Mortgage deliquency rate hits all time high in 2Q

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NEW YORK (AP) - The delinquency rate on U.S. mortgage loans hit an all-time high in the second quarter, but the pace of growth for the rate slowed, a possible sign the mortgage crisis may be beginning to turn the corner.

Data provided by credit reporting agency TransUnion shows the ratio of mortgage holders who are 60 days or more behind on their payments increased for the 10th straight quarter, to 5.81 percent nationwide for the three months ended June 30.

That's up 65 percent, from 3.53 percent, in the 2008 second quarter.

Deliquency of 60 days is considered a precursor to foreclosure, because of the difficulty homeowners would have coming up with two back payments to bring themselves current.

While the deliquency rate hit a new high, however, the increase from the first quarter to the second was 11.3 percent. In the two prior quarters, the rate jumped nearly 16 percent.

That slowdown may be a good sign, said FJ Guarrera, vice president of TransUnion's financial services division. "We have reason to be cautiously optimistic," he said.

While there's no way to know exactly why the pace of growth is slowing, Guarrera said, it appears that programs aimed at helping distressed homeowners from both the government and mortgage lenders are beginning to help. In addition, he said, consumers are being more careful with their spending.

For the second quarter, Nevada, Florida, Arizona and California remained the four states with the highest deliquency rates, mirroring the locations where foreclosures are the highest. Nevada's deliquency rate spiked to 13.8 percent, from 11.6 percent in the first quarter and 6.63 percent in the 2008 second quarter.

In Florida, the delinquency rate rose to 12.3 percent, from 11 percent in the first quarter, and 6.47 percent in the 2008 second quarter.

TransUnion culls its database of 27 million consumer records to produce the statistics.

North Dakota and South Dakota remained the states with the lowest deliquency rates. North Dakota's rate actually edged down a hundreth of a percent, to 1.5 percent. Ohio, Idaho and Connecticut also saw decreases from the first quarter to the second.

Guarrera saw particular importance in the statistics for Ohio, where deliquency edged down to 4.57 percent from 4.58 percent in the first quarter.

The Ohio rate remains up substantially from the 2008 second quarter, when it stood at 3.77 percent, but the quarter-over-quarter decline, while small, was significant, he said.

"I believe this is a precursor to recovery," Guarrera stated, noting that the recession was felt first in the Rust Belt and Sun Belt states. "We see this as a really good sign."

Not all of the news was positive, Wyoming and Utah, two states that have been far from the center of the foreclosure crisis, saw their deliquency rates jump the most, to 2.85 percent and 4.68 percent, respectively. Guarrera noted both states has a small populations, so results can be skewed by small changes.

TransUnion still expects the mortgage deliquency rate to keep rising, but now expects the national rate to top out just under 7 percent around the end of the year. That's a slight revision from earlier in the year, when the company predicted the rate would go past that mark.

Nevertheless, it's going to take about a year before the rates start to fall across most of the country, Guarrera said, and it will be quite some time before the national rate returns to its historic norm between 1.5 percent and 2 percent. "Forecasts are telling us that the recovery will be slow," he said.