TheBiz

Credit & Collection News from Caine & Weiner

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Credit Card defaults stabilizing

NEW YORK, (Reuters) The rate of U.S. credit card defaults showed signs of stabilizing last month, an indication that American consumers may not be in as bad shape as feared despite job losses and the housing slump.

Bank of America Corp, in a regulatory filing, said credit card default rates dropped in July after several months of a steep deterioration. JPMorgan Chase & Co, Citigroup Inc, and Discover Financial Services also said bad-loan levels fell.

"It just seems to bear out what we heard in the second-quarter calls, that things seem to be getting marginally better, and I would stress marginally, on the consumer side," Nancy Bush, founder of NAB Research, said of Bank of America.

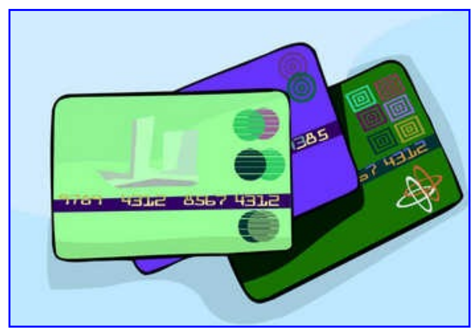
Bank of America, the bank with the highest default and delinquency rates among the top credit card issuers, said its charge-off rate, debt the company believes it will never collect on, inched down to 13.81 percent in July from 13.86 percent in June.

Even more encouraging was JPMorgan's report that defaults fell to 7.92 percent from 8.04 percent for the second straight month, while Citigroup's default rate declined to 10.03 percent from 10.51 percent.

Discover's charge-off rate fell to 8.43 percent from 8.75 percent.

Capital One Financial Corp. bucked the trend, however, as its annualized net charge-off rate rose to 9.83 percent in July from 9.73 percent in June, but beat analysts expectations.

"The data was better than expected and the fact that you saw stabilization is a positive. It seems as if things are pointing towards improvement," said Sanjay Sakhrani, an analyst at KBW.



Analysts were also pleased by a continuation of the decline in delinquencies, an indicator of future defaults, in American Express, Bank of America, and JPMorgan.

These reports come a few weeks after American Express Co. sparked optimism for credit card issuers after posting a second straight month of falling defaults. AmEx said it saw the first signs of improvement for the industry in 18 months and stressed the decline in losses was not seasonal.

Caine & Weiner and SoCalBio announce partnership

Woodland Hills, CA—The Southern California Biomedical Council (SoCalBio) and Caine & Weiner have entered into an alliance partnership.

SoCalBio, is a life science industry trade association located in Southern California, whose members include medical device manufacturers, biotech companies, public sector agencies, policy makers, research hospitals, academic institutions and other enterprises in the rapidly expanding life science industry. The members derive many benefits from the Council to include workshops, advocacy, networking and access to regulatory and industry experts.

Members will derive accounts receivable management expertise from Caine & Weiner.

Caine & Weiner's Lisa Newberg and Sandy Limacher will serve as SoCalBio's Client Service Managers.

Greg Cohen, President and CEO of Caine & Weiner, Sandy Limacher , Ahmed Enany, President and CEO of SoCalBio and Lisa Newberg

Fewer banks tighten credit standards

Fewer banks are tightening their lending standards, but credit constraints on U.S. businesses and consumers aren't likely to let up before the middle of next year.

In its July survey of loan offices, the Federal Reserve found that about 30% of 55 domestic banks toughened criteria for obtaining commercial and industrial loans, down from about 40% in April and a peak of about 85% in November. The steadily improving credit conditions come as the U.S. economy shows increasing signs of emerging from deep recession.

But most loan officers also said they didn't expect their banks' lending standards to return to normal until the second half of 2010, at the earliest. It could be an obstacle to a recovery if a lack of credit further constrains businesses from investing and households from spending.

Separately, the Fed and Treasury Department intend to extend into next year an emergency financing program aimed at boosting consumer and business lending.

Disappointing results on retail sales and consumer confidence continue to concern analysts.

Mortgage delinquencies break record

The percentage of residential mortgages either in foreclosure or with at least one payment past due hit 13.16% in the second quarter, the highest percentage ever recorded by the Mortgage Bankers Association.

Mortgage delinquencies are expected to grow as the nation's employment picture worsens, and the percentage of borrowers behind on their mortgages will climb until the middle of next year. Foreclosures will likely peak six months later, at the end of 2010, according to MBA estimates.

Until the nation's employment situation improves, it is unlikely that there will be meaningful reductions in the foreclosure and delinquency rates.

And until prices recover in areas with steep home price declines, borrowers who owe more on their mortgage than their home is now worth will continue to be in danger of foreclosure—especially if they're faced with a life event including divorce or job loss.

Consumers spending less

Fears about the job market have resulted in sluggish customer traffic over the last few weeks, spurring the gloomy sales projections. Parents who do shop are aggressively trading down, informing status-conscious teenagers that notebooks from the dollar store or shirts from Costco will have to do this year.

