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LEASING & FINANCE NEWS UPDATE

April 2011

Top Dog Collectors



CONSUMERS CHOOSE TO PAY CREDIT CARDS VS. MORTGAGE



A study just released by the credit reporting bureau TransUnion shows a shift in consumer credit card paying habits as a result of the recession. The new pattern finds consumers more likely to pay their credit card charges before they pay their mortgage; and this trend has occurred for the last three years in a row. Steven Stark, General Counsel and COO for A New Horizon Credit Counseling Services, stated "This just confirms what we have seen among our clients; they would prefer to default on their over leveraged mortgages in favor of paying off their credit card balance." Stark added, "This change in the traditionally expected payment priority is clearly related to home devaluation and high unemployment".

The study found that the new payment pattern has become increasingly popular among consumers, with the percentage of consumers who are delinquent on their mortgages and current on their credit cards rising to as high as 7.4 percent in Q3 2010 (from 4.3 percent in Q1 2008).

Conversely, the percentage of consumers who are delinquent on their credit cards and current on their mortgages decreased to its lowest level ever at 3.03 percent in Q4 2010. This rate had been at 4.1 percent in Q1 2008.

Not unexpectedly, the lowest credit-scoring segment continues to be the highest number of consumers delinquent on their mortgages. The rate for consumers in this segment who were delinquent on their mortgages but current on their credit cards during Q4 2007 was just over 19 percent, but rose to 30.4 percent in Q4 2010.

However Stark cautions, "we have also noticed that while consumers have struggled to remain current on their credit cards, these balances continue to grow steadily larger for a significant majority of the same population that has been hardest hit by unemployment and failed businesses during the recession. Anyone finding themselves in this pattern should consult with a reputable credit counseling agency to review what options are available to them".

Source: TransUnion

BUSINESS FAILURES DOWN, BUT NOT DONE

Recent report shows some improvement but no sign yet of full recovery

Bankruptcy has been in the headlines recently, thanks to the high-profile Chapter 11 filings of companies such as gourmet-food retailer Harry & David and bookseller Borders. But business failures overall have been declining, according to the most recent data from Dun & Bradstreet. Formal bankruptcy filings in 2010 were down more than 5% from 2009, while a broader estimate of business failures fell about 13.5%.

That doesn't mean the economy is out of the woods, though. The failure rate is still high in many industries, as is the percentage of delinquent payments, a leading indicator of bankruptcy risk (see chart above). "The economy is improving, but there's still a high degree of failure risk in the system," says Andrew Lobsenz, Senior VP of global D&B risk-management solutions. If the

Most Likely to Fail

Industries with the highest failure rates, Q4 2010

Industry	Failure Index
Transportation	1.69
Construction	1.54
Financial Services	1.40
Automotive	1.38
Manufacturing	1.26
All industries	1.00

Source: Dun & Bradstreet

Biggest Delinquents

Delinquency rates by industry, Jan-Dec 2010

Industry	% of businesses with payments 91+ days past due
Manufacturing	18.8%
Automotive	17.3%
Telecommunications	17.1%
Construction	16.6%
Wholesale	16.6%
All industries	13.50%

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recovery happens too slowly, "failure rates could kick back up rather quickly," he warns.

Transportation was the industry with the highest failure rate in 2010, followed by construction. Coming in third was the financial-services industry, which for the first time in decades displaced manufacturing. That was in large part because of an unusually high number of bank failures, as well as failures of leasing companies.

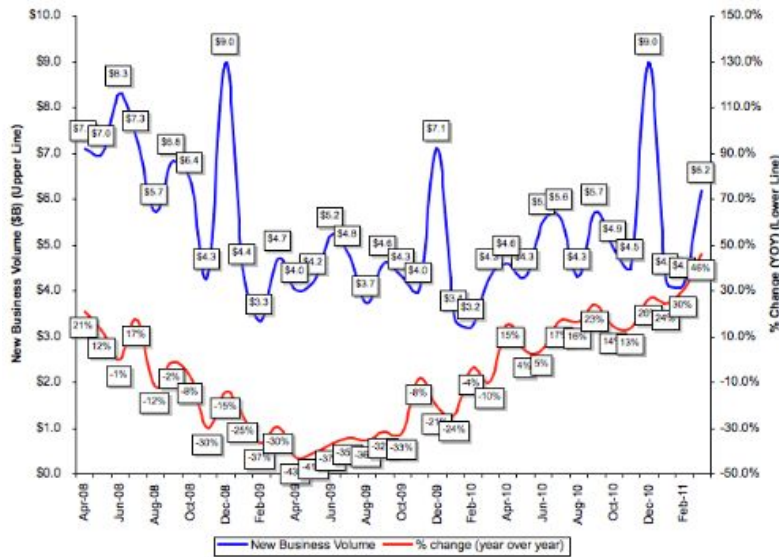
The percentage of delinquent business payments (past due more than 90 days) held stable at around 5% for all of 2010. Like the failure rate, the metric implies both good and bad news. "Things overall have stabilized, but they're still much worse than they were prerecession," notes Lobsenz. Delinquent payments steadily increased from about 2% of all payments in the middle of 2007 to a high of 6% at the end of 2008, when the financial crisis fully emerged.

