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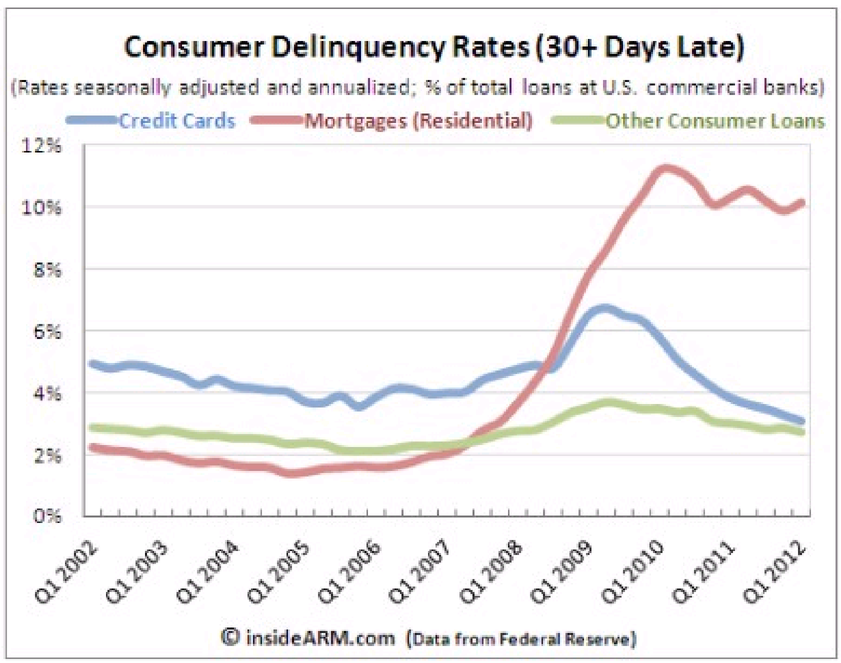
CREDIT & COLLECTION NEWS

JUNE 2012

CREDIT CARD DELINQUENCIES PLUNGE; MORTGAGE AND STUDENT LOANS SURGE



Consumer debt delinquencies in the U.S. have been steadily falling since 2010. Late payment rates on auto loans and credit cards are now near record lows. But the two loan types with the largest outstanding balances – mortgages and student loans – have seen delinquencies stuck at maddeningly high rates, with the possibility of further increases. The Federal Reserve reported that the aggregate 30+ day delinquency rate for credit card accounts among its member banks was 3.07% in the first quarter of 2012, the lowest reading of the figure since the Fed started tracking it in 1991.

Likewise, credit reporting agency TransUnion reported that the national auto loan delinquency rate for the first quarter reached its lowest level since they began tracking the data in 1999. But the Fed's report last month also noted that residential mortgage delinquencies increased to 10.18% in the first quarter, while late payments on all other consumer loans decreased slightly. The increase in residential mortgage delinquencies was hardly a shock. Since early 2011, the mortgage delinquency rate has been flat overall, oscillating slightly up and down quarter to quarter and hovering around the 10% mark. Other loan types have been moving steadily lower.

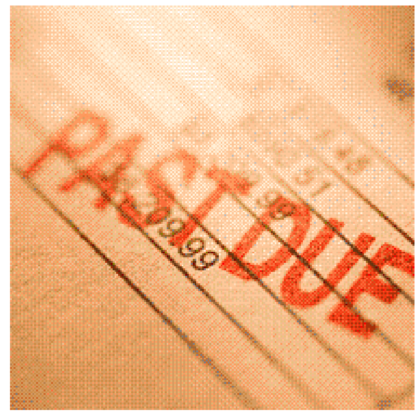
Then there's student loans - the Federal Reserve Bank of New York recently conducted a study of the student loan debt market. Using data from the third quarter of 2011, the report said that the delinquency rate among all student loans was roughly

10%, with 14.4% of all education borrowers delinquent on at least one student loan. And the delinquency rate is growing.

