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LOANCOLLECTIONS &TECHNOLOGY

NEWS INDEX

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INCREASED UNEMPLOYMENT SPURS HIGHER DELINQUENCIES

Delinquencies have increased in line with the rise in unemployment and as collection agents have toned down their efforts in the wake of the Sept. 11 terrorist attacks.

In the weeks immediately following the attacks, third-party servicer **Accounts Receivable Technologies**, Woodbridge, N.J., noticed more than a 30% drop in revenues, said Paul V. Errigo, the company's executive vice president and co-founder. The falloff stemmed from a severe decline in employee morale, and the request by the company's bank-clients to halt all collection calls to the East Coast, he said.

Now, it is the rising rate of unemployment that seems to be causing the uptick in delinquencies.

"The biggest [cause for rising delinquencies] we are seeing now is that people are out of work, or they are working fewer hours," said John H. Garrison, manager of special assets for **BB&T Corp.**, Winston-Salem, N.C.

Though the nation's unemployment rate increased over the last year, October's unemployment rate reached its highest level in more than five years, reporting the biggest one-month surge in more than 21 years, according to the Bureau of Labor Statistics of the U.S. Department of Labor. During October, 415,000 jobs were cut, and 5.4% of the nation's employable workforce was jobless, up from 4.9% in the prior month, according to the data.

A slowdown in mail service in some areas, though, along with the recent mail-related anthrax scares, may actually have sped up payments by delinquent borrowers. Some

Continued on page 8

BANKRUPTCY BILL MEETING PRELUDE TO REAL BATTLE IN '02

The House-Senate conference committee on bankruptcy will meet in Washington for the first time Nov. 14 to hammer out a federal bill that would make it more difficult for consumers to dismiss debts by filing for bankruptcy. With partisan lines drawn, however, few expect a quick, or quiet, resolution.

"Next year is another year," said Fritz Elmendorf, spokesman for the Consumer Bankers Association in Arlington, Va., which represents major banks. "We don't have any realistic expectation of it passing this year. The issues are still there, but we have to deal with perceptions and politics as well. When people are seeing monthly jobless statistics coming out, and every month they're worse, it creates an environment where Congress may not want to tackle a bill whose opponents are characterizing it as anti-consumer."

Since March, when the Senate and House passed versions of the legislation, committee staffers have been reconciling many of the minor technical points separating the two. But, committee members are not expected to start negotiating the major facets of the bill until next year.

Originally slated for Sept. 12, the meeting was postponed in the wake of the terrorist attacks the previous day. Subsequently, it was unclear if House Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who will chair the conference committee, would reschedule for this year.

"The chairman wants to get the process moving," said Jeff Lungren, spokesman for the committee. "We've already bridged many of the technical differences, but others still exist. The hope is to get the members together to

Continued on page 7

Market Tracer

CALENDAR

Nov. 29-Dec. 2: The American Bankruptcy Institute hosts its 2000 Winter Leadership Conference at the Camelback Inn in Scottsdale, Ariz. 703-739-0800 or www.abiworld.com

Nov. 30: Jupiter Media Metrix holds its 4th annual Financial Services Forum at the W New York Hotel. 800-488-4345 x6424 or www.jmm.com.

Dec. 18: The National Assoc. of Credit Management's Good Morning Credit Series continues with "Bankruptcy", in Oregon. 503-382-5807 or www.nacm.org.

Feb. 6-8: The Debt Buyers' Association sponsors "Mechanics of Successful Debt Buying" at the Paris Las Vegas Hotel. 562-903-7222 or www.debtbuyers.com.

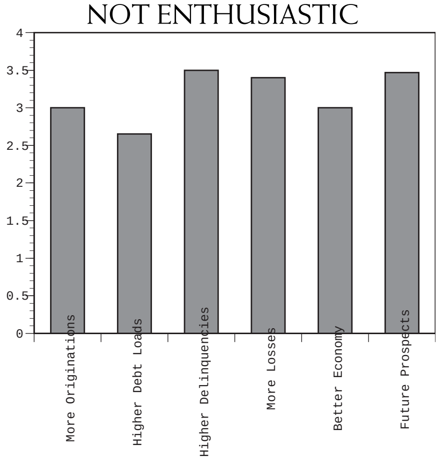
Feb. 6-9: Information Management Network presents Asset Securitization 2002 at the Arizona Biltmore in Phoenix. 212-768-2800 or www.imn.org.

To list your conference, call 212-206-8000 ext. 103 or email cmcguire@rmgdigital.com.

LENDERS PESIMISTIC ABOUT FUTURE CREDIT PERFORMANCE

Lenders are expecting a further increase in delinquencies and credit losses over the next six months, according to a *Loan Collections & Technology* survey.

