TheBiz

Credit & Collection News from Caine & Weiner

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In this issue

Caine & Weiner participates in NACM's 113th Annual Credit Conference & Expo

Orlando, FL—With many companies trimming their budgets in response to today's slower economy, it wasn't surprising that the attendance and number of exhibitors at the *National Association of Credit Management's (NACM)* 113th Annual Credit Congress & Expo held June 14-17 in Orlando, FL. were down.

But with smaller crowds the attendees who visited Caine & Weiner's exhibit were able to spend more time to find out about essential services that could help them accomplish their accounts receivable management objectives.

Ken Burdzy, Caine & Weiner's Manager-Client Services (L) presents Mitek Industries' Mike Hill with GPS Navigation System won in drawing.

"Unlike past years at the event, exhibit visitors were not rushed". said Todd Fierstein, Caine & Weiner's Assistant Vice President-Alliance Partners. "It was an optimal opportunity to discuss with them their individual priorities and

Aramark's Scott Senator, (L) , drawing winner, accepts his prize from Todd Fierstein, Assistant VP-Alliance Partners.

strategies to increase their cash flow and reduce their DSO."

The event, held at the Rosen Shingle Creek Resort, attracted 1100 attendees, most of which were NACM members, with many of them visiting Caine & Weiner's exhibit and attending the hospitality suite they co-hosted.

Caine & Weiner is an active supporter of NACM's annual event which attracts credit and collection professionals from every major industry throughout the country. As the alliance partner of NACM Midwest, NACM Gateway Region and NACM Upstate New York, Caine & Weiner's onsite team enjoyed the opportunity in Orlando to rekindle the business relationships with the many members of the NACM affiliates that use our services on an ongoing basis.

Mortgage delinquencies seen rising through 2009

The rate at which people are falling behind on their mortgage payments went up for the ninth straight quarter in the first three months of 2009, and is expected to keep rising through the end of the year, according to credit reporting agency TransUnion.

Borrowers who were 60 days or more behind on their mortgage payments rose to 5.22 percent for the first three months of the year, TransUnion said. That's 62 percent higher than the 3.23 percent delinquency rate for the first quarter of 2008.

The TransUnion numbers show a smaller percentage of people behind on their payments than recently released data from the Mortgage Bankers Association, which said 12 percent of mortgage holders were past due in the first quarter.

TransUnion tracks delinquencies based on two skipped payments because that's a strong predictor of foreclosure, said Keith Carson, a senior consultant in TransUnion's financial services group. "The reality is if you send in your mortgage payment and it's four days late, that's past due," he said. "The 60-day number we feel is more significant."

Nevada, Florida, Arizona and California continue to be the hardest-hit states, while North and South Dakota, Alaska and Wyoming remain the states with the lowest delinquency rates.

Hawaii saw the biggest increase in delinquencies from the fourth quarter of 2008 to the first quarter of 2009, with a 35.5 percent jump. Carson said that increase likely reflects the impact the recession is having on tourism in the Aloha State. Hawaii's unemployment rate jumped from 5.1 percent in December to 7.1 percent in March, according to the federal Department of Labor.

If there is any positive news coming out of TransUnion data for the first quarter, Carson said it's that the rate of increase for mortgage delinquencies is slowing a bit. Combined with a big jump in consumer confidence last month, there are some signs things are improving.

However, he said if unemployment continues to rise, another wave of mortgage problems could follow. TransUnion currently predicts that about 7 percent of mortgages will be at least two months behind in payments by the end of the year.

While delinquencies rose in the first quarter, so did the average amount of mortgage debt per borrower. The average reached $195,500, up about 2 percent from $191,917 last year.

Jobless rate jumps to 9.4%

The American economy shed 345,000 jobs in May, and the unemployment rate spiked to 9.4 percent, but the losses were far smaller than anticipated, amplifying hopes of a recovery.

The fact that a report showing the highest unemployment rate in more than a quarter-century was embraced optimistically testified to the stark fears over the economy in recent months

Although stock markets shrugged off the report, interest rates on government debt surged, hitting their highest level in six months..

Students piling up debt with plastic

With college costs ratcheting upward and credit cards as easily available around campuses as cheap beer, it's no surprise students are piling on the debt as fast as they're pulling out the plastic.

The average college student has more than four credit cards, according to a recent survey by student lender Sallie Mae. The vast majority get hit routinely with finance charges because they don't pay off their monthly balance, according to the survey.

Among college freshmen, the median amount of credit-card debt has nearly tripled in the past five years, says Sallie Mae, zooming from $373 in 2004 to $939 today.

But credit cards aren't the only financial plastic that can trip up college students. Debit cards -- usually tied to a bank account -- also can be financial quicksand. In its 2007 study subtitled "The Most Expensive Burger Ever" the Center for Responsible Lending found that young consumers, ages 18 to 24 , pay more than $3 for every $1 in a debit-card overdraft.

Despite the perils of credit and debit cards there are lots of good reasons to get a card: It can be a lifesaver in an emergency, say if your car breaks down or you need to book a quick flight home. Having a credit card also starts building up the holders credit score.

