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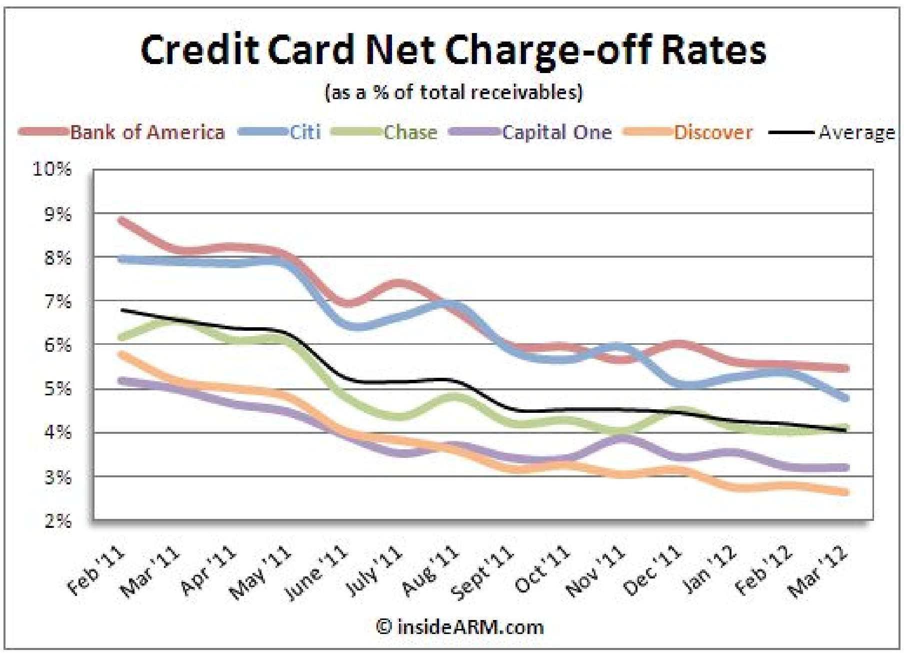
CREDIT & COLLECTION MATTERS

April 2012

We Share the Risk ... Contingency Collections

MORE DECLINES IN CARD CHARGE-OFFS AND DELINQUENCIES



Five of the largest credit card issuers in the United States reported lower charge-off and delinquencies rates in their credit card portfolios for March. The five large banks – Bank of America, Capital One, Citigroup, Discover, and JP Morgan Chase – account for the vast majority of credit card accounts in the U.S.

Only Chase reported an increase in their card charge-off rate for March, and the increase was very small. The average net card charge-off rate among the banks dropped to 4.04 percent in March from 4.19% in February, and from 6.56% in March 2011. Net chargeoff rates take into account money remitted from external debt collection activities and debt portfolio sales. Bank of America said its provision for credit losses declined to the lowest level since the third quarter of 2007. The 4.04% average charge-off rate is already near long-term historical averages. Once Bank of America (with the highest charge-off rate of 5.48%) works its way through its backlog of defaulted accounts, the average net rate will be below historical averages.

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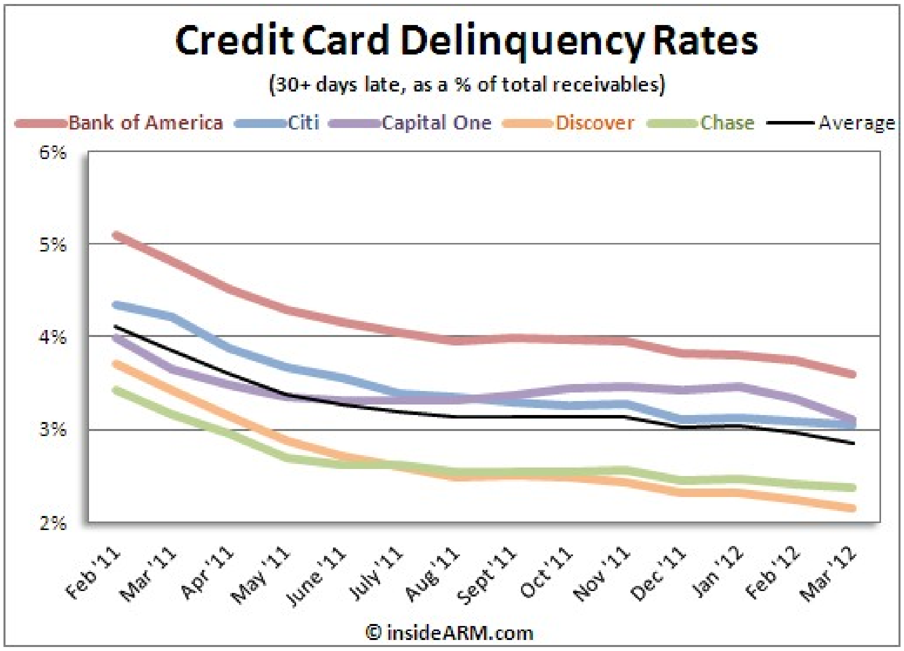

The average 30+ day delinquency rates among the major issuers also fell - from 2.97% in February to 2.85% in March. March's rate is exactly one full percentage point lower than March 2011's 3.85% rate. All issuers reported a decline in delinquencies. The average delinquency rate is now considerably below long-term averages, a testament to the tighter lending standards for credit card accounts being employed by major banks since the credit crisis and subsequent recession and the passage of stricter regulations for card issuers.

