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REAL ESTATE

Fewer Texans are mortgage laggards

By Andrea Rumbaugh/December 10, 2014

Mortgage delinquencies in Texas will reach pre-recession levels by the end of next year, an annual forecast released Wednesday by TransUnion says.

The share of people who miss two or more mortgage payments in Texas is expected to reach 2.2 percent at the end of 2015, down from the 2.83 percent forecast for the end of this year.

That will be the state's lowest mortgage delinquency rate since TransUnion began reporting the data in 2007.

"Texas has always been the better story on mortgage delinquencies," said Steve Chaouki, executive vice president of financial services for TransUnion.

Across the country, the mortgage delinquency rate is expected to reach 2.51 percent by the end of 2015. The 60-day national delinquency rate peaked at 6.93 percent during the first quarter of 2010. In Texas, it peaked at 5.57 percent during the fourth quarter of 2009.

The historic norm for national mortgage delinquencies is between 1.5 and 2 percent.

Chaouki said Texas has fewer missed payments because the economy and real estate market were more stable during the recession. Overall, he said, delinquencies are falling as new mortgages perform well and struggling mortgages, those lingering from the recession, finish the foreclosure process.

He said he thinks the delinquency rates "generally support the view that the economy is improving."

David Jarvis, vice president of McAlister Investment Real Estate based in Houston, said these low delinquency numbers do not surprise him. He called it an example "of where we are in the economic recovery — far ahead of the rest of the nation."

Foreclosures no longer pop up in his conversations with homebuilders. And since home prices have been rising, he said, residents aren't upside down like they may have been during the recession.

TransUnion also forecast a decrease in Texas credit card delinquencies. The figure for people who miss three or more credit card payments is expected to be 1.69 percent in the fourth quarter of 2015. That's down from the 1.71 percent forecast for the fourth quarter of 2014.

Across the nation, 90-day credit card delinquencies should reach 1.53 percent in the fourth quarter of 2015, up slightly from the 1.52 percent forecast for the fourth quarter of this year. The national delinquency rate averaged 2.25 percent in the fourth quarter between 2007 and 2013.

"Those consumers who weathered the storm are better positioned to manage their credit," said Ezra Becker, vice president of research and consulting for financial services at TransUnion. He described the consumer credit card market as "healthy and well-functioning."

'A different reality'

But falling oil prices could affect next year's mortgage and credit card delinquencies, said Bill Gilmer, director for the Institute for Regional Forecasting at the C.T. Bauer College of Business at the University of Houston.

"Those numbers are wonderful, but they reflect a different reality than what we're looking at right now," he said.

Gilmer said the Houston and Texas economies have been strong. But if oil keeps falling and companies start laying off workers, then delinquency rates — as well as other areas of the economy — could feel the impact.

"I don't remember a period of more uncertainty than the outlook right now," he said.

Subprime loans

TransUnion's forecast also included data on mortgage and credit card lending to consumers with poor credit scores. A decrease in subprime lending reflects a nervous marketplace with constricted lending overall, Chaouki said. A rise in subprime lending reflects a more willing marketplace with increased lending overall.

In the second quarter of 2007, 16.4 percent of new U.S. mortgages were considered subprime. That number was 8.1 percent in the second quarter of 2014, up from the low of 4.2 percent in the fourth quarter of 2010.

In Texas, subprime loans were 23.4 percent of new mortgages during the second quarter of 2007 and 10.5 percent during the same period this year.

Subprime lending makes Gilmer nervous.

"That was the basis of the financial crash," he said.

He's OK with the practice if the lender bears the full risk. However, he worries when lenders sell this risk or obtain government guarantees for subprime loans, meaning the government will pick up the tab if a loan defaults.