

# SALDUTTI, LLC

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## LEASING & FINANCE NEWS UPDATE

February 2011

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### A WARMING TREND IN CREDIT

*A key indicator of credit availability makes a big jump*

Trust is returning to business partnerships. Suppliers are increasingly granting credit to their customers, according to the latest monthly report by the National Association of Credit Management (NACM). For the manufacturing industry in particular, the NACM says credit access for trade customers has returned to prerecession levels. Indeed, the association, which surveys about 1,000 trade credit managers in the second half of each month, believes that credit availability has recently made a "startling improvement." The NACM's indicator for the amount of credit extended in the combined manufacturing and services sectors jumped from 61.7 in December to 64.8 in January (SEE CHART). That's the highest level for this indicator — one of 10 factors making up the association's monthly credit managers' index — since January 2007.

Part of the reason for suppliers' loosening up is that their bankers are extending them more credit as well, notes Chris Kuehl, the NACM's economic analyst. Manufacturers tend to receive more leeway from their lenders during the beginning of an economic recovery since they can post collateral against their loans, he adds, unlike some of the other businesses the NACM categorizes as services, such as transportation.

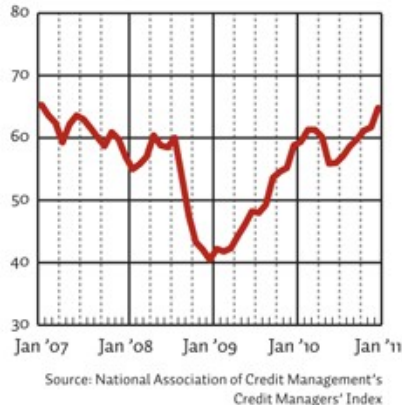
Moreover, suppliers don't want to risk losing sales to more-trusting competitors. Unlike the all-too-recent past when credit was shut down from all sides, suppliers are now more willing to give credit because they fear that another company will get the business if they don't offer a financing option.

Still, as with other positive economic indicators, small businesses may be the last to feel this change. Only 5% of small-business owners saw their suppliers' trade-credit policies eased last year, according to a report by the National Federation of Independent Business released on Wednesday.

Other measurements in the NACM's report further show that companies are poised for growth. The overall credit managers' index score of 56.4 for January is at a level that signals "more rapid expansion in the near future," the trade association says. An index reading above 50 indicates the economy is in growth mode. The nine-year-old index hit its lowest point, 39.7, in January 2009.

Source: CFO.com

**EASIER ACCESS**  
The amount of credit extended by suppliers to their trade customers has reached its highest level since January 2007.



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## NJ TRIAL JUDGE ALLOWS FORECLOSURE TO PROCEED DESPITE LOST MORTGAGE NOTE

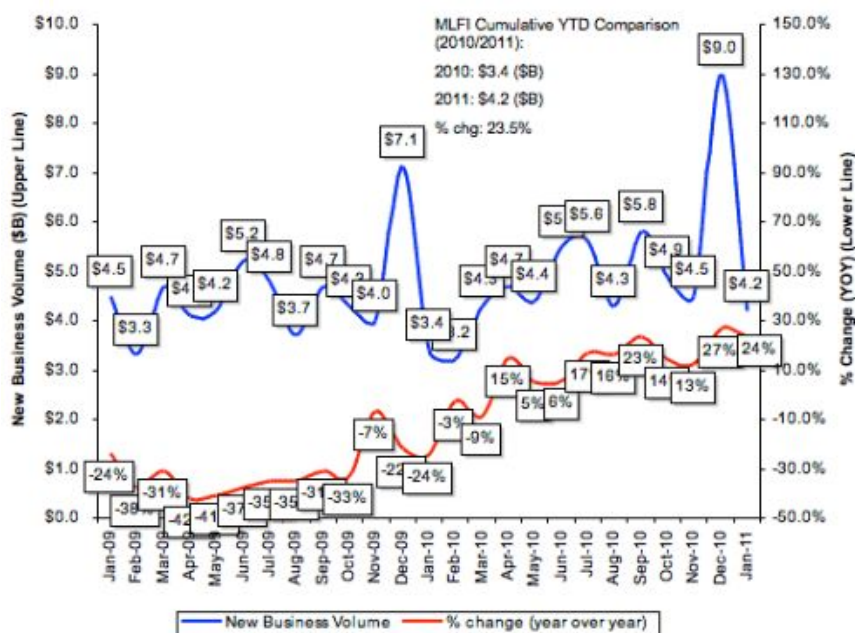


A bank lost the mortgage note and thus could not pass it along when it assigned the mortgage to the Bank of America, preventing the Bank of America from producing the note to prove that it had the right to foreclose on the property. The loan in question had been securitized and transferred from the original mortgagee, Washington Mutual Bank, to LaSalle Bank (the holder of the securitized and pooled loans) which was then acquired by Bank of America. Because Bank of America could show evidence of the assignment (but not

written proof of the original mortgage), the trial court allowed it to foreclose on the ground that the mortgagor/homeowner would otherwise be unjustly enriched. In effect, the court used equitable principles to create an exception to the applicable statute of frauds which requiring a writing for the mortgage to be enforceable via foreclosure.

