Issue 66

800 N. Kings Highway
Ste. 300
Cherry Hill, NJ 08034

877-809-4345

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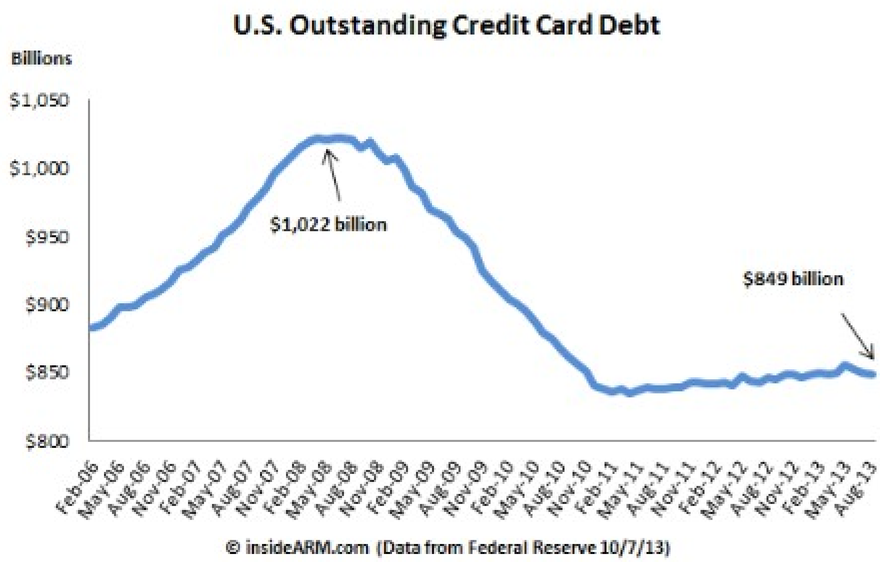
CREDIT & COLLECTION NEWS

OCTOBER 2013

CREDIT CARD DEBT FALLS FOR 3RD STRAIGHT MONTH



Total consumer credit card debt outstanding fell at an annual rate of 1.2% in August for the third straight month, according to the Federal Reserve. In its monthly consumer credit statistical release (G.19), the Fed said that total balances on credit cards declined by a little more than $1 billion in the month to just under $849 billion. After spiking in May, consumers charged less on their cards over the summer or paid down existing balances.

The decline in August marked the first time in two-and-a-half years that credit card debt outstanding fell in three consecutive months.

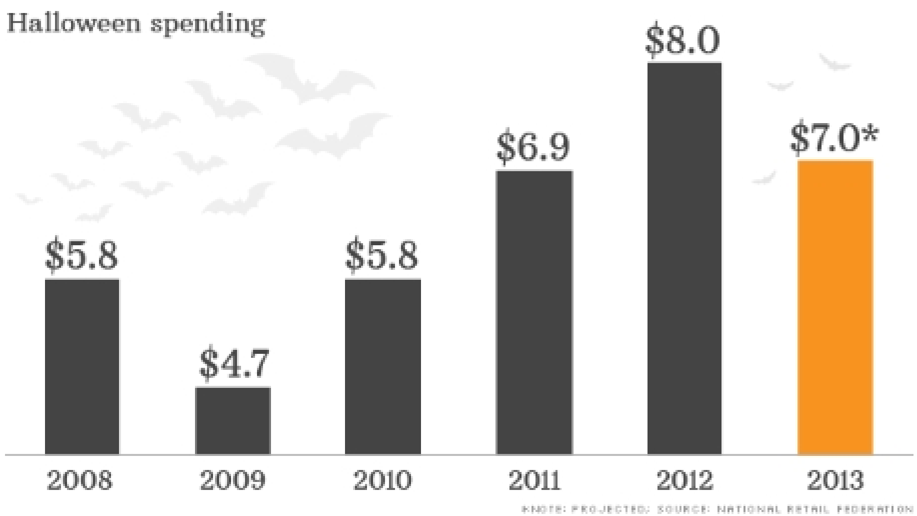
Prior to 2011, credit card debt fell precipitously coming off the financial crisis of 2008. The Fed's G.19 figure for revolving debt fell 25 straight months before finally showing an uptick in March 2011. Since then, growth has been slow but relatively steady over the long run.

Non-revolving debt, meanwhile, grew at an eight percent annual clip in August, driven mostly by auto and student loans.

At the end of August, the Fed noted that total consumer debt outstanding, not including loans backed by real estate, was $3.037 trillion, an all-time high.

Source: Inside ARM

SPOOKED BY ECONOMY, CONSUMERS SPEND LESS



Consumers are spooked this Halloween -- and it's not just the ghosts, goblins, and ghouls. Fewer people plan to celebrate the holiday this year, and those who are plan to spend less, according to one survey. Another predicted spending would increase over last year, but at a much slower pace.

The National Retail Federation estimated nearly **$7 billion** would be spent this year on costumes, candy and artificial cobwebs, about **$1 billion** less than last year. That translates to an average of about $4.79 less per Halloween reveler. It based those numbers on a survey of almost 5,300 adults. Separately, IBISWorld projected Halloween spending would grow 3%, down from nearly 18% last season. It estimated the largest spending growth would be for decorations.

