



Repossessions on the rise, Inland auto lenders say

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Massive jumps in payments on home loans and an economy that's taking a beating are creating work for auto repossessors, say those who lend money on vehicles, take them back and study the trend.

Individuals in the repossession, finance and research businesses say repossessions are taking place in large numbers because in some households, higher mortgage payments and other credit difficulties are eating up the money that ordinarily would be used for car-loan payments.

Tom Kontos is vice president of Adesa Analytical Services, a unit of with Adesa Corp., which owns auto auctions in Mira Loma and San Diego. He said repossessions are up about 15 percent from last year.

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"In part it's a thing you'd naturally see because of an economic slowdown," Kontos said. "But there are

some unique aspects to this economic cycle related to subprime financing."

He said some borrowers find themselves without enough money to make payments on both their home and their car.

"There are cases where people say the lesser of the two evils is (to default on) the car."

Edmunds.com analyst Joe Spina said there were more repossessions in the first few months of this year than in the same months in 2007. However, he expects the increase to become smaller each month as the cycle plays itself out, he said.

"The mortgage crisis is a consumer-spending crisis," Spina said. "There are homeowners going through pains with houses and also with cars and even some credit card debt."

Many of the repossessions, Spina said, have their roots at the beginning of the loan on the vehicle involved. Often a driver will buy a new car before he's paid off his old one, rolling the balance into the new loan, he added.

If the driver owed more on the car than it was worth, Spina said, the cost of the new loan -- and the monthly payments -- will be higher than in a straight cash transaction.

He said 26 percent of vehicles being traded in are negative-equity trades, and \$5,000 in factory incentives is barely enough to wipe out the negative equity associated with many loans, which averages \$4,500.

With credit hard to come by and new car sales expected to be slow this year, Spina said one possible silver lining for franchised dealerships is the availability of lots of repossessed vehicles and lease returns, which he expects will add vigor to the used-car market, particularly with "certified used cars."

Spina said repossessions are a last resort for the lender, who loses an average of \$7,000 on each car repossessed.

Therefore, it takes several months of missed payments before a lender will make that move, he said.

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Gene Shabinaw

"The last thing we want to do is take back a vehicle," said Gene Shabinaw, senior vice president of lending at Arrowhead Credit Union in San Bernardino.

The credit union has been known to offer breaks and loan extensions to auto customers to keep the borrowers from becoming delinquent, he said.

He said lenders are willing to work with borrowers, provided that they inform their lenders that they are having trouble paying their car notes.

"You see mortgage (lenders) trying to come up with solutions to help people stay in their homes," he said. "We're trying to help people stay in their vehicles. We don't want the cars back."

He said people often are unaware of options available to them when they face difficulty with car financing.

"A lot of the people who are now delinquent have never been delinquent in their life," Shabinaw said. "And, frankly, they're afraid to talk about it."

Shabinaw said Arrowhead has seen repossessions go up, but like Spina, he had no exact figures. He said when finances get tight, many consumers have higher priorities than paying off what is often a

second vehicle.

"The primary concern of most consumers is their mortgage and their home," Shabinaw said.

He said the real estate meltdown is also leading to repossessions in other ways, such as borrowers who lose their jobs in related industries.

He said while all types of vehicles are being repossessed, the rate of repossession seems to be highest among gas-guzzling pickups and SUVs, some purchased by people employed in construction or other fields.

Rialto repossession agent Brian Bockius said the economy is leading to many repossessions.

"The cost of everything is going up," he said. "People can't afford to keep their cars."

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Federal Trade Commission information for owners of repossessed vehicles: www.ftc.gov
