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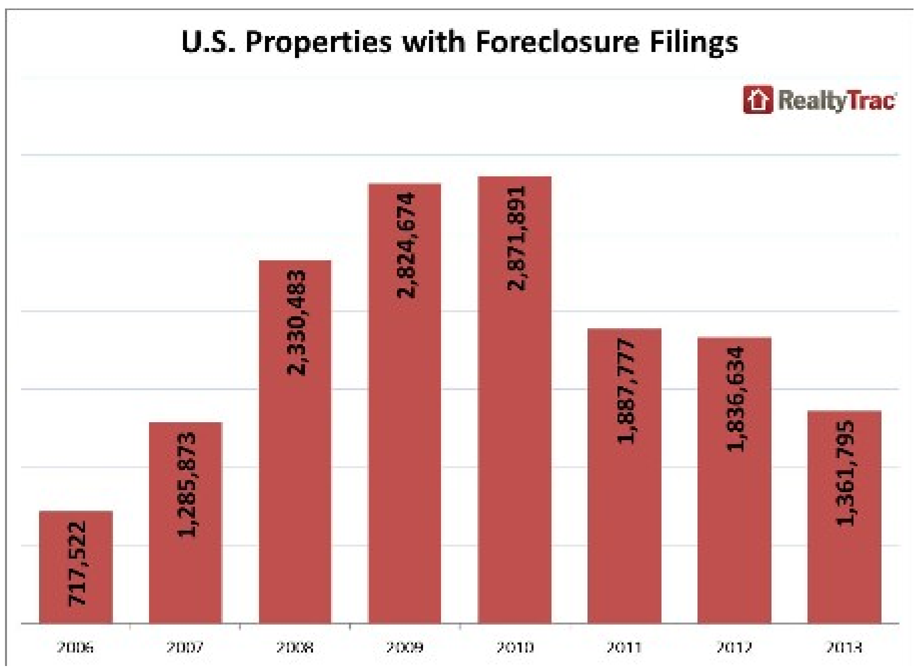
CREDIT & COLLECTION NEWS

JANUARY 2014

FORECLOSURES AT LOWEST LEVEL SINCE 2007

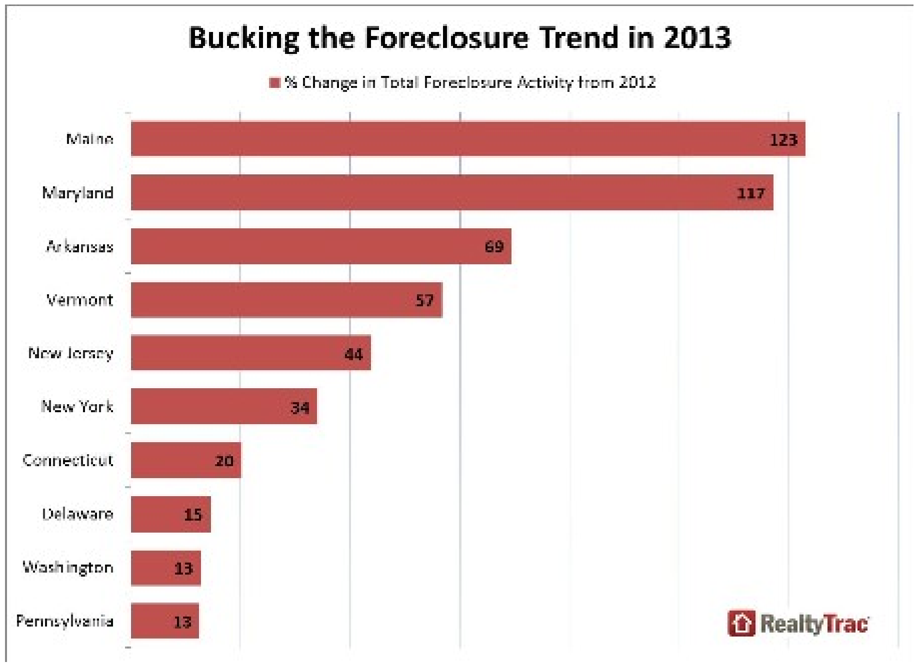


There were nearly **1.4 million** default notices, scheduled auctions and bank repossessions in 2013, a report released earlier this month showed, with Florida topping the list of states for foreclosures, even as inventory dropped steeply from peak levels while the speed of the foreclosure process slowed to a record pace.