Manufacturing topped the list of slow-paying industries, a fact that portends more failures in that sector this year, says Lobsenz. Automotive and telecommunications companies also had high delinquency rates, followed by wholesale and construction.

"We think it will be a relatively slow recovery," says Lobsenz. "There's continued improvement in payment trends and therefore business failures, but a lot of people are going to be very cautious about the credit they extend to customers and the debt they take on themselves."

Source: CFO.com

MARCH NEW BUSINESS UP 44% OVER YEAR



MLFI-25 New Business Volume - March 2011

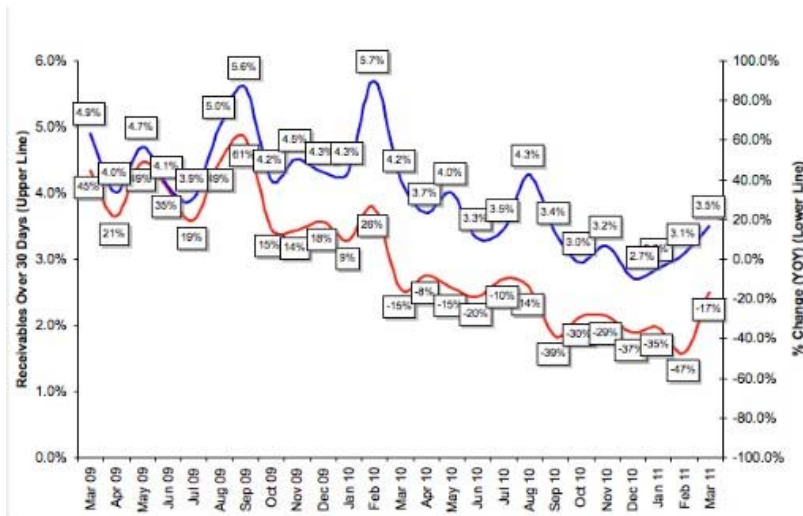
The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity for the \$521 billion equipment finance sector, showed overall new business volume for March was \$6.2 billion, up 44% compared to the same period in 2010. Measured against February volume, March volume increased by 51 percent.

Credit quality continues to be mixed. Receivables over 30 days increased slightly to 3.5% in March from 3.1% in February, but declined by 17% compared to the same period in 2010. Charge-offs also increased slightly, from 1.0% in February to 1.3% in March, but showed improvement over the same period in 2010. Compared to the year-earlier period, credit standards eased as new application approvals increased to 77% in March. Fifty percent of participating organizations reported submitting more transactions for approval during the month, down from 61% in February.

Finally, total headcount for equipment finance companies remained flat for the last five months, but was down two percent year-over-year. Supplemental data shows that the construction and trucking sectors continued to lead the underperforming sectors in March. Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) for April is 70.3, down from 72.4 in March, and up significantly from the April 2010 index of 65.4.

ELFA President and CEO William G. Sutton, CAE, said: "The dramatic increase in new business volume is, in large measure, the result of strong demand in business equipment in various industries and markets. For example, in the technology sector, a number of companies are reporting strong earnings as their business customers decide to replace aging equipment and expand capacity in response to a recovering economy. We see this trend continuing."

Source: ELFA



MLFI-25 Aging Receivables - March 2011

THE MOST HEAVILY TAXED COUNTRIES IN THE WORLD

Although tax season is over, we're still steaming about the cash the government took from us for living in the U.S.A. But let's just put something into perspective quickly. In other countries taxes are ridiculously higher. In fact, it's only because our own taxes can go much higher that foreign bond investors haven't totally freaked out yet about lending us so much money. Listed below are the **top statutory income tax rates** as well as **top marginal all-in rates** for the following countries:

10. Australia: Top statutory rate **46.5%**; Top marginal rate **46.5%**
9. Germany: Top statutory rate **47.5%**; Top marginal rate **47.5%**
8. France: Top statutory rate **47.8%**; Top marginal rate **49.8%**
7. Finland: Top statutory rate **49.1%**; Top marginal rate **55%**
6. Austria: Top statutory rate **50%**; Top marginal rate **42.7%**
5. Japan: Top statutory rate **50%**; Top marginal rate **47.7%**
4. Denmark: Top statutory rate **51.6%**; Top marginal rate **62.8%**
3. Netherlands: Top statutory rate **52%**; Top marginal rate **50%**
2. Belgium: Top statutory rate **53.7%**; Top marginal rate **59.5%**
1. Sweden: Top statutory rate **56.5%**; Top marginal rate **56.5%**

Source: The Business Insider/OECD



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