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CREDIT & COLLECTION NEWS

NOVEMBER 2013

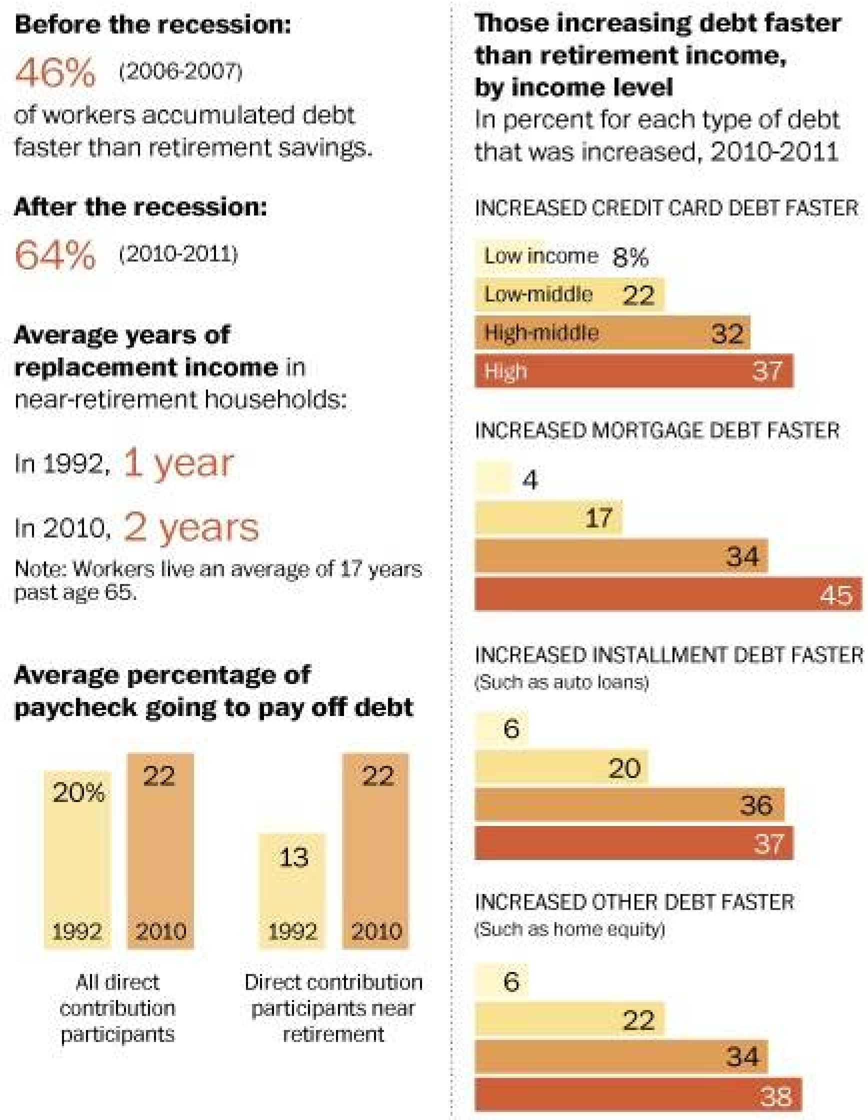
Happy Thanksgiving!

AMERICANS RACKING UP DEBT FASTER THAN SAVING FOR RETIREMENT

A majority of Americans with 401(k)-type savings accounts are accumulating debt faster than they are setting aside money for retirement, further undermining the nation's troubled system for old-age saving, a new report has found. Three in five workers with defined contribution accounts are "debt savers," according to the report, meaning their increasing mortgages, credit card balances and installment loans are outpacing the amount of money they are able to save for retirement.

The imbalance is expanding even as policymakers are encouraging people to set aside more by offering generous tax breaks and automatically enrolling workers in retirement accounts that in some cases automatically escalate the amount of money over time.

Currently, workers with retirement savings accounts put aside more than 11% of their pay for retirement - 5% in their own accounts, and 6.2% in Social Security. Despite that, and despite the $2.5 trillion the report says employers have poured into defined contribution accounts from 1992 to 2012, the retirement readiness of most Americans has been slipping, according to the report by HelloWallet, an economic research firm.



