TheBiz

Credit & Collection News from Caine & Weiner

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Caine & Weiner executives address attendees at GCS World Congress

Vancouver, Canada—Business executives from countries around the world converged at the Sheraton Wall Centre for the annual Global Credit Solutions (GCS) World Conference.

The 3-day event commenced Wednesday, September 15th, with a full day of seminars designed for credit executives engaged in global commerce.

The attendees had the opportunity to learn first hand about the latest credit and risk management trends from world renown experts. The event included a luncheon and a number of networking opportunities to mingle with the international delegates.

Thursday and Friday, GCS members attended a series of private meetings to discuss relevant issues and challenges that the group faces conducting business in today's global marketplace on behalf of their clients.

Caine & Weiner is an active partner of GCS. Greg A. Cohen, Caine & Weiner's President & CEO and John Pucin, Vice President-General Counsel addressed the members, along with other selected speakers.

Sheraton Wall Centre, Vancouver, Canada

GCS is a world-wide network of partners with 3000 credit, collection and investigative professionals in 80+ offices globally.

As a GCS partner, Caine & Weiner's clients directly benefit from the groups ability to overcome legal, cultural, monetary and language barriers, which otherwise could adversely impact debt collection outside of the U.S.

Caine & Weiner to participate in ICE Conference

Schaumburg, IL—Preparations are underway for Caine & Weiner's participation in this year's ICE conference being held October 25-27 at the Renaissance Hotel in Seattle, WA.

The annual conference, tailored for those who oversee billing and collections for carriers and agencies, provides an opportunity for them to learn about and discuss receivable recovery methods, credit risk and effective insurance industry accounts receivable management.

Insurance Collections Executives (ICE)

As a supporting vendor of ICE, Caine & Weiner will be one of the event exhibitors.

"The annual ICE Conference is an important industry event," said Bob Dolan, Caine & Weiner's Vice President-Client Services. "We look forward to sharing our expertise and effective receivable management strategies to increase revenue."

In this issue

Fed starts to tackle issue of foreclosures

The inventory of foreclosed homes -- and what should be done with it -- is gaining more attention from policymakers, according to Bloomberg L.P.

Federal Reserve Governor Elizabeth Duke said officials should stabilize communities wracked by the housing crisis by promoting the rental of foreclosed homes owned by financial institutions.

Including rental options among the mix of stabilization strategies makes particular sense at a time of high unemployment," Duke said in a speech at the Fed conference.

"Redevelopment strategies" for neighborhoods with high foreclosure rates should include "lease-purchase and even converting owners to renters to avoid vacancies," Duke said.

"What began as a problem rooted in poorly underwritten loans has been exacerbated by high unemployment and slow economic growth," Duke said. "As delinquencies and foreclosures continue to grow, they will hinder the ability of communities to heal .and ultimately to thrive."

Administration officials also said major banks are agreeing to give local governments and nonprofit groups the ability to buy foreclosed homes before they are sold to private investors. The properties could be renovated or the land used for redevelopment projects.

Congress has provided $7 billion to buy the homes, but these groups are struggling to spend the federal money because they are often outbid by speculators who are snapping up foreclosures.

The administration says the largest mortgage lenders in the country, including Bank of America Corp. and Wells Fargo & Co. have agreed to let the groups purchase the properties ahead of private speculators. The neighborhood organizations will have up to 48 hours to evaluate them.

"This agreement helps us level the playing field to give communities a better chance to stabilize these neighborhoods," Housing and Urban Development Secretary Shaun Donovan said in a statement. Donovan said about 100,000 properties are likely to be sold through the program.

Separately, Donovan said the administration plans to set up an emergency loan program for the unemployed and a government mortgage refinancing effort in the next few weeks to help homeowners after home sales dropped in July.

"The July numbers were worse than we expected, worse than the general market expected, and we are concerned," Donovan said on CNN's "State of the Union" program. The Federal Housing Administration will begin a refinancing effort to help borrowers who are struggling to pay their mortgages, and will start an emergency homeowners' loan program for unemployed borrowers so they can stay in their homes."

Consumers are advised to steer clear of Credit Card traps

As the economy recovers, consumers with sound credit are starting to get more new credit card offers in the mail. Banks mailed out more than a billion in the first half of 2010, up 55% from the same period a year ago, according to Synovate, a company that tracks the industry's direct mail practices.

Although legislation tightened restrictions on penalties and fees and mandated clearer disclosures about the key terms of card agreements, today's offers are not entirely favorable to consumers either.

Card companies are still within their rights to trumpet rewards while obscuring the significant strings attached and to sell cards with steep fees or high penalty interest rates.

Vague language, balance transfer fees and "rewards programs" must at all times be carefully scrutinized.

Tough economy forcing many people to tap into retirement savings

With rising home foreclosures, many people are borrowing from their 401K and other retirement nest eggs, rather than borrowing from a bank or utilizing their credit cards, according to Fox News.

July marked the 17th consecutive month that foreclosure activity exceeded 300,000 homes.

"Foreclosure all too often happens when one person in a two-income family losses their job," said David Wray, president of the Profit Sharing (401) Council. "Both of their incomes are necessary to make the mortgage payment."

"In the last six months we did see an uptick, from about 20 percent to almost 22 percent, in loan requests to prevent eviction and foreclosures," said Beth McHugh, vice president of marketing insights at Fidelity.

There are two ways to pull money out of 401(k)s. One is to simply borrow from your own savings.

"401(k) loans are very easily accessible compared to any other kind of individual credit to this point," Wray said. "It's more available and the interest rates are far lower." Even better— it's your money, and at much lower interest rates.

