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REGIONAL FINANCE REPORT

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LOCAL ECONOMY STABILIZING BUT JOBS STILL A CONCERN



Many New Jersey executives report the business climate has stabilized, according to a quarterly survey by Alloy Silverstein Group. As of the beginning of February, almost half of New Jersey businesses reported their companies are stable, unchanged from the previous survey in November, according to the survey of chief executive and chief financial officers by the Cherry Hill-based accounting firm.

"The economy is seeing mixed results," said Ren Cicaese, managing shareholder of Alloy. "Half of those surveyed are stable in their business, while the other half remain divided between those noticing improvement and others witnessing a secondary slide. Cautious optimism

mixed with feeble confidence is not a recipe for economic growth, but it could be worse."

Of the respondents:

- 91% approve of Gov. Chris Christie
- 85% agreeing with Christine's crackdown on the state budget

The biggest concern, meanwhile, is jobs, just as it was last year. In the latest survey:

- 53% felt employment is the most important local issue (up from 40% a year ago)
- 62% of top-level New Jersey executives called jobs the most important issue for the country (down from 69% a year ago)
- 13% of New Jersey businesses said they are hiring now
- Another 27% plan to hire in the next year
- 57% said they have no plans to hire at all.

Source: NJBiz

AREA SEES SLIGHT INCREASE IN SMALL BUSINESS LOANS

Lending to small businesses by banks based in the Philadelphia area had a slight uptick at the end of last year, after declining steadily since 2009 and despite some of the biggest local lenders still scaling back. The aggregate value of business loans between \$250,000 and \$1 million held by 90 local banks climbed 1% during the fourth quarter, to \$1.70 billion on Dec. 31 from \$1.68 billion on Sept. 30, according to an analysis of FDIC data. The small gain in loans used by thousands of area small businesses to buy equipment and pay bills before customers pay them came after a 21% decline from a peak of \$2.17 billion on June 30, 2009, the data show. Lack of demand caused much of that decline, but some banks were also cutting off credit to customers.



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The turn in the lending trend is good news for business owners, though probably not for those that remain cash-strapped and struggling, because even the most active banks are still being choosy about picking up customers. However many of the companies whose loan requests were rejected are getting themselves in better financial shape. According to Hatboro Bank CEO Thomas Petro, "We would consider going back to those businesses."

A second type of small-business loan tracked by the FDIC, those with a balance of between \$250,000 and \$1 million and secured by real estate that is not a residence or a farm, remained virtually flat in the fourth quarter at \$4.29 million. From their peak in June 2009, such loans are down 6 percent.

Source: Philadelphia Inquirer

MORE HOMEOWNERS GOING 'UPSIDE DOWN' ON MORTGAGES



A continued decline in prices pushed more homeowners into negative-equity territory in the fourth quarter according to a recent CoreLogic report. Nationally, 11.1 million, or 23.1 percent of all residential properties were underwater, compared with 10.8 million, or 22.5 percent in the third quarter.

In Philadelphia and its four Pennsylvania suburban counties, 7.6% of all residential properties with a mortgage, or 68,919, were underwater. In the third quarter, it was 7.3% and 66,282.

CoreLogic did not include data for Camden, Burlington and Gloucester Counties in the Philadelphia-region numbers.

According to fourth-quarter data from Econsult Corp., prices in the region have fallen 16% since their peak in the third quarter of 2007. Mercer and Salem counties in New Jersey and New Castle in Delaware were included with the Philadelphia area.

CoreLogic said that in Pennsylvania, 7.5% of mortgages were underwater in the fourth quarter; in New Jersey, it was 16.3 percent. By comparison, 65% of all homes with mortgages in Nevada were underwater. Nevada also had the highest average loan-to-value ratio - 118 percent. Pennsylvania and New Jersey loan-to-value ratios are 62%, meaning that the balance of a typical home loan is 62% of the appraised value, so the equity in it totals 38 percent.

Experts say that negative equity does not become an issue until the homeowner tries to sell the property or refinance the mortgage. Those who need to sell - people relocating for jobs or those who cannot pay their mortgages after losing some or part of their income - are most at risk.

Pennsylvania's low negative-equity rate puts it on a better footing than many; New Jersey's rate is more than double that number, so buyers there will have more trouble. The consensus among economists is that home prices nationally will fall an additional 5 to 10 percent this year. Econsult Corp. predicts declines of 5 to 7 percent for the Philadelphia region.

Source: Philadelphia Inquirer

ADP REPORT SHOWS ACCELERATED JOB GROWTH - NJ LAGS

Small-businesses hiring accounted for much of a 201,000-job jump in national private-sector employment during March, according to the ADP National Employment Report, released through Roseland-based Automated Data Processing and Macroeconomic Advisers LLC.

The strong showing "removes any remaining doubt that nonfarm private employment accelerated heading into 2011," said Joel Prakken, chairman of Macroeconomic Advisers. Small businesses took on 102,000 new hires during March, while companies with 50 to 499 workers added 82,000 people, according to the ADP report. Large business payroll increased by 17,000.



Evidence of a national jobs recovery is buttressed by unemployment insurance data, like continuing and initial claims, which have been moving down - indicative of an economy in recovery mode. But according to Patrick O'Keefe, director of economic research at accounting firm J.H. Cohn LLP, the national results don't support assumptions about a New Jersey recovery. He notes that the state's job hiring has been "somewhat more erratic" than the national trend.

Although the nation has posted 12 consecutive increases in private-sector employment through February, New Jersey's hiring has been down for four months and up for eight, for a net 12-month gain of 10,900 jobs. "It's difficult to draw inferences about New Jersey's performance from national data," O'Keefe said. "Our trend line has not tracked the national trend."

Source: NJBiz

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