Why care about a boring credit score? The higher the score, based on a good payment history, the easier financial life will be later, especially after graduation.

Bankruptcy filings rise to 6,000 a day as job losses take toll

Consumer and commercial bankruptcy filings are on pace to reach a stunning 1.5 million this year, according to a report from Automated Access to Court Electronic Records and reported by USA Today.

While well below the record 2 million filings in 2005, the number of filings is up sharply from last year's 1.1 million, says Robert Lawless, professor of law at the University of Illinois.

Bankruptcy filings took a dramatic nose dive after a 2005 bankruptcy reform measure was signed into law to curb bankruptcy abuse and make it harder to erase debts.

But filings are surging back in part because of rising job losses. The unemployment rate could hit 10% this year. And tighter credit, dwindling 401(k) accounts, smaller paychecks and less savings have left unemployed workers and those who are working but struggling with fewer financial resources to keep creditors at bay.

Over the past decades, consumers who were hurting financially could rely on credit cards to help them tread water. "The fact that consumer credit has tightened and shrunk explains why bankruptcy filings have now gone up so dramatically," Lawless says.

In May, the number of bankruptcy filings reached 6,020 a day, up from 5,854 in April, AACER says.

Even the commercial bankruptcy rate is soaring, driven by shrinking sales and tight credit markets.

Last month, commercial filings hit 376 a day, up from 255 in May 2008. Hartmarx, which manufactures and markets apparel, and Silicon Graphics, a manufacturer of computer workstations and storage products, were among the filers.

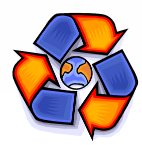
The wave of corporate bankruptcies will cause a secondary wave in consumer filings, says John Pottow, University of Michigan bankruptcy law professor.

Bankruptcy filings are not climbing at the same rate in every state. Nevada, Michigan and California had the biggest per-capita increase in bankruptcy filings in May, according to AACER.

"Nevada doesn't surprise me," Pottow says. "It is ground zero of the housing crisis."

And California also has suffered from the boom and bust of the housing market. By contrast, Michigan is dealing with the collapse of the auto industry.

The recent bankruptcy filings of Chrysler and General Motors, along with plant closings and job losses, will spark even more consumer bankruptcy filings, Pottow says.



27 Percent Indicate Using Cash More Often

As The Credit Card Accountability, Responsibility and Disclosure Act is implemented, businesses will witness a change in consumer spending, with cash and pre-paid cards being a more desirable option among consumers.

According to a new survey from The Western Union Company, 79 percent of consumers favor regulations that place limits on credit card fees, such as interest rates and late payment penalties. Another 60 percent of consumers are strongly in favor of tighter regulations. In addition, 27 percent of consumers reported using cash more often than in the past.

“Consumers are clearly looking for more options to better manage their money, including how they use and rely on their credit cards to make everyday purchases,” said Jorge Consuegra, senior vice president, U.S. Product Management, Western Union.

The Western Union survey also revealed that while the use of cash offers consumers better ways to control spending, and helps avoid accumulating debt, 66 percent of those surveyed noted their inability to make online purchases.

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Est. 1930

Caine & Weiner—Since 1930, providers of world-class accounts receivable management solutions to the global business community

Established in 1930 by Sidney Caine and Charles Weiner the firm has offices strategically located across the country to service its 2,500 clients.

Rising interest on nation's debt may adversely affect world growth

As governments worldwide try to spend their way out of recession, many countries are finding themselves in the same situation as embattled consumers: paying higher interest rates on their rapidly expanding debt.

Increased rates could translate into hundreds of billions of dollars more in government spending for countries like the United States, Britain and Germany.

In a recent story from The New York Times, increased rates could put unprecedented pressure on other government spending, including social programs and military spending, while also sapping economic growth by forcing up rates on debt held by companies, homeowners and consumers.

Since the end of 2008, The New York Times pointed out that the yield on the benchmark 10-year Treasury note has increased by one and a half percentage points, rising to 3.54 percent from 2 percent, the sharpest upward move in 15 years. Over the same period, the yield on German 10-year bonds has risen to 3.57 percent, from 2.93 percent. And British bond yields have increased to 3.78 percent, from 3.41 percent.

For now, the cost of more debt is the price government is willing to pay to spend its way out of recession, hoping that a return to fiscal health will increase tax revenue and repay the debt.

But in recent weeks, the pace of the increase in the 10-year Treasury note's yield has quickened, spurred by a Congressional Budget Office estimate that net government debt will rise to 65 percent of the gross domestic product at the end of fiscal 2010, from 41 percent at the end of fiscal 2008.

In 2009 and 2010, Washington will sell more than $5 trillion in new debt.

Governments borrow money in part by getting investors to buy their bonds, which are essentially IOU's. To attract investors for all the new debt, governments will have to compete with stock and corporate bond markets for investors' money, hence the rising yields.

Although interest rates remain low by historical standards, the recent spike in rates comes at a critical juncture, threatening to dampen the positive effects of new stimulus spending by governments around the world.