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CREDITOR, COLLECTION & BUSINESS NEWS

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Hard Times Lead to Dramatic Rise in Bankruptcies

Bankruptcies Rose More Than 30% Last Year; More Than 1.4 Mil Protection Filings

The economic recovery effort has not slowed consumer bankruptcy filings. They surged 14% in February compared with a year earlier, according to the American Bankruptcy Institute. The 111,693 cases filed last month also represented a 9% increase from January, the report said.

"The debt-stress overhang from years of consumer spending has a more acute impact now because of troubling economic times," says Samuel Gerdano, American Bankruptcy Institute Executive Director. And that financial distress is driving more Americans to file for Chapter 7 bankruptcy, which — if approved — allows a court to discharge most unsecured consumer debt, including credit card bills.

When a stricter bankruptcy law took effect in 2005, a major goal was to require more families to rely on Chapter 13 bankruptcy, which requires filers with regular income to repay debts in full, or in part, over several years. Yet the number of Chapter 13 filings decreased 3% last month from January, the American Bankruptcy Institute says.

Before the housing crisis, financially strapped consumers could often avoid bankruptcy by tapping the rising value of their homes and taking out home equity loans. "People have borrowed money to avoid filing for bankruptcy," says Robert Lawless, a law professor at the University of Illinois. "When consumer credit tightens up, as we've seen, that does increase the (bankruptcy) filing rate."

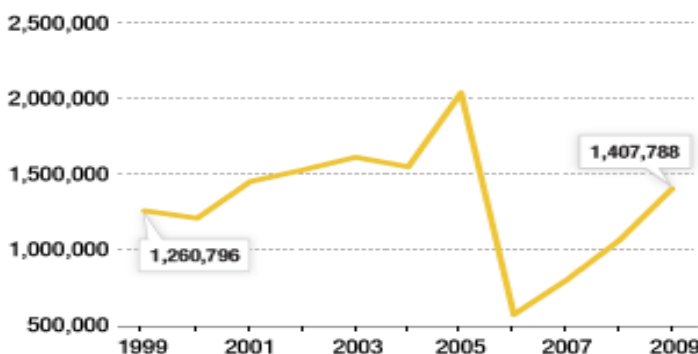


Business bankruptcy filings are rising, too. In February, there were 6,557 business filings, compared with 6,390 a year earlier, according to Automated Access to Court Electronic Records. Last year, there were 1.47 million bankruptcy filings, up 32% from 2008, according to data released by the Administrative Office of the U.S. Courts on Tuesday. Chapter 7 filings rose 41% in 2009, while Chapter 13 filings were up just 12%.

The bankruptcy rate has risen each year since the law was changed in 2005. "We are already on a faster pace in 2010 than we were a year ago," Gerdano says. "Consumer filings will likely surpass 1.5 million filings this year."

Source: *USA Today*

Chart: Consumer filings dropped sharply after Congress overhauled bankruptcy laws in 2005 but have been on the rise since 2006. (NPR)



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“THE DECADE OF THE WORST”

The first 10 years of the new millennium are done, and looking back we can dub it the “Decade of the Worst.” For people who have gone through a change in millennium, the mere entrance of a new decade may not seem like much. But what a decade! Has anyone ever seen anything so awful? Think of all the “worsts” that blessed the business world since 2000: worst stock-market performance, worst scandals, worst companies, worst CEOs, worst regulators, and, all too often, worst journalism. So here are the top-10 biggest stories of the decade, in inverse order of importance:

10. The Death of Old Media

As the decade began, AOL merged with Time Warner in what was heralded as the future of old-fashioned paper-and-ink media properties. By 2009, AOL was de-merging from Time Warner, and the old media were in a state of disintegration. Magazines shuttered, and newspapers were on the endangered-species list.

9. Automakers Go Bust

In any other decade, the bankruptcy of two of the Big Three automakers, General Motors and Chrysler, would be the defining events of an epoch. But in this decade, it was hardly earth-shattering news that the Big Three were failing to make cars Americans wanted to buy.

8. Enron and Friends

The villains of Enron, Adelphia Communications, Tyco International, and their counterparts at Global Crossing and World-Com—made people mad as hell. Until, that is, they stopped being mad and forgot about the whole thing. Sarbanes-Oxley was passed to prevent it from ever happening again.

7. Bernard Madoff

The corporate scandals of yore could not compete with the man who is arguably the worst financial criminal in history. Madoff stole more, over a longer period of time, than anyone since the Spaniards robbed the Incas.



6. The Real Estate Bubble

The all-American act of buying a house became a crucial part of a huge pump-and-dump scheme. Take overvalued assets, combine with predatory lending and Wall Street bankers selling toxic derivatives to uninformed investors based on absurd credit ratings, and one has the ingredients for a pretty wild crash.

5. Derivatives Mania

Derivatives, including the mortgage-backed securities and swaps that turned banks like Lehman into ashtrays, have been poorly regulated for a very long time. Just before the decade began, Congress exempted over-the-counter derivatives from regulation ... but by October 2008 was apologizing for the mess that resulted.