NOT ENTHUSIASTIC



While the Lender Confidence Survey, conducted in September and October, was not statistically valid, it does provide a glimpse into the expectations of lending professionals. The survey presented lenders with six statements. In a take on the consumer confidence survey, respondents were asked to guide how confident they were about the statements. The higher the number, the more confident the lender was in the statement's veracity

Specifically, lenders expected overall delinquency levels will be higher in six months than they were at the same time last year by a median confidence level of 3.50, where 3.00 is the baseline score. But, at the same time they said they were "confident about my company's future prospects." That statement received a score of 3.47, meaning lenders agreed their future prospects were likely brighter than not.

Loan Collections & Technology expects to conduct the Lender Confidence Survey every quarter.

For more information on the Lender Confidence Survey, call 800-320-4418, or try www.lendinginteligence.com.

BANK OF AMERICA SERVICING RIGHTS STILL UP FOR GRABS

No deals have been announced for the servicing and collection rights to **Bank of America**'s$26 billion mortgage portfolio nearly four months after the Charlotte, N.C.-based bank made the decision to exit the subprime mortgage industry.

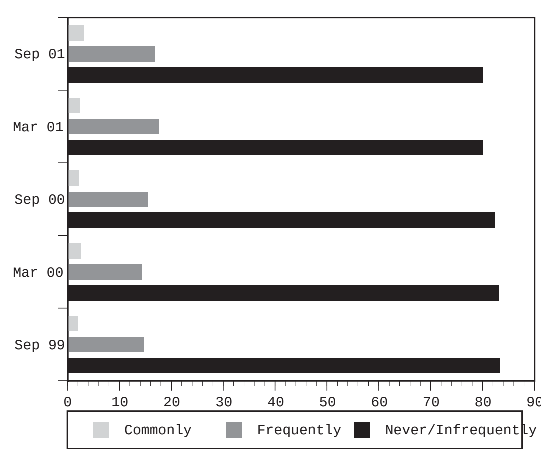
Bank of America originated its subprime mortgages through Jacksonville, Fla.-based EquiCredit Corp. An EquiCredit spokeswoman said that the plan the bank had set forth in August — securitizing the loans and selling off the servicing rights by the end of the first quarter of 2002 — is still in place.

Though the spokeswoman confirmed Bank of America has received bids, she would not reveal the number of companies that have bid on the portfolio, or if the portfolio would be divided up amongst several different servicers.

EquiCredit had originated $8 billion worth of loans in 2000 and $5 billion through the first half of 2001. The bank said it had non-performing subprime mortgage assets of $1.4 billion, or 5.4% of its portfolio.

LACKING BORROWERS

In its triannual survey of underwriting practices, the Federal Deposit Insurance Corp. asked lenders "to what extent does [their] institution make consumer loans to borrowers who lack [a] demonstrable ability to repay." The September report, which was released this month, revealed that lenders noticably increased their frequency of "commonly" making loans to such borrowers.



Source: Federal Deposit Insurance Corp.

Q&A

SEPT. 11 ATTACKS CAST SHADOW OVER COLLECTION SECTOR

Rapidly eroding consumer confidence in the aftermath of the tragic Sept. 11 terrorist attacks in New York and Washington, D.C., staggered an already faltering U.S. economy. Bearing its share of the burden, the collection sector is facing record levels of loan defaults and bankruptcy filings. Georgia State University College of Law Professor Jack F. Williams, the American Bankruptcy Institute's first Robert M. Zinman Resident Scholar, offers the unique perspective of being both a terrorism and homeland security expert, and a former bankruptcy professional.

Loan Collections & Technology *recently spoke with Williams to find out what he thinks of the crunch, what industry pros are saying about it, and more importantly, what they are doing to counter it.*

Jack Williams

Loan Collections & Technology: Generally speaking, how did Sept. 11 impact the collection industry?

Jack F. Williams: The impact on lending institutions ranges from, in some cases, complete devastation to core businesses to, more commonly, significant negative indirect consequences.

LCT: Indirect consequences?

JW: We're seeing more businesses, particularly small-to-medium-size businesses, and consumers, seriously consider relief under the bankruptcy code. We're also already seeing a substantial increase in loan defaults, both from a business and personal consumer perspective.

LCT: Obviously there's more going on here.

JW: Of course. Basically, what we had was a situation where the economy was already in a recessionary slide. The [Federal Reserve Bank] had done just about all it could do, as far as monetary policy is concerned, and the real possibility of recovery was in the hands of the consumers. On Sept. 11, that consumer confidence got slammed.

