2012 versus February 2013:

- Student loans: increased nearly 27% (from $9.2 billion to $11.7 billion)
- Home Equity lines of credit: increased nearly 16% (from $10.7 billion to $12.4 billion)
- Auto loans: increased more than 13% (from $61.5 billion to $69.6 billion)

"The rise in auto loans is reflecting the strong demand for new cars and light trucks, which increased almost 9% over the same time a year ago," said Equifax Chief Economist Amy Crews Cutts. "On a year-to-date basis through February, auto loan origination activity this year is the strongest it has been for banks since Equifax began tracking this information in 2006, totaling $35.6 billion, and the second strongest showing for non-bank auto financing companies at $34 billion. Consumers are tired of their old, patched-up cars and demand is really starting to pick up. At the same time, there is a slight increase in the willingness of lenders to finance car purchases for consumers with less than perfect credit."

"On a more cautionary note, student borrowing continues to increase rapidly, and well beyond just tuition increases as more and more people are attending colleges and professional training. In the past, some students might have relied on their parents who would have funded tuition payments using home equity lines of credit, but the small volume of home equity lending that is occurring today, at a little over $12 billion, is not sufficient to cover those costs."

Other highlights from the most recent data include:

Student Loans:

- The total new credit balances for February, year-over-year 2012-2013, nearly 29% (from $4 billion to $5.1 billion).

Auto:

- The total number of new loans increased nearly 9%, year-over-year, year-to-date in February 2012-2013, from 3.2 million to 3.5 million, the highest in more than seven years.
- By source, bank funded auto loans increased more than 12% year-over-year in February 2012-2013, from $15.4 billion to $17.4 billion, while auto finance company funded loans increased less than 3% in that same time, from $17.4 billion to $17.9 billion.

Home Equity Revolving:

- The total number of new loans year-to-date in February 2013, are 130,200, a year-over-year increase of more than 11%
- Year-over-year, the total balance of new credit increased more than 11% February 2012-2013, from $5.6 billion to $6.3 billion.

What's my take? Students are being forced to take on new debt and people are finally trying to get a few dollars together to buy a new car because the one they have is so old that it can barely get them around anymore. My point is, I'm not encouraged when people are borrowing out of necessity. I'll be encouraged when we see more first-time homeowners getting into a home that they can afford. And how does that happen? It happens when more people are able to get back to work in a good job that pays enough to enable them to feed their family, and we are seeing that happen more and more, but it isn't happening fast enough. ❖