

Repo lots overflow with reclaimed cars

By Chris Woodyard
USA TODAY

Car and truck repossessions this year are headed for the highest level in at least a decade, thanks to easy credit and a faltering economy, says an economist for one of the largest wholesale auto auction services.

Autos

► High foreclosure rates, 5B

So many vehicles are being snatched from owners who stop making payments that some repo operators and auto auctioneers say lots are overflowing.

This year's predicted 10% rise in vehicle repos to 1.6 million would be a third higher than 10 years ago, says Thomas Webb, chief economist for a unit of Atlanta-based Manheim, which sells cars to dealers worldwide. The increase comes atop a 10% rise in repos last year.

Webb blames overly "generous" auto loans in the past couple of years as a key factor in driving up defaults that lead to repossessions.

He says the rate might be even higher if employment hadn't remained strong despite the slowing economy.

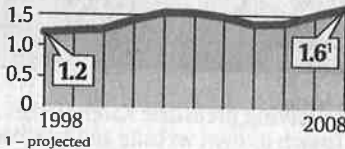
An executive at another big auto auctioneer says that easy subprime car loans in recent years are a big reason for the flood of repossessed cars.

"We're experiencing significant growth in repo volume to the point where we're using additional lots to store them," says Tom Kontos, executive vice president of Indiana-based Adesa Auctions. "Our inventories are growing to record levels," caused by repos on top of a glut of cars coming off leases and out of rental service.

While the nation has been transfixed by rising home foreclosures, scant attention has been paid to what is usually a

Repossessions rise

Annual number of repossessions of new and used cars: (in millions)



Source: Manheim Consulting By Karl Gelles, USA TODAY

consumer's second-largest purchase: their car or truck.

Wells Fargo, for example, reported last month that it charged off \$1 billion in auto loans last year, 3.5% of its portfolio, compared with \$857 million in 2006. The bank says it expects a higher write-off rate this year.

The rise of bad loans, however, has meant busy times for "repo men,"

whose work can involve seizing cars from driveways in the dead of the night.

"Our business has skyrocketed," says Patrick Altes, president of Falcon International in Daytona Beach, Fla. In recent times, his service saw a first wave of defaults that involved picking up boats and recreational vehicles.

Now, it's cars and trucks, often in affluent neighborhoods.

"A lot of the vehicles we're getting are high-dollar pickup trucks" whose owners got caught in the construction downturn, Altes says.

The repo surge has boosted business for locksmith Amy Palmer. She makes new keys for seized vehicles at Manheim's auction lot in Ocoee, Fla., one of Manheim's 144 locations in 14 countries.

"It's phenomenal," she says. "If you're not paying for your house, who is paying for the car?"