4. The Subprime/Real Estate Crash

Every boom is followed by bust. But this being the Decade of the Worst, it wasn't just any old real estate bust. We had a crash accelerated by all kinds of exotic mortgages (a product of years of regulatory neglect), as well as subprime mortgages sold to people who could not afford them.



3. The Bear Stearns-Lehman Brothers Implosion

Bear Stearns was the first major Wall Street bank to suffer from its own greed-induced venture into toxic derivatives and mortgage-backed securities. Bear got the Federal Reserve bailout and the sale to JPMorgan in March 2008, while Lehman was allowed to go bankrupt six months later.

2. The Market Meltdown of 2008

A cyclical decline in the market commenced in October 2007 when the market indices peaked and turned into a rout when Bear, Lehman, and the rest of the major banks imploded. By March, when Bear self-destructed, the market was down 50 percent. All the gains of the 1990s were gone.

1. The Great Recession

Stagnation, high unemployment, and the worst market crash since 1929 combined to give “great” to this particular recession. Where would we have been without the bankers screwing up and betting their Hamptons mansions on mortgage-backed securities it took a supercomputer not to understand? Or the real estate boom and bust that the predatory lenders exacerbated, with help from somnolent regulators?

Source: Gary Weiss for *Portfolio.com*

Corporate Identity Fraud - Saldutti, LLC Fights Back

Financial crimes are one of the fastest growing areas of criminal activity in the United States. Recently, Saldutti, LLC sued a New Jersey-based business on behalf of one of the world's largest banks. After a thorough investigation, the firm found that the company, accused of a fraudulent business loan, had filed Chapter 7 bankruptcy. The firm's forensic evidence also revealed that the company's president was in fact a “straw person” and proceeded to file a lawsuit against the real party who had set up the conspiracy to defraud the bank. After an intense two days of testimony, the court ruled in favor of Saldutti's bank client.

Unfortunately, these types of case are becoming more and more frequent. Here are a few quick tips on Fighting Corporate Identity Fraud:

- Ask for photo ID – While lawyers continually ask for photo identification of individuals who sign documents in personal transactions, there is no reason why this standard should not extend to transactions involving individuals who sign for corporations.
- Ensure that the party signing for the corporation is an authorized signing officer
- Obtain an updated status certificate and corporate profile





Credit & Collection Executives are Doubtful About Economic Recovery

Confidence in the economic recovery has eroded in the accounts receivable management industry (ARM), according to the results of InsideARM.com's quarterly Credit & Debt Collection Industry Confidence Survey.

The ARM Confidence Index—a weighted index calculated from the responses—slipped nearly 5 percent to 60.2 in the Winter 2010 survey, compared to the results in Fall 2009. This index provides a snapshot of the level of confidence industry leaders have for positive future performance.

“In our mid-January survey, ARM professionals expressed gradually lowering expectations for debt collection performance this year,” said Patrick Lunsford, senior editor at InsideARM.com. Collection agency respondents ranked expected performance six months from now at an average of 3.64 on a scale of one to five, down from 3.78 in the Fall 2009 survey. ARM professionals registered a similar drop in expectations for performance 12 months down the road.

As another indicator that current economic conditions remain challenging for the ARM industry, 84 percent of agencies report that they are “somewhat” or “very” likely to modify their collection strategies. The most popular strategy shifts included accepting more payment arrangements (66.2 percent), and making more settlement-in-full offers (42.3 percent).

“If there is positive news from the survey, it's that the ARM industry is hiring,” said Lunsford, adding that a tough economy means an increased demand for collection services. More than 46 percent of collection agency professionals indicated their companies added positions in the fourth quarter of 2009. In the next six months, 52.8 percent of collection agency respondents expect their companies to be larger.

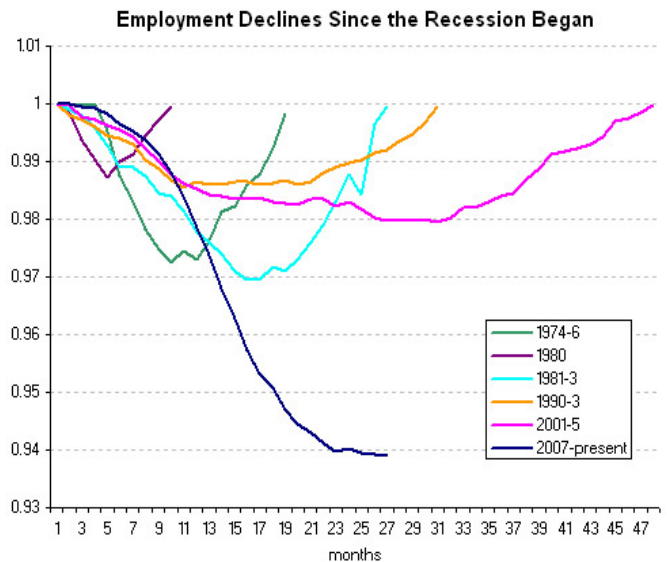
Source: *ACA International*

Comparing This Recession To Previous Ones: Job Losses

The chart below shows job losses in this recession compared to other recent ones; the blue line represents the current downturn. Since the recession began in December 2007, the economy has had a net loss of about 6.1 percent of its nonfarm payroll jobs. Many economists have concluded that the recession technically ended last summer even though the job market has not picked up since then.