LCT: How has this damaged consumer confidence affected the collection industry?

JW: Consumer confidence has fallen substantially, beyond expectations. I mean, we expected it to fall, but not at this magnitude.

LCT: And the tangible results?

JW: Well, we're already seeing a substantial increase in loan defaults, both from a business and personal consumer perspective.

LCT: How are the lending institutions responding to this rise in defaults?

JW: Historically, lenders have become quite sophisticated in not only monitoring and collecting on loans, but vigorously asserting their rights. However, at this time, a lender shouldn't be surprised that vigorous enforcement of its rights may generate negative publicity. This is particularly the case in New York and the Washington, D.C. area. Many lenders are now in more of a precarious position.

LCT: Who are you talking to, and what are they saying?

JW: I've spoken with over 36 attorneys in the bankruptcy area across the country, and all are reporting substantial increases in bankruptcy clients, particularly among individuals and small businesses. Other experts I've spoken with have consistently expressed similar observations.

LCT: What will it take to stimulate an economic recovery, and, more specifically, reduce

Continued on page 5

ONLINE RESOURCES

The American Bankruptcy Institute: *www.abiworld.org*

The College of Law at Georgia State University: *www.law.gsu.edu*

Tech Bytes

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DATAWEST RESELLS PROLENDER

HomeBank Technologies Inc. and Datawest Solutions Inc. recently inked a reseller agreement for HomeBank's flagship loans origination system, ProLender. The contract is based on a revenue sharing model for a five-year term. The deal, in the works since earlier this year, was prompted after Datawest built an interface to connect ProLender to Datawest's core banking system for 57 Saskatchewan-based credit unions. "At the time, we were evaluating a lot of providers of similar software, such as Creditwave, Technicost, CRI and others," said Corinne Roth, the product manager at Datawest who orchestrated the deal. "We happened to be building an interface from ProLender to our banking system, and we found it was the best product for the right price." Officials involved with the deal would not comment on its specifics, or Datawest's re-seller pricing structure. However, HomeBank CFO Gerald Salvati puts ProLender's entry level price at $40,000, or, "less than the annual salary of a loan officer."

"The biggest feature had to be their real-time web-access," said Roth. "Many other competitors had a sort of screen-scraping process, but not in true real-time, like ProLender." Turnaround time of client-specific customizations was also a big selling point, she added. Datawest's Banking Solutions Group provides outsourced banking systems to Canadian credit unions, servicing more than 100 financial institutions under long-term contracts.

FITCH DEBUTS NEW RISK ARM

Leveraging its global ratings franchise and a fresh deal with Loan Pricing Corp. (LPC), Fitch recently launched a new affiliate: Fitch Risk Management, Inc.

The exclusive deal brings together LPC's historical databases and loan-level analytic products with the credit expertise and global coverage of Fitch. Gloria Aviotti has been named the Group Managing Director of the new unit.

As part of the agreement, Fitch Risk Management and LPC, a Reuters Company, will continue to provide services to approximately 30 existing LPC risk management member institutions.

The unit will serve as a development platform for a suite of products and services that will incorporate traditional default and recovery analytics with credit, portfolio and operational risk disciplines. The new Fitch affiliate will market and support LPC's suite of risk management products, comprised of LPC Risk Rater and LPC Loan Loss database.

Additionally, Fitch will utilize Loan Connector, LPC's internet-based product distribution platform, as a product marketing and distribution channel.

DAVOX OPENS NEW DELHI DIGS, UNVEILS OPTIMIZER PROGRAM

Customer Interaction Management solution provider Davox has established a new subsidiary in India to better meet the needs of its growing customer base there.

Headquartered in New Delhi, the wholly-owned subsidiary, Davox India Private Ltd., will be headed by new regional manager Rajeev Soni. Soni, who held positions at Kana Communications and Microland, will report directly to Pramod Ratwani, Davox's VP of Asia-Pacific.

According to consultant Frost & Sullivan, India is the fastest growing market for contact center systems in the Asia-Pacific region, with a projected compound annual growth rate of 24 percent from 2000 to 2007. Frost & Sullivan also reports that Davox has a dominant 74 percent market share for outbound call center systems in India.

In other, unrelated, Davox news, the vendor recently launched the Optimizer Program, designed to boost the efficiency and productivity of clients' contact center systems.

GLRE TAPS GLENN COMPUTER

West Memphis, Ark.-based Guaranty Loan

Continued on page 7

Q&A

WILLIAMS

continued from page 3

the number of defaults and bankruptcy filings?