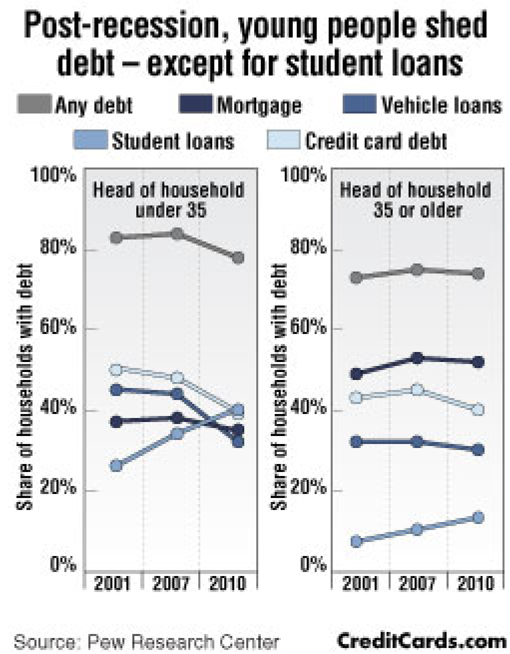
The HelloWallet report is the latest in an expanding line of research suggesting that the United States is facing a looming retirement security crisis. A growing number of researchers are concerned that the nation is on the cusp of a shift in which more Americans are on a track that will lead to a decline in their living standards when they retire.

The report says that debt is among the biggest culprits. The amount of money that households nearing retirement are dedicating to pay down debts has increased 69% over the past two decades. Households headed by people ages 55 to 64 now spend 22 cents of each dollar to pay off old loans - about the same percentage as younger people.

The problem is not confined to the poorest Americans, many of whom have no retirement savings. Most of the people with accounts who are accumulating debt faster than retirement savings are older than 40, college educated and earning more than $50,000 a year, according to the report. More than a third are older than 50, a time when financial planners say people should be paying down debt and increasing their efforts to prepare for retirement.

Source: Washington Post

YOUNG ADULTS SHED DEBT DURING RECESSION



From 2007 to 2010, the median debt of households headed by an adult younger than 35 fell by 29%, compared with a decline of just 8% among households headed by adults ages 35 and older, according to a report from the Pew Research Center. Furthermore, the share of younger households holding debt of any kind fell to 78%, the lowest level since the government began collecting such data in 1983.

Compared to their older peers, those under 35 tend to own homes and cars at much lower rates, which partially explains the larger data trends. But even when looking within the young adult group itself, the shedding debt pattern is obvious. Younger households have moved away from credit cards. In 2010 only 39% of them carried a balance, down from 48% in 2007 and 50% in 2001. And when young adults do carry a credit card balance, it is typically much lower. The median outstanding amount owed among younger households with card balances fell over the decade from $2,500 in 2001 to $2,100 in 2007 all the way down to $1,700 in 2010.

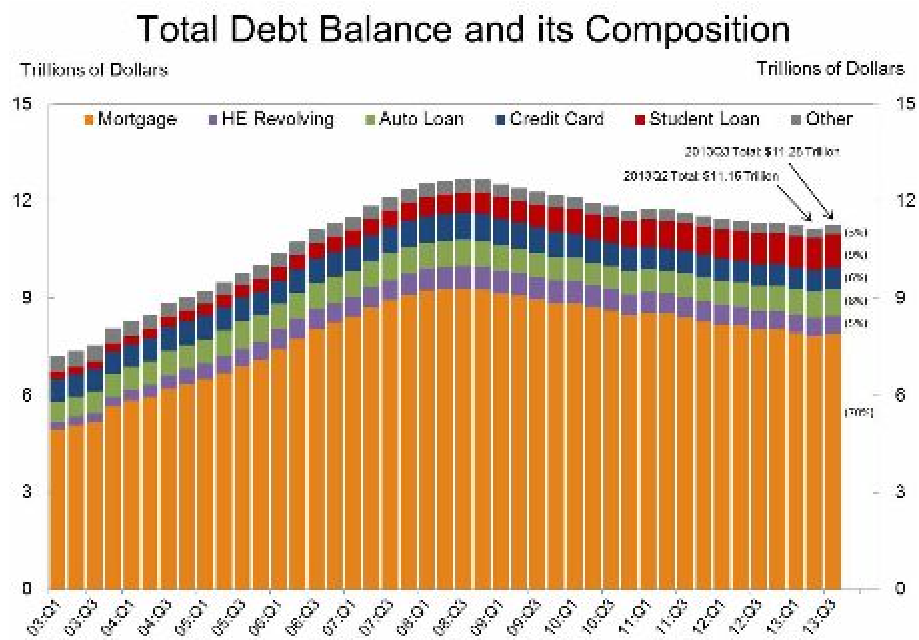
Car ownership has also decreased within the young adult group. In 2007, 73% of households headed by an adult younger than 25 owned or leased at least one vehicle. By 2011, 66% of these households had a vehicle. As for financing, in 2007 44% of households younger than 35 had vehicle debt. By 2010, only 32% had vehicle debt.

