KCB INFORMATION SERVICES

The *ONE SOURCE* for all your credit reporting needs

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FAIR CREDIT REPORTING ACT AND CREDIT REPORTING SEMINAR

Our next credit reporting seminar will be at the Alpha Park Library in Bartonville on Tue. April 27th.

We will present the changes in the new Fair Credit Reporting Act, the new FACT Act and the "Permissible Purposes" as described by the FCRA. We will also review ID Theft, Consumer, Employment, Collection and Merged Credit Reports, and show you how to get the best information from your reports.

Our new **First Close**tm, mini LOS (Loan Origination Software) program, for Merged, Flood and AVMs (instant appraisals) will be presented. This program is compatible with most LOS programs and provides a mini LOS system for financial institutions that do not have a LOS program.

JUST THE FACTS, PLEASE!

In the last few months there have been a few salesmen trying to sell banks and S & Ls a "complete LOS (Loan Origination Software) program that will pay for its self in reduced credit reporting fees". Well, let's look at some of the facts regarding their sales pitch:

1. "*Our merged credit report fees are lower than the company you using now, and we will save you $10 or $20 per merged report*." I will acknowledge that the mortgage reporting agency the LOS company uses, is cheaper. However, many or our present members left that agency because our reports were easier to read, our service was better, our MCL system has more free options and services, and our trade line updates and verification fees were less. Lastly, your customers pay the credit report fees, so each customer may pay a little less, **but it doesn't reduce <u>your</u> costs**.

2. "*Our flood report fees are lower and will save you several dollars per flood report*." If you are large volume user with us, you may not pay any less per report. Also see #1.

3. "*Our consumer credit report fees are lower than the one you are presently using and we will save you more money per consumer report*." **First, with the banks I have talked to so far that knew what this company was charging, we were less expensive**, so this claim may be false. **Second**, more banks and credit unions in central Illinois report to and use us than to our competitors. Very simply, if you use our competitors consumer reports, you may not get all the available, current financial information on consumers. For example, in Peoria, Tazewell, Marshall, Woodford, Warren, Stark and Putnam Counties there are only 3 banks that don't report to us and one of those is a member and pulls from us. There are at least 10 banks and credit unions in those counties that only report to us. In Knox, Henry, Bureau, Fulton, Mason, McDonough and Logan counties, there are 28 banks that report to us. 20 banks don't report to us. Seven of those 20 pull reports from us and 16 of these banks do not report to any one. Nine of the 28 banks reporting in these counties only report to us. **Third**, if you or your customers have a problem or a question with their consumer reports, who will you or your customers talk to? If you are using us, as our present members know, you or your customers can call us. We still do not have an answering machine, voice mail or a menu system.

4. Did the LOS salesmen talk about the Transaction Fees? In addition to paying the mortgage reporting agency for the merged, flood and consumer reports, you also pay the LOS company a transaction fee each time you use the LOS program.

5. The LOS system <u>**does allow**</u> you to choose the service you wish for consumer reports.

6. We are locally owned, operated and managed. We are here to help you and we offer a full line of credit services.

In summary, their LOS program may be a good system, but, you will most likely, not save money on credit reports. In fact, their credit reporting system, with their transaction fees, fewer services and fewer extras, may cost you more.

CHARGEOFFS DECLINED IN DECEMBER

Chargeoffs on securitized pools of credit card receivables declined in Dec. for the first time since March 2003, according to Moody's Investors Service Credit Card Credit Indexes.

The chargeoff rate fell to 6.7% of receivables from 6.9% in Dec. 2002, Moody's said, adding that it expected the turnaround because of a four-month trend in which the pace of year-over-year increases decelerated. The chargeoff rate for the fourth quarter was 6.67%, nearly unchanged from 6.65% in 2002's fourth quarter.

The Dec. delinquency rate fell to 5.04% of receivables from 5.35% a year earlier. It was the fifth consecutive month of improvement and the lowest delinquency rate since July 2002. Delinquencies for the fourth quarter totaled 5.13%, down from 5.43% in 2002's fourth quarter.

The payment rate for Dec. averaged 15.63% of receivables, well above the 14.74% recorded in the year-earlier period. The payment rate has been "remarkably stable" despite the economic downturn, remaining within the historically high range of between 14% and 16% for the last four years.

Excess spreads increased for the first time in 15 months on a year-over-year basis. In Dec., the one-month excess spread was 6.75% of receivables, up from 6.43% from a year earlier. Excess spread for the fourth quarter was 6.62%, unchanged from the year-earlier period.

