TheBiz

Credit & Collection News from Caine & Weiner

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Season's Greetings

As we celebrate this holiday season and look forward to the upcoming New Year, I wish to convey my sincere gratitude to our highly valued clients, representing every major world-wide industry, for their unwavering support, trust and loyalty throughout our over eight decades of continuous service. We take great pride in their confidence and genuinely appreciate their support, partnership and the opportunity to provide our innovative accounts receivable management solutions with an ongoing commitment to excellence. Our client's satisfaction is the core of our culture.

I wish to also acknowledge and convey my appreciation to our respected stakeholders, extraordinary alliance partners, and our trusted international partners Global Credit Solutions, for all having a shared vision, similar core values and a unified commitment to best-in-class service and unmatched performance. We're honored to align ourselves with this elite group of highly esteemed domestic and worldwide partners.

I am grateful to lead a team of amazing Caine & Weiner dedicated professionals. Their efforts remain consistent and they are to be applauded for their loyalty, selfless dedication and daily commitment to excellence. Their unique ability to work together to create, add value, innovate and customize to provide results our clients expect is attributable to their commitment to our mission/vision

Front row, Greg, Cami, Jake & Matt
Back row, Zac and Chris

and the value we create.

As we approach the final days of 2013, the Caine & Weiner family is enthusiastically excited about 2014. We remain optimistic and encouraged by the opportunities that are ahead and look forward to the challenge of providing greater prosperity for all.

Warm wishes to you and your families for a peaceful holiday season and a Happy New Year!

Greg A. Cohen
President & CEO
Caine & Weiner

Est. 1930

Detroit becomes largest U.S. city to enter bankruptcy

Detroit Fee Press
Matt Helms

DETROIT — U.S. Bankruptcy Judge Steven Rhodes on Monday allowed appeals of two of his critical rulings — finding Detroit eligible for bankruptcy and its pension systems subject to cuts to retirees — to proceed to the U.S. 6th Circuit Court of Appeals.

Rhodes certified his eligibility ruling, which now allows creditors including labor unions and the official group representing retirees to appeal his decision to permit Detroit to enter into the largest municipal bankruptcy in U.S. history.

Rhodes did not act on requests from lawyers for unions and retirees that he support their bid to fast-track appeals. Rhodes said Monday only that he certified his Dec. 3 ruling and would decide "in the next day or two" on whether to support expedited appeals in the 6th Circuit.

Sharon Levine, a lawyer for the Detroit's largest union, the American Federation of State, County and Municipal Employees, said the union sees the issue as one of national importance as cities and other governments across the nation pay attention to how pension benefits are decided for cities in financial messes. AFSCME and other creditors are fighting Rhodes' decision to declare Detroit eligible to proceed with Chapter 9 bankruptcy and to not treat pensions as protected from cuts unlike other creditors.

While the city's two pension plans are fighting the eligibility ruling, they also are committed to negotiating with the city in the meantime, said Lisa Fenning, a lawyer for the pension systems.

"We are not trying to slow down the process," she said.

Lawyers for the city had argued that appeals should wait until after Detroit files its detailed plan of adjustment, the legal term for the strategy it will finalize to emerge from bankruptcy, including what cuts it plans for creditors and how Detroit would continue to operate post-bankruptcy.

Emergency manager Kevyn Orr's restructuring team hopes to file the plan of adjustment by early to mid-January with agreement from a broad number of creditors.

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FDIC takes over 24th Bank this year

American Live Wire
Steven Kenniff

Texas Community Bank NA in Woodlands, TX has been closed by the FDIC.

On Friday December 13, 2013 the Texas Community Bank NA was closed by the Office of the Comptroller of the Currency, and handed over to the FDIC. No notice was, or is given in advance to any of the bank's customers prior to the take over. The FDIC did release a statement in which they have reassured the bank's customers that their deposits are being guaranteed and insured. Additionally, the bank will continue to operate under the new care, so there is no need for customers to switch banks. This scare might still unnerve some people, and cause them to switch financial institutions anyhow.

This bank's failure was not a major hit to the **FDIC**, as it will only have an estimated impact of between $10 and $11 Million on the Deposit Insurance Fund. As a result, most of the assets have been assumed by the FDIC as well as all $142.6 Million of the bank's customers deposits.

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CFPB tackles arbitration clauses

Housing Wire
Kerri Ann Panchuk

The Consumer Financial Protection Bureau, consumer advocates and the banking community debated the effectiveness of standard arbitration clauses in financial services contracts Thursday. For example, allegations of wrongful foreclosure may be impacted where there exists an arbitration clause.
The discussion illustrated how deep the divide is between the expectations of consumer rights advocates and the banking community on the issue of how consumer contract disputes should be handled in the future.

The debate occurred in Dallas where CFPB Director Richard Cordray held one of the agency's key field hearings, which are designed to engage consumers on the local level.

Arbitration clauses are standard agreements included in financial services contracts to limit future consumer disputes to arbitration — essentially serving as an out-of-court substitute to a typical legal dispute.

While federal law already expressly prohibits arbitration clauses in most home loan contracts, the CFPB is still interested in learning more about how arbitration clauses are impacting consumers and the financial services industry in other financial agreements. The bureau began studying the issue, prompting consumer advocates and local banking professionals to weigh in at the Dallas field hearing.

