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## LEASING & FINANCE NEWS UPDATE

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*Put some BITE into your Collections ...*



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### Equipment Finance Year-Over-Year Business Volume Declines 32.8%



The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity for the \$518 billion equipment finance sector, showed overall new business volume for October declined by 32.8 % when compared to the same period in 2008. For 2009, the MLFI-25 reported month-to-month new business volume down 8.5 % from September to October, from \$4.7 billion to \$4.3 billion.

The MLFI-25 reported receivables over 30 days decreased to 4.2 % as compared to 5.6 % in September. On a year-over-year basis, receivables over 30 days increased by 17 %. Charge-offs decreased sharply to 1.7 % from 3.0 % in the prior month and rose by 25 % compared to October 2008.

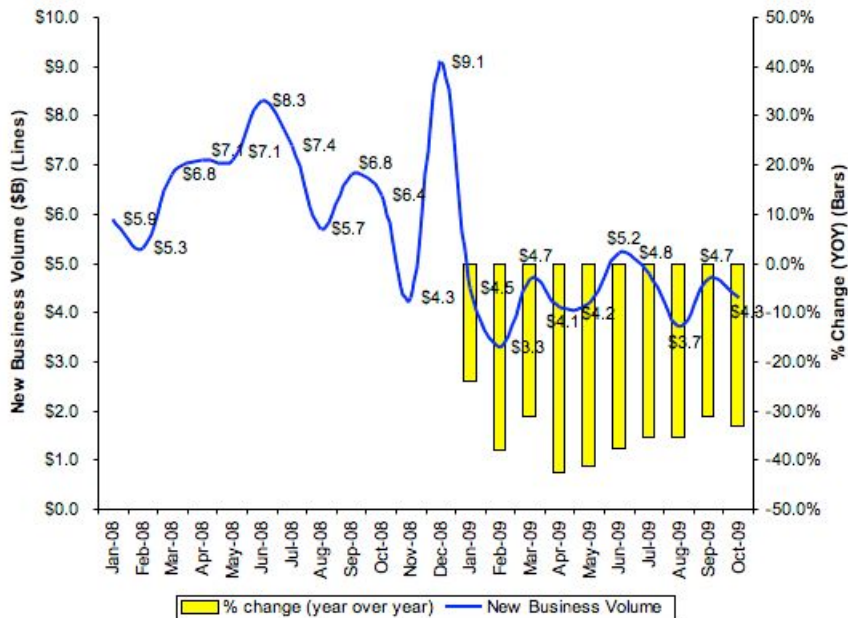
"The industry continues to work hard on qualitative objectives, including portfolio delinquency, charge-offs and improving credit underwriting," said Steve Grosso, President and Chief Operating Officer, CoActiv Capital Partners, Inc. located in Horsham, PA. "With capex and new business volume continuing to lag, it is expense control and portfolio management that are driving bottom-line performance. There continue to be opportunities for those with capital to deploy it with better margins than seen in the last 25 years."

A related index, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI), for November showed an increase to 57.2 compared with 54.3 in October.

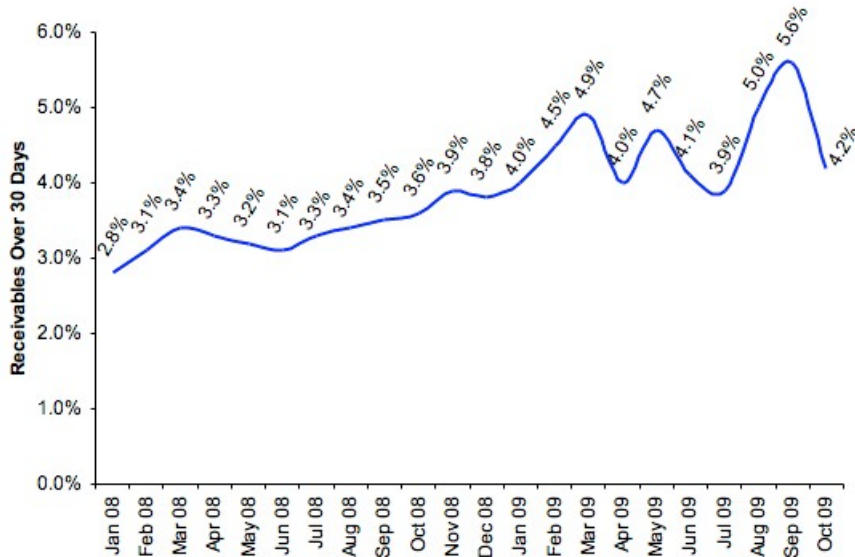
MCI-EFI survey respondent Robert Stowers, President, Altec Capital Services, said, "[We are] Starting to see tangible signs of improving market conditions and customers' willingness to add new equipment. [It is] still a long way to go to get back to some form of normalcy."

Source: ELFA

### MLFI-25 New Business Volume (Year Over Year Comparison)



## MLFI-25 Aging of Receivables



### Balance Sheet Blues

*Companies wait and wonder about the impact of changes to lease accounting*

Leasing is one convergence project that some U.S. finance executives are eyeing very warily. All signs are that a revamped global standard, expected in 2011, would require companies to capitalize assets that have traditionally fallen under the operating-lease classification, and hence could be recorded off the balance sheet. The result: companies that lease would appear more highly leveraged.

"The ability to do any financial engineering, which [the Financial Accounting Standards Board and the International Accounting Standards Board] are very afraid of, will be severely diminished," says Bill Bosco, who consults for the Equipment Leasing and Financing Association and sits on the International Working Group on Lease Accounting for the two boards. "All leases will be on the balance sheet."

In a paper released earlier this year, FASB and the IASB indicated that, rather than distinguish between capital and operating leases, companies should instead think about their "right to use" a leased item, be it plant, property, or equipment. Lessees would record that right as an asset, and their obligation to pay future rental installments as a liability.

Lessors would, in turn, record a liability for their commitment to lend an item and temporarily give up their right to use it. The thinking is that lessors need to account for the item because they still retain control of it; their right to receive rental payments would be recorded as an asset.

Executives in certain industries, particularly airlines, railroads, and retail, may be heartened by the boards' recent decision to exclude certain leases from the final standard, an exception that many of those executives pushed for. Lease contracts that are effectively purchases — in which an item is financed for ownership — would be scoped out of the new standard. But the boards have yet to explain exactly how companies would determine how those leases are defined.

The changes apparently won't deter CFOs from using leases. In a survey of more than 800 CFOs and controllers in late September and early October, 59% of respondents told Grant Thornton they would continue to use leases or lease financing the same way they do now.

Source: CFO Magazine



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