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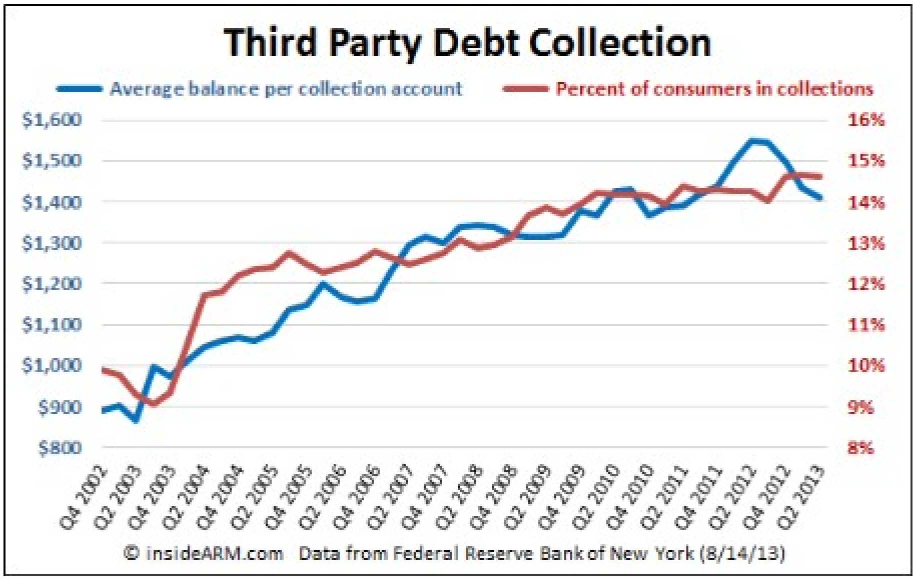
LEASING & FINANCE UPDATE

SEPTEMBER 2013

COLLECTION ACCOUNTS AT ALL-TIME HIGH



Despite a drop-off in severely delinquent credit, the percentage of Americans with at least one credit report trade line from third party debt collection agencies stayed near an all-time high in the second quarter of 2013, according to the Quarterly Report on Household Debt and Credit from the Federal Reserve Bank of New York . The FRBNY reported that **14.60%** of Americans had a third party collection action on their credit reports in Q2 2013, down very slightly from **14.64%** in the first quarter, the highest rate on record**.**

The average balance on third party debt collection accounts continued to fall in the quarter. In Q2 2013, the average was $1,409 per account, down from $1,433 in 1Q and well below the all-time high of $1,550 set in the 2Q 2012. The report says, “only a small proportion of collections are related to credit accounts with the majority of collection actions being associated with medical bills and utility bills.”

Consumers have been falling behind on credit accounts at a far slower pace over the past year. In Q2 2013 total household indebtedness fell to $11.15 trillion; 0.7% lower than the previous quarter and 12% below the peak of $12.68 trillion in Q3 2008. Mortgages, the largest component of household debt, fell $91 billion from the first quarter.

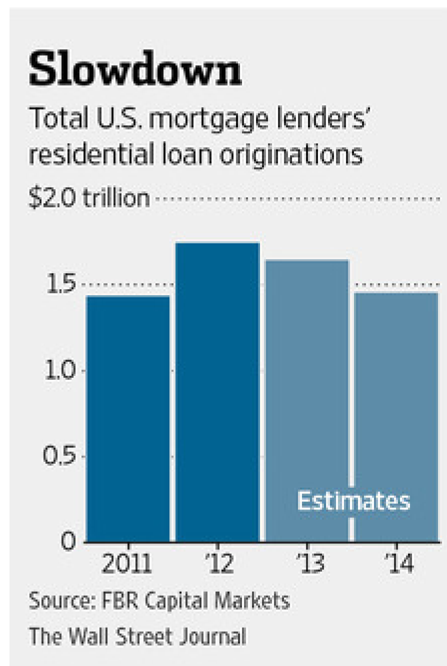
The percent of 90+ day delinquent balance for all household debt declined to 5.7% from 6.1% in Q1. Additionally, the delinquency rate for every individual component of household debt declined from the first quarter: mortgages (4.9% from 5.4%), HELOC (3% from 3.2%), credit card debt (10% from 10.2 %) and student loan debt (10.9% from 11.2%).

Other highlights from the report include:

- Outstanding student loan debt increased $8 billion to $994 billion.
- Credit card balances increased $8 billion to $668 billion.
- Total mortgage debt decreased to $7.84 trillion from $7.93 trillion.
- HELOC balances fell $12 billion to $540 billion.
- Mortgage originations rose to $589 billion, the seventh consecutive quarterly increase.
- 200,000 individuals had new foreclosure notations added to their credit reports, the first increase since Q1 2012 but still 65% below the peak in Q2 2009.