Unsurprisingly, the only credit market to see expansion in the under-35 demographic is student loan debt. In 2007, 34% of young households had outstanding student debt. By 2010, 40% of younger households had student debt. Interestingly, the median amount owed by households with student debt fell from $14,102 in 2007 to $13,410 in 2010.

It is easy to assume that once the economy truly recovers, consumers in this peer group will take on more debt. But certain lifestyle choices – such as living in areas not requiring a car – may enable a generation that is more debt-free than those before it.

Source: InsideARM

HOUSEHOLD DEBT INCREASED IN Q3



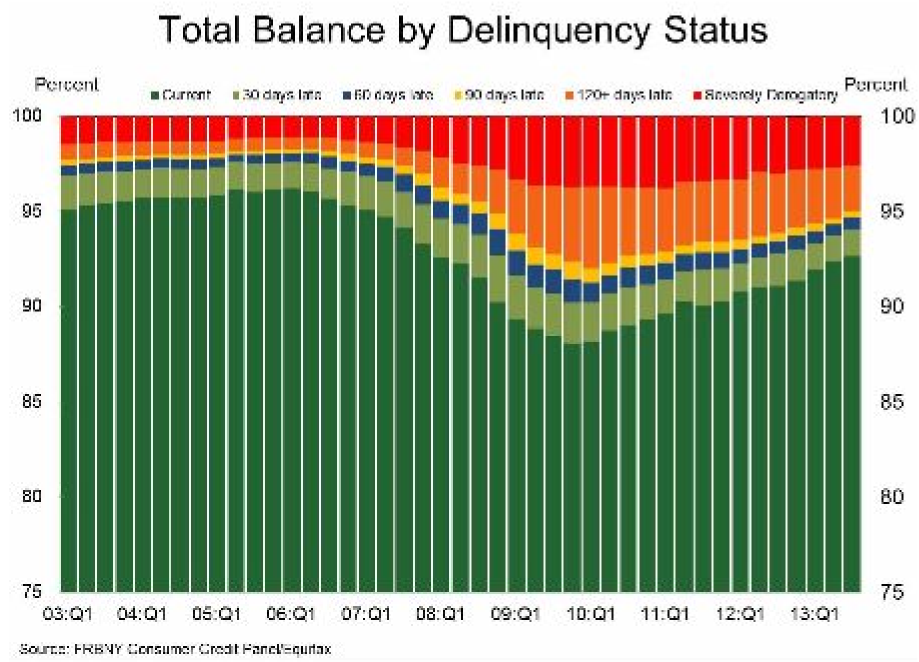
Source: FRBNY Consumer Credit Panel/Equifax

Aggregate consumer debt increased in the third quarter by $127 billion, the largest increase seen since the first quarter of 2008. As of September 30, 2013, total consumer indebtedness was $11.28 trillion, up by 1.1% from its level in the second quarter of 2013. Overall consumer debt remains 11% below its peak of $12.68 trillion in 2008Q3.

Mortgages, the largest component of household debt, increased by 0.7% in the third quarter of 2013. Mortgage balances shown on consumer credit reports stand at $7.90 trillion, up by $56 billion from their level in the second quarter. Balances on home equity lines of credit (HELOC) dropped by $5 billion (0.9%) and now stand at $535 billion. Household non-housing debt balances increased by 2.7%, with gains of $31 billion in auto loan balances, $33 billion in student loan balances, and $4 billion in credit card balances.

The first graph shows aggregate consumer debt increased in Q3. This suggests households (in the aggregate) may be near the end of deleveraging. If so, this is a significant change.

About 355,000 consumers had a bankruptcy notation added to their credit reports in 2013Q3, roughly flat compared to the same quarter last year.



Delinquency rates improved for most loan types in 2013Q3. As of September 30, 7.4% of outstanding debt was in some stage of delinquency, compared with 7.6% in 2013Q2. About $831 billion of debt is delinquent, with $600 billion seriously delinquent (at least 90 days late or "severely derogatory").

