# TheBiz

**CREDIT & COLLECTION NEWS**

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Volume 7 Issue 4 — Caine & Weiner Newsletter — 4th Quarter 2007


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## Season Greetings!

**Woodland Hills, CA—** In the spirit of this joyous holiday season I want to take this opportunity to personally thank those who have contributed to our success this year, which includes our loyal clients, Alliance Partners, business associates, global business partners and, of course, Caine & Weiner's amazing dedicated team members.

Our clients—of which some have used our services for over 35 years, are the foundation of our continued growth and success.  They represent every major world-wide industry, comprising a who's who of the top-performing companies. They have placed their faith in our abilities and core competency and I am genuinely thankful. Their continued satisfaction with our service is my highest priority.

Our  trusted Alliance Partners and Global Credit Solutions partners, covering 74 countries, share our vision and remain dedicated to our values.  We are honored to align ourselves with associations and enterprises of their stature and prestige.

Matt, Chris, Zac, Greg, Jake and Cami Cohen

Our loyal team of highly regarded professionals is to be praised for their outstanding effort, dedication and professionalism. I am proud of them and appreciate each of them for their daily contributions.

I wish everyone and their families a warm holiday greetings and a Happy New Year.

Greg A. Cohen<br>President,<br>Caine & Weiner

## Consumers turning more to credit cards

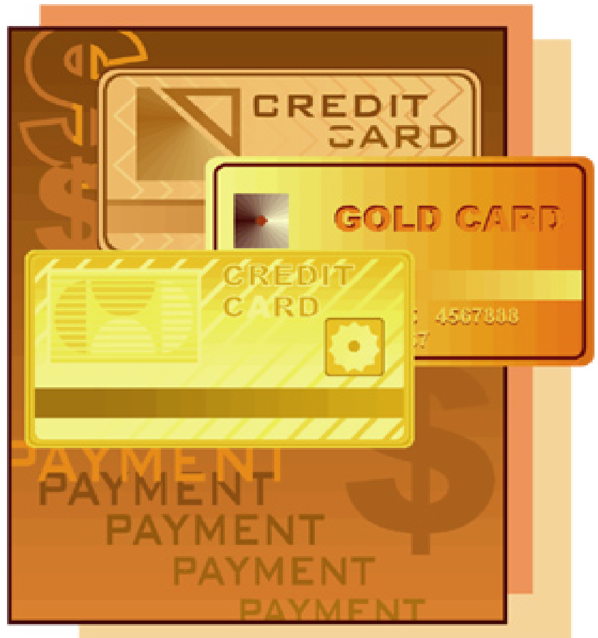
The Federal Reserve Bank reported that consumers are turning more to credit card debt to finance their purchases as they head into the holidays.

Consumer credit rose on an annualized basis to 2.3 percent in October, faster than the 1.6 percent growth rate in the prior month.

Revolving credit, which includes credit card debt, increased at a rate of 8.3 percent in October following a gain of 6 percent in September.

Driving the sharp rise in credit card debt is the lack of equity loans being taken out by consumers ever since the financial industry clamped down on home loans.  The Federal Reserve stated that consumers are finding fewer options available ever since the credit squeeze over housing began and that more and more, they'll be turning to credit cards.

## San Diego Firm wants to sell improved credit




**Los Angeles, CA—** According to a story published in the Los Angeles Times on December 7th, A San Diego company enables borrowers to latch on to the record of a person who has good credit.

“Although the company—TradeLine Solutions, doesn’t promote its new product that way”, said Los Angeles Times reporter Kathy M. Kristoff, “With one or more of the seasoned primary accounts it was expected to begin selling today for about $1,199 each, you might well be able to buy an outstanding financial history.”

"A customer with a 550 credit score can come to us on Monday and walk into a bank by Friday with great credit to refinance or obtain a loan," TradeLine chief executive Ted Stearns said. "Are there people out there who are going to say that it's mortgage fraud? Sure, there could be."

In fact, using bogus information to get a loan is bank fraud if the institution duped is federally insured, an FBI spokeswoman said, or grand theft in other cases, according to the district attorney's office in San Diego.

Stearns defended TradeLine's business model anyway, saying it was selling a "clever tactic" to help borrowers "beat the credit-reporting system and avoid getting trapped in the sub prime crisis."

It's simple too, he said. TradeLine pays a financial institution about $700 to switch the primary account holder's name on a car loan, line of credit or credit card that has just been paid off, installing a TradeLine customer and suddenly making him look like a good credit bet.

TradeLine works with three financial institutions, Stearns said, declining to identify them.

Account-name switching is a twist on piggybacking, which allows someone to boost his credit score by being added as an authorized user on another person's account.

## Florida woman wins multimillion-dollar jury verdict against Equifax

**Orlando, FL—** Angela P. Williams says she got nothing but a runaround from Equifax as she tried for more than a decade to clear up an identity mix-up that ruined her credit. Now she's hitting the credit-reporting giant where it hurts: on the bottom line.

An Orlando jury awarded Williams a multimillion-dollar verdict against Equifax for years of failing to correct dramatic errors in Williams' credit report that led to her credit score being trashed.

Atlanta-based Equifax must pay the medical-transcription worker $219,000 in actual damages and $2.7 million in punitive damages for negligent violation of federal credit-reporting laws, according to the verdict Friday in state Circuit Court in Orlando. It is the largest punitive-damages award ever against Equifax, which would not comment on the case. An appeal is expected.

Williams, who recently moved from Brevard County to the Jacksonville area, said she was surprised but gratified by the decision.

"This has been a nightmare," she said Monday. "It's not so much about the money, but about the punishment. I know I'm not the only one that has gone through this. But people need to know their rights. They need to check their credit report and try to be in charge of their credit history."

