

E~Credit News

August 2017

The Business Credit
Management Association
Wisconsin

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“Selling to Minority Contractors” Webinar

August 10, 2017 | 9:00—10:00 AM CT

Government projects frequently outline participation requirements by minority contractors. This requirement introduces new risks to creditors. We'll discuss some of the credit tools that can help us to minimize our credit risk, such as:

- Assignments of lien rights
- Joint check agreements
- UCC filings



We'll also examine other concerns & liabilities that we need to be aware of. The government agencies are stepping up their efforts to protect against fraud. We have responsibilities to ensure these programs are not being abused, so we want to make sure we are protecting our interests. In this session, you will learn:

- How to protect your accounts receivable when selling to minority contractors
- What to look for to detect fraud & abuse
- Your liability in reporting abuses.

To join this important and informative webinar, click [here](#) to learn more!



“Debt Collection & Deduction Management” Webinar

August 22, 2017 | 9:00—11:00 AM CT

THIS WEBINAR IS A 2-HOUR PERSONALIZED PROGRAM

You are invited & encouraged to invite everyone in Credit & Collections to attend the presentation...as well as your manager!

- The program will address Debt Collection & Deduction Management in great detail.
- A detailed program PowerPoint will be provided to attendees, & you are encouraged to use it as a reference tool & as a training tool.
- Consider using it to update your credit department policies.
- Share the handouts with anyone on your team that cannot attend the program.
- Jump start your Certified Professional Collector accreditation by attending.

We are asking that you submit your toughest collection problems ahead of time. They will be answered directly during the program.

To join this important and informative webinar, click [here](#) for the announcement and registration.

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NEW ASSOCIATION REPRESENTATIVES

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Christy Jenkins
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Kendra Gerdes
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NEW GROUP REPRESENTATIVES**INTERNATIONAL CREDIT EXECUTIVES GROUP**

Kendra Gerdes
Systems Inc

FOOD SERVICE SUPPLY HOSPITALITY INDUSTRY CREDIT GROUP

Dana Harvey
Reinhart Foodservice LLC

MEMBER NEWS:

Congratulations to Chris Kelly, CED/Interstate, on the recent birth of his little girl. They welcomed Alexandra Anselma into the world on June 16th. She weighed 7lbs. 11 oz., and was 21 in. long. What a precious little girl!



If you have something you would like us to announce please send an email to admin@wcacredit.org, Subject line: Member News

Discussion Forum: Is it best to have the customer pay cash in advance for new purchases instead of paying their current invoices early. Do I need to make sure that the terms on the "new" purchases say cash in advance?

If I have a customer, which is a .com, that is over their credit limit, and in order to keep receiving shipments they have been paying early. Senior management is concerned that they may go bankrupt. Is it best to have the customer pay cash in advance for new purchases instead of paying their current invoices early? Do I need to make sure that the terms on the "new" purchases say cash in advance?

~ CORPORATE CREDIT MANAGER, TOY MANUFACTURER

We have them pay COD\$ on the current order they want to received +10% of the past due balance, this way were getting our money on both ends and still keeping the sale.

~ CREDIT MANAGER, FOOD SERVICE DISTRIBUTOR

Beware of the 90-day preference. Any payments outside the normal course are subject to be pulled back; in the event of a bankruptcy.

~ CREDIT MANAGER

If the customer is over their credit line, they have 3 options:

- Provide information/security to increase the credit line
- Pay down the account
- Prepay for new orders.

If you are concerned about the health of the company, I would suggest the prepay method. That way your exposure is limited to the next due date. If you take new orders on terms, then your exposure extends further into the uncertain future.

~ DIVISION CREDIT DIRECTOR, BUILDING PRODUCTS COMPANY

I have been told more than once by an attorney who is affiliated with NACM, that if you are paid cash in advance, that money cannot be considered a preference because it was not paying an outstanding A/R item. Cash in advance and/or retainers can be a way to protect yourself from preference claims. It may not be perfect, and you still may need to fight a claim, but it is worth asking for when you are shipping a customer in this situation."

~ SENIOR CREDIT MANAGER, WHOLESALE GROCERY FIRM

Discussion Forum: Is it best to have the customer pay cash in advance for new purchases instead of paying their current invoices early. Do I need to make sure that the terms on the "new" purchases say cash in advance? (Continued)

You can change the terms to CIA and these sales will not be subject to preference, the reason being you are exchanging fair value dollar-for-dollar. Anything that you sold to them on open terms 90 days prior to the filing that you get paid on would be subjected to preference scrutiny. I would say put them on CIA and collect the prior invoices when they come due.

