

Saldutti, LLC

Creditor, Collection & Business News

BANKING & FINANCIAL INDUSTRIES

Saldutti, LLC /Creditors' Rights Service
Attorneys at Law

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The Banking Landscape Potentially Transformed

During the latter part of September the financial markets were subject to some major shifts; we essentially watched the U.S. banking landscape transform in a matter of weeks.

We saw JPMorgan Chase purchase the banking operations of Washington Mutual after it was closed by the Office of Thrift Supervision. Wells Fargo finally ended its squabble with Citigroup over its acquisition of Charlotte, N.C.-based Wachovia. These headline grabbing purchases only helped to push forward the consolidation being witnessed within the banking sector.

With the nation's banking largest institutions now gobbling each other up and the credit crisis continuing to batter the industry for both large and small players alike, there is a strong probability that the once fragmented U.S. banking system will likely continue to experience significant changes.

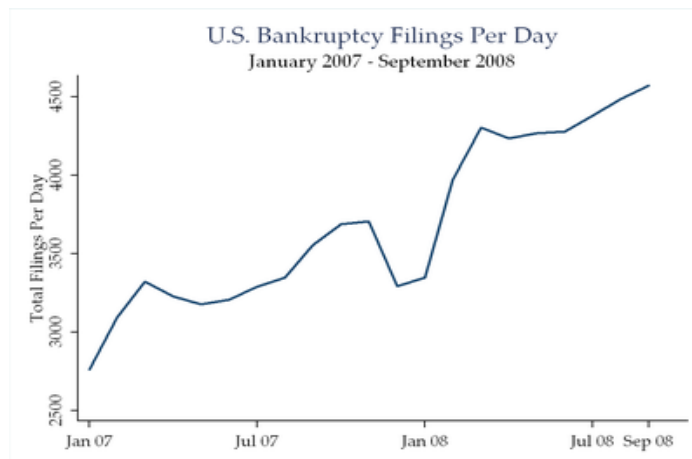
One such probable change would deal directly with the federal cap on the percentage of overall U.S. deposits an institution can control. The current federal regulatory limit for banks is 10 percent of all U.S. deposits. But with the recent string of acquisitions bringing Bank of America, Citigroup,

and JPMorgan Chase to a combined 31.3 percent of U.S. deposits, it has become clear that in the era of the super-banks the 10 percent cap has already been breached, and will need to be increased or augmented in some fashion.

As of June 30, 2008 Bank of America, JPMorgan Chase, and Citigroup had total domestic deposits of \$701 billion, \$497 billion, and \$266 billion respectively. Wells Fargo, Wachovia, and Washington Mutual had total domestic deposits of \$293 billion, \$422 billion, and \$188 billion respectively. After all of the acquisitions take force, Chase will have nearly \$800 billion in deposits, Wells Fargo \$720 billion and Bank of America \$700 billion.

Another potential regulatory change, brought front and center as a result of the ongoing credit crisis, deals with the current FDIC deposit insurance level. As a part of the \$700 billion bailout/rescue package, the FDIC coverage for bank deposits was temporarily increased to \$250,000 per account from \$100,000 through 2009. As the financial crisis steers more individuals towards regular bank deposit accounts, there is the possibility that the appetite may be there for this temporary coverage increase to become a permanent one for a U.S. populace still trying to decipher all the negative economic headlines.

Source: *InsideARM*



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Don't Let Your Business Drown In Debt: *Staying Afloat in Today's Economy*

The high price of fuel, the subprime lending crisis and repeated government bailouts of collapsing financial institutions have caused widespread economic panic across the U.S. Times are tough across the board – consumers are strapped and businesses are struggling.

Businesses of all sizes are deeply affected during an economic slowdown. We are bombarded with stories of Wall Street giants such as Lehman Brothers and AIG but little attention is focused on the struggling businesses in our communities.

A recent poll, organized by the National Federation of Independent Businesses (NFIB), indicated that 44 percent of small business owners admitted to working more hours for their business than they did six months ago. Most of these individuals attribute the extra workload to additional business matters that have sprung up due to the slowing economy. On the other hand, 10 percent of those surveyed revealed that they are working shorter hours on business because the downturn has left with them with less to do. Respondents also disclosed that 21 percent have fewer employees than they did six months prior, with 70 percent of those companies citing slower business activity as the main cause.

On top of these statistics, U.S. consumer bankruptcy filings increased 30 percent during the first six months of 2008 and delinquency rates continue to rise.

What does this mean for business? Owners and employees are forced to work longer and more efficiently, with minimized staff, in order to ride out the waves of this turbulent economic storm.

Additionally, consumers and clients are paying late or defaulting on their bills, which in turn, affects business revenue. Unfortunately, this situation has become more frequent over the past year as disposable income evaporates and tighter credit standards have reined in spending.

Before cash flow begins to wane, especially at a time when every penny counts, it is detrimental that businesses take a few steps to protect themselves during the credit crunch.



1. Review Your Current Credit Policy

Your credit policy has a direct effect on the cash flow of your business. A policy that is too strict (requiring full or partial payment up front) might turn away potential customers while a too liberal policy (with very lenient guidelines) may attract slow-paying customers. A good credit policy should balance cash and credit, helping your business attract and retain good customers.

2. Insist on Credit Applications

All new and existing clients should fill out credit applications if they haven't previously done so. Credit applications are the lynchpin - recording contact information for the customer, personal references and business references, like banks or employers. It is crucial that a Creditor Rights Attorney draft and/or review the credit application to guarantee that the document is viable.

3. Update Credit Agreements

A credit agreement is a document outlining the terms and conditions of a contract. For the agreement to be legal and binding, the document needs to be signed by both parties. Credit agreements that are detailed and thorough leave little room for customer discrepancy. Consider adding interest for late or non-payments, allowing fee provisions and/or venue clauses.

