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LEASING & FINANCE NEWS UPDATE

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LEASE ACCOUNTING STANDARDS WILL COST, BIG-TIME

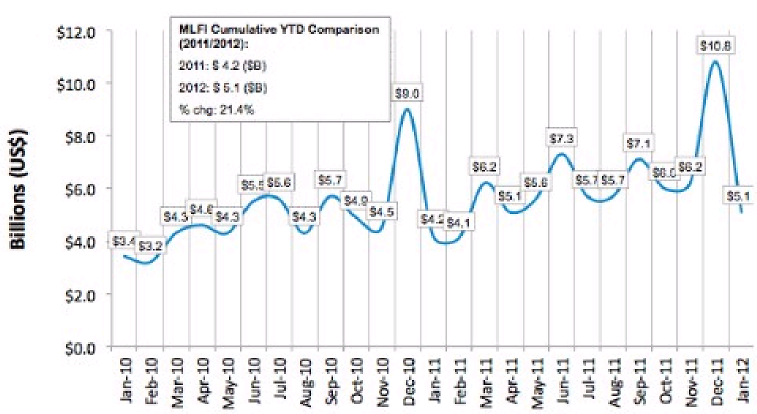
The Financial Accounting Standards Board and the International Accounting Standards Board are moving closer to their goal of new converged accounting standards for leases. Although the two accounting-standards setters have re-exposed a draft, thus pushing the day of reckoning off, there is little doubt that it is coming. The standards will require tenants to place leases on their balance sheets - an enormous line item that consists of anything from office, business and farm machinery to real estate.

The costs to businesses are expected to be enormous. The Equipment Leasing and Finance Association notes that leases account for hundreds of billions of dollars in transactions annually throughout the global economy. A report commissioned by the US Chamber of Commerce, Real Estate Roundtable, Building Owners and Managers Association, International, NAIOP - Commercial Real Estate Development Association, NAIOP - Inland Empire Chapter, NAIOP – Southern California Chapter and National Association of Realtors, takes a look at what the new rules could mean for commercial real estate – it's not pretty.

The study, conducted by Chang & Adams Consulting, found that proposed standards for lease accounting will result in an increase in liabilities of $1.5 trillion; increased costs of $10.2 billion annually; job losses of over 190,000; and a lowered GDP of $27.5 billion annually. Te proposed change could also increase the cost of capital for commercial real estate firms which would have a larger impact on the economy. "We estimate that for every 50 basis point increase, there will be 75,000 jobs lost," said Andrew Chang.

Source: GlobeSt.com

JANUARY NEW BUSINESS VOLUME UP 21% OVER 2011



MLFI-25 New Business Volume - January 2012

The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25) showed overall new business volume for January was $5.1 billion, up 21% from volume of $4.2 billion in the same period in 2011. Volume was down 53% from December, following the typical end-of-quarter, end-of-year spike in new business activity.

Credit quality metrics continued to improve. Receivables over 30 days decreased to 1.9% in January from 2.1% in December. Charge-offs decreased to 0.5% from 0.7% in December. Following an unusually high credit approval ratio in December, credit approvals returned to a more typical level of 77% in January. More than 71% of participating organizations reported submitting more transactions for approval during January, down from 77% in December.

Total headcount for equipment finance companies in January decreased 3.0% from December and was down 3.0% year over year. Supplemental data show that the construction and trucking industries continued to lead the underperforming sectors.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) for February is 59.6, a slight increase from the January index of 59.0, indicating industry participants' optimism is steady despite a cautious outlook about the global economic situation in the coming months.

ELFA President/CEO William G. Sutton, CAE, said: "January's increase in new business volume returned to a more typical growth pattern following a very busy end-of-year for many leasing and finance companies. The continued strengthening in financing volume and trend toward healthier portfolios provide clear evidence that the equipment finance marketplace is in the midst of regaining some of the momentum lost during the Great Recession."

Source: ELFA

MLFI-25 Aging Receivables - January 2012

LENDERS APPROVING MORE SMALL BUSINESS LOANS

In a sign of growing optimism about the economy, community banks, credit unions and other lenders approved more small-business loan applications in January than in any other month during the past year. Large banks, too, approved more loan requests in January than in prior months, though their overall percentage of approvals is well below that of other lenders, according to an analysis of lending trends released by New York firm, Biz2credit.

Banks with less than $10 billion of assets approved 47.5% of applications for loans between $25,000 and $3 million, up from 43.5% in January 2011, while credit unions approved 57.6% of applications, up from 48.9% a year earlier. Meanwhile, alternative lenders - including community development financial institutions, micro-lenders and accounts-receivable lenders - approved 62.4% of loan applications, compared to 49.3% a year earlier.

According to Rohit Arora, Biz2Credit's chief executive, the rise in approval rates indicates that lenders are growing more confident about the state economy. Borrowers are also gaining confidence, as indicated by a surge in the volume of applications. Arora said that the volume of applications in January was 35% higher in than in December, compared to a 21% jump in the December-January period a year earlier. (January is typically a busy month for loan applications as businesses look to replenish inventories following the holiday season.)

Among all banks, large banks remain the most cautious when it comes to small-business lending. According to Biz2Credit, banks with $10 billion or more of assets approved just 11.7% of application, well below pre-crisis levels of 40% to 44%, Arora said. On the bright side, that approval rate was the highest for large banks since February 2011 and significantly above the 9.7% approval rate just a month earlier.

Arora said that, for now, small banks, credit unions and alternative lenders are largely meeting a need that big banks are not. As economic conditions improve, though, Arora predicts that larger banks will be looking to steal back some of that business. "Traditional banks will all be under pressure to come back to the marketplace," he said.
Source: American Banker

SALDUTTI SALUTES ... TWO VETERANS JOIN TEAM

Over the last year, we have experienced tremendous growth and have expanded our team. Saldutti, LLC is proud to introduce Franklin Davis and John Fratantoro, both of whom will join our long list of military veterans. These gentlemen will serve as litigation collectors, bringing valuable experience and new outlooks to the firm.

Originally from Columbus, Ohio, Franklin Davis spent nine years in Atlanta, Georgia before moving to his home in Cherry Hill. He has over 24 years experience in the collections industry. Prior to joining Saldutti, LLC, he worked in the recovery department of Bank One (now Chase Bank). While serving in the Army as a supply clerk, Franklin accomplished three of his goals – he traveled overseas, drove every land vehicle, and fired every military weapon.

John Fratantoro, an Airforce veteran, also joins the Saldutti team as a litigation collector. He brings extensive experience in the collections area, previously heading up the accounts receivable department at Silver Care Center. He holds an accounting degree from Glassboro State College (now Rowan University).

~ Sara Knopsnyder

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