The second graph shows the percent of debt in delinquency. In general, the percent of delinquent debt is declining, but what really stands out is the percent of debt 90+ days delinquent (Yellow, orange and red).

Delinquency transition rates for current mortgage accounts are near pre-crisis levels, with 1.6% of current mortgage balances transitioning into delinquency.

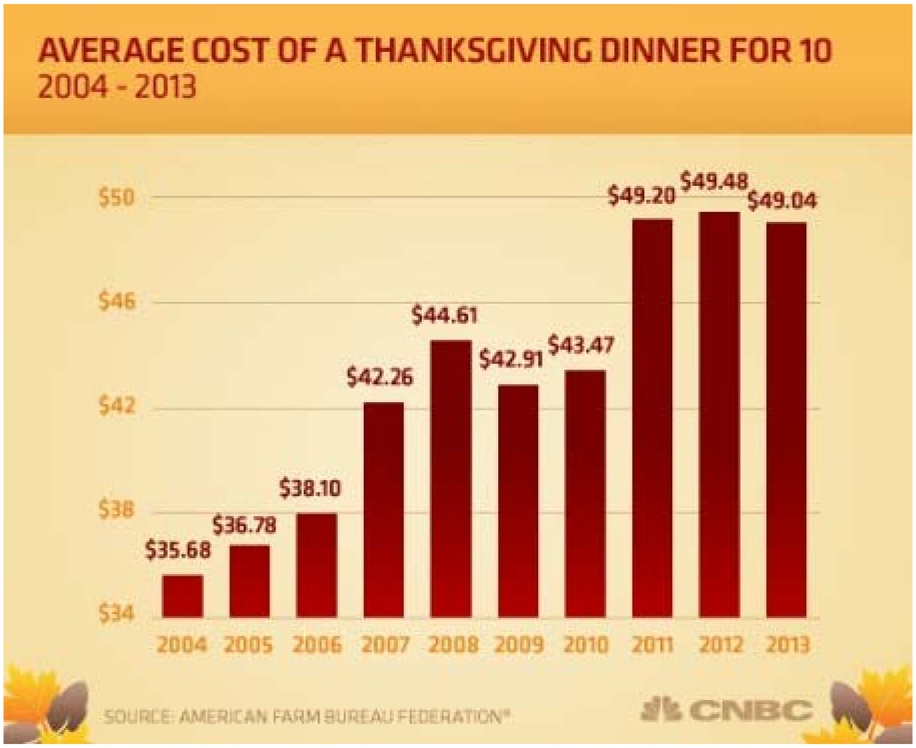
Source: Federal Reserve Bank of New York /Calculated Risk

GOBBLE, GOBBLE: THANKSGIVING PRICES DROP

Finally, some good news for consumers to chew on: That Thanksgiving feast will be a little less expensive. The average cost of this year's holiday dinner for 10 eased down 0.9% to $49.04 from $49.48 last year, according to a survey from the American Farm Bureau Federation (AFBF). The survey's shopping list includes typical Turkey Day fare, including turkey, stuffing, sweet potatoes, rolls with butter, cranberry sauce and pumpkin pie with whipped cream.

About half of the items became more expensive while the other half fell in price. The biggest decrease this year came from a drop in turkey prices. Prices of rolls and green peas also fell. Meanwhile, sweet potatoes, pumpkin-pie mix and milk made up the biggest increases in this year's basket.

"Most Americans will pay about the same as last year at the grocery store for a turkey and all the trimmings," said John Anderson, AFBF's deputy chief economist. Anderson also noted that weather did not impact Thanksgiving prices much this year since there was not a big widespread drought, unlike ones in 2012 and 2011 that battered various parts of the country. "Overall, we ended up with a pretty favorable summer and fall harvest season," he said.



Interestingly, the roughly 1% drop in the Thanksgiving dinner costs come as food prices in general have risen. For the 12 months ended in September, prices of food eaten at home rose 1%, according to the Bureau of Labor Statistics. The average cost of the dinner has remained about $49 for the past three years after jumping from a bargain price of merely $43 in 2010.

While admittedly only a small drop this Thanksgiving, the news is still welcome for consumers, who are feeling cautious this holiday season as the U.S. labor-force participation rate hovers at the lowest level in more than three decades. Recent data and surveys have painted a portrait of hesitant Americans this holiday season. Nearly 80% of shoppers plan to spend less overall, a recent survey from the National Retail Federation found. The average shopper plans to spend about $737 on holiday items, 2% less than the average last year, the trade group found.