JW: You just can't underestimate the effect terrorist attacks have on consumer confidence, and on society in general. If these, or other types of attacks, are sustained in any way — and I think we're seeing several indications we should expect more — we will probably not see a greater recapture of consumer confidence, and certainly not in the short term.

LCT: What is your prognosis for the collections sector?

JW: I think this will drag on, in the sense that we will see a greater and greater number of defaults.

LCT: Which types of professionals will be most affected?

JW: Those charged with collecting, particularly those in special asset divisions, we will see them have banner years, justifying larger staffs and larger expenditures.

LCT: What major challenges will they face?

JW: They are already facing difficulties in attempting to get loans repaid. These are very dramatic times and many people are going to have very sympathetic reasons why they can't repay. It will require some sophistication and diplomacy from the loan collection folks.

LCT: How does technology fit into the equation?

JW: I definitely think we'll see a profound rise in usage of technology. This is a very ripe area for growth, and a very ripe time for loan collection to become more automated.

LCT: Specifically, what areas do you see prime for growth?

JW: Specifically...the exploitation of the Internet for monitoring, collection and, ultimately, obtaining judgments, and enforcement of those judgements. These can all be handled by an Internet-based system, and those systems already exist. In fact, I've been working with the people at Georgia Tech to develop just such a system. We've already beta-tested it and it's up at six client sites.

LCT: Will the industry be quick to embrace such technology?

JW: I have found that many in the lending sector, particularly at the medium to small credit managers, have not even begun to tap into the technology.

"I think this will drag on, in the sense that we will see a greater and greater number of defaults."

LCT: How about the larger companies in the industry?

JW: The big boys develop systems in-house, but those are subject to great improvements as well. The technology is available right now. For the most part, the technonolgy out there doesn't require great outlays of capital, and, in the end, they'll find that the productivity gained would add significantly to their bottom lines.

COLLECTION INDEX

Percentage of borrowers who say they are ready to pay their debts normally: 80%

Percentage of borrowers who expect "some difficulty paying debts due to the recession": 6%

Percentage of borrowers who are "unable to pay debts due to the recession": 2%

Percentage of borrowers who say their finances have been hurt by the Sept. 11 attacks: 31%

Source: CollectionIndustry.com/Market Facts Inc.

Dossier

LONDON BRIDGE SOFTWARE

The preliminary information you need to analyze whether this vendor is right for your company.

Corporate Profile: London Bridge is a provider of, among other products, credit and debt management, credit risk management and customer relationship management (CRM) software. Headquartered in London, the company has offices across Europe, the U.S., Asia-Pacific and Africa, and claims over 1,400 clients worldwide, across all product lines.

U.S. Address: 3550 Engineering Drive, Suite 200, Norcross, Georgia, 30092
U.S. Phone: 770-810-8000
U.S. Fax: 770-810-8015
Web Address: www.london-bridge.com

Products:

• Atlas — Based on client-server and relational database technologies, Atlas automates the flow of account data from the host servicing system through collections, recoveries, bankruptcies and third-party placement.

• Debt Manager — This offering is a client-server software solution for managing the collection and recovery of debt through all phases of the receivables life cycle, including: collections; recovery; asset management; asset disposal; residual balance recovery; litigation; and bankruptcy.

• The Recovery Management System — RMS is designed to address "critical recoveries" management needs that arise across the later phases of the distressed debt life cycle.

Services:

• Partner.net — Partner.net electronically facilitates the exchange of bad debt information between external partners.

Customers: Bank One, Bank of America, Capital One, Chase Manhattan, Fleet Bank, Ford Financial, GE Capital, Mellon Bank, PNC Bank, Southern Company, US Bancorp, Wells Fargo Bank, and others.

Contact: Paul Worden, sales manager, 770-810-8105, or pworden@lbss.com.

To appear in Dossier, please contact Craig McGuire at 212-206-8000 x103 or cmcguire@rmgdigital.com. In addition to the monthly Dossier feature, LCT will also offer an annual Buyer's Guide, available in early 2002.

WALL STREET WATCH

PERFORMANCE OF PUBLICLY-TRADED COLLECTION TECHNOLOGY COMPANIES

Company	Ticker	Price 11/9	Price 9/25	1-Mo ch.(%)	P/E	52-Wk Hi	52-Wk Lo	Shrs. Out*	Mkt.Cap *	Avg Vol
American Management Systems	AMSY	14.040	13.000	8.0	20.8	25.040	10.250	41,682	585,215	227,772
Alltel Corp.	AT	60.730	57.710	5.2	17.8	68.687	49.430	310,239	18,840,814	823,818
Computer Associates	CA	28.210	24.480	15.2	n/a	39.030	18.125	577,080	16,279,427	2,292,227
CheckFree Corp.	CKFR	13.950	17.950	-22.3	n/a	60.625	12.200	86,928	1,212,646	885,318
Computer Sciences	CSC	44.390	35.220	26.0	52.0	74.937	28.990	169,537	7,525,747	1,102,818
Davox Corp.	DAVX	9.150	8.100	13.0	n/a	14.875	7.200	12,793	117,056	35,954
NCO Group	NCOG	16.2\350	12.950	25.1	14.4	35.500	11.000	25,811	418,138	338,681
Ocwen Financial Corp.	OCN	7.020	7.400	-5.1	n/a	11.370	4.500	67,266	472,207	59,545