The difference in delinquency rates among loan types with low rates (auto and credit card, for example) and those with high rates (mortgages and student loans) is probably explained by minimum payment levels. Mortgages and student loans typically require much higher monthly payments than credit cards and auto loans. Consumers, still beset by persistently high unemployment, are finding it easier to pay a few hundred dollars per month to keep their car or prevent their credit cards from going into default than to pay the thousand dollars or more required to stay current on home loans and student loans.

Source: Inside ARM

LENDERS WRITING OFF FEWER CONSUMER LOANS



Writeoffs for bad loans, excluding mortgages, have dropped almost to pre-recession levels, according to a report from Equifax. Through the end of April, the amount of writeoffs in 2012 for non-mortgage loans, such as auto loans and credit cards, totaled $26.2 billion. This was a 52% decline from April 2009, according to Equifax's April National Consumer Credit Trends Report. In 2006, writeoffs for these types of loans totaled $24 billion.

Lenders are writing off fewer loans because consumers have improved in repaying their debt and there are fewer bankruptcies, Equifax said. An increase in auto loan balances have contributed to non-mortgage balances rising 1.5% since May 2011. Credit card balances are now declining at a slower rate because of increases in originations and payment improvements that are similar to pre-recession levels, the company said.

"Consumers are now starting to see greater accessibility to credit opportunities and they are taking advantage of those opportunities, though in moderation," Amy Crews Cutts of Equifax. "The American household's balance sheet is looking much better now, with debt burdens down significantly due to both writeoffs and consumer-led deleveraging, and slow but significant improvements in the economy."

Source: American Banker

STUDENT LOANS FOR KINDERGARTENERS RISE

Education expenses are rising at colleges and universities across the country. But parents are also finding that the education bubble is engulfing private grade schools, as noted in an April article in SmartMoney. According to their sources, demand for loans to cover private K-12 education was up 10% in March when compared to the same month a year ago. Several lenders are getting back into the space as demand increases.

A rise in private school tuition is the primary driver. The National Association of Independent Schools says that private school tuition has increased 26% (average cost is $22,000) from the 2006-07 school year. This has led to a decrease in private school enrollment, but has also created a new demographic of borrowers. Some 20% of families that applied for private K-12 school loans in the 2010-11 school year had household incomes above $150,000.

For parents who sign up for pre-college loans the risks can be significant. Already, about one in six parents of college graduates have loans, and they're projected to owe nearly $34,000 on average this year, according to FinAid.org. Taking on loans before college leaves parents at risk of owing larger sums of debt. The loans can also be expensive - interest rates, which can be fixed or variable, range from around 4% to roughly 20%.

Despite the risks, experts say many parents are intent on making private education a reality for their children no matter the cost. Some parents believe that private schools will give their children a higher quality of education and will help them get into a better college, which is why they're willing to stretch.

Source: SmartMoney/Inside ARM

SALDUTTI SALUTES ...
FIRM ATTORNEY RECOGNIZED BY HUD

Saldutti, LLC attorney Thomas O'Connell and the Haddon Township Housing Authority were recently recognized by the U.S. Department of Housing and Urban Development for their work in Haddon Township, New Jersey. As solicitor, Tom aided the housing authority in their efforts to make significant improvement and achieve near perfect scores for its Rohrer Towers I apartment complex for senior citizens. The two scores reflect an assessment of health and safety standards (97/100) as well as financial and managerial performance (99/100). The housing authority team are proud of their achievement and hope that the high scores help with future funding for the subsidized housing.

Mr. O'Connell also had the privilege of attending the 82nd Annual Commercial Law League of America Conference in Chicago last month. The CLLA, which originated in 1895, is the nation's oldest leading organization of attorneys, collection agencies, judges, accountants, trustees, turnaround managers and other credit and finance experts working in the commercial law, bankruptcy and insolvency field. While in Chicago, Tom had the opportunity to attend meetings, classes and events and met many of the League's esteemed members.
