

What will 2008 bring to the ARM Industry?

We are seeing some changes in the air.

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

Current Portfolio Pricing

As a debt brokerage company we have observed some adjustments in portfolio pricing in most areas. Lighthouse Consulting is aware of many portfolios that are selling at reduced pricing from that of the last 18-24 months highs.

The reduction in pricing is currently about 10% but continues to drop. Lighthouse Consulting currently has a large group of portfolios for sale as do many other brokers in the industry. The pricing is a direct result of several other factors.

Current Sales Inventory

The main factor effecting the lower pricing in the marketplace is the level of inventory available. With many debt purchase firms realizing the prices are dropping they want to sell the portfolios for which they paid high prices for in the recent market. With many buyers having to spend a average of 20% more for inventory over the last 24 months they are now concerned about the resale value dropping and wish to unload the portfolios before prices drop deeper.

This factor has led to even lower pricing this month. Most buyers expect a small buying frenzy in the last quarter of the year but the large inventory has remained on the selling block into 2008. Many of my clients are providing portfolios that they have owned for around 12-24 months for sale in the first quarter of 2008.

I am also aware of issuers who had excess inventory at 2007 years end that was offered for sale at a discount and was not sold. One issuer offered a portfolio at a price less than current flows in order to liquidate their excess inventory.

See us at the
DBA conference

Please
read

Buyers are Shopping Around

With a glutton of inventory and prices dropping the potential buyers are harder to get to commit. They are seeing that the grass may be greener in a week or so with pricing sinking. Many buyers are just offering lower bids and hoping the seller wants to get out now. In many cases this is working and assisting the prices to lower even deeper.

Many buyers bought a record amount of portfolios in the last quarter and many told me they were able to expend all of their money. Now the buyers with money left to purchase in January are selective and getting value for their patience.

Should you buy or sell your portfolio now?

Lighthouse consulting can help you to determine the market value of your portfolio and also recommend other strategies that may help with your high priced portfolio. We can also consult with you to determine if selling is the best option.

As the decision ultimately lies with the owner many clients are now just buying and holding to get the solid returns so the movement in the market only affects them for purchases.

As for buying a portfolio the price should always be based on the expected returns not on the selling price. If the price does not allow for the profit you need then let Lighthouse Consulting help you find another portfolio that better fits your needs.

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Beacon Buyers and Sellers Alert!

In order to assist the debt marketplace to police itself I have posted the following public documents for my Beacon Alert members to view at the following sites:

http://lighthouseconsultinginc.com/documents/goldberg_Complaint.pdf

http://lighthouseconsultinginc.com/documents/Complaint_HK.pdf

These links will give insight into a buyer/seller who is not performing his duties within the guidelines of our industry, be aware.

This is posted as a service to the industry and with no malice.

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How does this effect debt buyers and sellers?

In regards to inventory increases and price drops in our industry, debt buyers need to be aware of the current market factors in the US economy and how they are at work in our industry. Banks are in trouble and they will sell more product in order to try to create short term revenue to off-set mortgage loan problems and declines in collection liquidation recoveries. Banks and lenders are issuing less loans based on market conditions and refinance loans have become harder for consumers to obtain. Consumer prices are up and unemployment is up and both of these also factor into less debt being repaid to borrowers and debt buyers. Charge off rates are going up for creditors and this will create more business in our industry for debt buyers and collection companies. As these factors hit our industry, many debt buyers have been acquiring portfolios in an increasing price environment. It now looks as if this rising index has reached its peak and is on its way back down. For debt buyers who have modeled purchase deals and returns based on re-sales and re-sale deal prices that are contingent on this higher priced market, these current market conditions could spell trouble. Lower liquidation rates on "keep and collect" deals will also have lower returns than initially forecasted in this declining liquidation environment. There are surely new challenges to be met within the debt buying industry now as well as new opportunities for effective buyers and collection companies.

**For more info contact us at
info@lighthouseconsultinginc.com or call
Phillip W. Duff at 904-687-1687**

**Please see the article on
page 3 about how we
deal with fraudulent
buyers/sellers**

Portfolio Spotlight

- Forward flow of Wells Fargo accounts available by State for around 8%
- National Orchard file '05 charge offs and \$40M in face value
- National Forward Flow of Citi Financial that is 12 months from direct purchase date for 5.5% +/-.
- Mixed issuers mainly BOA Flow of thirds that is 24-30 months from Charge off date for 2-3% available by State
- \$67M in face value of Mixed cards and 12-04 average CO date.
- Orchard file available by State and 10/05 Charge off dates.
- Near OOS file that is for sale at around 1%
- College network accounts available by State
- Short statute file of mixed issuers 3.7M in face value
- Certigy Bad checks large file
- Capital One national file for 5%+ and \$15M in face value
- Short statute file with 6-12 months left in statute life.

If you are interested in one of these portfolios please call Phillip W. Duff at 904.687.1687 or at phil@lighthouseconsultinginc.com

**Lighthouse Consulting can help
you sell your portfolio!**

How do we Police the Industry?

Options from Phillip W. Duff
the President of Lighthouse Consulting

I was recently involved in what I would call a scam by a buyer/seller in our industry. This event has caused me to better understand how we react to such information in our industry and how we do not have a good means to notify each other of a bad seed.

This brings me to wonder how we can better police our industry. The current complaint system (with the organizations we all belong to) is not effective. I filed complaints and have yet to hear any results from that action. I personally made sure that my clients were notified of the legal allegations pending this company and individual. This has been more effective than the formal complaints thus far in getting the word out.

I was so amazed to find out after I had been taken by this company that 20-30 other people had also been taken in the previous 9-12 months and did not file complaints or alert the industry. Perhaps it was due to embarrassment or just a recourse that the duped buyers or sellers did not think of.

If they had cried wolf myself and others may have been spared the ordeal.

So how do we police the industry better without causing harm to a person who is not bad just sloppy or cause problems with no bad intentions? I do not have an answer at this time but I want to help find an answer.

Lighthouse Consulting will offer its services to a panel of Industry Veterans in order to try to create better processes to help us all identify a bad seller/buyer quickly and to notify the rest of the industry. As a Six Sigma agent I will gladly facilitate a workshop with the intention of providing suggestions for the solution of this problem.

If you have interest in participating in the workshop please contact Phillip W. Duff at 904-687-1687.