

What is the market's future?

We all want to know if debt prices will return to previous levels or will they continue the rise?

*By Phillip W. Duff, President and Founder,
Lighthouse Consulting & Asset Management, Inc.*

Current Market

There has been a lot of discussion about the rise in pricing of portfolios from the creditor level to the out of statute level over the last 12-18 months. It is clear that the pricing has increased but the future of the industry is yet unknown.

As a broker for resellers and buyers, Lighthouse Consulting has seen the market slow a bit in recent months in resales and files being in the marketplace more days than in months past. This has prompted this article and for us to poll some of Lighthouse Consulting's clients for their thoughts on the subject.

Lighthouse Consulting's Clients Give Thoughts On The Market:

"Accompanying a 22% spike in credit card charge-offs during the 4th quarter of 2005 were enormous asset sales by several of the top 5 credit card issuers. Compared to the tremendous portfolio volume available during the 4th quarter of 2005, there has been an obvious lull in the portfolio supply thus far in 2006. We at Crown Asset Management anticipate that the volume of portfolios for sale will begin to increase again during the 2nd quarter of 2006. We foresee the traditional post-tax-season portfolio sales in the re-trade market accompanied by portions of the portfolios purchased in the 4th quarter of 2005 beginning to filter into the re-trade market during the 2nd and 3rd quarters of 2006."

Brian Williams, Portfolio Acquisition and Sales

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"We have definitely seen a lull in the national re-sale market from our perspective in 4Q 2005 and 1Q 2006. Our thoughts on this lull are that the bankruptcy reforms had a large impact on this situation. Many large creditors decided to liquidate charge offs in order to capture revenue that may have been lost due to the accelerated bankruptcy filings of customers. This creditor inventory then came into the market and created less need for buyers to buy re-sale accounts. We also feel that the price increases from 2004 and 2005 may be catching up to people in the market if they have over-paid for purchases. The market seems to be bit more of a buyers market currently based on the volume we have seen for sale. Prices have not dropped dramatically from what we have seen, but, there seems to be more volume available in the market. This may become a pre-cursor to prices dropping and more availability of debt to smaller and specialized buyers"

Chris Winkler, President Big 10 Capital Management

"There are two old market sayings that refer to markets getting quiet. 1. bulls get old and tired before they die; 2. never sell a quiet market after a sharp rise. While we hear many comments about prices staying high, we can't find justification for some of the prices being paid. Without economic justification prices will swing back to the norm."

Larry Mollner, Ravanis

What does this mean?

Well, that is the obvious question. Will the pricing level off, rise, or plummet? None of us know but the quotes do make you think that it may be receding some. It is believed that the majority of debt buyers are still making money at current prices, yet the profit multiples have reduced.

Is it just a annual adjustment or a sign of future trading? Do you buy or wait? Do you buy fresh or tertiary debt?

These are questions that will differ with each business model. The truth is we must all buy debt to continue in the business. So we all will, sooner or later... It is inevitable.

So the next question is, how do I increase my profits with the current economy?

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Lighthouse Beacon Alert

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In order to increase your profit margins you must reduce your costs and obtain a more efficient process to liquidate the debt. Lighthouse Consulting can help you find ways to reduce your costs and increase your profit on every portfolio the old and new.

We have researched the vendors and struck a partnership with the best which we can pass on to you many times for FREE. We have software vendors, letter vendors, collection partners and many others.

If you are interested in learning how we can help you increase profits and make the management of the portfolios easier call us now or contact us at

info@lighthouseconsultinginc.com

Mentor Program

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- HR hotline with 24/7 access to a certified PHR on call for help with complex employee-relations issues such as Sexual Harassment charges, EEOC charges and Unemployment hearings
- Key employee recruiting assistance & Hiring Assessment Tools
- Beacon legal compliance updates
- Beacon Alert subscription
- 4 Onsite Training programs such as sexual harassment avoidance, anti-discrimination hiring practices, or Leadership & Development programs



Portfolio Spotlight

- \$2.8M of CA Providian, thirds. Seller is motivated
- \$2.0M in mixed credit card issuers of CA debt
- Metris 1 agency available on a forward flow by State
- Bad Checks coming soon!
- \$90M+ of mixed credit card 2003 and 2002 charge-offs

If you are interested in one of these portfolios please call Phillip W. Duff at 877.819.1962 or at phil@lighthouseconsultinginc.com

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Lighthouse Consulting can help you sell your portfolio!