~ DIRECTOR OF CREDIT, INDUSTRIAL MANUFACTURER

The issue would be the possible preference status of the payment on the older invoices. If you can apply the payments to the oldest invoices and those invoices are not past due at the time of the payment, you have a payment in the ordinary course of business and no preference issues. The more recent purchases would of course be part of the bankruptcy and would still be subject to the automatic stay.

The COD or CIA on new purchases eliminates any issue on preference but if they file you would still have an outstanding balance, the issue is whether they owe you for old or new purchases. I would suggest that you ask them for a recent financial statement.

If the statement is current and it does not reflect either a balance sheet insolvency or technical insolvency, you can argue that no preference issue exists. In order to claim a preference the debtor must show that they were in a bankrupt status during the 90 days prior to the filing. If that is not demonstrated then no preference exists. Many trustees prefer to forget about this part of the code but it is one of the qualifiers for a preference action.

I have encountered this in the past and the argument was successful in that the trustee did not wish to pursue it in the court. I believe they either knew or believed they would lose.

~ CREDIT EXEC, GLOBAL FERTILIZER COMPANY

As one who was recently involved in defending a \$9 million preference suit on invoices that were totally within the normal course of business -- I would clearly advise that it is not as "cut and dried" as you indicated in your post. The COD/CIA does not eliminate any issue of preferences and in may cost your company thousands to prove such. I would recommend getting a bank letter or credit to secure the credit exposure. If a payment is returned, then draw against the bank letter of credit. This for sure is a fail-safe method of avoiding preference.

~CREDIT EXEC

I attended a session at a big conference this year and we were cautioned that even prepayments can be called back. One needs to make sure that the Chapter 11 was approved to utilize cash. If there first order for financing is not approved the payment is not approved. Rare but apparently it can happen.

~ CREDIT EXEC, ARCHITECTURAL GLASS FIRM

I agree that nothing in bankruptcy is ever cut and dried. In one of the districts, the judge ruled that even a letter of credit was a preference. This, fortunately, did not take hold in all of the districts. I guess the point that I wanted to make was that many times, you will receive a preference claim from the trustee and I would encourage everyone to be armed with as much knowledge as possible as to the defenses to these claims.

If a trustee determines that you are serious in your intent to defend your claim and position they, many times, will become more conciliatory. I cannot say over all my years that I have ever found any two-bankruptcy cases to be the same so the best defense is a well-planned knowledgeable offense.

~ CREDIT EXEC, GLOBAL FERTILIZER COMPANY

Thanks to Credit Today's [Forum for Senior Credit Execs](#)

10 Questions - A Banker's Guide

Questions any bank would want answered about any commercial loan applicant certainly merit the attention of any credit manager. Among the most common:

- 1) **Does the business deal in goods or services that are "staples?"** "You don't want to advance credit to someone who is here today and gone tomorrow, someone in a whimsical type of business," points out one bank loan officer. "That kind of company can be very successful for a short time and then go broke. However, if you deal with staple goods or services, you have increased assurance that the company will stay around. You might also have a better idea of what the company will do in the future."
- 2) **Is the product something you are familiar with?** If you know the company's field, you can make a better judgment about credit. This does not mean you should not extend credit to companies whose products are new to you, but you do need to gather more background information on the industry before making a decision.
- 3) **Is your customer familiar with its product?** "That may sound like a strange question," the banker admits. "But a lot of companies get into new products and services, and they don't always know how to handle them. For instance, if a company that has been in the service field decides to invest in the production of a new product with which it has had no previous experience, which poses an increased risk. "Or suppose a person with no managerial experience decides to run a business. This is another high-risk situation. Being good at a trade or service and being able to run a business are completely different things."
- 4) **Does the customer have a diverse customer base?** A customer that has all its eggs in one basket is much less attractive than one that has a diversity of accounts.
- 5) **Does the customer have several years of profits and cash flow?** "No one can control the future," he notes. "But if a customer is in a stable area of goods or services and has been in business for a long time with positive cash flow, which does bode well for the future. Even if a new product fails, the customer will have its ongoing business profits and cash flow to pay off the loan."
- 6) **Are financial statements conservative?** "You want a good financial statement, and a good financial statement is, by nature, conservative. Look closely at customers that do their statements in house or that use accountants who are not conservative or up-to-date with generally accepted accounting principles. These customers' financial statements could be misleading."
- 7) **Are statements audited or, at least, reviewed?** "When a customer has invested in a good financial statement, it's a positive signal to a creditor."
- 8) **Does the customer have assets that will last longer than the period of debt?** Beware of assets that depreciate faster than the debt is reduced during the loan period. An extreme example: A 10-year loan for a computer that is going to be outdated in less than half that time is obviously a very risky loan.
- 9) **Will the assets generate funds to pay for themselves?** "Any kind of equipment that is going to generate sales or revenue is better than an asset that is just going to be consumed. A prime example would be a truck that delivers products that bring in additional revenues. Furniture that is used in the lobby, on the other hand, generates no new revenue."
- 10) **Is this a good customer for you?** In banking terms, the criterion would be whether the borrower is a good customer for other services. "Thus a transaction might not be as secure as you would like, but if the customer is good in other areas, you might look at it as a loss leader. However, do not take this principle to the extremes. Always compare the size of the risk with the size of the benefits."

