

# Credit card late payments hit 5-year high Slowdown catches up with consumers

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Legions of less affluent consumers are falling behind on credit card bills, pushing late payments to the highest level in nearly five years and losses from uncollectable debt to an 11-year high.

The amount of credit card debt more than 30 days past due reached 5.54% in March, up from 4.93% a year ago and the highest level since June 1997, says industry tracker CardWeb.com.

Charge-offs, the amount of bad card debt that banks write off, climbed to 6.59% in March, up from 4.74% a year ago and highest since February 1991.

Yet, many consumers are reining in card use. In the first two months of the year, revolving debt, which is mostly credit card debt, grew at an annual rate of 1.2%, compared with 20.8% a year earlier, according to Federal Reserve data.

Low interest rates help to explain the slowdown in card debt. Many homeowners have used low-interest home-equity loans or cash back from refinancing a mortgage to pay off higher rate card balances.

In addition, affluent consumers typically pay down debt during a recession, says William Black, senior analyst at Moody's Investors Service. But many other consumers don't have those options. Stretched to the limit, they are falling behind. Among the reasons:

\* High debt levels mean many families have little financial breathing room. U.S. households on average had \$8,367 in credit card debt last year, up about 160% in the past decade, according to CardWeb.

\* Low minimum payments make it hard to dig out of debt and put many on the financial edge. Many lenders require card holders to pay only 2% of a balance each month, experts say. Among those who carry a balance, nearly half make only the minimum monthly payment, according to a survey by Cambridge Consumer Credit Index.

\* Higher late fees and penalty interest rates are compounding the problem. Many card issuers have raised late fees to \$35, according to CardWeb. A card holder who pays late could see an interest rate jump from 11.95% to 22%.

"I could imagine that for many families, the double whammy would put them into default," says Ken McEldowney at Consumer Action.

\* Layoffs and the economic downturn pushed many families that already had high levels of card debt over the financial edge.

"We're now seeing the side effects of the slowdown in the economy," Black says. There is often a lag before hard times hit pocketbooks. That's why late payments are getting worse even though the economy is improving."

"We're hopeful that as the economy begins to expand and unemployment drops, the delinquency rates will drop," says Keith Leggett at the American Bankers Association. If not, bankruptcy filings may surpass last year's record 1.5 million, consumer advocates fear.