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CREDIT & COLLECTION MATTERS

June 2011

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FEWER SMALL BUSINESSES SHOPPING FOR CREDIT

When the financial crisis hit, panicked small businesses were scrambling to find credit. Nearly three years later it's a much different story. The level of credit shopping – when a borrower seeks a loan or lease from more than one lender – by small businesses has fallen nearly 30% since September 2008, according to new data released by PayNet Inc. and it may lead lenders to offer better terms said William Phelan, PayNet's president.

"It indicates that it's not a very competitive market right now," said Phelan. "In 2008 you would have expected it to be high because of the recession and the lack of availability of credit." According to Phelan, in 2008 the indicator registered 118 – a record – and far above pre-recessionary levels in January 2005, when it sat at 100 – the point at which a borrower typically shops for credit at more than one bank. Today it stands at 84.

This dip is actually good news for small businesses, who should take the opportunity to ask for better loan terms from lenders, said Phelan. "If they could spend more time maybe going to one or two extra banks, they might get better terms," he said, noting the current level of credit shopping indicates a degree of comfort on behalf of borrowers with their banks. "Clearly if the small business is shopping less, they're satisfied with their current provider more. It's a pretty good indication that customer service levels have improved much since 2008."

Source: Reuters

WHATS REALLY KILLING THE RECOVERY?

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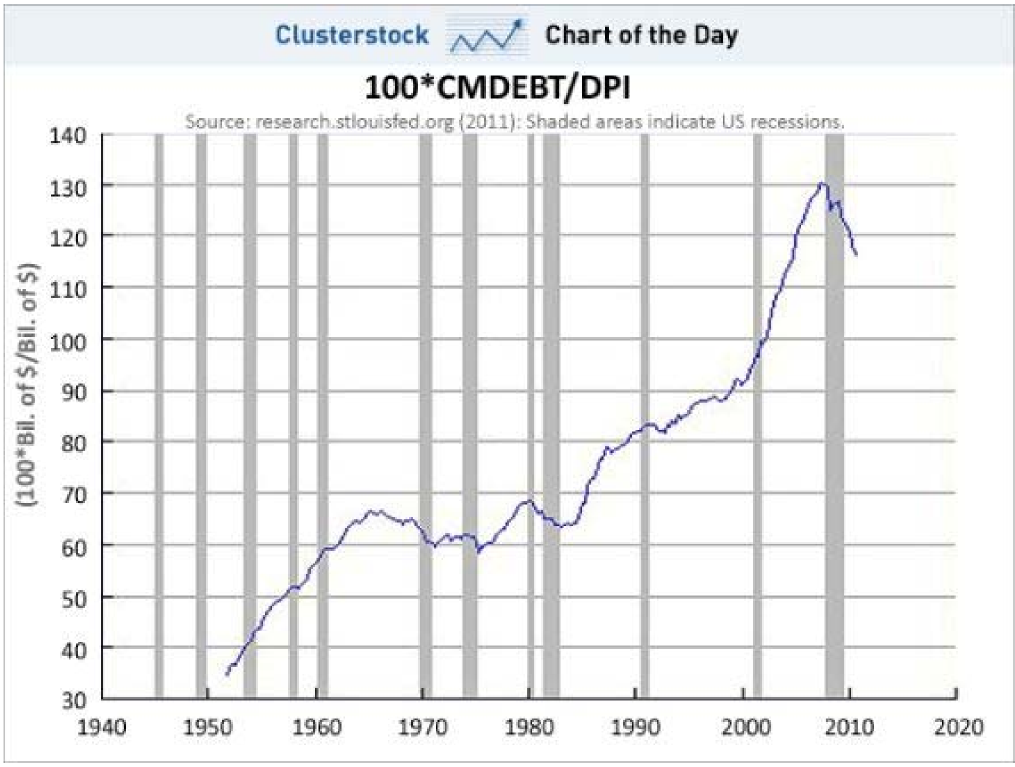

Household debt as % of personal income

You can come up with all kinds of explanations for the fact that the recovery is fading: Japan, the Arab unrest, house prices, concerns over Europe, etc. In reality there's only one good answer: This isn't a business cycle, it's a balance sheet recession. And though there's been some deleveraging (thank you Federal spending), the consumer is still way too leveraged to have any new breathing room. In fact, to deleverage, the consumer has a lot more debt killing left to do. This chart of household debt as a percentage of personal income is crystal clear.