**Do you have business news or something compelling to report?**

**Please Email Frank Draper at**
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## U.S. mortgage delinquencies rise to 20-year high

Americans who fell behind on their mortgage payments rose to a 20-year high in the third quarter as borrowers were unable to refinance or sell their homes.

The share of all home loans with payments more than 30 days late, including prime and fixed-rate loans, rose to a seasonally adjusted 5.59 percent, the highest since 1986, the Mortgage Bankers Association said in their recent report.

New foreclosures hit an all-time high for the second consecutive quarter in a survey that goes back to 1972.The surge in foreclosures is expanding the inventory of unsold homes and contributing to the decline in housing demand. Sales of new and previously owned homes probably will drop to 5.09 million next year, 32 percent below the 2005 peak of 7.46 million, according to Frank Nothaft, chief economist of Freddie Mac, the second largest U.S. mortgage buyer. About 40 percent of lenders have increased standards for their most creditworthy borrowers, according to a Federal Reserve study in October. ``These are the first numbers we've seen that combine the meltdown of the credit markets with the drop in home prices,'' said Jay Brinkmann, vice president of research and economics for the Washington-based bankers trade group.

President George W. Bush and U.S. Treasury Secretary Henry Paulson announced a freeze on some subprime home-loan rates aimed at helping borrowers who can't afford their mortgages after they reset higher from low starter rates. The agreement also allows some borrowers to refinance into a new private mortgage or obtain a loan backed by the Federal Housing Administration.

As the U.S. housing slump enters its third year, investors are shunning securities backed by mortgages, the top 15 U.S. home builders have lost about $35 billion in market value this year, and the inventory of unsold houses has risen to almost an 11-month supply, the highest in 22 years.

One in every five adjustable-rate subprime loans had late payments in the quarter, a number that excludes the one of every 10 already in foreclosure, the bankers group said in their report. Foreclosures started on all types of mortgages rose to an all-time high of 0.78 percent from 0.65 percent.

In the quarter, 3.12 percent of prime borrowers made their mortgage payments at least 30 days late, up from 2.73 percent in the second quarter, the report said. The subprime share of late payments rose to 16.3 percent from 14.8 percent.

The numbers were driven by California, the U.S.'s largest state, and Florida, Brinkmann said. The two states had 36.4 percent of all of the nation's prime adjustable-rate loans and had 42.4 percent of new foreclosures during the quarter, he said. They had 28.1 percent of subprime adjustable mortgages and 33.7 percent of foreclosure starts for that type of loan.

Sixty percent of banks said they tightened qualifications for in October for so-called non-traditional mortgages such as interest-only loans, the Fed said. Housing permits in the U.S. have declined for five consecutive months, falling to a 14-year low of 1.178 million.

## Banks aim to lure clients from check cashers payday lenders

After years of watching check-cashing stores and payday lenders steal potential customers, banks and credit unions are beginning to offer the same services and products, but in more affordable and responsible ways.

The movement comes as federal bank regulators focus their attention on the estimated 73 million Americans who are underserved by the nation's banking industry. The hope is that mainstream financial institutions can convert the check-cashing customers and payday loan-seekers of today into the sought-after depositors and low-risk borrowers of tomorrow.

"A large number of banks and financial industry players are going after this market because they do think this is a growth opportunity. They can make money on these consumers and they can do it in ways that are mutually beneficial for them and the customer," said Kimberly Gartner, associate director of the Chicago-based Center for Financial Services Innovation.

The dynamic growth of the alternative finance industry, which includes car title lenders, has proved the dire need among many Americans for convenient small-dollar loans and immediate check cashing without bank delays.

About $10 billion in fees are collected each year on these services from some 47 million households, or roughly 81 million people, said H. Leon Majors III, the president of ESP Payments Research Group in Salisbury, Md.
While the alternative finance industry provides a valuable service, it's drawn the ire of consumer advocates and lawmakers because of its high fees and sometimes predatory nature.

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## TheBiz

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Comments or questions can be directed to the editor.

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***Client satisfaction is our highest priority!***

*Caine & Weiner is a global accounts receivable management company that provides commercial and consumer credit & collection services to the International business community.*

*Established in 1930 by Sidney Caine and Charles Weiner the firm has offices strategically located across the country to service its 2,500 clients.*

## Wary of Risk, Bankers Sold Shaky Mortgage Debt NY

As the subprime loan crisis deepens, Wall Street firms are increasingly coming under scrutiny for their role in selling risky mortgage-related securities to investors.

One big bank that saw the trouble coming, Goldman Sachs, began reducing its inventory of mortgages and mortgage securities late last year. Even so, Goldman went on to package and sell more than $6 billion of new securities backed by subprime mortgages during the first nine months of this year.

Of the loans backing the Goldman deals for which data is available, nearly 15 percent are already delinquent by more than 60 days, are in foreclosure or have resulted in the repossession of a home, according to data compiled by Bloomberg. The average default rate for subprime loans packaged in 2007 is 11 percent.

The Wall Street banks that foresaw problems say they hedged their mortgage positions as part of their fiduciary duty to shareholders. Indeed, some other companies, particularly Citigroup, Merrill Lynch and UBS apparently did not foresee the housing market collapse and lost billions of dollars, leading to forced resignations of their chief executives.

In any case, the bankers argue, buyers of such securities — institutional investors like pension funds, banks and hedge funds — are sophisticated and understand the risks. Wall Street officials maintain that the system worked as it was supposed to. Underwriters, they say, did not pressure colleagues on trading desks or in research departments to promote securities blindly.

The data raises questions about how closely Wall Street banks scrutinized these loans, many of them made at low teaser rates that will reset next year to higher