Talking Points For Speaking to Sales

Communicating With Sales Regularly - Formally or Informally - is Always Important

Do you speak to your sales reps about what you are doing in credit?

If you do not, you should.

One of the most important roles of a credit exec is to constantly communicate credit's role in your organization and how it relates to sales.

In a recent Credit Today [listserv discussion](#), a member asked for suggestions on what she might include in an upcoming presentation to her company's sales team. A number of great responses were received.

Lisa Childress, Corporate Credit Manager at Bison Building Materials recommended covering the following topics with sales:

- 1) How company profits are diminished the longer an invoice remains unpaid.
- 2) What the cost of money (borrowing) is for your company. In addition, are bank covenants you must adhere to?
- 3) What their commission structures are? For example, are they on a "paid-when-paid" commission structure or do their commissions diminish as the account ages?
- 4) How they and credit can maintain customer relations.
- 5) Why you in credit absolutely recognize the importance of continued sales.

Cheryl Fischer, CCP, credit manager at Barber Glass Industries, advised that the way you make your presentation with sales could make a big difference. "You have to communicate to them on their level, she wrote. " And that is definitely not a slight!" she clarified.

Visuals are Key

She has learned over the years that sales reps in general are visual people and suggested very brief overhead computer visuals. "Graphs are always very helpful. Keep it short, sweet, and to the point with pictures and I don't think you will find their eyes glazing over."

In addition, Jeff Borgens, CBA, Corporate Credit & QMS Manager at Aiphone Corporation offered up some great suggestions as well.

First, he suggested, emphasize the principals of business partnership and mutual expectations. "It's a partnership and we look for quality partners (customers) we can count on."

Sales should also understand that credit will do what it says it will do and that "ongoing payments equal ongoing shipments."

Second, make sure you "talk their language" when communicating with sales people. This means emphasizing customer needs and how you strive to meet those within the policies you have established. Talk to them about how you will help make the sale, rather than stop a sale if at all possible. In addition, cover some of the tools you have to make that happen, such as guarantees, credit cards, letters of credit, or other security agreements. Make sure they know you are not "sales prevention," but are there to facilitate the sale, he wrote.

Finally, he suggested reminding sales that we need to be aware of the role our customers play with our product.

If you sell to someone else who is depending on delivery of "your" product, and that customer ends up on credit hold and hence cannot get the goods down thru the channel, it potentially puts your firm a bad light. "We need to be conscientious of those that buy thru the channel by making sure our business partners are reliable," he wrote.

CREDIT TODAY

The premier online community & resource for trade credit execs

"Above informational articles on Pages 2-5 were provided by Credit Today"

To learn more about subscribing to Credit Today, check out their web site at www.credittoday.net



IT IS THAT TIME OF THE YEAR FOR THE 2017 CREDIT EXECUTIVE OF THE YEAR NOMINATION!

Each year, one Credit Executive is honored with the Credit Executive of the Year Award. This prestigious award will be presented to the recipient at the 2017 Credit Professional's Conference, September 13 & 14 in Pewaukee/Waukesha, WI at the Milwaukee Marriott West Hotel. We ask our members to reflect on the accomplishments and dedication of individuals in the field of Credit and Finance when considering a candidate

for nomination. Please help us by nominating an individual deserving of consideration for this year's Award by completing and returning the official nomination **by August 23, 2017**.

Take a moment to submit your [Credit Executive Nomination](#).