Source: Inside ARM

MORTGAGE LENDERS FEEL THE RATE SQUEEZE



A rise in interest rates is slamming homeowners' demand for mortgages, prompting large and midsize banks to cut jobs and warn investors of declining profitability in the home-loan business. Wells Fargo, the nation's largest mortgage company by loan value, says that it expects mortgage originations to drop nearly **30%** in the third quarter. J.P. Morgan Chase, the largest U.S. bank as measured by assets, said that it expects to lose money on its mortgage-origination business in the second half of the year. Bank of America Corp. will release 2,000 employees due to a decline in refinancing activity.

The average rate on a 30-year fixed-rate mortgage stood at **4.73%** for the week ended Aug. 30, up from 3.60% at the end of April, according to the Mortgage Bankers Association. "Rate volatility is the enemy of mortgage banking," says Paul Miller of FBR Capital Markets & Co. Given the recent jump in mortgage rates, "we expect third-quarter results to be relatively weak for mortgage-centric companies." All told, Mr. Miller expects lenders to originate $1.654 trillion of mortgages this year, down from $1.75 trillion in 2012. The decline is expected to bottom at $1.46 trillion in 2014 before rising again in 2015, according to FBR estimates.

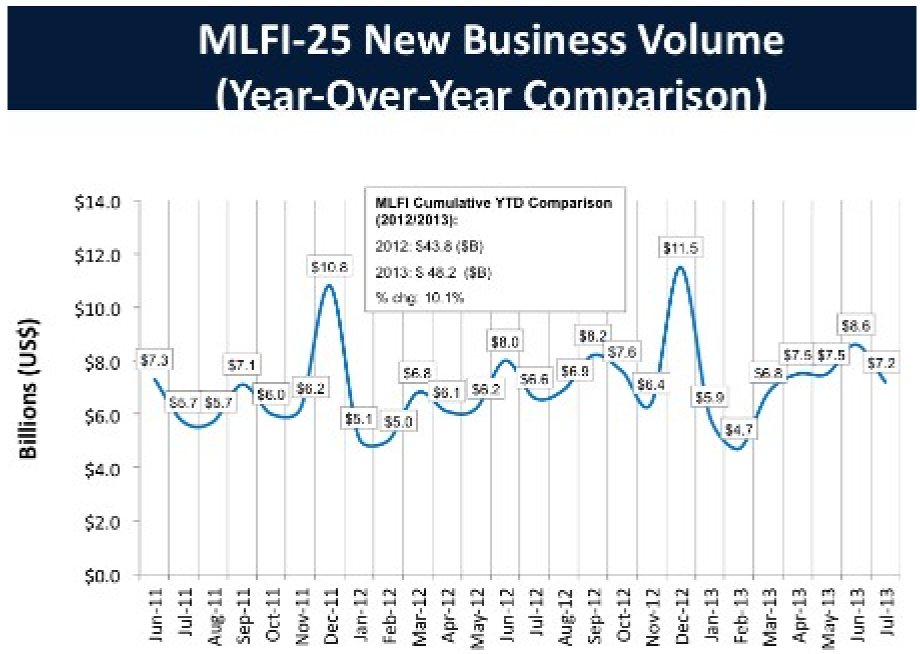
The slowdown is the latest hurdle for the banking industry, which already is grappling with tepid loan demand from corporate borrowers and higher compliance costs as regulators crack down on a broad swath of banking practices.

The warnings come even though the U.S. housing market is posting its strongest year-over-year gains since the tail end of the real-estate boom in 2006. Many lenders had ramped up their mortgage businesses in the past two years to take advantage of a surge in refinancing activity that was spurred by historically low rates.

Ultimately, big banks should benefit as they will be able to raise interest rates on new loans. That will widen the gap between their cost of borrowing and the income they earn from lending. But that won't happen for several months, as banks work through pending applications and loans. "We are bullish on the long term, but the short term is going to be rocky," said Mr. Miller.

Source: Wall Street Journal

JULY NEW BUSINESS UP 10% YEAR OVER YEAR



MLFI-25 New Business Volume - July 2013

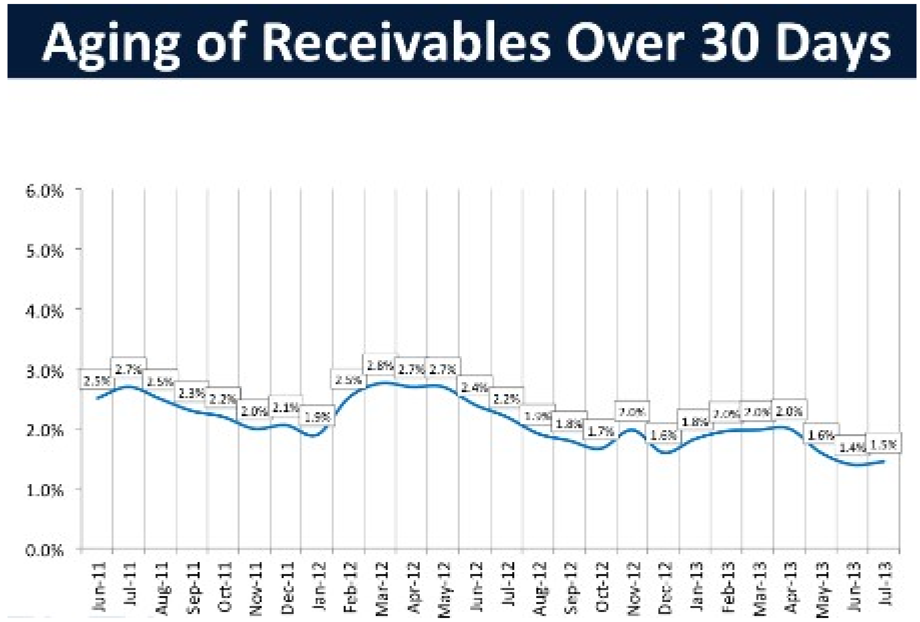
The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity from 25 companies representing a cross section of the $725 billion equipment finance sector, showed their overall new business volume for July was $7.2 billion, up 9% compared to volume in July 2012. Month-over-month, new business volume was down 16% from June. Year to date, cumulative new business volume increased 10% compared to 2012.