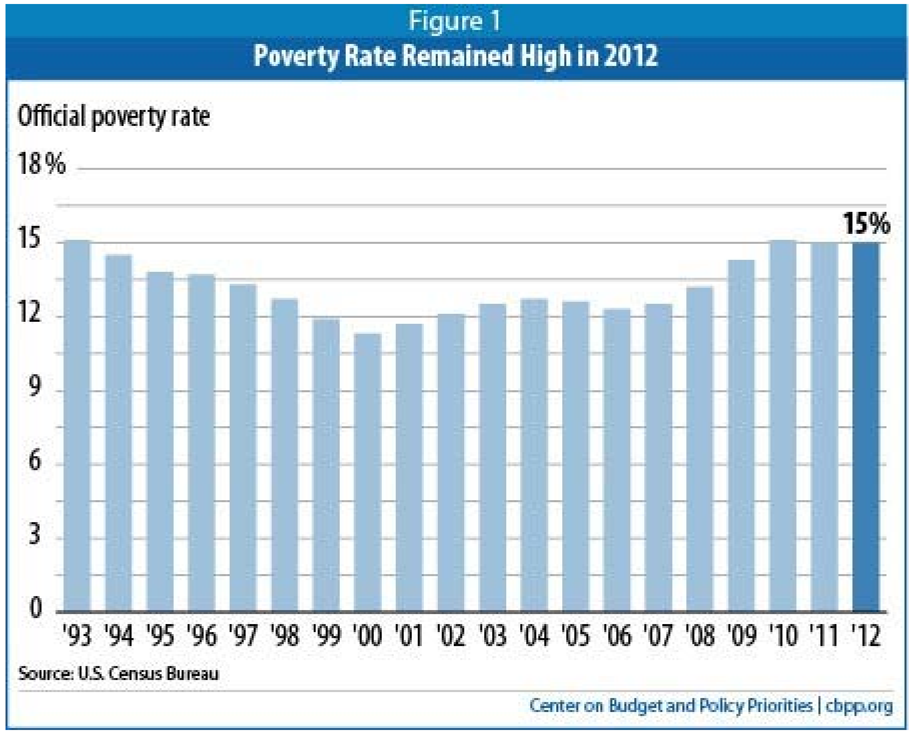
The holiday comes as people are generally uncertain or pessimistic about the economy. Consumer confidence dropped this month amid fiscal brinksmanship in Washington. Two-thirds think the U.S. economy is on the decline, according to Gallup survey data.

But despite this year's sluggish outlook, Halloween spending has been on a tear. Spending has grown 55% since 2005. The only year-over-year drop was in the fall of 2009, when spending dropped about $1 billion from Halloween 2008, after the housing market collapse dealt the country a major blow. It's not just kids getting in on the fun. According to the NRF, the $1.22 billion forecasted business in adult costumes outpaces the $1.04 billion spent on child costumes. And 13% of survey respondents plan to dress up their pets -- spending a combined $330 million to get Spot and Fluffy in on the act.

It's not all bad news for retailers. The NRF predicted November and December retail sales to grow nearly 4%. Customers will spend just over $600 billion this year, they forecasted.

Source: CNN Money

CENSUS REPORT SHOWS STAGNANT INCOMES



The 2012 poverty and income data released by the U.S. Census Bureau show modest income growth for most households between 2011 and 2012. From 2011 to 2012, median household income for non-elderly households (those with a head of household younger than 65 years old) increased from $56,802 to $57,353. However, this increase barely began to offset the losses incurred during the recession. Incomes are substantially lower than they were before the recession began. From 2009-2012, only households in the top 5% of the income distributions saw gains.

In the analysis, EPI President Lawrence Mishel explains that the trends of the Great Recession and its aftermath come on the heels of the weak economy of 2000-2007 - the first business cycle on record where incomes for those at the middle did not rise. In fact, most of the gains to low- and moderate-income families in the strong labor market of the late 1990s have been erased by the weak labor market of the last 12 years.