According to RealtyTrac, which released the report, the foreclosure filings number for 2013 was **26%** lower than what was seen in 2012 and almost half (**53%**) of the peak figure of 2.9 million properties with foreclosure filings in 2010, underlining the growing strength of the U.S. economy, and the housing market that underpins it.

“The shadow cast by the foreclosure crisis is shrinking as fewer distressed properties enter foreclosure,” said Daren Blomquist, vice president at RealtyTrac. “There is unprecedented demand from institutional investors willing to pay with cash to buy at the foreclosure auction, helping to raise the value of properties with a foreclosure filing in 2013 by an average of 10% nationwide."

A total of 747,728 U.S. properties started the foreclosure process in 2013, down **33%** from 2012 to the lowest annual total, according to the report, since the company began reporting such data in 2006. Foreclosure inventory was down 22% over 2012 and 44% below the peak figure in December 2010. However, properties took an average of 564 days (547 days in the third quarter) to complete the foreclosure process in the fourth quarter of 2013 - the highest average time to foreclose since RealtyTrac began tracking this metric in the first quarter of 2007.



The report also noted that total foreclosure activity actually increased in 10 states in 2013 compared to 2012. In Maryland it was up 117% while in New Jersey it rose by 44%. Filings in New York went up by 34% and by 20% in Connecticut, while Washington and Pennsylvania both saw a 13% increase. States with the highest foreclosure rates in 2013 were Florida, Nevada, Illinois, Maryland and Ohio.

"Millions of homeowners are still living in the shadow of the massive foreclosure crisis that the country experienced over the past eight years since the housing price bubble burst — both in the form of homes lost to directly to foreclosure as well as home equity lost as a result of a flood of discounted distressed sales," said Blomquist.

Source: International Business Times

BANKRUPTCIES DOWN 13%, LOWEST IN 6 YEARS

Total U.S. Bankruptcy Filings, by Calendar Year

Year	Bankruptcy Filings	Source & Notes
1998	1,442,549	AO data
1999	1,319,465	AO data
2000	1,253,444	AO data
2001	1,492,129	AO data
2002	1,577,561	AO data
2003	1,589,383	AO data
2004	1,597,462	AO data
2005	2,078,415	AO data, includes spike in filings before 2005 bkr. law
2006	590,972	EPIQ data
2007	827,395	EPIQ data
2008	1,096,481	EPIQ data
2009	1,448,055	EPIQ data
2010	1,561,008	EPIQ data
2011	1,379,611	EPIQ data
2012	1,185,963	EPIQ data
2013	1,032,326	EPIQ data

Bankruptcy filings totaled 1,032,326 nationwide for calendar year 2013, a 13% decrease from the 1,186,137 total filings in calendar year 2012, according to the American Bankruptcy Institute (ABI). The 988,215 total consumer filings during calendar year 2013 represented a 12% drop from 2012. Total commercial filings during 2013 were 44,111, a 24% drop 2012.

"The 2013 filings represent the lowest total since 2007, and they have dropped each year since 2010," said ABI Executive Director Samuel J. Gerdano. He stated that annual bankruptcy filings will likely continue to drop amid sustained low interest rates and high costs to file. "As fewer consumers and businesses turn to the Bankruptcy Code for a financial fresh start, the court system, which relies on bankruptcy filing fees for funding, is also affected," Gerdano added.