* in thousands

TECH BYTES

continued from page 4

and Real Estate (GLRE), a mortgage, insurance, and leasing organization, recently selected Glenn Computer Corp. for its servicing software to replace an antiquated system.

GLRE previously relied upon Loan Serve for their servicing needs. Officials at the company launched their search for a new system earlier this year when they learned that system was to be discontinued. The company is a mortgage lender originating five to 10 loans a month, touting more than 700 clients.

COLUMBIA ULTIMATE UPGRADES

Collections management solutions provider Columbia Ultimate has released enhancements to its real-time call center, CU•Converse, formerly known as Quantum Iii.

Improvements were designed to better leverage Caller ID/ANI and user-input information, enhance scalability, improve back-end integration, and support the latest data line technology.

BLOODHOUND NOW ONLINE

Roydan Enterprises is now offering Internet access to its Bloodhound debt collection software. Dubbed "Bloodhound ASP", the service is base priced at $70 per user, per month.

NELLIEMAE.COM'S MAKEOVER

Nellie Mae, the originator of student loans, recently unveiled a new look for its interactive website www.nelliemae.com, now featuring enhanced content, simpler navigation paths and new menu bars.

BANKRUPTCY

continued from page 1

start resolving the major differences."

Specifically, the Republican-controlled House placed no cap on homestead protections, while the Democrat-controlled Senate capped homestead protections at $125,000. There is also a partisan battle over a provision introduced by Sen. Charles Schumer (D-NY) that would exclude bankruptcy protection on fines for abortion clinic protestors–subsequently expanded to include participants in illegal protest actions of any kinds.

Bankruptcy filings are on a pace to exceed the record-breaking levels of 1998 when 1,442,549 new filings were recorded. The increase is due, in part, to anticipation of passage of this bankruptcy bill.

Data Points

Company	BBB Member	Rating	Complaints Filed
Wexler &Wexler	no	unsatisfactory	yes
Galaxy Recovery Systems	no	unsatisfactory	yes
Merchants Credit Guid Co.	no	unsatisfactory	yes
Healthrev	no	satisfactory	n/a
Guardian Collection Service	no	satisfactory	n/a
Modern Collection Techniques	no	satisfactory	n/a
Four Horsemen Enterprise Inc.	no	satisfactory	n/a
Lumbermens Credit Association Inc.	no	satisfactory	n/a
AAA Nationwide Credit, Inc.	yes	satisfactory	n/a
Harvard Collection Services Inc.	yes	satisfactory	n/a
Merchant Credit Guide	n/a	n/a	n/a
Olson & Olson	no	n/a	n/a
Michaels & Associates - Robert G.	no	n/a	yes
Reliance Acceptance Corp.	no	n/a	n/a
D S A Finance Corp.	no	n/a	no
Continental Credit & Collection Agency	no	n/a	n/a
Church, Rhodes & Associates	no	n/a	n/a
Baker, Miller, Markoff & Krasny, LLC	no	n/a	n/a
Revenue Management Corp.	no	n/a	no
Omni Credit Services	n/a	n/a	n/a

DELINQUENCIES

continued from page 1

companies, including OSI, the third-party servicing unit of St. Louis-based **Outsourcing Solutions Inc.**, and subservicer **National Credit Systems Inc.**, New York, have noticed an increase in debtors' use of pay-by-phone options, like those provided by Western Union Financial Services Inc., a subsidiary of **First Data Corp.**

Still, the third quarter is normally the time of the year that delinquencies start to rise, as people make purchases for the holidays, sometimes at the exclusion of making their loan payments.

For example, consumer credit delinquencies for indirect auto loans were 2.46% at the end of the third quarter of 2000, according to the **American Bankers Association**, Washington, D.C. They rose 3 basis points in the final quarter of the year. In the prior year, delinquencies rose to 2.42% from 2.19% at the end of the third quarter.

"We cannot specifically identify the terrorist activity as a cause of delinquency," BB&T's Garrison said. Though it would be "foolish" to think that the attacks will have no effect, he added.