"In the second phase of our study, we will seek to obtain a better understanding of what explains the incidence and nature of arbitration claims, including small-dollar claims," Cordray said. "We will look to see what happens to arbitration filings and endeavor to compare what we see happening in arbitration to what we see happening in litigation, including class litigation."

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Banks failing at foreclosure services: report

New York Post
Christine Curan

Six years into the foreclosure crisis, the big banks are still running roughshod over troubled homeowners, according to an administrator's report.
In the first half of 2013, three of America's biggest lenders made serious errors in foreclosures, from inaccurately stating the amounts owed by homeowners in bankruptcy, to failing to respond expeditiously on potential short sales or loan modifications.

These details were buried in a bombshell report released last week by Joseph Smith, monitor for the $25 billion national mortgage settlement.

The federal government and 49 state attorneys general reached this agreement last year with Wells Fargo, JPMorgan, ResCap Parties (formerly GMAC and Ally Financial), Bank of America and Citigroup in the wake of robosigning and other foreclosure fraud.

President Obama touted the deal as a win for homeowners. But critics blasted the penalty as too small, and warned that mortgage servicers, which are not set up to handle lots of delinquent loans, were likely to fail the new servicing mandates.

That's exactly what's happening, according to the report. Citi had an eye-popping fail rate of 25 percent on short-sale document collection timeline compliance. Chase failed a pre-foreclosure initiation metric and loan modification timeline. Bank of America failed three metrics, including the one regarding amounts owed bankrupt homeowners.

"It's appalling," said Liz Ryan Murray, policy director of National People's Action. "The standards are common-sense customer-service issues, [like] don't screw up the billing … and they can't even get these right."

The report also detailed fixes for banks' mistakes, and Smith singled out Chase for its success in addressing problems and passing the next tests.
Asked whether Citi's short-sale timeline failure could have resulted in borrowers losing their homes, Smith said: "We're going to determine where there's been borrower harm, and we'll address remediation."

But Smith admitted that bank foreclosures are still so rife with errors that he's introducing two new metrics in January and two more in April.

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Going for broke: Company's fourth bankruptcy may be a record

Reuters
Tom Hals

Global Aviation Holdings Inc may not be a household name, but it should be familiar to bankruptcy lawyers. On Tuesday, the charter air transport firm filed what is likely a record fourth Chapter 11 bankruptcy.

The company is the biggest provider of commercial charter airline services to the U.S. military and it blamed the fourth filing since 2004 on government cutbacks, according to documents filed in the U.S. Bankruptcy Court in Wilmington, Delaware.

Global Aviation or previous incarnations filed bankruptcies in 2004 and 2006 in the Southern District of Indiana and last year in the Eastern District of New York. The second Indiana filing was by a subsidiary, ATA Airlines Inc.

The company did not immediately respond to a request for comment.

Repeat filings are not uncommon.

About one-third of larger companies that file for Chapter 11 find themselves back in bankruptcy court within four years.

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Broker anger over "misleading" Experian credit scores

Money Marketing
Devraj Ray

Brokers say credit scores from credit rating agency Experian are "misleading" potential borrowers by rating them as "excellent" when their credit history shows otherwise.

Firms say clients are obtaining "excellent" ratings from Experian when they may in fact be turned down for a mortgage, due to factors such as defaults or county court judgments.
Perception Finance managing director David Sheppard says: "Experian should be held to account on this. It creates a false sense of hope in clients' minds as to their creditworthiness and if Experian cannot grade people correctly then it should stop providing a score, unless it is prepared to lend to these people based on its scores.

"People assume their credit scores will cover their entire credit history and to provide something other than that is somewhat misleading."

Trinity Financial product and communications manager Aaron Strutt says: "People with 10 missed payments in the last year have been given perfect credit scores, which clearly should not have happened.

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Caine & Weiner—Since 1930, the world-class accounts receivable management solution for the global business community

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

TheBiz

The Biz is published quarterly by Caine & Weiner to provide our partners with industry news and credit & collection information.

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Est. 1930

Credit Union industry health declined in third quarter; Report

Credit Union Times
Michael Muckian

Credit union industry health declined during the third quarter of 2013, according to the latest Glatt Consulting Credit Union Industry HealthScore report.

Flagging asset and membership growth, lower earnings and operational efficiencies appear to be at fault, the Wilmington, N.C. consulting firm said.

The quarterly report indicated a third-quarter performance of 2.353, a 2.04% decline from the second quarter 2013 performance and a 1.54% decline from third quarter 2012.

Despite negative scores in growth, earnings and operations, credit unions saw notable improvements in charge-offs and loan relationship, the report said.

The HealthScore system calculates overall credit union health by scoring and grading credit union performance across 11 different key ratios, including net worth, ROAA, operating expense, efficiency, charge-offs, delinquency, loans, deposits, loan-to-share ratio, asset growth and membership growth. Grading is based on a five-point scale, with 0 reflecting poor health and 5 reflecting exceptional health.

For the third quarter, the greatest concern is an increased number of credit unions with very low scores, according to consultant Tom Glatt Jr. During the second quarter of 2013, 132 credit unions had scores less than 1. For the third quarter, that number increased to 151.

Credit unions scoring less than 2 also increased from 1,743 in the second quarter to 1,912 in the third.

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