

CREDIT & COLLECTION MATTERS

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Top Dog Collectors ...



U.S. August Mass Layoffs Rise

The number of mass layoffs by U.S. employers rose by 533 in August from July, with the manufacturing sector the hardest hit, Labor Department data showed on Wednesday. The number of mass layoff actions -- defined as job cuts involving at least 50 people from a single employer -- rose to 2,690 last month, affecting 259,307 workers. That brought the total of mass layoffs so far this year to 21,184. While the broader economy appears to be recovering from its deepest and longest recession in 70 years, unemployment continues to rise. There are fears rising joblessness could hamper the recovery. The U.S. unemployment rate hit a 26-year high of 9.7 percent in August, and many economists expect it to peak above 10 percent early next year. In the 21 months since the start of the recession, the total number of mass layoff events was 44,669, accounting for over 4.56 million jobs.

Source: Reuters

There is still no good news on the employment front as indicated in the latest Bureau of Labor Statistics (BLS) survey of mass layoffs -- defined as distinct events of 50 or more employees being terminated at a single company. After some glints of hope in July, it just spiked right back up in August.



The 5 Largest U.S. Bankruptcies

Issue 16

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From Lehman to Enron, the mighty have fallen, taking down billions and billions with them.

1. Lehman Brothers Holdings

Date of bankruptcy filing: **09/15/08**

Assets: **\$691 billion**

One of the biggest calamities of the current recession is the fall of the once highly regarded Wall Street investment firm, which was forced to file for bankruptcy protection last September, the largest corporate filing in the history of U.S. bankruptcy court. As a result, the company's North American investment banking and trading businesses and New York City headquarters were sold to British bank Barclays.



2. Washington Mutual

Date of bankruptcy filing: **09/26/08**

Assets: **\$327.9 billion**

Amid fears of insolvency, customers of Washington Mutual withdrew more than \$16 billion of deposits over a 10-day period last fall, causing a government regulator to seize the holding company's banking assets and sell them to JPMorgan Chase for \$1.9 billion. The following day WaMu filed for bankruptcy protection. What was once the nation's largest savings and loan and sixth-largest bank is now a shadow of its former self. The holding company currently is suing the FDIC for improper seizure and is seeking \$13 billion in damages.

3. WorldCom

Date of bankruptcy filing: **07/21/02**

Assets: **\$103.9 billion**

Once the second-largest long-distance telecom in the U.S. after AT&T, WorldCom filed for bankruptcy protection following the discovery of an \$11 billion accounting scandal. In 2003 the company re-dubbed itself MCI, (the name of one of its previous acquisitions), and then emerged from bankruptcy a year later. In 2005 MCI was acquired by Verizon Communications for \$7.6 billion and former CEO Bernie Ebbers was sentenced to 25 years in prison after being convicted of securities fraud, conspiracy, and filing false documents.

4. General Motors

Date of bankruptcy filing: **6/1/09**

Assets: **\$91 billion**

The automotive giant, which for many years was the largest U.S. company and reigning king of the Fortune 500, now ranks as the largest industrial company to seek bankruptcy protection in the history of American business. When it filed for Chapter 11, the company announced it owed \$172 billion to creditors and expected a total government cash injection of \$50 billion. The likely outcome of the reorganization will be the emergence of a new version of the company that holds onto Chevy, Cadillac, Buick and GMC. Brands Saab and Saturn have also filed for bankruptcy. As part of the bailout agreement, the U.S. government will own nearly 72.5% of the new company and the United Auto Workers' retiree health care fund will hold 17.5%.

5. Enron

Date of bankruptcy filing: **12/02/01**

Assets: **\$65.5 billion**

The collapse of a vast creative-accounting scandal destroyed the nation's largest energy, electricity and natural gas company in 2001. After a long and arduous case that was the most-watched bankruptcy proceeding in history, Enron emerged from bankruptcy protection three years later in 2004. Several of its top executives were later convicted of many counts of securities and accounting fraud. In addition to bringing down accounting firm Arthur Andersen, the Enron scandal is considered a landmark case because it inspired the Sarbanes-Oxley Act of 2002, which set new standards and practices for public companies. In 2007, Enron changed its name to Enron Creditors Recovery Corp. with the intention of liquidating the company's remaining assets.

Source: CNNMoney



U.S. Credit Card Defaults Rise to Record

The U.S. credit card charge-off rate rose to a record high in August, as more Americans lost their jobs, Moody's Investors Service said this week, in another sign consumers remain under stress.

The Moody's credit card charge-off index -- which measures credit card loans that banks do not expect to be repaid -- rose to 11.49 percent in August from 10.52 percent in July. The index resumed an upward trend after declining in July for the first time in almost a year, vanishing hopes of stabilization in the industry after record high credit losses.

"We continue to call for a recovery of the credit card sector to begin once industry average charge-offs peak in mid-2010 between 12 percent and 13 percent,"

Moody's said in a report.

Credit card losses usually follow the trend of unemployment, which rose in August to 9.7 percent, the highest level in 26 years. Moody's estimated unemployment will peak next year at 10 percent to 10.5 percent. The Moody's index showed credit card delinquencies -- payments more than 30 days late -- rose to 5.80 percent in August from 5.73 percent in July.

"Even early-stage delinquencies rose, ending a trend of four consecutive months of improvement," Moody's said in a report.

Data released by companies earlier this month based on the performance of credit card loans that were securitized showed defaults rose to record highs at some of the biggest card issuers. Large banks hold the highest exposure to riskier credit card borrowers.

Source: Reuters

Ironside's Helpful Hints ...

Whether your small business is sailing smoothly, treading water or moving against a strong tide during these tough economic times, having a reliable collection strategy is integral to maintaining enough cash flow to remain solvent. Check this section each month to gain helpful tips to create a streamlined collection process. By taking these few extra steps, you can boost your business cash flow and alleviate concerns about how to handle late payments.



CREATE AN EFFECTIVE COLLECTION TRACKING SYSTEM

Develop a payment-tracking system that alerts you of overdue payments. The sooner you're aware of late payments, the sooner you can take action. Consider utilizing software specifically designed to track payments or consult your banker or financial advisor for suggestions about how to get started.

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