Mortgage woes are expected to ease

Credit agency says it predicts big decline in delinquencies in 2012

By Eileen Connelly
The Associated Press

NEW YORK — If the U.S. economy doesn't suffer more setbacks, the rate of mortgage holders behind on their payments should decline significantly by the end of next year, according to credit reporting agency TransUnion.

Mortgage delinquency rates — the ratio of borrowers 60 or more days behind on their payments — will likely tick up to about 6 percent through the first three months of 2012, TransUnion said in its annual delinquency forecast issued Wednesday.

But by the end of next year, it could drop to 5 percent, TransUnion said. That's well off the peak of 6.89 percent seen in the fourth quarter of 2009.

Chicago-based TransUnion's forecast takes into consideration several factors, including expectations that consumer confidence and the economy will improve next year.

Also, banks are expected to get a good portion of pending foreclosures off their books next year, said Charlie Wise, TransUnion director of research and consulting.

Banks are still working through a backlog of foreclosures created by issues including the robo-signing scandal, in which bank officials signed mortgage documents without verifying the information they contained.

The issue surfaced last year in areas with large numbers of foreclosures, and banks had to backtrack and review foreclosures across the country to make sure their paperwork was in order.

That slowed down the process, Wise said, and left mortgages listed as delinquent for longer than they otherwise might have been, temporarily boosting delinquency rates.

Economic uncertainty has also contributed. In the third quarter of 2011, mortgage delinquencies saw their first uptick in six quarters, largely fueled by concerns over the economy as lawmakers were debating the U.S. debt ceiling and Europe's debt crisis was unfolding.

Helping to cut the mortgage delinquency rate are a slowly improving job market and a stabilizing housing market.