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IS THE ECONOMY 'CLOSE TO FALTERING?'



Short on tools to fix the economy's problems and under pressure from all sides, Federal Reserve Chairman Ben S. Bernanke chastised Congress during a recent hearing for pushing the nation to the edge of default last summer, saying it's "no way to run a railroad." Before the Joint Economic Committee, Bernanke painted a gloomy picture of the economy, describing it as "close to faltering." He predicted there would be no quick pickup in new jobs and again urged lawmakers to come up with a credible plan to deal with federal deficits.

Bernanke empathized with anti-Wall Street protesters who, in marches across the country, have been blaming big financial institutions, including the Fed, for the economy's woes. "They blame, with some justification, the problems in the financial sector for getting us into this mess and they're dissatisfied with the policy response here in Washington. On some level I can't blame them," he said.

Bernanke noted that the European debt crisis has been "a significant source of stress in global financial markets." The debt crisis has helped fuel volatility in the financial markets, which in turn has reduced confidence in the economy from U.S. businesses and consumers.

Bernanke warned members of Congress against cutting the federal budget too deeply, given the current economic stresses. He said lawmakers could provide plans for long-term deficit reductions without going overboard in reducing spending in the short term. He declined to tell lawmakers how they should reduce the deficit, saying that it wasn't up to him to decide what action Congress should take.

Bernanke emphasized that the Fed can do only so much to boost the economy using monetary policy. Congressional and other government officials, along with the private sector, have to do the rest of the work.

Source: LA Times

WHY THE JOB RECOVERY IS DIFFERENT THIS TIME

Issue 42

CONTACT

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www.saldutticollect.com

1-877-809-4345

TEL: (856) 779-0300

FAX: (856) 779-0355 -
fax

NJ: Cherry Hill/Lawrenceville

PA: Philadelphia/West Chester

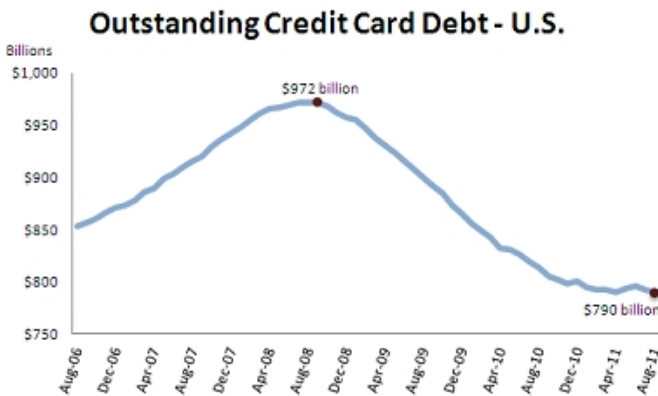


You've known for a long time that that unlike in past recoveries, this "recovery" has been extraordinarily jobless. One reason that's often cited: The lack of construction employment. This chart from [Calculated Risk](http://www.calculatedriskblog.com/) tells it nicely. Unemployment is nicely correlated historically with new home sales, and new home sales are totally stalled out.

Source: The Business Insider

CREDIT CARD DEBT FALLS AGAIN IN AUGUST TO NEW LOW

Consumers in the U.S. took on less credit card debt in August as banks continued to charge-off past due accounts, resulting in another net loss in card debt outstanding. The total amount due on credit card accounts fell to the lowest level since the financial crisis began. The Federal Reserve recently released data showing that its member banks reported a 3.4% annualized decline in card balances in August. Total revolving credit outstanding was \$790 billion in the month, down from a peak of \$972 billion in September 2008.



Total credit card debt plummeted in 2009 and 2010, with the fall largely leveling off so far in 2011. But monthly gains have been small and declines are still the norm. August marked the second-straight month of declines, and the third out of the past five months.

Overall consumer credit outstanding also fell, with non-revolving debt (like auto and student loans) declining at a 5.2% annual rate after a large gain (+11.3%) in July. The Fed's report does not cover debt backed by real estate. Total consumer debt outstanding in the U.S. was \$2.445 trillion at the end of August.

Source: InsideARM

CONSUMERS SPENT LESS, EARNED LESS IN 2010



Consumers earned less and spent less for a second straight year in 2010. The government data shows how Americans are struggling after the worst recession since the Great Depression. The Labor Department says in its annual survey of consumer behavior that spending fell 2% last year, only the second decrease since the government began the survey in 1984. People spent less last year on food, cut back on entertainment and

eating in restaurants and gave less to charity. At the same time, they paid more for gas and health care - trends that have continued this year. Incomes fell 0.6% in 2010 after a 1.1% drop in 2009. Consumer spending and income have increased only modestly this year.

Source: Forbes.com

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Saldutti, LLC 856 779-0300
www.saldutticollect.com