

Expect ARM Defaults, Bankruptcy Fallout, Ongoing Privacy Issues, Speakers Agree



Keith Leggett, Senior Economist
AMERICAN BANKERS ASSOCIATION

Venetian Hotel Photo by Darren Waggoner

A 15 percent spike in adjustable rate mortgage defaults could occur as an estimated \$2 trillion in ARMs are reset in the next two years, predicted Keith Leggett, senior economist for the American Bankers Association and the opening keynote speaker at the 10th Annual National Collections & Credit Risk Conference.

Other speakers at the conference, held in mid-March at the Venetian Hotel and Casino in Las Vegas, touched on key issues such as the new federal bankruptcy statute, the weakening state of consumer finances and the ongoing debate about how to best protect consumer data privacy.

Leggett cited a survey by First American Real Estate Solutions that

indicated most ARM borrowers have low equity and already are having problems meeting monthly payments. "It's a can't pay, can't refinance and can't resell situation," he said.

He also predicted a rise in bankruptcies starting in 2007, specifically along the Gulf Coast, due to last year's hurricanes. Bankruptcy data, he said, historically shows a surge two to three years

Recent Deals

The OutSource Group, a St.

Louis-based accounts receivable management company specializing in health-care, acquired Midwest Collection Services. The combined companies will have 130 employees in three offices. Industry consulting firm Kaulkin Ginsberg advised MCS in the deal. Terms were not disclosed.

Experian plans to go public in

the next six to 12 months, with shares listed on the London Stock Exchange, announced its parent company, GUS Plc. Experian shares will be distributed to

existing GUS shareholders, with 10 to 15 percent made available to new investors, according to GUS. Experian's senior management — chairman John Peace, CEO Don Robert and finance director Paul Brooks — will remain with the company. Experian is one of three national credit bureaus along with Equifax Inc. and TransUnion LLC. Equifax is publicly traded, while TransUnion is privately held.

Receivable Management

Services, a Bethlehem, Pa. collection agency, received a \$2.55 million investment in loans and grants from the state

of Pennsylvania, Governor Edward Rendell announced. The funding package means the company will keep at least 800 jobs in the state's Lehigh Valley. The commonwealth offered RMS a financial package that includes a \$1.25 million infrastructure development program grant, an \$800,000 opportunity grant and \$500,000 in customized job training funds. RMS provides customers with a continuum of services from electronic bill presentment, receivable outsourcing, traditional collections, bankruptcy services and deductions management.