The unemployment rate (measured by a different government survey, and based on the number of people without jobs but looking for work) held steady at 9.7 percent

Source: The New York Times



“No man’s credit is as good as his money.”
 ~ E.W. Howe, *Sinner Sermons*

Saldutti, LLC Continues Expansion

The firm is pleased to announce the addition of Thomas B. O’Connell, Esq. to the firm. A New Jersey native, Tom joins the team as an Associate Attorney where he will handle complex commercial litigation and creditor rights.



A graduate of the University of Virginia, Tom received a B.A. and is bilingual in Spanish. In addition, he was a member of the Dean’s List and National Society of Collegiate Scholars. Tom continued his education at Rutgers University School of Law where he was a recipient of the Dean’s Scholarship Fund and served as Articles Editor for the Rutgers Law Journal. During his time at Rutgers, Tom worked with the Honorable Pamela Dembe, First Judicial District of Pennsylvania in Philadelphia. He also served as an Ethics Analyst for the Office of Attorney Ethics of the Supreme Court of New Jersey in Trenton. Upon receiving his Juris Doctorate degree from Rutgers, Tom was a Judicial Law Clerk for the Honorable Joseph F. Lisa of the Superior Court of New Jersey - Appellate Division. Tom resides in Philadelphia and enjoys sports and outdoor activities in his spare time.

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Later Payments Are Jamming the Economy's Gears

What's one sign of a weak economy? People take longer to pay their bills. As a result, those who await payment have less money to pay their bills, and a cycle of slowness sets in, gumming up the economic works. An analysis by Sageworks, a financial information company, shows that a range of privately held businesses waited longer for payment last year than in 2008 or 2007.

Legal firms, for example, waited an average of three days longer in 2009 than in 2008 to collect money due. Architectural and engineering companies waited an average of about five days longer. It took accounting tax preparation, bookkeeping and payroll services about 10 days longer to receive their money, along with companies that service buildings and dwellings.

"When people are holding onto their cash, they're feeling less confident," said Drew White, chief financial officer of Sageworks. Once bills start being paid faster, the economy is more likely to behave like a well-oiled machine.

Source: The New York Times

Days before payment was received by:

INDUSTRY	2008	2009*
Architectural, engineering service firms	45.4	50.1
Management, scientific, and technical consulting	35.8	43.2
Advertising	34.0	37.0
Computer systems design	37.9	36.7
Accounting, bookkeeping and payroll	24.7	34.5
Services to buildings	23.9	34.0
Other services	20.5	22.2
Legal services	12.4	15.8

*Through Nov.

Source: Sageworks THE NEW YORK TIMES

Collecting Debt Can Preserve the Life of Your Business



If your business is owed money and all initial attempts have failed, a legal collection firm is critical in today's environment. Rather than utilize your own company's valuable time, resources and manpower, a legal collection firm is experienced in tracking down debt that is rightfully owed to your business. The firm will work with a company to develop timelines and strategies to collect debt in a manner that is acceptable to both the business as well as the debtor.

A collection law firm has a significant advantage over a collection agency, offering its clients the ability to take further legal action should a debtor refuse to pay. While both a law firm and collection agency will use similar techniques at the beginning, a letter or phone call from a lawyer will likely prove to be more intimidating than one from a collection agent. However if no response or payment is received, a legal collection firm can protect a creditor by promptly proceeding with litigation. Additionally legal collection firms such as Saldutti, LLC offer its clients the latest in computer technology as well as skip tracing and forensic investigations.

According to Robert Saldutti, it is imperative that a legal collection firm or collection agency adhere to a strict code of ethics and follow the Fair Debt Collection Practices Act. If you are considering hiring a legal collection agency, Saldutti suggests that you verify that the company is a member of the American Collectors Association (www.acainternational.org) or the Commercial Law League of America (www.clla.org). Both organizations exhibit the highest standards of integrity and professionalism to ensure that its members are reputable.

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Think The Economy is Bad Now?

The Obama Administration has proposed, and the House is moving forward on, legislation to create a massive new government agency to regulate consumer financial products. This new agency, the Consumer Financial Protection Agency (CFPA) would have unprecedented powers and authority to determine the types of financial products consumers can choose from. In fact, the bill extends far beyond traditional financial services products to a vast majority of the economy – in short creating a new regulatory overlay over the entire business community.



The U.S. Chamber of Commerce supports more effective consumer protection that is centered on ensuring consumers have access to clear and concise disclosures about risks posed by financial products, and on weeding out the fraudulent and predatory actors.

The CFPA would make a bad economy even worse. Help stop big government before it's too late. For more information, go to ... www.StopTheCFPA.com.