"We have a lot of consumers that feel stretched thin so having stable food prices is a positive," Anderson added. "It's an item of family budget that hasn't put pressure on people over the last 12 months."

Source: CNBC

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*THE RIGHT STUFF*ING ... A THANKSGIVING CLASSIC

A recent Huffington Post article ranked **stuffing** as the number one "best Thanksgiving side dish." According to the article, "Stuffing is the reigning heavyweight champion of the Thanksgiving world. Stuffing IS Thanksgiving, no other competitors need apply."

Whether you call it stuffing or dressing, and make

it with white bread, corn bread, or even rice, perhaps no American food item inspires more passionate loyalty than that moist, savory dish that appears on the holiday table each year. Whatever kind you prefer, chances are that it reflects the region where you grew up, and possibly your ethnic heritage, too. Are you from the South? You likely call your recipe "dressing" and use corn bread and ham (unless you're from Louisiana or Texas, where white rice is also popular). In the Northwest, as well as the Midwest, wild rice is often the go-to ingredient. If you were raised on the Eastern Seaboard, oysters may feature prominently in your stuffing. If you hail from the Southwest, local chiles are likely adding some spice to your recipe. From an Italian-American family? You might flavor your stuffing with Italian sausage. If you're Chinese-American you might prefer sticky rice and Chinese sausage.

The ***Farmhouse Herbed Stuffing*** from *Epicurious* is a perfect recipe because of its adaptability. It can be almost endlessly enhanced. Try the simple classic take or, If you wish, use one of the variations below. This recipe will serve about 8 people.

- 8 tablespoons (1 stick) unsalted butter
- 2 medium onions, cut into 1/4-inch dice (about 3 cups)
- 6 stalks celery with leaves, cut into 1/4-inch dice (about 2 1/2 cups)
- 1 (14-ounce) package seasoned bread stuffing cubes
- 1/3 cup fresh parsley, chopped
- 1 teaspoon celery salt
- 1 teaspoon dried sage, crumbled
- 1 teaspoon dried rosemary, crushed
- 1/2 teaspoon dried thyme, crumbled
- 1/4 teaspoon salt
- 1/4 teaspoon freshly ground black pepper
- 1 1/4 cups hot homemade turkey stock or canned turkey stock, plus 1/2 cup more if baking all of stuffing outside of turkey

Preparation

In 12-inch, heavy skillet over moderate heat, heat butter until hot but not smoking. Stir in onion and celery, cover, and cook, stirring occasionally, until soft, 15 to 20 minutes. (Vegetables can be prepared up to 1 day ahead and refrigerated. Reheat before continuing: In 12-inch, heavy skillet over moderately high heat, sauté, stirring often, until heated through, about 5 minutes.)

Transfer to large bowl and add stuffing cubes, parsley, celery salt, sage, rosemary, thyme, salt, and pepper. Stir in 1 1/4 cups hot stock.

If using to stuff turkey: Use immediately to fill cavities and spread remainder in baking dish. .

If baking entire recipe as side dish: Preheat oven to 350°F and butter 3-quart casserole or 9- by 13-inch baking dish. Transfer stuffing to dish and drizzle with 1/2 cup hot stock. Cover with aluminum foil and bake until heated through, about 30 minutes. Uncover and bake until top is slightly crisp and golden, about 10 minutes longer. Serve immediately.

Variations:
***Sausage and Sage Stuffing**:* In large, heavy skillet over moderate heat, sauté 1 pound bulk pork sausage, breaking up pieces with spoon, until meat shows no sign of pink, about 10 minutes. Using slotted spoon, transfer to large bowl. Proceed with recipe, adding ingredients to bowl with sausage and substituting 2 tablespoons chopped fresh sage for dried rosemary and sage.

***Dried Apricot and Pecan Stuffing**:* Dried fruit are better than fresh in stuffing because the latter get soggy with long baking. Preheat oven to 350°F. Spread 1 1/2 cups (6 ounces) pecans on rimmed baking sheet and toast, stirring occasionally, until browned and fragrant, about 10 minutes. Cool and coarsely chop. In medium bowl, combine 1 1/2 cups diced dried apricots and hot water to cover. Soak until apricots plump, about 30 minutes, then drain well. Proceed with recipe, tossing apricots and pecans with other ingredients in large bowl.

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