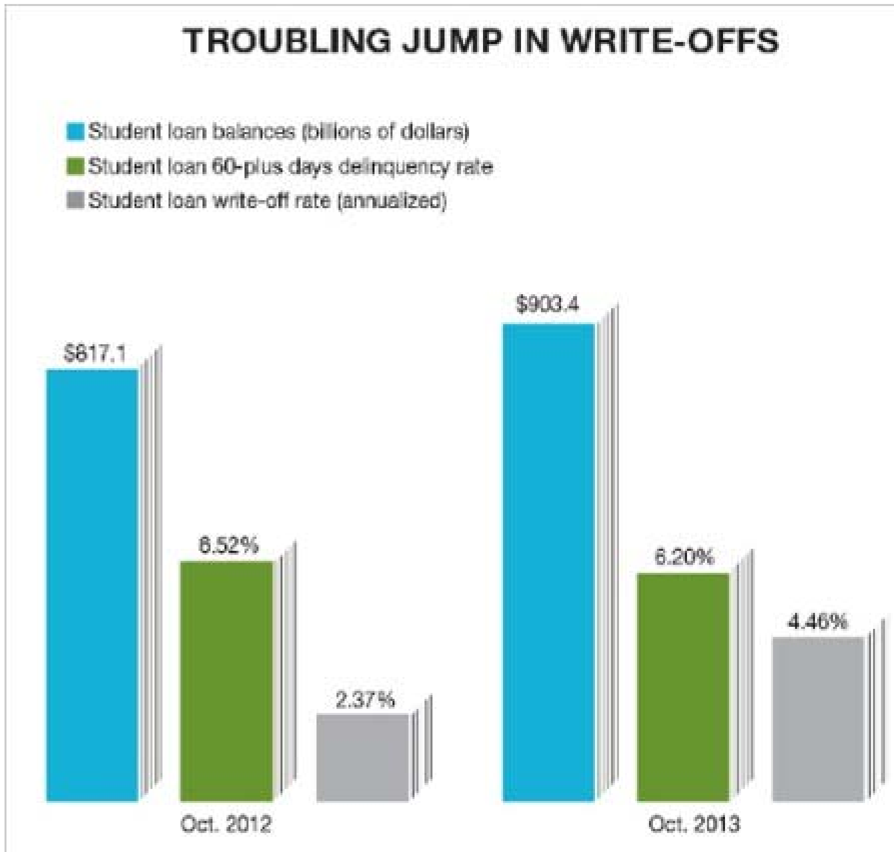
The 66,478 total bankruptcy filings for the month of December 2013 represented a 12% decrease from the 75,691 filings in December 2012. The 63,601 consumer filings for December also represented a 12% drop from December 2012. Total commercial filings for December 2013 were 2,877, a 24% decrease from the same period in 2012. Commercial chapter 11 filings dropped by 31%, as the number of chapter 11 filings in December 2012 (565) fell to 391 in December 2013. Average total filings per day in December 2013 were 2,145, a 12% decrease from the 2,442 total daily filings in December 2012.

The average nationwide per capita bankruptcy filing rate for calendar year 2013 decreased to 3.33 (total filings per 1,000 population) from the 3.83 rate registered during calendar year 2012. States with the highest per capita filing rates (total filings per 1,000 population) through 2013 were:

1. Tennessee (6.59)
2. Georgia (5.74)
3. Alabama (5.65)
4. Utah (5.16)
5. Indiana (5.00)

Source: Inside ARM/ABI

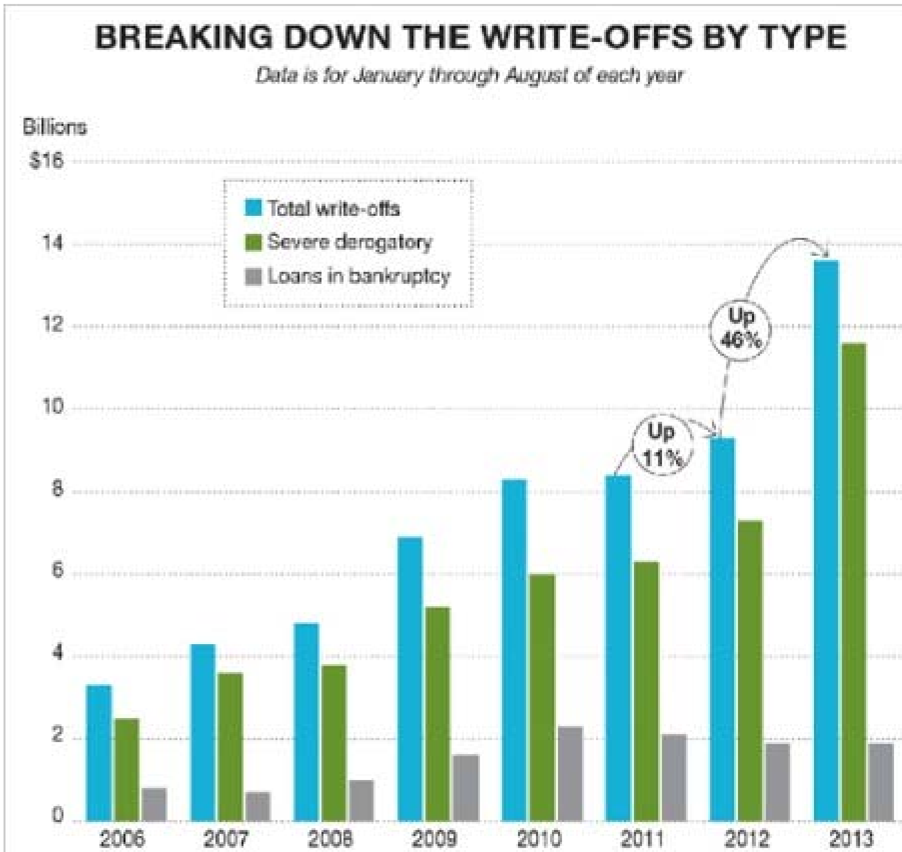
STUDENT LOAN WRITE-OFF SPIKE IS WORRISOME