Moody's tracks $400 billion of U.S. bank credit card loans. Standard & Poor's Credit Quality Index reported similar findings this week (02-17-04 creditcollectionsworld.com)

COURT RULING MAY EXPAND CONSUMER'S CREDIT PROTECTION

NEWPORT NEWS, Va. A federal appeals court, perhaps for the first time, has addressed the issue of how rigorously a credit card company must investigate a consumer complaint about inaccurate credit files.

Consumers could have an easier time disputing information on their credit reports as a result.

The case, brought before the 4th U.S. Circuit Court of Appeals in Richmond by Newport News resident Linda Kay Johnson, clarifies a part of the Fair Credit Reporting Act that says credit issuers must investigate complaints. Until now, "investigate" could have meant a cursory records check. The court's decision demands more in-depth investigations when consumers ask for them.

"This is very far-reaching," said Evan Hendricks, publisher of Privacy Times, a newsletter that tracks fair credit reporting and freedom of information news. "It's the first time they've said the law has plain meaning."

For Johnson, who owns Hair Raisers hair salon in Newport News, the ruling ended a three-year ordeal that began when a representative from bank and credit-card issuer MBNA Corp. telephoned her. The representative demanded Johnson pay a MasterCard balance because Johnson's husband had filed for bankruptcy and was removed from the account. Her husband's debt was $17,000.

It was the first time Johnson had heard of either the credit card or her husband's bankruptcy.

Johnson contends her husband applied for the card before the couple married in 1991. MBNA, based in Delaware, argued Johnson co-owned the card with her husband.

The company said, however, it could not produce records from when the account was opened in 1987 because such documents are only kept five years.

After divorcing her husband, Johnson found she could qualify only for high interest rates on a home loan because MBNA had reported her to the three major credit reporting bureaus. Essentially, said Johnson's attorney, Leonard Bennett of Newport News, the company was using unfavorable credit information to pressure Johnson into paying.

A jury last year awarded Johnson $90,300 in damages. MBNA appealed.

MBNA argued fair credit laws require creditors only to briefly review their records when faced with a complaint.

By law, the appellate judges wrote, if a creditor cannot verify disputed information, credit agencies are to

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delete the item or modify it after further investigation. A jury, the judges wrote, "could reasonably conclude that if the MBNA agents had investigated the matter further and determined that MBNA no longer had the application, they could have at least informed the credit reporting agencies" that MBNA couldn't verify Johnson was responsible for the account.

Johnson hopes to refinance her home loan, on which she pays 13.99 percent interest because of her damaged credit scores. (The Associated Press Information, collectionindusty.com)

SENIORS CARRYING HIGH DEBT LOADS

The average credit card debt among indebted seniors, those over the age of 65, increased by 89% between 1992 and 2001, rising to $4,041, according to key findings being released by Demos, a public policy organization. The findings are part of a series, "Borrowing to Make Ends Meet," which looks at the economic security of different populations by examining their debts, assets and major costs.

The first in the series focuses on senior citizens. Among some of the key findings, seniors between 65 and 69 years old, presumably among the newly retired, saw the largest increase in credit card debt - 217% - to an average of $5,844. Female headed senior households experienced a 48% increase in credit card debt between 1992 and 2001, to an average of $2,319. And among seniors with incomes under $50,000, about 70% of seniors, or one in five families with credit card debt is in debt hardship, spending over 40% of their income on debt payments, including mortgage debt.

According to the report, a close look at the economics of older Americans shows that they lived on low incomes that stagnated or declined during most of the 1990s, while their basic costs increased. The average senior household survived on $23,118 per year and nearly 40% of seniors are classified as "low income," Demos says in the report. Also, retirement wealth has fallen for all but the wealthiest seniors over the past 20 years.

Demos cites the deregulatory revolution in the financial services industry coincided with increased economic vulnerability among seniors, as leading to the increased debt loads. The wave of deregulation changed the way banks market and price credit cards to consumers of all ages. High interest rates, a hike in fees, lower minimum payment requirements as well as aggressive marketing tactics and relentless credit extensions have led to the record debt levels among financially vulnerable seniors, Demos says.

The credit card data analyzed in Demos' report is drawn from the Survey of Consumer Finances, a triennial Federal Reserve survey of assets and liabilities of American families. The survey years were the most recent available, Demos says, and were chosen to represent a period of economic expansion. (2004-02-27 collectionsworld.com)

BANK FINDS MONEY TALKS WHEN ADDING HOME EQUITY LINES OF CREDIT

When Pulaski Bank decided to grow its portfolio by offering borrowers home equity lines of credit to go along with their first mortgages four years ago, the St. Louis-based thrift thought it had the perfect fit for its customers.