"The typical 401(k) plan interest rate is prime plus one, so it's much lower than 14 or 15 percent, which is what you would pay in a credit card." she said.

The other way to tap your 401(k) is through what is called a "hardship withdrawal." Hardship withdrawals are really the last resort and for individuals that have a heavy and immediate financial need.

Hardship withdrawals are regulated by the IRS because the money in a 401(k) has never had taxes taken out. The IRS allows withdrawals for avoiding foreclosure, college tuition, unforeseen medical expenses, funeral expenses and finally, to help purchase a primary residence.

U.S. home prices face 3-year drop as inventory surge looms

Bloomberg L.P. reported that the slide in U.S. home prices may have another three years to go as sellers add as many as 12 million more properties to the market.

"There's more supply than demand," said Oliver Change, a U.S. housing strategist with Morgan Stanley in San Francisco. "Once you reach a bottom, it will take three or four years for prices to begin to rise 1 or 2 percent a year."

Rising supply threatens to undermine government efforts to boost the housing market as homebuyers wait for better deals.

Sales of new and existing homes fell to the lowest levels on record in July as a federal tax credit for buyers expired and U.S. unemployed remained near a 26-year high. The median price of a previously owned home in the month was $182,600, about the level it was in 2003, the National Association of Realtors said.

Fannie Mae, the largest U.S. mortgage finance company, lowered its forecast for home sales this year, projecting a 7 percent decline from 2009. A drop in demand after the April 30 tax credit expiration "suggests weakening home prices" in the third quarter.

There were 4 million homes listed for sale as of July. It would take a record 12.5 months for those properties to be sold at that month's sales pace.

Banking rules are met with optimism

The U.S. banking industry breathed a sigh of relief after international regulators proposed new rules dictating how much capital financial institutions must hold.

Most American banks, as reported by The Los Angeles Times, appear to already have more than enough capital to meet the new minimums spelled in the so-called Basel III accord.

The agreement, announced after being hammered out in the Swiss town of Basel, is aimed at helping prevent future financial crises and bank bailouts.

Financial stocks shot up on word that the new requirements would be phased in over a longer period than expected. An index of 24 bank stocks jumped 3%.

The rules agreed on by the Committee on Banking Supervision, a global group of central bankers, next goes to the Group of 20 meeting of leading economic powers—to be held in South Korea in November—for approval.

The requirements aren't binding on national governments, but most countries have based their regulations on previous Basel agreements.

The latest agreement is less strict than what regulators in the U.S. and Britain had sought. In addition, the rules begin to take effect in 2013 but don't fully kick in until 2019. The U.S. is said to have argued for a transition period of only five years.

"We see this time frame as a generous concession to the banking industry," Goldman Sachs Group Inc. analyst Richard Ramsden wrote in a note to clients.

Because raising capital levels can depress earnings, many on Wall Street have said for some time that Basel III would affect the industry's bottom line far more than would the federal regulatory overhaul legislation enacted

in the summer.

With both sets of rules laid out, many analysts were talking bullishly about bank shares.

Among large banks JPMorgan, which weathered the crisis better than most rivals, appears to have plenty of capital to conform to the new rules, according to analyst reports.

Although Bank of America Corp. and Wells Fargo & Co. are widely viewed as the big banks most at risk of falling short of new capital thresholds, it appears they will comply with the initial requirements in 2013, according to mast analysts' calculations.

Falling credit scores give rise to rehabilitation scams

The New York Times reported that recession-hammered home-owners' credit scores are on the decline across the country, say scoring industry experts, and that makes more consumers vulnerable to scams that purport to erase delinquencies, judgments, foreclosures and other problems from files at the three national credit bureaus: Equifax, Experian and TransUnion.

Under the law, companies and individuals who claim to be able to fix consumers' credit files are prohibited from making "untrue statements" about what they can achieve, and may not charge or collect money in advance of rendering their services.

Complaints received by the FTC report companies promising "permanently "eliminating negative information in credit bureau files and promises to increase FICO scores between 650 to 700 at the end of the file-scrubbing process.

Customers were charged up-front fees averaging $400, said the FTC, but once customers paid the money, the company did "little, if anything, to fulfill the promises made" about boosting scores and purging negative files.

West Coast
818-226-6000

Midwest
847-407-2320

Mid-South
502-425-9100

Northeast
716-633-0235

Southwest
877-343-6568

TheBiz

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Comments or questions can be directed to the editor.

President & CEO
Greg A. Cohen
greg.cohen@caine-weiner.com

Editor
Vice President-Marketing
Frank Draper
frank.draper@caine-weiner.com

Est. 1930

Caine & Weiner—Since 1930, the world-class accounts receivable management solution for the global business community

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

Consumer Credit in U.S. fell $3.6 Billion in July, Fed says

Bloomberg L.P. reported that consumer borrowing in the U.S. declined for a sixth straight month in July, indicating Americans are reluctant to take on more debt without faster job growth.

The $3.6 billion decrease followed a revised $1 billion drop in June that was less than initially estimated, the Federal Reserve said in Washington. Economists projected a $4.7 billion decline in the July measure of credit card debt and non-revolving loans, according to the median forecast in a Bloomberg News survey.

Borrowing that's increased twice since the end of 2008 shows consumer spending, which accounts for about 70 percent of the economy, will be restrained as people pay down debt. Confidence to charge more or take out loans may be restored when the economy picks up and companies ramp up hiring.

"The outlook for consumer spending is a guarded one," said Chris Rupkey , chief financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. "The good news is that consumers are paying down their debts."