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Complete Creditors' Rights Service for NJ & PA

LEASING & FINANCE NEWS UPDATE

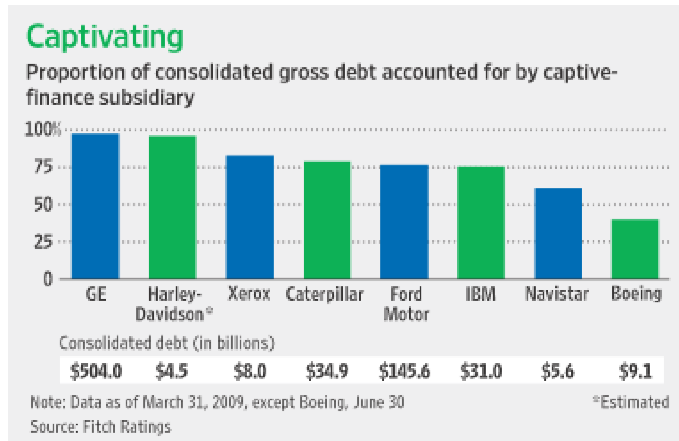
August 2009



The New Breed of Debt Collection Professionals

A BID TO RECAPTURE CAPTIVE FINANCE

When it comes to "captive finance," the question is this: Who is captive to whom? This is a major headache for industrial giants as well as for Washington.



Captive-finance arms historically had a fairly simple mission: help customers purchase the industrial parent's goods and services. Since the parent was usually a market-leading American corporation, the captive-finance arm could piggyback off that to secure low-cost funding, enticing more customers, providing further cash flows for the industrial parent. Then captive finance broke loose. Some companies diversified into areas like property and credit cards. One credit crunch later, these companies' stock prices have been captured by their overextended finance business. Other companies, particularly those in the auto industry, used captive finance aggressively to funnel product to consumers to keep factories humming.

Not fixing the model isn't an option. Even if banks weren't already weak, they won't fulfill the role of captive finance. Return on assets in these businesses ranged from 1% to 3% for much of the past decade, according to Moody's. Instead, captive finance must "return to basics." Regulators will likely demand it, despite Rep. Barney Frank's hints at "grandfathering" provisions for such businesses.

While smaller, more focused captive-finance arms are necessary to rebalance after the go-go years, this exacerbates deflationary deleveraging trends. It also creates space for foreign competitors with stronger balance sheets to muscle in.

An obvious answer is recapitalization. But for Washington, it presents yet another dilemma: balancing the need to tighten regulatory screws with its effort to help get consumers and businesses spending again.

Source: Wall Street Journal

Commercial Collections Increase 39.5%

Accounts placed for collection by one business against another soared to \$4.7 billion in the second quarter, according to the Commercial Collection Agency Association. The record \$17 billion in placements represent an increase of 39.5 percent over the same period in 2008. Bankruptcy filings are also on the upswing. Figures released by the American Bankruptcy Institute reported 14,319 commercial bankruptcies were filed in the first quarter, a 64% increase over the same period one year ago.



While recent news suggests that the recession is letting up, many economists predict that the current economic situation may continue well into the next year. Robert Saldutti of Saldutti, LLC, a leading creditor and collection law firm based in Cherry Hill, New Jersey, suggests the following tips to increase cash flow and protect receivables:

- 1 Have a clearly-defined credit policy in place. Review it with each customer and draw attention to the key points.
- 1 Don't ignore overdue bills – the longer a bill goes past due, the less collectible it becomes. Plan action as soon as it runs 30 days.

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CONTACT

To learn how we can be of service to your business please visit us on the web

www.saldutticollect.com

1-877-809-4345

TEL: (856) 779-0300

FAX: (856) 779-0355 - fax

NJ: Cherry Hill/Lawrenceville

PA: Philadelphia/West Chester

- | Re-bill promptly, as soon as the first bill is due. Feel free to request payment in full within 15 days rather than the traditional 30.
- | Call as soon as a bill is overdue more than a month. A phone call is much more effective than a letter.
- | Always ask for the full amount not just a payment. If the customer can't comply, insist on an exact amount, a check number, and the exact date when you can expect the partial payment.
- | Never negotiate the amount, just the terms. If your customer has a problem paying, offer a payment plan as a last resort. Insist that the first payment go in the mail today and be very clear when you expect to receive the entire amount.
- | Consider taking them to small claims if you feel as if you're being strung along. In 30% of cases, debtors pay up before they go to court.
- | Get the law firm advantage to debt recovery. A legal collection firm offers significant advantages - combining the effectiveness of a collection agency with the power of the law. When you employ the services of a dedicated collection law firm, you send a very clear message to your clients – you mean business.

Survey of Economic Activity: Monthly Leasing & Finance Index

The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity for the \$650 billion equipment finance sector, showed overall new business volume for June declined by 37% when compared to the same period in 2008. For Q2 2009, new business volume declined by 40.1% when compared to Q2 2008.

Additional findings include:

- | Receivables over 30 days decreased to 4.1% compared to 4.7 % in May
- | June delinquencies increased 100 basis points from the year-earlier
- | Charge-offs increased to 2.44% from 1.74% in the prior month, more than double from June 2008
- | Credit approvals decreased to 65.4% from 66.3% in May (and from 74.0% in June 2008)
- | 55 % of the participating companies reported that fewer transactions were submitted for approval, due to tightening underwriting standards and lower demand

Source: ELFA

Information contained in this publication should not be construed as legal advice or opinion, or as a substitute for the advice of counsel. The enclosed materials may have been abridged from other sources. They are provided for educational and informational purposes for clients and others who may be interested in the subject.

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

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