

business

Delinquent auto loans on the rise

Rising delinquencies in auto loans are driving up repossessions of vehicles

By Karen Rouse
The Denver Post

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Rod Bowser of Stellar Recovery & Investigations hooks up a car for repossession in Lakewood on Monday. The slowing economy has led more people than usual to fall behind on their payments, meaning more vehicles are repossessed. (Cyrus McCrimmon, The Denver Post)

The slowing economy and ongoing housing crisis aren't just costing people their homes. They're losing their cars, too.

Auto-industry experts say a higher percentage of borrowers are falling into delinquency on vehicle loans, while auction houses and repossession companies are seeing a jump in

business.

"We're picking up cars left and right," said Carol Bowser, who runs Lakewood-based Stellar Recovery & Investigations, a car-repossession company, with her husband, Rod.

Rod Bowser, who is also president of the Rocky Mountain Repossession Association, said he gets about 75 "repo" assignments a week, about double from a year ago. And he's seeing new trends.

"We're seeing people who have \$400,000 homes and higher units like



Rod Bowser pulls away with the Infiniti he has just repossessed in tow. Bowser says he gets about 75 repo assignments a week, about double the rate of a year ago. Repossession generally occurs after an owner has been in default for several months. (Cyrus McCrimmon, The Denver Post)

Lexus or Mercedes," said Bowser, who recently picked up an Infiniti from a middle-class Lakewood home.

Carol Kaplan, spokeswoman for the American Bankers Association, said banks generally contact borrowers within 60 days of delinquency. Repossession will start only after a borrower is

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several months in default — when any expectation of recouping payment is lost.

Nationwide, there has been an increase in delinquencies on indirect auto loans, those received through a car dealership or other third-party lender. Indirect loans are the dominant type used for auto loans, said James Chessen, chief economist for the Washington, D.C.-based bankers association.

The delinquency rate for such loans during the third quarter of 2007 was 2.86 percent, the highest since 1991.

Among direct loans, which come directly from a financial institution, 1.81 percent were delinquent during the third quarter of 2007.

Chessen said many of those in default "bought cars way beyond what they could afford."

In other cases, people may have struggled to meet their car-loan obligations because of higher fuel and energy costs, credit-card payments and other loans, he said.

Tom Kontos, industry analyst for Adesa Analytical Services in Indiana, estimates car repossessions went up 10 percent from 2006 to 2007.

He said that the industry sells about 9.5 million cars at auction each year and that of those, 1 million to 1.5 million are repossessed vehicles.

"The subprime-mortgage crisis may be causing

some credit-distressed customers to forgo payment on their vehicles," said Kontos.

Rod Bowser sees his boom in business as a sign of the economic times.

"It's a trickle-up effect," said Bowser.

"People don't want to lose their house.

They'll lose their car first." *Karen Rouse:*

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