Source: The Business Insider

CREDIT CARD DELINQUENCIES AT 15-YEAR LOW

Consumers, in general, are repaying their credit card debt in a timely manner, with delinquency rates in the first quarter of 2011 reaching levels not seen in almost 15 years, according to new data released by TransUnion. TransUnion's quarterly analysis of trends in the credit card industry revealed that the national credit card delinquency rate (the ratio of bankcard borrowers 90 days or more delinquent) decreased to 0.74% in the first quarter of 2011. This delinquency rate is down almost 10% quarter over quarter (0.82% 4Q10) and down nearly 33% year over year (1.11% 1Q10). This is the lowest level reached since the third quarter of 1996 (0.76%).

In the first quarter of 2011, the average credit card debt per borrower fell by 5.8% to $4,679 from the previous quarter's average of $4,965. This is the lowest average since the third quarter of 2000 ($4,695) and is markedly lower than the peak experienced during the recession ($5,776 1Q 2009).

Among the reasons for the decrease, TransUnion cites that lenders are still conservative with extending credit and consumers continue to deleverage their debt. "In today's economy, many consumers are continuing the trend of paying their credit cards before or in lieu of their mortgages, reversing the typical payment hierarchy," says Ezra Becker, vice president of research and consulting at TransUnion. "In paying their credit cards on time and reducing their debt, consumers are ensuring their access to liquidity, if needed, as the economy slowly recovers."

TransUnion's forecasting models track how credit card delinquency rates are impacted by economic factors such as disposable income, interest rates, consumer confidence and GDP. "Based on our current economic assumptions, TransUnion believes that the 90-day credit card delinquency rate will still be impacted by seasonal factors, but generally continue to drift downward below 0.7% by the end of 2011," said Becker.

Source: InsideARM

CELL PHONES AND RADIATION - 10 BEST AND 10 WORST

The World Health Organization has recently declared that the electromagnetic fields emitted by cellphones are "possibly carcinogenic to humans." Since cell phones are a relatively new technology, the study warns it could take years before the long-term effects are truly known. However the investigation found a 40% increased risk for glioma, the most common type of primary brain tumors, among heavy cellphone users (defined as talking on a cellphone for 30 minutes a day for 10 years). Most Americans wouldn't be included in that group, according to the study, which identified this chatty group as only 10% of all users.
There are certainly ways to minimize your risk, including using a headset and sending texts instead. You could also switch over to a less radioactive phone. Not all cellphones are created equal, and some emit much less radiation than others. The Environmental Working Group has ranked the best and worst phones based on specific absorption rate (SAR), which measures how much wattage of radiation is absorbed by a human body as a result of a phone signal. Here are the 10 best and worst:

Best Cell Phones (Least Radiation)

- LG Quantum Smartphone
- Casio EXILIM
- Pantech Breeze P2000
- Sanyo Katana II
- Samsung Fascinate Smartphone
- Samsung Galaxy S Smartphone
- Samsung SGH-a197
- Samsung Contour
- Samsung Gravity T Smartphone
- Motorola i890

Worst Cell Phones (Highest Levels of Radiation)

- Motorola Bravo
- Motorola Droid 2
- Palm Pixi
- Motorola Boost
- Blackberry Bold
- Motorola i335
- HTC Magic
- Motorola W385
- Motorola Boost i290
- Motorola Quantico