Source: Inside ARM

CONSUMERS PAYING AUTO LOANS BEFORE OTHERS

Recent updates to a key TransUnion study found that in 2011 consumers were more likely to pay their auto loans before their credit cards and mortgages. This insight was gained through TransUnion's Payment Hierarchy study update, which also found that the divergence in payment patterns – where consumers are increasingly apt to pay their credit cards before their mortgages – has continued for four straight years.

"The reversal in payment patterns between credit cards and mortgages has been well documented, but it had not been previously clear that auto loans were considered a higher priority by consumers than both credit cards and mortgages," said Ezra Becker of TransUnion. "A few reasons why auto loans have become the preferred payment to make include the need for an auto to get to work or look for employment, and the fact that an auto loan is not a revolving loan—the impact of repossession is greater than the loss of a credit card."

The TransUnion analysis looked at a sample of approximately 4 million consumers in each quarter of 2011 that had at least one open auto loan and one open bankcard and one open mortgage. The study found in each quarter that there was a clear preference for remaining current on auto loans, ahead of credit cards and mortgages. Specifically, of the consumers who were delinquent on any of these products:

- 9.5% were delinquent on an auto loan while current on their credit cards and mortgages
- 17.3% were delinquent on a credit card while current on their auto loans and mortgages
- 39.1% were delinquent on a mortgage while current on their auto loans and credit cards

The percentage of consumers current on their credit card payments and delinquent on their mortgages first surpassed the percentage of consumers current on their mortgages and delinquent on credit cards in Q1 2008. Although many industry analysts believed that a reversion to the conventional payment hierarchy would ensue once the recession had concluded, this has not yet been the case. To the contrary, the study found that the hierarchy reversal had become even more widespread, with the percentage of consumers who are delinquent on their mortgages and current on their credit cards rising to as high as 7.4% in Q3 2010.

"The payment hierarchy shift is as strong as it was one year ago, with consumers opting to pay their credit cards before their mortgage payments," said Matt Komos, a co-author of the TransUnion study. "We established that this was the result of two factors: the decline in house prices and high and persistent unemployment levels. The shift back to prioritizing mortgage payments ahead of credit cards – or auto loans – may only occur once the housing market has stabilized and begins its recovery and the unemployment situation shows significant improvement."

Source: TransUnion

US ECONOMY IN BETTER SHAPE TO HANDLE HIGH GAS PRICES

The U.S. economy is in a better position to deal with high gasoline prices, Treasury Secretary Timothy Geithner said, adding that unseasonably warm winter had lowered overall energy costs for consumers. "The economy is in a much better position to deal with those pressures ... because natural gas prices are down, the overall cost of energy for consumers is down," he said.

A spike in gasoline prices caused economic growth to brake sharply in the first half of last year. Gasoline prices have risen 64 cents since the start of this year, leaving many Americans with a sense of deja vu, which was further reinforced by a slowdown in the pace of job creation last month.

However, Geithner said it was too early to tell whether the economy, which he described as getting stronger, would go through a repeat of last year. "We can't tell yet. Obviously, we've got a lot of challenges ahead and some risks and uncertainty ahead," he said. He also dismissed suggestions that the country's huge budget deficit put it at risk of being the next Greece, adding that the challenge was to bring the deficit down without compromising economic growth.

Source: Reuters

MORE AMERICANS FREEZING THAN SLEEPING ON ASSETS

Forget the mattress, a quarter of Americans who keep money in their homes are hiding it in their freezers, according to a new survey. The Marist poll showed that 27% of Americans preferred to literally freeze their assets, compared to 11% who chose to sleep on their savings.

"One in ten -- 10 percent -- buries their dough in the cookie jar while nine percent leave their loot in some other household location," Marist said in a statement. Nineteen percent "sock" their cash away and 17 percent said there was no good location in the home to safely hide their saving. But in every region of the country and among both sexes and all age groups the freezer was the top hiding place. Marist questioned 1,080 adults across the country in the telephone poll.

Source: Reuters

SALDUTTI, LLC LAUNCHES NEW WEB SITE

Saldutti LLC is proud to announce the launch of our new website, SaldutiCollect.com. The new website, which went live on Monday, April 16, is more user-friendly, by adding extra directory tabs and putting information relevant to the users of the site. Tabs will be added to easily show information about our services and the technology used to help collect debt. Special thanks to our web designer, Anthony Gasparich from MC2 Marketing, in Lititz PA, for helping us update. Be sure to visit the site to check it out!

~ Sara Knopsnyder

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