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LEASING & FINANCE NEWS UPDATE

October 2011

One Goal: Recovery of Our Clients' Money



GROWTH, RISK RETURN FOR EQUIPMENT LEASING INDUSTRY

A new study by PayNet, Inc., a firm that risk management tools to the commercial credit industry, shows businesses served by equipment leasing companies are poised to be the growth engine to keep the U.S. economy out of a double dip recession. Utilizing PayNet's proprietary database based on the U.S. small-business economy worth over \$800 billion in loan value, the recent Thomson Reuters PayNet Small Business Lending Index, which measures the amount of borrowing activity by millions of small businesses, marks a rapid expansion rising 28% in May and 25% in June from the same months a year earlier.



Agriculture continues to outperform based on strong export demand. The Transportation and Construction sectors, among the most seriously hurt in the recession, are showing signs of a comeback with originations rising 16% and 7% respectively. Retail equipment remains stalled, in line with reduced consumer confidence. Financing of medical equipment is the worst performing sector of all with new originations falling 17% on a year over year basis.

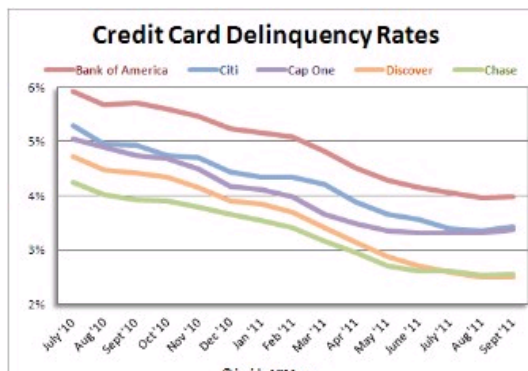
According to PayNet's AbsolutePD, a leading default indicator, equipment defaults will improve overall to 2.9% by year-end 2011. Improvement will be seen in all major equipment types. "Defaults on trucking equipment continue to fall from the double-digit rates seen in 2009. Professional services related equipment, such as copiers, is also improving to levels not seen since well before the last recession" says William Phelan, president of PayNet.

Source: PayNet

BANKS REPORT INCREASE IN CREDIT CARD DELINQUENCIES

Five of the largest credit card issuers in the U.S. reported an increase in credit card delinquencies in September as charge-off rates plunged. Although most of the rises were small, it broke a pattern of steadily declining late payment rates.

Bank of America, Capital One, Citibank, Discover, and JP Morgan Chase all reported a slight uptick in delinquency rates in their credit card master trusts. The banks file monthly investor reports detailing trust performance. The average delinquency rate among the five card issuers increased to 3.17% in September



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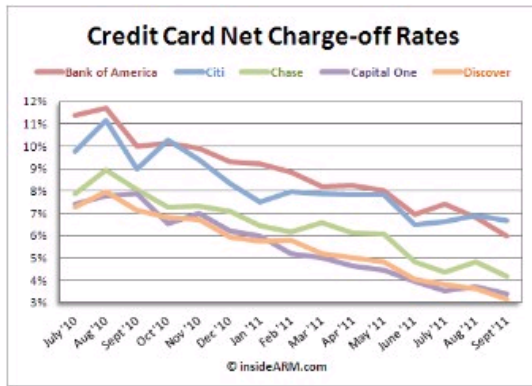
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from 3.13% in August.



The net charge-off rate among the five banks plunged in September to an average annualized rate of 4.69 percent. The average rate stood at 5.17 percent in August and was 6.24 percent in May.

The net charge-off rate reported by the issuers includes money received from external collection efforts after the accounts are written off.

Source: Inside ARM

SMALLER BANKS MOVE INTO NICHE CATEGORIES



Community banks like PA-based S&T Bancorp, are finding more ways to bring in revenue. The gas-advisory business is a new wrinkle for S&T, with \$4.1 billion in assets and about 50 branches in 10 Pennsylvania counties. While the company withstood the financial crisis better than many of its rivals, S&T executives feel vulnerable to industry-wide problems like low interest rates, costly new regulations and a weak economy, which is eating into loan demand. As a result, S&T and scores of other banks across the U.S. are hungry for new revenue sources.

Many banks now are fortified with more capital than they had during the worst of the financial crisis. Yet executives generally are grim about the prospect of higher profits. Investors will hear more about those somber views during the banking industry's third-quarter earnings season.

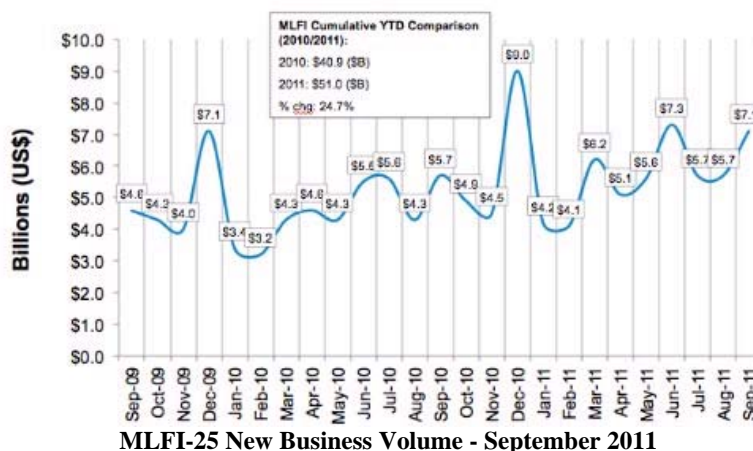
Some struggling banks are increasing fees. Bank of America Corp. plans to start charging customers \$5 a month for using debit cards to make purchases. The bank hasn't said how much revenue it expects to collect from the new fee, but the move is an attempt to offset revenue that will be lost from new rules that limit how much banks can charge merchants for debit-card purchases.

But other banks say now is the time to expand in new directions. Regional bank TCF Financial Corp., which long focused on checking accounts, is bulking up its leasing and equipment-finance business. Bancorp Inc., which serves small and midsize businesses in Philadelphia and Wilmington, Del., has seen a big increase in fee generation due to its expansion into issuing prepaid debit cards.

"Banks are going to have to reinvent themselves in order to become more profitable," said Joey Warmenhoven, an analyst who specializes in community banks at McAdams Wright Ragen.

Source: Wall Street Journal

SEPTEMBER NEW BUSINESS VOLUME UP 25%



The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity for the \$628 billion equipment finance sector, showed overall new business volume for September was \$7.1 billion, up 25% from volume of \$5.7 billion in the same period in 2010. Volume was also up 25% from the previous month. Year-to-date cumulative new business volume is up 25% as well.

Credit quality metrics were mixed. Receivables over 30 days decreased to 2.3% in September from 2.5% in August, and declined by 32.4% compared to the same period in 2010. However, charge-offs increased 50% from August, and decreased by 43.8% from the same period in 2010. Credit standards tightened in September as the number of lease applications approved decreased nominally to 76.5% from 77.6% the previous month. Sixty percent of participating organizations reported submitting more transactions for approval during the month.

Finally, total headcount for equipment finance companies in September showed no significant change month to month and was down 1.4% year over year. Supplemental data show that the construction and trucking industries and small- and medium-sized enterprises led the underperforming sectors. Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) for October is 50.7, up from the September index of 47.6.

ELFA President and CEO William G. Sutton, CAE, said: "Our industry continues to show signs of strengthening despite a stubbornly stagnant U.S. and global economy. The spike in write-offs during the period shows that some lease and loan portfolios are under pressure. However, our trends in new business volume growth and delinquency experience both appear to continue to trend in the right direction."

Source: ELFA



MLFI-25 Charge-Offs - September 2011

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