The dramatic rise in student loan volume is a worrisome trend for policymakers, but perhaps a more troubling one for banks is a big spike in write-offs. Between January and August of last year, lenders wrote off **$13.6 billion** in student loan debt, a **46%** increase from the same period of 2012 and the highest amount for this period in any of the last eight years, according to the data from Equifax. The credit bureau's tally of write-offs includes both private and federal student loans, and is the sum of loans that either have been sent to collections or belong to people who have filed for bankruptcy.

The surge in write-offs comes as more banks shut down their student loan operations, generally because of a lack of profit resulting from changes to the federal program. "Federal loans are now about 90% of new loans," says Amy Crews Cutts, Equifax's chief economist. Just three lenders account for 75% of the originations in private student loans, according to Standard & Poor's.

The jump in write-offs is a sign that what has been called a mounting student debt crisis has begun to hurt lenders. Total student loan debt passed $1.2 trillion in July, according to the latest data from the Consumer Financial Protection Bureau, making it the second-largest of all the types of debt that Americans hold, behind home mortgages. The bureau estimates that more than $1 trillion of the student loan debt is guaranteed by the federal government. It also says that roughly 40 million Americans have student loans, and owe an average of $30,000 each.

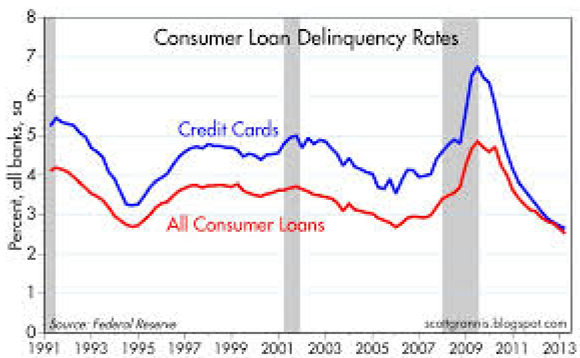


A recent increase in delinquent balances tracks with the increase in overall volume of student loans, Cutts said. Though the dollar amount of the delinquencies is up, student loans 60 or more days overdue have stayed at about 6% to 8% of total student loans for the past eight years. Meanwhile, in same period, total student loan debt has ballooned.

The stubbornly high rate of student loan delinquencies contrasts with other types of loans. Delinquency rates for both auto loans and bank cards have been falling and are back to pre-recession levels. What's going on with student loan debt doesn't bode well, especially since well-paying jobs remain elusive, says Cutts. The unemployment rate for 20- through 24-year-olds was 12.5% as of October, compared with 7.3% for U.S. workers overall.

Source: American Banker

CONSUMER DELINQUENCIES PLUMMET IN 3Q



Consumer delinquencies declined significantly in last year's third quarter as the economy improved and consumers better managed their finances, according to results from the American Bankers Association's Consumer Credit Delinquency Bulletin. The composite ratio, which tracks delinquencies in eight closed-end installment loan categories, fell 13 basis points to 1.63% of all accounts in the third quarter, a record low that's well under the 15-year average of 2.35%. The ABA report defines a delinquency as a late payment that is 30 days or more overdue.