Receivables over 30 days were at 1.5% in July, up slightly from the historic low of 1.4% in June. Delinquencies declined from 2.2% in the same period in 2012. Charge-offs were unchanged for the past five months at the all-time low of 0.3%. Credit approvals totaled 78.6 percent in July (unchanged from the previous two months) while 58% of participating organizations reported submitting more transactions for approval during July, up from 54% the previous month. Total headcount for equipment finance companies was up 1% year over year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) for August is 61.0, up for the fourth consecutive month and an increase from the July index of 59.4.

"The amount of new business financed during the spring and summer months continues to grow at a moderate pace," said ELFA President/CEO William G. Sutton, CAE. "This month's increase in financing activity matches a strengthening economy evidenced by a rebounding housing market, GDP growth and declining unemployment picture. It will be interesting to see if this positive trend holds up as we move into late-summer and fall."

Source: ELFA



ELFA MLFI-25 Aging Receivables - July 2013

SMALL BIZ CREDIT IMPROVES, OPTIMISM HIGH

Small-business credit conditions continued to improve in the second quarter, thanks to gains in personal income, retail sales and employment, according to a recent Experian/Moody's Analytics Small Business Credit Index report.

The small business credit index rose 2.8 points from the previous quarter to a record 111.7. That compares to a baseline of 100 for the first quarter of 2011. Experian and Moody's evaluate conditions at firms with 5 to 99 employees by compiling repayment information from banks and other credit providers, along with macroeconomic data.

"The economy has held up better than anticipated so far this year in the face of large tax increases and government spending cuts, which has supported improved small-business borrowing and credit quality," said Moody's chief economist Mark Zandi.

As economic conditions brightened this quarter, small businesses paid down more delinquent debt. Among smaller firms of all sizes, 10.2% share of total credit outstanding was delinquent, down 2.4% from a year earlier. While overall credit quality improved for small businesses across the board, firms in some regions seem to be making bigger gains. Delinquency rates were significantly lower than the national average for small businesses in Idaho, Wyoming, Arizona and Utah.

In related news, a recent survey found that small business owners are more optimistic about the future. The Wells Fargo/Gallup Small Business Index hit its **highest level** in five years. Small business optimism improved nine points since the second quarter and is up 36 points since 4Q 2012, reaching a positive 25 in the current quarter. That was the best showing since the 3Q 2008, when the nation's financial system almost collapsed. In addition, The Wall Street Journal/Vistage Small Business CEO Survey's "confidence index" reached a high of 104.2 in August, up from 102.2 in July and 93.7 in August of 2012. Of the 678 business owners surveyed, 73% expect revenues to increase in the next year and 54% expect profitability to improve - the highest levels since the survey began in June 2012.

Source: American Banker/BizJournals.com/Wall Street Journal

MOBILE BANKING SHOWS SOLID GROWTH

The latest data dump from Malauzai Software – which provides mobile banking apps to 108 credit unions and banks – reveals continued, strong growth in mobile banking usage. The recently released July numbers show that among financial institutions that have offered mobile banking for at least one year, “the average month-over-month [member usage] growth rate is 4.19%. The best-in-class number is 11.56% with several banks and [credit unions] topping 10%,” according to Malauzai which is based in Austin, Texas.

Users “are flocking” to mobile banking, per Malauzai, which reported: “Best in class banks and credit unions are reporting between 37% and 39% of their total households or deposit accounts are using the mobile banking SmartApp. The average is between 17% and 21%.”

An inexplicable factoid in the data is that iOS (Apple) users are dramatically overrepresented, accounting for 66% of all registered end users, despite the fact that Android-based devices substantially outsell iOS. Another quirky finding pertains to when Android users do outnumber iOS: “The only time there are more Android end-users using mobile banking than iOS end-users is between 2 a.m. and 3 a.m. This is one of many indicators that Android end users are different,” reports Malauzai..

Mobile banking apps users also are engaged. According to Malauzai, “users log in an average of 3.7 times per week with an average session duration of 1 minute 14 seconds. This is up from a year ago where the average was 3.15 sessions per week and 1 minute 5 second sessions.”

Source: Credit Union Times

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MONEY MATTERS

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