4. Monitor Aging Accounts

Review account receivables on an on-going basis and note accounts that are overdue. Do not hesitate to contact these customers – even if they are as little as 10 days past due. By monitoring these accounts regularly, it is easy to stay on top of this otherwise cumbersome task to guarantee that invoices get paid in a timely fashion.

5. Don't Rely Solely on D&B

Dun & Bradstreet maintains a database of more than 100 million businesses worldwide and is a leading provider of business information for credit and purchasing decisions. While the service can be a useful resource, providing essential data such as payment history and risk assessment for a specific company, D&B reports are not completely up-to-date and can be missing vital current information.

6. Set up Client Google Alerts

A Google Alert is an effective, simple, and best of all, free tool to learn more about your customers. Any time a designated company is indexed in Google – whether a newspaper article, a web site, a subpoena, or blog – an alert will be sent to your inbox. This is a great way to monitor a business' online reputation.

“Creditors have better memories than debtors.”

~ Benjamin Franklin,
Poor Richard's Almanac

Unemployment Rate Soars to 6.5%

According to the U.S. Labor Department, the economy lost 240,000 jobs in October, sending the unemployment rate to a 14-year high of 6.5 percent, up from September's rate of 6.1.

The Labor Department sharply revised job loss totals for the previous two months in its recent report. In September, 284,000 jobs were lost – compared to the 159,000 initially reported – and in August, 127,000 jobs went away, up from initial estimates of 73,000.

So far in 2008, 1.2 million jobs have been lost, with job losses reported by Labor in every month.

Credit card losses may surpass historical peaks

Rising job losses, volatile energy prices and fewer refinancing options will lead to higher delinquencies that are likely to push U.S. credit card portfolio losses past historical peaks in 2009, Fitch Ratings said in a report on Monday.

While it expects ongoing deterioration in the fourth quarter and into the coming year, Fitch said a turn in the cycle will be heavily dependent upon the duration of the economic downturn and the severity of any increase in the unemployment rate, now at 6.1 percent.

"Recently announced government-led intervention programs are expected to ease the funding strain for some large card issuers, but lenders are expected to remain cautious on portfolio growth in 2008 and 2009," said Meghan Crowe, a director at Fitch.

"Many issuers have ramped-up deposit growth and retail funding efforts in recent months in order to reduce reliance on the ABS markets," Crowe said.

Fitch expects a greater proportion of maturing asset-backed debt may be refinanced on balance sheets in 2009. Competition for deposits is expected to intensify as many financial institutions attempt to shore-up cheaper sources of liquidity.

Increased demand for deposit funding will likely result in pricing pressure over time. Issuers are expected to remain flexible by closely monitoring pricing rationalization in the ABS markets.

While asset quality metrics have deteriorated and funding costs have increased, large credit card issuers have generally maintained stable rating outlooks, as portfolio risks have been offset with greater contingent liquidity and higher capital levels, Fitch said.

The firm anticipates rating pressure will mount over the remainder of the year and into 2009 as economic headwinds negatively impact consumer credit. Declines in profitability that are not offset by enhanced liquidity and capitalization could prompt negative rating actions, it said.

Source: *Reuters*

Lenders Ramp Up Debt Collection Efforts

Many large financial institutions are stepping up their collection efforts, especially in the areas of credit card debt, according to an industry analyst.

Citigroup told the Wall Street Journal that it had hired more collectors and was intensifying collection efforts through increased contacts and expanded debt forgiveness programs.

Other lenders have accelerated their collection programs by hiring more collectors, using more third party collectors and by contacting debtors far earlier in the process, according to WSJ. Other lenders are following similar tactics to Citi's.

"We are seeing stepped up efforts around collections," Gwenn Bezard, research director for Aite Group, told insideARM. "The trick for a number of lenders is that they are all throwing

the same thing at the problem, and it's not super effective."

One of the challenges lenders are facing is that increasing the number of calls isn't always the best way to increase collections. For example, many lenders have added collectors and automated processes to make more calls, but what is often more effective is using the same collector to work the same accounts because it enables them to build personal relationships with the debtors.

"If you have different people calling you, you have to explain the situation several different times," Bezard said. "If the same person is calling all of the time, it is easier for him to elicit a promise to pay. If a stranger (second or third collector) is calling, it is much easier to lie [about intentions to pay]."

Source: *InsideARM*

The Safety Net: Collecting Debt Can Preserve the Life of Your Business

If your business is owed money and all initial attempts have failed, a legal collection firm is critical in today's environment. Rather than utilize your own company's valuable time, resources and manpower, a legal collection firm is experienced in tracking down debt that is rightfully owed to your business. The firm will work with a company to develop timelines and strategies to collect debt in a manner that is acceptable to both the business as well as the debtor. A collection law firm has a significant advantage over a collection agency, offering its clients the ability to take further legal action should a debtor refuse to pay. While both a law firm and collection agency will use similar techniques at the beginning, a letter or phone call from a lawyer will likely prove to be more intimidating than one from a collection agent. However if no response or payment is received, a legal collection firm can protect a creditor by promptly proceeding with litigation. Additionally legal collection firms such as Saldutti, LLC offer its clients the latest in computer technology as well as skip tracing and forensic investigations.

According to Saldutti, it is imperative that a legal collection firm or collection agency adhere to a strict code of ethics and follow the Fair Debt Collection Practices Act. If you are considering hiring a legal collection agency, Saldutti suggests that you verify that the company is a member of the American Collectors Association (www.acainternational.org) or the Commercial Law League of America (www.clla.org). Both organizations exhibit the highest standards of integrity and professionalism to ensure that its members are reputable.



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