After all, home buyers need extra money for furniture, appliances, curtains, carpeting and landscaping, don't they? They do, but Pulaski's loan officers weren't crazy about peddling equity lines to their clients. In fact, they "hated" the product, executive vice president Chris Reichert recalled at America's Community Bankers' Nat'l Real Estate Lending Conference here.

The loan officers had all the usual objections: Throwing in a line of credit required a second sell, they griped; their customers didn't want it, they complained; and there were already enough papers to sign at closing, they groused. "Each additional document was one too many," Mr. Reichert said.

Processors and closers at the $400 million thrift, which has two loan production offices, one in its hometown and the other in Kansas City, Mo., didn't like the idea, either. They objected to the extra work, and they were afraid there would be more than the usual number of last-minute glitches.

Fast forward to 2004, and the 80-year-old institution, the largest publicly held, but locally based thrift in the state, is enjoying a 60% "hit ratio," with six out of every 10 borrowers choosing to add an equity line when closing on their home loans.

"We've had a fair amount of success," Mr. Reichert said. "But the first 12 months were horrible. Early on, our hit ratio was less than 10%, and we were doing everything in our power to piggyback on our first mortgages."

First, it streamlined [its] process by reducing the number of extra documents to be signed at closing to just three. Then, it established a free flow of data between departments so that customers were "shared" instead of hoarded.

Most of all, though, Mr. Reichert said, the thrift "introduced the almighty dollar" into the equation by adding a few monetary incentives.

HELOC specialists were paid $25 per application and moved in with loan processors, who were paid $10 per closing. Closers also were paid $10 per close, and loan officers were paid three basis points on all mortgages if more than half their customers opted for an equity line at settlement. Better yet, everyone was paid no matter who originated the line, Mr. Reichert reported. "Regardless of who sold the product, everyone got paid," he said.

Today, the thrift, which has seven retail branches, has more than $200 million in HELOC balances on its books and is growing that number by $3 million to $5 million a month. Not all borrowers have tapped into their equity, of course. But the thrift enjoys a 43% activation rate, Mr. Reichert reported.

"Outstandings" are currently above $100 million. And as a result, the product contributes more than $1 million a year in pretax net profit to the bottom line.

The thrift executive called HELOCs the "perfect asset-to-liability match with money market accounts," adding that the product has enjoyed a 30-day delinquency ratio of just 0.38%.

"The credit quality is extremely high," he said. "After all, the borrower is sleeping in our collateral." But best of all, perhaps, is that HELOCs have helped Pulaski Bank establish a baseline cross-sell program.

For a thrift which had been doing "a miserable job" along those lines, Mr. Reichert said, with "little or no cross-sell activity" in 1999, that may be just turn out to be the biggest breakthrough of all. Source: National Mortgage News (2004-02-25 collectionsworld.com)

DEBT COLLECTOR USING SHAME AND BIKINI-CLAD GIRLS TO COLLECT

Queensland, Australia - How do you get people to pay up if they owe you money? Sending a final reminder can sometimes seem like a waste of paper. There's a new business in Queensland called "Shame Debt Collection" that's offering to chase up your bad debts in a rather unusual way.

Hervey Bay-based "Shame Debt Collection" says: "We will arrive at their business, home, workplace or anywhere else that the debtor may be, with one of our brightly colored SHAME Mobiles with lights flashing and placard carrying bikini clad ladies who will proceed to tell the world that our/your debtor owes you money and will not pay".

Peter Schuback, says he's been in talks with a TV production company, with a view to filming the "Shamings" and turning them into a reality television show. (2-17-04,collectionindustry.com)

KCB INFORMATION SERVICES HOURS

Monday - Friday 9:00am to 4:30pm

Consumer credit reports are from Experian.
Business reports are provided from Experian.
Residential Mortgage Credit Reports and Merged Credit Reports may contain information from: the Kewanee Credit Bureau, Experian, TransUnion and/or Equifax.
Criminal Background checks are from the Illinois State Police, Credit Commander or CreditRetriever.
Tenant Screening reports are from Credit Retriever.

The KCB Information Services has served businesses since 1928 and serves the following counties for Experian: Henry, Stark, Bureau, Putnam, LaSalle, Marshall, Woodford, Peoria, Knox, Fulton, Mason, McDonough, Warren, Logan, Henderson, Hancock, Adams, Schuyler and Tazewell.

If you know someone is on a diet, tell them they're looking terrific. A kind heart is a fountain of gladness, making everything in its vicinity freshen into smiles.
-Washington Irving