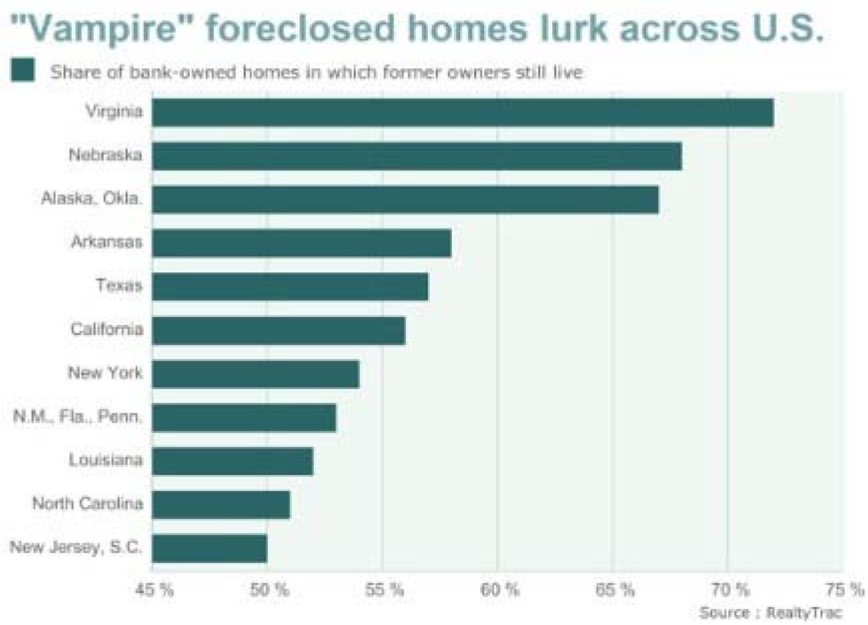
"The report tells us what we already knew. Hourly wages have been stagnant, across the board for many years, even for college grads. We're not seeing much job growth, even as the unemployment rate falls," said Mishel. "It shouldn't be surprising that incomes are not going up if people are not working more, finding jobs, or seeing increases in their weekly paychecks."

The poverty rate remains elevated, staying constant at 15% between 2011 and 2012. The number of people living below the poverty line in 2012 was 46.5 million. Since 2000, poverty has generally been on an upward trajectory. The poverty rate increased between 2000 and 2007 from 11.3% to 12.5%, then continued to rise through the Great Recession.

"Given predictions for the health of the labor market, it's likely that the poverty rate will not fall even to 2000 levels for some time," said economist Elise Gould. "Now is no time to be considering cuts to the safety net."

Source: EPI.org (Economic Policy Institute)

VAMPIRE FORECLOSURES KEEP BANK INVENTORY HIGH



As if rising mortgage rates aren't scary enough, analysts have identified a lurking threat to housing: "vampire" properties. These "vampire" properties are bank-owned foreclosed homes in which prior owners continue to live, as defined by RealtyTrac, an online foreclosure marketplace.

Former owners live in 47% of U.S. bank-owned properties, according to RealtyTrac. These properties are "sucking the life out of the housing market," according to Daren Blomquist, vice president at RealtyTrac. "The concern with these homes is that they are inevitable inventory that had been delayed from hitting the market," he said. "We don't anticipate these properties will derail the housing recovery when they hit, but they will certainly take some of the steam out of the recovery."

There are particularly high rates of "vampire" properties in Virginia, where they make up 72% of bank-owned homes and Nebraska, where they make up 68%. Many states with high shares of vampire homes have relatively short foreclosure processes and a low rate of homes with negative equity. "Homeowners may have less time to prepare to vacate the home because of the shorter foreclosure process, but also may be more motivated to fight the foreclosure because they are more likely to have positive equity in the home," Blomquist said.

Vampire properties should not be confused with their creepy cousins, zombie foreclosures. According to RealtyTrac, zombie foreclosures are properties that have been vacated by the homeowner but are "languishing" in the foreclosure process. About one-in-five homes in foreclosure across the country have been vacated by the homeowner.

Source: MarketWatch

HALLOWEEN 2013 BY THE NUMBERS

The first of the major shopping holidays is upon us. In fact, Halloween is the fourth most popular holiday that gets consumers to open up their pocketbook - next to Christmas, Thanksgiving and Easter, according to Alliance Data Retail

Services (ADRS), a marketing and customer loyalty solutions provider. Here's a glance at Halloween by the numbers.

- **158 million:** Consumers who will participate in 2013 Halloween activities; down from 170 million in 2012
- **86.1:** Percent of those say they will spend less overall on Halloween this year, and in particular 32.7% will buy less candy while 18.1% will make a costume instead of buying one.
- **25.2**: Percent who say the state of the economy is impacting their Halloween spending plans
- **$75.03:** The average amount the celebrating consumer expects to spend on décor, costumes, candy and fun; down from $79.82 in 2012 (NRF). However…
- **27:** Percent saying they'll spend more this year than last
- **$2.6 billion:** Expected total spending on costumes, from the 43.6% of people who plan to dress up. Children's costumes rack up $1.04 billion while adult costumes are expected to reach $1.22 billion. And…
- **$330 million:** The expected spend on pet costumes for the 13.8% of those who say they will dress their pet (NRF).
- **65:** Percent who will shop for costumes, spending an average of $66; the average amount spent on candy is expected to be $39. Or…
- **$27.85:** The average a person will spend to buy or make their costumes, down from $28.65 in 2012.
- **$2.08 billion:** The total amount expected to be spent on candy.
- **$1.96 billion:** The total amount expected to be spent on life-size skeletons, fake cob webs, mantle pieces and other festive decorations.
- **$360 million:** The total amount expected to be spent on greeting cards.
- **$6.9 billion:** Total estimated spending on Halloween in 2013.
- **70:** Percentage of consumers who will purchase candy/treats *after* Halloween is over, as 57% will stock up on Halloween décor.

Source: Forbes.com

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