"More jobs and higher income are a recipe for lower delinquencies," said James Chessen, ABA's chief economist. Bank card delinquencies saw a slight third-quarter increase, rising 13 basis points to 2.55% of all accounts – but still remain well below their 15-year average of 3.84%. According to Chessen, "It will be difficult for bank card delinquencies to improve further when they are already at such low levels."

Chessen noted that delinquencies in two home-related loan categories – home equity loans and home equity lines of credit – fell sharply in the third quarter as home prices increased. "Rising home prices have relieved some of the pressure on home equity loans and home equity lines of credit," he said. Chessen believes that small fluctuations in delinquency rates are likely in the months ahead as the economy continues to improve. "Delinquencies are likely to remain at reasonably low levels for the next several quarters as the economy continues to improve and jobs and income continue to grow," he added.

The third quarter 2013 composite ratio is made up of the following eight closed-end loans. All figures are seasonally adjusted based upon the number of accounts.

Closed-End Loans

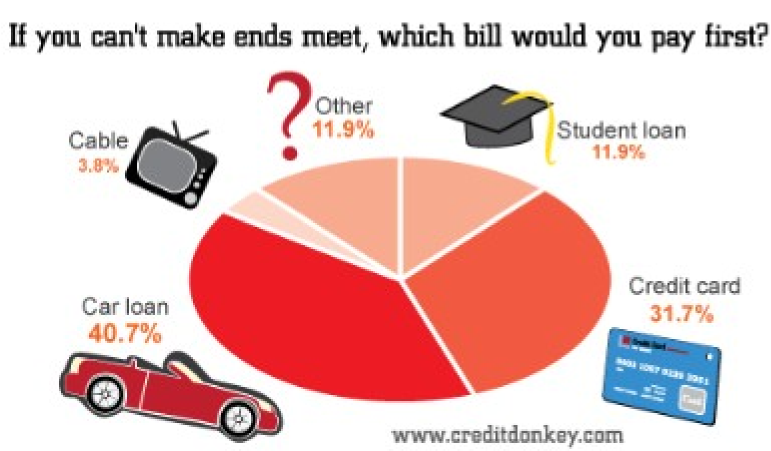
- Personal loan delinquencies fell from 1.94% to 1.51%
- Direct auto loan delinquencies held steady at 0.88%
- Indirect auto loan delinquencies fell from 1.72% to 1.64%
- Property improvement loan delinquencies rose from 0.80% to 1.25%
- Home equity loan delinquencies fell from 3.83% to 3.58%.

Open-End Loans

- Bank card delinquencies rose from 2.42% to 2.55%.
- Home equity lines of credit delinquencies fell from 1.90% to 1.71%.
- Non-card revolving loan delinquencies rose from 1.58% to 1.84%.

Source: Inside ARM

SURVEY: CREDIT CARD DEBT IN AMERICA



How do consumers handle credit card debt? CreditDonkey conducted a study on common credit card concerns to over 500 adults. The survey's preliminary research findings were quite surprising.

- If they could barely make ends meet, most Americans would pay their **car loan** or **credit card bill** first.
- But a surprising few, nearly **4%, would pay their cable bill first**.
- Nearly **33% have gone without medicine** because of a lack of funds.
- More than a quarter, some 27%, have gone without food.
- 1 in 9 respondents has **missed a car payment** or experienced repossession.
- Almost 1 in 11 has **missed their house payment** or experienced foreclosure.
- 1 in 20 consumers has carried **more than $20,000** in credit card debt at one time.
- More than **12%** have carried over **$10,000**.
- On a brighter note, nearly **4 in 10** have always paid their balance in full.
- Another **34%** have carried less than **$5,000** in credit card debt.
- **33%** of Americans would put their extra money toward an **emergency fund.**
- Another **44%** would use the funds to **pay down debt**.
- Only **9%** would spend it on **entertainment**.
- When asked, "What would you do first to prevent unpaid bills from being turned over to debt collections?" more than **25%** said they would make **partial payments** and hope for the best.
- **68%** of respondents rightly indicated that the best course of action is to **contact your creditor**/lender if you have trouble making a payment.
- Surprisingly, **2%** said they would pay the nicest, most lenient creditor **last**.

Source: CreditDonkey.com