Source: Law.com

## JANUARY NEW BUSINESS VOLUME UP 24% OVER LAST YEAR

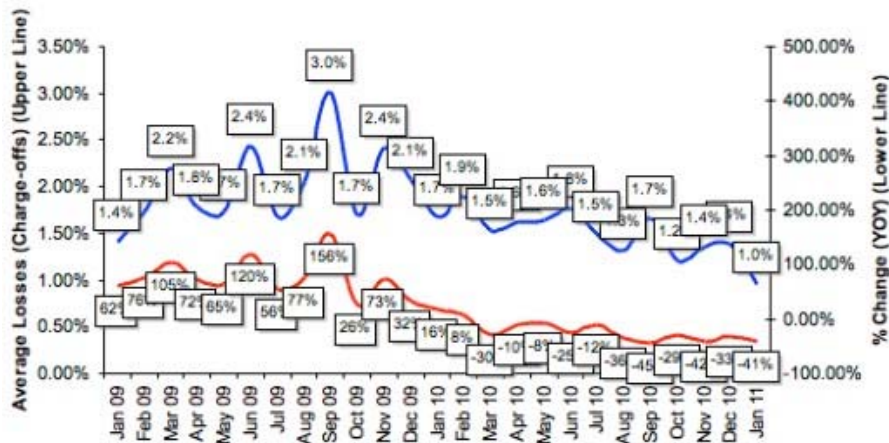


### MLFI-25 New Business Volume - January 2011

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 January was \$4.2 billion, up 24% compared to the same period in 2010. Credit quality is mixed. Receivables over 30 days increased slightly to 2.8% in January from 2.7% in December, but declined by 35% compared to the same period in 2010. Charge-offs declined significantly, falling to 1.0% from 1.4% in December, and also showed improvement over the same period in 2010. Compared to the year-earlier period, credit standards relaxed as approvals increased to 74% in January. And, 56% of participating organizations reported submitting more transactions for approval during the month, down from two-thirds of responding organizations in December. Finally, total headcount for equipment finance companies remained flat for the last three months, and reflected a year-over-year decrease of four percent for January. Supplemental data shows that the construction and trucking sectors once again led the underperforming sectors in January. Separately, the Equipment Leasing & Finance Foundation’s Monthly Confidence Index (MCI-EFI) for February is 71.6, a new high since the MCI was launched in May 2009, and an increase from the previous high of 69.7 in January.

ELFA President and CEO William G. Sutton, CAE, said, “After a typical end-of-quarter, end-of-year spike in new business activity, the equipment finance sector seems to be resuming a steady pace of increasing volume. This trend, coupled with a strong outlook by leasing and finance executives about the future of the industry, bodes well for a continued recovery of the sector.”

Source: ELFA



## MLFI-25 Aging Receivables - January 2011

### SURVEY: ONLY 7% OF COMPANIES ARE WELL-PREPARED TO COMPLY WITH NEW LEASE ACCOUNTING STANDARDS

Just 7 percent of executives believe their companies are extremely or very prepared to comply with new lease accounting standards proposed by the Financial Accounting Standards Board (FASB), according to a recent Deloitte survey.

As early as June 2011, the new proposed draft standards distributed in August 2010 may be finalized. To comply, lessees (and possibly lessors) would have to fundamentally change how they account for real estate and equipment leasing transactions, providing more extensive financial statement disclosures than ever before. The new standard would effectively eliminate all operating leases and require them to be capitalized on the company's balance sheet. For lessees, it would also replace rent payment expense reporting with interest and amortization expense reporting. Additional findings from the survey:



- More than 80 percent said the proposed lease accounting standards which is to be implemented by the middle of 2011 will add burden to the financial reporting of tenants and property owners
- 40 percent said the proposals will make it more difficult for them to obtain financing
- 68 percent of respondents said it would have a material impact on their debt to equity ratio
- Another 40 percent said the new accounting standards would result in a shorter-term leases
- Asked whether the integrity of their company's lease data is reliable, only 35 percent responded with confidence
- Approximately 25 percent said their companies are likely to have to make a major upgrade to their information technology systems to accommodate the new standard
- While 20 percent said they will replace their existing systems
- Among companies with 1,000 or more leases, the need for IT investment was even greater — 39 percent of these respondents expect the new standards will lead to a major technology system upgrade, while 27 percent expect to acquire a new system.
- Only 21 percent expressed confidence their existing IT systems could cope with the proposed accounting standards for leasing
- Half the respondents at companies with 1,000 leases or more expect that implementation would take one year or longer

Source: Deloitte

### Get the Law Firm Advantage with Saldutti, LLC:

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