

If the debt is paid, change the terms to Payment in Advance by wire transfer

Question: Is it worth the time and effort to get one or more of the professional certifications offered by NACM? What certification do you have and what are you pursuing?

Answer: In my opinion, yes. Continuing professional education is one path to advancement. If you are not attending college or if you have already completed your degree, working toward a professional designation offered by NACM is a good choice for credit professionals. The certification signifies the recipient has met standards and fulfilled requirements. Seeking certification demonstrates your commitment to the credit profession. Certification enhances the profession's image which is often tarnished with nicknames such as "sales prevention." Certification reflects personal achievement. Certification establishes professional credentials for someone looking to move up in their organization, and improves the chances of being recruited by another company into a better job. Certification also prepares you for to accept greater responsibilities. In response to your second question, in addition to being an instructor teaching the CAP and ACAP courses for the local NACM affiliate, I have a B.S., and M.B.A., the Credit Business Fellow accreditation from NACM and I am currently studying French at the local community college and German in a home study course - Merci de poser cette question [Thanks for asking].

Q. My company wants me to reduce our bad debt losses. Any suggestions?

A. The obvious answer is to take less risk. The reality is that a certain amount of bad debt is a cost of doing business and that the amount written off increases as the creditor company's 'appetite' for risk increases. Ideas to reduce losses include:

- < Updating credit files more frequently
- < Holding orders when customers become delinquent
- < Limiting the number of employees with credit granting authority
- < Becoming more conservative when assigning credit limits
- < Calling customers more frequently once they become past due
- < Requiring rather than requesting updated financial statements from privately held companies.

Q. I was told you have a fraud checklist. Can you print it?

A. Sure... These are indications of potential problems that may indicate credit fraud:

- < A new customer's first check bounces
- < The customer's phone is disconnected
- < The creditor receives an unsolicited opening order
- < The first order is large
- < The debtor does not argue about price
- < The product being ordered does not seem to fit the customer's type of business
- < There is no credit report available on a new customer

- < The applicant lists a P.O. Box as an address
- < All of the trade references listed are in the same area or in the same area code
- < Reference checks are answered by answering machines
- < Credit references provided give glowing recommendations about the applicant company
- < A check with the Secretary of State provides no independent confirmation of the existence of the applicant company

Q. How long do I have to file a reclamation claim once a bankruptcy has been filed?

A. You must deliver a reclamation notice within ten days, or in certain cases twenty days, after the goods were delivered. Specifically, the U.S. Bankruptcy Code requires the reclaiming seller to make a written reclamation demand within ten days after the buyer receives the goods. If the ten-day period expires after the buyer's bankruptcy case starts, the seller is entitled to an additional ten days to make a written reclamation demand after the buyer receives the goods.

Q. How can I find out if exports to a certain country in the Middle East are lawful or unlawful?

A. A good place to start is the United States Department of the Treasury. Its website lists countries and the federal sanctions applied to them. The website is:
<<http://www.treasury.gov/offices/enforcement/ofac/sanctions/>><http://www.treasury.gov/offices/enforcement/ofac/sanctions/>

Q. Why do some customers not use our lockbox account?

A. Some customers are smart enough to realize that they will get a much longer float on their payments to creditors if they mail payments to their salesperson, or the regional office, or the company headquarters, or anywhere other than to the lockbox address. Suggestions:

- < Keep track of the customers that do not use your lockbox
- < Send them a letter or fax asking them to correct their records
- < Follow up by telephone a few days later
- < Continue to track their inbound payments
- < Remind them if they continue to remit to the wrong address
- < Start with the accounts payable department but be prepared to speak to the Controller or CFO if the change is not made

Q. I attended a program in which you discussed fifty ways to improve collection calls. Can you reprint that list?

A. No, it would be too long...but here are of the shorter ideas to consider:

- Never ask when the debtor has scheduled a past due balance for payment. Ask when the check was mailed.

- Be sure the person you are speaking to has authority to make binding commitments. If not, ask to speak to someone who does
- Get to the reason for your call.
- Stick to the point of your call.
- End every collection call with a recap of the commitment[s] made.
- Be enthusiastic. Enthusiasm is contagious...and so is apathy
- Don't bluff.
- Don't rush a collection call and don't allow the customer to rush through it.
- Always inquire about the status of the entire past due balance.
- Always assume you will receive a commitment for immediate payment of the entire past due balance. If you expect less, you will probably get it.

Q. Whatever happened to your website of the month article? Do you have any new, favorite websites?

A. As a reminder, these are free websites: One of my favorites is Yahoo!Finance ®. It contains financial statements, analysis, background information and even financial ratios with industry comparisons on most publicly traded companies in the United States.

Not surprisingly, another favorite is my own website at <http://www.coveringcredit.com/>

Q. I was told you published [somewhere] a bankruptcy checklist. Can you reprint it for the people who missed it?

A. Sure. If a customer files for bankruptcy protection, consider taking all of the following steps:

- < Close or inactivate the account
- < Send a Reclamation Demand --- if applicable
- < Print and keep somewhere safe an account statement and a copy of all outstanding invoices, debits and credits on the bankrupt account
- < Order proof of deliveries on all outstanding invoices, and fully document the nature and status of any outstanding deductions
- < Determine your potential Preferential Transfer dollar risk by reviewing and keeping records of payments received, sales made and returns accepted from the debtor in the 90 days prior to the bankruptcy
- < Review the credit file to determine if there are any personal or inter- corporate guarantees. If they exist, make a written demand immediately to the guarantor(s) for payment using certified mail

Q. Do you advocate periodically switching territories so that collectors get different accounts to call?

A. If you are dissatisfied with your collection results, then yes – this is one technique that I have seen as being effective in improving collections and lowering DSO. One advantage of this technique is that problems one collector might be trying to hide will come to the surface when the new collector takes over the territory. Another advantage of this technique is that when collectors switch territories they can create a new base line for collections. Another reason to switch is to bring fresh enthusiasm to the collection process. Another reason involves reducing boredom among collectors.

Q. Can you publish here or make available as a “White Paper” your essay on Export Credit Management that you discussed last month in one of your seminars?

A. It is available, but there is a fee [cost] since the paper is over thirty pages long. Please send me an email if you are interested in purchasing it. My address is:
<mailto:mcdennis@coveringcredit.com>mcdennis@coveringcredit.com