



Commercial Debt Buyers – Bridging the Liquidity and Servicing Gap

By Michelle Rodriguez, President, HSW Financial

Selling distressed debt increases liquidity and improves operating efficiencies for equipment leasing and finance companies.

There has been a tremendous amount of industry noise, consumer frustration, and media attention in recent months with regard to the impact of the credit crisis on the global economy. As tough as things are, the real issue with regard to the easing of capital markets lies in how financial institutions balance the risk of aggressive origination against the risks of default and collections, and the impact on balance sheets and liquidity.

With increasing regulation and compliance requirements on financial institutions', their balance sheets need to be cleaner than ever. As evidenced by the recent stress tests administered by the Federal Government, which resulted in a handful of banks having to raise an additional \$75 Billion dollars in equity, it is clear that at least in the near term lenders will need to clean-up their portfolios, and have plenty of liquidity on hand.

The fastest remedy for aligning supply-side capital with demand-side needs is for lenders to partner with companies specializing in the purchase and servicing of higher-risk debt. Lenders have the ability to sell both performing and non-performing debt to investors (distressed asset buyers) to remove high risk, or non-performing debt from their balance sheet, alleviating servicing and administration responsibility, and most importantly generating badly needed liquidity.



In the challenging economic climate, the need is greater than ever for lenders to develop close relationships with distressed debt buyers. It is precisely this type of relationship that will free-up lenders' balance sheets, and infuse necessary capital into the marketplace.

There is little to no downside for lenders in facilitating the sale or private label servicing of distressed assets, and in most cases, the upside is significant due to the ability to monetize on assets that would normally be written-off in their entirety.

For more information on how to maximize returns on performing and non-performing assets we invite you to visit our website at www.hswfinancial.com or call HSW toll free at 888-217-8898.

About the Author

Michelle Rodriguez is President of HSW Financial, one of the nation's leading commercial debt buyers. HSW specializes in acquiring and servicing both performing and non-performing equipment leasing portfolios.