Covering Credit Bulletin

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This Month's Topics:

- **What You Should Know About Credit Outsourcing**
- **Addressing Technological Changes**
- **Questions and Answers**
- **A Dozen Collection Tips**
- **Patience is a Virtue**

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curve, they risk losing their jobs either because they can no longer meet key job requirements or because they cannot provide the necessary leadership to your department.

Therefore, credit professionals must keep pace with these changes or risk being viewed by their employer as being too rigid, out of touch, or incapable of adapting to change as required

Credit professionals should make a commitment to become more technologically literate starting today. Follow up on this commitment by taking action every day that strengthens your understanding of technology. This can be done relatively simply by taking classes, using tutorials, spending time with your Information Technology [IT] staff, and most importantly putting aside your fears.

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Q. We lost money in what I now consider to be a fraud. Any quick solutions?

A. You can help protect your company against credit fraud by being active in one or more industry credit groups. Credit group membership in these groups makes it easier to share and compare payment history and credit references on customers and applicants.

Q. Management has asked me to develop creative options rather than putting past due accounts on hold. Do you have any suggestions?

A. One or more of these ideas may work for you:

- **Offer to accept an extended payment plan – ideally one supported by a signed Promissory Note**
- **Accept the return of merchandise in payment of the debt**
- **Offer the delinquent debtor a cash discount in return for an immediate payment**
- **Suggest a combination of an immediate partial payment, return of merchandise, and a payment plan**
- **Exchange some or all of the debt for an equity position in the debtor company**

Q. An applicant company is demanding a copy of the commercial credit report we obtained which included information we used to deny open account terms. What do we do?

A. Commercial credit grantors are not required to provide copies of credit reports, specific information about what other creditors contacted said about the applicant, or to explain in any detail their credit decision-making process. Document the reason or reasons for your decision and safeguard that document for at least one year.

Q. My manager is considering purchasing credit insurance. Any comments?

A. Purchasing business credit insurance can substantially reduce the risk of bad debt losses. Credit risk insurance coverage can be written to cover a company's entire customer base. It may also be possible to purchase coverage for only a certain number or type of customer.

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Foreign Financial Statements

Credit professionals must view foreign financial statements with a certain amount of professional skepticism. There are several issues to try to avoid when analyzing foreign financial statements, including these*:*

- **Most creditors have no idea about the standards of training or independence required of external auditors in foreign countries.**
- **Many countries do not have the anything approaching the number of accounting and auditing rules as are in effect in the United States. Consequently, credit professionals in many cases cannot accuracy of financial statements presented by a foreign customer even when the statements are audited.**

- **When reviewing audited statements, it is often difficult to know the scope of the audit, or how rigorous the auditing process is**
- **The statements will be in a foreign currency, not in U.S. dollars, necessitating currency conversions.**
- **In some countries, a company will have several sets of books. Chances are that if a customer has multiple sets of books, they will be savvy enough to provide you with the financial statements that make them appear to be the most creditworthy.**

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- **He is away from his desk at the moment**
- **She is on another telephone call**
- **He is in a meeting**
- **She has stepped out of the office for a moment**

One technique that debt collectors can use when they believe that a customer is deliberately avoiding their telephone calls is simply to wait. Rather than leaving a voice mail message or calling back later, the debt collector can tell the customer something like this:

"*I am calling about a large amount of money that is now seriously past due and I really need an answer today. I would like to wait until he [or she] is available to take this call. I do not mind having the call placed on hold --- provided that you do not forget that I am waiting.*"

Once the decision maker knows that you are on hold, they will often respond within a few minutes. Essentially, when a customer realizes that their stall tactic has not worked, they will have no alternative but to address the past due balance with you.

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