Stock analysts at Citigroup are predicting a decline in back-to-school sales for the first time since they began tracking the figures in 1995. They estimate September sales at stores open for at least a year, known as same-store sales, will fall 3 to 4 percent, compared with an increase of nearly 1 percent in the same period last year.

The National Retail Federation, an industry group, expects the average family with school-age children to spend nearly 8 percent less this year than last. And ShopperTrak, a research company, predicted customer traffic would be down 10 percent from a year ago.

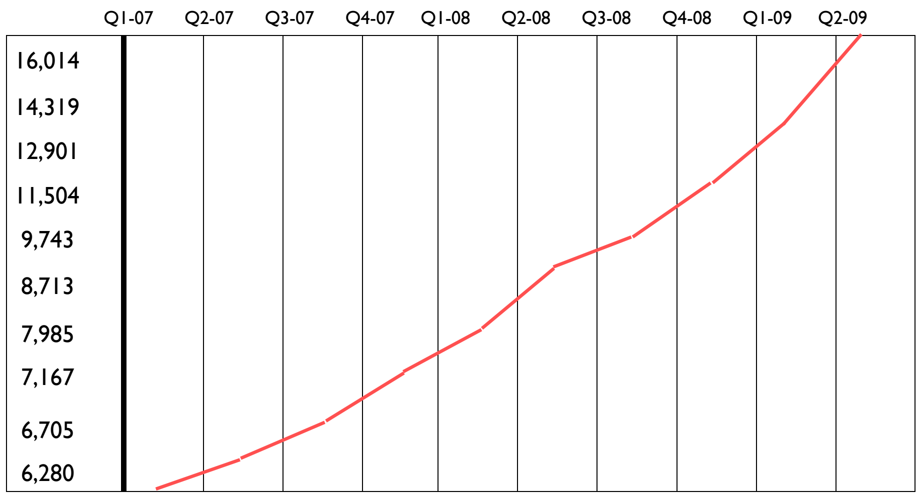
“This is going to be the worst back-to-school season in many, many years,” said Craig F. Johnson, president of Customer Growth Partners, a retailing consultant firm.

Many analysts consider the season to begin in mid-July; sales numbers for that month are out already, and they were poor. Same-stores sales fell 5 percent compared with last year, according to the International Council of Shopping Centers, an industry group.

Commercial bankruptcy filings up 64 percent through first half of 2009

U.S. commercial bankruptcy filings totaled 30,333 nationwide during the first six months of 2009, a 64 percent increase over the 18,456 total commercial filings during the same period a year ago, according to the *American Bankruptcy Institute*.

“The increase in filings through the first half of this year is a product of continued financial stresses weighing on both consumers and business,” said ABI Executive Director Samuel Gerdano, of the American Bankruptcy Institute. “We expect combined commercial and consumer bankruptcies to surge past 1.4 million by years end.”



Reader's Digest plans to file for bankruptcy to trim its debt

The publisher of *Reader's Digest*, the country's most popular general interest magazine, said it will file a pre-arranged Chapter 11 bankruptcy with a plan to swap a portion of its debt for ownership of the company.

Reader's Digest Association, which also markets books and publishes dozens of other magazines and websites, said it has reached an agreement in principle with a majority of lenders to erase a portion of $1.6 billion in senior secured notes. The lenders will get ownership in return.

Already, this year's advertising declines have prompted the shuttering of several high-profile magazines, including Conde Nast's *Portfolio*, *Domino* and *Blender*.

Reader's Digest CEO Mary Berner insisted, though, that the company's U.S. magazines remain strong, with the number of ad pages down less than 6% through the September editions. She said *Reader's Digest* titles rely less on luxury brands and high-income tastes, giving them an added appeal in a recession that has clobbered much of the print media industry.

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TheBiz

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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.

Good news for credit card users

Finally, some happy news for credit card holders.

Bank of America announced it will no longer require customers who sign up for their credit cards, bank accounts and certain loans to give away their right to sue in a dispute.

Bank of America's decision is the biggest yet in a growing movement away from mandatory arbitration clauses, which force consumers who have a problem with a service provider into private arbitration forums to settle disputes. These forced arbitration clauses have become ubiquitous in consumer contracts, from cell phones and credit cards to nursing home agreements and employment contracts. Consumers have a lousy track record of winning in these private arbitration forums.

B of A's change follows news in July that the National Arbitration Forum is halting hearing mandatory consumer arbitration cases (thanks to a lawsuit it settled with the Minnesota Attorney General that the NAF hid its ties to the debt-collection industry). The American Arbitration Association also announced it will halt debt collection arbitration cases until it overhauls its guidelines. In July, JP Morgan Chase also said it would no longer submit consumer disputes regarding credit cards to arbitration. According to *USA Today*, other credit card issuers, including American Express are also considering similar action.

While consumer advocates say the changes are a victory for credit card users, it doesn't help customers of thousands of other banks, cell phone companies, and other service providers who are still forcing people into private arbitration to settle disputes. Still, the moves should give a boost to a bill pending in Congress called the Fairness Arbitration Act, which would eliminate mandatory arbitration clauses in most consumer contracts. This is an issue on the president's radar screen. In June, President Obama called for an end to forced consumer arbitration as part of his financial market reforms.