REMOVAL OF PUBLIC RECORD INFORMATION & COLLECTION TRADE LINES FROM CONSUMER REPORTS

Credit Reporting Service Users, Credit Group Members, and WCA Clients

We heard preliminary discussions of this action described below and received official notice from our Business Partner Experian. This will affect all members who rely on consumer credit reports. Please note, the removal of specific, yet very important public record and collections trade lines information, from individual's personal credit reports is being implemented by ALL THREE (Experian, Equifax and Transunion) data bases.

This is also a good opportunity to advise all members that the BCMA/WCA is a premier Direct Sales Representative and distributor for Experian Business Credit Reports. If you are interested in the Association providing you with the best pricing and plans available from Experian, and our multiple database credit reporting packages overall, please contact us personally. There seems to be a disconnect in that some members feel they should go direct to Experian and/or that there would be more attractive pricing doing so. That is an incorrect assumption; we work hand in hand with Experian to tailor direct services for capped report contracts and unlimited use contracts for you with Experian. The Association is committed to working with Experian and all our credit report Channel Partners to provide and obtain the best pricing available. Volume and frequency is the key to leveraging service and price. Have needs we can assist you with?

Please contact us. Call us first!

CHECK OUT OUR [CALENDAR](#) FOR MORE UPCOMING EVENTS.
YOU CAN TRUST THE ASSOCIATION TO ASSIST IN [RECOVERY](#) FROM YOUR DEBTORS ANYWHERE IN THE WORLD.
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TSYS Merchant SolutionsSM (Partners)

Need credit card payment solutions for your business? Whether large or small, TSYS has the customized solutions to fit your business needs. BCMA partners with TSYS because they are focused on creating more value in our client relationships than ever before, and their voice has emerged as one of the most trusted in the payments industry. This true spirit of partnership, and the accompanying understanding that our success is determined by our clients' success, infuse everything we do. Whether you're LOOKING TO BEGIN ACCEPTING CREDIT CARDS, or LOOKING TO LOWER YOUR

CREDIT CARD SURCHARGE FEES...TSYS will help. Contact the Association at 262.827.2880. We'll put you in touch with a representative that will assist you. TSYS was named to Ethisphere's 2013 World's Most Ethical Companies List!

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GOT AN IDEA?

Would you like to contribute to the BCMA Newsletter? The most important part is your idea. We can handle the polishing. Just write to us at BCMAEditor@Credit-Today.net with your idea!



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UPCOMING INDUSTRY CREDIT GROUP MEETINGS

AUGUST 8, 2017

Fine Paper/Graphic Arts Industry Credit Group
Teleconference Call

AUGUST 9, 2017

Plumbing & Heating Industry Credit Group
Delafield, WI
Regional Paper & Packaging Industry Credit Group
Book of Reports Only

AUGUST 10, 2017

Food Suppliers Industry Credit Group
Madison, WI
Metals & Industrial Suppliers Credit Group
Book of Reports Only

AUGUST 11, 2017

Electrical Suppliers Industry Credit Group
Delafield, WI

AUGUST 15, 2017

Building & Construction Materials Credit Group
Milwaukee, WI



AUGUST 16, 2017

Minnesota Electrical Product Suppliers Group
Brooklyn Park, MN
Food Service Supply Hospitality Industry Credit Group
Waukesha, WI

AUGUST 17, 2017

Construction Industries Credit Group
Appleton, WI

AUGUST 18, 2017

IL Fine Paper Industry Credit Group
Oakbrook Terrace, IL

AUGUST 28, 2017

Western Electrical Suppliers Industry Credit Group
Book of Reports Only

AUGUST 29, 2017

WI/IL HVAC Industry Credit Group
Rockford, IL



2017 Educational Events

August 10

[“Selling to Minority Contractors” Webinar](#)

August 22

[2 Hour “Debt Collection & Deduction Management” Webinar](#)

August 25

[The Association’s 26th Annual Golf Outing](#)

September 13 & 14

[2017 Credit Professional’s Conference & Expo](#)

- The General Opening Session will be Led by Bill Balduino, President & COO of the Credit Research Foundation (CRF)
- Using Mechanic’s Liens to Make Yourself a Payment Priority
- Maximize Value in Your Customer’s Bankruptcy
- SMOKE—Simplify, Move, Optimize, Keep, or Eliminate
- So That’s Who I’m Doing Business With
- The Power of Networking & Relationship Building
- Keep What You Earned From the Claws of the Bankruptcy Trustee
- Business Credit Mastermind—6th Annual Event
- Letters of Credit, Insurance & Other
- International Payment Instruments —Compare & Contrast